COLORADO COMMUNITY COLLEGE SYSTEM

Basic Financial Statements and Compliance Audit

June 30, 2011 and 2010

(With Independent Auditors’ Reports Thereon)

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Year ended June 30, 2011

Purpose and Scope

The Office of the State Auditor of the State of Colorado engaged KPMG LLP (KPMG) to conduct a financial and compliance audit of the Colorado Community College System (CCCS or the System) for the year ended June 30, 2011. KPMG performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We conducted the related fieldwork from April 2011 to November 2011.

The purpose and scope of our audit was to:

- Express an opinion on the basic financial statements of CCCS as of and for the year ended June 30, 2011. This includes a report on internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.
- Express an opinion on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs of CCCS for the year ended June 30, 2011.
- Evaluate progress in implementing prior audit findings and recommendations.

CCCS' Schedule of Expenditures of Federal Awards and applicable opinions thereon, issued by the Office of the State Auditor, are included in the Fiscal Year ended June 30, 2011 Statewide Single Audit Report issued under separate cover.

Audit Opinions and Reports

We expressed unqualified opinions on CCCS' basic financial statements and its statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance Programs as of and for the year ended June 30, 2011.

Two audit adjustments were not made to the basic financial statements with a net effect of approximately $900,000, which is less than 1% of current year ending net assets. These passed differences are not considered material to CCCS' basic financial statements.

We issued a report on CCCS' compliance and internal control over financial reporting based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be deficiencies, significant deficiencies, or material weaknesses. A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We identified three deficiencies in internal control over financial reporting that we consider to be significant deficiencies. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Summary of Key Findings

Colorado Northwestern Community College Cashiering Controls

Throughout the Fiscal Year, there was a lack of segregation of duties in Colorado Northwestern Community College's (CNCC) cashier's offices, at the Rangely and Craig campuses, and common controls, such as the performance and review of daily reconciliations, were not occurring. Although reconciliations of cash receipts to the general ledger were performed on a daily basis, these reconciliations did not include reconciliation to the deposit slip, and evidence of review by the Bursar or Controller, as applicable for each campus. Further, we noted that until February 2011, monthly cash reconciliations of the Colorado Financial Reporting System (COFRS) were not prepared. In addition, other control weaknesses noted in the Department of Internal Audit's 2010 audit over cash receipts such as lack of written procedures, inadequate cross-training, lack of segregation of duties between those who receive payments, and those who post entries into the general ledger and inadequate safeguarding of cash had not been implemented as of March 2011.

Colorado Northwestern Community College Bookstore Controls

Common controls over bookstore operations, including segregation of duties and controls over inventory and cash receipts, are not operating at the Rangely and Craig bookstores. We also noted that as of March 31, 2011, the Craig bookstore was in a deficit net asset position of $128,000 and both Craig and Rangely had negative cash positions of approximately $152,000 and $123,000, respectively. The deficits have been increasing because at the end of Fiscal Year 2010, the Craig and Rangely bookstores were in a deficit net asset position of $137,000 and $30,000, respectively. We inquired of CNCC management for the explanations to the historical deficit net asset and deficit cash positions of both bookstores. Management informed us that the deficit net asset and cash positions in both bookstores occurred because of weaknesses in inventory controls and lack of supervision of bookstore operations.

Colorado Northwestern Community College Financial Reporting

CNCC's control environment has not been effectively designed and is not operating effectively to ensure that the financial statements are free from material errors. CNCC does not have adequate, documented policies, and procedures to ensure its financial information is complete and accurate. Further, CNCC has not developed its fiscal office staff to meet college, System Office, and State reporting needs. As a result, in Fiscal Years 2009 through 2011, the System Office was heavily involved in CNCC's accounting processes and year-end close.

Recommendations and CCCS Responses

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

(Continued)

COLORADO COMMUNITY COLLEGE SYSTEM

Financial and Compliance Audit

Report Summary

Year ended June 30, 2011

Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2010 included nine recommendations. The disposition of these audit recommendations as of November 14, 2011 was as follows:

Implemented	7
Partially implemented	2
Total	9

The 2010 audit report included four recommendations that were reported as not implemented or partially implemented for the year ended June 30, 2009, or for previous years. These recommendations have been implemented as of November 14, 2011.

COLORADO COMMUNITY COLLEGE SYSTEM

Financial and Compliance Audit

Recommendation Locator

Year ended June 30, 2011

Rec. No.	Page No.	Recommendation summary	Agency addressed	Agency response	Implementation date
1	9	CNCC should strengthen controls in the cashier's offices.	CNCC	Agree	July 2012
2	11	CNCC should strengthen controls in the bookstores.	CNCC	Agree	July 2012
3	15	CNCC should evaluate its accounting and financial reporting policies and procedures and make appropriate changes as necessary to ensure the college's financial information is accurate, complete, and available to decision makers in a timely manner.	CNCC	Agree	July 2012

Organization

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

- The Board is the governing board of the state system of community and technical colleges.
- The Board administers the occupational education programs of the state at both secondary and postsecondary levels.
- The Board administers the state's program of appropriations to Local District Colleges (LDCs) and Area Vocational Schools (AVSs).

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

Colorado Community College System's (CCCS') operations and activities are funded primarily through tuition and fees; federal, state, and local grants; the College Opportunity Fund stipends; a fee-for-service contract with the Department of Higher Education; State Fiscal Stabilization funding; and Amendment 50 funding. In addition, the SBCCOE receives and distributes state appropriations for LDCs, AVSs, and school districts offering vocational programs.

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

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

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Enrollment, tuition, and faculty and staff information are presented below. Enrollment information was obtained from the Colorado Commission on Higher Education (CCHE), Final Student Full-Time Equivalent (FTE) Enrollment Report. Staff information was obtained from Format 10 and 40 for the Budget Data Book for Fiscal Year 2011 that is prepared by higher education institutions for CCHE.

CCCS reports FTE student and faculty and staff for three continuous Fiscal Years as follows:

FTE Student Enrollment

	Resident	Nonresident	Total
Fiscal Year:			
2010 – 2011	58,994	3,946	62,940
2009 – 2010	53,405	3,647	57,052
2008 – 2009	44,920	3,084	48,004

FTE Faculty and Staff

	Faculty	Staff	Total
Fiscal Year:			
2010 – 2011	3,903	2,025	5,928
2009 – 2010	3,590	1,912	5,502
2008 – 2009	3,313	1,880	5,193

We have audited the basic financial statements of the Colorado Community College System (CCCS or the System) as of and for the year ended June 30, 2011, and have issued our report thereon, dated November 14, 2011. In planning and performing our audit of the basic financial statements, we considered CCCS' internal control solely to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on internal control. In addition, in accordance with *Government Auditing Standards,* issued by the Comptroller General of the United States, we also have issued our report dated November 14, 2011 on our consideration of CCCS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. We have not considered internal control since the date of this report. We did not audit the financial statements of certain discretely presented component units discussed in note 1 to the basic financial statements, which represent 99.0%, 99.0%, and 99.0% of the 2011 assets, net assets, and revenues of the aggregate discretely presented component units, respectively. Those financial statements were audited by other auditors and were not audited in accordance with *Government Auditing Standards*.

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

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

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

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

Colorado Northwestern Community College Cashiering Controls

Colorado Northwestern Community College (CNCC) has a cashiering office at both the Rangely and Craig campuses. The Cashier collects student payments for tuition, student fees, and other auxiliary activities. The Craig campus cashier is supervised by the Bursar located at the Rangely campus (who is also the cashier at the Rangely campus). The Bursar is supervised by the Business Officer. In Fiscal Year 2011, CNCC collected $5,360,845 in cash receipts.

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What Was the Purpose of the Audit Work?

The purpose of the audit work was to evaluate the internal and operational controls in place over cash receipts at CNCC.

What Audit Work Was Performed and How Were Results Measured?

Our audit work included reviewing the controls over cash receipts and reperformance of daily cash receipt reconciliations on a sample basis. Internal control over the cashiering operations should include proper segregation of duties, dual custody of cash, reconciliations of cash receipts to the deposit slip and general ledger, and management review.

What Problem Did the Audit Work Identify?

Throughout the Fiscal Year, there was a lack of segregation of duties in both cashier's offices and common controls, such as the performance and review of certain daily reconciliations were not occurring. Although reconciliations of cash receipts to the general ledger were performed on a daily basis, these reconciliations did not include reconciliation to the deposit slip and evidence of review by the Bursar or Controller, as applicable for each campus. Further, we noted the following:

- Until February 2011, monthly cash reconciliations of the general ledger to the Colorado Financial Reporting System (COFRS) were not prepared.
- The cash sweep account, the account used to transfer cash from the college to the state treasury, had not been reconciled on a monthly basis.
- A number of control weaknesses noted in the Department of Internal Audit's 2010 report over cash receipts had not been rectified as of March 2011. These weaknesses included a lack of written procedures, inadequate cross-training of personnel, a lack of segregation of duties between those who receive payments and those who post entries into the general ledger, and inadequate safeguarding of cash.

We also noted proper segregation of duties did not exist over cash receipts at the Craig campus as the cashiering role is performed by the bookstore manager. In addition, cash at the Craig campus is collected for both the bookstore operations and the cashier office and is reconciled together. Because the cashier's office and bookstore reconciliations are performed together, it cannot be determined if over/under amounts are attributable to the bookstore operations or the cashiering operations.

Why Does This Problem Matter?

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

Why Did the Problem Occur?

The control environment has not been designed to ensure adequate supervision and review of the cashiering operations, nor has an appropriate segregation of duties for cashiering operations been implemented.

(Classification of Finding: Significant Deficiency)

(Continued)

Recommendation No. 1

CNCC should strengthen controls in the cashier's offices by:

a) Developing written procedures for cashiering operations including the cash receipt process and defining roles and responsibilities of the personnel involved in the process. These procedures should include the procedures and segregation of duties policies prescribed in System Accounting Policy No. 10, *Internal Controls over Cash Receipts*.

b) Ensuring daily cash reconciliations, including reconciliation to the deposit slip, are performed timely and reviewed by the Bursar or Controller, as applicable for each campus.

c) Ensuring the cash sweep account is reconciled to the general ledger and the reconciliation is reviewed on a monthly basis.

d) Ensuring the monthly COFRS reconciliations are prepared and reviewed.

e) Implementing the remaining outstanding recommendations from the 2010 Internal Audit report.

CCCS Response

a) Agree. Implementation date: July 2012. CNCC's Controller and Business Officer are currently reviewing the cash receipt process in regards to roles and responsibilities and will ensure proper segregation of duties at both campuses. Once personnel assignments are determined, the procedures will be designed to meet the requirements in accordance with System Accounting Policy 10, and CNCC will incorporate the assignment responsibilities and specific procedures into written procedures.

b) Agree. Implementation date: January 2012. Controller is reviewing cash and performing reconciliations daily, including reconciling to the deposit slips. The Business Officer will review and approve the reconciliations monthly.

c) Agree. Implementation date: January 2012. Cash sweep will be reconciled by the Controller monthly and reviewed and approved by the Business Officer.

d) Agree. Implementation date: January 2012. Controller will prepare monthly COFRS reconciliations, which will be reviewed and approved by the Business Officer.

e) Agree. Implementation Date: July 2012. CNCC's Controller and Business Officer will review all remaining outstanding recommendations from the 2010 Internal Audit and implement them accordingly.

Colorado Northwestern Community College Bookstore Controls

CNCC operates two bookstores, at the Rangely and Craig campuses. Each bookstore has one manager as the sole employee, who is supervised by the Bursar of the Rangely campus. The bookstores receive inventory, collect cash for sales, and track inventory in the Point-of-Sale (POS) system. The POS system is used by the bookstores to track purchases and sales of books. The bookstores at the Rangely and Craig campuses had $340,903 and $135,495 of sales during Fiscal Year 2011, respectively.

What Was the Purpose of the Audit Work?

The purpose of the audit work was to evaluate the internal and operational controls in place at the CNCC bookstores.

What Audit Work Was Performed and How Were Results Measured?

Our audit work included inquiries of management and bookstore personnel regarding operations and internal controls, performance of a physical inventory on a sample basis at the Rangely campus, tests of cash receipt reconciliations on a sample basis, and inspection of data from the POS system. CCCS's Department of Internal Audit previously conducted an audit as of June 30, 2010 of the cash receipts processes and control environments at both campuses. The internal audit report provided findings and recommendations for process improvement, many of which had not been implemented by CNCC as of June 30, 2011.

Internal control over the bookstore operations should include proper segregation of duties, routine inventories, safeguarding of cash, reconciliation of cash receipts to the POS system and general ledger, and other common controls over bookstore operations.

What Problem Did the Audit Work Identify?

Common controls over bookstore operations, including segregation of duties and internal controls over inventory and cash receipts, are not operating at the Rangely and Craig bookstores. At the Craig bookstore, there is not an adequate segregation of duties over cash receipts as the cashiering role is performed by the bookstore manager. Further, controls such as reconciliation and review of inventory movements, review of physical inventories, and dual custody of cash were not occurring at both the Craig and Rangely bookstores. Although physical inventories were performed on an annual basis at both bookstores, these inventories were performed by the bookstore managers with limited oversight by CNCC's Controller or Business Officer. Through discussions with CNCC management and the bookstore managers at each bookstore, we determined that the POS system had not been consistently and accurately used for record-keeping of purchases and sales of inventory. As such, the bookstores are unable to produce accurate records of sales and purchases of books to compare to cash collections and disbursements. Additionally, there has been no supervisory review of the amounts tracked in the POS system.

We also noted that as of March 31, 2011, the Craig bookstore was in a deficit net asset position of $128,000 and both Craig and Rangely had negative cash positions of approximately $152,000 and $123,000, respectively. The deficits have been increasing because at the end of Fiscal Year 2010, the Craig and Rangely bookstores were in a deficit net asset position of $137,000 and $30,000, respectively.

Why Does This Problem Matter?

Lack of adequate controls over inventory and cash receipts at the bookstores increases the risk of misappropriation of assets. In addition, lack of adequate policies, procedures, and operational controls increases the risk that the bookstores do not recover their costs.

Why Did the Problem Occur?

The control environment has not been designed to ensure adequate supervision and review of the bookstore operations, nor has appropriate segregation of duties for bookstore operations been implemented.

(Continued)

The deficit net asset and cash positions in both bookstores occurred because of weaknesses in inventory controls and lack of supervision of bookstore operations.

(Classification of Finding: Significant Deficiency)

Recommendation No. 2

CNCC should strengthen controls in the bookstores by:

a) Conducting a physical inventory at Fiscal Year-end that is reviewed by the CNCC Controller and Business Officer.

b) Developing and implementing written policies and procedures for bookstore operations, including use of the POS system for inventory management, reconciliation of the POS system to cash receipts deposit and the general ledger, maintenance of dual custody over cash, and provision of supervisory review.

c) Implementing proper segregation of duties between purchasing, receiving, sales, and physical inventory. Segregation of duties should exist between employees handling cash receipts and employees reviewing the reconciliation of cash received to the POS system, the deposit, and the general ledger.

d) Implementing other applicable recommendations from the 2010 Internal Audit report.

CCCS Response

a) Agree. Implementation date: July 2011. Year-end physical inventory was conducted and then reviewed by the Business Officer and Bursar. Inventory was adjusted to reflect actual year-end balances, writing down inventory by $36,763 for the Rangely campus and writing down inventory by $11,516 for the Craig Campus. Bookstore personnel will conduct an inventory recount and certify existence of inventory for accountability purposes; the recount will be reviewed by the Controller and Business Officer each year ending June 30.

b) Agree. Implementation date: July 2012. CNCC's Controller, Business Officer, and Bursar will develop, write, and implement policies and procedures for both bookstores

c) Agree. Implementation date: April 2012. Segregation of duties will be reviewed and implemented through internal controls with the Bursar, Business Officer, and Controller. The cashier will prepare the deposit at each respective campus and the Bursar at Rangely or the Vice President of the Craig Campus or the Assistant of Craig Campus, will confirm and signoff the deposit and place it into the locked bag for the bank. The Controller will review and approve all daily cash reconciliations between the POS system, deposit slips, and general ledger, completed by the Bookstore Managers.

d) Agree. Implementation Date: July 2012. CNCC's Controller and Business Officer will review all other applicable recommendations from the 2010 Internal Audit and implement them accordingly.

