# MESA STATE COLLEGE

## FINANCIAL AND COMPLIANCE AUDIT

For Fiscal Years Ended June 30, 2010 and 2009

**LEGISLATIVE AUDIT COMMITTEE**
**2010 MEMBERS**

---

*Senator David Schultheis*
**Chair**

*Senator Lois Tochtrop*
**Vice-Chair**

*Senator Morgan Carroll*
*Representative James Kerr*
*Representative Frank McNulty*
*Representative Joe Miklosi*
*Senator Shawn Mitchell*
*Representative Dianne Primavera*

**Office of the State Auditor Staff**

*Sally Symanski*
**State Auditor**

*Dianne Ray*
**Deputy State Auditor**

*Gina Faulkner*
**Legislative Auditor**

*Chadwick, Steinkirchner, Davis & Co., P.C.*
**Contract Auditors**

# TABLE OF CONTENTS

**STATE OF COLORADO**
**MESA STATE COLLEGE**
**REPORT SUMMARY - FINANCIAL AND COMPLIANCE AUDIT**
**Year Ended June 30, 2010**

---

## PURPOSE AND SCOPE OF AUDIT

The Office of the State Auditor, State of Colorado, engaged Chadwick, Steinkirchner, Davis & Co., P.C. to conduct an audit of Mesa State College (the College) for its Fiscal Year ended June 30, 2010. Chadwick, Steinkirchner, Davis & Co., P.C. performed the audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, issued by the Comptroller General of the United States. The related fieldwork was conducted from May through August 2010.

The purpose and scope of the audit was to:

- Express an opinion on the financial statements of the College as of and for the year ended June 30, 2010. This includes a review of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

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

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

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

### Audit Opinions and Reports

We expressed an unqualified opinion on the College's financial statements as of and for the year ended June 30, 2010.

We issued a report on the College's compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards*. We did not note any material weaknesses or any material instances of noncompliance with legal or regulatory requirements based on our audit of the financial statements.

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

The College's Schedule of Expenditures of Federal Awards and applicable opinions thereon of the Office of the State Auditor, State of Colorado, are included in the June 30, 2010 Statewide Single Audit Report, issued under separate cover.

**Summary of Key Findings and Recommendations**

There were no reported findings and recommendations resulting from the audit work completed for Fiscal Year 2010.

**Summary of Progress in Implementing Prior Audit Recommendations**

There were no recommendations for the year ended June 30, 2009.

# Description of Mesa State College

## The Board of Trustees of Mesa State College

House Bill 03-1093, as enacted by the General Assembly of the State of Colorado, establishes an independent governing board for Mesa State College. Effective July 1, 2003, the powers, duties and functions formerly performed by the Trustees of the State Colleges in Colorado were transferred to the Board of Trustees of Mesa State College. For the year ended June 30, 2010, the financial statements of Mesa State College are presented on a stand-alone basis as the State Colleges in Colorado system no longer exists. For the years ended on and prior to June 30, 2002, the financial statements of Mesa State College were included on a consolidated basis, which included Adams State College, Mesa State College, Metropolitan State College of Denver, Western State College, the Office of State Colleges, and the Western Colorado Graduate Center.

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

The Board has three goals:

- To provide outstanding teaching with diverse student populations.

- To furnish Board and campus leadership that connects educational issues with the future of Colorado and the communities served by Mesa State College.

- To assure the people of Colorado that human and financial resources are utilized most effectively.

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

## Mesa State College

Mesa State College offers certificate programs, associate degrees, baccalaureate degrees, and selected graduate programs. Section 23-53-101, C.R.S., provides for Mesa State College to be a general baccalaureate and specialized graduate institution with moderately selective admission. Mesa State College is to offer liberal arts and sciences programs and a limited number of professional, technical, and graduate programs. Mesa State College is also to maintain a community college role and mission, including vocational and technical programs.

Section 23-53-115, C.R.S., authorizes Mesa State College to offer graduate programs in selected areas to ensure that persons living in Western Colorado have reliable and cost-effective access to necessary graduate courses and programs.

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

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Resident Students | 5,330.0 | 4,581.5 | 4,485.8 |
| Non-Resident Students | 614.0 | 517.3 | 507.6 |
| Total Students | 5,944.0 | 5,098.8 | 4,993.4 |
| Faculty FTEs | 279.8 | 287.8 | 267.6 |
| Staff FTEs | 184.7 | 177.9 | 173.0 |
| Total Faculty and Staff FTEs | 464.5 | 465.7 | 440.6 |

# FINANCIAL STATEMENT SECTION

## INDEPENDENT AUDITORS' REPORT

October 21, 2010

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the business-type activities of Mesa State College, a blended component unit of the State of Colorado, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the College's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the management of Mesa State College. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Mesa State College Foundation or Mesa State College Real Estate Foundation, the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the two foundations, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Mesa State College and its discretely presented component units as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2010 on our consideration of Mesa State College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



225 North 5th Street , Suite 401
Grand Junction, CO 81501-2645

www.csdcpa.com
e-mail info@csdcpa.com

970/245-3000
FAX 970/242-4716
TOLL FREE 877/245-8080

October 21, 2010
Page Two

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

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

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

This section of Mesa State College's annual financial report presents management's discussion and analysis of the financial performance of the College during the years ended June 30, 2010 and 2009. Additional information is provided in the notes accompanying the basic financial statements. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes.

**Using the Financial Report**

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

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

**Component Units**

During Fiscal Year 2004, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14 to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, should be included in the College's financial reporting entity. The College has determined that the Mesa State College Foundation and the Mesa State College Real Estate Foundation meet GASB Statement No. 39 criteria for inclusion in the College's financial statements.

**Mesa State College Foundation**

The Foundation had net assets of $11.6 million and $13.5 million as of June 30, 2010 and 2009, respectively, and total revenue, gains and other support of $4.5 million and $2.8 million for Fiscal Year 2010 and Fiscal Year 2009, respectively.

Typically, discretely presented information is shown in a separate column on the same page as the information of the reporting entity. However, if a component unit uses a different financial reporting model (i.e., FASB Non-Profit) then GASB 39 states that the information "... need not be presented on the same page as the primary government, but may be presented on separate pages."

For Colorado institutions of higher education, either of these presentation options is acceptable if the component unit uses a different reporting model. Component Unit reporting must include a Statement of Net Assets (or Financial Position) and a Statement of Revenues, Expenses, and Changes in Net Assets (or Statement of Activities.) A Statement of Cash Flows is not required.

For the year ended June 30, 2010, Mesa State College, using GASB 39 criteria, has identified the Mesa State College Foundation as a component unit. Since the component unit uses a different reporting model (FASB Non-Profit), the required financial data is discretely presented on separate pages immediately following the basic financial statements as allowed by GASB 39.

The Mesa State College Foundation is a separate non-profit 501(c)(3) corporation formed to provide financial assistance to Mesa State College students and to otherwise assist Mesa State College in serving educational needs. The Foundation engages in activities that may be beyond the scope of the Mesa State College Board of Trustees. The Foundation's records are maintained separately from the College.

**Mesa State College Real Estate Foundation**

In May 2006, the Mesa State College Board of Trustees approved the articles of incorporation for the Mesa State College Real Estate Foundation (MSCREF). MSCREF is a separate non-profit corporation under Internal Revenue Code Section 501(c)(3) formed to acquire, manage, and dispose of properties in order to provide financial assistance to Mesa State College. MSCREF engages in activities that may be beyond the scope of the Mesa State College Board of Trustees and its financial records are maintained separately from the College.

For the year ended June 30, 2010, Mesa State College, using GASB 39 criteria, has identified the MSCREF as a component unit. Since the component unit uses a different reporting model (FASB Non-Profit), the required financial data is discretely presented on separate pages immediately following the basic financial statements as allowed by GASB 39.

MSCREF had unrestricted net assets of $954 thousand at June 30, 2010 and net assets of $729 thousand at June 30, 2009. Total revenue and support in Fiscal Year 2010 was $381 thousand, which consisted of operating transfers from the College of $274 thousand and management income of $18 thousand. Total revenue and support in Fiscal Year 2009 was $1.4 million, which consisted of operating transfers from the College of $1.3 million and management income of $17 thousand. Operating transfers from the College in Fiscal Year 2009 included $1.2 million to acquire a property adjacent to the Western Community College of Colorado campus. The College entered into a capital lease-purchase agreement with MSCREF and, as a result, MSCREF made a capital transfer of $1.2 million back to the College.

**Financial Highlights**

- Mesa State College's financial position improved during the Fiscal Year ended June 30, 2010 as evidenced by an increase of $32.3 million in net assets; net assets were $152.6 million at June 30, 2010 and $120.3 million at June 30, 2009.

- Mesa State College's current assets of $30.3 million (2010) and $39.8 million (2009) were sufficient to cover current liabilities of $17.5 million (2010) and $19.1 million (2009). Current liabilities include $4.8 million (2010) and $7.0 million (2009) that were financed by restricted (non-current) cash. The current ratio (current assets/current liabilities adjusted for current liabilities funded by restricted (non-current) cash) of 2.39 (2010) and 3.29 (2009) demonstrates the liquidity of assets and the relative availability of working capital to fund current operations.

- Beginning in Fiscal Year 2010, the State Controller directed all of the Colorado college's and universities to record Pell grant revenue as non-operating instead of operating and the Fiscal Year 2009 financial statement amounts were restated to reflect the change for comparative purposes. Pell grant revenues were $9.6 million (2010) and $5.5 million (2009). With the restatement, operating expenditures of $71.5 million exceeded operating revenues of $60.7 million in 2010, and operating expenditures of $65.4 million exceeded operating revenues of $60.0 million in fiscal year 2009.

- Net non-operating revenues increased from $9.9 million (2009) to $22.3 (2010) million largely due to increases in Pell revenues of $4.1 million and State Fiscal Stabilization Funds of $7.8 million. State Fiscal Stabilization Funds were $11.9 million (2010) and $4.1 million (2009).

## Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) are one indicator of Mesa State College's financial health when considered in conjunction with non-financial facts such as student enrollment and the condition of facilities.

**Condensed Statement of Net Assets**
**As of June 30,**
**(in Thousands)**

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Assets | | | |
| Current Assets | $ 30,263 | $ 39,773 | $ 32,676 |
| Non-current Assets | 287,203 | 183,159 | 123,167 |
| Total Assets | $317,466 | $222,932 | $155,843 |
| Liabilities | | | |
| Current Liabilities | $ 17,546 | $ 19,135 | $ 10,750 |
| Non-current Liabilities | 147,290 | 83,519 | 50,547 |
| Total Liabilities | $164,836 | $102,654 | $ 61,297 |
| Net Assets | | | |
| Invested In Capital Assets | $130,187 | $ 95,394 | $ 71,919 |
| Restricted | 4,204 | 3,548 | 3,843 |
| Unrestricted | 18,239 | 21,336 | 18,784 |
| Total Net Assets | $152,630 | $120,278 | $ 94,546 |

At June 30, 2010, Mesa State College's total net assets were $152.6 million compared to $120.3 million at June 30, 2009. Invested in capital assets (net of related debt) is the largest net asset category with $130.2 million (2010) and $95.4 million (2009). In Fiscal Year 2010, Mesa State College's current assets of $30.3 million were sufficient to cover current liabilities of $17.5 million (producing a current ratio of 2.39 after adjusting for current liabilities of $4.8 million funded by restricted (non-current) cash). This compares to Fiscal Year 2009 with current assets of $39.8 million and current liabilities of $19.1 million (producing a current ratio of 3.29 after adjusting for current liabilities of $7.0 million funded by restricted (non-current) cash). The current ratio decrease from 2.08 at June 30, 2009 to 1.75 at June 30, 2010 is primarily due to the decrease of about $10.8 million of cash which was used to purchase non-current investments of $5.0 million and for the planned use of reserves to fund construction and maintenance projects. From June 30, 2009 to June 30, 2010, accounts payable and accrued liabilities decreased by a combined $1.2 million, deferred revenues and deposits decreased by $941 thousand and the current portions of capital debt increased by $588 thousand. Unrestricted cash and cash equivalents that are available for operating expenditures include bank deposits and pooled cash with the State Treasurer and were $21.2 million (2010) and $31.9 million (2009).

Non-current assets increased from $183.2 million in Fiscal Year 2009 to $287.2 million at June 30, 2010 primarily due to the College's construction additions of $69.5 million and unspent bond proceeds of $30.0 million. Capital expenditures included constructing the College Center and parking garage ($25.0 million), renovating and expanding the Saunders Field House ($18.5 million), expansion of the Wubben science building ($13.4 million), and completing the North Avenue Student Housing project ($3.8 million). The additions were partially offset by building and equipment disposals of $1.8 million and the increase to accumulated depreciation of $4.6 million. Other components of the increase in non-current assets include Investments of $4.9 million and the accounting loss from advance refunding the Series 2008 bond issue of $5.3 million that will be amortized over the life of the Series 2009A bonds. The defeasance resulted in a present-value economic gain of $2.5 million.

Bonds payable totaled $140.3 million (2010) and $74.8 million (2009) and represents about 85.1% (2010) and 72.9% (2009) of Mesa State College's total liabilities of $164.8 million (2010) and $102.7 million (2009). The current portion of the bonds payable liability totals $1.8 million (2010) and $1.2 million (2009). In Fiscal Year 2010, the College issued Series 2009 A and B bonds of $61.7 million to construct the College center and other additions, to refinance the Series 2008 bonds and to fund a portion of the interest of the Series 2009 bonds through November 2010. The College in-substance defeased the Series 2008 Bonds by placing the proceeds of the Series 2009A in an irrevocable trust to provide for future debt service payments on the Series 2008 bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the College's financial statements. At June 30, 2010 $28.4 million is outstanding for the advance refunding that is considered defeased debt. The defeasance resulted in an economic gain of $2.5 million and a book loss of $5.3 million that will be amortized as an adjustment to interest expense over the life of the Series 2009A bonds. The College also issued Series 2010 bonds of $31.7 million to finance the costs of construction, acquisition, renovation and equipping of certain housing, classroom, and other College facilities, and to pay a portion of the interest on the Series 2010 bonds through May 2011.

Capital leases payable totaled $8.0 million at June 30, 2010 and are comprised of a capital lease-purchase agreement to finance the Wubben science building renovation ($3.4 million), to finance the acquisition of property adjacent to the College's Western Colorado Community College campus ($2.4 million) and to install energy-efficient equipment in the campus buildings ($2.1 million). Capital leases payable were $9.3 million at June 30, 2009.

Mesa State College's financial position improved during the Fiscal Year as evidenced by the increase in net assets of $32.3 million (2010) and $25.7 million (2009) (see the Statement of Revenues, Expenses and Changes in Net Assets) to $152.6 million (2010) and $120.3 million (2009). Of the total net assets, $130.2 million (2010) and $95.4 million (2009) is invested in capital assets net of related debt, a total of $4.2 million (2010) and $3.5 million (2009) is restricted for specific purposes, and $18.2 million (2010) and $21.3 million (2009) is unrestricted and available for use at the discretion of the Board of Trustees.

