CSD

MESA STATE COLLEGE
FINANCIAL AND COMPLIANCE AUDIT

FISCAL YEAR ENDED
JUNE 30, 2003

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Deputy State Auditor

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

October 8, 2003

Members of the Legislative Audit Committee:

This report contains the results of our financial and compliance audit of Mesa State College. The audit included examinations of the basic financial statements and the statements of state-funded student assistance programs. The report includes the financial statements as well as the independent auditors' reports issued as part of the audit.

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TABLE OF CONTENTS

STATE OF COLORADO
MESA STATE COLLEGE
REPORT SUMMARY - FINANCIAL AND COMPLIANCE AUDIT
Year Ended June 30, 2003

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, 2003. Chadwick, Steinkirchner, Davis & Co., P.C. performed the audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related field work from June through October 2003.

The purpose and scope of the audit was to:

- Express an opinion on the financial statements of the College as of and for the year ended June 30, 2003. 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*.

- Express an opinion on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs of the College for the year ended June 30, 2003.

- Evaluate progress in implementing prior audit findings and recommendations.

Audit Opinions and Reports

We expressed an unqualified opinion on the College's financial statements and the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Financial Assistance Programs as of and for the year ended June 30, 2003.

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.

The College's Schedule of Expenditures of Federal Awards and applicable opinions thereon of the Office of the State Auditor, State of Colorado are included in the June 30, 2003, Statewide Single Audit Report issued under separate cover.

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, disagreements or audit adjustments are reported.

The basic financial statements of Mesa State College for the year ended June 30, 2002 were not audited. The operations of the College were included in the financial reporting entity of the State Colleges in Colorado. The consolidated financial statements of the State Colleges in Colorado for the year ended June 30, 2002 were audited by the Office of the State Auditor and they expressed an unqualified opinion on them in their report dated November 24, 2002. They have not performed any auditing procedures since that date.

Summary of Key Findings and Recommendations

There were no reported findings and recommendations resulting from the audit work completed for Fiscal Year 2003.

Summary of Progress in Implementing Prior Audit Recommendations

There were no recommendations for the year ended June 30, 2002.

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 are transferred to the Board of Trustees of Mesa State College. For the year ending June 30, 2003, the financial statements of Mesa State College are presented on a stand-alone basis as the Trustees of the State Colleges in Colorado system no longer exists. For the years ended on and prior to July 1, 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 are 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:

	2001	2002	2003
Resident Students	3,884.0	4,029.6	4,216.1
Non-Resident Students	428.5	431.3	441.8
Total Students	4,312.5	4,460.9	4,657.9
Faculty FTEs	241.8	247.5	254.4
Staff FTEs	149.5	151.0	134.2
Total Faculty and Staff FTEs	391.3	398.5	388.6

FINANCIAL STATEMENT SECTION

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

INDEPENDENT AUDITORS' REPORT

October 8, 2003

Members of the Legislative Audit Committee

We have audited the accompanying Statement of Net Assets of Mesa State College, a blended component unit of the State of Colorado, as of June 30, 2003, and the related Statements of Revenues, Expenses, and Changes in Net Assets, and Cash Flows for the year then ended. 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 audit.

We conducted our audit in accordance with standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Mesa State College as of June 30, 2003, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, Mesa State College implemented a new financial reporting model as required by the provisions of the Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statements Note Disclosures*, as of July 1, 2001. This resulted in a change in the format and content of the basic financial statements.

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2003 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. This 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.

Management's Discussion and Analysis 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.

The basic financial statements of Mesa State College for the year ended June 30, 2002 were not audited. The operations of the College were included in the financial reporting entity of the State Colleges in Colorado. The consolidated financial statements of the State Colleges in Colorado for the year ended June 30, 2002 were audited by the Office of the State Auditor and they expressed an unqualified opinion on them in their report dated November 24, 2002. They have not performed any auditing procedures since that date.

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

MESA STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2003

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 year ended June 30, 2003. Prior to July 1, 2003, Mesa State College was a member of the former State College system comprised of Adams State College, Mesa State College, Metropolitan State College of Denver, Western State College, the Western Colorado Graduate Center and the Office of State Colleges (governing board staff). Mesa State College was granted independent status by action enacted in the 2003 legislative session of the State of Colorado General Assembly. 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. Only one year of audited financial data is provided in the basic financials since this is a transition year from reporting on a consolidated basis with the State College system. Comparative statements using data extracted from the June 30, 2002 consolidated financial statements are provide as unaudited information. In future years, when prior-year audited information is available, an audited comparative analysis will be presented.

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 (all funds in aggregate), and producing cash flow statements.

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

Financial Highlights

- Economic conditions during Fiscal Year 2003 forced the state of Colorado to reduce the appropriation of all higher education institutions and state agencies. The unexpected reductions totaled 6.75% of the State Colleges' appropriation and occurred throughout the Fiscal Year. In addition, the state of Colorado enacted legislation the shifted the payment on the June salaries for state employees from June 30 to July 1. This resulted in a one time budgetary savings to the state of approximately $88 million. The impact on Mesa State College was a one-time appropriation reduction of $1.354 million.

- Mesa State College's financial position improved during the Fiscal Year ended June 30, 2003 as evidenced by an increase in net assets of $2.7 million to $54.6 million.

- Mesa State College's current assets of $13.7 million (2003) and $6.8 million (2002) were sufficient to cover current liabilities of $4.8 million (2003) and $2.2 million (2002). The current ratio (current assets/current liabilities) of 2.85 (2003) and 3.08 (2002) demonstrates the liquidity of assets and the relative availability of working capital to fund current operations.

- Operating deficits of $17.9 million (2003) and $18.8 million (2002) resulted from the Mesa State College's dependence on state appropriations because the financial reporting model classifies state appropriations as non-operating revenues. An increase of $2.7 million (2003) and $8.7 million (2002) in net assets is produced when all revenues and expenses are considered.

- HB 03-1093 authorized independent governance for Mesa State College effective July 1, 2003. Mesa State College's supports the largest student enrollment of all three State Colleges and correspondingly comprised a significant portion of 2003 system operations. Since the State Colleges system no longer exists, Mesa State College's financials are presented on a stand-alone basis for 2003. However, Mesa State College was actually part of the State Colleges' system during 2003.

- Mesa State College advance refunded the outstanding Series 1994 and Series 1996 bonds in March 2003 by issuing the 2002 Series A & B bonds listed in the notes to the financial statements. The new debt issue totaled $15,180,00 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. The fund will be expended over the next two years for renovation to the Auxiliary Facilities System student housing. On June 30, 2003 the amount of defeased debt still outstanding was $11,185,000. As a result of the favorable bond market in 2003, the College was able to realize a net gain of nearly $232,000.

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.