Colorado Northwestern Community College Financial Reporting

CNCC is located in Rangely with a second campus in Craig. CNCC's net assets at June 30, 2011 totaled $33.3 million or 6% of CCCS total net assets. Fiscal Year 2011 operating revenues were $9.5 million or 2% of CCCS operating revenue and operating expenses totaled $13.6 million or 3% of CCCS operating expenses. Nonoperating revenue includes $1.3 million of Pell grant revenue.

What Was the Purpose of the Audit Work?

The purpose of the audit work was to evaluate the status of prior year findings, perform tests of internal controls, and test account balances as of June 30, 2011 as part of the systemwide audit.

What Audit Work Was Performed and How Were Results Measured?

KPMG performed a site visit at CNCC to evaluate internal controls over revenue, disbursements, payroll, and other accounts, and to perform substantive audit procedures in support of the systemwide audit.

Management is responsible for developing and maintaining effective internal control. Effective internal control provides assurance that significant weakness in the design or operation of internal control, which could adversely affect the agency's ability to meet its objectives, would be prevented or detected in a timely manner. In addition, monitoring the effectiveness of internal control should occur in the normal course of business, and periodic reviews, reconciliations, or comparisons of data should be included as part of the regularly assigned duties of personnel. Periodic assessments should be integrated as part of management's continuous monitoring of internal control, which should be ingrained in the agency's operations.

What Problem Did the Audit Work Identify?

Our audit work identified a number of control weaknesses and errors in account balances, including lack of written policies and procedures for business processes and transactions, as follows:

- Monthly reconciliations of the Banner financial management system to COFRS were not performed on a consistent basis during the year. For the past several years, CNCC has been unable to reconcile COFRS to the Banner financial management system and meet reporting deadlines without significant assistance from the System Office. The June 30, 2011 Banner to COFRS reconciliation was performed by the System Office and not by CNCC finance staff.
- The Banner student module (containing student account balances) was not reconciled to the finance module (containing the College's general ledger) at June 30, 2011. As of the date of our report, this reconciliation has not been completed.
- The Spring 2011 nonresident online tuition rate that was entered into Banner was not the Board approved tuition rate. The rate entered into Banner was $259.15 and the Board approved tuition rate was $259.30. Although the total error in tuition undercharged was small ($55), our report for last year's audit also identified some errors in entering proper tuition rates.
- Throughout the Fiscal Year, a supervisory review of all purchases made by procurement card (P-card) holder's was not occurring. CNCC policy requires that all purchases be approved by a supervisor prior to purchase. Although the supervisor does review the cardholder statement each month, the supervisor does

not reconcile preapproved purchases to the cardholder's monthly statement. As a result, the supervisory review would not identify purchases that were not approved prior to purchase or other unallowable expenditures. Additionally, while CNCC has an audit process occurring over P-card purchases on an annual basis, the audits are done haphazardly and do not consistently examine purchases made by all cardholders. The audits also are not done timely to identify and address problems or issues.

- During Fiscal Years 2011 and 2010, an inventory of fixed assets was not taken. In discussions with management, the last fixed asset inventory occurred in March and April 2009. Further, in a sample of 10 fixed asset additions tested, we were unable to verify the existence of one asset, a symmetra battery cabinet, recorded in the general ledger in the amount of $6,242 as of June 30, 2011. Management investigated the missing asset and determined it had been traded in for a new battery cabinet; however, there was no evidence of credit for a trade in when the new battery cabinet was purchased.
- The allowance for student accounts receivable was understated by approximately $97,000 because CNCC improperly excluded all of the Summer 2011 accounts receivable from the allowance calculation. The proper calculation should have been to include only the portion of Summer 2011 accounts receivable applicable to Fiscal Year 2011, not Fiscal Year 2012. CNCC's gross student accounts receivable was $2,800,000 at June 30, 2011 and the allowance was $2,100,000, before the understatement of $97,000. CNCC did not record this adjustment.
- Four of the 10 tested journal vouchers were not approved by someone other than the preparer. Two of the journal vouchers were entered and approved by the Business Officer and two were not approved.
- Through review of the Banner general ledger trial balance, we noted several Community Education programs that were in a negative cash position. The total negative cash position for the Community Education programs as of March 31, 2011 was approximately $214,732. Budgets for the Community Education programs were not monitored and variances from the budget were not followed up on timely.
- The historical default rate at CNCC for student accounts receivable is 73%. The historical default rate is well outside the allowance range of CNCC's peer institutions, which is from 34% to 51%. In addition, a large portion of student accounts receivable is paid by the Rangely Junior College District and Moffat County Affiliated Junior College District as student tuition assistance. However, management was unable to sufficiently explain the reason for the high historical default rate. Further, approximately $1 million of student accounts receivable as of June 30, 2011 was greater than 90 days old. Of that $1 million, none had been turned over to state collections. Office of State Controller policy requires that CNCC refer all debts to the state collections office no later than the census date of the regular term/semester for which the student has registered.
- CNCC did not perform a reconciliation of its three bank sweep accounts to the Banner System at any point during the year. The cash sweep accounts are used to transfer cash from the College to the State Treasury. As of the date of our report, these reconciliations had not been performed.

- CNCC has needed considerable help in closing its accounting records during the Fiscal Years 2011 and 2010. The CCCS System Office had significant involvement in the CNCC close process during Fiscal Year 2011 including the following:
  - CCCS System Office prepared several exhibits including the Exhibit J (COFRS reconciliation) and V (Cash Flows) on behalf of CNCC and made numerous revisions to other exhibits prepared by CNCC to ensure that the exhibits were correct prior to submitting them to the Office of the State Controller.
  - A majority of CNCC's footnote information included in the consolidated financial statements was prepared by the System Office.
  - CCCS System Office staff performed all construction-related accounting entries and recorded pledged revenue on behalf of CNCC.

Why Does This Problem Matter?

Lack of adequate controls increases the risk of misappropriation of assets and financial errors. Errors in financial information result in management and users of the financial statements not having accurate information on which to base decisions.

Why Did the Problem Occur?

The control environment has not been effectively designed and is not operating effectively to ensure that the financial statements are free from material errors. CNCC does not have adequate, documented policies and procedures to ensure its financial information is complete and accurate. Further, CNCC has not trained or otherwise developed its Fiscal office staff to meet college, System Office, and State reporting needs. Part of the reason is CNCC has had difficulty hiring and retaining a qualified Controller. As a result, in Fiscal Years 2009 through 2011, the System Office was heavily involved in CNCC's accounting processes and year-end close. CNCC has recently hired a new Controller and Business Officer.

Management informed us that the negative cash balances of the Community Education programs were a result of weaknesses in budgeting, planning, and training of the employees responsible for managing the programs.

CNCC was unable to provide an explanation as to why the historical default rate was 73%.

(Classification of Finding: Significant Deficiency)

Recommendation No. 3

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

a) Develop written policies and procedures for business processes and transactions.

b) Prepare a plan to develop and train CNCC's personnel on accounting and financial reporting responsibilities, policies, and procedures.

(Continued)

c) Ensure controls are properly designed and performed by the College over COFRS to Banner reconciliations, Banner student to finance module reconciliations, sweep account reconciliations, reconciliations of P-card purchases to card statements, and review of tuition rates entered into Banner.

d) Perform a fixed asset inventory and implement a policy requiring an annual fixed asset inventory.

e) Ensure the accounts receivable allowance calculation is reviewed and approved by an appropriate member of management.

f) Evaluate the reasonableness of the historical default rate of 73% and ensure that student accounts receivable are remitted to state collections on a timely basis.

g) Ensure budgets are established, reviewed, and approved for auxiliary activities such as Community Education programs and that cash receipts for auxiliary activities are monitored against the budget and significant variances are researched and followed up timely.

h) Ensure journal entries are reviewed and approved by someone other than the preparer.

CCCS Response

a) Agree. Implementation Date: July 2012. The Controller and Business Officer are currently reviewing all business processes and transactions. Once the processes and transactions are analyzed, the business office will develop written policies and procedures and implement them into practice by year-end.

b) Agree. Implementation date: July 2012. CNCC has taken the following actions to correct the deficiencies: CNCC has recently hired a new Controller who will hold weekly meetings with the Business Officer and all business office staff to identify problems early and to train and cross train employees in their respective positions. All Business office systems and procedures are being diagramed, documented, and reviewed. After the baseline has been established, system modifications will take place to mitigate system breakdowns currently evident. Those revised systems will be documented and official policies and procedures will be established.

c) Agree. Implementation date: January 2012. Controller will reconcile COFRS to Banner reconciliations, Banner Student to Finance module reconciliations, sweep accounts, P-card purchases to card statements, and review of tuition rates monthly. All reconciliations will be reviewed and approved by the Business Officer.

d) Agree. Implementation date: July 2012. The Business Officer and Controller will evaluate the process and document and implement a feasible fixed asset inventory policy. The Controller and Business Officer will oversee this fixed asset inventory process annually conducted by facilities personnel in conjunction with the Accounting Coordinator.

(Continued)

e) Agree: Implementation date: January 2012. CNCC's Controller and Bursar will research and analyze all Accounts Receivable accounts for accuracy at least quarterly. The Controller and Bursar will also research and analyze processes for effectiveness and discrepancies. This analysis will be presented to management for consideration in regards to policies to mitigate risks for uncollectable accounts (i.e., policies on drop for nonpayment, etc.)

f) Agree: Implementation date: April 2012. CNCC's Controller and Business Officer are researching the historical and current uncollectable rate for discrepancies. This will establish the reasonableness of the historical default rate of 73%. CNCC is in the process of investigating systems to alleviate the cashiering duties of the Bursar. Bursar will remit past-due accounts to State Collections by the end of the third quarter and submit within State required deadline in the future.

g) Agree. Implementation date: November 2011. Budgets will be reviewed for auxiliary activities by the Business Officer, and variances will be reviewed to establish baseline data. Subsequently, Auxiliary activities will be reviewed monthly to ensure that management initiatives are implemented and data is accurate. All deficit balances in budgets will be reviewed and management plans will be initiated for sustainability.

h) Agree. Implementation Date: November 2011. The Accounting Coordinator will prepare the majority of the journal entries, which will be approved by the Controller or Business Officer. In the event where a journal entry is prepared by the Controller or Business Officer, the Business Officer or Controller will approve the other party's entry before it is entered into the general ledger.

COLORADO COMMUNITY COLLEGE SYSTEM

Financial and Compliance Audit

Disposition of Prior Audit Findings and Recommendations

Year ended June 30, 2011

Following are the audit recommendations made for the year ended June 30, 2010 and their disposition as of November 14, 2011:

Recommendation	Disposition
Recommendation No. 1 Work with the Community College of Denver to strengthen controls over disbursements, monthly reconciliations of COFRS to the Banner financial management system, and the calculation of deferred revenue.	Implemented.
Recommendation No. 2 Work with the Community College of Denver to ensure payroll expenditures are properly reviewed, overload assignments are evaluated, and employees are trained on Board policies.	Implemented.
Recommendation No. 3 Work with Red Rocks Community College to strengthen controls over cash receipts and ensure controls are implemented and operating effectively.	Implemented.
Recommendation No. 4 Work with CNCC to ensure the college's financial information is accurate, complete, and available to decision makers in a timely manner. Also closely monitor CNCC's financial position to ensure CNCC can meet its financial obligations.	Partially implemented. See current year Recommendation No. 3.
Recommendation No. 5 Work with Otero Junior College, Lamar Community College, and CNCC to ensure that tuition rates in Banner are accurate.	Partially implemented. See current year Recommendation No. 3.

(Continued)

Recommendation	Disposition
Recommendation No. 6 Work with Pikes Peak Community College to ensure proper reconciliation of accounts receivable and calculation of the accounts receivable allowance.	Implemented.
Recommendation No. 7 Work with Community College of Denver to ensure potential illegal activities or noncompliance with federal regulations is properly investigated and follow-up actions are taken.	Implemented.
Recommendation No. 8 Work with Pueblo Community College and Red Rocks Community College to ensure the timely and accurate Return of Title IV funds.	Implemented.
Recommendation No. 9 Work with Pueblo Community College and Red Rocks Community College to ensure that borrower data transmission reconciliations are properly performed.	Implemented.

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

Independent Auditors' Report

The Members of the Legislative Audit Committee
Colorado Community College System:

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Colorado Community College System (CCCS), a component unit of the State of Colorado, as of and for the years ended June 30, 2011 and 2010, which collectively comprise CCCS' basic financial statements as listed in the table of contents. These financial statements are the responsibility of CCCS management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of certain discretely presented component units, which represent 99.0%, 99.0%, and 99.0% and 99.0%, 99.0%, and 99.0% of the 2011 and 2010 assets, net assets, and revenues of the aggregate discretely presented component units, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they related to the amounts included for the discretely presented component units, are based on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Colorado Community College System as of June 30, 2011 and 2010, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011 on our consideration of CCCS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 21 through 36 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

November 14, 2011

The following discussion and analysis provides management's view of the financial position and results of operations for the Colorado Community College System (CCCS or the System) as of June 30, 2011 and 2010 (Fiscal Years 2011 and 2010, respectively), with comparative information presented for Fiscal Year 2009. This analysis should be read in conjunction with CCCS' financial statements and notes to the basic financial statements. This analysis is intended to make CCCS' financial statements easier to understand and communicate our financial situation in an open and accountable manner.

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

CCCS is Colorado's largest institution of higher education and served 145,000 students (63,000 full-time equivalent students), approximately, during the Fiscal Year ended June 30, 2011. The System has 6,000 employees, approximately, of which approximately one-half are faculty and adjunct instructors. The colleges offer a wide variety of both academic and career programs leading either to degrees and certificates, or otherwise enhancing personal and professional growth. In addition to the 13 community colleges, CCCS also assists the State Board for Community Colleges and Occupational Education (the Board) in exercising certain curriculum and funding authority over three Area Vocational Schools (AVSs), two Local District Colleges (LDCs), and secondary career and technical programs in over 160 school districts throughout the state.

Higher education institutions in the State of Colorado (the State) have the ability to designate themselves as enterprises under the State's Constitution Article X, Section 20, commonly referred to as the Taxpayer's Bill of Rights (TABOR), given the institution meets the stated qualifications. CCCS qualified as an enterprise for Fiscal Year 2011 because it is a government-owned business with legal authority to issue revenue bonds. In addition, the System was required to receive (and is expected to continue to receive) less than 10% (in relation to total revenues) in support from the State. In Fiscal Years 2011, 2010, and 2009, the System received 1.4%, 2.0%, and 2.8%, respectively, in State support (notes 4 and 20). Beginning in Fiscal Year 2008, House Bill 08-1079 specifically excluded moneys transferred from the Colorado Department of Education (CDE) for career and technical education as state grants for the purpose of this calculation, including funding under the Colorado Vocational Act (CVA).

CCCS is partially funded through the College Opportunity Fund (COF) stipend program and a fee-for-service (FFS) contract with the Colorado Department of Higher Education (CDHE), approved by the Colorado Commission on Higher Education (CCHE). COF provides state tax dollars to students through a stipend paid on a per credit-hour basis to the institution at which the student is enrolled. For Fiscal Years 2011, 2010, and 2009, respectively, the COF stipend was $62, $44, and $68, per credit hour, which students could use to pay for a portion of their tuition. COF supports the costs of up to 145 eligible undergraduate credits. The FFS contract is the purchase of educational services, by the State, from CCCS that are not part of the COF stipend program. In Fiscal Years 2011, 2010, and 2009, respectively, CDHE's contract with CCCS purchased credit hours for vestibule labs, reciprocal programs, and educational services in rural areas, career and technology, vocational, and other high cost, specialized instructional educational services (notes 3 and 4).