**Statement of Revenues, Expenses and Changes in Net Assets**

The Statement of Revenues, Expenses and Changes in Net Assets reflects the results of operations for the year. Activities are reported as operating, non-operating or other. Operating revenues and expenses generally result from providing goods and services for instruction, research, public service, and related support services to an individual or entity separate from Mesa State College. Non-operating revenues and expenses are those other than operating and include, but are not limited to non-operating grants and contracts, investment income and expenses and interest expense on capital debt. Other revenues, expenses, gains, losses and transfers to other governing boards or institutions include state capital construction and controlled maintenance appropriations, and transfers between other organizations and agencies, and gains or losses from disposal of assets.

- Tuition and fee revenues accounted for $29.4 million of the $60.7 million in operating revenues (2010) and $27.0 million of the $60.0 million (2009). Tuition and fees are reported net of scholarship allowances of $14.1 million (2010) and $10.1 million (2009). Scholarship allowances are defined as the financial aid awarded to students by the College that is used to pay College charges. The scholarship allowance is recognized as a direct reduction of revenue.

- Tuition revenues from College Opportunity Fund (COF) student stipends were $7.2 million in Fiscal Year 2010, which included $3.1 million that was returned to the trust due to mid-year action by the legislature that reduced the value of the stipend from $68 to $44 per credit hour. Fiscal Year 2009 COF stipends were $9.4 million, which included $3.2 million that was returned to the trust fund due to mid-year action by the legislature that reduced the value of the stipend from $92 to $68 per credit hour. Operating revenues increased from $60.0 million in 2009 to $60.7 million in 2010. Fiscal Year 2009 Pell grant revenue of $5.5 million was restated as non-operating in the financial statements as directed by the Colorado State Controller after consultation with the Governmental Accounting Standards Board and with the Colorado State Auditor.

- Department of Higher Education (DHE) Fee for Service operating revenue was $5.2 million in Fiscal Year 2010 and $10.7 million in Fiscal Year 2009. The Fiscal Year 2010 Fee for Service contract was reduced by $5.5 million and the Fiscal Year 2009 contract was reduced by $1.1 million by the legislature during the year and was replaced, along with the reduction of COF stipends, with federal State Fiscal Stabilization Funds. State Fiscal Stabilization Funds were $11.9 million (2010) and $4.1 million (2009).

- Fiscal Year 2010 auxiliary enterprises revenues of $18.8 million increased from $15.5 million in Fiscal Year 2009 (21.3%), and auxiliary enterprise expenses of $15.8 million in Fiscal Year 2010 increased from $14.1 million in Fiscal Year 2009 (12.1%) as a result of overall enrollment growth of 16.6% in student FTE and from opening the North Avenue Student Housing complex.

- Overall, operating revenues increased by $695 thousand in Fiscal Year 2010 compared to Fiscal Year 2009.

- Compared to Fiscal year 2009, Fiscal Year 2010 operation of plant and maintenance expenditures increased by $1.7 million due to the cost of maintaining additional facilities. Fiscal Year depreciation expense increased by $1.2 million compared to Fiscal Year 2009 due to adding the NASH complex and the renovated Maverick Center, and from taking a full year depreciation for Fiscal Year 2009 depreciable capital additions of $13.1 million. Instruction expenses increased by $1.1 million due to the overall increase in student enrollment of 16.6% FTE.

- Overall, operating expenditures increased by $6.1 million in Fiscal Year 2010 compared to Fiscal Year 2009.

- Overall, the College increased net assets by $32.3 million in Fiscal Year 2010, which compares to an increase in net assets of $25.7 million in Fiscal Year 2009. The Fiscal Year 2010 operating deficit was $10.9 million while grants, including federal State Fiscal Stabilization Funds ($11.9 million) and Pell grants ($9.6 million), and other net non-operating revenues contributed $22.3 million. Net other revenues and transfers including State capital appropriations ($4.5 million), capital contributions and donations ($18.8 million) contributed $20.9 million including transfers to other institutions ($1.7 million) and the loss from disposal of assets ($744 thousand). Capital contributions and donations are from the State for the COP-financed Wubben science building expansion ($14.4 million) and capital contributions from the Mesa State College Foundation ($4.4 million). The Fiscal Year 2009 operating deficit was $5.5 million while grants, including federal State Fiscal Stabilization Funds and Pell grants, and other net non-operating revenue contributed $9.9 million. Other net revenues and transfers including State capital appropriations ($17.9 million), capital contributions and donations ($6.2 million) contributed a net $21.3 million including the loss from disposal of assets ($2.2 million) and transfers to other institutions ($703 thousand). Capital contributions and donations are from the State for the COP-financed Wubben science building expansion ($3.9 million) and from the Mesa State College Foundation ($2.3 million).

**Condensed Statement of Revenues, Expenses and Changes in Net Assets**
**Years Ended June 30,**
**(in Thousands)**

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Operating Revenues | | | |
| Tuition and Fees (net) | $ 29,396 | $ 26,997 | $ 26,604 |
| DHE Fee for Service Revenues | 5,197 | 10,704 | 10,675 |
| Grants and Contracts | 6,565 | 5,915 | 11,183 |
| Auxiliary Enterprises (net) | 18,779 | 15,530 | 15,051 |
| Other | 755 | 851 | 862 |
| Total Operating Revenues | $ 60,692 | $ 59,997 | $ 64,375 |
| Operating Expenses | $ 71,542 | $ 65,454 | $ 55,682 |
| Net Operating Loss | $ (10,850) | $ (5,457) | $ 8,693 |
| Non-Operating Revenues (Expenditures) | | | |
| State Fiscal Stabilization Funds | $ 11,906 | $ 4,117 | $ - |
| Pell and Other Non-operating Grants | 10,237 | 5,528 | - |
| Interest Income | 1,811 | 1,275 | 1,747 |
| Other Non-Operating Income (Expenses) | (1,643) | (991) | 222 |
| | $ 22,311 | $ 9,929 | $ 1,969 |
| Income (Loss) Before Other Revenues, Expenses, Gains or Losses | $ 11,461 | $ 4,472 | $ 10,662 |
| State Appropriations Capital | $ 4,488 | $ 17,925 | $ 12,559 |
| Other | 16,403 | 3,336 | (2,777) |
| Increase in Net Assets | $ 32,352 | $ 25,733 | $ 20,444 |
| Net Assets | | | |
| Net Assets at Beginning of Year | $ 120,278 | $ 94,545 | $ 74,101 |
| Net Assets at End of Year | $ 152,630 | $ 120,278 | $ 94,545 |

Operating expenses totaled $71.5 million (2010) and $65.5 million (2009). The breakdown of expenses by reporting category is as follows (in thousands):

| **Fiscal Year:** | | **2010** | | **2009** |
|---|---|---|---|---|
| Instruction | $ | 22,829 | $ | 21,701 |
| Research | | 356 | | 724 |
| Public Service | | 689 | | 469 |
| Academic Support | | 4,451 | | 4,303 |
| Student Services | | 5,388 | | 5,436 |
| Institutional Support | | 3,581 | | 3,485 |
| Operation and Maintenance of Plant | | 10,401 | | 8,726 |
| Scholarships and Fellowships (net) | | 2,410 | | 2,079 |
| Auxiliary Enterprises | | 15,802 | | 14,138 |
| Depreciation | | 5,636 | | 4,393 |
| | $ | 71,543 | $ | 65,454 |

## Financing Activities

In April 2010, the College issued tax-exempt Auxiliary Facilities System Enterprise Revenue Bonds, Series 2010A for $1.0 million and Taxable Auxiliary Facilities System Enterprise Revenue Bonds (Build America Bonds – Direct Payment to Board), Series 2010B for $30.7 million, including a net discount of $150 thousand, to finance the costs of construction, acquisition, renovation and equipping of certain housing, classroom, and other College facilities; and to fund a deposit to the Series 2010 Capitalized Interest Fund to pay a portion of the interest on the Series 2010 bonds through May 2011. In October 2009, the College issued tax-exempt Auxiliary Facilities System Enterprise Revenue Refunding Bonds Series 2009A for $31.7 million and Taxable Auxiliary Facilities System Enterprise Revenue Bonds (Build America Bonds – Direct Payment to Board) Series 2009B for $30.0 million. Series 2009A bonds were used to advance refund all of the series 2008 bonds. Series 2009B bonds were issued to finance the costs of construction, acquisition, renovation and equipping of certain housing, college center, parking and other College facilities; and to fund a deposit to the Series 2009 Capitalized Interest Fund to pay a portion of the interest on the Series 2009 bonds through November 2010. Series 2009 bonds include a net premium of $1.5 million. The College advance refunded the Series 2008 bonds by placing the proceeds of the Series 2009A in an irrevocable trust to provide for future debt service payments on the Series 2008 bonds. The refunding resulted in an economic gain of $2.5 million and a book loss of $5.3 million that will be amortized as an adjustment to interest expense over the life of the Series 2009A bonds. Combined with the outstanding bond issues from Series 2007, Series 2005 and Series 2002B, total related capital debt was $140.3 million. Pledged net revenues, including $3.9 million of tuition revenue, were $13.3 million, which were 265% of the bond and interest payments of $5.0 million. In Fiscal Year 2009, pledged net revenues were $9.8 million, which were 281% of the bond principal and interest payments of $3.5 million.

**Economic Outlook**

State funding for both fee-for-service contracts with the Department of Higher Education and College Opportunity Fund stipends was reduced by $11.9 million in Fiscal Years 2010 and by $4.1 million 2009. For both years, these reductions have been temporarily replaced with federal State Fiscal Stabilization Funds that were made available to the State. This temporary stimulus funding is scheduled to expire in Fiscal Year 2011. As such, the College has accepted the reality of less State funding and has begun the process towards reducing expenses that are not mission-critical. The College continues to streamline administrative operations and evaluate alternative funding sources and is committed and confident it can direct sufficient resources to develop and enhance educational programs that attract and prepare students for success.

Undergraduate enrollments on a student FTE basis at Mesa State College increased from 5,025.9 in Fiscal Year 2009 to 5,861.9 in Fiscal Year 2010 (16.6%). Graduate enrollment increased from 73.0 in Fiscal Year 2009 to 82.1 in Fiscal Year 2010 (12.5%). All enrollments increased by about 16.6% in Fiscal Year 2010 compared to Fiscal Year 2009.

Increasing enrollment is vital to the College's long-term economic health and the College has developed goals and strategies that include:

- Offering academic programs that are in demand given the changes in economic environment.
- Increasing penetration in Western Colorado, contiguous states, and select non-contiguous states.
- Improving student access through a combination of classroom, distance, and hybrid delivery modes.

Encourage access through affordable tuition levels and financial aid packages that attract students to the College.

- Expand enrichment opportunities and regional competitions for high-achieving K-12 students to participate in athletic and academic activities.
- Develop programs that encourage early academic and financial planning for college.
- Offering courses that meet the requirements of the State's guaranteed transfer general education program.
- Extend the College's technology network to enhance connectivity with other institutions in the region.
- Recruit and retain a highly-qualified faculty and ethnically-diverse faculty whose highest commitment is to excellent instruction.

Mesa State College did not meet TABOR-exempt enterprise criteria for Fiscal Years 2009 but fully expects to be recertified as a TABOR-exempt enterprise institution when the Colorado State Auditor issues the Higher Education TABOR Enterprise Status Memo for Fiscal Year 2010. Designations are reviewed at the end of each year to determine if colleges and universities meet TABOR-exempt criteria. To meet enterprise status under TABOR, the College must receive less than 10 percent of its revenue from grants from all Colorado state and local governments combined. TABOR enterprise status allows the Mesa State College Board of Trustees greater flexibility in terms of pricing, recruitment, retention and seeking additional revenue sources to further its respective role and mission as educational providers.

**STATE OF COLORADO**
**MESA STATE COLLEGE**
**Statement of Net Assets**

| | June 30, 2010 | June 30, 2009 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash & Cash Equivalents (Note 2) | $ 21,150,182 | $ 31,935,353 |
| Student Accounts Receivable, Net | 2,170,261 | 1,708,389 |
| Other Accounts Receivable, Net | 5,177,488 | 4,529,794 |
| Student Loans, Net | 851,545 | 738,838 |
| Inventories | 470,475 | 582,454 |
| Prepaid Expenses | 442,580 | 277,921 |
| **Total Current Assets** | $ 30,262,531 | $ 39,772,749 |
| **Non-current Assets** | | |
| Restricted Cash & Cash Equivalents (Note 2) | $ 35,749,154 | $ 5,737,605 |
| Investments | 4,922,324 | - |
| Student Loans, Net | 399,849 | 395,090 |
| Other Non-current Assets | 6,858,713 | 922,429 |
| **Total Non-current Assets** | $ 47,930,040 | $ 7,055,124 |
| Non-depreciable Capital Assets, Net | | |
| Land and improvements | $ 16,273,344 | $ 13,345,901 |
| Construction in Progress | 56,200,247 | 64,801,927 |
| **Total Non-depreciable Capital Assets** | $ 72,473,591 | $ 78,147,828 |
| Depreciable Capital Assets, Net | | |
| Land Improvements (less accumulated depreciation of $2,824,814 and $1,996,926) | $ 15,415,612 | $ 13,150,995 |
| Buildings & Improvements (less accumulated depreciation of $27,360,655 and $24,680,546) | 143,945,011 | 77,418,900 |
| Furniture and Equipment (less accumulated depreciation of $5,778,241 and $5,148,208) | 4,508,798 | 4,376,523 |
| Library Materials (less accumulated depreciation of $7,509,171 and $7,053,728) | 2,930,381 | 3,009,924 |
| **Total Depreciable Capital Assets, Net** | $ 166,799,802 | $ 97,956,342 |
| **Total Non-current Assets** | $ 287,203,433 | $ 183,159,294 |
| **TOTAL ASSETS** | $ 317,465,964 | $ 222,932,043 |

The accompanying notes to the financial statements are an integral part of this statement.

**STATE OF COLORADO**
**MESA STATE COLLEGE**
**Statement of Net Assets**

| | June 30, 2010 | June 30, 2009 |
|---|---|---|
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts Payable | $ 5,087,063 | $ 5,907,508 |
| Accrued Liabilities | 7,828,930 | 8,244,216 |
| Deferred Revenues | 1,510,887 | 2,182,492 |
| Deposits Held For Others | 331,546 | 617,391 |
| Student Deposits | 328,332 | 312,073 |
| Bonds Payable, Current Portion | 1,755,000 | 1,240,000 |
| Notes Payable, Current Portion | 7,129 | 6,785 |
| Capital Leases Payable - Current Portion | 541,921 | 469,030 |
| Compensated Absence Liability, Current Portion | 155,647 | 155,647 |
| **Total Current Liabilities** | $ 17,546,455 | $ 19,135,142 |
| **Non-current Liabilities** | | |
| Bonds Payable (net of $1,970,993 and $121,919 unamortized premium) | $ 138,565,993 | $ 73,541,919 |
| Capital Leases Payable | 7,434,850 | 8,818,590 |
| Notes Payable | 154,811 | 161,940 |
| Compensated Absence | 1,134,263 | 996,739 |
| **Total Non-current Liabilities** | $ 147,289,917 | $ 83,519,188 |
| **Total Liabilities** | $ 164,836,372 | $ 102,654,329 |
| **NET ASSETS** | | |
| Invested in Capital Assets, Net of Related Debt | $ 130,186,528 | $ 95,393,640 |
| Restricted For: | | |
| Loans | 1,207,087 | 1,207,631 |
| Other Purposes | 2,996,748 | 2,340,665 |
| Unrestricted | 18,239,229 | 21,335,777 |
| **Total Net Assets** | $ 152,629,592 | $ 120,277,713 |

The accompanying notes to the financial statements are an integral part of this statement.

