MESA STATE COLLEGE

FINANCIAL AND COMPLIANCE AUDIT

For Fiscal Years Ended June 30, 2008 and 2007

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TABLE OF CONTENTS

STATE OF COLORADO
MESA STATE COLLEGE
REPORT SUMMARY - FINANCIAL AND COMPLIANCE AUDIT
Year Ended June 30, 2008

PURPOSE AND SCOPE OF AUDIT

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

The purpose and scope of the audit was to:

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

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

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

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

Audit Opinions and Reports

We expressed an unqualified opinion on the College's financial statements as of and for the year ended June 30, 2008.

We issued a report on the College's compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards*. We 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 also issued certain required communications related to the conduct of an audit including our responsibility under auditing standards generally accepted in the United States of America, significant accounting policies, management judgments and accounting estimates, audit adjustments, disagreements with management, and difficulties encountered in performing the audit. No delays or disagreements are reported.

Summary of Key Findings and Recommendations

There were no reported findings and recommendations resulting from the audit work completed for Fiscal Year 2008.

Summary of Progress in Implementing Prior Audit Recommendations

There were no recommendations for the year ended June 30, 2007.

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, 2008, 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:

	2008	2007	2006
Resident Students	4,485.8	4,426.8	4,586.4
Non-Resident Students	507.6	437.9	457.2
Total Students	4,993.4	4,864.7	5,043.6
Faculty FTEs	267.6	263.1	241.3
Staff FTEs	173.0	159.1	153.2
Total Faculty and Staff FTEs	440.6	422.2	394.5

FINANCIAL STATEMENT SECTION

INDEPENDENT AUDITORS' REPORT

November 13, 2008

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, 2008 and 2007, 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, 2008 and 2007, where applicable, 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 November 13, 2008 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

Management's Discussion and Analysis on pages seven through fourteen 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, 2008 and 2007. 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 $15.5 million and $13.2 million as of June 30, 2008 and 2007, respectively, and total revenue, gains and other support of $5.0 million and $4.7 million for Fiscal Year 2008 and Fiscal Year 2007, 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, 2008, 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, 2008, 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 $591 thousand at June 30, 2008 and net assets of $572 thousand at June 30, 2007. Total revenue and support in Fiscal Year 2008 was $65 thousand, which consisted of operation transfers from the College of $50 thousand and management income of $15 thousand. Total revenue and support in Fiscal Year 2007 was $562 thousand, which consisted of operation transfers from the College of $125 thousand, a land transfer of $434 thousand and management income of $3 thousand.

Financial Highlights

- Mesa State College's financial position improved during the Fiscal Year ended June 30, 2008 as evidenced by an increase of nearly $20.4 million in net assets; net assets were $94.5 million at June 30, 2008 and $74.1 million at June 30, 2007.

- Mesa State College's current assets of $32.7 million (2008) and $28.9 million (2007) were sufficient to cover current liabilities of $10.7 million (2008) and $10.7 million (2007). The current ratio (current assets/current liabilities) of 3.06 (2008) and 2.70 (2007) demonstrates the liquidity of assets and the relative availability of working capital to fund current operations.

- Operating revenues of $64.4 million exceeded operating expenditures of $55.7 million in 2008, and operating revenues of $56.7 million exceeded operating expenditures of $52.8 million in fiscal year 2007.

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)

	2008	2007	2006
Assets			
Current Assets	$32,676	$28,858	$25,232
Non-current Assets	123,167	105,607	86,251
Total Assets	$155,843	$134,465	$111,483
Liabilities			
Current Liabilities	$10,750	$10,749	$8,609
Non-current Liabilities	50,547	49,615	32,932
Total Liabilities	$61,297	$60,364	$41,541
Net Assets			
Invested in Capital Assets	$71,919	$55,153	$52,369
Restricted	3,843	3,010	2,953
Unrestricted	18,784	15,938	14,620
Total Net Assets	$94,546	$74,101	$69,942

At June 30, 2008, Mesa State College's total net assets were $94.5 million compared to $74.1 million at June 30, 2007. Invested in capital assets (net of related debt) is the largest net asset category with the $71.9 million (2008) and $55.2 million (2007), which includes land and land improvements, buildings, equipment, library holdings, and construction in process. The capital asset amounts are net of accumulated depreciation of $38.4 million (2008) and $35.4 million (2007). Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In Fiscal Year 2008, Mesa State College's current assets of $32.7 million were sufficient to cover current liabilities of $10.7 million (producing a current ratio of 3.06). This compares to Fiscal Year 2007 with current assets of $28.9 million and current liabilities of $10.7 million (producing a current ratio of 2.70). Cash and cash equivalents (bank deposits and pooled cash with the State Treasurer,) comprised approximately $41.1 million (2008) and $45.2 million (2007) in assets per the Statement of Net Assets.

Bonds payable totaled $48.1 million (2008) and $49.3 million (2007) and represents almost 78.4% (2008) and 81.6% (2007) of Mesa State College's total liabilities of $61.3 million (2008) and $60.4 million (2007). The current portion of the bonds payable liability totals $1.2 million (2008) and $1.2 million (2007).

Mesa State College's financial position improved during the Fiscal Year as evidenced by the increase in net assets of $20.4 million (2008) and $4.2 million (2007) (see the Statement of Revenues, Expenses and Changes in Net Assets) to $94.5 million (2008) and $74.1 million (2007). Of the total net assets, $71.9 million (2008) and $55.2 million (2007) is invested in capital assets net of related debt, a total of $3.8 million (2008) and $3.0 million (2007) is restricted for specific purposes, and $18.8 million (2008) and $15.9 million (2007) 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 either operating or non-operating. Operating revenues and expenses generally result from providing goods and services for instruction, research, public service, and related support services to an individual or entity separate from Mesa State College. Non-operating revenues and expenses are those other than operating and include, but are not limited to: state appropriations, investment income and expenses, interest expense on capital debt, state capital construction and controlled maintenance appropriations, and transfers between funds.

- Operating revenues increased by $7.7 million in Fiscal Year 2008 compared to Fiscal Year 2007. Operating expenditures were up by $2.8 million in 2008 compared to 2007.

- Tuition and fee revenues accounted for $26.6 million of the $64.4 million in operating revenues (2008) and $23.4 million of the $56.7 million (2007). Tuition and fees are reported net of scholarship allowances of $8.9 million (2008) and $7.9 million (2007). 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 $11.8 million in Fiscal Year 2008 and $11.3 million in Fiscal Year 2007. Operating revenues increased from $56.7 million in 2007 to $64.4 million in 2008. In addition to the COF tuition increase, Department of Higher Education (DOHE) Fee for Service operating revenues totaled $10.7 million in Fiscal Year 2008 and $9.3 million in Fiscal Year 2007.

- Overall, the College increased net assets by $20.4 million in Fiscal Year 2008, which compares to an increase in net assets of $4.2 million in Fiscal Year 2007.