Student tuition and fees, net of scholarship allowance comprise several important and offsetting components. Student tuition and fees charges alone include all amounts earned for the provision of instructional services to students, including stipends paid for eligible undergraduate students under COF. In Fiscal Year 2011, CCCS had a $42.4 million increase in gross tuition and fee revenue resulting from a 10.3% increase in enrollment, coupled with a 9.0% and 5.0% increase in resident tuition and nonresident tuition rates, respectively. This includes an increase in COF funding of approximately $35.5 million compared to Fiscal Year 2010. This increase was offset by an increase in the scholarship allowance, or the amount of federal and state funded financial assistance paid on behalf of students, which is netted against tuition and fee revenue. This scholarship allowance offset increased $33.6 million in Fiscal Year 2011 due in part to the increase in Federal Pell awards received for students, on a per student basis, as well as an increase in the number of students receiving Pell awards due to increased enrollment.

The following table represents the change in tuition and fees from Fiscal Year 2010 to 2011 (in millions).

Tuition and fees increase due to enrollment and rate increases	$	42.5
Plus increase in COF stipend funding		35.5
Gross tuition and fee increase		78.0
Reduced by increased scholarship allowance offset		(33.6)
Net increase in student tuition and fees, net of scholarship allowance	$	44.4

The following table represents the change in tuition and fees from Fiscal Year 2009 to 2010 (in millions).

Tuition and fees increase due to enrollment and rate increases	$	51
Less reduction in COF stipend funding		(21)
Gross tuition and fee increase		30
Reduced by increased scholarship allowance offset		(39)
Net decrease in student tuition and fees, net of scholarship allowance	$	(9)

On February 19, 2009, the American Recovery and Reinvestment Act (ARRA) of 2009 was signed into law, including billions of federal funds allocated to state governments. Portions of these federal funds were distributed through the CDHE as the fiscal agent under an award made from the Colorado Governor's Office to the institutions of higher education in the State via the State Fiscal Stabilization Fund (SFSF) Program. This education grant funding was used for activities allowable under the U.S. Department of Education's guidance to mitigate the impacts of state cuts during the recession. During Fiscal Years 2011 and 2010, respectively, the State distributed $4.5 million and $71.2 million in funds to CCCS as an offset to funding cuts in COF in the form of reduced student stipends and reduced FFS contracts. In accepting these funds, certain stipulations were placed on the use of the funds, including steps to mitigate tuition and fee increases for in-state students. SFSF funding is provided as pass-through funds through the State without the federal government or State directly receiving goods and services and is recorded as nonoperating revenue.

(Continued)

In November 2008, voters passed Amendment 50, which expanded limited stakes gaming in three Colorado mountain towns. CCCS received approximately $5.4 million in Fiscal Year 2011, of which $4.5 million was used for classroom instruction-related expenses and $0.6 million was awarded to students for scholarships.

On October 13, 2010, CCCS issued series 2010C Systemwide Revenue Bonds for $6,545,000 and Series 2010D Systemwide Revenue Bonds for $31,455,000 for CCD and Pueblo Community College (PCC). The bond projects funded include CCD's construction and equipping of the Student Learning and Success Building along with PCC's Student Center and the Learning Resource Center.

Financial Highlights

At June 30, 2011, CCCS' assets of $780,838,428 exceeded its liabilities of $193,842,281 by $586,996,147. At June 30, 2010, CCCS' assets of $647,095,668 exceeded its liabilities of $145,544,522 by $501,551,146. The resulting net assets are summarized into the following categories:

		June 30		
		2011	**2010**	**2009**
Invested in capital assets, net of related debt	$	313,486,808	286,351,174	268,076,704
Restricted, expendable		36,031,366	29,159,795	24,850,440
Unrestricted		237,477,973	186,040,177	135,583,788
Total net assets	$	586,996,147	501,551,146	428,510,932

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

During Fiscal Year 2011, the CCCS' total net assets increased by $85,445,001. The increase in net assets is the result of increased tuition and fees revenue, increase in COF and an offsetting increase in scholarship allowances, an increase in auxiliary revenue, an increase in FFS, an increase in Federal Pell grants, and an increase in State Capital Contributions, offset, in part, by an increase in operating expenses.

During Fiscal Year 2010, the CCCS' total net assets increased by $70,791,638 including the impact of the merger with San Juan Basin Area Vocational School of $2,248,576. The increase in net assets is the result of increased tuition and fees revenue, offset by the decrease in COF and increase in scholarship allowances, an increase in auxiliary revenue, an increase in SFSF, an increase in Federal Pell grants, and an increase in State Capital Contributions and Capital grants and gifts, offset, in part, by an increase in operating expenses.

Overview of the Financial Statements

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

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

The *Statement of Net Assets* presents information on all of CCCS' assets and liabilities at a point in time (June 30, 2011 and 2010), with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating. A reader of the financial statements should be able to determine the assets available to continue CCCS' operations, how much CCCS owes to vendors and lending institutions, and a picture of net assets and their relative availability for expenditure by CCCS.

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how CCCS' net assets changed during the fiscal period (the Fiscal Years ended June 30, 2011 and 2010). All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., the payment for accrued compensated absences, or the receipt of amounts due from students and others for services rendered). Its purpose is to assess CCCS' operating results. CCCS reports its activity as a special-purpose government engaged only in business-type activities using the economic resources measurement focus and the accrual basis of accounting.

The *Statement of Cash Flows* presents cash receipts and payments to and from CCCS for the reporting period (the Fiscal Years ended June 30, 2011 and 2010) using the direct method. The direct method of cash flow reporting portrays cash flows from operations, noncapital financing, capital and related financing, and investing activities. Its purpose is to assess CCCS' ability to generate net cash flows and meet its obligations as they come due.

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

Financial Analysis

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

The assets reported by CCCS exceeded liabilities at June 30, 2011 and 2010, resulting in net assets of $586,996,147 and $501,551,146, respectively. The majority (53.4% for 2011 and 57.1% for 2010) of CCCS' net assets are invested in capital assets (e.g., land, buildings, and equipment), net of related debt. These assets are used to provide services to students, faculty, and administration. Consequently, these assets are not available to fund future spending.

The assets reported by CCCS exceeded liabilities at June 30, 2010 and 2009, resulting in net assets of $501,551,146 and $428,510,932, respectively. The majority (57.1% for 2010 and 62.6% for 2009) of CCCS' net assets are invested in capital assets (e.g., land, buildings, and equipment), net of related debt.

		June 30		
		2011	**2010**	**2009**
Current assets	$	382,427,713	311,671,460	252,960,168
Noncurrent assets, including capital assets of $352,744,435, $321,758,543, and $297,036,715, respectively		398,410,715	335,424,208	304,713,631
Total assets		780,838,428	647,095,668	557,673,799
Current liabilities		93,868,180	88,047,489	81,452,207
Noncurrent liabilities		99,974,101	57,497,033	47,710,660
Total liabilities		193,842,281	145,544,522	129,162,867
Net assets:				
Invested in capital assets, net of related debt		313,486,808	286,351,174	268,076,704
Restricted – expendable		36,031,366	29,159,795	24,850,440
Unrestricted		237,477,973	186,040,177	135,583,788
Total net assets	$	586,996,147	501,551,146	428,510,932

Current assets increased as of June 30, 2011 compared with June 30, 2010 by approximately $70.8 million or 22.7% as a result of an $81.6 million increase in cash and cash equivalents and a $11.6 million decrease in accounts receivable. Decreases in accounts receivable include a decrease of $5.9 million in due from other governments and a decrease of $6.3 million in other receivables offset by an increase of $600 thousand in student receivables, approximately.

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

Current liabilities increased as of June 30, 2011 compared with June 30, 2010 by approximately $5.8 million or 6.6% due to normal timing differences in the payment of accounts payable and accrued liabilities of $5.2 million outstanding at year-end, an increase of approximately $1.3 million in deferred revenue primarily related to the summer tuition increase from enrollment, offset by a decrease of $500 thousand in deposits held for others and $300 thousand in other long-term liabilities, current portion.

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

Net assets may have restrictions imposed by external parties, such as donors, who specify how the assets must be used, or by their nature are invested in capital assets (property, plant, and equipment). Restricted net assets (6.1% for 2011, 5.8% for 2010, and 5.8% for 2009 of total net assets) are primarily restricted for auxiliary programs, scholarships, loans, and community training programs.

Unrestricted net assets (40.5% for 2011, 37.1% for 2010, and 31.6% for 2009 of total net assets) are available for general operations at the discretion of the Board. However, the Board has placed some limitations on future use by designating unrestricted net assets for certain purposes, including capital maintenance, equipment expansion and repair, new programs, and anticipation of future reductions in state funding.

The *Statement of Revenues, Expenses, and Changes in Net Assets* reports the results of operating and nonoperating revenues and expenses during the year and the resulting increase or decrease in net assets at the end of the year. A key component of this statement is the differentiation between operating and nonoperating activities. Operating revenues are received for providing goods and services to the various constituencies of CCCS. The COF stipend program revenue is included in student tuition and fees and FFS contract revenue is separately presented, both of which are classified as operating revenues. Operating expenses are paid to acquire or produce goods and services provided in return for operating revenue and to carry out the mission of CCCS. Nonoperating revenues are those where goods or services are not provided. Thus, state appropriations are nonoperating because they are provided by the State without the State directly receiving goods and services. During both 2011 and 2010, SFSF funding is provided as pass-through funds through the State without the federal government or State directly receiving goods and services and is also considered nonoperating. For similar reasons, Amendment 50 funding and most gifts and investment income are also nonoperating revenue.

State appropriations, net of distributions to LDCs and AVSs, represent approximately 4.5%, 4.8%, and 5.4%; student tuition and fees represent approximately 37.7%, 32.8%, and 40.6%; and FFS contracts represent approximately 3.8%, 0.6%, and 5.7% of CCCS' total revenue (less distributions to LDC and AVS) from all sources in Fiscal Years 2011, 2010, and 2009, respectively, as detailed in the charts on the following pages. However, like most public institutions of higher education, public support in the form of state appropriations offsets or supplements the operating loss from the cost of operations. CCCS experienced an $130.0 million loss from operations in Fiscal Year 2011 compared to an $169.6 million loss from operations in Fiscal Year 2010 and an $103.9 million loss from operations in Fiscal Year 2009. In Fiscal Year 2011, this operating loss was offset by net state appropriations of $26.9 million, SFSF of $4.5 million, Federal Pell grants of $144.5 million, and Amendment 50 funding of $5.4 million. In Fiscal Year 2010, this operating loss was offset by net state appropriations of $26.8 million, SFSF of $71.2 million, and Federal Pell grants of $108.1 million. In Fiscal Year 2009, this operating loss was offset by net state appropriations of $25.3 million, SFSF of $25.3 million, and Federal Pell grants of $56.5 million.

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

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

	June 30		
	2011	**2010**	**2009**
Operating revenues:			
Tuition and fees, net	$ 227,112,067	182,746,236	190,996,712
Grants and contracts	81,761,644	79,882,791	78,773,116
Fee-for-service state contract	22,860,290	3,541,151	26,900,272
Sales and services of educational activities	1,449,894	1,038,173	980,693
Auxiliary enterprises, net	41,552,120	38,895,405	37,519,433
Other	9,762,896	9,426,697	8,920,325
Total operating revenues	384,498,911	315,530,453	344,090,551
Operating expenses:			
Instruction	216,714,455	203,366,078	189,159,746
Research	332,504	88,551	—
Public service	4,179,695	4,404,203	5,195,931
Academic support	34,650,384	34,413,831	29,819,335
Student services	51,192,466	47,881,565	44,403,132
Institutional support	71,443,337	67,601,384	67,032,786
Operation and maintenance of plant	45,625,398	47,069,253	47,220,476
Scholarships and fellowships	25,457,019	19,799,690	9,420,041
Auxiliary enterprises	43,514,915	40,280,060	38,267,673
Depreciation	21,420,555	20,259,450	17,456,132
Total operating expenses	514,530,728	485,164,065	447,975,252
Operating loss	(130,031,817)	(169,633,612)	(103,884,701)
Nonoperating revenues (expenses):			
State appropriations	49,339,382	38,476,832	46,404,956
State Fiscal Stabilization Funding	4,523,158	71,186,390	25,300,005
Federal Pell grants	144,545,446	108,143,611	56,490,227
Amendment 50	5,360,539	—	—
Distributions to Local District Colleges and Area Vocational Schools	(22,418,236)	(11,662,619)	(21,107,462)

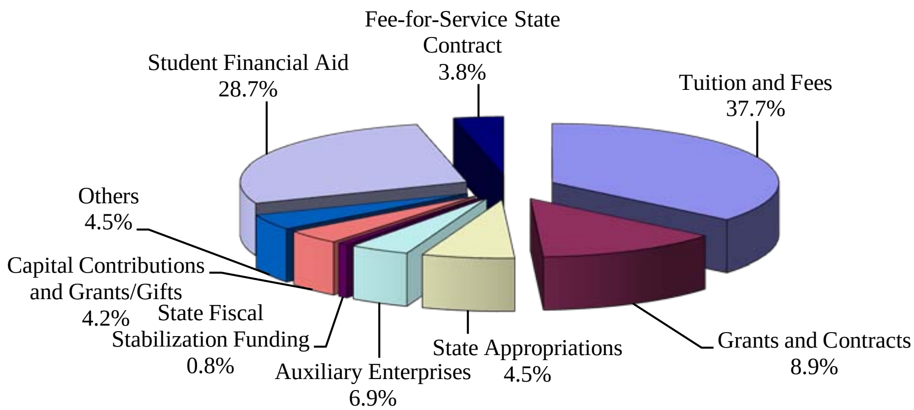
(Continued)

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

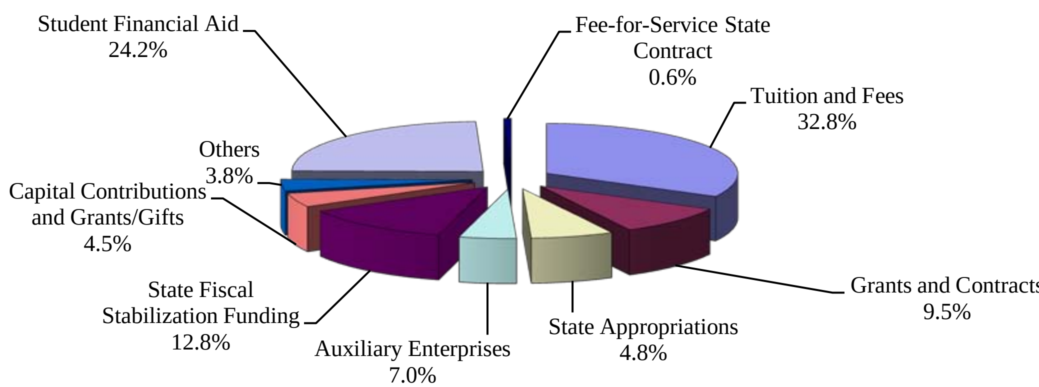
	June 30 2011	2010	2009
Other nonoperating revenues and expenses, net	$ 8,975,509	8,960,781	9,669,137
Net nonoperating revenues	190,325,798	215,104,995	116,756,863
Income before other revenues, expenses, gains, or losses	60,293,981	45,471,383	12,872,162
State capital contributions	23,086,772	21,466,589	9,140,719
Capital grants and gifts	2,064,248	3,853,666	823,483
Increase in net assets	85,445,001	70,791,638	22,836,364
Net assets:			
Beginning of year (note 21)	501,551,146	430,759,508	405,674,568
End of year	$ 586,996,147	501,551,146	428,510,932

