



MESA STATE COLLEGE

FINANCIAL AND COMPLIANCE AUDIT

For Fiscal Years Ended June 30, 2007 and 2006

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

October 31, 2007

Members of the Legislative Audit Committee:

This report contains the results of our financial and compliance audit of Mesa State College. The audit was conducted under contract with the State Auditor pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions, and agencies of state government. 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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**STATE OF COLORADO
MESA STATE COLLEGE
REPORT SUMMARY - FINANCIAL AND COMPLIANCE AUDIT
Year Ended June 30, 2007**

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, 2007. Chadwick, Steinkirchner, Davis & Co., P.C. performed the audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, issued by the Comptroller General of the United States. The related fieldwork was conducted from May through September 2007.

The purpose and scope of the audit was to:

- Express an opinion on the financial statements of the College as of and for the years ended June 30, 2007. This includes a review of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditures of federal and state funds.
- Report on the College's compliance and internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Evaluate progress in implementing prior audit findings and recommendations, if any.
- Express opinions on the Statement of Appropriations, Expenditures, Transfers, and Reversions of State-funded Student Assistance Programs for the fiscal years ended June 30, 2007 and 2006.

Audit Opinions and Reports

We expressed an unqualified opinion on the College's financial statements as of and for the year ended June 30, 2007.

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

We also expressed unqualified opinions on the Statements of Appropriations, Expenditures, Transfers, and Reversions of State-funded Student Assistance Programs for the fiscal years ended June 30, 2007 and 2006.

REPORT SUMMARY - FINANCIAL AND COMPLIANCE AUDIT

Year Ended June 30, 2007

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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, 2007 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 or disagreements are reported.

Summary of Key Findings and Recommendations

There were no reported findings and recommendations resulting from the audit work completed for Fiscal Year 2007.

Summary of Progress in Implementing Prior Audit Recommendations

There were no recommendations for the year ended June 30, 2006.

Description of Mesa State College

The Board of Trustees of Mesa State College

House Bill 03-1093, as enacted by the General Assembly of the State of Colorado, establishes an independent governing board for Mesa State College. Effective July 1, 2003, the powers, duties and functions formerly performed by the Trustees of the State Colleges in Colorado were transferred to the Board of Trustees of Mesa State College. For the year ended June 30, 2007, the financial statements of Mesa State College are presented on a stand-alone basis as the State Colleges in Colorado system no longer exists. For the years ended on and prior to June 30, 2002, the financial statements of Mesa State College were included on a consolidated basis, which included Adams State College, Mesa State College, Metropolitan State College of Denver, Western State College, the Office of State Colleges, and the Western Colorado Graduate Center.

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

The Board has three goals:

- To provide outstanding teaching with diverse student populations.
- To furnish Board and campus leadership that connects educational issues with the future of Colorado and the communities served by Mesa State College.
- To assure the people of Colorado that human and financial resources are utilized most effectively.

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

Mesa State College

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

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

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Resident Students	4,836.7	4,586.4	4,679.1
Non-Resident Students	<u>437.9</u>	<u>457.2</u>	<u>473.7</u>
Total Students	<u>5,274.6</u>	<u>5,043.6</u>	<u>5,152.8</u>
Faculty FTEs	263.1	241.3	242.0
Staff FTEs	<u>159.1</u>	<u>153.2</u>	<u>144.0</u>
Total Faculty and Staff FTEs	<u>422.2</u>	<u>394.5</u>	<u>386.0</u>

**INDEPENDENT AUDITORS' REPORT**

October 26, 2007

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the business-type activities of Mesa State College, a blended component unit of the State of Colorado, as of and for the years ended June 30, 2007 and 2006, which collectively comprise the College's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the management of Mesa State College. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Mesa State College Foundation or Mesa State College Real Estate Foundation, the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the two foundations, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Mesa State College and its discretely presented component units as of June 30, 2007 and 2006, where applicable, and the respective changes in financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2007 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.



October 26, 2007

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

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

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

MESA STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2007 and 2006

This section of Mesa State College's annual financial report presents management's discussion and analysis of the financial performance of the College during the years ended June 30, 2007 and 2006. Additional information is provided in the notes accompanying the basic financial statements. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes.

Using the Financial Report

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

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

Component Units

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

Mesa State College Foundation

The Foundation had net assets of \$13.2 and \$10.0 million as of June 30, 2007 and 2006, respectively, and total support and revenue of \$4.7 million and \$2.6 million for Fiscal Year 2007 and Fiscal Year 2006 respectively.