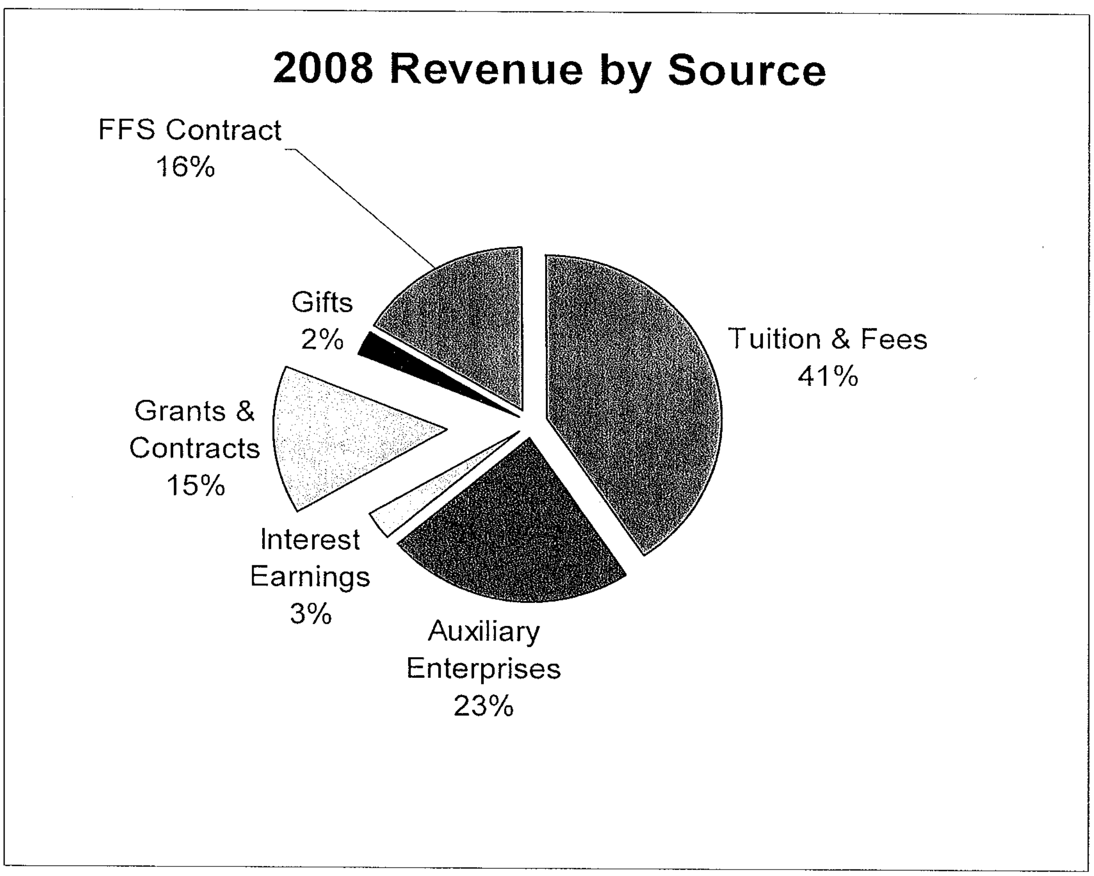
Condensed Statement of Revenues, Expenses and Changes in Net Assets
Years Ended June 30,
(in Thousands)

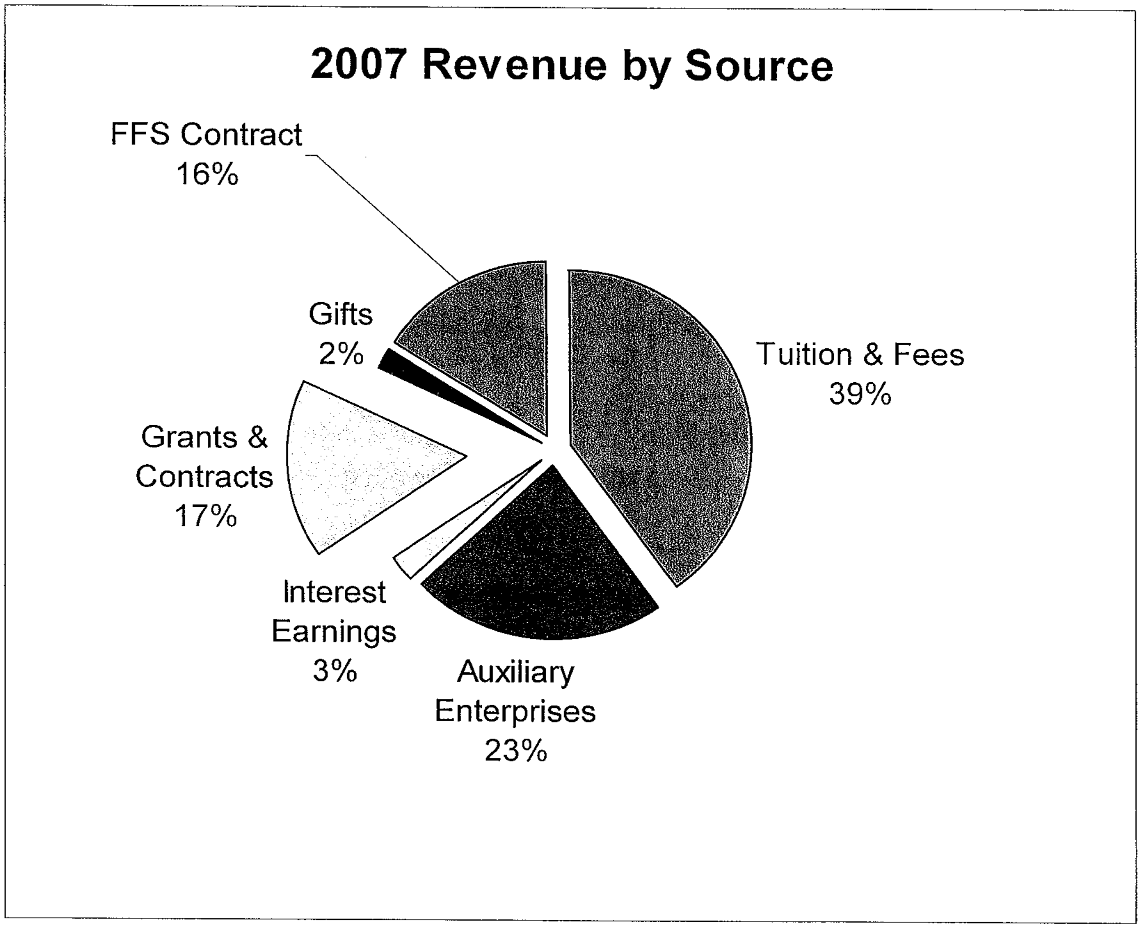
	2008	2007	2006
Operating Revenues			
Tuition and Fees (net)	$26,604	$23,431	$20,600
DOHE Fee for Service Revenues	10,675	9,350	10,155
Grants and Contracts	11,183	9,755	9,348
Auxiliary Enterprises (net)	15,051	13,272	11,138
Other	862	846	603
Total Operating Revenues	$64,375	$56,654	$51,844
Operating Expenses	$55,682	$52,837	$45,763
Net Operating Revenues	$8,693	$3,817	$6,081
Non-Operating Revenues (Expenditures)			
Interest Income	$1,747	$1,562	$620
Other Non-Operating Income (Expenses)	222	(66)	352
	$1,969	$1,496	$972
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	$10,662	$5,313	$7,053
State Appropriations Capital	$12,559	$421	$12
Other	(2,777)	(1,575)	(601)
Increase in Net Assets	$20,444	$4,159	$6,464
Net Assets			
Net Assets at Beginning of Year	$74,101	$69,942	$63,478
Net Assets at End of Year	$94,545	$74,101	$69,942

Operating expenses totaled $55.7 million (2008) and $52.8 million (2007). The breakdown of expenses by reporting category is as follows (in Thousands):

Fiscal Year:	**2008**	**2007**
Instruction	$19,558	$18,693
Research	695	620
Public Service	536	503
Academic Support	3,745	3,301
Student Services	4,051	3,176
Institutional Support	3,085	2,491
Operation and Maintenance of Plant	6,093	6,081
Scholarships and Fellowships (net)	1,580	1,339
Auxiliary Enterprises	12,903	12,826
Depreciation	3,436	3,807

Below is a graphic illustration of total revenues by source for Mesa State College. Each major revenue component is displayed relative to its proportionate share of total revenues. Tuition and Fee revenues are shown net of scholarship allowance of $8.9 and $8.2 million in Fiscal Years 2008 and 2007, respectively.





Financing Activities

The College issued College Enterprise Revenue Bonds Series 2007 in June 2007. The debt issue totaled $17.2 million, including a premium of $432 thousand that will be amortized over the life of the bonds. After issuance costs, $17.0 million was deposited into the Project Construction Fund. The Project Fund will be 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. Combined with the outstanding bond issues from Series 2005 and Series 2002B, total related capital debt was $49.3 million.