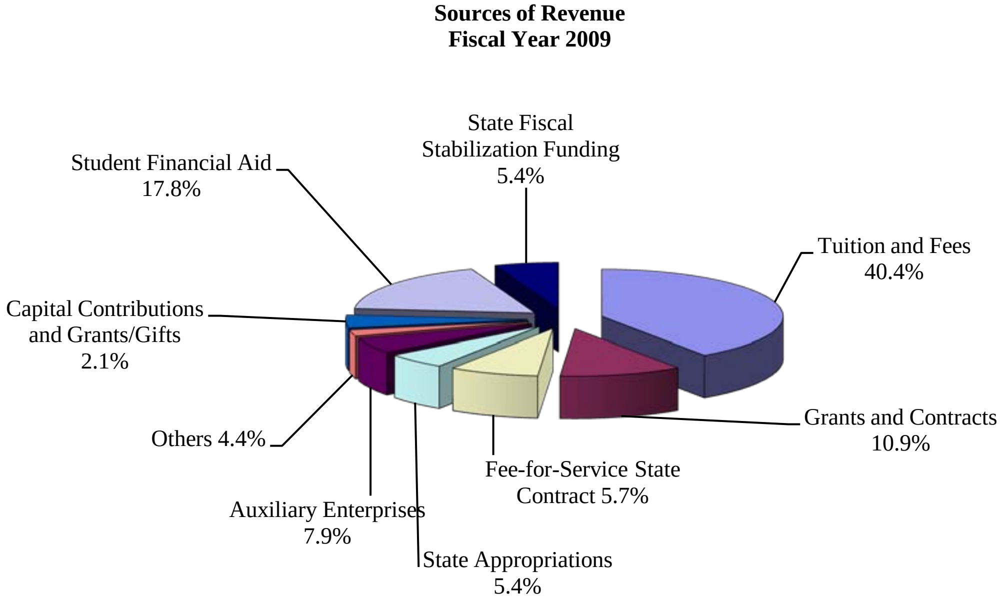
The charts below give a summary of the total CCCS revenues and expenses with no delineation between operating and nonoperating revenue and expense streams:

Sources of Revenue
Fiscal Year 2011



Sources of Revenue
Fiscal Year 2010





As the above charts demonstrate, student tuition and fees are the largest revenue source for CCCS in Fiscal Years 2011, 2010, and 2009. The operating loss of approximately $130.0 million, $169.6 million, and $103.9 million in Fiscal Years 2011, 2010, and 2009, respectively, noted above, is the result of operating expenses exceeding operating revenues. CCCS supplemented operating revenues with State appropriations and Federal Pell grants for Fiscal Years 2011, 2010, and 2009, SFSF for Fiscal Years 2011, 2010 and 2009, and Amendment 50 funding for Fiscal Year 2011, which are classified as nonoperating revenues but are used to fund operations.

Revenue activity highlights for Fiscal Year 2011 include:

- Tuition and fee revenue increased, net of the effect of scholarship allowances, by approximately $44.4 million or 24.3%. This increase was primarily due to the fact that there was a $42.4 million increase in tuition revenue due to an 10.3% increase in enrollment coupled with an increase of 9.0% in resident tuition and 5.0% in nonresident tuition rates with an even greater increase in scholarship allowance of $33.6 million directly as a result of increased Federal Pell grant awards for students and a $35.5 million increase in the COF stipend.
- FFS state contracts increased by $19.3 million or 545.6% due to an increase in FFS appropriations from the State.
- State appropriations increased by $10.9 million or 28.1% due to an increase in appropriations for LDCs and AVSs of $10.8 million.
- SFSF decreased by $66.7 million or 93.6%. In Fiscal Year 2011, this funding was partially offset by the increase in FFS of $18.9 million and increase in COF of $35.5 million.

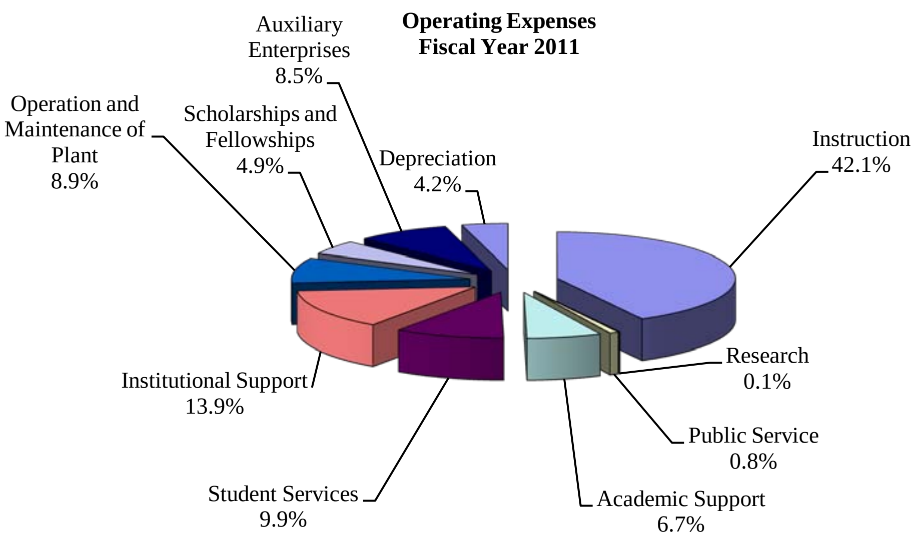
- Federal Pell grants increased $36.4 million or 33.7% due to an increase in overall enrollment of 10.3% leading to a greater number of students qualifying as well as an increase in the award per student under new legislation.
- Amendment 50 funding in the amount of $5.4 million was received for the first time in Fiscal Year 2011. These funds were limited in use to classroom instruction-related activities and scholarships for students.
- State capital contributions increased $1.6 million or 7.5%. This increase is primarily due to continuing projects funded through the State's certificates of participation at CNCC on its Academic Building Project, Front Range Community College on its new laboratory wing of their science building on the Larimer campus, and Morgan Community College on its space and building improvements for the health and science programs.
- Capital grants and gifts decreased a total of $1.8 million or 46.4% due to CNCC's Foundation contribution for the Striegel building and NJC's private donation for the purchase of a golf course and clubhouse facility in FY10.

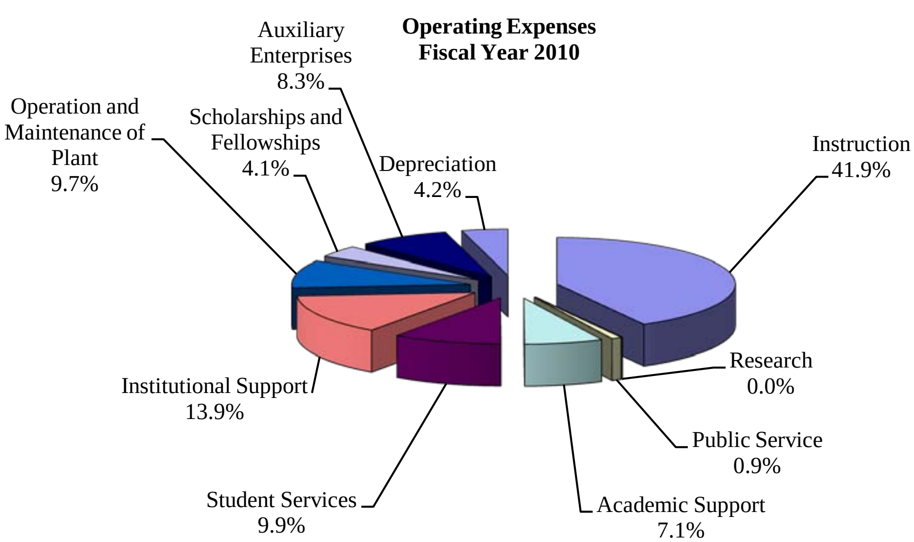
Revenue activity highlights for Fiscal Year 2010 include:

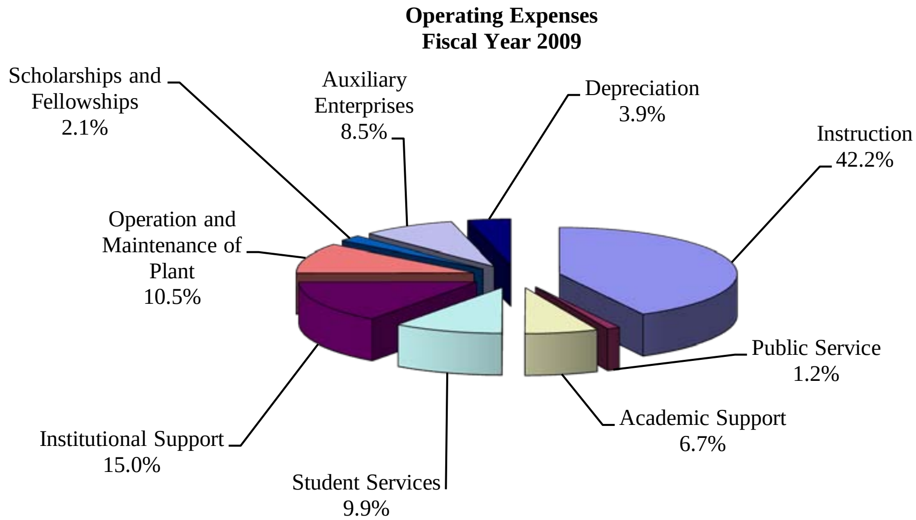
- Tuition and fee revenue decreased, net of the effect of scholarship allowances, by approximately $8.3 million or 4.3%. This decrease was primarily due to the fact that there was a $51.4 million increase in tuition revenue due to an 18.8% increase in enrollment coupled with an increase of 9.0% in resident tuition and 5.0% in nonresident tuition rates offset by an even greater increase in scholarship allowance of $38.6 million directly as a result of increased Federal Pell grant awards for students and a $21.1 million decrease in the COF stipend.
- FFS state contracts decreased by $23.4 million or 86.8% due to a decrease in FFS appropriations from the State.
- State appropriations decreased by $7.9 million or 17.1% due to a decrease in appropriations for LDCs and AVSs of $9.4 million offset by an increase in CVA appropriations of $1.5 million.
- SFSF increased by $45.9 million or 181.4%. In Fiscal Year 2010, this funding was received to offset the impact of the $23.4 million reduction in FFS revenue and a reduction of $21.1 million in COF stipend revenue from the State.
- Federal Pell grants increased $51.7 million or 91.4% due to an increase in overall enrollment of 18.8% leading to a greater number of students qualifying as well as an increase in the award per student under new legislation.
- State capital contributions increased $12.3 million or 134.8%. This increase is primarily due to projects funded through the State's certificates of participation at CNCC for $4.1 million on its Academic Building Project, Front Range Community College for $8.2 million on its new laboratory wing of their science building on the Larimer campus, and Morgan Community College for $2.2 million on its space and building improvements for the health and science programs.
- Capital grants and gifts increased a total of $3.0 million or 368.0% due to CNCC's Foundation contribution of $1.1 million for the Striegel building and capital gifts increased $1.9 million due to NJC's

(Continued)

private donation for the purchase of a golf course and clubhouse facility to use for turf management and culinary arts program purposes and additional revenue generation.







Expense activity highlights for Fiscal Year 2011 include:

- Instruction expenses increased by $13.3 million or 6.6%. Approximately $11.2 million related to increase costs for adjunct faculty and other staff salary and benefits for increased enrollment, including concurrent enrollment programs at the High Schools. Additionally, $1.6 million related to increased grant activity for a Department of Labor Nursing Grant, $1.1 million was the result of increases in distributions of CVA funds, and $1.3 million related to increased noncapital equipment, furniture, and supplies for new instructional facilities.
- Student services expenses increased by $3.3 million or 6.9%. Approximately $1.4 million of expenses increased due to additional grant activity and $1.2 million resulted from increased salaries and additions of new positions to address increased enrollment. Additionally, $0.9 million of fee expenses increased related to the Auraria Higher Education Center services provided for the shared common facilities.
- Institutional support expenses increased by $3.8 million or 5.7%. Approximately $3.5 million of the increase was related to additional bad debt and $0.9 million related to additional salary and benefit expense to address increased enrollment.
- Scholarships and fellowships expenses increased by $5.7 million or 28.6%. This is primarily due to a $36.4 million increase in Federal Pell grants due to additional awards and an increase in the amount awarded per student. This was offset by an increase of $34.4 million in scholarship allowance, which reduces tuition and fees and auxiliary revenues.
- Distributions to LDC and AVS increased $10.8 million or 92.2% due to an increase in State appropriations. LDCs and AVSs alternatively received less in SFSF funds directly from the State.

Expense activity highlights for Fiscal Year 2010 include:

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

Capital Asset and Debt Management

At June 30, 2011, CCCS had $352,744,435 of capital assets, net of accumulated depreciation of $266,403,326 and including current year depreciation of $21,420,555. At June 30, 2010, CCCS had $321,758,543 of capital assets, net of accumulated depreciation of $247,859,315 and including current year depreciation of $20,259,450. A breakdown of assets by category, net of accumulated depreciation is provided below:

		June 30		
		2011	2010	2009
Land	$	20,623,390	20,624,742	20,073,667
Land improvements		8,942,410	9,177,640	9,932,087
Buildings and improvements		228,072,228	214,299,145	208,819,299
Leasehold improvements		3,962,022	4,204,440	1,644,052
Construction in progress		47,829,409	30,850,907	15,959,594
Equipment and software		38,411,017	37,564,423	35,532,308
Library materials		4,268,053	4,401,340	4,454,882
Collections		635,906	635,906	620,826
Total capital assets	$	352,744,435	321,758,543	297,036,715

Major capital additions of $500,000 or more completed during Fiscal Year 2011 are as follows:

College	Project		Cost (In millions)	Source of funding
Arapahoe Community College	Boiler Replacement	$	0.7	State Funded
	Art & Design Center HVAC		0.8	Internal Reserves
Community College of Denver	Modular Classroom #1		1.0	Internal Reserves
Colorado Northwestern Community College	ADA Compliance Project		0.6	State Funded
	Striegel Building Renovation		1.5	Internal Reserves
Front Range Community College	New Facilities Building LC		1.0	Internal Reserves
	C9111 Science Building LC		5.4	State Funded
	Student Service Center WC		1.6	Internal Reserves
	HVAC Study WC		1.0	Internal Reserves
	Architectural Space Planning BCC		1.2	Internal Reserves
Northeastern Junior College	EPC – Energy Performance		2.5	Debt
Otero Junior College	Conley Dormitory C		0.5	Internal Reserves
Pueblo Community College	Center for New Media – Addition & Remodel		0.5	State Funded

The System has $41.6 million in commitments for various upcoming capital construction and controlled maintenance projects as of June 30, 2011.

CCCS had $85,071,210 and $45,807,238 in debt outstanding at June 30, 2011 and 2010, respectively.

(Continued)

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

The breakdown of the debt follows:

		June 30		
		2011	**2010**	**2009**
Auxiliary revenue bonds	$	61,937,334	24,693,110	15,121,278
Capital lease obligations		23,133,876	21,114,128	21,515,611
Total debt	$	85,071,210	45,807,238	36,636,889

Colorado Community College System Future

The budgetary situation for higher education continues to change. As a result of legislation adopted in the 2004 session (Senate Bill 04-189), the State no longer provides direct state General Fund appropriations to the governing boards for general operations. Instead, the State provides stipends to the qualified, resident undergraduate students, and institutions receive FFS contracts from CDHE for the provision of other educational services. For Fiscal Year 2012, CCCS is authorized to receive $5.9 million in FFS revenue and $106.9 million in student stipends. This support totaling $112.8 million of anticipated Fiscal Year 2012 represents an 11.2% decrease in state support from the $127.0 million that was provided in 2011. CCCS anticipates receiving $5.7 million of additional funding under the Amendment 50 funding in Fiscal Year 2012.

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

Enrollment: In Fiscal Year 2011, in a weakened economy, CCCS' resident enrollment of 58,994 increased by 10.5% from Fiscal Year 2010, and nonresident enrollment of 3,946 increased over the same period by 8.2%, resulting in a total net enrollment increase of 10.3%. Therefore, further increases in enrollment were considered in the Fiscal Year 2012 budget.