# MESA STATE COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30,

| | 2010 | 2009 |
|---|---|---|
| ASSETS | | |
| Cash and Cash Equivalents | $ 610,886 | $ 2,150,250 |
| Investments | 10,485,291 | 9,138,563 |
| Accounts Receivable | 21,738 | - |
| Unconditional Promises to Give | 1,930,104 | 2,808,843 |
| Property & Equipment | 792,997 | 792,997 |
| Less: Accumulated Depreciation | (450,691) | (410,048) |
| TOTAL ASSETS | $ 13,390,325 | $ 14,480,605 |
| | | |
| LIABILITIES & NET ASSETS | | |
| | | |
| LIABILITIES | | |
| Note Payable - Line of Credit - Bank | $ 1,800,000 | $ 960,004 |
| Accounts Payable and Accrued Liabilities | 4,751 | 1,760 |
| TOTAL LIABILITIES | 1,804,751 | 961,764 |
| | | |
| NET ASSETS | | |
| Unrestricted Net Assets | (2,648,220) | (2,606,142) |
| Temporarily Restricted Net Assets | 4,596,318 | 6,993,492 |
| Permanently Restricted Net Assets | 9,637,476 | 9,131,491 |
| TOTAL NET ASSETS | 11,585,574 | 13,518,841 |
| | | |
| TOTAL LIABILITIES & NET ASSETS | $ 13,390,325 | $ 14,480,605 |

See accompanying notes.

# MESA STATE COLLEGE REAL ESTATE FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010 & 2009

| | 2010 | 2009 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | $ 205,292 | $ 7,227 |
| Accounts Receivable | 600 | - |
| Prepaid Expense | 12,188 | 13,100 |
| Interest Receivable | 36,149 | 53,438 |
| Capital Lease Receivable - Current Portion | 345,336 | 310,759 |
| TOTAL CURRENT ASSETS | 599,564 | 384,524 |
| LONG-TERM ASSETS | | |
| Capital Lease Receivable | 2,064,587 | 3,251,741 |
| Land Held for Investment | 846,128 | 716,947 |
| Other | 34,388 | 60,421 |
| TOTAL LONG-TERM ASSETS | 2,945,104 | 4,029,109 |
| TOTAL ASSETS | $ 3,544,668 | $ 4,413,633 |
| LIABILITIES & NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable and Accrued Liabilities | $ 133,475 | $ 63,446 |
| Bond Interest Payable | 36,149 | 53,438 |
| Bonds Payable - Current Portion | 237,218 | 310,759 |
| TOTAL CURRENT LIABILITIES | 406,842 | 427,643 |
| NON-CURRENT LIABILITIES | | |
| Tenant Deposits | 11,549 | 5,174 |
| Bonds Payable | 2,172,705 | 3,251,741 |
| TOTAL NON-CURRENT LIABILITIES | 2,184,254 | 3,256,915 |
| TOTAL LIABILITIES | 2,591,096 | 3,684,558 |
| NET ASSETS | | |
| Unrestricted Net Assets | 953,572 | 729,075 |
| TOTAL LIABILITIES & NET ASSETS | $ 3,544,668 | $ 4,413,633 |

See accompanying notes.

**STATE OF COLORADO**
**MESA STATE COLLEGE**
**Comparative Statement of Revenues, Expenses, and Changes in Net Assets**
**For The Years Ended:**

| | June 30, 2010 | June 30, 2009 |
|---|---|---|
| **REVENUES** | | |
| **Operating Revenues:** | | |
| Tuition and Fees (including $6,985,945 (2010) and $6,005,298 (2009) pledged for bonds and net of scholarship allowances of $14,147,978 (2010) and $10,124,998 (2009)) | $ 29,395,726 | $ 26,996,717 |
| DHE Fee For Service Revenue | 5,199,060 | 10,704,417 |
| Federal, State, Private Grants and Contracts | 6,564,630 | 5,915,313 |
| Gifts | 333,528 | 295,094 |
| Auxiliary Enterprises (including $17,736,149 (2010) and $14,101,199 (2009) pledged for bonds and net of scholarship allowances of $377,940 (2010) and $174,477 (2009)) | 18,778,906 | 15,529,852 |
| Other Operating Revenues (including $41,014 (2009) and $53,711 (2009) pledged for bonds) | 420,438 | 556,164 |
| **Total Operating Revenues** | $ 60,692,288 | $ 59,997,557 |
| **EXPENSES** | | |
| Operating Expenses: | | |
| Instruction | $ 22,828,560 | $ 21,700,902 |
| Research | 355,579 | 723,897 |
| Public Service | 689,282 | 468,708 |
| Academic Support | 4,451,322 | 4,303,092 |
| Student Services | 5,387,797 | 5,435,934 |
| Institutional Support | 3,581,352 | 3,485,408 |
| Operation and Maintenance of Plant | 10,401,432 | 8,726,299 |
| Net Scholarships and Fellowships | 2,410,294 | 2,078,911 |
| Auxiliary Enterprises | 15,801,471 | 14,137,547 |
| Depreciation | 5,635,846 | 4,393,322 |
| **Total Operating Expenses** | $ 71,542,935 | $ 65,454,020 |
| **Operating Income (Loss)** | $ (10,850,647) | $ (5,456,462) |
| **NON-OPERATING REVENUES (EXPENSES)** | | |
| State Fiscal Stabilization Funds | $ 11,906,309 | $ 4,117,215 |
| Federal Pell and Other Non-operating Grants | 10,236,949 | 5,527,735 |
| Gifts | 1,180,219 | 509,338 |
| Investment and Interest Income (including $569,733 (2010) and $656,309 (2009) pledged to bonds) | 1,811,329 | 1,274,413 |
| Interest Expense on Capital Debt | (3,218,087) | (1,483,241) |
| Other Non-operating Revenues (Expenses) | 395,078 | (16,831) |
| Net Non-operating Revenues (Expenses) | $ 22,311,797 | $ 9,928,629 |
| **Income (Loss) Before Other Revenues or Expenses** | $ 11,461,150 | $ 4,472,167 |
| **OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS** | | |
| State Appropriations, Capital | $ 4,487,587 | $ 17,925,215 |
| Capital Contributions from the State | 14,468,878 | 3,885,258 |
| Capital Donations | 4,374,928 | 2,342,928 |
| Gain or (Loss) on Disposal of Assets | (744,483) | (2,190,540) |
| Transfers (To) From Governing Boards or Other Institutions | (1,696,181) | (703,045) |
| **Increase (Decrease) in Net Assets** | $ 32,351,879 | $ 25,731,983 |
| **NET ASSETS** | | |
| Net Assets - Beginning of Year | $ 120,277,713 | $ 94,545,730 |
| **Net Assets - End of Year** | $ 152,629,592 | $ 120,277,713 |

The accompanying notes to the financial statements are an integral part of this statement.

MESA STATE COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30,

| | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| REVENUE AND SUPPORT | | | | | | | | |
| Contributions | $ - | $ 1,151,240 | $ 253,451 | $ 1,404,691 | $ 32,086 | $ 3,950,946 | $ 307,989 | $ 4,291,021 |
| Support from Mesa State College | 218,083 | 1,098,977 | - | 1,317,060 | 186,000 | - | - | 186,000 |
| Special Events | 41,546 | - | - | 41,546 | 74,384 | - | - | 74,384 |
| Less: Costs of Direct Benefits to Donors | (25,165) | - | - | (25,165) | (56,356) | - | - | (56,356) |
| Investment Income | - | 168,157 | - | 168,157 | 239,250 | - | - | 239,250 |
| Realized Gain/Loss on Investments | - | 108,887 | - | 108,887 | (964,997) | - | - | (964,997) |
| Unrealized Gain/Loss on Investments | - | 659,982 | - | 659,982 | (1,765,910) | - | - | (1,765,910) |
| Mesa State College Department & Club Collections | - | 797,546 | - | 797,546 | - | 764,032 | - | 764,032 |
| Other | 19,574 | 1,177 | - | 20,751 | 22,529 | - | - | 22,529 |
| Net Assets Released from Restrictions | 6,130,606 | (6,130,606) | - | - | 3,263,590 | (3,263,590) | - | - |
| Donor Imposed Classification Change | - | (252,534) | 252,534 | - | - | - | - | - |
| TOTAL REVENUE AND SUPPORT | 6,384,644 | (2,397,174) | 505,985 | 4,493,455 | 1,030,576 | 1,451,388 | 307,989 | 2,789,953 |
| EXPENSES | | | | | | | | |
| Program Expenses | - | - | - | - | 4,122,264 | - | - | 4,122,264 |
| Scholarships | 662,801 | - | - | 662,801 | - | - | - | - |
| Mesa State College Building Projects & Expansion | 4,847,409 | - | - | 4,847,409 | - | - | - | - |
| Mesa State College Department & Club Transfers | 784,022 | - | - | 784,022 | - | - | - | - |
| Supporting Services | | | | | | | | |
| Management & General | 103,799 | - | - | 103,799 | 106,963 | - | - | 106,963 |
| Fund-raising | 28,691 | - | - | 28,691 | 33,355 | - | - | 33,355 |
| TOTAL EXPENSES | 6,426,722 | - | - | 6,426,722 | 4,262,582 | - | - | 4,262,582 |
| CHANGE IN NET ASSETS | (42,078) | (2,397,174) | 505,985 | (1,933,267) | (3,232,006) | 1,451,388 | 307,989 | (1,472,629) |
| NET ASSETS - BEGINNING | (2,606,142) | 6,993,492 | 9,131,491 | 13,518,841 | 625,864 | 5,542,104 | 8,823,502 | 14,991,470 |
| NET ASSETS - ENDING | $ (2,648,220) | $ 4,596,318 | $ 9,637,476 | $ 11,585,574 | $ (2,606,142) | $ 6,993,492 | $ 9,131,491 | $ 13,518,841 |

See accompanying notes.

# MESA STATE COLLEGE REAL ESTATE FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2010 & 2009

**UNRESTRICTED NET ASSETS**

| | 2010 | 2009 |
|---|---|---|
| REVENUE AND SUPPORT | | |
| Support from Mesa State College | $ 274,115 | $ 157,352 |
| Real Estate Management Fee | 17,711 | 17,260 |
| Interest Income | 89,586 | 53,438 |
| TOTAL REVENUE AND SUPPORT | 381,412 | 228,050 |
| EXPENSES | | |
| Program Expenses | | |
| Support Mesa State College | | |
| Real Estate Management Expenses | 55,432 | 21,013 |
| Bond Interest Expense | 89,586 | 53,438 |
| Distributions to Mesa State College | - | 5,462 |
| Supporting Services | | |
| Management & General | 11,896 | 10,067 |
| TOTAL EXPENSES | 156,915 | 89,980 |
| INCREASE IN UNRESTRICTED NET ASSETS | 224,498 | 138,070 |

**TEMPORARILY RESTRICTED NET ASSETS**

| | 2010 | 2009 |
|---|---|---|
| REVENUE AND SUPPORT | | |
| Support from Mesa State College | - | 1,187,500 |
| EXPENSES | | |
| Program Expenses | | |
| Support Mesa State College | | |
| Purchase of real estate | - | 1,187,500 |
| INCREASE IN TEMPORARILY RESTRICTED NET ASSETS | - | - |
| INCREASE IN NET ASSETS | 224,498 | 138,070 |
| NET ASSETS - BEGINNING | 729,075 | 591,005 |
| NET ASSETS - ENDING | $ 953,572 | $ 729,075 |

See accompanying notes.

**STATE OF COLORADO**
**MESA STATE COLLEGE**
**Comparative Statement of Cash Flows**
**For The Years Ended:**

| | June 30, 2010 | June 30, 2009 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| **Cash Received:** | | |
| Tuition & Fees | $ 43,139,151 | $ 36,714,344 |
| Sales of Service | 14,774,631 | 18,850,526 |
| Sales of Product | 9,105,551 | 7,592,658 |
| Grants Contracts and Gifts | 6,282,545 | 6,735,884 |
| Student Loans Collected | 105,399 | 85,754 |
| Other Operating Receipts | 420,438 | 607,943 |
| **Cash Payments:** | | |
| Payments to or for Employees | (37,843,303) | (35,198,553) |
| Payments to Suppliers | (25,473,660) | (19,972,780) |
| Scholarships Disbursed | (16,936,212) | (12,378,386) |
| Student Loans Disbursed | (245,533) | (187,173) |
| Other Operating Payments | - | (15,687) |
| **Net Cash Provided (Used) by Operating Activities** | $ (6,670,993) | $ 2,834,530 |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES** | | |
| Gifts/Grants for Other than Capital Purposes | $ 22,678,055 | $ 10,172,597 |
| Other Agency Inflows | 67,057,313 | 55,681,670 |
| Other Agency (Outflows) | (66,883,171) | (56,083,132) |
| Transfers from (to) Other Campuses, Board, or Institution | (1,739,678) | (2,126,095) |
| **Net Cash Provided (Used) by Non-Capital Financing Activities** | $ 21,112,519 | $ 7,645,040 |
| **CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES** | | |
| State Appropriations, Capital | $ 4,461,900 | $ 17,925,215 |
| Capital Grants, Contracts, and Gifts | 16,818,729 | 3,562,065 |
| Acquisition and Construction of Capital Assets | (69,713,318) | (61,943,135) |
| Proceeds from Capital Debt | 61,710,000 | 28,445,000 |
| Net Bond Discounts Paid | (374,696) | (517,089) |
| Bond Issuance Costs Paid | (233,710) | (139,455) |
| Proceeds from Capital Asset Sales | - | 571,015 |
| Principal Paid on Capital Debt | (2,334,015) | (1,896,007) |
| Interest on Capital Debt | (2,414,602) | (1,195,950) |
| **Net Cash Provided (Used) by Capital & Related Financing Activities** | $ 7,920,288 | $ (15,188,341) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of Investments | $ (5,049,280) | $ - |
| Investment Earnings (Interest/Dividends) | 1,913,844 | 1,307,866 |
| **Net Cash Provided (Used) by Investing Activities** | $ (3,135,436) | $ 1,307,866 |
| Net Increase (Decrease) in Cash & Cash Equivalents | 19,226,378 | (3,400,905) |
| Cash & Cash Equivalents - Beginning of the Year | 37,672,958 | 41,073,863 |
| **Cash & Cash Equivalents - End of the Year** | $ 56,899,336 | $ 37,672,958 |

STATE OF COLORADO
MESA STATE COLLEGE
Comparative Statement of Cash Flows (continued)

| For The Years Ended: | June 30, 2010 | June 30, 2009 |
|---|---|---|
| **Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities** | | |
| Operating Income (Loss) | $ (10,850,647) | $ (5,456,103) |
| Adjustments to Reconcile: | | |
| Depreciation Expense | 5,635,846 | 4,393,322 |
| Provision for Uncollectible Accounts | 370,538 | 278,411 |
| Decrease (Increase) in Assets - Operating Portions | (2,033,230) | (678,803) |
| Increase (Decrease) in Liabilities - Operating Portions | 206,500 | 4,297,702 |
| Other Reconciling Items | - | - |
| **Net Cash Provided (Used) by Operating Activities** | ($6,670,993) | $2,834,530 |

Supplemental Disclosure of Noncash Investing and Financing Activates

| | | |
|---|---|---|
| Additions to construction in progress included in accounts payable and accrued liabilities. | $ 2,540,399 | $ 6,320,624 |
| Land donated from Foundation | 2,014,789 | 1,037,209 |
| Reacquisition cost of bond refunding | (33,280,416) | - |
| Amortization of bond issuance costs | 48,345 | 35,064 |
| Capital lease funded with receivables | - | 3,652,294 |
| Capital assets purchased with capital leases and noncash transfers | 361,844 | 6,705,727 |
| Capital assets donated to Real Estate Foundation | - | 20,755 |

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements reflect the financial activities of Mesa State College (the College) for the fiscal year ended June 30, 2010 and 2009. The College is an institution of higher education of the State of Colorado. For financial reporting purposes, the College is included as part of the State of Colorado's primary government. A copy of the state Comprehensive Annual Financial Report may be obtained from the Office of the State Controller, Department of Personnel and Administration (DPA), Denver Colorado.