MESA STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2007 and 2006

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

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

For the year ended June 30, 2007, Mesa State College, using GASB 39 criteria, has identified the Mesa State College Foundation as a component unit. Since the component unit uses a different reporting model (FASB Non-Profit), the required financial data is discretely presented on separate pages immediately following the basic financial statements as allowed by GASB 39.

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

Mesa State College Real Estate Foundation

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

At the end of the fiscal year 2006, MSCREF did not meet GASB 39 criteria for a component unit for that fiscal year because economic resources were not significant to the College. For the year ended June 30, 2007, Mesa State College, using GASB 39 criteria, has identified the MSCREF as a component unit. Since the component unit uses a different reporting model (FASB Non-Profit), the required financial data is discretely presented on separate pages immediately following the basic financial statements as allowed by GASB 39.

MSCREF had unrestricted net assets of \$572 thousand at June 30, 2007 and net assets of \$18 thousand at June 30, 2006. Total revenue and support in Fiscal Year 2007 was \$562 thousand, which consisted of operation transfers from the College of \$125 thousand, a land transfer of \$434 thousand and management income of \$3 thousand.

MESA STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2007 and 2006

Financial Highlights

- Mesa State College's financial position improved during the Fiscal Year ended June 30, 2007 as evidenced by an increase of nearly \$4.2 million in net assets; net assets were \$74.1 million at June 30, 2007 and \$69.9 million at June 30, 2006.

Mesa State College's current assets of \$28.9 million (2007) and \$25.2 million (2006) were sufficient to cover current liabilities of \$10.7 million (2007) and \$8.6 million (2006.) The current ratio (current assets/current liabilities) of 2.70 (2007) and 2.93 (2006) demonstrates the liquidity of assets and the relative availability of working capital to fund current operations.

- Operating revenues of \$56.7 million exceeded operating expenditures of \$52.8 million in 2007, and operating revenues of \$51.8 million exceeded operating expenditures of \$45.8 million in fiscal year 2006.

Statement of Net Assets

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

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

	2007	2006	2005
Assets			
Current Assets	\$28,858	\$25,232	\$17,852
Non-current Assets	105,607	86,251	63,669
Total Assets	\$134,465	\$111,483	\$81,521
Liabilities			
Current Liabilities	\$10,749	\$8,609	\$5,116
Non-current Liabilities	49,615	32,932	12,927
Total Liabilities	\$60,364	\$41,541	\$18,043
Net Assets			
Invested in Capital Assets	\$55,153	\$52,369	\$49,357
Restricted	3,010	2,953	2,300
Unrestricted	15,938	14,620	11,821
Total Net Assets	\$74,101	\$69,942	\$63,478

MESA STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2007 and 2006

At June 30, 2007, Mesa State College's total net assets were \$74.1 million compared to \$69.9 million at June 30, 2006. Invested in capital assets (net of related debt) is the largest net asset category with the \$55.2 million (2007) and \$52.4 million (2006), which includes land and land improvements, buildings, equipment, library holdings, and construction in process. The capital asset amounts are net of accumulated depreciation of \$35.4 million (2007) and \$33.6 million (2006.) Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In Fiscal Year 2007, Mesa State College's current assets of \$28.9 million were sufficient to cover current liabilities of \$10.7 million (producing a current ratio of 2.70). This compares to Fiscal Year 2006 with current assets of \$25.2 million and current liabilities of \$8.6 million (producing a current ratio of 2.93.) Cash and cash equivalents (bank deposits and pooled cash with the State Treasurer,) comprised approximately \$45.2 million (2007) and \$33.1 million (2006) in assets per the Statement of Net Assets.

Bonds payable totaled \$49.3 million (2007) and \$33.0 million (2006) and represents almost 82% (2007) and 80% (2006) of Mesa State College's total liabilities of \$60.4 million (2007) and \$41.5 million (2006.) The current portion of the bonds payable liability totals \$1,180,000 (2007) and \$985,000 (2006).

Mesa State College's financial position improved during the Fiscal Year as evidenced by the increase in net assets of almost \$4.2 million (2007) and \$6.5 million (2006) (see the Statement of Revenues, Expenses and Changes in Net Assets) to \$74.1 million (2007) and \$69.9 million (2006.) Of the total net assets, \$55.2 million (2007) and \$52.4 million (2006) is invested in capital assets net of related debt, a total of \$3.0 million (2007) and \$3.0 million (2006) is restricted for specific purposes, and \$15.9 million (2007) and \$14.6 million (2006) is unrestricted and available for use at the discretion of the Board of Trustees.