Tuition Rates: In an effort to mitigate increased costs along with an overall decrease in state support during the previous three years, the Board raised the resident tuition by 9.0% and the nonresident tuition by 5.0% in Fiscal Year 2011. In preparation for loss of SFSF and further reductions in state support, colleges have been told by the Board to prepare for a 10.0% resident and 5.0% nonresident tuition increase for Fiscal Year 2012.

Requests for Information

This financial report is designed to provide a general overview of CCCS' finances and to show the System's accountability for the money it receives. Questions concerning any other information provided in this report or requests for additional financial information should be addressed to:

Colorado Community College System
Department of Finance and Administration
9101 E. Lowry Blvd
Denver, CO 80230-6011

COLORADO COMMUNITY COLLEGE SYSTEM

Business-Type Activity

Statements of Net Assets

June 30, 2011 and 2010

Assets		**2011**	**2010**
Current assets:			
Cash and cash equivalents	$	323,121,905	241,206,894
Restricted cash and cash equivalents		3,882,953	4,209,356
Accounts receivable, net		49,768,466	61,414,070
Inventories		5,103,827	4,376,911
Prepaid expenses		550,562	464,229
Total current assets		382,427,713	311,671,460
Noncurrent assets:			
Restricted cash and cash equivalents		42,239,105	10,648,155
Restricted investments		2,524,924	2,566,236
Other assets		902,251	451,274
Capital assets, net		352,744,435	321,758,543
Total noncurrent assets		398,410,715	335,424,208
Total assets	$	780,838,428	647,095,668
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	18,972,377	15,511,205
Accrued liabilities		33,439,021	31,741,583
Deferred revenue		26,635,648	25,345,695
Deposits held for others		11,321,820	11,790,727
Bonds payable, current portion		1,480,000	1,400,000
Capital leases payable, current portion		849,275	808,557
Other long-term liabilities, current portion		61,423	353,458
Compensated absences liability, current portion		1,108,616	1,096,264
Total current liabilities		93,868,180	88,047,489
Noncurrent liabilities:			
Bonds payable		60,457,334	23,293,110
Capital leases payable		22,284,601	20,305,571
Other long-term liabilities		857,116	627,303
Compensated absences liability		16,375,050	13,271,049
Total noncurrent liabilities		99,974,101	57,497,033
Total liabilities		193,842,281	145,544,522
Net assets:			
Invested in capital assets, net of related debt		313,486,808	286,351,174
Restricted for expendable purposes:			
Auxiliary pledged revenue		30,533,571	23,286,953
Scholarships/fellowships		1,032,923	772,469
Loans		498,215	1,360,646
Training programs		547,455	858,484
Amendment 50		174,681	—
Debt service		592,260	326,476
Other		2,652,261	2,554,767
Total restricted for expendable purposes		36,031,366	29,159,795
Unrestricted		237,477,973	186,040,177
Total net assets		586,996,147	501,551,146
Total liabilities and net assets	$	780,838,428	647,095,668

See accompanying notes to basic financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Discretely Presented Component Units

Statements of Financial Position

June 30, 2011 and 2010

Assets		**2011**	**2010**
Cash and cash equivalents	$	6,395,767	9,467,345
Accounts and pledges receivable		1,772,524	2,365,936
Due from primary government		—	20,000
Investments		26,653,690	21,795,344
Investment in direct financing leases		11,900,000	12,245,000
Beneficial interest in charitable remainder trust		526,242	429,500
Other assets		156,777	160,202
Capital assets, net		12,079,983	12,840,438
Total assets	$	59,484,983	59,323,765
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	162,410	204,136
Due to primary government		787,319	1,267,394
Accrued liabilities		53,496	76,152
Deferred revenue		1,007,189	933,587
Bonds payable		5,195,128	5,994,980
Other liabilities		12,491,790	12,810,905
Total liabilities		19,697,332	21,287,154
Net assets:			
Unrestricted		12,144,679	10,720,844
Temporarily restricted		19,358,566	20,126,498
Permanently restricted		8,284,406	7,189,269
Total net assets		39,787,651	38,036,611
Total liabilities and net assets	$	59,484,983	59,323,765

See accompanying notes to basic financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Business-Type Activity

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2011 and 2010

	2011	2010
Operating revenues:		
Student tuition and fees, net of scholarship allowances of $146,156,261 in 2011 and $112,576,339 in 2010; including revenues pledged for bonds of $30,335,487 in 2011 and $25,399,579 in 2010	$ 227,112,067	182,746,236
Grants and contracts	81,761,644	79,882,791
Fee-for-service state contract	22,860,290	3,541,151
Sales and services of educational activities	1,449,894	1,038,173
Auxiliary enterprises, net of scholarship allowances of $5,969,769 in 2011 and $5,128,793 in 2010; including revenues pledged for bonds of $42,014,043 in 2011 and $38,888,848 in 2010	41,552,120	38,895,405
Other operating revenues and gifts	9,762,896	9,426,697
Total operating revenues	384,498,911	315,530,453
Operating expenses:		
Instruction	216,714,455	203,366,078
Research	332,504	88,551
Public service	4,179,695	4,404,203
Academic support	34,650,384	34,413,831
Student services	51,192,466	47,881,565
Institutional support	71,443,337	67,601,384
Operation and maintenance of plant	45,625,398	47,069,253
Scholarships and fellowships	25,457,019	19,799,690
Auxiliary enterprises	43,514,915	40,280,060
Depreciation	21,420,555	20,259,450
Total operating expenses	514,530,728	485,164,065
Operating loss	(130,031,817)	(169,633,612)
Nonoperating revenues (expenses):		
State appropriations	49,339,382	38,476,832
State Fiscal Stabilization funding	4,523,158	71,186,390
Federal Pell grants	144,545,446	108,143,611
Amendment 50 funding	5,360,539	—
Distributions to Local District College and Area Vocational Schools	(22,418,236)	(11,662,619)
Gifts	1,340,156	1,051,358
Investment income	5,235,723	7,381,669
Interest expense on capital debt	(1,768,643)	(1,782,729)
Other nonoperating revenues, including gain (loss) on disposal of assets	4,168,273	2,310,483
Net nonoperating revenues	190,325,798	215,104,995
Income before other revenues, expenses, gains, or losses	60,293,981	45,471,383
Other revenues, expenses, gains, or losses:		
State capital contributions	23,086,772	21,466,589
Capital grants	757,735	1,938,608
Capital gifts	1,306,513	1,915,058
Increase in net assets	85,445,001	70,791,638
Net assets, beginning of year (note 21)	501,551,146	430,759,508
Net assets, end of year	$ 586,996,147	501,551,146

See accompanying notes to basic financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Discretely Presented Component Units

Statement of Activities

Year ended June 30, 2011

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues:					
Contributions	$	807,253	3,772,082	989,019	5,568,354
Grants		—	564,360	—	564,360
Investment income, net		1,936,358	1,280,627	131,806	3,348,791
Rental income		1,995,002	64,702	33,847	2,093,551
Special events		270,816	167,189	1,500	439,505
Net assets released from restrictions		6,511,474	(6,509,884)	(1,590)	—
Other income (loss)		687,673	(107,008)	(59,445)	521,220
Total revenues		12,208,576	(767,932)	1,095,137	12,535,781
Expenses:					
Program services		8,123,627	—	—	8,123,627
Fund-raising services		1,823,930	—	—	1,823,930
Administrative services		837,184	—	—	837,184
Total expenses		10,784,741	—	—	10,784,741
Change in net assets		1,423,835	(767,932)	1,095,137	1,751,040
Net assets, beginning of year as restated (note 22)		10,720,844	20,126,498	7,189,269	38,036,611
Net assets, end of year	$	12,144,679	19,358,566	8,284,406	39,787,651

See accompanying notes to basic financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Discretely Presented Component Units

Statement of Activities

Year ended June 30, 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues:				
Contributions	$ 783,370	5,305,264	1,007,321	7,095,955
Grants	—	501,299	—	501,299
Investment income, net	1,564,349	1,649,284	126,492	3,340,125
Rental income	2,000,654	59,710	31,946	2,092,310
Special events	271,561	115,750	—	387,311
Net assets released from restrictions	5,012,512	(5,012,262)	(250)	—
Other income (loss)	679,141	(41,578)	(122,323)	515,240
Total revenues	10,311,587	2,577,467	1,043,186	13,932,240
Expenses:				
Program services	6,716,847	—	—	6,716,847
Fund-raising services	700,453	—	—	700,453
Administrative services	843,548	—	—	843,548
Transfer to CCCS	735,634	—	—	735,634
Total expenses	8,996,482	—	—	8,996,482
Change in net assets	1,315,105	2,577,467	1,043,186	4,935,758
Net assets, beginning of year	9,405,739	17,549,031	6,146,083	33,100,853
Net assets, end of year, as restated (note 22)	$ 10,720,844	20,126,498	7,189,269	38,036,611

See accompanying notes to basic financial statements.

COLORADO COMMUNITY COLLEGE SYSTEM

Business-Type Activity

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash received:		
Tuition and fees	$ 221,808,404	174,077,913
Student loans collected	4,040,893	4,058,490
Sales of products and services	42,993,539	39,936,167
Grants, contracts, and gifts	105,750,469	89,214,348
Other operating receipts	11,011,738	7,341,516
Cash payments:		
Scholarships disbursed	(24,759,743)	(19,461,424)
Student loans disbursed	(4,017,617)	(4,120,598)
Payments for employees	(288,566,444)	(274,586,859)
Payments to suppliers	(166,051,731)	(160,584,277)
Net cash used in operating activities	(97,790,492)	(144,124,724)
Cash flows from noncapital financing activities:		
State appropriations – noncapital	49,339,382	38,476,832
State Fiscal Stabilization funding	4,523,158	71,186,390
Federal Pell grants	144,488,543	108,143,611
Amendment 50 funding	5,360,539	—
Distributions to Local District Colleges and Area Vocation Schools	(22,418,236)	(11,662,619)
Gifts and grants for other than capital purposes	1,269,319	1,016,608
Agency (inflows)	297,777,732	215,468,831
Agency (outflows)	(290,582,339)	(219,809,018)
Other noncapital financing activities	4,154,524	2,853,354
Net cash provided by noncapital financing activities	193,912,622	205,673,989
Cash flows from capital and related financing activities:		
Capital grants, contracts, and gifts	1,607,735	4,285,844
Proceeds from capital debt	41,024,247	17,720,322
Proceeds from sale of capital assets	88,930	—
Acquisition and construction of capital assets	(27,335,800)	(22,473,229)
State certificates of participation cash match	120,972	—
Principal paid on capital debt	(2,208,807)	(9,517,321)
Interest on capital debt	(1,475,711)	(1,579,695)
Net cash provided by (used in) capital and related financing activities	11,821,566	(11,564,079)
Cash flows from investing activities:		
Investment earnings	5,235,723	7,381,669
Proceeds from sale of investments	209,861	16,355,846
Purchase of investments	(209,722)	(10,351,822)
Net cash provided by investing activities	5,235,862	13,385,693
Net increase in cash and cash equivalents	113,179,558	63,370,879
Cash and cash equivalents, beginning of year	256,064,405	192,693,526
Cash and cash equivalents, end of year	$ 369,243,963	256,064,405

(Continued)

COLORADO COMMUNITY COLLEGE SYSTEM

Business-Type Activity

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	2011	2010
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (130,031,817)	(169,633,612)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	21,420,555	20,259,450
Increase in other nonoperating assets/noncash expenses	149,408	292,310
Decrease (increase) in assets:		
Receivables, net	1,309,128	(1,619,235)
Inventory and prepaids	(748,864)	(403,909)
Increase (decrease) in liabilities:		
Accounts payable	3,709,939	998,269
Accrued liabilities	1,697,438	705,229
Deferred revenues	1,320,431	4,450,063
Deposits held for others	370,641	65,370
Compensated absences liability	3,116,353	811,800
Other liabilities	(103,704)	(50,459)
Net cash used in operating activities	$ (97,790,492)	(144,124,724)
Noncash investing, capital, and noncapital financing activities:		
State funding for acquisitions of capital assets	$ 22,937,364	20,634,865
State funding for acquisitions of noncapital assets	149,408	291,648
Equipment donations and capital gifts	527,350	3,085,891
Capital leases	—	103,850
Loss on disposal of capital assets	(1,500)	(4,672)
Amortization of bond premium/discount, issuance costs, and gain or loss on refunding	42,396	(10,258)

See accompanying notes to basic financial statements.

(1) Governance and Reporting Entity

The Colorado Community College System (CCCS or the System) is governed by the State Board for Community Colleges and Occupational Education (SBCCOE). The nine board members are appointed for staggered four-year terms by the Governor with consent of the State Senate. The SBCCOE governs the system office and the 13 state system colleges and administers vocational technical education funds distributed to the two Local District Colleges (LDCs), three Area Vocational Schools (AVSs), and school districts offering vocational programs.

CCCS is an institution of higher education of the State of Colorado established by the Community College and Occupational Education Act of 1967, Title 23, Article 60 of the Colorado Revised Statutes (CRS). Thus, for financial reporting purposes, CCCS is included as part of the State of Colorado's primary government. CCCS' operations and activities are funded primarily through tuition and fees, federal, state, and local grants, the College Opportunity Fund (COF) stipends, and a fee-for-service (FFS) contract. Pursuant to CRS 23-1-104, state appropriations for the operation of CCCS are made to the SBCCOE, which is responsible for the allocation to the individual colleges. In addition, the SBCCOE receives and distributes state appropriations for LDCs, AVSs, and school districts offering vocational programs.

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

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

As an institution of higher education in the State of Colorado, the income of CCCS is generally exempt from income taxes under Section 115(a) of the Internal Revenue Code. Income generated from activities unrelated to the exempt purpose of CCCS would be subject to tax under Section 511(a)(2)(B). There was no material tax liability related to income generated from activities unrelated to CCCS' exempt purpose as of June 30, 2011 and 2010.

(Continued)

(a) Blended Component Unit

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

(b) Discretely Presented Component Units

A legally separate, tax-exempt foundation exists for the system office and each of the 13 colleges. While not all of the foundations are materially significant, they have all been included as discretely presented component units of CCCS. The foundations were created to promote the welfare and future development of the colleges by providing financial support for instructional programs, facilities, equipment, student scholarship programs, and cultural activities. Their major sources of revenue include donations, interest and dividends earned on bank accounts, and investments, leases, and fund-raising events. The foundations act primarily as fund-raising organizations to supplement the resources that are available to CCCS in support of its programs. Although CCCS does not control the timing or amount of receipts from the foundations, the majority of resources or income thereon that the foundations hold and invest is restricted to the activities of CCCS by the donors. Because these restricted resources held by the foundations can only be used by or for the benefit of the colleges, the foundations are considered component units of CCCS and are discretely presented in CCCS' basic financial statements. The Community College of Denver Foundation entered into dissolution effective February 2010 and all assets were remitted to CCD. The discretely presented component unit financial statements are presented in accordance with Financial Accounting Standards Board (FASB) pronouncements.

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

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

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

(c) Joint Venture

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

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

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

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

(2) Basis of Presentation

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

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

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

(a) Cash and Cash Equivalents

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

(b) Accounts Receivable

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

(c) Restricted Cash and Cash Equivalents and Restricted Investments

Restricted cash and cash equivalents and restricted investments primarily represent moneys from unspent bond proceeds, restricted for Benefit Trust benefits, and cash and cash equivalents held in escrow for capital leases related to energy performance contracts. Investments are reported at fair value, which is determined based on quoted market prices as of June 30, 2011 and 2010.