Mesa State College
Condensed Statement of Net Assets
As of June 30, 2003 and 2002 (unaudited)

	2003	2002 Unaudited
Assets		
Current Assets	$13,720,575	$6,784,408
Non-Current Assets	60,006,497	59,443,126
Total Assets	73,727,072	66,227,534
Liabilities		
Current Liabilities	4,816,444	2,204,608
Non-Current Liabilities	14,316,231	12,080,271
Total Liabilities	19,132,675	14,284,879
Net Assets		
Invested in Capital Assets	44,677,601	46,722,932
Restricted	9,303,364	5,509,404
Unrestricted	613,431	(289,681)
Total Net Assets	$54,594,396	$51,942,655

At June 30, 2003, Mesa State College's total net assets were $54.6 million compared to $51.9 million at June 30, 2002. The largest asset category being the $44.7 million (2003) and $46.7 million (2002) in capital assets (net of related debt), which include land, buildings, equipment, library holdings, and construction in process. The capital asset amounts are net of accumulated depreciation of $25.7 million (2003) and $22.9 million (2002). Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In Fiscal Year 2003, Mesa State College's current assets of $13.7 million were sufficient to cover current liabilities of $4.8 million (producing a current ratio of 2.85). This compares to Fiscal Year 2002 with current assets of $6.8 million and current liabilities of $2.2 million, which produced a current ratio of 3.08. The increase in current assets includes $2.6 million of bond proceeds to finance renovations of the College's auxiliary student housing and approximately $3.0 million from the State of Colorado's mandated pay-date shift. The mandated pay-date shift moved the actual payment of the June 2003 payroll from June 30, 2003 (FY2003) to July 1, 2003 (FY2004) for state budgetary purposes. The mandated pay-date shift was the largest component (approx $3.0 million) of the 2003 current liabilities. The pay-date shift liability was liquidated on July 1, 2003. Cash and cash equivalents (bank deposits, pooled cash with the State Treasurer, and highly liquid investments with maturities of three months or less) comprised approximately $11.5 million in assets per the Statement of Cash Flows.

Bonds payable totaled $14.1 million (2003) $11.9 million (2002) and represents almost 74% (2003) and 83% (2002) of Mesa State College's total liabilities of $19.1 million (2003) $14.3 million (2002). The current portion of the bonds payable liability totals $590,000 (2003) and $670,000 (2002).

Mesa State College's financial position improved during the Fiscal Year as evidenced by the increase in net assets of $2.7 million (2003) and $8.7 million (2002) (see the Statement of Revenues, Expenses and Changes in Net Assets) to $54.6 million (2003) and $51.9 million (2002). $44.7 million (2003) and $46.7 million (2002) in net assets is invested in capital assets net of related debt, $9.3 million (2003) and $5.5 million (2002) is externally restricted for specific purposes, and $613,000 (2003) and $(290,000) (2002) is unrestricted and available for any lawful purpose of the College.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations during the year. Activities are reported as either operating or non-operating. Operating revenues and expenses generally result from providing goods and services for instruction, research, public service and related support services to an individual or entity separate from 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.

Tuition and fee revenues accounted for $7.9 million of the $23.4 million in operating revenues in FY2003 compared to $7.9 million of the $21.7 million in operating revenues in FY2002. The tuition and fee amount is net of scholarship allowances of $5.7 million (2003) and $5.0 million (2002). Scholarship allowances are defined as the financial aid awarded to students by the Colleges that is used to pay college charges. The scholarship allowance is recognized as a direct reduction of revenue rather than an increase in financial aid expense, as reported previous to the implementation of GASB Statement No. 34.

Operating expenses totaled $41.3 million in FY2003 and $40.5 million in FY2002. Of that total, $16.2 million was for instruction in FY2003 and $15.6 million in FY2002, $9.8 million for auxiliary enterprises in FY2003 and $9.5 million in FY2002, $2.6 million for student services in FY2003 and $2.7 million in FY2002, $1.5 million for institutional support in FY2003 and $1.9 million in FY2002, and $2.8 million for academic support in FY2003 and $2.7 million in FY2002. Operating expense for Research and Public Service totaled less than $200 thousand in both FY2003 and FY2002.

Mesa State College's dependency on state appropriations produced an operating deficit of $17.9 million in Fiscal Year 2003 and $18.8 in Fiscal Year 2002 because the financial reporting model classifies state appropriations as non-operating revenues. However, the College enjoyed a $2.7 million increase in net assets in Fiscal Year 2003 and an $8.7 million increase in net assets in Fiscal Year 2002, principally resulting from a comparable increase in their investment in capital assets.

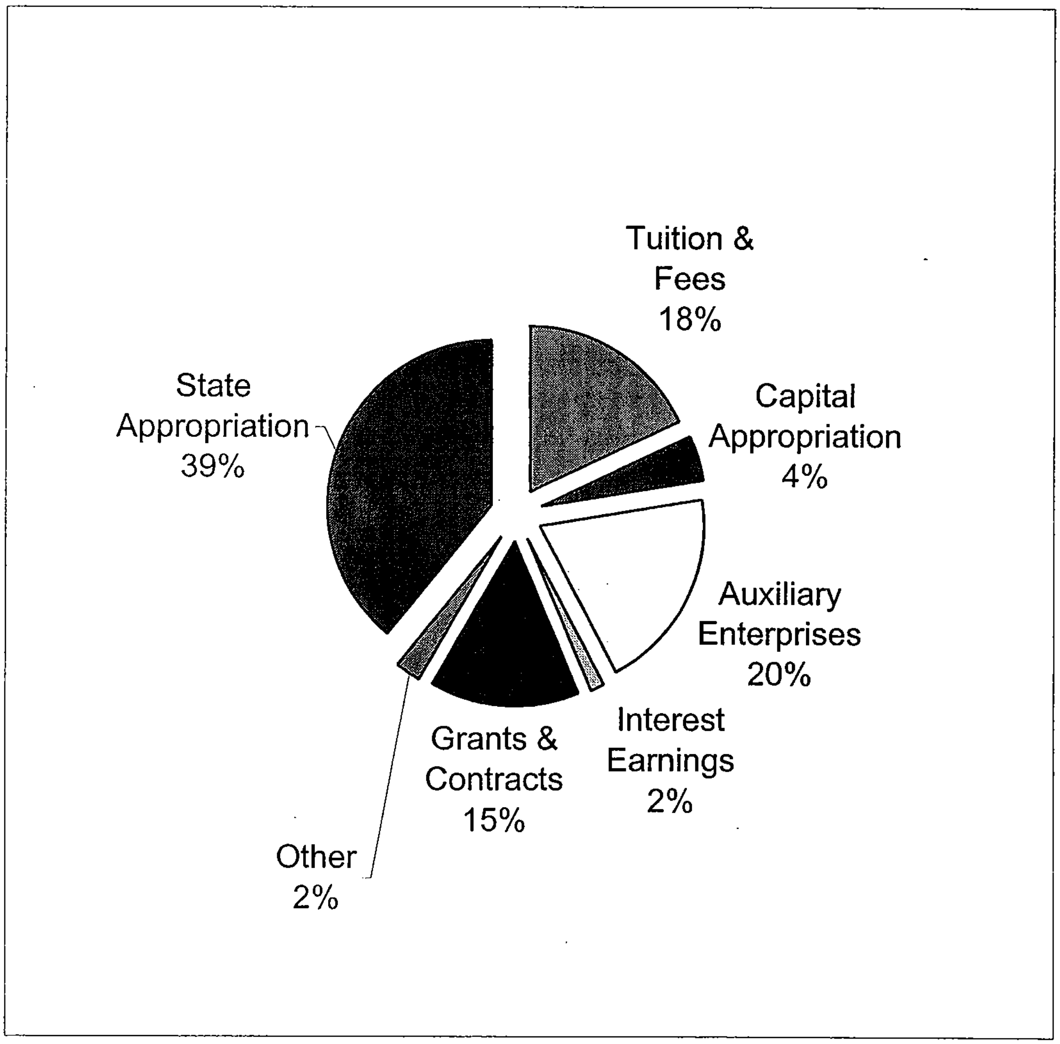
Mesa State College
Condensed Statement of Revenues Expenses and Changes in Net Assets
Years Ended June 30, 2003 and 2002 (unaudited)