Because the College had TABOR-enterprise status when the Series 2007 bonds were issued, pledged revenues included 10% of tuition revenues. Pledged net revenues, including $3.4 million of tuition revenues, were $8.7 million in Fiscal Year 2008, which were 256% of the bond and interest payments of $3.4 million. In Fiscal Year 2007, pledged net revenues were $4.0 million, which were 200% of the bond principal and interest payments of $2.0 million.

The College entered into a capital lease-purchase agreement for the acquisition of equipment that will result in energy cost savings guarantees. $2.1 million was deposited with a project fund custodian and will be used to finance the purchase and installation of the equipment. Interest of 4.32% will accrue to the lease principal during the installation period that will run through Fiscal Year 2009. The first scheduled rent payment is due in September 2009.

Economic Outlook

Undergraduate enrollments on a student FTE basis at Mesa State College increased from 4,864.7 in Fiscal Year 2007 to 4,993.4 in Fiscal Year 2008 (2.0%). Graduate enrollment increased from 43.0 in Fiscal Year 2007 to 73.9 in Fiscal Year 2008 (71.9%). All enrollments increased by about 2.6% in Fiscal Year 2008 compared to Fiscal Year 2007.

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

- 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 met the TABOR-exempt enterprise criteria for Fiscal Year 2007, but not for Fiscal Year 2008. Designation will be reviewed at the end of each year to determine that the colleges and universities continue to 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.

The College does not expect to achieve TABOR enterprise status in Fiscal Year 2009 because state capital appropriations for construction of the Business and Information Technology Center, the Saunders Field House renovation, and controlled maintenance projects will likely exceed 10% of all College revenues. The College hopes to be re-certified as a TABOR-exempt enterprise in Fiscal Year 2010.

STATE OF COLORADO
MESA STATE COLLEGE
Statements of Net Assets

For The Years Ended:	June 30, 2008	June 30, 2007
ASSETS		
Current Assets		
Cash & Cash Equivalents (Note 2)	$ 28,847,549	$ 24,878,854
Student Accounts Receivable, Net	1,395,006	1,069,388
Other Accounts Receivable, Net	1,160,858	1,471,793
Student Loans, Net	708,461	599,287
Inventories	492,576	489,689
Prepaid Expenses	71,967	349,065
Total Current Assets	$ 32,676,417	$ 28,858,076
Non-current Assets		
Restricted Cash & Cash Equivalents (Note 2)	$ 12,226,314	$ 20,289,148
Student Loans, Net	350,932	436,788
Other Non-current Assets	818,028	852,972
Total Non-current Assets	$ 13,395,274	$ 21,578,908
Land	$ 10,159,095	$ 6,337,870
Construction in Progress	23,991,199	10,109,874
Total Non-depreciable Capital Assets	$ 34,150,294	$ 16,447,744
Depreciable Capital Assets, Net		
Land Improvements (less accumulated depreciation of $1,280,031and $920,414)	$ 11,810,731	$ 2,333,540
Buildings & Improvements (less accumulated depreciation of $25,876,946 and $24,296,407)	57,774,669	58,995,920
Furniture and Equipment (less accumulated depreciation of $4,631,092 and $3,996,102)	2,947,218	3,036,899
Library Materials (less accumulated depreciation of $6,625,794 and $6,152,624)	3,088,520	3,214,319
Total Depreciable Capital Assets, Net	$ 75,621,138	$ 67,580,678
Total Non-current Assets	$ 123,166,706	$ 105,607,330
TOTAL ASSETS	$ 155,843,123	$ 134,465,406

continued

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

STATE OF COLORADO
MESA STATE COLLEGE
Statements of Net Assets (continued)

For The Years Ended:	June 30, 2008	June 30, 2007
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 2,139,094	$ 3,139,695
Accrued Liabilities	4,498,511	4,312,791
Deferred Revenues	1,451,428	1,433,134
Deposits Held For Others	1,053,927	308,247
Student Deposits	252,950	246,355
Bonds Payable, Current Portion	1,215,000	1,180,000
Notes Payable, Current Portion	6,458	6,147
Compensated Absence Liability, Current Portion	132,322	122,521
Total Current Liabilities	$ 10,749,690	$ 10,748,890
Non-current Liabilities		
Bonds Payable (net of $635,520 and $640,796 unamortized discount/premium)	$ 46,850,520	$ 48,070,796
Notes Payable	753,725	760,183
Capital Leases Payable	2,071,110	-
Compensated Absence	872,348	784,116
Total Non-current Liabilities	$ 50,547,703	$ 49,615,095
Total Liabilities	$ 61,297,393	$ 60,363,985
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 71,918,960	$ 55,153,417
Restricted For:		
Loans	1,199,129	1,182,560
Bonded auxiliaries	2,644,055	1,827,684
Unrestricted	18,783,586	15,937,760
Total Net Assets	$ 94,545,730	$ 74,101,421

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

MESA STATE COLLEGE FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30,

	2008	2007
ASSETS		
Cash and cash equivalents	$ 815,112	$ 1,345,979
Prepaid expense	-	6,377
Investments, at fair value	11,716,831	9,601,968
Unconditional promises to give	2,018,350	1,104,358
Due From Mesa State College	1,000	97,200
Investments, at cost	5	7
Property held for sale	-	585,000
Note Receivable From Mesa State	535,000	-
Property and equipment, net of depreciation	424,157	470,926
Development Costs	18,221	-
	$ 15,528,676	$ 13,211,815
LIABILITIES AND NET ASSETS		
Accounts payable	$ 14,440	$ 3,286
Line of Credit	522,766	-
	537,206	3,286
Unrestricted	625,864	299,916
Temporarily restricted	5,542,104	3,987,023
Permanently restricted	8,823,502	8,921,590
	14,991,470	13,208,529
	$ 15,528,676	$ 13,211,815

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

MESA STATE REAL ESTATE COLLEGE FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF FINANCIAL POSITION

For the Year Ended:	June 30, 2008	June 30, 2007
ASSETS		
Current Assets		
Cash	$ 4,592	$ 20,852
Prepaid Expense	14,958	10,840
Total Current Assets	19,550	31,692
Non-current Assets		
Investment in Land	559,182	507,911
Other Long-Term Assets	31,872	43,358
Total Non-current Assets	591,054	551,269
TOTAL ASSETS	$ 610,604	$ 582,961
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 14,425	$ 7,730
Total Current Liabilities	14,425	7,730
Non-current Liabilities		
Tennant Deposits	5,174	3,420
Total Non-current Liabilities	5,174	3,420
TOTAL LIABILITIES	19,599	11,150
NET ASSETS		
Total Net Assets - Unrestricted	591,005	571,811
TOTAL LIABILITIES AND NET ASSETS	$ 610,604	$ 582,961

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

STATE OF COLORADO
MESA STATE COLLEGE
Statements of Revenues, Expenses, and Changes