Statement of Revenues, Expenses and Changes in Net Assets

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

Operating revenues increased by \$4.8 million in Fiscal Year 2007 compared to Fiscal Year 2006. Operating expenditures were up by \$7.1 million in 2007 compared to 2006, including a \$1 million increase in depreciation expense due to the expansion of the facility, and about \$1.3 million of non-capital expenses to equip the Grand Mesa Residence Hall. Overall, the College increased net assets by \$4.2 million in Fiscal Year 2007, which compares to an increase in net assets of \$6.5 million in Fiscal Year 2006.

MESA STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2007 and 2006

Tuition and fee revenues accounted for \$23.4 million of the \$56.7 million in operating revenues (2007) and \$20.6 million of the \$51.8 million (2006). The tuition and fee amount is net of scholarship allowances of \$8.2 million (2007) and \$8.2 million (2006). Scholarship allowances are defined as the financial aid awarded to students by the College that is used to pay College charges. The scholarship allowance is recognized as a direct reduction of revenue. Tuition revenues from College Opportunity Fund (COF) student stipends were \$11.3 million in Fiscal Year 2007 and \$9.7 million in Fiscal Year 2006. Operating revenues increased from \$51.8 million in 2006 to \$56.7 million in 2007. In addition to the COF tuition increase, CCHE Fee for Service operating revenues totaled \$9.3 million in Fiscal Year 2007 and \$10.2 million in Fiscal Year 2006.

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

	2007	2006	2005
Operating Revenues			
Tuition and Fees (net)	\$23,431	\$20,600	\$10,032
CCHE Fee for Service Revenues	9,350	10,155	-
Grants and Contracts	9,755	9,348	10,001
Auxiliary Enterprises (net)	13,272	11,138	10,592
Other	846	603	687
Total Operating Revenues	\$56,654	\$51,844	\$31,312
Operating Expenses	\$52,837	\$45,763	\$43,182
Net Operating Revenues (Loss)	\$3,817	\$6,081	(\$11,870)
Non-Operating Revenues (Expenditures)			
State Appropriations	-	-	\$15,775
Interest Income	\$1,562	\$620	608
Other Non-Operating Income			
(Expenses)	(66)	352	(254)
Income (Loss) Before Other	\$1,496	\$972	\$16,129
Revenues, Expenses, Gains or Losses	\$5,313	\$7,053	\$4,259
State Appropriations Capital	\$421	\$12	\$ 21
Other	(1,575)	(601)	(95)
Increase in Net Assets	\$4,159	\$6,464	\$4,185
Net Assets			
Net Assets at Beginning of Year	\$69,942	\$63,478	\$59,293
Net Assets at End of Year	\$74,101	\$69,942	\$63,478

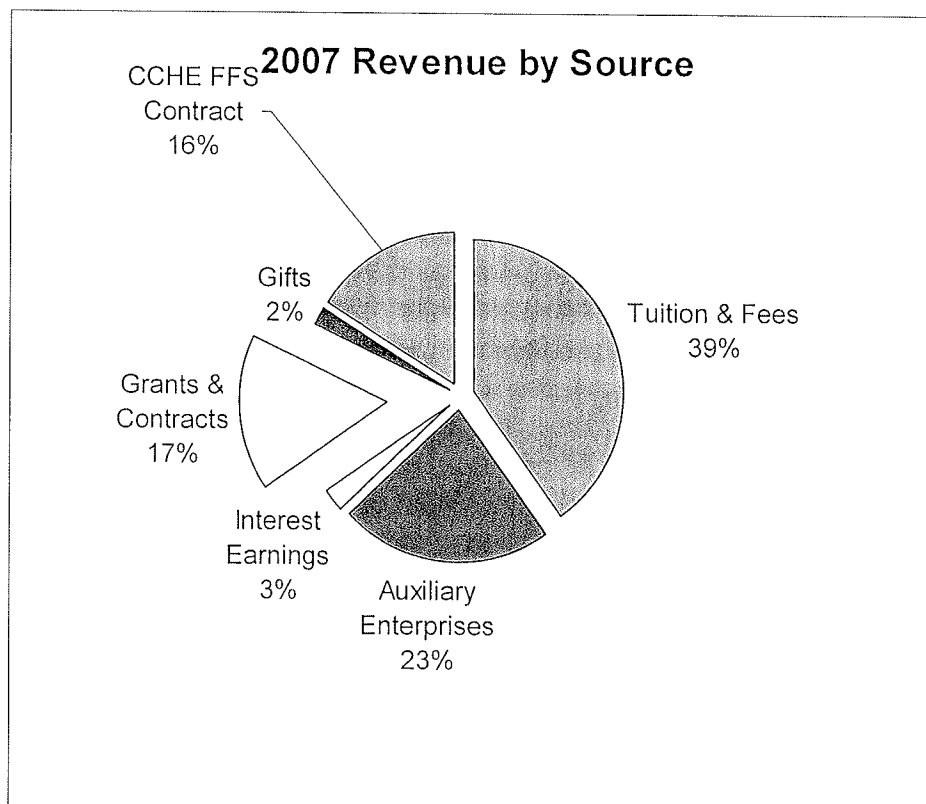
MESA STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2007 and 2006