	FY 2003	FY 2002 Unaudited
Operating Revenues:		
Tuition and Fees (net)	$7,928,148	$7,898,783
Grants and Contracts	6,479,208	5,511,216
Auxiliary Enterprises (net)	8,587,680	7,834,187
Other	369,547	498,599
Total Operating Revenues	23,364,583	21,742,785
Operating Expenses:	41,260,730	40,526,873
Net Operating (Loss)	(17,896,148)	(18,784,088)
Non-Operating Revenues (Expenses):		
State Appropriations	17,174,370	18,499,164
Interest Income	660,648	328,410
Other Non-Operating Income	(174,704)	(227,119)
	17,660,314	18,600,455
Income (Loss) Before Other Revenues Expenses Gains or Losses	(235,834)	(183,633)
State Appropriations Capital	1,928,792	8,667,171
Other	958,784	172,151
Increase (Decrease) in Net Assets	2,651,742	8,655,689
Net Assets:		
Net Assets Beginning of Year	51,942,655	43,286,967
Nets Assets End of Year	$54,594,397	$51,942,656

MESA STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2003

The following is a graphic illustration of total revenues by source for Mesa State College. It clearly depicts the College's dependence on State Appropriations, including capital appropriations, and other non-operating revenue sources, which comprise approximately 47% of total revenues. Each major revenue component is displayed relative to its proportionate share of total revenues.

2003 Revenue by Source



Statement of Cash Flows

The Statement of Cash Flows presents relevant information related to cash inflows and outflows summarized by operating, non-capital financing, and capital financing and related investing activities. It also helps statement users identify the need for external financing as well as assess the College's ability to generate cash flows and meet financial obligations as they mature.

Mesa State College
Condensed Statement of Cash Flows
Years Ended June 30, 2003 and 2002 (unaudited)

	2003	2002 Unaudited
Net Cash Provided (Used) by:		
Operating Activities	($12,535,546)	($16,483,957)
Non-Capital Financing Activities	18,760,593	19,784,129
Capital and Related Financing Activities	563,925	(2,404,576)
Investing Activities	641,395	328,142
Net Increase (Decrease) in Cash	7,430,367	1,223,738
Cash and Equivalents:		
Beginning of Year	4,086,347	2,862,609
End of Year	$11,516,714	$4,086,347

Mesa State College's overall liquidity improved slightly during the Fiscal Year with an increase in cash and cash equivalents of $7.4 million. The major increases in cash were the $2.6 million in net bond proceeds and the state mandated pay-date shift of $3.0 million (both items are discussed in the net asset section above) The net cash outflow from operating activities was $12.5 million (FY2003) and $16.5 million (FY2002). The primary reason for the decrease in cash payments for operating activities was the state mandated pay-date shift (discussed earlier). The $13.7 million (FY2003) and $13.0 million (FY2002) in student tuition and fees, $6.5 million (FY2003) and $5.4 (FY2002) in contracts and grants and $5.7 (FY2003) and $5.7 million in auxiliary sales and services were the major sources of cash. Payments to or for employees of $22.3 million (FY2003) and $25.1 million (FY2002) and payments to suppliers of $10.9 million (FY2003) and $10.5 million (FY2002) were the primary uses of funds.

Financing Activities

In March of 2003, Mesa State College took advantage of the favorable bond market created by 40 year lows in interest rates and advance refunded the College's outstanding Series 1994 and Series 1996 bonds by issuing new 2002 Series A & B bonds. The College also increased borrowing to accelerate planned improvements/renovations to student housing. The new debt issue totaled $15.2 million with the proceeds first applied to an escrow account for retirement of the now defeased Series 1994 and Series 1996 bonds with the remainder ($2.5 million) deposited to a capital improvement construction fund. The fund will be expended over the next two years for renovation to the Auxiliary Facilities System student housing. On June 30, 2003 the amount of defeased debt still outstanding was $11.2 million. The effect of this transaction was an improved cash flow and a net economic gain of nearly $232,000.

Economic Outlook

During fiscal year 2003, the State of Colorado continued to experience economic difficulties that resulted in loss of tax revenue. Consequently, higher education institutions had to cope with large reductions in their appropriations. For fiscal year 2004, the economic condition of the State is projected to improve. Mesa State College's fiscal year 2004 appropriation is $515,000 less than the fiscal year 2003 original appropriation. The College is not anticipating any additional appropriation reductions for fiscal year 2004. Yet, because of the constitutional limits on state revenue and appropriation growth and with an increasing share of the state budget going towards state and federally mandated programs, future appropriation growth for institutions of higher education, including Mesa State College, is expected to be minimal at best.

HB03-1093, enacted during the 2003 legislative session, provided Mesa State College and other state colleges with their own independent governing boards. Subsequently, future appropriations will be directly appropriated to the individual colleges, a change from the previous method in which the former system board distributed appropriations on a revenue sharing model. Mesa State College's new board will also be responsible for setting annual tuition and fees as well as charges for room and board an other auxiliary programs.

Enrollments for Mesa State College are projected to increase by 3% for Fiscal Year 2004. A tuition rate increase of 5% for resident students and 7% for nonresident students was approved.

STATE OF COLORADO
MESA STATE COLLEGE
Statement of Net Assets
For The Years Ended:

	June 30, 2003	UNAUDITED June 30, 2002
ASSETS		
Current Assets		
Cash & Cash Equivalents (Note 2)	$11,516,715	$4,086,347
Student Accounts Receivable, Net	449,522	388,946
Other Accounts Receivable, Net	714,172	1,304,160
Student Loans, Net	461,982	507,935
Inventories	497,061	438,695
Prepaid Expenses	77,798	54,386
Other Current Assets	3,325	3,938
Total Current Assets	13,720,575	6,784,408
Non-current Assets		
Student Loans, Net	601,622	541,761
Other Non-current Assets	363,613	180,448
Total Non-current Assets	965,235	722,209
Land	1,157,257	1,157,257
Construction in Progress	7,323,534	13,828,644
Total Non-depreciable Capital Assets	8,480,791	14,985,901
Depreciable Capital Assets, Net		
Land Improvements (less accumulated depreciation of $590,994 and $527,881)	671,276	734,389
Buildings & Improvements (less accumulated depreciation of $16,527,648 and $14,897,610)	41,928,138	37,649,831
Furniture and Equipment (less accumulated depreciation of $4,143,065 and $3,484,705)	4,147,237	1,404,441
Library Materials (less accumulated depreciation of $4,448,397 and $4,045,654)	3,813,821	3,946,355
Total Depreciable Capital Assets, Net	50,560,472	43,735,016
Total Non-current Assets	60,006,497	59,443,126
TOTAL ASSETS	$73,727,072	$66,227,534

continued

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

STATE OF COLORADO
MESA STATE COLLEGE
Comparative Statement of Net Assets (continued)
For The Years Ended:
LIABILITIES AND NET ASSETS