Applying GASB 39 criteria, the College has identified Mesa State College Foundation (MSCF) and the Mesa State College Real Estate Foundation (MSCREF) as component units. Since the component units use a different reporting model (FASB Non-Profit), the required financial data is discretely presented on separate pages as allowed by GASB 39.

MSCF is a separate non-profit corporation under Internal Revenue Code Section 501(c)(3) formed to provide financial assistance to Mesa State College students and to otherwise assist the College in serving educational needs. The MSCF engages in activities that may be beyond the scope of the Mesa State College Board of Trustees and its financial records are maintained separately from the College.

In May 2006, the Mesa State College Board of Trustees approved the articles of incorporation for the MSCREF. MSCREF is a separate non-profit corporation under Internal Revenue Code Section 501(c)(3) formed to acquire, manage, and dispose of properties in order to provide financial assistance to the College. MSCREF engages in activities that may be beyond the scope of the Mesa State College Board of Trustees and its financial records are maintained separately from the College.

Basis of Accounting

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

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

### Cash and Cash Equivalents

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

### Investments

Investments are stated at fair value which is determined based on quoted market prices at Fiscal Year-End. Unrealized gains and losses on the carrying value of investments are reported as a component of interest income on the statement of revenues, expenditures and changes in net assets. The College had investments of $4,922,324, including an unrealized loss of $126,957 at June 30, 2010. The College had no investments as of June 30, 2009.

### Inventories

Inventories are stated at the lower of cost or market. The bookstore inventory includes instructional materials and soft goods held for resale. It is valued using the first-in-first-out method.

### Capital Assets

Physical plant and equipment are recorded at cost at date of acquisition, or fair market value at date of donation in the case of gifts. A physical inventory of all plant assets is updated annually with appropriate adjustments made to the financial records. Annual revisions of statement of values for insurance purposes are performed.

The College uses a capitalization threshold of $50,000 for buildings and improvements other than buildings, and $5,000 for all other capital assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets with a half-year convention for asset additions. Estimated useful lives range from 25-40 years for buildings, 10-20 years for improvements other than buildings, and 3-20 years for equipment, collections, and library materials.

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

### Capital Lease Liabilities

The College entered into a lease-purchase contract with the State of Colorado under the Higher Education Capital Construction Lease-Purchase Financing Program Certificates of Participation, Series 2008 to renovate and expand the Wubben Hall Science Building.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

On December 29, 2008, the College entered into a lease-purchase agreement with the Mesa State College Real Estate Foundation to finance the acquisition of property adjacent to the Western Community College of Colorado campus. The contract provides that any commitments beyond the current year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available. It is reasonably assured that sufficient funds will be available for the full term of the contract, and, therefore are treated as non-cancelable for financial reporting purposes.

In May 2008, the College entered into a capital lease-purchase contract for the acquisition of equipment that will result in guaranteed energy cost saving. The contract provides that any commitments beyond the current year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available. It is reasonably assured that sufficient funds will be available for the full term of the contract, and, therefore are treated as non-cancelable for financial reporting purposes.

Summer Sessions
Summer session tuition and fees and related direct academic expenditures are recognized in the year they are earned and incurred.

Classification of Revenues and Expenses
The College has classified its revenues and expenses as operating, non-operating or other 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 the College.
- Non-operating revenues and expenditures are those that do not meet the definition of operating revenues. Non-operating revenues include state operating appropriations, Federal stimulus money grants and other non-operating grants, gifts, investment income, interest expense, and insurance reimbursements. Beginning with Fiscal Year 2010, the College will classify Pell grant revenue as non-operating. This change is due to the Governmental Accounting Standards Board (GASB) decision not to revise or remove the guidance provided in the 2007 Amendment of the GASB 34 Implementation Guide regarding the non-operating presentation of Pell grants. For comparative purposes, Fiscal Year 2009 Pell grant revenues of $5,527,735 are reclassified as non-operating revenues. Pell grant revenues were $9,591,527 in Fiscal Year 2010.
- Other revenues, expenses, gains, losses, and transfers include state capital and controlled maintenance appropriations, capital contributions, gains and losses from the disposal of assets and donations and transfers between governing boards and other institutions. In Fiscal Year 2009, $2,342,928 of Capital Contributions and Donations were recorded as non-operating revenue and the prior year amount has been reclassified to match the current year presentation.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees for the year ended June 30 were $14,147,978 (2010) and $10,124,998 (2009). Scholarship allowances for auxiliary charges for the year ended June 30 were $377,940 (2010) and $174,477 (2009).

Application of Restricted and Unrestricted Resources

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

Financial Statement Presentation - Net Assets

Net assets are classified as either Unrestricted (formerly unreserved/undesignated fund balance) or Restricted. As of June 30, 2010, the College had no non-expendable restricted assets. Restricted expendable net assets are classified as expendable for loans and bonded auxiliaries. Colorado Revised Statutes, CRS 23-05-103 specifically restricts the residual funds of the bonded auxiliaries, in excess of those required for operations and current year debt service, for the direct benefit of the bonded auxiliaries. At June 30, the restricted net assets of the bonded auxiliary operations totaled $2,954,408 (2010) and $2,112,715 (2009). Restricted expendable net assets also include net assets (fund balances) of its Perkins loan program. Program guidelines require that net assets fund new loans, are written off in accordance with program guidelines, or are refunded to the federal government. At June 30, the restricted net assets related to the Perkins loan program totaled $1,207,087 (2010) and $1,207,631 (2009).

Use of Estimates

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

## NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The College deposits cash with the Colorado State Treasurer as allowed by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The College reports its share of the Treasurer's unrealized gains and losses based on its participation in the State Treasurer's pool. All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2010 and 2009. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. The unrealized gains and losses included in "Investment Income" reflect only the change in fair value during the current fiscal year. Additional information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

At June 30 the College had $54,433,271 (2010) and $30,502,594 (2009), including unrealized gains of $1,110,906 (2010) and $405,148 (2009) on deposit with the State Treasurer. Of that amount, $34,281,704 (2010) and $0 (2009) was restricted for construction projects and not available for general operations. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

Investments in the Treasurer's 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, 2010, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

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, 2010, approximately 88.1 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for $25,573,200 of corporate bonds rated lower medium and $14,533,750 of corporate bonds rated as speculative, and $14,218,750 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.

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 State 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.

## NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS- CONTINUED

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. As of June 30, 2010, the weighted average maturity of investments in the Treasurer's Pool is 0.04 years for Commercial Paper (3.7 percent of the Pool), .01 years for Money Market Funds (3.2 percent of the Pool), 1.3 years for U.S. Government Securities (73.8 percent of the Pool), 1.36 years for Asset Backed Securities (12.6 percent of the Pool), and 2.05 years for Corporate Bonds (6.7 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2009 and 2010.

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

At year-end, cash on hand and in banks consisted of the following:

| | 2010 | 2009 |
|---|---|---|
| Cash on hand | $ 21,400 | $ 20,850 |
| Cash in checking accounts at bank | 2,444,665 | 7,149,514 |
| Total cash | $ 2,466,065 | $ 7,170,364 |

The carrying amount of the College's cash on deposit was $2,444,665 (2010) and $7,149,514 (2009) and the bank balance was $5,398,958 (2010) and $7,525,408 (2009). Of this bank balance, $5,361,215 (2010) and $3,181,276 (2009) was covered by federal depository insurance and the balance was collateralized by PDPA as described above. The difference between the College's cash in banks and the amount reported by the various banks was $2,954,293 (2010) and $375,894 (2009) in the form of outstanding checks. Of the total cash on deposit with banks, $1,467,450 (2010) and $5,737,605 (2009) was in an account restricted for capital construction and therefore unavailable for general operations.

## NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS-CONTINUED

Beginning July 1, 2008, 23-53-103.3, CRS authorized the Mesa State College Board of Trustees (BOT) to hold investments, unless externally restricted, in one or more consolidated funds in which the participation trusts or accounts have undivided interests. In accordance with the legislation, the Board of Trustees approved the Mesa State College Investment Policy and established an Investment Advisory Committee (IAC). The IAC is responsible for developing investment guidelines in support of the 'prudent investor' standard, providing liquidity, safety and yield. In formulating investment guidelines the IAC shall take into account institutional cash flow analysis, diversification of investments, appropriate time horizons, and credit quality of investments to establish return benchmarks at acceptable levels of risk. Liquidity of assets invested shall at all times remain at a level sufficient to pay for all budgeted, outstanding operational obligations and expenses occurring within any fiscal year. On June 30, 2010 the College's investments were $4,922,324, including an unrealized loss of $126,957 and included equity securities, fixed income investments and short-term money market funds. All of the College's investments are registered in the College's name.

Credit quality risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical ratings organization (NRSRO). To manage credit risk, the College's investment policy specifies that investments of a single issuer, with the exception of the US Government and its agencies, may not exceed 5% of the total portfolio, and that no more than 5% of the portfolio may be invested in corporate debt securities rated below investment grade.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. To mitigate interest rate risk, the College does not invest in instruments that have a maturity date longer than five years. The College had no investments at June 30, 2009. Investments at June 30, 2010 consisted of the following:

| Debt Securities | Fair Value | S&P Rating | Weighted Average Maturity | Duration (in years) |
|---|---|---|---|---|
| US Government Agencies | $ 377,933 | AAA | | |
| US Government Agencies | 700,536 | Unrated | 3.72 | 2.34 |
| Corporate Bonds | 591,284 | A- | 3.42 | 2.79 |
| Bond Mutual Funds | 51,845 | A- | 4.23 | 3.81 |
| Money Market Mutual Funds | 14,501 | A-1, Aaa, AAAm | 30 days | - |
| **Other Investments** | | | | |
| Corporate Equities | 2,004,767 | | | |
| International Equities | 567,809 | | | |
| Mutual Funds | 613,649 | | | |
| | $ 4,922,324 | | | |

**NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS-CONTINUED**

Investment income, gains and losses for Fiscal Year 2010 are as follows:

| | | |
|---|---|---|
| Purchased Investments | $ | 5,000,000 |
| Net Interest Revenue | | 39,138 |
| Dividend Income | | 28,649 |
| Net Realized Loss | | (4,881) |
| Investment Fees | | (13,625) |
| Investments – Cost | $ | 5,049,281 |
| Unrealized Loss | $ | (126,957) |
| Investments – Market | $ | 4,922,324 |

The return on investments for Fiscal Year 2010 was -0.71% gross of fees and -0.99% net of fees.

**NOTE 3 – ACCOUNTS AND LOANS RECEIVABLE**

The following schedule shows the status of accounts and loans receivable and related allowance for doubtful accounts at June 30, 2010:

| | Total | Less Allowance for Doubtful Accounts | Net |
|---|---|---|---|
| Entity Wide | | | |
| Accounts Receivable | $10,386,931 | $(1,787,788) | $ 8,599,143 |

The following schedule shows the status of accounts and loans receivable and related allowance for doubtful accounts at June 30, 2009:

| | Total | Less Allowance for Doubtful Accounts | Net |
|---|---|---|---|
| Entity Wide | | | |
| Accounts Receivable | $ 8,782,115 | $(1,410,004) | $ 7,372,111 |

Receivables reported on the statement of net assets may be aggregations of various components, such as balances due to or from students, vendors, other governments, and employees.