For The Years Ended:	June 30, 2008	June 30, 2007
REVENUES		
Operating Revenues:		
Tuition and Fees (including $5,196,818 (2008) and $531,970 (2007) pledged for bonds and net of scholarship allowances of $8,914,045 (2008) and $7,915,350 (2007)	$ 26,604,173	$ 23,673,802
CCHE Fee for Service Revenue	10,675,047	9,349,974
Federal, State, Private Grants, and Contracts	11,183,266	9,754,695
Gifts	468,038	466,916
Auxiliary Enterprises (including $13,633,533 (2008) and $10,461,722 (2007) pledged for bonds and net of scholarship allowances of $215,089 (2008) and $242,595 (2007)	15,051,476	13,029,241
Other Operating Revenues (including $27,548 (2008) and $143,291 (2007) pledged for bonds)	393,437	380,044
Total Operating Revenues	$ 64,375,437	$ 56,654,672
EXPENSES		
Operating Expenses:		
Instruction	$ 19,558,359	$ 18,693,429
Research	694,849	620,284
Public Service	536,419	502,867
Academic Support	3,744,762	3,300,585
Student Services	4,051,349	3,176,005
Institutional Support	3,084,472	2,491,248
Operation and Maintenance of Plant	6,093,447	6,080,909
Scholarships and Fellowships	1,579,835	1,339,132
Auxiliary Enterprises	12,902,589	12,825,675
Depreciation	3,435,981	3,807,088
Total Operating Expenses	$ 55,682,062	$ 52,837,222
Operating Income	$ 8,693,375	$ 3,817,450
NON-OPERATING REVENUES (EXPENSES)		
Gifts	$ 1,651,414	$ 676,022
Investment and Interest Income (including $374,292 (2008) and $332,185 (2007) pledged to bonds)	1,747,026	1,562,261
Interest Expense on Capital Debt	(1,376,304)	(694,234)
Other Non-operating Revenues (Expenses)	(53,206)	(47,553)
Net Non-operating Revenues (Expenses)	$ 1,968,930	$ 1,496,496
Income (Loss) Before Other Revenues or Expenses	$ 10,662,305	$ 5,313,946
Other Revenues, Expenses, Gains, Losses, or Transfers		
State Appropriations, Capital	$ 12,559,062	$ 421,310
Gain or (Loss) on Disposal of Assets	(2,444,342)	(816,155)
Transfers (To) From Governing Boards or Other Institutions	(332,716)	(759,196)
Increase (Decrease) in Net Assets	$ 20,444,309	$ 4,159,905
NET ASSETS		
Net Assets - Beginning of Year	$ 74,101,421	$ 69,941,516
Net Assets - End of Year	$ 94,545,730	$ 74,101,421

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

MESA STATE COLLEGE FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT								
Contributions	$ 157,598	$ 4,999,577	$ 400,859	$ 5,558,034	$ 268,675	$ 2,089,852	$ 843,036	$ 3,201,563
Investment income (loss)	-	142,647	232,739	375,386	16,261	302,793	79,599	398,653
Net unrealized gains on investments	-	(297,851)	(731,686)	(1,029,537)	-	828,800	211,459	1,040,259
Special events, net of expenses of	42,196	-	-	42,196	85,489	-	-	85,489
$48,906 and $14,007								-
Miscellaneous Income	4,977	-	-	4,977	-	-	-	-
Net assets released from restrictions:	3,289,292	(3,289,292)	-	-	952,398	(952,398)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	$ 3,494,063	$ 1,555,081	$ (98,088)	$ 4,951,056	$ 1,322,823	$ 2,269,047	$ 1,134,094	$ 4,725,964
EXPENSES								
Program services	$ 2,796,130	$ -	$ -	$ 2,796,130	$ 855,034	$ -	$ -	$ 855,034
Supporting services:								
Management and general	339,561	-	-	339,561	278,368	-	-	278,368
Fundraising	32,424	-	-	32,424	16,526	-	-	16,526
TOTAL EXPENSES	3,168,115	-	-	3,168,115	1,149,928	-	-	1,149,928
CHANGE IN NET ASSETS BEFORE TRANSFERS	325,948	1,555,081	(98,088)	1,782,941	172,895	2,269,047	1,134,094	3,576,036
Transfers from liabilities	-	-	-	-	-	(392,948)	20,200	(372,748)
CHANGE IN NET ASSETS	325,948	1,555,081	(98,088)	1,782,941	172,895	1,876,099	1,154,294	3,203,288
Net Assets, beginning of year	299,916	3,987,023	8,921,590	13,208,529	127,021	2,110,924	7,767,296	10,005,241
Net Assets, end of year	$ 625,864	$ 5,542,104	$ 8,823,502	$ 14,991,470	$ 299,916	$ 3,987,023	$ 8,921,590	$ 13,208,529

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

MESA STATE COLLEGE REAL ESTATE FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF ACTIVITIES

For the Year Ended:	June 30, 2008	June 30, 2007
	Unrestricted	Unrestricted
REVENUE, GAINS AND OTHER SUPPORT		
Operating Transfers from Mesa State College	$ 50,000	$ 125,000
Land Transfer from Mesa State College	-	433,637
Management Income	14,973	2,931
Total Revenue, Gains and Other Support	64,973	561,568
EXPENSES		
Program Services	40,863	5,107
Management and General	4,916	2,434
Total Expenses and Transfers	45,779	7,541
CHANGE IN NET ASSETS	19,194	554,027
Net Assets, Beginning of year	571,811	17,784
Net Assets, End of year	$ 591,005	$ 571,811

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

STATE OF COLORADO
MESA STATE COLLEGE
Statements of Cash Flows
For The Years Ended:

	June 30, 2008	June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received:		
Tuition & Fees	$ 35,106,950	$ 31,046,880
Sales of Service	18,947,982	16,329,206
Sales of Product	7,248,796	6,546,946
Grants Contracts and Gifts	11,737,717	10,338,762
Student Loans Collected	115,001	200,247
Other Operating Receipts	389,392	399,262
Cash Payments:		
Payments to or for Employees	(31,941,134)	(29,279,648)
Payments to Suppliers	(17,528,856)	(18,150,018)
Scholarships Disbursed	(10,708,969)	(9,497,077)
Student Loans Disbursed	(164,842)	(220,890)
Other Operating Payments	(24,297)	(2,003)
Net Cash Provided by Operating Activities	$ 13,177,740	$ 7,711,667
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Gifts/Grants for Other than Capital Purposes	$ 139,070	$ 513,980
Other Agency Inflows	54,710,884	38,046,424
Other Agency (Outflows)	(54,163,903)	(38,139,339)
Transfers from (to) Other Campuses, Board, or Institution	(332,716)	(203,359)
Net Cash Provided by Non-Capital Financing Activities	$ 353,335	$ 217,706
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
State Appropriations, Capital	$ 12,202,136	$ 511,217
Capital Grants, Contracts, and Gifts	989,101	117,042
Acquisition and Construction of Capital Assets	(32,131,013)	(13,333,551)
Proceeds from Capital Debt	2,056,278	16,985,354
Principal Paid on Capital Debt	(1,186,147)	(1,006,762)
Interest on Capital Debt	(1,325,672)	(665,618)
Net Cash Provided (Used) by Capital & Related Financing Activities	$ (19,395,317)	$ 2,607,682
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings (Interest/Dividends)	$ 1,770,103	$ 1,550,291
Net Cash Provided by Investing Activities	1,770,103	1,550,291
Net Increase (Decrease) in Cash & Cash Equivalents	(4,094,139)	12,087,346
Cash & Cash Equivalents - Beginning of the Year	45,168,002	33,080,656
Cash & Cash Equivalents - End of the Year	$ 41,073,863	$ 45,168,002

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

STATE OF COLORADO
MESA STATE COLLEGE
Statements of Cash Flows (continued)
For The Years Ended:

	June 30, 2008	June 30, 2007
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income	$ 8,693,375	$ 3,817,450
Adjustments to Reconcile:		
Depreciation Expense	3,435,981	3,807,088
Provision for Uncollectible Accounts	(276,999)	(190,814)
Decrease (Increase) in Assets	868,341	311,824
Increase (Decrease) in Liabilities	482,568	(134,874)
Other Reconciling Items	(25,526)	100,993
Net Cash Provided by Operating Activities	$ 13,177,740	$ 7,711,667

Supplemental Disclosure of Noncash Investing and Financing Activities:		
Additions to construction in progress included in accounts payable and accrued liabilities	$ 2,485,180	$ 3,183,361
Land acquired from Foundation with long-term note payable	-	585,000
Capital land donations from the Foundation	522,766	-

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, 2008 and 2007. 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, except those deposits and investments representing endowments. All endowment investments are considered long-term investments regardless of the liquidity or maturity of those investments.

Investments
Investments are stated at fair value.