Operating expenses totaled \$52.8 million (2007) and \$45.8 million (2006.) The breakdown of expenses by reporting category is as follows (in Thousands):

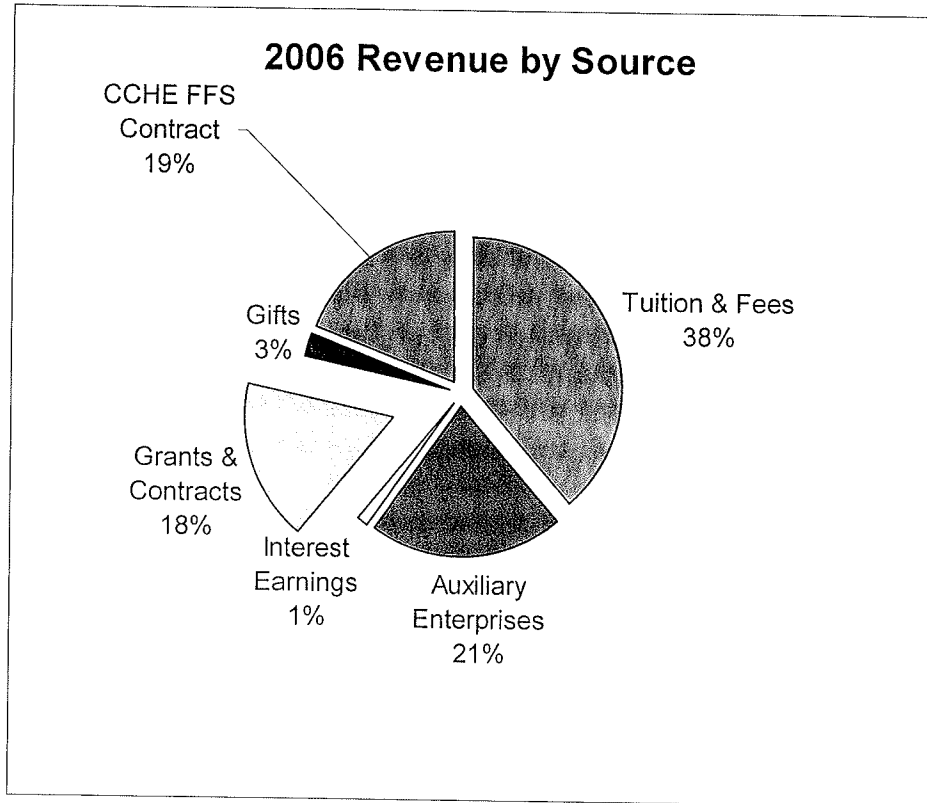
Fiscal Year:	2007	2006
Instruction	\$18,693	\$16,042
Research	620	581
Public Service	503	444
Academic Support	3,301	2,587
Student Services	3,176	2,894
Institutional Support	2,491	2,025
Operation and Maintenance of Plant	6,081	4,690
Scholarships and Fellowships (net)	1,339	1,057
Auxiliary Enterprises	12,826	12,638
Depreciation	3,807	2,805

Below is a graphic illustration of total revenues by source for Mesa State College. Each major revenue component is displayed relative to its proportionate share of total revenues. Tuition and Fee revenues are shown net of scholarship allowance of \$8.2 million in both Fiscal Year 2007 and 2006.



MESA STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2007 and 2006



Financing Activities

The College issued College Enterprise Revenue Bonds Series 2007 in June 2007. The debt issue totaled \$17.2 million, including a premium of \$432 thousand that will be amortized over the life of the bonds. After issuance costs, \$17.0 million was deposited into the Project Construction Fund. The Project Fund will be used to pay a portion of the costs to expand and renovate the Saunders Field House, to construct a facilities services building, to pay for a portion of the Business and Information Technology Center, and for several other capital projects to improve, expand, and equip the College facilities. Combined with the outstanding bond issues from Series 2005 and Series 2002B, total related capital debt was \$49.3 million. Pledged net revenues and transfers were \$4.0 million, which were 200% of the bond principal and interest payments of \$2.0 million. The debt service coverage ratio of 200% for Fiscal Year 2007 compares to 216% in Fiscal Year 2006.