(d) Inventories

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

(e) Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. CCCS uses a capitalization threshold of $50,000 for buildings and improvements other than buildings and internally developed software, and $5,000 for all other capital assets and estimated useful lives in accordance with the *State Fiscal Procedures Manual*. CCCS' estimated useful lives are as follows: 20 – 50 years for buildings, 20 – 50 years for improvements other than buildings, 3 – 10 years for equipment, 7 – 15 years for library collections, and 1.5 – 15 years for software. Depreciation expense is not allocated among functional categories.

Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or their estimated useful life. Such amortization is included as depreciation expense in the accompanying financial statements.

As of June 30, 2011 and 2010, the construction-in-progress includes capital construction projects in process, but not substantially complete.

(f) Deposits Held for Others

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

(Continued)

(g) Accrued Liabilities

Accrued liabilities primarily represent accrued payroll, benefits payable, and other payroll-related liabilities at June 30, 2011 and 2010.

(h) Compensated Absences Liability

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

(i) Deferred Revenue

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

(j) Capital Leases

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

(k) Net Assets

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

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

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

(l) Classification of Revenues and Expenses

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

- Operating revenues and expenses are derived from activities associated with providing goods and services for instruction, public service, or related support services to an individual or entity separate from CCCS to carry out the mission of CCCS. Operating revenues include stipends paid for eligible undergraduate students under COF, created and funded by the Colorado Legislature. The stipend can be used to pay a portion of in-state tuition for both new and continuing students and is paid on a per credit-hour basis to the institution at which the student is enrolled. The credit-hour amount is set annually by the General Assembly. In addition, operating revenues include payment for the FFS contract from the State of Colorado for delivery of educational services by CCCS that are not part of the COF stipend program. In Fiscal Years 2011 and 2010, FFS purchased credit hours included vestibule labs, reciprocal programs, educational services in rural areas, and career and technology, vocational, and other high cost, specialized instructional education services.
- Nonoperating revenues and expenses are those that do not meet the definition of operating revenues or capital revenues. In Fiscal Years 2011 and 2010, nonoperating revenues include Colorado Vocational Act (CVA) state appropriations, State Fiscal Stabilization Funding (SFSF), Federal Pell grants, Amendment 50 funding, state training program grants, occupational education funds, gifts, investment income, and insurance recoveries. Nonoperating expense includes interest expense and distributions to AVSs and LDCs.
- Other revenues, expenses, gains, and losses include state capital construction contributions and controlled maintenance appropriations, gifts, and grants restricted for capital purposes.

(m) Application of Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available to pay an expense, CCCS' general policy is to first utilize restricted resources. Only when restricted resources are unavailable are unrestricted resources used to pay expenses, with the exception of Amendment 50 funding received, which may be expensed in future periods.

(n) Scholarship Allowances

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

(o) State Fiscal Stabilization Funds

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

(p) Amendment 50 Funds

In November 2008, the passage of Amendment 50 recognized the importance of Community Colleges and LDCs to the State's economic development through the development of a highly skilled workforce. This legislation approved the expansion for limited gaming with new rules, hours, and games beginning July 2, 2009. Gaming tax revenue is collected by the State in the Fiscal Year that the gaming play takes place and a portion is allocated out to the recipients the following Fiscal Year, per the provisions of HB 09-1272. Community colleges are to use the funds for classroom instruction-related activities and scholarships for students.

(q) Use of Estimates

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

(r) Reclassifications

Prior year amounts have been reclassified to conform to the current year presentation, including restricted cash and cash equivalents of $10,321,679, which were reclassified from restricted investments.

(4) Appropriations

The Colorado State Legislature establishes spending authority for CCCS in its annual Long Appropriations Bill. Appropriated funds include an amount from the State of Colorado's General Fund, COF stipend, and FFS contract revenue, as well as certain cash funds. Cash funds include tuition, certain fees, and certain other revenue sources, which are recognized in various revenue categories, as appropriate, in the accompanying statements of revenues, expenses, and changes in net assets. Nonappropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues, and other revenue sources.

For the years ended June 30, 2011 and 2010, appropriated expenditures were within the authorized spending authority. CCCS received a total general fund appropriation of $49,339,382 and $38,476,832, respectively, for 2011 and 2010. Included in the State appropriations are general fund appropriations specified to be passed through to two LDCs and three AVSs for both 2011 and 2010 of $22,418,236 and $11,662,619, respectively. These amounts consist of $13,967,735 and $7,350,751 for 2011 and 2010, respectively, for LDCs, and $8,450,501 and $4,311,868 for 2011 and 2010, respectively, for AVSs. Also included in general fund appropriations were capital contributions of $23,086,772 in 2011 and $21,466,589 in 2010. During 2011, CCCS received FFS contract revenue in the amount of $22,860,290 and COF stipends in the amount of $104,582,509. During 2010, CCCS received FFS contract revenue in the amount of $3,541,151 and COF stipends in the amount of $69,059,656.

(5) Tuition, Fees, and Auxiliary Revenue

Tuition, fees, and auxiliary revenue and the related scholarship allowance for the year ended June 30, 2011 were as follows:

	Tuition and fees	Auxiliary revenue	Total
Gross revenue	$ 373,268,328	47,521,889	420,790,217
Scholarship allowances:			
Federal	(119,910,271)	(4,553,973)	(124,464,244)
State	(18,900,264)	(839,813)	(19,740,077)
Private	(2,220,419)	(79,017)	(2,299,436)
Institutional	(5,125,307)	(496,966)	(5,622,273)
Total scholarship allowances	(146,156,261)	(5,969,769)	(152,126,030)
Net revenue	$ 227,112,067	41,552,120	268,664,187

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

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

(6) Cash and Cash Equivalents and Investments

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

		June 30, 2011	June 30, 2010
Cash on hand and change funds	$	162,912	226,099
Deposits with financial institutions		48,098,829	17,987,306
Total	$	48,261,741	18,213,405

Colorado statutes require protection of public moneys in banks beyond that provided by the Federal Deposit Insurance Corporation (FDIC). The Public Deposit Protection Act in CRS 11-10.5-107(5) requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102.0% of the deposits exceeding those amounts insured by federal insurance.

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

		Carrying amount	
		June 30, 2011	June 30, 2010
Footnote amounts:			
Deposits	$	48,261,741	18,213,405
Deposits held with State Treasurer		320,982,222	237,851,000
Restricted investments		2,524,924	2,566,236
Total	$	371,768,887	258,630,641
Financial statement amounts:			
Net cash and cash equivalents	$	323,121,905	241,206,894
Current restricted cash and cash equivalents		3,882,953	4,209,356
Noncurrent restricted cash and cash equivalents		42,239,105	10,648,155
Subtotal cash and cash equivalents		369,243,963	256,064,405
Restricted investments		2,524,924	2,566,236
	$	371,768,887	258,630,641

CCCS deposits its cash with the Treasurer as required by CRS. The Treasurer pools these deposits and invests them in securities approved by Section 24-75-601.1, CRS. The Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2011 and 2010, CCCS had cash on deposit with the Treasurer of $320,982,222 and $237,851,000, respectively, which represented approximately 5.3% of the total of $6,100.3 million and 4.0% of the total of $5,977.9 million, respectively, in deposits in the Treasurer's Pool (Pool).

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

For CCCS' deposits with the Treasurer, the net unrealized loss for Fiscal Year 2011 was $122,086 and the net unrealized gain for Fiscal Year 2010 was $2,526,876. These unrealized gains and losses are included in cash and cash equivalents on the statements of net assets.

(a) Custodial Credit Risk

Investments in the Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the State's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the State's name. As of June 30, 2011 and 2010, none of the investments in the Pool are subject to custodial credit risk. The Benefit Trust does not have a documented risk policy for its investments for custodial credit risk.

(b) Credit Quality Risks

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2011 and 2010, approximately 86.7% and 88.1%, respectively, of investments in the Pool are subject to credit quality risk reporting. Except for $18,384,300 and $25,573,200 in 2011 and 2010, respectively, of corporate bonds rated lower medium, and $14,533,750 in 2010 of corporate bonds rated as speculative, and $18,384,300 and $14,218,750 in 2011 and 2010, respectively, of corporate bonds rated as very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

As of June 30, 2011 and 2010, there were no investments in the Benefit Trust, subject to credit quality risk. The Benefit Trust does not have a documented risk policy on its investments for credit quality risk.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. The weighted average maturity (WAM) method expresses investment time horizons, the time when investments become due and payable, in terms of years, weighted to reflect the dollar size of individual investments within an investment type. The overall portfolio WAM is derived by dollar weighting the WAM for each investment type. The State has selected WAM as the primary method for reporting interest rate risk. As of June 30, 2011, the WAM of investments in the Pool is 0.015 years for commercial paper (1.3% of the Pool), 1.054 years for U.S. government securities (81.7% of the Pool), 1.06 years for asset-backed securities (6.9% of the Pool), and 3.133 years for corporate bonds (10.1% of the Pool). As of June 30, 2010, the WAM of investments in the Pool is 0.04 years for commercial paper (3.7% of the Pool), 0.01 years for money market funds (3.2% of the Pool), 1.3 years for U.S. government securities (73.8% of the Pool), 1.36 years for asset-backed securities (12.6% of the Pool), and 2.05 years for corporate bonds (6.7% of the Pool).

As of June 30, 2011 and 2010, the Benefit Trust had no investments subject to interest rate risk.

(d) Concentration of Credit Risk

The Benefit Trust does have investments (other than U.S. government or agency securities, mutual funds, or investment pools), which represent 5.0% or more of total investments subject to concentration of credit risk, thus concentrating credit risk. Although all investments intrinsically carry credit risk, when investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. As of June 30, 2011, the fair value of Benefit Trust investments greater than 5.0% of total applicable investments was as follows:

Issuer		Fair value	Percentage of investments
Analog Devices	$	90,022	5.32%
Berkshire Hathaway Inc Series B New		116,085	6.86
Caterpillar Inc		244,858	14.47
Celgene Corp		241,280	14.26
EQT Corp		99,788	5.90
Omnicare Inc		98,859	5.84
Verizon Communications Com		93,075	5.50
Wells Fargo Company		95,404	5.64
Willis Group Holdings Public Limited Company		86,331	5.10

As of June 30, 2010, the fair value of Benefit Trust investments greater than 5.0% of total investments was as follows:

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

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

The State has established maximum holding percentages for investments. The Pool was not subject to concentration of credit risk in Fiscal Year 2011 or 2010.

(e) ***Foreign Currency Risk***

The State does not allow foreign currency investments. The Benefit Trust does not have a documented risk policy on its investments relative to foreign currency risk. The Pool and the Benefit Trust were not subject to foreign currency risk in Fiscal Year 2011 or 2010.

Additional information on investments of the Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2011.

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

Accounts receivable at June 30, 2011 was as follows:

		Gross receivables	Allowance for uncollectible accounts	Net receivables
Student accounts receivable	$	50,118,784	(22,998,471)	27,120,313
Due from other governments		19,052,317	—	19,052,317
Other receivables		3,929,533	(333,697)	3,595,836
Total receivables	$	73,100,634	(23,332,168)	49,768,466

Accounts receivable at June 30, 2010 was as follows:

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

Accounts payable and accrued liabilities at June 30, 2011 and 2010 was as follows:

		2011	2010
Amounts owed to vendors	$	16,342,188	13,928,625
Salaries and benefits payable		33,439,021	31,741,583
Accrued interest payable		471,120	285,609
Other payables		2,159,069	1,296,971
Total accounts payable and accrued liabilities	$	52,411,398	47,252,788

(Continued)

(8) Capital Assets

The following table presents changes in capital assets and accumulated depreciation for the year ended June 30, 2011:

	Balance, June 30, 2010	Additions	Deletions	Transfers	Balance, June 30, 2011
Nondepreciable capital assets:					
Land and land improvements	$ 20,624,742	—	(1,352)	—	20,623,390
Construction in progress	30,850,907	43,768,742	(37,579)	(26,752,661)	47,829,409
Collections	635,906	—	—	—	635,906
Total nondepreciable capital assets	52,111,555	43,768,742	(38,931)	(26,752,661)	69,088,705
Depreciable capital assets:					
Land improvements	17,351,925	442,301	(1)	84,202	17,878,427
Buildings and improvements	411,465,199	958,294	(17,112)	26,183,563	438,589,944
Leasehold improvements	7,519,249	65,104	(2)	174,745	7,759,096
Equipment and software	68,573,922	6,782,637	(1,890,647)	310,151	73,776,063
Library materials	12,596,008	553,305	(1,093,787)	—	12,055,526
Total depreciable capital assets	517,506,303	8,801,641	(3,001,549)	26,752,661	550,059,056
Less accumulated depreciation:					
Land improvements	8,174,285	761,732	—	—	8,936,017
Buildings and improvements	197,166,054	13,351,662	—	—	210,517,716
Leasehold improvements	3,314,809	482,267	(2)	—	3,797,074
Equipment and software	31,009,499	6,138,305	(1,782,758)	—	35,365,046
Library materials	8,194,668	686,589	(1,093,784)	—	7,787,473
Total accumulated depreciation	247,859,315	21,420,555	(2,876,544)	—	266,403,326
Net depreciable capital assets	269,646,988	(12,618,914)	(125,005)	26,752,661	283,655,730
Total capital assets, net	$ 321,758,543	31,149,828	(163,936)	—	352,744,435

The following table presents changes in capital assets and accumulated depreciation for the year ended June 30, 2010:

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

(9) Long-Term Liabilities

The following table presents changes in long-term liabilities at June 30, 2011:

	Balance, June 30, 2010	Additions	Reductions	Balance, June 30, 2011	Current portion
Bonds payable	$ 24,693,110	38,656,977	(1,412,753)	61,937,334	1,480,000
Capital leases payable	21,114,128	2,828,305	(808,557)	23,133,876	849,275
Other long-term liabilities	980,761	301,873	(364,095)	918,539	61,423
Compensated absences liability	14,367,313	16,188,956	(13,072,603)	17,483,666	1,108,616

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

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

(10) Bonds Payable

(a) Systemwide Revenue Bonds

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

Series 2003 Bonds

The Series 2003 revenue bonds for $4,900,000 were issued on June 19, 2003. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2030. The principal of the Series 2003 issue was used to refund PPCC's portion of the Series 1996 bonds and to build two new child development centers for PPCC.

Series 2004 Bonds

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

Series 2010 Bonds

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

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

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

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

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

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

The Series 2010B-2 Taxable Systemwide Revenue Bonds for $9,665,000 were issued on March 10, 2010. Interest is payable semiannually on May 1 and November 1. The Series 2010B-2 Bonds were issued as "Build America Bonds" for purposes of ARRA of 2009 signed into law on February 17, 2009 (the Recovery Act). Pursuant to the Recovery Act, SBCCOE expects to receive a cash subsidy payment from the U.S. Treasury (referred to herein as the Federal Direct Payments) equal to 35% of the interest payable on the Series 2010B-2 Bonds on or about each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the U.S. government, but is required to be paid by the Treasury under the Recovery Act. Any Federal Direct Payments received by the Board are to be deposited into the Debt Service Fund and applied to the payment of principal and interest on the Series 2010B-2 Bonds. Final maturity of the bonds is November 1, 2041. The principal of the Series 2010B-2 issue was distributed between the colleges as follows:

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

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

The Series 2010A, 2010B-1, and 2010B-2 Bonds qualify for the State of Colorado Intercept Program (the State Intercept Program). Pursuant to the State Intercept Program, the Treasurer shall pay the

(Continued)

principal of and interest on the Series 2010 Bonds if the Board does not make such payments when they are due.

The Series 2010C Systemwide Revenue Bonds for $6,545,000 were issued on October 13, 2010. Interest is payable semiannually on May 1 and November 1. Final maturity of the bonds is November 1, 2017. The principal of the Series 2010C issue was distributed between the colleges as follows:

Community College of Denver	$	4,575,000
Pueblo Community College		1,970,000
	$	6,545,000

The Series 2010D Taxable Systemwide Revenue Bonds for $31,455,000 were issued on October 13, 2010. Interest is payable semiannually on May 1 and November 1. The Series 2010D Bonds were issued as "Build America Bonds." Final maturity of the bonds is November 1, 2039. The principal of the Series 2010C issue was distributed between the colleges as follows:

Community College of Denver	$	19,970,000
Pueblo Community College		11,485,000
	$	31,455,000

The proceeds from the 2010C and 2010D bonds will be used to finance construction, improvement and equipping of the Student Learning and Success Building at CCD, the Student Center at PCC, and the Learning Resource Center at PCC.