	June 30, 2003	UNAUDITED June 30, 2002
Current Liabilities		
Accounts Payable	$137,874	$166,781
Accrued Liabilities	3,086,024	538,735
Deferred Revenues	462,880	424,827
Deposits Held For Others	110,258	107,654
Student Deposits	186,137	161,343
Bonds Payable, Current Portion	590,000	670,000
Capital Leases, Payable Current Portion	108,983	90,008
Compensated Absence Liability, Current Portion	134,288	45,260
Total Current Liabilities	4,816,444	2,204,608
Non-current Liabilities		
Bonds Payable	13,467,080	11,185,000
Capital Leases Payable	122,858	172,189
Other Long Term Liabilities	50,000	(70,212)
Compensated Absence	676,293	793,294
Total Non-current Liabilities	14,316,231	12,080,271
Total Liabilities	19,132,675	14,284,879
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	44,677,601	46,722,932
Restricted For:		
Non-expendable Endowments		
Expendable Purposes		
Endowments		
Loans	1,140,257	999,696
Capital Projects	2,500,000	0
Other Purposes	5,663,107	4,509,708
Unrestricted	613,432	(289,681)
Total Net Assets	54,594,397	51,942,655
Total Liabilities and Net Assets	$73,727,072	$66,227,534

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

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

	June 30, 2003	UNAUDITED June 30, 2002
REVENUES		
Operating Revenues:		
Tuition and Fees (including $1,265,976 and $1,187,624, respectively pledged for bonds and net of scholarship allowances of $5,657,593 and $5,016,420, respectively)	$7,928,148	$7,898,783
Federal, State, Private Grants and Contracts	6,479,208	5,511,216
Gifts	0	194,319
Auxiliary Enterprises (including $8,302,646 and $7,642,228, respectively of revenues pledged for bonds and net of scholarship allowances of $493,593 and $395,612, respectively)	8,587,680	7,834,187
Other Operating Revenues (including $822 and $2,580, respectively of revenues pledged for bonds)	369,547	304,280
Total Operating Revenues	23,364,583	21,742,785
EXPENSES		
Operating Expenses:		
Instruction	16,156,388	15,643,741
Research	187,314	137,780
Public Service	9,907	14,358
Academic Support	2,765,588	2,656,186
Student Services	2,645,429	2,689,340
Institutional Support	1,497,284	1,933,917
Operation and Maintenance of Plant	2,842,847	2,999,285
Scholarships and Fellowships (net of allowance $6,151,186 and $5,41232, respectively)	2,518,379	2,247,683
Auxiliary Enterprises	9,833,698	9,505,164
Depreciation	2,803,897	2,699,419
Total Operating Expenses	41,260,731	40,526,873
Operating Income (Loss)	(17,896,148)	(18,784,088)
NON-OPERATING REVENUES (EXPENSES)		
State Appropriations	17,174,370	18,499,163
Gifts	691,823	518,466
Investment and Interest Income (including $318,046 and $254,266, respectively bond pledged)	660,648	328,410
Interest Expense on Capital Debt	(762,731)	(635,497)
Other Non-operating Revenues (Expenses)	(103,796)	(110,089)
Net Non-operating Revenues (Expenses)	17,660,314	18,600,453
Income (Loss) Before Other Revenues or Expenses	(235,834)	(183,635)
Other Revenues, Expenses, Gains, Losses, or Transfers		
State Appropriations, Capital	1,928,792	8,667,171
Gain or (Loss) on Disposal of Assets		
Transfers (To) From Governing Boards or Other Institutions	958,784	172,151
Increase (Decrease) in Net Assets	2,651,742	8,655,687
NET ASSETS		
Net Assets - Beginning of Year, As Originally Reported	51,942,655	63,620,003
Cummulitave Effect of Change of Accounting Principle	0	(20,333,035)
Net Assets - Beginning of Year, Restated	51,942,655	43,286,968
Net Assets - End of Year	$54,594,397	$51,942,655

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

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

	June 30, 2003	UNAUDITED June 30, 2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received:		
Tuition & Fees	$13,730,278	$13,013,066
Sales of Service	5,732,808	5,645,281
Sales of Product	2,970,447	2,500,674
Grants Contracts and Gifts	6,542,514	5,393,151
Student Loans Collected	246,967	192,582
Other Operating Receipts	352,617	304,280
Cash Payments:		
Payments to or for Employees	(22,284,811)	(25,105,911)
Payments to Suppliers	(10,870,038)	(10,502,654)
Scholarships Disbursed	(8,669,565)	(7,659,715)
Student Loans Disbursed	(277,105)	(188,860)
Other Operating Payments	(9,657)	(75,851)
Net Cash Provided (Used) by Operating Activities	(12,535,545)	(16,483,957)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State Appropriations, Non-Capital	17,174,370	18,621,772
Gifts/Grants for Other than Capital Purposes	612,565	619,345
Other Agency Inflows	16,359,420	13,597,418
Other Agency (Outflows)	(16,344,546)	(13,327,751)
Transfers from (to) Other Campuses, Board, or Institution	958,784	172,151
Net Cash Provided (Used) by Non-Capital Financing Activities	18,760,593	19,682,935
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
State Appropriations, Capital	1,928,792	8,544,562
Capital Grants, Contracts, and Gifts	0	1,164
Acquisition and Construction of Capital Assets	(2,780,459)	(9,497,010)
Proceeds from Sale of Capital Assets	10,019	0
Proceeds from Capital Debt	2,590,220	0
Principal Paid on Capital Debt	(736,636)	(725,245)
Interest on Capital Debt	(448,011)	(728,047)
Net Cash Provided (Used) by Capital & Related Financing Activities	563,925	(2,404,576)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale or Maturity of Investments		
Investment Earnings (Interest/Dividends)	641,395	328,141
Net Cash Provided (Used) by Investing Activities	641,395	328,141
Net Increase (Decrease) in Cash & Cash Equivalents	7,430,368	1,122.543
Cash & Cash Equivalents - Beginning of the Year	4,086,347	2,963,804
Cash & Cash Equivalents - End of the Year	$11,516,715	$4,086,347

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

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

	June 30, 2003	UNAUDITED June 30, 2002
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	($17,896,148)	($18,784,088)
Adjustments to Reconcile:		
Depreciation Expense	2,803,897	2,699,419
Provision for Uncollectible Accounts	44,870	97,399
Decrease (Increase) in Assets	(117,586)	(138,814)
Increase (Decrease) in Liabilities	2,849,518	(154,444)
Other Reconciling Items	(220,096)	(203,429)
Net Cash Provided (Used) by Operating Activities	($12,535,545)	($16,483,957)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements reflect the financial activities of Mesa State College for the Fiscal Year ended June 30, 2003 and the Fiscal Year ended June 30, 2002 presented as unaudited 'stand alone' statements. The 2002 statements were part of the consolidated financial statement prepared by the Office of State Colleges, Trustees of the State Colleges in Colorado. See note 14 for change in governance. Mesa State College is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, Mesa State College is included as part of the State of Colorado's primary government. A copy of the state Comprehensive Annual Financial Report may be obtained from the State Controller's Office, General Support Services, Denver Colorado.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make certain 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, expense and other changes in net assets during the reporting period. Actual results could differ from those estimates.