## NOTE 4 – CAPITAL ASSETS

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

| | Balance July 1, 2009 | Additions | Disposals | Transfers | Balance June 30,2010 |
|---|---|---|---|---|---|
| Non-depreciable Capital Assets | | | | | |
| Land | $ 13,345,901 | $ 2,155,266 | $ - | $ 772,177 | $ 16,273,344 |
| Construction in Progress | 64,801,927 | 47,131,162 | - | (55,732,842) | 56,200,247 |
| Total Non-depreciable Capital Assets | $ 78,147,828 | $ 49,286,428 | $ - | $ (54,960,665) | $ 72,473,591 |
| Depreciable Capital Assets | | | | | |
| Land Improvements | $ 15,147,921 | $ 373,770 | $ - | $ 2,718,735 | $ 18,240,426 |
| Buildings | 102,099,446 | 18,595,076 | (1,630,786) | 52,241,930 | 171,305,666 |
| Equipment | 9,524,731 | 918,380 | (156,072) | - | 10,287,039 |
| Library Materials | 10,063,652 | 375,900 | - | - | 10,439,552 |
| Total Depreciable Capital Assets | $ 136,835,750 | $ 20,263,126 | $ (1,786,858) | $ 54,960,665 | $ 210,272,683 |

| | Balance July 1, 2009 | Additions | Disposals | Transfers | Balance June 30,2010 |
|---|---|---|---|---|---|
| Less: Accumulated Depreciation | | | | | |
| Land Improvements | $ (1,996,926) | $ (827,888) | $ - | $ - | $ (2,824,814) |
| Buildings | (24,680,546) | (3,568,511) | 888,402 | - | (27,360,655) |
| Equipment | (5,148,208) | (784,004) | 153,971 | - | (5,778,241) |
| Library Materials | (7,053,728) | (455,443) | - | - | (7,509,171) |
| Total Accumulated Depreciation | $ (38,879,408) | $ (5,635,846) | $ 1,042,373 | - | $ (43,472,881) |
| Net Depreciable Capital Assets | $ 97,956,342 | $ 14,627,280 | $ (744,485) | $ 54,960,665 | $ 166,799,802 |
| Capital Assets, net | $ 176,104,170 | $ 63,913,708 | $ (744,485) | $ - | $ 239,273,393 |

## NOTE 4 – CAPITAL ASSETS-CONTINUED

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2009.

| | Balance July 1, 2008 | Additions | Disposals | Transfers | Balance June 30, 2009 |
|---|---|---|---|---|---|
| Non-depreciable Capital Assets | | | | | |
| Land and Improvements | $ 10,159,095 | $ 2,244,952 | $ (585,000) | $ 1,526,854 | $ 13,345,901 |
| Construction in Progress | 23,991,199 | 58,157,714 | (283,208) | (17,063,778) | 64,801,927 |
| Total Non-depreciable Capital Assets | $ 34,150,294 | $ 60,402,666 | $ (868,208) | $ (15,536,924) | $ 78,147,828 |
| Depreciable Capital Assets | | | | | |
| Land Improvements | $ 13,090,762 | $552,865 | $ - | $ 1,504,294 | $ 15,147,921 |
| Buildings | 83,651,615 | 10,017,110 | (5,601,909) | 14,032,630 | 102,099,446 |
| Equipment | 7,578,310 | 2,193,644 | (247,223) | - | 9,524,731 |
| Library Materials | 9,714,314 | 355,228 | (5,890) | - | 10,063,652 |
| Total Depreciable Capital Assets | $ 114,035,001 | $ 13,118,847 | $ (5,855,022) | $ 15,536,924 | $ 136,835,750 |
| Less: Accumulated Depreciation | | | | | |
| Land Improvements | $ (1,280,031) | $ (716,895) | $ - | $ - | $ (1,996,926) |
| Buildings | (25,876,946) | (2,536,472) | 3,732,872 | - | (24,680,546) |
| Equipment | (4,631,092) | (705,289) | 188,173 | - | (5,148,208) |
| Library Materials | (6,625,794) | (434,665) | 6,731 | - | (7,053,728) |
| Total Accumulated Depreciation | $ (38,413,863) | $ (4,393,321) | $ 3,927,776 | $ - | $ (38,879,408) |
| Net Depreciable Capital Assets | $ 75,621,138 | $ 8,725,526 | $ (1,927,246) | $ 15,536,924 | $ 97,956,342 |
| Capital Assets, net | $ 109,771,432 | $ 69,128,192 | $ (2,795,454) | $ - | $ 176,104,170 |

Additions to buildings and construction in progress for the year ended June 30, 2010 includes $2,858,418 in capitalized interest as shown below.

| | |
|---|---|
| Total Interest Expense | $ 2,867,407 |
| Less Premium Amortization | (8,989) |
| Total Capitalized Interest | $ 2,858,418 |

Additions to buildings and construction in progress for the year ended June 30, 2009 includes $2,073,665 in capitalized interest as shown below.

| | |
|---|---|
| Total Interest Expense | $ 2,158,183 |
| Less Premium Amortization | (5,603) |
| Less Interest Earnings | (78,915) |
| Total Capitalized Interest | $ 2,073,665 |

## NOTE 5 – LONG-TERM LIABILITIES

Changes in long-term debt for the year ended June 30, 2010 were as follows:

| | Balance July 1, 2009 | Additions | Reductions | Balance June 30, 2010 | Due in one year |
|---|---|---|---|---|---|
| Capital Lease | $ 9,287,620 | $ - | $ 1,310,849 | $ 7,976,771 | $ 541,921 |
| Series 2002B Bonds | 10,505,000 | - | 835,000 | 9,670,000 | 870,000 |
| Bond discount - 2002 | (474,786) | - | (36,857) | (437,929) | (36,857) |
| Series 2005 Bonds | 18,905,000 | - | 405,000 | 18,500,000 | 420,000 |
| Bond premium - 2005 | 702,015 | - | 27,802 | 674,213 | 27,802 |
| Series 2007 bonds | 16,805,000 | - | - | 16,805,000 | - |
| Bond premium - 2007 | 402,990 | - | 14,392 | 388,598 | 14,392 |
| Series 2008 bonds | 28,445,000 | - | 28,445,000 | - | - |
| Bond discount - 2008 | (508,300) | - | (508,300) | - | - |
| Series 2009A Bonds | - | 31,665,000 | - | 31,665,000 | 465,000 |
| Bond premium - 2009A | - | 1,778,007 | 62,606 | 1,715,401 | 75,127 |
| Series 2009B Bonds | - | 30,000,000 | - | 30,000,000 | - |
| Bond Discount 2009B | - | (225,000) | (6,114) | (218,886) | (7,337) |
| Series 2010A Bonds | - | 1,040,000 | - | 1,040,000 | - |
| Bond premium 2010A | - | 34,324 | 2,146 | 32,178 | 8,581 |
| Series 2010B Bonds | - | 30,670,000 | - | 30,670,000 | - |
| Bond discount 2010B | - | (184,020) | (1,438) | (182,582) | (5,751) |
| Notes Payable | 168,725 | - | 6,785 | 161,940 | 7,129 |
| Compensated Absences | 1,152,386 | 137,524 | - | 1,289,910 | 155,647 |
| | $ 85,390,650 | $ 94,915,835 | $ 30,556,871 | $ 149,749,614 | $ 2,535,654 |

Changes in long-term debt for the year ended June 30, 2009 were as follows:

| | Balance July 1, 2008 | Additions | Reductions | Balance June 30, 2009 | Due in one year |
|---|---|---|---|---|---|
| Capital Lease | $ 2,071,110 | $ 7,306,059 | $ 89,549 | $ 9,287,620 | $ 469,030 |
| Series 2002B bonds | 11,330,000 | - | 825,000 | 10,505,000 | 835,000 |
| Bond discount - 2002 | (511,643) | - | (36,857) | (474,786) | (36,958) |
| Series 2005 bonds | 19,295,000 | - | 390,000 | 18,905,000 | 405,000 |
| Bond premium - 2005 | 729,780 | - | 27,765 | 702,015 | 27,842 |
| Series 2007 bonds | 16,805,000 | - | - | 16,805,000 | - |
| Bond premium - 2007 | 417,383 | - | 14,393 | 402,990 | 14,393 |
| Series 2008 bonds | - | 28,445,000 | - | 28,445,000 | - |
| Bond discount - 2008 | - | (517,089) | (8,789) | (508,300) | (17,578) |
| Notes Payable | 760,183 | - | 591,458 | 168,725 | 6,785 |
| Comp. Absences | 1,004,670 | 147,716 | - | 1,152,386 | 155,647 |
| | $ 51,901,483 | $ 35,381,686 | $ 1,892,519 | $ 85,390,650 | $ 1,859,161 |

## NOTE 5 – LONG-TERM LIABILITIES-CONTINUED

### Revenue Bonds Payable

**Series 2010 A & B bonds:** In April 2010, the College issued tax-exempt Auxiliary Facilities System Enterprise Revenue Bonds, Series 2010A for $1,040,000 and Taxable Auxiliary Facilities System Enterprise Revenue Bonds (Build America Bonds – Direct Payment to Board), Series 2010B for $30,670,000.

Series 2010 bonds were issued to finance the costs of construction, acquisition, renovation and equipping of certain housing, classroom, and other College facilities; and to fund a deposit to the Series 2010 Capitalized Interest Fund to pay a portion of the interest on the Series 2010 bonds through May 2011. The Series 2010 bonds include a net discount of $149,696 that will be amortized over the life of the bonds. After issuance costs, $30,000,000 was deposited into the Series 2010 Project Fund and $1,426,665 was deposited into the Series 2010 Capitalized Interest Fund.

Series 2010 Bonds require annual debt service payments ranging from $2,040,213 to $8,511,463, including coupon interest rates ranging from 3.00% to 6.75% affecting a net interest rate of 4.32%. The Series 2010B (Build America Bonds) average coupon rate of 6.60% is established at a higher rate than those prevalent in the tax-exempt market because the interest paid is taxable to the investor. The US Treasury, in turn, will rebate 35% of the interest paid over the life of the bonds to the College so that the net rate paid is 4.29% after the rebate.

A Reserve Fund requirement was met by participating in the State Intercept Program, which was enacted for bonds issued by state-supported institutions of higher education on or after June 4, 2008. Under Section 23-5-139, CRS, as amended, if the College cannot meet a scheduled payment of principal and interest, the State Treasurer is required to forward the amount necessary to make the payment to the paying agent, and will recover such amounts by withholding funds from the College's fee-for-service contract with the Department of Higher Education.

**Series 2009 A & B bonds:** In October 2009, the College issued tax-exempt Auxiliary Facilities System Enterprise Revenue Refunding Bonds Series 2009A for $31,665,000 and Taxable Auxiliary Facilities System Enterprise Revenue Bonds (Build America Bonds – Direct Payment to Board) Series 2009B for $30,000,000.

Series 2009A bonds were used to advance refund all of the series 2008 bonds. Series 2009B bonds were issued to finance the costs of construction, acquisition, renovation and equipping of certain housing, college center, parking and other College facilities; and to fund a deposit to the Series 2009 Capitalized Interest Fund to pay a portion of the interest on the Series 2009 bonds through November 2010. Series 2009 bonds include a net premium of $1,553,007 that will be amortized over the life of the bonds. After issuance costs, $28,000,000 was deposited into the Series 2009 Project Fund and $1,670,000 was deposited into the Series 2009 Capitalized Interest Fund that will be used to make interest payments during the construction of the new college center and college center parking garage. The Project fund will be used to finance construction and equipping the new college center and college center parking garage.

## NOTE 5 – LONG-TERM LIABILITIES-CONTINUED

Series 2009 bonds require annual debt service payments ranging from $1,927,344 to $6,865,680, including coupon interest rates ranging from 3.00% to 5.80% affecting an interest rate of 3.97%. Final payments are due in May of 2040. The Series 2009B (Build America Bonds) coupon rate of 5.80% is established at a higher rate than those prevalent in the tax-exempt market because the interest paid is taxable to the investor. The US Treasury, in turn, will rebate 35% of the interest paid over the life of the bonds to the College so that the net rate paid is 3.77% after the rebate.

A Reserve Fund requirement was met by participating in the State Intercept Program, which was enacted for bonds issued by state-supported institutions of higher education on or after June 4, 2008. Under Section 23-5-139, CRS, as amended, if the College cannot meet a scheduled payment of principal and interest, the State Treasurer is required to forward the amount necessary to make the payment to the paying agent, and will recover such amounts by withholding funds from the College's fee-for-service contract with the Department of Higher Education.

The College in-substance defeased the Series 2008 bonds by placing the proceeds of the Series 2009A in an irrevocable trust to provide for future debt service payments on the Series 2008 bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the College's financial statements. At June 30, 2010 $28,445,000 is outstanding for the advance refunding that is considered defeased debt.

The defeasance resulted in an economic gain of $2,531,320 and a book loss of $5,276,944 that will be amortized as an adjustment to interest expense over the life of the Series 2009A bonds.

**Series 2007 bonds:** The College issued College Enterprise Revenue Bonds Series 2007 in June 2007. The debt issue totaled $17,236,775, including a premium of $431,775 that will be amortized over the life of the bonds. After issuance costs, $16,975,000 was deposited into the Project Construction Fund. The Project Fund was used to pay a portion of the costs to expand and renovate the Saunders Field House, to construct a facilities services building, to pay for a portion of the Business and Information Technology Center, and for several other capital projects to improve, expand, and equip the College facilities.

Series 2007 bonds require annual debt service payments ranging from $748,315 to $2,796,325, including coupon interest ranging from 4.75% to 5.125%, affecting a net interest rate of 4.96%. Final payments are due in May of 2037. The bonds are secured by the pledge of certain net revenues and other money in funds and accounts held by the Trustees of Mesa State College which are pledged and assigned for equal and ratable payment of the bonds.

## NOTE 5 – LONG-TERM LIABILITIES-CONTINUED

A Reserve Fund requirement was satisfied by the purchase of a surety bond in an amount equal to the Debt Service Reserve Requirement that is equal to the lesser of (i) the combined maximum annual principal and interest payments on all bonds outstanding, (ii) the combined average annual principal and interest payments on all bonds, or (iii) ten percent (10%) of the original principal of each issue of Bonds Outstanding. Because of downgrades of the bond insurer in February 2009, the surety bond for the Series 2007 bonds is no longer a "qualified surety bond" under the Bond Resolution requirements. In March 2010, the College obtained an irrevocable standby letter of credit in the amount of $1,276,045 to satisfy the reserve fund requirement for the Series 2007 bonds.

**Series 2005 bonds:** The College issued Auxiliary Facilities System Revenue Bonds Series 2005 in September 2005. The debt issue totaled $20,842,434, including a net premium of $807,434 that will be amortized over the life of the bonds. After the costs of issuance, $19,468,388 was deposited into the Project Construction Fund. The 2005 Resolution establishes a Capitalized Interest Fund funded with $1,049,879 of the bond proceeds to pay interest through November 2006, after which any remaining funds will be transferred to the Project Fund. The Project Fund was for construction of student housing, the soccer field and parking facility, and to expand and equip the College's auxiliary facilities system.

Series 2005 bonds require annual debt service payments ranging from $616,975 to $1,294,250, including coupon interest of 3.5% to 5.0%, affecting a net interest rate of 4.38%. Final payments are due in May of 2035. The bonds are secured by the pledge of certain net revenues and other money in funds and accounts held by the Trustees of Mesa State College which are pledged and assigned for equal and ratable payment of the bonds.

A Reserve Fund requirement was satisfied when the bonds were issued by the purchase of a surety bond in an amount equal to the Debt Service Reserve Requirement that is equal to the lesser of (i) the combined maximum annual principal and interest payments on all bonds outstanding, (ii) the combined average annual principal and interest payments on all bonds, or (iii) ten percent (10%) of the original principal of each issue of Bonds Outstanding. Because of recent downgrades of the bond insurer, the surety bond for the Series 2005 bonds is no longer a "qualified surety bond" under the Bond Resolution requirements. Pursuant to the Bond Resolution, the College made a deposit of $1,289,688 to the Series 2005 Debt Service Reserve fund from Series 2008 proceeds.

**Series 2002 A & B bonds:** The College advance refunded the outstanding Series 1994 and Series 1996 bonds in March 2003 by issuing the 2002 Series A & B listed below. The new debt issue totaled $15,180,000 with the proceeds first applied to an escrow account for retirement of the now defeased Series 1994 and Series 1996 bonds with the remainder ($2,500,000) deposited to a capital improvement construction fund.

## NOTE 5 – LONG-TERM LIABILITIES-CONTINUED

Mesa Auxiliary Facilities Revenue Bonds, Series A & B 2002, require annual debt service payments ranging from $745,500 to $1,409,150, including interest at 1.34% to 4.57%. Final payments are due in May of 2022. The bonds are secured by a first lien on and pledge of certain net revenues of the Mesa Auxiliary Facilities System. A $325,000 renewal and replacement reserve fund is maintained, as required by the bond resolution.

Bonds maturing on or after May 15, 2014 are callable at 100% par value plus accrued interest at the discretion of the Board on or after May 15, 2014. Bonds maturing in 2020 and thereafter are subject to mandatory sinking fund redemption without premium.