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 stated at cost at date of acquisition or fair market value at date of donation. 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 follows the policy of capitalizing only those plant assets with an initial cost or fair value equal to or greater than $50,000.

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. The College capitalizes assets whose cost exceeds $5,000.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Lease Liabilities

In May 2008, the College has a capital lease-purchase contract for the acquisition of equipment that will result in energy cost savings guarantees. 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 Revenue

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

- Operating revenues - Revenues generally resulting from providing goods and services for instruction, public service or related support services to an individual or entity separate from the College.
- Non-operating revenues - Non-operating revenues are those revenues that do not meet the definition of operating revenues. Non-operating revenues include state appropriations for operations, gifts, investment income, and insurance reimbursements.

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 and housing for the year ended June 30 were $9,129,134 (2008) and $8,157,945 (2007).

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial Statement Presentation - Net Assets
Net assets are classified as either Unrestricted (formerly unreserved/undesignated fund balance) or Restricted. As of June 30, 2008, 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 $2,681,639 (2008) and $1,768,064 (2007). 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 $1,199,129 (2008) and $1,182,560 (2007).

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

The College deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The College reports its share of the Treasurer's unrealized gains 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, 2008 and 2007. 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 $28,083,693 (2008) and $23,341,857 (2007), including unrealized gains of $130,885 (2008) and losses of $132,856 (2007) on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

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

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

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

	2008	2007
Cash on hand	$ 21,950	$ 22,850
Cash in checking accounts at bank	12,968,220	21,803,295
Total cash	$ 12,990,170	$ 21,826,145

The carrying amount of the College's cash on deposit was $12,968,220 (2008) and $21,803,295 (2007) and the bank balance was $13,556,919 (2008) and $22,587,950 (2007). Of this bank balance, $3,111,654 (2008) and $4,077,120 (2007) 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 $588,699 (2008) and $761,805 (2007) in the form of outstanding checks. Of the total cash on deposit with banks, $12,226,314 (2008) and $20,289,148 (2007) was in an account restricted for capital construction and therefore unavailable for general operations. Other amounts presented as restricted cash relate to reserve and replacement and debt service requirements.

At June 30, 2008 and 2007, the College had no investments.

Beginning July 1, 2008, House Bill 08-1002, as enacted by the General Assembly of the State of Colorado, authorized Mesa State College Board of Trustees to invest all College cash assets rather than requiring that all receipts be deposited with the Colorado State Treasurer. The Board of Trustees approved the Mesa State College Investment Policy and established an Investment Advisory Committee in accordance with the legislation.

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, 2008:

	Total	Less Allowance for Doubtful Accounts	Net
Entity Wide			
Accounts Receivable	$ 4,746,850	$(1,131,593)	$3,615,257

The following schedule shows the status of accounts and loans receivable and related allowance for doubtful accounts at June 30, 2007:

	Total	Less Allowance for Doubtful Accounts	Net
Entity Wide			
Accounts Receivable	$ 4,432,084	$ (854,828)	$ 3,577,256

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, 2008.

	Balance June 30, 2007	Additions/ Depreciation	Retirements/ CIP Transfers	Balance June 30, 2008
Non-depreciable Capital Assets				
Land and Improvements	$ 6,337,870	$ 2,698,001	$ 1,123,224	$ 10,159,095
Construction in Progress	10,109,874	22,494,273	(8,612,948)	23,991,199
Total Non-depreciable Capital Assets	$ 16,447,744	$ 25,192,274	$ (7,489,724)	$ 34,150,294
Depreciable Capital Assets				
Land Improvements	$ 3,253,954	$ 2,865,780	$ 6,971,028	$ 13,090,762
Buildings	83,292,327	2,627,153	(2,267,865)	83,651,615
Equipment	7,033,001	585,989	(40,680)	7,578,310
Library Materials	9,366,943	352,136	(4,765)	9,714,314
Total Depreciable Capital Assets	$ 102,946,225	$ 6,431,058	$ 4,657,718	$ 114,035,001
Less: Accumulated Depreciation				
Land Improvements	$ (920,414)	$ (359,617)	$ -	$ (1,280,031)
Buildings	(24,296,407)	(1,948,573)	368,034	(25,876,946)
Equipment	(3,996,102)	(649,856)	14,866	(4,631,092)
Library Materials	(6,152,624)	(477,935)	4,765	(6,625,794)
Total Accumulated Depreciation	$ (35,365,547)	$ (3,435,981)	$ 387,665	$ (38,413,863)
Net Depreciable Capital Assets	$ 67,580,678	$ 2,995,077	$ 5,045,383	$ 75,621,138
Capital Assets, Net	$ 84,028,422	$ 28,187,351	$ (2,444,341)	$ 109,771,432

NOTE 4 - CAPITAL ASSETS - CONTINUED

Additions to buildings and construction in progress for the year ended June 30, 2008 includes $353,339 in capitalized interest as shown below.

Capitalized Interest	
Total interest expense	$ 853,877
Less premium amortization	(14,343)
Less interest earnings	(486,195)
Total capitalized interest	$ 353,339

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

	Balance June 30, 2006	Additions/ Depreciation	Retirements/ CIP Transfers	Balance June 30, 2007
Non-depreciable Capital Assets				
Land	$ 1,979,684	$ 4,791,823	$ (433,637)	$ 6,337,870
Construction in Progress	18,572,575	8,790,973	(17,253,674)	10,109,874
Total Non-depreciable Capital Assets	$20,552,259	$13,582,796	$(17,687,311)	$16,447,744
Depreciable Capital Assets				
Land Improvements	$ 1,387,552	$ 1,866,402	$ -	$ 3,253,954
Buildings	68,427,287	15,811,400	(946,360)	83,292,327
Equipment	8,942,055	425,833	(2,334,887)	7,033,001
Library Materials	9,082,943	292,722	(8,722)	9,366,943
Total Depreciable Capital Assets	$87,839,837	$18,396,357	$ (3,289,969)	$ 102,946,225
Less: Accumulated Depreciation				
Land Improvements	$ (814,832)	$ (105,582)	$ -	$ (920,414)
Buildings	(21,737,323)	(2,689,289)	130,205	(24,296,407)
Equipment	(5,759,975)	(571,013)	2,334,886	(3,996,102)
Library Materials	(5,720,141)	(441,205)	8,722	(6,152,624)
Total Accumulated Depreciation	(34,032,271)	(3,807,089)	2,473,813	(35,365,547)
Net Depreciable Capital Assets	$53,807,566	$14,589,268	$ (816,156)	$ 67,580,678
Capital Assets, Net	$74,359,825	$28,172,064	$(18,503,467)	$ 84,028,422

Additions to construction in progress for the year ended June 30, 2007 includes $637,694 in capitalized interest as shown below.

Capitalized Interest	
Total interest expense	$ 925,463
Less premium amortization	(27,843)
Less interest earnings	(259,926)
Total capitalized interest	$ 637,694

NOTE 5 – LONG-TERM LIABILITIES

Changes in long-term debt for the year ended June 30, 2008 were as follows:

	Balance 6/30/07	Additions	Reductions	Balance 6/30/08	Due in one year
Capital lease	$ -	$ 2,071,110	$ -	$ 2,071,110	$ -
Series 2002B bonds	12,135,000	-	805,000	11,330,000	825,000
Bond discount - 2002	(548,602)	-	(36,959)	(511,643)	(36,958)
Series 2005 bonds	19,670,000	-	375,000	19,295,000	390,000
Bond premium - 2005	757,623	-	27,843	729,780	27,842
Series 2007 bonds	16,805,000	-	-	16,805,000	-
Bond premium - 2007	431,775	-	14,392	417,383	14,393
Notes payable	766,330	-	6,147	760,183	6,458
Compensated absences	906,637	98,033	-	1,004,670	132,322
	$ 50,923,763	$ 2,169,143	$ 1,191,423	$ 51,901,483	$ 1,359,057

Changes in long-term debt for the year ended June 30, 2007 were as follows:

	Balance 6/30/06	Additions	Reductions	Balance 6/30/07	Due in one year
Capital lease	$ 15,911	$ -	$ 15,911	$ -	$ -
Series 2002A bonds	620,000	-	620,000	-	-
Series 2002B bonds	12,135,000	-	-	12,135,000	805,000
Bond discount - 2002	(585,458)	-	(36,856)	(548,602)	(36,958)
Series 2005 bonds	20,035,000	-	365,000	19,670,000	375,000
Bond premium - 2005	785,465	-	27,842	757,623	27,842
Series 2007 bonds	-	16,805,000	-	16,805,000	-
Bond premium - 2007	-	431,775	-	431,775	14,393
Notes payable	187,181	585,000	5,851	766,330	6,147
Other	50,000	-	50,000	-	-
Compensated absences	784,059	122,578	-	906,637	122,521
	$ 34,027,158	$ 17,944,353	$ 1,047,748	$ 50,923,763	$ 1,313,945

Revenue Bonds Payable

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 will be 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.