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 their market value at date of gift, or at cost, if purchased by the College.

Inventories

Inventories are stated at the lower of cost or market. The inventories consist primarily of consumable goods and supplies and bookstore inventory held for resale. The central stores inventory consists primarily of office supplies and other consumable goods. It is valued using the average cost method. 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. Depreciation expense is recorded in the plant fund and not allocated to other functional classifications.

Summer Sessions

Summer session tuition and fees and related direct academic expenditures are recognized as earned and incurred.

Retirement of Debt

To the extent that current funds are used for debt amortization including interest and for equipment renewal and replacement reserves, the amounts are accounted for as mandatory and non-mandatory transfers respectively.

Inter-fund borrowings

Inter-fund borrowings are recorded on each fund as due to/from other funds. All inter-fund loans are temporary in nature; no interest is charged on inter-fund loans. Such borrowings are authorized in advance by administrative action. The borrowings have identifiable repayment schedules in most instances and provide needed working capital or cash advances for special projects and/or sponsored programs/grants. For financial statement presentation, amounts due to/from other funds are eliminated. At June 30, 2003 inter-fund borrowings totaled $330,000. At June 30, 2002 inter-fund borrowings totaled $370,000.

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.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the Fiscal Year but related to the subsequent Fiscal Year. Deferred revenues also include amounts received from grant and contract sponsors that have net yet been earned.

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 where the College recognizes and records revenue. 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/auxiliary operations for the years ended June 30 were $6,151,186 (2003) and $5,412,032 (2002).

Application of Restricted and Unrestricted Resources

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

Financial Statement Presentation and Changes in Accounting Principles

In June 1999, GASB approved Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Government". This was followed by the approval of Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities". The State of Colorado is required to implement GASB No. 34 as of and for the year ended June 30, 2002. As a blended component unit of the State of Colorado, the College is also required to adopt GASB No. 34 and 35. The College has elected to follow the financial statement presentation guidelines for special-purpose governments engaged only in business-type activities as outlined in GASB No. 34. Those guidelines require the financial statements to be prepared using an entity-wide perspective. Therefore, the financial statements report the College's assets, liabilities, and net assets, revenues, expenses and changes in net assets, and cash flows for the College as a whole, rather than by fund, as previously required.

The College was required to make the following significant changes in accounting principles to conform to GASB No. 34 and 35:

- Scholarship Allowances – Financial aid awarded to students by the College that is used to pay College charges, such as tuition, fees, residence hall charges and board, is recognized as a scholarship allowance rather than as financial aid expense, as previously required. A scholarship allowance directly reduces the appropriate revenue. To the extent that financial aid awarded exceeds College charges to students, the College recognizes financial aid expense.

- Summer School Revenue and Expense – The College is required to recognize summer school revenue and expense as earned or incurred rather than deferring summer school revenue and expense and reporting the entire term in one Fiscal Year, as previously required.

- Depreciation Expense – The College is required to record depreciation expense for capital assets. Previously depreciation expense was not recognized.

- Collections – The College has elected to capitalize collections, which had previously not been capitalized.

- Acquisitions of Capital Assets and Payments of Debt Principle – Under the fund perspective, the College recognized an expenditure or fund deduction for the acquisition of capital assets and payment of debt principle. Under the entity-wide perspective, these items are not considered an expense against operations.

Deficit Net Assets

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 year ended June 30, 2003 is estimated at $810,581 (including the current portion of $134,288 listed in note 6 below). Current expenses include a decrease of $40,244 for the estimated compensated absence liability. Recording of the liability for compensated absences may result in net asset deficits, which will be funded by the state appropriation, federal funds, or other fund sources available in future years when the liability is paid.

Foundation

The College is the beneficiary of a foundation that is a separate legal entity with its own board of trustees (see Note 11). The Foundation has legal title to all of the Foundation assets. The Foundation is not a component unit of the College and, thus, not reflected in the accompanying financial statements.

Financial Statement Presentation - Net Assets

Net assets are classified as either Unrestricted (formally unreserved/undesignated fund balance) or Restricted. Restricted net assets are further classified as expendable or non-expendable, i.e. permanent endowments. As of June 30, 2003, Mesa State College had no non-expendable restricted assets. Restricted expendable net assets are classified as expendable for loans, debt service, capital projects and other purposes. For Mesa State College, restricted net assets expendable for other purposes includes net assets (fund balances) of its bonded auxiliaries. Colorado Revised Statutes, (C.R.S.) 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 $2,250,429 (2003) $2,004,763 (2002).

Reconciliation to Other Reports

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

STATE OF COLORADO
MESA STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2003 and 2002 (unaudited)

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 (C.R.S.). The State Treasurer pools these deposits and invests them in securities approved by C.R.S. Section 24-75-601.1. The College reports the allocated share of the Treasurer's unrealized gains and losses based on their 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, 2003. Prior to 2003, the College was part of the State Colleges in Colorado System and the unrealized gains were reported at the consolidated system level. Accordingly, the College did not report such gains for 2002. See Note 14 for change in governance. 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 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, 2003, the College had $8,935,234, including unrealized gains of $256,095, on deposit with the State Treasurer. At June 30, 2002, the cash on deposit with the state treasurer was $3,999,127. The unrealized gains were recorded at the consolidated level for the State College's system and not allocated to the individual colleges. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

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

	2003	2002
Cash on hand	$18,751	$18,750
Cash in checking accounts at bank	2,562,730	68,471
Total cash	$2,581,481	$87,221

The carrying amount of the College's cash on deposit was $2,562,730 (2003) $68,471 (2002) and the bank balance was $2,835,589 (2003) $986,992 (2002). Of this bank balance, $2,835,589 (2003) $986,992 (2002) was covered by federal note depository insurance or by collateral held by the institution's agent in the institution's name. The difference the College's cash on hand and the amount reported by the various Banks was $272,859 (2003) $918,521 (2002) in the form of outstanding/un-cleared checks. Of the total cash on deposit with banks, $2,500,000 (2003) was in an account restricted for capital construction and therefore unavailable for general operations.

At June 30, 2003, the College had no investments. This is unchanged from June 30, 2002.

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, 2003:

	Total	Less Allowance For Doubtful Accounts	Net
Entity Wide			
Accounts Receivable	$ 2,703,616	($476,318)	$ 2,227,298

	Gross Receivables	Allowance for Uncollectible Accounts	Net Receivables
Student Accounts Receivable	$828,408	($378,886)	$449,522
Student Loans Receivable	$1,151,224	($87,620)	$1,063,604
Due from Other Governments	$367,523	0	$367,523
Other Receivables	$356,461	($9,812)	$346,649
Total Receivables	$2,703,616	($476,318)	$2,227,298

The following schedule shows the status of accounts and loans receivable and related allowance for doubtful accounts at June 30, 2002:

	Gross Receivables	Allowance for Uncollectible Accounts	Net Receivables
Student Accounts Receivable	$723,527	($334,581)	$388,946
Student Loans Receivable	$1,137,115	($87,419)	$1,049,696
Due from Other Governments	$439,574	0	$439,574
Other Receivables	$874,033	($9,447)	$864,586
Total Receivables	$3,174,249	($431,447)	$2,742,802

STATE OF COLORADO
MESA STATE COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2003 and 2002 (unaudited)

NOTE 4: CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2003.