In March 2010, the College obtained an irrevocable standby letter of credit in the amount of $1,054,065 to satisfy the reserve fund requirement for the Series 2002 bonds

The following is a schedule of future minimum bond payments as of June 30, 2010:

| Fiscal Year End: | 2002B | 2005 | 2007 | 2009AB | 2010 AB | Total |
|---|---|---|---|---|---|---|
| 2011 | $ 1,338,910 | $1,290,725 | $ 844,494 | $ 3,633,238 | $ 2,176,622 | $ 9,283,989 |
| 2012 | 1,340,200 | 1,289,975 | 844,494 | 3,634,287 | 2,339,051 | 9,448,007 |
| 2013 | 1,409,150 | 1,289,750 | 844,494 | 3,564,887 | 2,339,001 | 9,447,282 |
| 2014 | 1,359,150 | 1,289,000 | 844,493 | 3,612,138 | 2,343,652 | 9,448,433 |
| 2015 | 1,344,150 | 1,290,400 | 844,493 | 3,627,588 | 2,342,852 | 9,449,483 |
| 2016-2020 | 4,334,100 | 6,459,250 | 4,222,469 | 20,519,850 | 11,625,113 | 47,160,782 |
| 2021-2025 | 1,495,000 | 6,446,500 | 6,201,994 | 21,393,400 | 11,427,783 | 46,964,677 |
| 2026-2030 | - | 6,441,750 | 7,537,088 | 21,551,250 | 11,177,463 | 46,707,551 |
| 2031-2035 | - | 6,443,750 | 7,530,687 | 21,471,490 | 10,839,033 | 46,284,960 |
| 2036-2040 | - | - | 5,592,313 | 28,552,580 | 10,383,582 | 44,528,475 |
| 2041-2042 | - | - | - | - | 16,848,326 | 16,848,326 |
| Subtotals | $ 12,620,660 | $ 32,241,100 | $ 35,307,019 | $131,560,708 | $ 83,842,478 | $295,571,965 |
| Less Interest Included Above | (2,950,660) | (13,741,100) | (18,502,019) | (69,895,708) | (52,132,478) | (157,221,965) |
| Total Principal Outstanding | $ 9,670,000 | $18,500,000 | $ 16,805,000 | $ 61,665,000 | $ 31,710,000 | $ 138,350,000 |
| Less Current Portion | (870,000) | (420,000) | - | (465,000) | - | (1,755,000) |
| Net Long Term Principal | $ 8,800,000 | $ 18,080,000 | $ 16,805,000 | $ 61,200,000 | $ 31,710,000 | $ 136,595,000 |
| Less Unamortized Disc/ Premium | (437,929) | 674,213 | 388,598 | 1,496,515 | (150,404) | 1,970,993 |
| Bonds Payable Net | $ 8,362,071 | $ 18,754,213 | $ 17,193,598 | $ 62,696,515 | $ 31,559,596 | $ 138,565,993 |

## NOTE 5 – LONG-TERM LIABILITIES-CONTINUED

The following is a schedule of future minimum bond payments as of June 30, 2009:

| Fiscal Year-End: | 2002 Series B | 2005 Series | 2007 Series | 2008 Series | Total |
|---|---|---|---|---|---|
| 2010 | $ 1,329,378 | $ 1,290,913 | $ 844,494 | $ 1,630,856 | $ 5,095,641 |
| 2011 | 1,338,910 | 1,290,725 | 844,494 | 1,630,856 | 5,104,985 |
| 2012 | 1,340,200 | 1,289,975 | 844,494 | 1,630,856 | 5,105,525 |
| 2013 | 1,409,150 | 1,289,750 | 844,494 | 1,630,856 | 5,174,250 |
| 2014 | 1,359,150 | 1,289,000 | 844,494 | 1,630,856 | 5,123,500 |
| 2015-2019 | 4,931,500 | 6,457,650 | 4,222,469 | 10,095,469 | 25,707,088 |
| 2020-2024 | 2,241,750 | 6,448,700 | 5,541,119 | 11,573,246 | 25,804,815 |
| 2025-2029 | - | 6,444,550 | 7,535,131 | 11,829,463 | 25,809,144 |
| 2030-2034 | - | 6,444,500 | 7,526,293 | 11,838,338 | 25,809,131 |
| 2035-2038 | - | 1,286,250 | 7,104,031 | 9,460,700 | 17,850,981 |
| Subtotals | $ 13,950,038 | $ 33,532,013 | $ 36,151,513 | $ 62,951,496 | $ 146,585,060 |
| Less Interest Included Above | (3,445,038) | (14,627,013) | (19,346,513) | (34,506,496) | (71,925,060) |
| Total Principal Outstanding | $ 10,505,000 | $ 18,905,000 | $ 16,805,000 | $ 28,445,000 | $ 74,660,000 |
| Less Current Portion | (835,000) | (405,000) | - | - | (1,240,000) |
| Net Long Term Principal | $ 9,670,000 | $ 18,500,000 | $ 16,805,000 | $ 28,445,000 | $ 73,420,000 |
| Less Unamortized Disc/Premium | (474,786) | 702,015 | 402,990 | (508,300) | 121,919 |
| Bonds Payable Net | $ 9,195,214 | $ 19,202,015 | $ 17,207,990 | $ 27,936,700 | $ 73,541,919 |

### Capital Leases

**Equipment Lease:** In Fiscal Year 2008, the College entered into a $2,162,375 capital lease-purchase contract with an interest rate of 4.32% for the acquisition of equipment that will result in energy cost savings guarantees. Rent payments began in September 2009 and continue through August 2024. The contract provides that any commitments beyond the current year are contingent upon funds being for that purpose being appropriated, budgeted and otherwise made available. It is reasonably assured that sufficient funds will be available for the full term of the contract, and, therefore are treated as non-cancelable for financial reporting purposes.

**State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008:** On November 6, 2008, the State Treasurer entered a lease-purchase agreement under which a Trustee issued $230,845,000 of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008. The Certificates were issued at a net premium of $180,940 and were a combination of serial and term maturities with the final maturity in November 2027. The Certificates carry coupon rates ranging from 3.00 percent to 5.50 percent with a total interest cost of 5.38 percent.

The Certificate proceeds will be used to fund renovations, additions, and new construction at twelve state Institutions of Higher Education and are collateralized with existing properties at eleven of the twelve institutions. Legislation enacted in the 2008 session of the General Assembly authorized the lease purchase and limited the lease payments to average $16.2 million for the first ten years and $16.8 million for the second ten years.

**NOTE 5 – LONG-TERM LIABILITIES-CONTINUED**

The legislation envisions annual appropriations of Federal Mineral Lease Program (FML) revenues to fund the semi-annual lease payments required. Total lease payments anticipated from the FML source are $325.5 million, and three institutions will make $42.8 million of lease payments over the life of the Certificates to fund the portion of their required project match that they elected to finance through the Certificates.

COP proceeds of $18,427,477 were allocated to renovate and expand the Wubben Hall science building. Of that, $3,652,294 will be financed by the College through a sublease with the State Treasurer. The College will make rental payments from April 2009 through October 2027 that total $5,870,719 including interest of $2,195,719. The College pledged the Fine Arts Building and the Tomlinson Library as collateral for the project.

**Capital Lease-Purchase with the Mesa State College Real Estate Foundation (MSCREF):** On December 29, 2008, the Board of Trustees granted $1,187,500 to the MSCREF and entered into a lease-purchase agreement with the MSCREF to finance the acquisition of property adjacent to the College's Western Community College campus. MSCREF made an equity contribution of $1,187,500 and issued a lease revenue bond through the Colorado Educational and Cultural Facilities Authority for $3,562,500 with a fixed interest rate of 3.00% that will mature on December 29, 2011. The term of the capital lease is for ten years at 3.00% with the final payment due on December 29, 2018. The College has the option to purchase the MSCREF's interest in the leased property by paying the MSCREF an amount which is sufficient to pay the outstanding principal and interest of the bond, and any other amounts due under the lease agreement. The College presently expects to exercise its option to purchase the leased property by paying the purchase option price on December 29, 2011 and made; but this representation does not obligate or otherwise bind the College. The contract provides that any commitments beyond the current year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available. It is reasonably assured that sufficient funds will be available for the full term of the contract, and, therefore are treated as non-cancelable for financial reporting purposes.

The following is a schedule of future minimum capital lease payments as of June 30, 2010:

| Fiscal Year End | Principal | Interest | Total |
|---|---|---|---|
| 2011 | $ 541,921 | $ 338,992 | $ 880,913 |
| 2012 | 566,486 | 318,088 | 884,574 |
| 2013 | 599,580 | 300,793 | 900,373 |
| 2014 | 626,143 | 277,362 | 903,505 |
| 2015 | 653,640 | 257,123 | 910,763 |
| 2016-2020 | 2,184,759 | 945,255 | 3,130,014 |
| 2021-2025 | 1,984,060 | 471,280 | 2,455,340 |
| 2026-2029 | 820,182 | 74,530 | 894,712 |
| Total | $ 7,976,771 | $ 2,983,423 | $10,960,194 |

## NOTE 5 – LONG-TERM LIABILITIES-CONTINUED

The following is a schedule of future minimum capital lease payments as of June 30, 2009:

| Fiscal Year End | Principal | Interest | Total |
|---|---|---|---|
| 2010 | $ 469,030 | $ 382,884 | $ 851,914 |
| 2011 | 516,666 | 364,246 | 880,912 |
| 2012 | 540,474 | 344,100 | 884,574 |
| 2013 | 572,787 | 327,585 | 900,372 |
| 2014 | 598,547 | 304,959 | 903,506 |
| 2015-2019 | 3,421,144 | 1,172,374 | 4,593,518 |
| 2020-2024 | 2,083,618 | 572,770 | 2,656,388 |
| 2025-2028 | 1,085,354 | 127,039 | 1,212,393 |
| Total | $ 9,287,620 | $ 3,595,957 | $12,883,577 |

**Operating Lease:** The College entered into an agreement to lease kitchen equipment for the student dining hall during the construction of the College Center, and leases copiers. The following is a schedule of all future minimum rental payments under the lease:

| Year Ending June 30: | |
|---|---|
| 2011 | $ 71,403 |
| Total | $ 71,403 |

Rent expense for Fiscal Year 2010 and 2009 was $101,357 and $132,538, respectively.

**Long-term Note Payable**: As part of its campus expansion program, the College acquired a property by issuing a 20 year note payable in Fiscal Year 2006. The principal balance was $190,000, payable in semi-annual payments at five percent interest.

## NOTE 5 – LONG-TERM LIABILITIES-CONTINUED

The following is a schedule of payments of notes payable as of June 30, 2010:

| **Total Payments:** | **Year Ending June 30, 2010** |
|---|---|
| 2011 | $ 15,138 |
| 2012 | 15,138 |
| 2013 | 15,138 |
| 2014 | 15,138 |
| 2015 | 15,138 |
| 2016-2020 | 75,689 |
| 2021-2025 | 75,689 |
| 2026-2030 | 7,568 |
| Total Principal and Interest Payments | $ 234,636 |
| Less: Interest Included Above | (72,696) |
| Total Principal Outstanding | $ 161,940 |
| Less: Current Portion | (7,129) |
| Net Long-term Principal | $ 154,811 |

The following is a schedule of payments of notes payable as of June 30, 2009:

| **Total Payments:** | **Year Ending June 30, 2009** |
|---|---|
| 2010 | $ 15,138 |
| 2011 | 15,138 |
| 2012 | 15,138 |
| 2013 | 15,138 |
| 2014 | 15,138 |
| 2015-2019 | 75,689 |
| 2020-2014 | 75,689 |
| 2025-2029 | 22,707 |
| Total Principal and Interest Payments | $ 249,775 |
| Less: Interest Included Above | (81,050) |
| Total Principal Outstanding | $ 168,725 |
| Less: Current Portion | (6,785) |
| Net Long-term Principal | $ 161,940 |

## NOTE 5 – LONG-TERM LIABILITIES-CONTINUED

**Compensated Absences:** Employees accrue annual and sick leave based on the length of service subject to certain limitations regarding the amount that will be paid upon termination and/or retirement. The estimated costs of compensated absences for which employees are vested for the years ended June 30, 2010 and June 30, 2009, are estimated as $1,289,910 (including the current portion of $155,647 listed in note 6 below) and $1,152,386 respectively. Expenses include an increase of $137,524 (2010) and $147,716 (2009) for the estimated compensated absence liability.

## NOTE 6 – SHORT-TERM LIABILITIES

Year-end payables were as follows:

| | Year Ending | |
|---|---|---|
| | June 30, 2010 | June 30, 2009 |
| Accounts Payable, Vendors | $ 5,087,063 | $ 5,907,508 |
| Salaries and Benefits Payable | 4,536,635 | 4,139,191 |
| Capital Leases Payable, Current Portion | 541,921 | 469,030 |
| Capital Bonds Payable, Current Portion | 1,755,000 | 1,240,000 |
| Long-term Notes Payable, Current Portion | 7,129 | 6,785 |
| Compensated Absences, Current Portion | 155,647 | 155,647 |
| Retainage on Construction Contracts Payable | 1,920,908 | 3,537,123 |
| Accrued Interest Payable | 1,371,387 | 567,902 |
| Total Payables | $ 15,375,690 | $ 16,023,186 |

## NOTE 7 – CONTINGENT LIABILITIES

Amounts expended under the terms of certain grants and contracts are subject to audit and possible adjustment by governmental agencies. In the opinion of college management, adjustments, if required, will not have a material impact on the accompanying financial statements.

The College, in the course of conducting business, is a party to various litigation and other claims. Although the final outcome of these legal actions cannot be determined at this time, management does not believe the ultimate resolution of these matters will have a significant adverse effect on the financial position of the College.

## NOTE 8 – ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements are as follows:

| | June 30, 2010 | June 30, 2009 |
|---|---|---|
| Education and General | $ 603,777 | $ 377,126 |
| Auxiliary Enterprises | 961,170 | 1,219,172 |
| Restricted Funds | 60,112 | 68,694 |
| Plant Funds | 15,575,899 | 32,091,498 |
| Total | $ 17,200,958 | $ 33,756,490 |

## NOTE 9 – PENSION PLAN OBLIGATIONS

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

### A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

Classified employees, and some faculty and exempt professionals 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 the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require 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, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting www.copera.org.

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

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institutions optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case, they may elect either PERA or their institution's optional plan.

**NOTE 9 – PENSION PLAN OBLIGATIONS-CONTINUED**

Community college employees hired after January 1, 2008, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior twelve months. In that case, they may elect either PERA or their institution's optional plan.

New employees, excluding four-year college and university employees, are allowed 60 days to elect to participate in PERA's defined contribution plan. If that election is not made, the employee is automatically enrolled in the plan to which he or she last contributed or, if there was no prior participation, to the defined benefit plan. PERA members electing the PERA defined contribution plan are allowed an irrevocable election between the second and fifth year of membership 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 rules in effect for those hired on or after January 1, 2007, as discussed below. The employer contribution to the defined contribution plan is the same amount as the contribution to the PERA defined benefit plan.