The Board has adopted a resolution stating that it will not participate in the State Intercept Program for the 2010C and 2010D Bonds.

(b) Advance Refunding

In Fiscal Year 1999, $5,490,000 of Pueblo Community College and Red Rocks Community College Systemwide Revenue Bonds Series 1992 were advance refunded. Proceeds of the new bonds were placed in an escrow fund for all future debt service payments on the previous series bonds.

In Fiscal Year 2003, the Pikes Peak Community College Systemwide Revenue Bonds Series 1996 were advance refunded. A portion of the proceeds of the 2003 bonds, in the amount of $1,175,000, was placed in an escrow fund for all future debt service payments on the previous series bonds.

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

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

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

For June 30, 2011 and 2010, $5,920,000 and $6,155,000, respectively, outstanding is considered advance refunded and not included in the accompanying basic financial statements.

(c) Security

The bonds are special obligations of CCCS payable from certain net pledged revenues as defined in the bond indentures. The Series 2010 bonds are payable solely out of and secured by an irrevocable pledge of 10% of tuition and fee revenues, net of scholarship allowance. The Series 2004 and Series 2003 bonds are payable solely out of and secured by an irrevocable pledge of income or monies derived from the auxiliary facilities (defined below) after deduction of operating and maintenance expenses, including, without limitation, student fees and other fees, rates, and charges pertaining thereto and for the development thereof, and may include, at the Board's discretion, any grants, appropriations, or other donations from the U.S. government or its agencies or from any other donor, except the state or its agencies or political subdivisions.

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

Total net pledged revenue for bonds was $72,349,530 and $64,288,427 for Fiscal Years 2011 and 2010, respectively. These amounts consisted of $30,335,487 student tuition and fees, net of scholarship allowance for Fiscal Year 2011 and $25,399,579 of student fees net of scholarship allowance for Fiscal Year 2010 plus $42,014,043 and $38,888,848 of auxiliary enterprise revenue for Fiscal Year 2011 and 2010, respectively.

(d) Earnings Requirement

Under the terms of the December 2004 bond indenture, CCCS must adopt fees, tuition rates, rents, and charges sufficient to budget annual net pledged revenues of at least 125.0% of the debt service due that Fiscal Year. Management believes it is in compliance with the earnings requirement provision of the bond indentures.

(e) Minimum Bond Reserve Requirement

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

(Continued)

compliance with the bond resolution and guarantees the minimum bond reserve requirement for all issues.

(f) Mandatory Sinking Fund Redemption

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

(g) Bond Accounting

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

(h) Long-Term Bond Principal Maturities

Bond principal payments to be made during Fiscal Years through 2016 are enumerated in the following table:

		Principal maturing in next five years by year				
Bond issue		**FY12**	**FY13**	**FY14**	**FY15**	**FY16**
Series 2003:						
Pikes Peak Community College	$	150,000	155,000	160,000	165,000	170,000
Series 2004:						
Front Range Community College		450,000	470,000	485,000	505,000	525,000
Series 2010A:						
Community College of Aurora		68,707	71,752	74,625	73,006	75,511
Morgan Community College		33,754	37,514	36,654	35,855	39,384
Northeastern Junior College		199,769	208,711	208,300	212,398	215,276
Pueblo Community College		229,498	234,056	238,398	242,928	246,192
Red Rocks Community College		182,463	183,640	184,723	190,600	195,442
Trinidad State Junior College		65,809	64,327	67,300	70,213	68,195
Series 2010B-1:						
Colorado Northwestern Community College		100,000	105,000	105,000	110,000	—
Northeastern Junior College		—	110,000	110,000	115,000	—
Series 2010B-2:						
Colorado Northwestern Community College		—	—	—	—	110,000

Bond issue		Principal maturing in next five years by year FY12	FY13	FY14	FY15	FY16
Northeastern Junior College	$	—	—	—	—	115,000
Series 2010C:						
Community College Denver		—	420,000	765,000	795,000	830,000
Pueblo Community College		—	295,000	310,000	325,000	335,000
Series 2010D:						
Community College Denver		—	—	—	—	—
Pueblo Community College		—	—	—	—	—
Total revenue bonds payable		1,480,000	2,355,000	2,745,000	2,840,000	2,925,000
Interest		2,689,270	2,636,202	2,558,619	2,471,340	2,382,376
Total annual debt service	$	4,169,270	4,991,202	5,303,619	5,311,340	5,307,376

Bond debt service payments after Fiscal Year 2016 to maturity are as follows:

		Principal	Interest	Total
2017 – 2021	$	11,180,000	10,630,916	21,810,916
2022 – 2026		9,970,000	8,629,806	18,599,806
2027 – 2031		11,320,000	6,071,782	17,391,782
2032 – 2036		10,805,000	3,005,055	13,810,055
2037 – 2041		5,385,000	816,505	6,201,505
2042 – 2046		305,000	9,303	314,303

Remaining debt service by bond issuance is as follows:

	Revenue bonds outstanding* June 30, 2011	Interest rate	Maximum annual principal	Callable	Call premium	Final payment
State Board for Community Colleges and Occupational Education Systemwide Revenue Bonds:						
Series 2003:						
Pikes Peak Community College	$ 3,782,660	2.08% to 4.125%	$ 290,000	Yes	None	11/1/2030
Series 2004:						
Front Range Community College	2,356,932	3.08% to 3.65%	525,000	Yes	None	11/1/2015
Series 2010A:						
Community College of Aurora	708,330	2.00% to 3.00%	86,935	No	None	11/1/2019
Morgan Community College	307,613	2.00% to 3.00%	41,803	No	None	11/1/2018
Northeastern Junior College	1,944,153	2.00% to 3.00%	233,038	No	None	11/1/2019
Pueblo Community College	1,471,772	2.00% to 2.50%	249,706	No	None	11/1/2016
Red Rocks Community College	1,806,471	2.00% to 3.00%	220,025	No	None	11/1/2019
Trinidad State Junior College	492,169	2.00% to 2.75%	74,279	No	None	11/1/2017
Series 2010B-1:						
Colorado Northwestern Community College	429,091	2.00%	110,000	No	None	11/1/2014
Northeastern Junior College	342,235	2.00%	115,000	No	None	11/1/2014
Series 2010B-2:						
Colorado Northwestern Community College	4,584,258	2.00% to 6.10%	280,000	Yes (after 11/2021)	None	11/1/2040
Northeastern Junior College	5,077,245	2.00% to 6.10%	305,000	Yes (after 11/2021)	None	11/1/2041
Series 2010C:						
Community College Denver	5,040,212	4.00%	900,000	No	None	11/1/2017
Pueblo Community College	2,162,598	4.00%	360,000	No	None	11/1/2017
Series 2010D:						
Community College Denver	19,954,569	3.37% to 5.35%	1,510,000	Yes (after 11/2021)	None	11/1/2034
Pueblo Community College	11,477,026	3.37% to 5.50%	730,000	Yes (after 11/2021)	None	11/1/2039
	$ 61,937,334					

* Includes deferred gain on refunding and unamortized bond premium and discount of $627,334.

(11) Leases and State of Colorado Certificates of Participation

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

CNCC, LCC, NJC, TSJC, and CCCS have recorded capital leases in conjunction with building improvements and equipment related to energy performance contracts. The interest rate on the capital leases ranges from 4.75% to 5.35%. Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or their estimated useful life. In 2011 and 2010, capitalized assets relating to these leases were approximately $27,862,563 and $27,895,476, respectively, with amortization expense of $1,063,334 and $989,371, respectively, and accumulated amortization of $4,439,984 and $3,376,650, respectively.

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

		Principal	Interest	Total
2012	$	849,275	1,012,798	1,862,073
2013		897,674	1,110,875	2,008,549
2014		953,935	1,060,615	2,014,550
2015		997,163	1,011,536	2,008,699
2016		1,086,659	960,395	2,047,054
2017 – 2021		6,167,368	3,703,453	9,870,821
2022 – 2026		6,373,338	2,145,340	8,518,678
2027 – 2031		5,043,464	761,894	5,805,358
2032 – 2036		765,000	27,754	792,754
Total	$	23,133,876	11,794,660	34,928,536

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

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

CCCS also has building and equipment operating leases. One of these leases is by and between CCA and a discretely presented component unit, CCA Foundation. Total rent expense for all operating leases for the years ended June 30, 2011 and 2010 was $4,015,681 and $3,853,396, respectively. Future minimum rental payments, exclusive of real estate taxes and other expenses, under operating leases are as follows:

Year ending June 30:		
2012	$	4,391,318
2013		3,852,568
2014		3,182,809
2015		2,593,340
2016		3,705,433
2017 – 2021		7,088,848
2022 – 2026		644,839
2027 – 2031		644,839
2032 – 2036		644,839
2037 – 2041		644,839
2042 – 2046		644,839
2047 – 2051		193,452

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

(12) Other Long-Term Liabilities

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

		Total
2012	$	61,423
2013		—
2014		187,098
2015		165,627
2016		300,662
2017		203,729
Total	$	918,539

(13) Compensated Absences for Annual and Sick Leave

Employees of CCCS may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The estimated total liability for compensated absences at June 30, 2011 and 2010 is $17,483,666 and $14,367,313, respectively.

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

At June 30, 2011 and 2010, the Public Employees' Retirement Association of Colorado (PERA) estimated that 55.4% of the State's employees would remain until retirement. This percentage is used to calculate the amount of compensated absence liability to establish for sick leave.

(14) Retirement Plan

(a) Plan Description

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

New employees are allowed 60 days to elect to participate in PERA's defined contribution retirement plan. If that election is not made, the employee becomes a member of the PERA's defined benefit plan. Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Community college employees hired after January 1, 2010 are required to become members of PERA's defined benefit or defined contribution 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 defined contribution plan is the same as the contributions to the PERA defined benefit plan.

Based on changes in the 2010 legislative session, slightly different plan requirements were in effect until December 31, 2010. The following requirements were effective at June 30, 2011.

Plan members are eligible to receive a monthly retirement benefit when they meet age and service requirements 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 between January 1, 2007 and December 31, 2010 – 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. For employees hired before January 1, 2007, age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010 if the member has less than five years of service credit as of January 1, 2011.

- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.

- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

Members with five years of service credit at January 1, 2011 are also eligible for retirement benefits without a reduction for early retirement based on the original hire date, as follows:

- Hired before January 1, 2007 – age 55 and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 and age plus years of service equals 85 or more. For members hired before January 1, 2007, age plus years of service increase to 85 for members with less than five years of service credit as of January 1, 2011.

- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.

- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

Most members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5% times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as 1/12 of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15.0% increase between periods if the salaries used were from the last three years of employment. For retirements after January 1, 2009, four periods are used and are ranked from lowest to highest with the maximum increase between years limited to 15.0%. For members hired on or after January 1, 2007, the maximum increase between ranked periods is 8.0%. Notwithstanding any other provisions, members first eligible for retirement after January 2, 2011 have a maximum increased between periods of 8.0%.

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2.0% or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2.0% or the actual increase in the national Consumer Price Index, limited to a 10.0% reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. HAS is calculated based on three periods of service credit and is limited to an 8.0% increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8.0% increase.

(The reserve is funded by 1.0% of salaries contributed by employers for employees hired on or after January 1, 2007.)

- The upper limits on benefits increase by 0.25% point each year when the funded ratio of PERA equals or exceeds 103.0% and declines by 0.25% point when the funded ratio drops below 90.0% after having exceeded 103.0%. The funded ratio increase does not apply for three years when a negative return on investment occurs.

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

(b) Funding Policy

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

Most employees contribute 8.0% of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2010, Senate Bill 10-146 requires members in the State Divisions to pay 2.5% additional member contributions through June 30, 2011. Employer contributions for members in this division will be reduced by 2.5%. Senate Bill 11-076 continued these contribution rates through June 30, 2012.

From July 1, 2010 to December 31, 2010, CCCS contributed 11.35% of the employee's salary. From January 1, 2011 through June 30, 2011, CCCS contributed 12.25%. During all of Fiscal Year 2011, 1.02% of the employees' total salary was allocated to the Health Care Trust Fund.

Per CRS, an amortization period of 30 years is deemed actuarially sound. At December 31, 2010, the division of PERA in which the state participates has a funded ratio of 62.8% and a 47-year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 61.3%.

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

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

In the 2010 legislative session, the General Assembly extended both the AED and SAED. The AED will continue to increase at a rate of 0.4% of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. Both the AED and the SAED will be reduced by one-half percentage point when funding levels reach 103.0%, and both will be increased by one-half percentage point when the funding level subsequently falls below 90.0%. Neither the AED nor the SAED may exceed 5.0%.

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

CCCS' contributions to PERA and/or the Defined Benefit Plan and Health Care Trust Fund and/or the State's defined contribution plan for the Fiscal Years ended June 30, 2011, 2010, and 2009 were $26,288,210, $28,362,396, and $25,574,877, respectively. These contributions met the contribution requirements for each year.

(15) Other Retirement Plans

(a) Defined Contribution Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. New member contributions to the plan vest from 50.0% to 100.0% evenly over five years. Participants in the plan are required to contribute 8.0% of their salary. For Fiscal Years 2011 and 2010, the legislature temporarily increased the required contribution rate to 10.5%. At December 31, 2010, the plan had 3,479 participants.

(b) Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan, which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2010, participants were allowed to make contributions of up to 100.0% of their annual gross salary (reduced by their 8.0% PERA contribution with a temporarily increase to 10.5% for Fiscal Years 2011 and 2012 to a maximum of $16,500). Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 in 2010, for total contributions of $22,000. Contributions and earnings are tax deferred. At December 31, 2010, the plan had 18,215 participants.

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

(16) Postretirement Healthcare and Life Insurance Benefits

(a) Health Care Program

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

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

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

The Health Care Trust Fund offers two general types of plans: fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third-party vendors. As of December 31, 2010, there were 48,455 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2010, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.35 billion, a funded ratio of 17.5%, and a 42-year amortization period. The actuarial valuation was based on the entry age cost method, an 8.0% investment rate of return, a 4.5% projection of salary increases (assuming a 0.75% inflation rate), a 3.5% annual medical claims increase, not postretirement benefit increases, and a level dollar amortization on an open basis over 30 years.

(b) Other Programs

CCCS' principal employee pension plan is PERA (note 14). Pursuant to SBCCOE Board Policy BP3-60 (Retirement), employees hired prior to 1989 who take early retirement under PERA regulations "shall be entitled to have the college/system continue to pay the employee's share of the group health and life insurance premium up to the amount paid for active employees until the employee reaches age 65." This is the only postretirement benefit offered to CCCS employees. This actuarially determined liability related to this plan is considered immaterial to CCCS' financial statements. Consequently, no provision has been made in the accompanying basic financial statements for this liability.

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

(17) Employee Benefit Trust Fund

The Benefit Trust provides long-term disability benefits to all employees participating in the Employee Choice Flexible Benefit Plan sponsored by the SBCCOE. For Fiscal Years 2011 and 2010, CCCS made contributions to the Benefit Trust of approximately $268,000 and $265,000, respectively.

(18) Risk Financing and Insurance-Related Activities

CCCS is subject to risks of loss from liability for accidents, property damage, and personal injury. These risks are managed by the State Office of Risk Management, an agency formed by statute and funded by the State Long Bill. Therefore, CCCS is not required to obtain insurance, and accordingly, neither did reduction occur in coverage nor did any settlements exceed coverage. CCCS does not retain risk of loss except for damage incurred to property belonging to the State limited to a $1,000 deductible per incident.