	Balance June 30, 2002	Additions Depreciation	Retirements Depreciation	Balance June 30, 2003
Non-depreciable Capital Assets				
Land	$1,157,257			1,157,257
Land Improvements				
Construction in Progress	13,828,644	2,650,159	(9,155,269)	7,323,534
Total Non-depreciable Capital Assets	$14,985,901	$2,650,159	($9,155,269)	$8,480,791
Depreciable Capital Assets				
Land Improvements	$1;262,270			1,262,270
Buildings	52,547,441	5,908,345		58,455,786
Equipment	4,889,146	3,431,156	(30,000)	8,290,302
Library Materials	7,992,009	289,850	(19,642)	8,262,217
Total Depreciable Capital Assets	$66,690,866	$9,629,351	($49,642)	$76,270,575
Less: Accumulated Depreciation				
Land Improvements	527,881		63,113	590,994
Buildings	14,897,610		1,630,038	16,527,648
Equipment	3,484,705	(30,000)	688,361	4,143,066
Library Materials	4,045,654	(19,644)	422,385	4,448,395
Total Accumulated Depreciation	22,955,850	(49,644)	2,803,897	25,710,103
Net Depreciable Capital Assets	$43,735,016	$9,678,995	($2,853,539)	$50,560,472
Capital Assets Net	$58,720,917	$12,329,153	($12,008,808)	$59,041,263

NOTE 5: LONG-TERM LIABILITIES

- Lease Obligations:

The College currently has three capital lease obligations: A capital lease of phone system equipment, through October 1, 2004, at which time the title will be transferred to Mesa State College. A capital lease of student ID equipment and an automated parking attendant machine, through August 10, 2005, at which time the title will be transferred to Mesa State College. A capital lease of piano lab computer equipment and pianos, through October 9, 2006, at which time the title will be transferred to Mesa State College. The leases can be terminated due to lack of funding with 30 days written notice. The College has an option to purchase at any time during the lease.

The following is schedule of changes in capital lease obligations – long-term portion.

Balance June 30, 2002	Additions	Reductions	Balance June 30, 2003
$172,189	$76,280	($125,611)	$122,858

The following is a schedule of future minimum lease payments as of June 30, 2003.

Year Ending June 30,	Total Payments
2004	$119,843
2005	$78,196
2006	$36,546
2007	$16,629
2008	$0
2009 and later	$ 0
Total principal and interest payments	$251,214
Less amount representing interest	$(19,373)
Total Principal Outstanding	$231,841
Less Current Portion	$(108,983)
Net Long Term Principal	$122,858

- Revenue Bonds Payable

Mesa State 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 $15,180,00 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. The fund will be expended over the next two years for renovation to the Auxiliary Facilities System student housing. On June 30, 2003 the amount of defeased debt still outstanding was $11,185,000.

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 3.78%. Final payments are due in May of 2023. 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, 1014 are callable at 100% par value plus accrued interest at the discretion of the Board on or after May 15, 2003. 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, 2003.

Auxiliary Facilities System Revenue Bonds

Year Ending June 30,	2002 A	2002 B	Total
2004	$640,345	$536,385	$1,176,730
2005	$636,790	$536,385	$1,173,175
2006	$641,080	$536,385	$1,177,465
2007	$637,050	$536,385	$1,173,435
2008		$1,341,385	$1,341,385
2009-2013		$6,759,703	$6,759,703
2014-2018		$5,545,350	$5,545,350
2019-2023		$2,987,050	$2,987,050
2024-2028		$0	$0
Subtotals	$2,555,265	$18,779,028	$21,335,293
Less: Amount of Interest Included Above:	($140,265)	($6,644,028)	($6,784,293)
Total Principal Outstanding	$2,145,000	$12,135,000	$14,280,000
Less Current Portion	($590,000)		($590,000)
Net Long Term Principal	$1,825,000	$12,135,000	$13,960,000
Less: Unamortized Discount & Issue Cost:		($492,920)	($492,920)
Bonds Payable Net	$1,825,000	$11,642,080	$13,467,080

- Other Long Term Liabilities

Under a memorandum of understanding between the College and the Foundation, the College is to grant and manage student loans made from designated Foundation funds. The College absorbs any associated costs in excess of loan interest collections, including loan write-offs and administrative expenses. Student loan fund assets at June 30, 2003 consisting primarily of loans receivable are held by the College and represent a payable to the Foundation of $50,000. This amount remains unchanged from 2002.

- Extinguishment of Debt

To the extent that current funds are used for debt amortization and interest, the amounts are accounted for as mandatory transfers.

- 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, 2003 and June 30, 2002, are estimated as $810,581 (including the current portion of $134,288 listed in note 6 below) and $838,554 respectively. Current expenses include a decrease of $40,244 for the estimated compensated absence liability. Recording of the liability for compensated absences results in fund balance deficits, which will be funded by the state appropriation, federal funds, or other fund sources available in future years when the liability is paid.

NOTE 6: SHORT-TERM LIABILITIES

Payables at June 30, 2002 and 2003 were as follows:

	2003	2002
Accounts Payable, Vendors	$137,874	$166,781
Salaries and Benefits Payable	3,012,682	168,735
Capital Leases Payable Current Portion	108,983	90,008
Capital Bonds Payable Current Portion	590,000	670,000
Compensated Absences Current Portion	134,288	45,260
Other Payables	369,736	370,000
Total Payables	$4,353,563	$1,510,784

The change in salaries and benefits payable at June 30 is the result of the state mandated pay-date shift. The mandated pay-date shift moved the actual payment of the June 2003 payroll from June 30, 2003 (FY2003) to July 1, 2003 (FY2004) for state budgetary purposes. The mandated pay-date shift was the largest component of (approx $3.0 million) of the 2003 current liabilities. The pay-date shift liability was liquidated on July 1, 2003.

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.

Mesa State 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: 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)

Plan Description. The PERA plan's purpose is to provide income to members and their families at retirement or in the case of death or disability. The plan is a cost-sharing multiple-employer, defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). PERA was established by statute in 1931. Responsibility for the organization and administration of the plan is placed with to Board of Trustees of PERA. Changes to the plan require legislation by the General Assembly. The state plan, as well as the other division's plans, is included in PERA's financial statements, which may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, CO 80203, or by calling PERA's Info Line at 1-800-759-PERA (7352) or Denver metro area 837-6250.

Plan members vest after five years of service and are eligible for benefits at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with 5 years of service. State troopers and judges comprise a small percentage of plan members but have higher contribution rates and are eligible for retirement benefits at different ages and years of service. Monthly benefits are calculated (by PERA) as a percentage of highest salary (HAS). HAS is one-twelfth (1/12) of the average highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit.

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 (by PERA) to be permanently disabled. If a member dies before retirement, the member's eligible children under the age of 18 (23 if a full-time student) or the member's spouse are entitled to benefit payments. If there is no eligible spouse, financially dependent parents will receive a survivor's benefit.