Economic Outlook

Undergraduate enrollments on a student FTE basis at Mesa State College increased by 2.9% in Fiscal Year 2007 after a decrease of about 2.2% in Fiscal Year 2006 compared to Fiscal Year 2005. Graduate enrollment was up 28.8 FTE in Fiscal Year 2007 (202.1%) after being down 5.8 FTE (26.9%) in 2006 compared to Fiscal Year 2005. All enrollments increased by about 5.5% in Fiscal Year 2007 compared to Fiscal Year 2006.

MESA STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2007 and 2006

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

- Increasing penetration in Western Colorado, contiguous states, and select non-contiguous states.
- Improving student access through a combination of classroom, distance, and hybrid delivery modes.

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

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

Mesa State College was approved as a TABOR-exempt enterprise for Fiscal Year 2006 and Fiscal Year 2007. Designation will be reviewed at the end of each year to determine that the colleges and universities continue to meet TABOR-exempt criteria. To meet enterprise status under TABOR, the College must receive less than 10 percent of its revenue from grants from all Colorado state and local governments combined. By achieving TABOR enterprise status, the Mesa State College Board of Trustees has greater flexibility in terms of pricing, recruitment, retention and seeking additional revenue sources to further its respective role and mission as educational providers.

The College does not expect to achieve TABOR enterprise status in Fiscal Year 2008 because state capital appropriations for construction of the Business and Information Technology Center and for controlled maintenance projects will likely exceed 10% of all College revenues. The College hopes to be re-certified as a TABOR-exempt enterprise in Fiscal Year 2009.

FINANCIAL STATEMENT SECTION

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
ASSETS		
<u>Current Assets</u>		
Cash & Cash Equivalents (Note 2)	\$ 24,878,854	\$ 22,506,190
Student Accounts Receivable, Net	1,069,388	857,375
Other Accounts Receivable, Net	1,471,793	908,109
Student Loans, Net	599,287	356,522
Inventories	489,689	592,140
Prepaid Expenses	349,065	11,895
Total Current Assets	<u>\$ 28,858,076</u>	<u>\$ 25,232,231</u>
<u>Non-current Assets</u>		
Restricted Cash & Cash Equivalents (Note 2)	\$ 20,289,148	\$ 10,574,466
Student Loans, Net	436,788	688,711
Other Non-current Assets	852,972	627,742
Total Non-current Assets	<u>\$ 21,578,908</u>	<u>\$ 11,890,919</u>
Land	\$ 6,337,870	\$ 1,979,684
Construction in Progress	10,109,874	18,572,575
Total Non-depreciable Capital Assets	<u>\$ 16,447,744</u>	<u>\$ 20,552,259</u>
Depreciable Capital Assets, Net		
Land Improvements (less accumulated depreciation of \$920,414 and \$814,832)	\$ 2,333,540	\$ 572,720
Buildings & Improvements (less accumulated depreciation of \$24,296,407 and \$21,737,323)	58,995,920	46,689,964
Furniture and Equipment (less accumulated depreciation of \$3,996,102 and \$5,759,975)	3,036,899	3,182,080
Library Materials (less accumulated depreciation of \$6,152,624 and \$5,720,141)	3,214,319	3,362,802
Total Depreciable Capital Assets, Net	<u>\$ 67,580,678</u>	<u>\$ 53,807,566</u>
Total Non-current Assets	<u>\$ 105,607,330</u>	<u>\$ 86,250,744</u>
TOTAL ASSETS	<u><u>\$ 134,465,406</u></u>	<u><u>\$ 111,482,975</u></u>