NOTE 5 - LONG-TERM LIABILITIES- CONTINUED

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 June 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.

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.

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 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.

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.

The following is a schedule of future minimum bond payments as of June 30, 2008:

Fiscal Year-End:	2002 Series B	2005 Series	2007 Series	Total
2009	$ 1,342,065	$ 1,289,563	$ 844,494	$ 3,476,122
2010	1,329,378	1,290,913	844,494	3,464,785
2011	1,338,910	1,290,725	844,494	3,474,129
2012	1,340,200	1,289,975	844,494	3,474,669
2013	1,409,150	1,289,750	844,494	3,543,394
2014-2018	5,545,350	6,455,400	4,222,469	16,223,219
2019-2023	2,987,050	6,449,125	4,882,469	14,318,644
2024-2028	-	6,447,624	7,531,106	13,978,730
2029-2033	-	6,442,500	7,529,343	13,971,843
2034-2038	-	2,576,000	8,608,150	11,184,150
Subtotals	$15,292,103	$34,821,575	$36,996,007	$87,109,685
Less Interest Included Above	(3,962,103)	(15,526,575)	(20,191,007)	(39,679,685)
Total Principal Outstanding	$11,330,000	$19,295,000	$16,805,000	$47,430,000
Less Current Portion	(825,000)	(390,000)	-	(1,215,000)
Net Long Term Principal	$10,505,000	$18,905,000	$16,805,000	$46,215,000
Less Unamortized Discount and Premium	(511,643)	729,780	417,383	635,520
Bonds Payable Net	$9,993,357	$19,634,780	$17,222,383	$46,850,520

NOTE 5 - LONG-TERM LIABILITIES - CONTINUED

The following is a schedule of future minimum bond payments as of June 30, 2007.

Fiscal Year-End:	2002 Series B	2005 Series	2007 Series	Total
2008	$ 1,341,385	$ 1,287,688	$748,315	$3,377,388
2009	1,342,065	1,289,563	844,494	3,476,122
2010	1,329,378	1,290,913	844,494	3,464,785
2011	1,338,910	1,290,725	844,494	3,474,129
2012	1,340,200	1,289,975	844,494	3,474,669
2013-2017	6,207,300	6,450,900	4,222,469	16,880,669
2018-2022	3,734,250	6,452,800	4,222,469	14,409,519
2023-2027	-	6,446,700	7,528,769	13,975,469
2028-2032	-	6,448,750	7,527,219	13,975,969
2033-2037	-	3,861,250	10,117,106	13,978,356
Subtotals	$ 16,633,488	$36,109,264	$37,744,323	$90,487,075
Less Interest Included Above	(4,498,488)	(16,439,264)	(20,939,323)	(41,877,075)
Total Principal Outstanding	$ 12,135,000	$19,670,000	$16,805,000	$48,610,000
Less Current Portion	(805,000)	(375,000)	-	(1,180,000)
Net Long Term Principal	$ 11,330,000	$19,295,000	$16,805,000	$47,430,000
Less Unamortized Discount and Premium	(548,602)	757,623	431,775	640,796
Bonds Payable Net	$ 10,781,398	$20,052,623	$17,236,775	$48,070,796

Capital Lease: In May 2008, the College entered into a capital lease-purchase contract for the acquisition of equipment that will result in energy cost savings guarantees. $2,056,278 was deposited with a project fund custodian and will be used to finance the purchase and installation of the equipment. 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. Interest of 4.32% will accrue to the lease principal during the installation period that will run through Fiscal Year 2009. The first scheduled rent payment is due September 9, 2009.

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

The following is a schedule of future minimum capital lease payments as of June 30, 2008:

Fiscal Year End	Principal	Interest	Total
2009	$ (91,265)	$ 91,265	$ -
2010	41,984	92,833	134,817
2011	74,523	90,169	164,692
2012	82,715	86,762	169,477
2013	98,889	82,887	181,776
2014-2018	643,002	339,079	982,081
2019-2023	961,088	168,325	1,129,413
2024-2028	260,174	6,616	266,790
Total	$ 2,071,110	$ 957,936	$ 3,029,046

Operating Lease: The College leases copiers under an operating lease. The following is a schedule of all future minimum rental payments under the lease:

Year Ending June 30:	
2009	$ 95,204
2010	95,204
2011	71,403
Total	$ 261,811

Rent expense for fiscal year 2008 was $103,576.

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.

In Fiscal Year 2007, the Mesa State College Foundation (the Foundation) transferred real property with an estimated value of $585,000 to the College in exchange for a long-term note payable. Should the College sell the property prior to December 31, 2011, the College is to repay the Foundation the principal balance of the note from the sales proceeds, less one half of the College's closing costs, within 90 days of the sale. If the property does not sell by November 20, 2011, the College can quitclaim the property back to the Foundation by December 31, 2011 to satisfy all claims on the note. Alternatively, the parties may agree to extend the term of the note through written amendment signed by both parties.

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

The following is a schedule of payments of notes payable.

	Year Ending June 30, 2008
Total Payments:	
2009	$ 15,138
2010	15,138
2011	15,138
2012	600,138
2013	15,138
2014-2018	75,689
2019-2023	75,689
2024-2027	37,844
Total Principal and Interest Payments	$ 849,912
Less: Interest Included Above	(89,729)
Total Principal Outstanding	$ 760,183
Less: Current Portion	(6,458)
Net Long-term Principal	$ 753,725

Compensated Absences: Employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount, which will be paid upon termination and/or retirement. The estimated costs of compensated absences for which employees are vested for the years ended June 30, 2008 and June 30, 2007, are estimated as $1,004,670 (including the current portion of $132,322 listed in note 6 below) and $906,637 respectively. Expenses include an increase of $98,033 (2008) and $122,578 (2007) for the estimated compensated absence liability.

NOTE 6 – SHORT-TERM LIABILITIES

Year-end payables were as follows:

	Year Ending June 30, 2008	Year Ending June 30, 2007
Accounts Payable, Vendors	$ 2,139,094	$ 3,139,695
Salaries and Benefits Payable	3,710,078	3,474,447
Capital Bonds Payable, Current Portion	1,215,000	1,180,000
Long-term Notes Payable, Current Portion	6,458	6,147
Compensated Absences, Current Portion	132,322	122,521
Retainage on Construction Contracts Payable	504,333	595,321
Accrued Interest Payable	284,100	243,023
Total Payables	$ 7,991,385	$ 8,761,154

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, 2008	June 30, 2007
Education and General	$ 332,735	$ 445,311
Auxiliary Enterprises	481,696	793,191
Restricted Funds	122,816	124,096
Plant Funds	8,908,732	4,163,419
Total	$ 9,845,979	$ 5,526,017

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.

NOTE 9 – PENSION PLAN OBLIGATIONS – CONTINUED

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. 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 are required to remain in the PERA plan in which they participated previously.

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

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.

- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.