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

(19) Commitments and Contingencies

The System has $41.6 million in commitments for various capital construction and controlled maintenance projects as of June 30, 2011.

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

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

(Continued)

(20) Tax and Spending Limitations (TABOR Amendment)

Certain state revenues, such as taxes and fees, are constitutionally limited. The growth in these revenues from year to year is limited to the rate of population growth plus the rate of inflation. These limitations are applied to the State as a whole, not to each individual college, department, or agency of the State. The Colorado State Legislature establishes spending authority, within these constitutional limits, for CCCS in its annual Appropriations Long Bill. Beginning Fiscal Year 2005, appropriated funds included an amount from the General Fund as well as cash funds, such as tuition, certain fees, and other revenue sources. Nonappropriated funds were excluded from the annual appropriations bill. Nonappropriated funds include certain grants and contracts, gifts, indirect cost recoveries, designated auxiliary revenues, and other revenue sources.

Legislation passed in Fiscal Year 2004 provided higher education institutions in the State the ability to designate themselves as enterprises under the State's Constitution Article X, Section 20, commonly referred to as the Taxpayer's Bill of Rights (TABOR), given the institution met the stated qualifications. In Fiscal Year 2006, the System qualified as an enterprise because it is a government-owned business with legal authority to issue revenue bonds. In addition, the System was required to receive (and is expected to continue to receive) less than 10.0% (in relation to total revenues) in support from the State. In Fiscal Years 2011 and 2010, the System received 1.4% and 2.0%, respectively, in State support. Effective in Fiscal Year 2008, House Bill 08-1079 specifically excluded moneys transferred from the state Department of Education for career and technical education as state grants for the purpose of this calculation, including funding under the CVA.

(21) San Juan Basin Vocational Schools Merger with PCC

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

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

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

(22) Discretely Presented Component Units Restatement

As of July 1, 2010, CNCC, LCC, and TSJC Foundations' net assets were restated to correct errors and the presentation of net assets. A summary of the total adjustments was as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, beginning of year, as previously reported	$	10,720,845	20,250,897	7,191,046	38,162,788
Restatement		(1)	(124,399)	(1,777)	(126,177)
Net assets, beginning of year, as restated	$	10,720,844	20,126,498	7,189,269	38,036,611

(23) Related-Party Transactions

Approximately $5,256,992 and $2,878,000 was transferred to the colleges from the foundations for the years ended June 30, 2011 and 2010, respectively, in pursuit of providing financial support for instructional programs, facilities, equipment, student scholarship programs, and cultural activities.

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

The Members of the Legislative Audit Committee
Colorado Community College System:

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of the Colorado Community College System (CCCS), a component unit of the State of Colorado, as of and for the year ended June 30, 2011, which collectively comprise CCCS' basic financial statements, and have issued our report thereon dated November 14, 2011. Our report was modified to include a reference to other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component units were audited by the other auditors and not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

KPMG LLP

November 14, 2011

KPMG LLP
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November 14, 2011

The Members of the Legislative Audit Committee
Colorado Community College System:

We have audited the basic financial statements of the business-type activities and aggregate discretely presented component units of the Colorado Community College System (CCCS), a component unit of the State of Colorado, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 14, 2011, which includes a reference to the reports of other auditors. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audits.

Our Responsibility under Professional Standards

We are responsible for forming and expressing an opinion about whether the basic financial statements, which have been prepared by management with the oversight of the State Board for Community Colleges and Occupational Education (SBCCOE), are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the basic financial statements in accordance with professional standards. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the basic financial statements are detected. Our audit does not relieve management and the SBCCOE of their responsibilities.

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

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

Other Information in Documents Containing Audited Financial Statements

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

Accounting Practices and Alternative Treatments

Significant Accounting Policies

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

Unusual Transactions

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

Qualitative Aspects of Accounting Practices

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

Management Judgments and Accounting Estimates

The preparation of the basic financial statements requires management of CCCS to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Accounting estimates are an integral part of the basic financial statements prepared by management and are based upon management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

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

Uncorrected Misstatements

In connection with our audit of CCCS' basic financial statements, we have discussed with management certain financial statement misstatements that have not been corrected in the CCCS' books and records as of and for the year ended June 30, 2011. We have reported such misstatements to management on a Summary of Unadjusted Audit Differences and have received written representations from management that management believes that the effects of the uncorrected financial statement misstatements are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole. Page 81 includes a copy of the summary that has been provided to, and discussed with, management.

The Members of the Legislative Audit Committee
Colorado Community College System
November 14, 2011

Disagreements with Management

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

Management's Consultation with Other Accountants

To the best of our knowledge, management has neither consulted with nor obtained opinions, written or oral, from other independent accountants during the year ended June 30, 2011.

Significant Issues Discussed, or Subject to Correspondence, with Management

Major Issues Discussed with Management prior to Retention

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

Material Written Communications

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

1. Management representation letter

2. Findings and recommendations included in this report.

Significant Difficulties Encountered during the Audit

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

Independence

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

Confirmation of Audit Independence

We hereby confirm that as of November 14, 2011, we are independent accountants with respect to CCCS under all relevant professional and regulatory standards.

* * * * * * *

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

Very truly yours,

KPMG LLP

COLORADO COMMUNITY COLLEGE SYSTEM

Summary of Unadjusted Audit Differences

Year ended June 30, 2011

Adj No.	Description		Change in net assets unadjusted audit differences arising in Current period	Statement of net assets: Net assets	Assets	Liabilities
1	Tuition and fees revenue					
	Operating expense – bad debt	$	8,235,866	8,235,866	—	—
	To reclassify bad debt expense to a contra revenue account.		(8,235,866)	(8,235,866)	—	—
2	Net assets		—	936,239		
	Operating expense – bad debt				—	—
	To record allowance on CNCC Perkins receivables in the proper period.		(936,239)	(936,239)	—	—
		$	(936,239)	—	—	—

COLORADO COMMUNITY COLLEGE SYSTEM

State-Funded Student Financial Assistance Programs

Introduction

Year ended June 30, 2011

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

The financial and compliance examination of the various state-funded student financial assistance programs at CCCS for the year ended June 30, 2011 was directed toward the objectives and criteria set forth in the Colorado Commission on Higher Education's (CCHE) Financial Aid Policy. The state-funded student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2011.

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

- Colorado Need-Based Grants awards:
  - Colorado Student Grants Program
  - Colorado Leveraging Educational Assistance Partnership (CLEAP)
- Colorado Work-Study Program

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

The total state-funded student financial assistance expenditures made by CCCS were approximately $25.4 million during the year ended June 30, 2011.

Authorizations and expenditures for state-funded student financial assistance programs are detailed by program in the accompanying statement of appropriations, expenditures, transfers, and reversions for the year ended June 30, 2011. CCCS also obtained authorizations for federal student financial aid funds as follows:

- Supplemental Educational Opportunity Grant of approximately $1.3 million
- College Work-Study of approximately $1.6 million

In addition to these programs, CCCS also received funding through the Pell Grant Program in the amount of approximately $144.5 million and through direct lending in the amount of approximately $217.8 million. Authorizations were not applicable for these programs given the Pell Grant and Direct Loans are available to any eligible student.

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

The Members of the Legislative Audit Committee
Colorado Community College System:

We have audited the accompanying statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance (SFSFA) Programs (the Statement) of the Colorado Community College System (CCCS), a component unit of the State of Colorado, for the year ended June 30, 2011. This Statement is the responsibility of CCCS' management. Our responsibility is to express an opinion on this Statement based on our audit.

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

As described in note 1 to the Statement, the Statement was prepared in the format set forth in the Colorado Department of Higher Education (CDHE) Audit Guide, and in conformity with the provisions of the Colorado Commission on Higher Education (CCHE) Financial Aid Policy. The Statement is a summary of cash activity of the SFSFA programs, with the exception of the College Work-Study Program, and does not present certain transactions that would be included in the Statement if it was presented on the accrual basis of accounting, as prescribed by U.S. generally accepted accounting principles. Accordingly, the Statement is not intended to present the financial position, changes in net assets, or cash flows of the SFSFA programs in conformity with U.S. generally accepted accounting principles. As the Statement presents only a selected portion of the activities of CCCS, it is not intended to and does not present either the financial position, changes in financial position, or cash flows of CCCS, in conformity with U.S. generally accepted accounting principles.

In our opinion, the Statement referred to above presents fairly the appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance programs of Colorado Community College System for the year ended June 30, 2011, in accordance with the format set forth in the CDHE *Audit Guide*, and in conformity with the provisions of the CCHE Financial Aid Policy, as described in notes 1 and 2 to the Statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011 on our consideration of CCCS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

KPMG LLP

November 14, 2011

COLORADO COMMUNITY COLLEGE SYSTEM

State-Funded Student Assistance Programs

Statement of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2011

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Academic Competitiveness Grant	Colorado Work-Study
Appropriations:						
Original	$	25,449,422	20,459,951	340,229	6,738	4,642,504
Supplementals		31,550	7,500	24,050	—	—
Transfers		—	—	—	—	—
Total appropriations		25,480,972	20,467,451	364,279	6,738	4,642,504
Less expenditures		25,402,693	20,467,451	361,211	6,738	4,567,293
Reversions to state general fund	$	78,279	—	3,068	—	75,211

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

(1) Basis of Presentation

The Colorado Community College System (CCCS) is governed by the State Board for Community College and Occupational Education. CCCS comprises the system office and the following 13 colleges:

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

The accompanying statement of appropriations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as prescribed by the Colorado Department of Higher Education (CDHE) *Audit Guide*, and in conformity with the provisions of the Colorado Commission on Higher Education (CCHE) *Financial Aid Policy*. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance (SFSFA) activities of CCCS' 13 campuses for the year ended June 30, 2011.

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

(2) Basis of Accounting

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

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

 (Continued)

ARAPAHOE COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2011

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Academic Competitiveness Grant	Colorado Work-Study
Appropriations:						
Original	$	1,874,536	1,563,434	32,744	—	278,358
Supplementals		2,877	—	2,877	—	—
Transfers		—	—	—	—	—
Total appropriations		1,877,413	1,563,434	35,621	—	278,358
Less expenditures		1,877,413	1,563,434	35,621	—	278,358
Reversions to state general fund	$	—	—	—	—	—

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

COMMUNITY COLLEGE OF AURORA

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2011

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Academic Competitiveness Grant	Colorado Work-Study
Appropriations:						
Original	$	1,957,555	1,716,422	5,676	—	235,457
Supplementals		499	—	499	—	—
Transfers		—	—	—	—	—
Total appropriations		1,958,054	1,716,422	6,175	—	235,457
Less expenditures		1,958,054	1,716,422	6,175	—	235,457
Reversions to state general fund	$	—	—	—	—	—

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

COMMUNITY COLLEGE OF DENVER

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2011

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Academic Competitiveness Grant	Colorado Work-Study
Appropriations:						
Original	$	3,111,826	2,378,442	37,995	—	695,389
Supplementals		—	—	—	—	—
Transfers		—	—	—	—	—
Total appropriations		3,111,826	2,378,442	37,995	—	695,389
Less expenditures		3,108,758	2,378,442	34,927	—	695,389
Reversions to state general fund	$	3,068	—	3,068	—	—

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

COLORADO NORTHWESTERN COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2011

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Academic Competitiveness Grant	Colorado Work-Study
Appropriations:						
Original	$	257,659	176,504	11,082	—	70,073
Supplementals		—	—	—	—	—
Transfers		—	—	—	—	—
Total appropriations		257,659	176,504	11,082	—	70,073
Less expenditures		257,659	176,504	11,082	—	70,073
Reversions to state general fund	$	—	—	—	—	—

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

FRONT RANGE COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2011

	Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Academic Competitiveness Grant	Colorado Work-Study
Appropriations:					
Original	$ 4,618,585	3,802,776	63,450	—	752,359
Supplementals	5,574	—	5,574	—	—
Transfers	—	—	—	—	—
Total appropriations	4,624,159	3,802,776	69,024	—	752,359
Less expenditures	4,624,159	3,802,776	69,024	—	752,359
Reversions to state general fund	$ —	—	—	—	—

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

LAMAR COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2011

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Academic Competitiveness Grant	Colorado Work-Study
Appropriations:						
Original	$	431,736	314,655	6,840	—	110,241
Supplementals		601	—	601	—	—
Transfers		—	—	—	—	—
Total appropriations		432,337	314,655	7,441	—	110,241
Less expenditures		431,150	314,655	7,441	—	109,054
Reversions to state general fund	$	1,187	—	—	—	1,187

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

MORGAN COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2011

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Academic Competitiveness Grant	Colorado Work-Study
Appropriations:						
Original	$	540,373	420,675	4,220	—	115,478
Supplementals		371	—	371	—	—
Transfers		—	—	—	—	—
Total appropriations		540,744	420,675	4,591	—	115,478
Less expenditures		540,744	420,675	4,591	—	115,478
Reversions to state general fund	$	—	—	—	—	—

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

NORTHEASTERN JUNIOR COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2011

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Academic Competitiveness Grant	Colorado Work-Study
Appropriations:						
Original	$	749,562	586,166	8,441	—	154,955
Supplementals		8,242	7,500	742	—	—
Transfers		—	—	—	—	—
Total appropriations		757,804	593,666	9,183	—	154,955
Less expenditures		757,804	593,666	9,183	—	154,955
Reversions to state general fund	$	—	—	—	—	—

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

OTERO JUNIOR COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2011

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Academic Competitiveness Grant	Colorado Work-Study
Appropriations:						
Original	$	867,320	663,129	13,534	—	190,657
Supplementals		1,189	—	1,189	—	—
Transfers		—	—	—	—	—
Total appropriations		868,509	663,129	14,723	—	190,657
Less expenditures		868,509	663,129	14,723	—	190,657
Reversions to state general fund	$	—	—	—	—	—

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

PUEBLO COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2011

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Academic Competitiveness Grant	Colorado Work-Study
Appropriations:						
Original	$	3,429,125	2,738,181	48,752	—	642,192
Supplementals		4,283	—	4,283	—	—
Transfers		—	—	—	—	—
Total appropriations		3,433,408	2,738,181	53,035	—	642,192
Less expenditures		3,433,408	2,738,181	53,035	—	642,192
Reversions to state general fund	$	—	—	—	—	—

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

PIKES PEAK COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2011

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Academic Competitiveness Grant	Colorado Work-Study
Appropriations:						
Original	$	4,526,332	3,675,683	68,835	—	781,814
Supplementals		6,047	—	6,047	—	—
Transfers		—	—	—	—	—
Total appropriations		4,532,379	3,675,683	74,882	—	781,814
Less expenditures		4,532,375	3,675,683	74,882	—	781,810
Reversions to state general fund	$	4	—	—	—	4

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

RED ROCKS COMMUNITY COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2011

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Academic Competitiveness Grant	Colorado Work-Study
Appropriations:						
Original	$	2,021,071	1,710,758	21,247	—	289,066
Supplementals		1,867	—	1,867	—	—
Transfers		—	—	—	—	—
Total appropriations		2,022,938	1,710,758	23,114	—	289,066
Less expenditures		2,022,938	1,710,758	23,114	—	289,066
Reversions to state general fund	$	—	—	—	—	—

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

TRINIDAD STATE JUNIOR COLLEGE

State-Funded Student Assistance Programs

Schedule of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2011

		Total Colorado Financial Aid	Colorado Student Grants	CLEAP	Academic Competitiveness Grant	Colorado Work-Study
Appropriations:						
Original	$	1,063,742	713,126	17,413	6,738	326,465
Supplementals		—	—	—	—	—
Transfers		—	—	—	—	—
Total appropriations		1,063,742	713,126	17,413	6,738	326,465
Less expenditures		989,722	713,126	17,413	6,738	252,445
Reversions to state general fund	$	74,020	—	—	—	74,020

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

COLORADO COMMUNITY COLLEGE SYSTEM

State-Funded Student Financial Assistance Programs

Audit Comments and Recommendations

Year ended June 30, 2011

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

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