continued

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

STATE OF COLORADO
MESA STATE COLLEGE
Statements of Net Assets (continued)
For The Years Ended:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable	\$ 3,139,695	\$ 1,800,007
Accrued Liabilities	4,312,791	4,327,558
Deferred Revenues	1,433,134	817,330
Deposits Held For Others	308,247	344,230
Student Deposits	246,355	225,176
Bonds Payable, Current Portion	1,180,000	985,000
Capital Leases Payable, Current Portion	-	15,911
Notes Payable, Current Portion	6,147	5,851
Compensated Absence Liability, Current Portion	122,521	88,251
Total Current Liabilities	<u>\$ 10,748,890</u>	<u>\$ 8,609,314</u>
<u>Non-current Liabilities</u>		
Bonds Payable (net of \$640,796 and \$200,007 unamortized discount/premium)	\$ 48,070,796	\$ 32,005,007
Notes Payable	760,183	181,330
Other Long Term Liabilities	-	50,000
Compensated Absence	784,116	695,808
Total Non-current Liabilities	<u>\$ 49,615,095</u>	<u>\$ 32,932,145</u>
Total Liabilities	<u>\$ 60,363,985</u>	<u>\$ 41,541,459</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 55,153,417	\$ 52,368,934
Restricted For:		
Loans	1,182,560	1,170,254
Bonded auxiliaries	1,827,684	1,782,568
Unrestricted	15,937,760	14,619,760
Total Net Assets	<u>\$ 74,101,421</u>	<u>\$ 69,941,516</u>

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

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

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 1,345,979	\$ 817,036
Prepaid expense	6,377	-
Investments, at fair value	9,601,968	8,023,129
Unconditional promises to give	1,104,358	524,566
Due From Mesa State College	97,200	50,000
Investments, at cost	7	7
Property held for sale	585,000	585,000
Property and equipment, net of depreciation	470,926	519,636
	<u>\$ 13,211,815</u>	<u>\$ 10,519,374</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 3,286	\$ 10,551
Deposits held for others	-	357,344
Trust annuity payable	-	118,323
Deferred gifts payable	-	27,915
	<u>3,286</u>	<u>514,133</u>
Unrestricted	299,916	127,021
Temporarily restricted	3,987,023	2,110,924
Permanently restricted	8,921,590	7,767,296
	<u>13,208,529</u>	<u>10,005,241</u>
	<u>\$ 13,211,815</u>	<u>\$ 10,519,374</u>

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

MESA STATE COLLEGE REAL ESTATE FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF FINANCIAL POSITION
June 30, 2007

ASSETS

Current Assets

Cash	\$ 20,852
Prepaid Expense	10,840
Total Current Assets	<u>31,692</u>

Non-current Assets

Investment in Land	507,911
Other Long-Term Assets	43,358
Total Non-current Assets	<u>551,269</u>

TOTAL ASSETS	<u><u>\$ 582,961</u></u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities

Accounts Payable	\$ 7,730
Total Current Liabilities	<u>7,730</u>

Non-current Liabilities

Tenant Deposits	3,420
Total Non-current Liabilities	<u>3,420</u>

TOTAL LIABILITIES	<u>11,150</u>
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NET ASSETS

Total Net Assets - Unrestricted	<u>571,811</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 582,961</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

STATE OF COLORADO
MESA STATE COLLEGE
Statements of Revenues, Expenses, and Changes
For The Years Ended:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
REVENUES		
Operating Revenues:		
Tuition and Fees (including \$531,970 (2007) and \$1,598,282 (2006) pledged for bonds and net of scholarship allowances of \$8,157,945 (2007) and \$8,228,608 (2006))	\$ 23,431,207	\$ 20,600,043
CCHE Fee for Service Revenue	9,349,974	10,154,872
Federal, State, Private Grants, and Contracts	9,754,695	9,347,924
Gifts	466,916	435,620
Auxiliary Enterprises (including \$10,461,722 (2006) and \$10,343,914 (2005) pledged for bonds)	13,271,836	11,138,499
Other Operating Revenues (including \$3,000 (2006) and \$3,000 (2005) pledged for bonds)	380,044	167,400
Total Operating Revenues	<u>\$ 56,654,672</u>	<u>\$ 51,844,358</u>
EXPENSES		
Operating Expenses:		
Instruction	\$ 18,693,429	\$ 16,041,762
Research	620,284	580,852
Public Service	502,867	443,612
Academic Support	3,300,585	2,587,272
Student Services	3,176,005	2,894,313
Institutional Support	2,491,248	2,025,189
Operation and Maintenance of Plant	6,080,909	4,689,933
Scholarships and Fellowships	1,339,132	1,056,538
Auxiliary Enterprises	12,825,675	12,637,978
Depreciation	3,807,088	2,805,202
Total Operating Expenses	<u>\$ 52,837,222</u>	<u>\$ 45,762,651</u>
Operating Income (Loss)	<u>\$ 3,817,450</u>	<u>\$ 6,081,707</u>
NON-OPERATING REVENUES (EXPENSES)		
Gifts	\$ 676,022	\$ 945,446
Investment and Interest Income (including \$172,882 (2006) and \$333,118 (2005) pledged to bonds)	1,562,261	619,769
Interest Expense on Capital Debt	(694,234)	(596,766)
Other Non-operating Revenues (Expenses)	(47,553)	2,973
Net Non-operating Revenues (Expenses)	<u>\$ 1,496,496</u>	<u>\$ 971,422</u>
Income (Loss) Before Other Revenues or Expenses	<u>\$ 5,313,946</u>	<u>\$ 7,053,129</u>
Other Revenues, Expenses, Gains, Losses, or Transfers		
State Appropriations, Capital	\$ 421,310	\$ 11,597
Gain or (Loss) on Disposal of Assets	(816,155)	(555,197)
Transfers (To) From Governing Boards or Other Institutions	(759,196)	(45,592)
Increase (Decrease) in Net Assets	<u>\$ 4,159,905</u>	<u>\$ 6,463,937</u>
NET ASSETS		
Net Assets - Beginning of Year, As Restated	<u>\$ 69,941,516</u>	<u>\$ 63,477,579</u>
Net Assets - End of Year	<u>\$ 74,101,421</u>	<u>\$ 69,941,516</u>