- Hired on or after January 1, 2007 - any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

NOTE 9 - PENSION PLAN OBLIGATIONS - CONTINUED

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

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

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

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

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

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

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

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, 2007, to December 31, 2007, the state contributed 11.15 percent, (13.85 percent for state troopers and 14.66 percent for the Judicial Branch) of the employee's salary. From January 1, 2008, through June 30, 2008, the state contributed 12.05 percent, (14.75 percent for state troopers and 15.56 percent for the Judicial Branch.) During all of Fiscal Year 2007-08, 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, 2007, the division of PERA in which the state participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

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

In the 2006 legislative session, the general assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one half percentage point 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.

NOTE 9 – PENSION PLAN OBLIGATIONS – CONTINUED

The College's contributions to the Defined Benefit Plan and the Health Care Trust Fund for the fiscal years ended June 30, 2008, 2007, and 2006 were $1,162,557, $1,034,423, and $960,717 respectively. These contributions met the contribution requirement for each year.

C. 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, 2008, 2007, and 2006 were $1,501,329, $1,343,344 and $1,223,000 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.

D. 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, 2008 and 2007 were $540,143 and $458,266. Employee contributions were $40,511 and $34,370, for fiscal years ended June 30, 2008 and 2007, 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. The state offers a 457 deferred compensation plan and certain agencies and institutions of the state 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 $52,087, $50,497, and $51,876 as required by statute as of June 30, 2008, 2007 and 2006, 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, 2007, there were 44,214 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2007, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.045 billion, a funded ratio of 19.9%, and a 38-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.

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 2008, the Foundation awarded $354,621 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 2008 cash and in-kind donations totaled $1,505,956 and were recorded as revenue and expense in the appropriate funds.

NOTE 12 – COMPONENT UNITS – CONTINUED

The following is an excerpt from the Foundation's independent annual financial report. Note references for Fiscal Year 2007 follow those for Fiscal Year 2008.

FOUNDATION – INVESTMENTS – Fiscal Year 2008

Investment return is summarized as follows:

	Cost	Fair Value	Excess of Fair Value Over Cost
Balance at end of year	$11,903,540	$11,716,831	$ (186,709)
Balance at beginning of year	8,759,140	9,601,968	842,828
Increase in unrealized appreciation			$ 656,119
Interest and dividend income			$ 366,628
Realized gains on investments			90,487
Trust fees			(81,729)
Total			$ 375,386

Investments recorded at fair value are comprised of the following:

	Cost	Fair Value
Mutual Funds	$ 8,641,365	$ 8,576,166
Corporate Bonds and Notes	987,669	970,840
U.S. Government Securities and Agencies	616,523	615,786
Common Stock and other	1,657,983	1,554,039
	$11,903,540	$11,716,831

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

	Carrying Value
Corporate stocks	$ 5

NOTE 12 – COMPONENT UNITS - CONTINUED

FOUNDATION – PROMISES TO GIVE – Fiscal Year 2008

A summary of the unconditional promises to give at June 30, 2008 and expected years of completion follows:

Receivable in less than one year	$ 993,055
Receivable in one to five years	1,520,141
Total Unconditional Promises to Give	2,513,196
Less discounts to net present value	(274,140)
Less allowance for uncollectible promises receivable	(220,706)
Net Unconditional Promises to Give	$ 2,018,350

FOUNDATION – PROPERTY AND EQUIPMENT – Fiscal Year 2008

Property and equipment consist of the following:

	Estimated useful life	Amount
Buildings	20-30 years	$ 550,581
Equipment	5-10 years	235,017
Memorial alcove	10 years	7,400
		792,998
Less accumulated depreciation		(368,841)
		$ 424,157

FOUNDATION – NOTE RECEIVABLE FROM MESA STATE COLLEGE – Fiscal Year 2008

In Fiscal Year 2007, the Foundation transferred real property with an estimated value of $585,000 to the College in exchange for a long-term note receivable. Should the College sell the property prior to December 31, 2011, the College is to repay the Foundation the principal balance of the note from the sales proceeds, less one half of the College's closing costs, within 90 days of the sale. If the property does not sell by November 20, 2011, the College can quitclaim the property back to the Foundation by December 31, 2011 to satisfy all claims on the note. Alternatively, the parties may agree to extend the term of the note through written amendment signed by both parties. During Fiscal Year 2008, there was a contract on this property with $50,000 down payment.

NOTE 12 – COMPONENT UNITS – CONTINUED

FOUNDATION – LINE OF CREDIT – Fiscal Year 2008

The Foundation has a $2,500,000 bank line of credit which matures June 2, 2013. Amounts borrowed under this agreement bear interest at the bank's prime rate minus 1% (4% at June 30, 2008) with a floor of 4%. At June 30, 2008, the Foundation had borrowed $522,766 on this line. The Foundation uses this line of credit to buy real estate properties identified by the College and quitclaims them over to the College on the date of the closing for its campus expansion. The Foundation and the College have a memorandum of understanding that the College will deed real estate selected by the College with a market value sufficient for the Foundation to meet its line of credit obligation, should the need arise.

Fiscal Year 2007 NOTES:

FOUNDATION – INVESTMENTS – Fiscal Year 2007

Investment return is summarized as follows:

	Cost	Fair Value	Excess of Fair Value Over Cost
Balance at end of year	$ 8,759,140	$ 9,601,968	$ 842,828
Balance at beginning of year	7,825,698	8,023,129	197,431
Increase (decrease) in unrealized appreciation			$ 1,040,259
Interest and dividend income			$ 267,347
Realized gains on investments			185,089
Trust fees			(53,783)
Total			$ 398,653

Investments recorded at fair value are comprised of the following:

	Cost	Fair Value
Mutual Funds	$ 1,473,363	$ 1,662,809
Corporate Bonds and Notes	1,577,448	1,546,143
U.S. Government Securities and Agencies	633,307	629,021
Common Stock and other	5,075,022	5,763,995
	$ 8,759,140	$ 9,601,968

NOTE 12 – COMPONENT UNITS – CONTINUED

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

	Carrying Value
Corporate stocks	$ 7

FOUNDATION – PROMISES TO GIVE – Fiscal Year 2007

A summary of the unconditional promises to give at June 30, 2007 and expected years of completion follows:

Receivable in less than one year	$ 619,921
Receivable in one to five years	706,583
Total Unconditional Promises to Give	1,326,504
Less discounts to net present value	(99,436)
Less allowance for uncollectible promises receivable	(122,710)
Net Unconditional Promises to Give	$ 1,104,358

FOUNDATION – PROPERTY AND EQUIPMENT –Fiscal Year 2007

Property and equipment consist of the following:

	Estimated Useful life	Amount
Purchased property to be later donated to Mesa State College		
Depreciable property with rental income	20-30 years	$ 550,581
Equipment	5-10 years	265,732
Memorial alcove	10 years	7,400
		823,713
Less accumulated depreciation		(352,787)
		$ 470,926

FOUNDATION – NOTES RECEIVABLE FROM MESA STATE COLLEGE – Fiscal Year 2007

In Fiscal Year 2007, the Foundation transferred real property with an estimated value of $585,000 to the College in exchange for a long-term note receivable. Should the College sell the property prior to December 31, 2011, the College is to repay the Foundation the principal sum of the sales prices, less on half of the College's closing costs, within 90 days of the sale. If the property does not sell by November 20, 2011, the College can quitclaim the property back to the Foundation by December 31, 2011 to satisfy all claims on the note. Alternatively, the parties may agree to extend the term of the note through written amendment signed by both parties.

NOTE 12 - COMPONENT UNITS - CONTINUED

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 operating revenues for MSCREF start-up costs. The College made operating transfers of $50,000 in Fiscal Year 2008 and $125,000 in Fiscal Year 2007. In Fiscal Year 2007, the College transferred title of land with a book value of $433,637 to MSCREF.

The following is an excerpt from the Fiscal Year 2008 MSCREF independent annual financial report.

