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February 2, 2004

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Dear Colleagues,

At Tuesday's Board of Trustees meeting there was a brief discussion about the College's fiscal rating as it relates to Senate Bill 6.

Senate Bill 6 requires the Board of Regents to review certain financial aspects of all public colleges and universities and to rate them as a composite ratio from 0.00 to 5.00. The purpose is to annually review the fiscal health of educational institutions.

Each year, a Regents' committee takes financial data from the approved official audit of each institution and inserts them into a formula to determine the composite ratio. Since Senate Bill 6 went into effect, we have been in a very positive position with scores between 3.6 and 4.0.

This year, based on our 2002-2003 audit, we expected a composite ratio of 3.4. We anticipated a slight drop in the score because of some new GASB accounting procedures. The Regents recently informed us that our composite ratio is 1.3. This large difference between expectation and the reported score led us to question the calculations of the ratio.

We discovered that the Regents' committee does not consider unspent bond proceeds as a current net asset. Let me explain. In 2002, the College sold \$49 million of bonds for construction of the ATLC. Through June 30, 2003, approximately \$8.2 million had been spent on the project. So, on June 30, 2003, the end of the fiscal year, \$40.9 was in the bank. The Regents' staff, in what may be an interpretation of a modification in Senate Bill 6, has decided that the \$40.9 million is not a current asset. However, subsequent to the Regents' review, Deloitte & Touche sent a letter to the College stating that unspent proceeds from the bonds are considered expendable net assets restricted for capital projects.

What are we doing about this situation? On Friday, I met with the local Regent, Mr. Ed Adams, to discuss this situation. On Wednesday, I will be meeting with Chancellor Chu to determine how we can remedy this calculation. Our expectation is that we will find a mutually beneficial resolution to this matter.

As we move through this process to rectify the finding, I will keep you informed of our progress.

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Sincerely,

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Ron D. Wright, Ph.D.
President