Funding Policy. Most employees contribute 8 percent of their annual covered wages to an individual account in the plan. During the Fiscal Year ended June 30, 2003 the College contributed 10.04 percent of the employee's gross covered wages. The annual gross wages subject to PERA are the 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 Service Code. The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly.

The College's contributions were allocated by PERA according to statuary formula as follows.

- 1.64 percent was allocated to the Health Care Trust Fund before January 1, 2003. After January 1, 2002, 1.10 percent was allocated to the Health Care Trust Fund.
- After January 1, 2001, the amount needed to the match requirement set by the PERA board was allocated to individual eligible member's voluntary tax deferred retirement program. For the calendar year 2003, the matching amount was set at 100 percent of the first 3 percent of employee salary. Two percent of gross salary and 50 percent of any reduction of the overall contribution rate due to over funding of the pension plan was available for the match.
- After January 1, 2001, the balance remaining after allocations to the Matchmaker Program and the Health Care Trust Fund was allocated to the defined benefit plan.

The College's contributions to the three programs described above for the Fiscal Years ending June 30, 2003, 2002 and 2001 were $904,726, $914,669, and $937,465. These contributions were equal to the required contributions for each year.

B. 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% 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, 2003, 2002, and 2001 were $1,124,175, $1,109,224, and $994,177, respectively. Employee contributions were 8 percent of covered payroll. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

C. STUDENT RETIREMENT PLAN

Beginning in Fiscal Year 1993, in accordance with the provisions of C.R.S. Section 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% contribution on the employee's part with no employer contribution. Total current year payroll covered by the plan was $30,517. Employee contributions were 7.5% of covered payroll.

NOTE 9: TAX-DEFERRED RETIREMENT PLANS

Beginning on January 1, 2002, the state matched PERA members' voluntary contributions to tax-deferred retirement plans. For calendar years 2001 and 2002, the match was 100% of up to 3percent of employee's gross wages. For the calendar year 2003, the match was 100% of up to 2 percent of employee's gross wages. The PERA Board sets the level of the match annually, on a calendar year basis, based on the actuarial funding of the defined benefit plan. PERA offers a voluntary 401(k) plan that is entirely separate from the defined benefit plan. The state offers a 457 deferred compensation plan and certain agencies and institutions of the state offer one or more 403b plans. Eligible PERA members who contribute to any of these plans receive the state match.

NOTE 10: POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Plan Description. For PERA plan members a portion of the College's contribution, as set by the PERA Board, is allocated to the Health Care Trust Fund (HCF), a cost sharing multiple-employee post-employment plan administered by PERA. The HCF provides a Health Care Premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, assigns the authority to establish the HCF benefit provisions to the State Legislature. During the fiscal years ended June 30, 2003 and 2002, the monthly subsidy was $115 for those with 20 years of service credit ($230 for members under age 65), and reduced by 5% for each year of service fewer than 20. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, CO 80203 or by calling PERA's Info Line at 1-800-759-PERA (7372) or Denver metro area 837-6250.

Funding Policy. The Health Care Trust Fund is maintained by employer contributions as explained in Footnote 8A above.

Health Care Program. Monthly premium costs for participants depend on the health care plan selected, the number of persons being covered, Medicare eligibility, and the number of years of service credit the retiree has. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans and with health maintenance organizations to provide services within Colorado. During 2002 there were approximately 35,418 participants, including spouses and dependants from all contributors to the plan.

Life Insurance. PERA provides its members access to two group life insurance plans offered by Prudential and Rocky Mountain Life. Eligible members may join one or both plans and may continue coverage into retirement. Premiums are paid monthly by payroll deduction for active employees or by benefit deduction for retired members.

Other Programs. Separate post-retirement health care and life insurance plans exist for the State College System, but participation is small in comparison to the PERA plans for state employees. The state has no liability for any of these other post-retirement health care and life insurance plans.

NOTE 11: FOUNDATIONS

MESA STATE COLLEGE FOUNDATION

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 Board of Trustees. Their financial records are maintained separately from the College. As of June 30, 2003, and 2002 the Foundation's condensed statement of financial condition and statement of activities were as follows:

	2003	2002
Assets	$10,738,704	$9,676,607
Liabilities	(1,140,219	(1,372,776)
Net Assets	$9,598,485	$8,303,831
Revenue, gains and other support	$2,422,460	$670,485
Expenses	(1,251,342)	(1,556,399)
Other	123,536	(9,048)
Change in Net Assets	$1,294,654	(894,962)

Under a memorandum of understanding between the College and the Foundation, the College is to grant and manage student loans made from designated Foundation funds. The College absorbs any associated costs in excess of loan interest collections, including loan write-offs and administrative expenses. Student loan fund assets at June 30, 2003 consisting primarily of loans receivable are held by the College and represent a payable to the Foundation of $50,000. This amount is unchanged from June 30, 2002.

Note 12: 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 since part of the revenues previously recorded is now properly netted against tuition and fees. The table below reflects the student financial assistance activities that the College receives resources for and expended for and on the behalf of students in FY2003. Student loans and external scholarships, grants, and other student financial assistance are not included. A detailed schedule of state funded financial assistance is provided in the 'State-Funded Student Assistance Programs Section'.

MESA STATE COLLEGE
SCHEDULE OF NON-LOAN STUDENT ASSISTANCE
Year Ended June 30, 2003

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Scholarships				
Colorado Need-Based		$1,454,553		$1,454,553
Colorado Merit		368,032		$368,032
Colorado Nursing		13,843		$13,843
CLEAP		52,401		$52,401
SLEAP		38,292		$38,292
Governor's Opportunity		368,780		$368,780
Pell Grants	5,033,700			$5,033,700
General Institutional			589,413	$589,413
Auxiliary			436,645	$436,645
Work Study **	204,463	657,736	698,420	$1,560,619
Perkins Match		7,286		$7,286
SEOG	147,407		49,136	$196,543
Non-Resident Scholar	-	-	344,390	$344,390
Total	$5,385,570	$2,960,923	$2,118,004	$10,464,497

** Includes MSC Student Assist Work Study - Not Based on Financial Need

MESA STATE COLLEGE
SCHEDULE OF NON-LOAN STUDENT ASSISTANCE
Year Ended June 30, 2002

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Scholarships				
Colorado Need-Based		$1,343,409		$1,343,409
Colorado Merit		368,032		$368,032
Colorado Nursing		16,529		$16,529
CLEAP		85,908		$85,908
SLEAP		33,507		$33,507
Governor's Opportunity		247,000		$247,000
Pell Grants	4,461,431			$4,461,431
General Institutional	81,610		534,263	$615,873
Auxiliary			324,501	$324,501
Work Study **	223,063	586,862	682,272	$1,492,197
Perkins Match		7,369		$7,369
SEOG	146,571		49,258	$195,829
Non-Resident Scholar	-	-	307,071	$307,071
Total	$4,912,675	$2,688,616	$1,897,365	$9,498,656

** Includes MSC Student Assist Work Study - Not Based on Financial Need

Note 13: LEGISLATIVE APPROPRIATION

The Colorado Legislature establishes spending authority for the Trustees of the State Colleges System in its annual Long Appropriation Bill. Effective July 1, 2003, the portion of the spending authority previously allocated to Mesa State College by Trustees of the State College will be made by direct legislative appropriation. (See Note 14 Below.) Appropriated funds include an amount from the State of Colorado's General Fund, as well as certain cash funds. Cash funds include tuition, certain fees, and certain other revenue sources.