MSCREF - PREPAID EXPENSES - Fiscal Year 2008

Prepaid expenses consist of leasing commissions and landlord improvements that are amortized over the life of the tenant leases.

MSCREF - INVESTMENT IN LAND AND OTHER LONG-TERM ASSETS - Fiscal Year 2008

The 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 MSCREF to benefit the College. MSCREF has capitalized all of the development costs as other long-term assets for the year ended June 30, 2008. There was no income from either the sale or rental from this land for the year ended June 30, 2008.

MSCREF - LEASING ARRANGEMENT - Fiscal Year 2008

MSCREF leases two commercial spaces in Grand Junction from the College. The terms of this lease is one year expiring September 21, 2008 and annual rent is $10. MSCREF manages these commercial spaces as the College's landlord and retains 20% of rental income as management fee. The other 80% is remitted to the College. The tenants lease the properties under 5 year-lease agreements. The rental income from the two commercial spaces was $74,865, of which MSCREF keeps 20% as management fees.

NOTE 12 – COMPONENT UNITS - CONTINUED

The following is an excerpt from the Fiscal Year 2007 MSCREF independent annual financial report.

MSCREF – PREPAID EXPENSES – Fiscal Year 2007

Prepaid expenses consist of leasing commissions and landlord improvements that are amortized over the life of the tenant leases.

MSCREF – INVESTMENT IN LAND AND OTHER LONG-TERM ASSETS – Fiscal Year 2007

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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 for and on the behalf of students in Fiscal Years 2008 and 2007. Student loans, external scholarships, grants, and other student financial assistance not recorded on the College's financial system are not included. A detailed schedule of state-funded financial assistance is provided in the 'State-Funded Student Assistance Programs Section".

NOTE 13 – STUDENT FINANCIAL ASSISTANCE - CONTINUED

A schedule of non-loan student assistance for the year ended June 30, 2008 follows:

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Scholarships				
Colorado Need-based	$ -	$2,573,757	$ -	$ 2,573,757
Colorado Merit	-	37,111	-	37,111
CLEAP	14,795	37,595	-	52,390
SLEAP	24,368	24,368	-	48,736
Governor's Opportunity	-	313,178	-	313,178
Pell Grants	4,998,473	-	-	4,998,473
General Institutional	-	-	1,899,538	1,899,538
Auxiliary	-	-	539,327	539,327
Other Federal Scholarships	172,201	-	-	172,201
Work Study **	175,881	615,193	1,087,307	1,878,381
SEOG	97,202	-	32,401	129,603
Non-resident Scholar	-	-	25,058	25,058
Total	$5,482,920	$3,601,202	$ 3,583,631	$ 12,667,753

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

A schedule of non-loan student assistance for the year ended June 30, 2007 follows:

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Scholarships				
Colorado Need-based	$ -	$1,880,971	$ -	$ 1,880,971
Colorado Merit	-	42,989	-	42,989
CLEAP	14,737	37,653	-	52,390
SLEAP	24,368	24,368	-	48,736
Governor's Opportunity	-	345,280	-	345,280
Pell Grants	4,838,736	-	-	4,838,736
General Institutional	-	-	1,888,778	1,888,778
Auxiliary	-	-	583,207	583,207
Other Federal Scholarships	111,252	-	-	111,252
Work Study **	202,119	632,690	1,237,576	2,072,385
SEOG	136,807	-	45,602	182,409
Non-resident Scholar	-	-	301,042	301,042
Total	$5,328,019	$2,963,951	$ 4,056,205	$ 12,348,175

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

NOTE 14 – LEGISLATIVE APPROPRIATION

The Colorado Legislature establishes spending authority for the Trustees 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 2008, the Colorado Legislature appropriated $8,484,523 for the Business and Information Technology Center and for controlled maintenance projects, and in Fiscal Year 2007, the Colorado Legislature appropriated $7,000,000 for the Business and Information Technology Center. Of that, $12,559,062 was spent and realized as capital construction appropriated revenue in Fiscal Year 2008. In Fiscal Year 2007, $421,310 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. 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 2008 due to receiving more than 10% of revenues from the state government. The College anticipates that it will also exceed the 10% in Fiscal Year 2009. The schedule below shows the TABOR Enterprise State support calculation for fiscal year 2008.

State Grants	
Capital appropriations	$ 12,559,062
Total State Grants	$ 12,559,062
Total Revenues (gross operating, non-operating, and other revenues)	$ 88,354,465
Ratio of State Grants to Total Revenues	14.21%

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 – SUBSEQUENT EVENTS

Series 2008 Auxiliary Facilities System Enterprise Revenue Bonds: The Mesa State College Board of Trustees authorized the College to issue Series 2008 Auxiliary Facilities System Enterprise Revenue Bonds to finance the construction, acquisition, renovation and equipping of the North Avenue Student Housing Complex, related surface and/or parking structures, and various other facilities at the College. The amount that will be deposited into the project fund is limited to $25 million, and the total issue, including project funds, any required reserve funds and issuance costs is limited to $29.5 million. Additionally, the net effective interest rate on the Series 2008 Bonds shall not exceed 6.5%. The Series 2008 Bonds are payable solely from Net Revenues derived from the College Auxiliary Facilities System Enterprise, and do not constitute a general obligation of the Board or the College or a debt or obligation of the State of Colorado.

NOTE 18 – SUBSEQUENT EVENTS – CONTINUED

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. 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 participation in the COP issuance. 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.

SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUE AND EXPENSES
FOR
ENTERPRISE REVENUE BONDS

MESA STATE COLLEGE

Auxiliary Facilities System - Enterprise Revenue Bonds

Schedule of Revenues and Expenses

For Year Ended June, 30

	2008	2007
OPERATING REVENUES		
Pledged Tuition Revenue	$ 3,374,290	$ -
Residence Halls and Apartments	5,257,709	4,681,876
Food Service Income	4,107,827	3,365,390
College Center	659,635	676,789
Bookstore	3,508,816	3,308,255
Recreation Center	850,776	1,054,765
Campus Parking	417,433	353,691
Central Services	454,291	323,519
Student Fee Revenue	601,414	-
Total Revenues	19,232,191	13,764,285
OPERATING EXPENDITURES		
Residence Halls and Apartments	$ 3,334,415	$ 2,809,923
Food Services	2,651,397	2,608,441
College Center	303,198	243,064
Bookstore	3,429,382	3,171,697
Recreation Center	411,602	539,873
Campus Parking	153,301	178,406
Central Services	267,238	215,468
Total Operating Expenditures	$ 10,550,533	$ 9,766,872
Net Revenue before Transfers	$ 8,681,658	$ 3,997,413
TRANSFERS		
Mandatory transfers	$ (2,533,041)	$ (2,001,166)
Net Non-mandatory Transfers	(2,159,412)	(1,589,492)
Total Transfers	$ (4,692,453)	$ (3,590,658)
Increase (Decrease) in fund balance	$ 3,989,205	$ 406,755
Net operating revenue	$ 8,681,658	$ 3,997,413
Bond Principal and Interest	3,384,425	2,001,166
Excess of net operating revenues over debt service	$ 5,297,233	$ 1,996,247
Debt service coverage ratio	257%	200%

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*

November 13, 2008

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, 2008 and 2007, and have issued our report thereon dated November 13, 2008. 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 audits, 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the State of Colorado Legislative Audit Committee and management of 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

November 13, 2008

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, 2008 and 2007, and have issued our report thereon dated October 25, 2008. As required by professional auditing standards, we are providing you with information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 27, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with the Board of 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 you in our meeting about planning matters on May 28, 2008.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by 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 2008 or 2007. 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, 2008. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

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 nonexchange 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. Consequently, since implementation guidance and industry practice are both level D GAAP and there are differences in practice, Mesa State College has decided to continue reporting Pell grant activity as operating revenue in its 2008 financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. 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.

Members of the Legislative Audit Committee
November 13, 2008
Page Three

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 13, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 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.

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