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

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

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

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

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

## NOTE 9 – PENSION PLAN OBLIGATIONS-CONTINUED

Most members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated at 2.5 percent times the number of years of services times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which the contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods.

For retirements after January 1, 2009, the HAS is calculated based on original hire date as follows:

- Hired before January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to a 15 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15 percent increase.
- Hired on or after January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to an 8 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8 percent increase.

Prior to January 1, 2010, retiree benefits were increased annually based on their original hire date as follows:

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

In the 2010 legislative session, the general assembly set the current increase as the lesser of 2 percent or the average of the monthly CPI amounts for calendar year 2009. The 2009 CPI was negative resulting in a calendar year 2010 increase of 0 percent. The 2010 legislation moved the payment date of all increases to July. New rules governing the annual increase amount will be in effect beginning January 1, 2011.

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.

**NOTE 9 – PENSION PLAN OBLIGATIONS-CONTINUED**

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 percent (10.0 percent for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2009, to December 31, 2009, the state contributed 12.95 percent (15.65 percent for state troopers and 16.46 percent for the Judicial Branch) of the employee's salary. From January 1, 2010, through June 30, 2010, the state contributed 13.85 percent (16.55 percent for state troopers and 17.36 percent for the Judicial Branch). During all of Fiscal Year 2009-10, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2009, the division of PERA in which the state participates was underfunded with an amortization period of 43 years.

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

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

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

The College's contributions to the Defined Benefit Plan and the Health Care Trust Fund for the fiscal years ended June 30, 2010, 2009, and 2008 were $1,455,233, $1,341,476, and $1,162,557 respectively. These contributions met the contribution requirement for each year.

## NOTE 9 – PENSION PLAN OBLIGATIONS-CONTINUED

OPTIONAL RETIREMENT PLAN (ORP) Plan Description. The ORP is a defined contribution pension plan with three vendors (fund sponsors), Fidelity Investments, TIAA-CREF and VALIC, providing a range of investment accounts for participants. The College's contribution to the ORP is 11.4 percent of covered payroll and contributions by employees is 8 percent of covered payroll. All ORP contributions are immediately invested in the employee's account. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

Several exempt employees of the College elected to continue as members with the Public Employees' Retirement Association of Colorado (PERA); the remainder participate in the ORP.

Funding Policy. The College's contribution to the ORP for fiscal years ended June 30, 2010, 2009, and 2008 were $1,770,034, $1,671,890, and $1,501,329 respectively. Employee contributions were 8 percent of covered payroll. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

C. STUDENT RETIREMENT PLAN

Beginning in Fiscal Year 1993, in accordance with the provisions of CRS 24-54.6 and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5 percent contribution on the employee's part with no employer contribution. Total payroll covered by the plan for fiscal years ended June 30, 2010 and 2009 were $632,448 and $576,197. Employee contributions were $47,434 and $43,215 for fiscal years ended June 30, 2010 and 2009, or 7.5 percent of covered payroll.

## NOTE 10 – VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan and, beginning on July 1, 2009, will administer the 457 deferred compensation plan previously administered by the state. Certain agencies and institutions of the state also offer 403(b) or 401(a) plans.

## NOTE 11 – POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

### Health Care Program

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

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

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 9B. Beginning July 1, 2004, the College is required to contribute 1.02% of gross covered wages to the Health Care Trust Fund. The College contributed $92,680, $87,108, and $84,034, as required by statute as of June 30, 2010, 2009 and 2008, respectively. In each year the amount contributed was 100% of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2009, there were 46,985 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2009, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.50 billion, a funded ratio of 14.8%, and a 53-year amortization period.

## NOTE 12 – COMPONENT UNITS

Beginning with financial statements issued for years ending on or after June 30, 2004, GASB Statement 39 requires the inclusion of certain organizations as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support to the primary government or its other component units. If a separate entity is determined (by GASB 39 criteria) to be a component unit, its financial information should be discretely presented within the financial statements of the reporting entity.

## NOTE 12 – COMPONENT UNITS-CONTINUED

Typically, discretely presented information is shown in a separate column on the same page as the information of the reporting entity. However, if a component unit uses a different GAAP reporting model (i.e., FASB Non-Profit) then GASB 39 states that the information "... need not be presented on the same page as the primary government, but may be presented on separate pages."

For Colorado institutions of higher education, either of these presentation options is acceptable if the component unit uses a different reporting model. Component Unit reporting must include a Statement of Net Assets (or Financial Position) and a Statement of Revenues, Expenses, and Changes in Net Assets (or Statement of Activities). A Statement of Cash Flows is not required.

The College, using GASB 39 criteria, has identified the following entities as component units. Since the component units use a different reporting model (FASB Non-Profit), the required financial data is discretely presented on separate pages as allowed by GASB 39.

### MESA STATE COLLEGE FOUNDATION

The Mesa State College Foundation (the Foundation) is a separate non-profit corporation under Internal Revenue Code Section 501(c)(3) formed to provide financial assistance to Mesa State College students and to otherwise assist the College in serving educational needs. The Foundation engages in activities that may be beyond the scope of the College Board of Trustees. The Foundation's financial records are maintained separately from the College.

The Foundation solicits and receives donations and other forms of support for the benefit of the College's intercollegiate athletic program as well as other programs and/or initiatives. Expenditures are primarily scholarships awarded. During fiscal year 2010, the Foundation awarded $662,801 in scholarship funds directly to Mesa State College students. Since the funds were paid directly to students, the College did not record related revenue or expense. Accordingly, this amount is not included in the schedule of Student Financial Assistance provided in Note 13. The Foundation received donations to partially fund regular operations of various college departments. During Fiscal Year 2010 cash and in-kind donations totaled $5,631,431 and were recorded as revenue and expense in the appropriate funds.

The following is an excerpt from the Foundation's independent annual financial report. Note references for Fiscal Year 2009 follow those for Fiscal Year 2010.

## NOTE 12 – COMPONENT UNITS-CONTINUED

**FOUNDATION – INVESTMENTS – Fiscal Year 2010**

Investments are stated at fair value from quoted market prices and consist of the following:

| | Cost | Fair Value | Unrealized Gain (Loss) |
|---|---|---|---|
| Cash & Money Markets | $ 786,487 | $ 786,487 | $ – |
| Bonds | 2,805,189 | 2,801,379 | (3,810) |
| Common Stock | 4,473,250 | 4,465,408 | (7,842) |
| Mutual Funds | 2,494,486 | 2,432,017 | (62,469) |
| | $ 10,559,412 | $ 10,485,291 | $ (74,121) |

The following schedule summarizes the investment return in the statement of activities for the year ended:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Interest & Dividend Income | $ – | $ 248,216 | $ – | $ 248,216 |
| Investment Fees | – | (80,059) | – | (80,059) |
| Realized Gains (Losses) | – | 108,887 | – | 108,887 |
| Unrealized Gains (Losses) | – | 659,982 | – | 659,982 |
| Total | $ – | $ 937,026 | $ – | $ 937,026 |

**FOUNDATION – INVESTMENTS – Fiscal Year 2009**

Investment return is summarized as follows:

| | Cost | Fair Value | Unrealized Gain (Loss) |
|---|---|---|---|
| Balance at End of Year | $ 10,159,415 | $ 9,138,563 | $ (1,020,852) |
| Balance at Beginning of Year | 11,903,540 | 11,716,831 | (186,709) |
| Increase (Decrease) in Unrealized Appreciation | | | $ (834,143) |
| | | | |
| Interest and dividend income | | | $ 304,968 |
| Realized Gains (Losses) on Investments | | | (964,997) |
| Trustee fees | | | (65,718) |
| Total | | | $ (725,747) |

Investments recorded at fair value are comprised of the following:

| | Cost | Fair Value | Unrealized Gain (Loss) |
|---|---|---|---|
| Cash & Money Markets | $ 2,519,865 | $ 2,519,865 | $ - |
| Bonds | 1,338,394 | 1,334,952 | (3,442) |
| Common Stock | 3,113,512 | 2,621,584 | (491,928) |
| Mutual Funds | 3,187,644 | 2,662,162 | (525,482) |
| | $10,159,415 | $ 9,138,563 | $ (1,020,852) |

**NOTE 12 – COMPONENT UNITS-CONTINUED**

**FOUNDATION – PROMISES TO GIVE – Fiscal Year 2010**

Unconditional promises to give at June 30, 2010 consisted of the following:

| | |
|---|---|
| Mesa State College Building Projects | $ 904,819 |
| Mesa State College Campus Expansion | 500,000 |
| Scholarships | 843,227 |
| Subtotal | 2,248,046 |
| Less discounts to net present value – Discount rate 7% | (243,795) |
| Less allowance for uncollectible promises receivable | (74,147) |
| Total | $ 1,930,104 |

| | |
|---|---|
| Receivable in less than one year | $ 570,478 |
| Receivable in one to five years | 1,110,076 |
| Receivable in more than five year | 249,550 |
| Total | $ 1,930,104 |

**FOUNDATION – PROMISES TO GIVE – Fiscal Year 2009**

A summary of the unconditional promises to give at June 30, 2009 and expected years of completion follows:

| | |
|---|---|
| Mesa State College Building Projects | $ 1,602,312 |
| Mesa State College Campus Expansion | 600,000 |
| Scholarships | 1,099,107 |
| Subtotal | 3,301,419 |
| Less discounts to net present value - Discount rate 7% | (280,263) |
| Less allowances for uncollectible promises receivable | (212,313) |
| Total | $ 2,808,843 |

| | |
|---|---|
| Receivable in less than one year | $979,316 |
| Receivable in one to five years | 1,659,961 |
| Receivable in more than five years | 169,566 |
| Total | $ 2,808,843 |

## NOTE 12 – COMPONENT UNITS-CONTINUED

### FOUNDATION – PROPERTY AND EQUIPMENT – Fiscal Year 2010

Property and equipment consist of the following:

| | Estimated Useful Life | |
|---|---|---|
| Building | 20-30 years | $ 550,581 |
| Furniture and Fixtures | 5-10 years | 235,017 |
| Memorial Alcove | 10 years | 7,400 |
| | | 792,998 |
| Less: Accumulated Depreciation | | (450,691) |
| | | $ 342,307 |

### FOUNDATION – PROPERTY AND EQUIPMENT – Fiscal Year 2009

Property and equipment consist of the following:

| | Estimated Useful Life | |
|---|---|---|
| Building | 20-30 years | $ 550,581 |
| Furniture and Fixtures | 5-10 years | 235,017 |
| Memorial Alcove | 10 years | 7,400 |
| | | 792,998 |
| Less: Accumulated Depreciation | | (410,049) |
| | | $ 382,949 |

### FOUNDATION – LINE OF CREDIT – Fiscal Year 2010

Mesa State College has plans to further expand the size of the college campus. The Foundation is assisting in the expansion by purchasing real estate needed for campus expansion. At the time of closing on real estate purchases, the Foundation quitclaims the real estate to Mesa State College. $2,014,789 (2010) and $1,037,209 (2009) of real estate was purchased and quitclaimed to Mesa State College during the last year.

To facilitate the purchase of real estate at the most advantageous prices and terms, the Foundation has a line of credit with a bank in the amount of $2,500,000 which matures June 2, 2013. The initial interest rate was 4% adjusted annually to a floating rate based on a Prime Rate and interest payments are due each month. At year end the Foundation's balance on this loan was $1,800,000 (2010) and $960,004 (2009). The collateral for the loan is real and personal property (both tangible and intangible) that the Foundation owns.

## NOTE 12 – COMPONENT UNITS-CONTINUED

To fund the purchase of the real estate, the City of Grand Junction has committed to donating $500,000 per year and Mesa County has committed to donating $100,000 per year. Should the City or County in future years, decrease their annual funding levels, such that the Foundation were unable to repay the line of credit, Mesa State College signed an agreement with the Foundation to deed over donated real estate or other real estate sufficient to payoff the line of credit.

## MESA STATE COLLEGE REAL ESTATE FOUNDATION

The Mesa State College Real Estate Foundation (MSCREF) is a separate 501(c)(3) corporation that was organized to receive, hold, invest, and administer real and personal property, borrow money, and to make expenditures to or for the benefit of the College. MSCREF may receive gifts of real and personal property that persons and entities wish to donate for the benefit of the College in support and furtherance of the College's educational purposes. MSCREF may hold, maintain, improve, leverage, manage, and lease such donated property in a manner consistent with donor intent until such time as MSCREF deems it advisable to convey, transfer, or otherwise dispose of the property and then donate to support the College.

Under an operating agreement with the College, the parties generally intend to satisfy MSCREF's need for financial capital by allowing MSCREF to retain a portion of proceeds on an approximate 20% (MSCREF), 80% (College) sharing. The Board of Trustees authorized up to $375,000 from the college for MSCREF start-up costs. The College made an operating transfer of $135,000 in Fiscal Year 2009. In addition, the Board granted $1,187,500 to MSCREF in December 2008 for the acquisition of property that is described in Note 5 above and MSCREF made a capital transfer of $1,192,962 back to the College.

The following are excerpts from the Fiscal Year 2010 and 2009 MSCREF independent annual financial report.

## MSCREF – LAND HELD FOR INVESTMENT AND OTHER LONG-TERM ASSETS

Mesa State College contributed a piece of land located in Mesa County in November of 2006. This land is to be developed in the future years by the MSCREF to benefit the College. MSCREF has capitalized all of the development costs. A building is on the investment land and is being depreciated over a 6 year life.

| | 2010 | 2009 |
|---|---|---|
| Cost of land held for investment and developed costs | $ 831,227 | $ 698,321 |
| Building | 22,352 | 22,352 |
| Accumulated Depreciation | (7,451) | (3,726) |
| Total land held for investment | $ 846,128 | $ 716,947 |

Other long-term assets include unamortized bond issue costs, landlord improvements and lease commissions.

## NOTE 12 – COMPONENT UNITS-CONTINUED

### MSCREF – CAPITAL LEASE RECEIVABLE FROM THE COLLEGE

On December 29, 2008, the Board of Trustees granted $1,187,500 to the MSCREF and entered into a lease-receivable agreement with the College to finance the acquisition of property adjacent to the College's Western Community College campus. MSCREF made an equity contribution of $1,187,500 and issued a lease revenue bond through the Colorado Educational and Cultural Facilities Authority for $3,562,500. The College has the option to purchase the MSCREF's interest in the leased property by paying the MSCREF an amount which is sufficient to pay the outstanding principal and interest of the bond, and any other amounts due under the lease agreement. The College presently expects to exercise its option to purchase the leased property by paying the purchase option price on December 29, 2011; but this representation does not obligate or otherwise bind the College. The contract provides that any commitments beyond the current year are contingent upon funds being for that purpose being appropriated, budgeted and otherwise made available. It is reasonably assured that sufficient funds will be available for the full term of the contract, and, therefore are treated as non-cancelable for financial reporting purposes.