For the year ended June 30, 2003, Mesa State College received an appropriation allocation, net of scholarship allowance, from the State Colleges system of $20,794,465. Actual appropriated revenues earned totaled $20,644,465. Actual appropriated expenditures and transfers totaled $20,626,662. See note 14 for change in governance effective July 1, 2003.

Note 14: 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 Mesa State College. Effective July 1, 2003, the powers, duties and functions formerly performed by the Trustees of the State Colleges in Colorado are transferred to the Board of Trustees of Mesa State College. For the year ending June 30, 2003, the financial statements of Mesa State College are presented on a stand-alone basis as the Trustees of the State Colleges in Colorado system no longer exists. For the years ending on and prior to July 1, 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.

NOTE 15: RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

Mesa State 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. Mesa State College does not retain risk of loss except for damage incurred to property belonging to the State, limited to a $1,000 deductible per incident.

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 Years Ended June 30

	2003	2002
REVENUES		
College Service Fees	$897,668	1,002,166
Rental Income	2,957,959	2,833,545
Food Service Income	2,040,116	1,864,877
Sales/Services Auxiliaries	4,167,456	3,453,791
Interest Income	318,046	171,402
Other Income	822	1,416
Total Revenues	10,382,067	9,327,197
EXPENDITURES		
Salaries & Benefits	1,761,406	1,375,181
Costs of Goods	2,120,624	1,913,805
Utilities Expense	486,279	440,254
Rental Expense	122,001	325,237
Contract Food Services	1,228,802	1,237,367
Travel	19,867	14,808
Supplies	457,112	449,711
Other Operating Expenses	636,288	290,439
Purchased Services-Personal	49,194	60,605
Financial Aid	291,587	157,496
Administrative Cost Allowance	825,206	838,614
Furniture & Equipment	106,982	76,880
Other Capital Expenditures		5,917
Other Expenses	0	0
Total Expenditures	8,105,348	7,186,314
Net Revenue before Transfers	2,276,719	2,140,883
TRANSFERS		
Mandatory Transfers	1,346,448	1,355,262
Non-mandatory Transfers	618,022	307,340
Total Transfers	1,964,470	1,662,602
Net Revenue	$312,249	478,281

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

October 8, 2003

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 year ended June 20, 2003, and have issued our report thereon dated October 8, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mesa State College's internal control over financial reporting. This was done to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

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.

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AUDIT COMMITTEE COMMUNICATIONS

October 8, 2003

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 year ended June 30, 2003, and have issued our report thereon dated October 8, 2003. As required by professional auditing standards, we are providing you with information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

Our responsibility under professional standards is to plan and perform out audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Mesa State College. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Mesa State College's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Mesa State College's significant accounting policies are described in the notes to the financial statements. There were no new accounting policies adopted in 2003, and the application of existing policies was not changed during 2003.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements and are based on management's judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The significant accounting estimates affecting the financial statements are the allowance for uncollectible receivables, accrued compensated absences, scholarship allowances, and the depreciation of capital assets. We evaluated the factors and assumptions used to develop these estimates and determined they are reasonable in relation to the financial statements taken as a whole.

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Members of the Legislative Audit Committee
October 8, 2003
Page Two

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Mesa State College's financial reporting process (that is, cause future financial statements to be materially misstated). We noted no adjustments or differences that could have a significant effect on Mesa State College's financial reporting process.

Disagreements with Management

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

Difficulties Encountered in Performing the Audit

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

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.

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION

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

INDEPENDENT AUDITORS' REPORT ON THE STATEMENTS OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS OF THE STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

October 8, 2003

Members of the Legislative Audit Committee:

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs for Mesa State College, a blended component unit of the State of Colorado, for the year ended June 30, 2003. This Statement is the responsibility of the College's management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

The statement was prepared in the format as set forth in the *Colorado Handbook for State-Funded Student Financial Assistance Programs*, issued by the Colorado Commission on Higher Education (CCHE), 2003 revision. The Statement is a summary of cash activity of the state-funded student financial assistance program with the exception of the College Work-Study Program and the Perkins Loan Program, and does not present certain transactions that would be included in the statements of the state-funded student financial assistance programs if presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America. Accordingly, the accompanying Statement is not intended to present the financial position or changes in financial position of Mesa State College, in conformity with accounting principles generally accepted in the United States of America.

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In our opinion, the Statement referred to above presents fairly the appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Program of Mesa State College for the year ended June 30, 2003, in conformity with the provisions of the Colorado Commission on Higher Education's *Colorado Handbook for State-Funded Financial Assistance Programs.*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2003 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.

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

STATE OF COLORADO
MESA STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS
EXPENDITURES AND REVERSIONS

YEAR ENDED JUNE 30, 2003

	Total State-Funded Student Assistance	Part-Time Student Grants	Student Incentive Grants	Student Grants Program	Work Study Program	Colorado Nursing Program	Diversity Program Grant	Under-Grad Merit Grant	Perkins Loan Match	Governor's Opportunity Scholarship
Appropriations:										
Original	$2,964,012		$90,693	$1,454,553	$660,532	$14,053		$368,032	$7,369	$368,780
Supplemental	(210)					(210)				
Transfers										
TOTAL	2,963,802		90,693	1,454,553	660,532	13,843		368,032	7,369	368,780
EXPENDITURES	2,960,923		90,693	1,454,553	657,736	13,843		368,032	7,286	368,780
Reversions to State General Fund	$2,879	$0	$0	$0	$2,796	$0	$0	$0	$83	$0

YEAR ENDED JUNE 30, 2002

	Total State-Funded Student Assistance	Part-Time Student Grants	Student Incentive Grants	Student Grants Program	Work Study Program	Colorado Nursing Program	Diversity Program Grant	Under-Grad Merit Grant	Perkins Loan Match	Governor's Opportunity Scholarship
Appropriations:										
Original	$2,602,716		$88,908	$1,343,409	$587,890	$19,108		$368,032	$7,369	$188,000
Supplemental	53,421		(3,000)			(2,579)				59,000
Transfers										
TOTAL	2,656,137		85,908	1,343,409	587,890	16,529		368,032	7,369	247,000
EXPENDITURES	2,655,109		85,908	1,343,409	586,862	16,529		368,032	7,369	247,000
Reversions to State General Fund	$1,028	$0	$0	$0	$1,028	$0	$0	$0	$0	$0

MESA STATE COLLEGE

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

June 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS

Basis of Accounting

The Statement of Appropriations, Expenditures, Transfers, and Revisions has been prepared in accordance with the format set forth in the Colorado Commission on Higher Education's publication *Colorado Handbook for State-Funded Student Financial Assistance Programs*.

The Perkins Loan Program matching requirement from general funds, as approved by the Colorado Commission on Higher Education, is recorded as a transfer from the general fund to the loan fund and not as general fund expense and loan fund revenue.

All student aid is expensed on a cash basis except for Perkins loans and the College Work Study Program (CWS). Perkins loan disbursements are recorded as loans receivable when the funds are disbursed. The CWS is on the accrual basis in that the expense is recognized when the services are performed.

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