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

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

	2007			2006				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT								
Contributions	\$ 268,675	\$ 2,089,852	\$ 843,036	\$ 3,201,563	\$ 210,495	\$ 1,075,972	\$ 693,537	\$ 1,980,004
Investment income (loss)	16,261	302,793	79,599	398,653	(66,764)	376,300	298,679	608,215
Net unrealized gains on investments	-	828,800	211,459	1,040,259	(3,129)	(115,546)	(18,320)	(136,995)
Rental income, net of expenses of	-	-	-	-	62,568	-	-	62,568
\$0 and \$22,263								
Special events, net of expenses of	85,489	-	-	85,489	86,045	(16,520)	-	69,525
\$14,007 and \$21,065								
Loss on sale of property	-	-	-	-	4,277	-	-	4,277
Net assets released from restrictions:	952,398	(952,398)	-	-	1,144,166	(1,144,166)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	\$ 1,322,823	\$ 2,269,047	\$ 1,134,094	\$ 4,725,964	\$ 1,437,658	\$ 176,040	\$ 973,896	\$ 2,587,594
EXPENSES								
Program services	\$ 855,034	\$ -	\$ -	\$ 855,034	\$ 1,144,166	\$ -	\$ -	\$ 1,144,166
Supporting services:								
Management and general	278,368	-	-	278,368	328,715	-	-	328,715
Fundraising	16,526	-	-	16,526	48,420	-	-	48,420
TOTAL EXPENSES	1,149,928	-	-	1,149,928	1,521,301	-	-	1,521,301
CHANGE IN NET ASSETS BEFORE TRANSFERS	172,895	2,269,047	1,134,094	3,576,036	(83,643)	176,040	973,896	1,066,293
Transfers from liabilities	-	(392,948)	20,200	(372,748)	(58,072)	(10,875)	-	(68,947)
Transfers in equity	-	-	-	-	130,818	(77,234)	(53,584)	-
CHANGE IN NET ASSETS	172,895	1,876,099	1,154,294	3,203,288	(10,897)	87,931	920,312	997,346
Net Assets, beginning of year	127,021	2,110,924	7,767,296	10,005,241	137,918	2,022,993	6,846,984	9,007,895
Net Assets, end of year	\$ 299,916	\$ 3,987,023	\$ 8,921,590	\$ 13,208,529	\$ 127,021	\$ 2,110,924	\$ 7,767,296	\$ 10,005,241

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

MESA STATE COLLEGE REAL ESTATE FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

	<u>Unrestricted</u>
REVENUE, GAINS, AND OTHER SUPPORT	
Operating Transfers from Mesa State College	\$ 125,000
Land Transfer from Mesa State College	433,637
Management Income	<u>2,931</u>
Total Revenue, Gains and Other Support	561,568
 EXPENSES	
Program Services	5,107
Management and General	<u>2,434</u>
Total Expenses and Transfers	<u>7,541</u>
 CHANGE IN NET ASSETS	 554,027
 Net Assets, Beginning of year	 <u>17,784</u>
 Net Assets, End of year	 <u><u>\$ 571,811</u></u>