Future minimum lease payments (subject to Mesa State College annual appropriation) under the lease are as follows at June 30, 2010:

| | Principal | Interest | Total |
|---|---|---|---|
| 2011 | $ 345,336 | $ 72,298 | $ 417,634 |
| 2012 | 355,696 | 61,938 | 417,634 |
| 2013 | 366,367 | 51,267 | 417,634 |
| 2014 | 377,358 | 40,275 | 417,633 |
| 2015 | 388,679 | 28,955 | 417,634 |
| 2016-2017 | 576,487 | 22,579 | 599,066 |
| | $ 2,409,923 | $ 277,312 | $ 2,687,235 |

Future minimum lease payments (subject to Mesa State College annual appropriation) under the lease are as follows at June 30, 2009:

| | |
|---|---|
| 2010 | $ 417,634 |
| 2011 | 417,634 |
| 2012 | 417,634 |
| 2013 | 417,634 |
| 2014 | 417,634 |
| Thereafter | 2,088,170 |
| | $ 4,176,340 |

## NOTE 12 – COMPONENT UNITS-CONTINUED

### MSCREF – OPERATING LEASE COMMITMENTS

MSCREF leases four commercial spaces in Grand Junction from Mesa State College to tenants under non-cancelable operating leases with terms of five to ten years. MSCREF retains 20% of rental income as a management fee, and the other 80% is paid to Mesa State College. The rental income for the year was $88,555 (2010) and $86,298 (2009) of which MSCREF kept 20% as a management fee.

In Fiscal Year 2010, MSCREF entered into a master lease with the College to rent six commercial spaces in the North Avenue Student Housing complex (NASH). Under the terms of the lease MSCREF will remit 100% of the tenant rents to the College until the costs of tenant improvements and lease commission fees are recovered, after which MSCREF will retain, as a management fee, rental income over $15 per square foot. The balance to be recovered by the College at June 30, 2010 was $824,748. As of June 30, 2010, five of the six commercial properties were under MSCREF leases. Terms of the leases range from five to ten years and rents range from $17 to $20 per square foot.

### MSCREF – BOND PAYABLE

In Fiscal Year 2009, MSCREF made an equity contribution of $1,187,500 and issued a lease revenue bond through the Colorado Educational and Cultural Facilities Authority for $3,562,500 to finance the acquisition of property adjacent to the Mesa State College's Western Community College campus. The property is used as collateral for the bond payable. The bond has a fixed interest rate of 3.00% and will mature on December 29, 2011. Below is the schedule of debt service payments at June 30, 2010:

| | Principal | Interest | Total |
|---|---|---|---|
| June 30, 2011 | $ 237,218 | $ 72,298 | $ 309,516 |
| June 30, 2012 | 2,172,705 | 39,683 | 2,212,388 |
| | $ 2,409,923 | $ 111,981 | $ 2,521,904 |

Below is the schedule of debt service payments at June 30, 2009:

| | Principal | Interest | Total |
|---|---|---|---|
| June 30, 2010 | $ 310,759 | $ 106,875 | $ 417,634 |
| June 30, 2011 | 320,082 | 97,552 | 417,634 |
| June 30, 2012 | 2,931,659 | 87,950 | 3,019,609 |
| | $ 3,562,500 | $ 292,377 | $ 3,854,877 |

## NOTE 13 – STUDENT FINANCIAL ASSISTANCE

The College receives funds from and administers student financial assistance programs for various federal and state agencies. In addition, the College dedicates institutional resources to fund scholarships and work-study programs for students. With the implementation of GASB 34 in 2002, the new financial statement format lacks the detail of student financial assistance available on pre-2002 financial statements since part of the revenues previously recorded are now properly netted against tuition and fees with a corresponding reduction in scholarship expense. The tables below reflect the student financial assistance activities that the College received resources for and expended on the behalf of students in Fiscal Years 2010 and 2009. Student loans, external scholarships, grants, and other student financial assistance not recorded on the College's financial system are not included.

A schedule of non-loan student assistance for the year ended June 30, 2010 follows:

| | Federal Sources | State Sources | Institutional Sources | Total All Sources |
|---|---|---|---|---|
| Scholarships | | | | |
| Colorado Need-based | $ - | $ 2,802,816 | $ - | $ 2,802,816 |
| CLEAP | 15,287 | 37,103 | - | 52,390 |
| SLEAP | 15,595 | 26,405 | - | 42,000 |
| Governor's Opportunity | - | 79,320 | - | 79,320 |
| Pell Grants | 9,591,524 | - | - | 9,591,524 |
| General Institutional | - | - | 3,113,402 | 3,113,402 |
| Auxiliary | - | - | 794,070 | 794,070 |
| Other Federal Scholarships | 208,281 | - | - | 208,281 |
| Work Study ** | 213,124 | 699,590 | 1,763,396 | 2,676,110 |
| SEOG | 118,313 | - | 39,438 | 157,751 |
| Total | $10,162,124 | $3,645,234 | $5,710,306 | $19,517,664 |

**Includes MSC student assist work study - not based on financial need.

## NOTE 13 – STUDENT FINANCIAL ASSISTANCE-CONTINUED

A schedule of non-loan student assistance for the year ended June 30, 2009 follows:

| | Federal Sources | State Sources | Institutional Sources | Total All Sources |
|---|---|---|---|---|
| Scholarships | | | | |
| Colorado Need-based | $ - | $ 2,893,147 | $ - | $ 2,893,147 |
| Colorado Merit | - | 37,111 | - | 37,111 |
| CLEAP | 14,779 | 37,609 | - | 52,388 |
| SLEAP | 23,578 | 25,158 | - | 48,736 |
| Governor's Opportunity | - | 165,552 | - | 165,552 |
| Pre-Collegiate Academic | - | 96,328 | - | 96,328 |
| Pell Grants | 5,518,013 | - | - | 5,518,013 |
| General Institutional | - | - | 2,462,126 | 2,462,126 |
| Auxiliary | - | - | 856,386 | 856,386 |
| Other Federal Scholarships | 224,079 | - | - | 224,079 |
| Work Study ** | 155,707 | 716,668 | 1,557,666 | 2,430,041 |
| SEOG | 118,313 | - | 39,438 | 157,751 |
| Non-resident Scholar | - | - | 5,660 | 5,660 |
| Total | $ 6,054,469 | $ 3,971,573 | $ 4,921,276 | $14,947,318 |

** Includes MSC student assist work study - not based on financial need.

## NOTE 14 – LEGISLATIVE APPROPRIATION

The Colorado Legislature establishes spending authority for the Trustees of Mesa State College in its annual Long Appropriation Bill. Prior to Fiscal Year 2006, appropriated funds included an amount from the State of Colorado's General Fund, as well as certain cash funds. Cash funds include tuition, certain fees, and other certain revenue sources. In Fiscal Year 2010, the Colorado Legislature appropriated $355,332 for the Tomlinson Library roof repair. In Fiscal Year 2009, the Colorado Legislature appropriated $18,400,687 for Saunders Field House Addition and for controlled maintenance projects. Of that, $4,487,587 (2010) and $17,925,215 (2009) was spent and realized as capital construction appropriated revenue.

## NOTE 15 – TABOR ENTERPRISE STATUS

In November 1992, the Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to all local governments and to the State of Colorado, including Mesa State College. On August 10, 2005, the Colorado State Auditor issued an opinion that Mesa State College, along with nine other state colleges and universities, meet the TABOR requirements, and recommended that the Legislative Audit Committee approve them as TABOR-exempt enterprises.

## NOTE 15 – TABOR ENTERPRISE STATUS-CONTINUED

To qualify as a TABOR-exempt enterprise, a higher education institution needs to be a government-owned business authorized to issue its own revenue bonds and receiving less than 10 percent of its revenue grants from all Colorado state and local governments combined. Designation will be reviewed at the end of each year to determine that the colleges and universities continue to meet TABOR-exempt criteria. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any of the provisions of TABOR. The College lost its TABOR-exempt enterprise status in Fiscal Year's 2008 and 2009 due to receiving more than 10% of revenues from the state government. In Fiscal Year 2010, the College fully expects to be re-certified by the Colorado State Auditor when it issues its annual report in the Fall of 2010.

The schedule below shows the TABOR Enterprise State support calculation for fiscal year 2010.

| | | |
|---|---|---|
| State Grants | | |
| Capital appropriations | $ | 4,487,587 |
| State Share –Certificate of Participation | | 648,286 |
| Total State Grants | $ | 5,135,873 |
| Total Revenues (gross operating, non-operating, and other revenues) | $ | 95,155,507 |
| Ratio of State Grants to Total Revenues | | 5.40% |

## NOTE 16 – CHANGE IN GOVERNANCE AND FINANCIAL REPORTING

House Bill 03-1093, as enacted by the General Assembly of the State of Colorado, establishes an independent governing board for the College. Effective July 1, 2003, the powers, duties and functions formerly performed by the Trustees of the State Colleges in Colorado were transferred to the Board of Trustees of the College. For the years ending June 30, 2003 and later, the financial statements of the College are presented on a stand-alone basis. For the years ending on and prior to June 30, 2002, the financial statements of Mesa State College were included on a consolidated basis, which included Adams State College, Mesa State College, Metropolitan State College of Denver, the Office of State Colleges, and the Western Colorado Graduate Center.

## NOTE 17 – RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

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

## NOTE 18 – CHANGE IN FINANCIAL STATEMENT PRESENTATION

The College restated $5,527,735 of Pell grant revenues that was reported as operating federal grants and contracts on the Fiscal Year 2009 financial statements as non-operating federal grants. The Colorado State Controller directed this presentation change after consultation with the Governmental Accounting Standards Board and the Colorado State Auditor.

The College restated $2,342,928 of non-operating gifts on the Fiscal Year 2009 financial statements as capital contributions and donations. The amounts represent land donations and capital fund raising cash from the Foundation and was restated to properly include the transactions as other revenues.

The College also reclassified $3,885,258 of transfers from other governing boards or other institutions as capital contributions from the State. The amount is for the State COP-funded Wubben science building project and is presented as a separate line item in the financial statements to better report the activity in accordance with generally accepted accounting principles.

# SUPPLEMENTAL INFORMATION
# SCHEDULE OF REVENUE AND EXPENSES
# FOR
# ENTERPRISE REVENUE BONDS

MESA STATE COLLEGE
Enterprise Revenue Bonds
Schedule of Revenues and Expenditures
For the Year Ended June 30,

| | Fiscal Year 2010 | Fiscal Year 2009 |
|---|---|---|
| OPERATING REVENUES | | |
| Pledged Tuition Revenue | $ 3,897,537 | $ 3,440,578 |
| Residence Halls and Apartments | 7,746,367 | 5,858,874 |
| Food Services | 4,802,711 | 4,206,960 |
| College Center | 906,957 | 427,342 |
| Bookstore | 4,133,321 | 3,708,982 |
| Recreation Center | 1,550,860 | 608,110 |
| Campus Parking | 491,830 | 478,703 |
| Central Services | 591,321 | 361,170 |
| Student Fee Revenue | 1,211,938 | 1,725,800 |
| Total Revenue | $ 25,332,842 | $ 20,816,519 |
| | | |
| OPERATING EXPENDITURES | | |
| Residence Halls and Apartments | $ 3,501,946 | $ 3,394,440 |
| Food Services | 3,069,143 | 3,069,143 |
| College Center | 307,823 | 361,827 |
| Bookstore | 3,787,296 | 3,422,573 |
| Recreation Center | 1,064,095 | 416,856 |
| Campus Parking | 211,739 | 190,628 |
| Central Services | 93,639 | 188,023 |
| Total Operating Expenditures | $ 12,035,681 | $ 11,043,490 |
| Net Revenue Before Transfers | $ 13,297,161 | $ 9,773,029 |
| | | |
| Transfers | | |
| Mandatory Transfers | $ (3,902,483) | $ (3,683,785) |
| Net Non-mandatory Transfers | (4,200,022) | (3,020,303) |
| Total Transfers | $ (8,102,505) | $ (6,704,088) |
| | | |
| Increase (Decrease) in Fund Balance | $ 5,194,656 | $ 3,068,941 |
| | | |
| Net Operating Revenue | $ 13,297,161 | $ 9,773,029 |
| Bond Principal and Interest | 5,021,653 | 3,476,121 |
| Excess of Net Operating Revenue Over Debt Service | $ 8,275,508 | $ 6,296,908 |
| | | |
| Debt Service Coverage Ratio | 265% | 281% |

**Chadwick, Steinkirchner, Davis & Co., P.C.** Consultants and Certified Public Accountants

**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***

October 21, 2010

Members of the Legislative Audit Committee:

We have audited the basic financial statements of Mesa State College, a blended component unit of the State of Colorado as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated October 21, 2010. We did not audit the financial statements of the Mesa State College Foundation or the Mesa State College Real Estate Foundation, the discretely presented component units of the College. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the two foundations, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component units, Mesa State College Foundation and Mesa State College Real Estate Foundation, were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

A deficiency in internal control 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College'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 the 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.



225 North 5th Street, Suite 401
Grand Junction, CO 81501-2645

www.csdcpa.com
e-mail info@csdcpa.com

970/245-3000
FAX 970/242-4716
TOLL FREE 877/245-8080

**Compliance and Other Matters**

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

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

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

## AUDIT COMMITTEE COMMUNICATIONS

October 21, 2010

Members of the Legislative Audit Committee:

We have audited the financial statements of Mesa State College, a blended component unit of the State of Colorado, for the years ended June 30, 2010 and 2009, and have issued our report thereon dated October 21, 2010. As required by professional auditing standards, we are providing you with information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

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

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters on May 27, 2010.

### Significant Accounting Policies

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mesa State College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010 or 2009. We noted no transactions entered into by Mesa State College during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Management's estimate of depreciation is based on the estimated useful life of the fixed assets being depreciated at June 30, 2010. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

225 North 5th Street, Suite 401
Grand Junction, CO 81501-2645

www.csdcpa.com
e-mail info@csdcpa.com

970/245-3000
FAX 970/242-4716
TOLL FREE 877/245-8080

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

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

The Governmental Accounting Standards Board's implementation guide issued in 2008 clarified that Pell grants should be recorded as nonoperating revenues since they are non-exchange revenues and entities generally have administrative requirements for these funds. Historically, Mesa State College has recorded this Pell grant activity as operating revenue. The Colorado State Controller's Office also recommended that public institutions in the state continue to reflect Pell grant activity as operating revenue. In Fiscal Year 2010, the Governmental Accounting Standards Board (GASB) decided not to revise or remove the guidance in the GASB 34 Implementation Guide regarding the non-operating presentation of Pell grants. As a result, the College has included Pell grant revenue of $9,591,527 in non-operating revenues in fiscal year 2010 and restated fiscal year 2009 Pell grant revenues of $5,527,535 as non-operating revenues for comparative purposes.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 21, 2010.

Management Consultations with Other Independent Accountants

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

Other Audit Finding or Issues

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

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

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

The electronic version of this report is available on the Web site of the
Office of the State Auditor
**www.state.co.us/auditor**

A bound report may be obtained by calling the
Office of the State Auditor
**303-869-2800**

Please refer to the Report Control Number below when requesting this report

**Report Control Number 2092-10**