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

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
<u>Cash Received:</u>		
Tuition & Fees	\$ 31,046,880	\$ 28,752,651
Sales of Service	16,329,206	14,919,598
Sales of Product	6,546,946	5,931,218
Grants Contracts and Gifts	10,338,762	10,050,797
Student Loans Collected	200,247	167,839
Other Operating Receipts	399,262	638,548
<u>Cash Payments:</u>		
Payments to or for Employees	(29,279,648)	(26,209,777)
Payments to Suppliers	(18,150,018)	(15,258,607)
Scholarships Disbursed	(9,497,077)	(9,239,854)
Student Loans Disbursed	(220,890)	(185,000)
Other Operating Payments	(2,003)	(8,581)
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,711,667</u>	<u>\$ 9,558,832</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Gifts/Grants for Other than Capital Purposes	\$ 513,980	\$ -
Other Agency Inflows	38,046,424	32,372,385
Other Agency (Outflows)	(38,139,339)	(32,375,185)
Transfers from (to) Other Campuses, Board, or Institution	<u>(203,359)</u>	<u>(45,593)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>\$ 217,706</u>	<u>\$ (48,393)</u>
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>		
State Appropriations, Capital	\$ 511,217	\$ 11,598
Capital Grants, Contracts, and Gifts	117,042	335,000
Acquisition and Construction of Capital Assets	(13,333,551)	(13,322,225)
Proceeds from Capital Debt	16,985,354	20,518,739
Principal Paid on Capital Debt	(1,006,762)	(679,778)
Interest on Capital Debt	<u>(665,618)</u>	<u>(469,368)</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>\$ 2,607,682</u>	<u>\$ 6,393,966</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Investment Earnings (Interest/Dividends)	<u>\$ 1,550,291</u>	<u>\$ 619,769</u>
Net Cash Provided (Used) by Investing Activities	<u>1,550,291</u>	<u>619,769</u>
Net Increase (Decrease) in Cash & Cash Equivalents	12,087,346	16,524,174
Cash & Cash Equivalents - Beginning of the Year	33,080,656	16,556,482
Cash & Cash Equivalents - End of the Year	<u><u>\$ 45,168,002</u></u>	<u><u>\$ 33,080,656</u></u>

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

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ 3,817,450	\$ 6,081,707
Adjustments to Reconcile:		
Depreciation Expense	3,807,088	2,805,202
Grants classified on the Statement of Revenues, Expenses, and Changes in		
Provision for Uncollectible Accounts	(190,814)	(42,917)
Decrease (Increase) in Assets	311,824	252,337
Increase (Decrease) in Liabilities	(134,874)	632,713
Other Reconciling Items	100,993	(170,210)
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,711,667</u>	<u>\$ 9,558,832</u>
 Supplemental Disclosure of Noncash Investing and Financing Activities:		
Donation of capital assets received from Mesa State College Foundation	\$ -	\$ 170,000
Additions to construction in progress included in accounts payable and accrued liabilities	3,183,361	2,464,307
Land acquired from Foundation with long-term note payable	585,000	-

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements reflect the financial activities of Mesa State College (the College) for the fiscal year ended June 30, 2007 and 2006. The College is an institution of higher education of the State of Colorado. For financial reporting purposes, the College is included as part of the State of Colorado's primary government. A copy of the state Comprehensive Annual Financial Report may be obtained from the Office of the State Controller, Department of Personnel and Administration (DPA), Denver Colorado.

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

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

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

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.

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the State Treasurer, including unrealized gains and losses, and all highly liquid investments with an original maturity of three months or less, except those deposits and investments representing endowments. All endowment investments are considered long-term investments regardless of the liquidity or maturity of those investments.

Investments

Investments are stated at fair value.

Inventories

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

Capital Assets

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

The College follows the policy of capitalizing only those plant assets with an initial cost or fair value equal to or greater than \$50,000.

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets with a half-year convention for asset additions. Estimated useful lives range from 25-40 years for buildings, 10-20 years for improvements other than buildings, and 3-20 years for equipment, collections, and library materials.

Summer Sessions

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

Classification of Revenue

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

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees and housing for the year ended June 30 were \$8,157,945 (2007) and \$8,228,608 (2006).

Application of Restricted and Unrestricted Resources

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

Financial Statement Presentation - Net Assets

Net assets are classified as either Unrestricted (formerly unreserved/undesignated fund balance) or Restricted. As of June 30, 2007, the College had no non-expendable restricted assets. Restricted expendable net assets are classified as expendable for loans and bonded auxiliaries. Colorado Revised Statutes, CRS 23-05-103 specifically restricts the residual funds of the bonded auxiliaries, in excess of those required for operations and current year debt service, for the direct benefit of the bonded auxiliaries. At June 30, the restricted net assets of the bonded auxiliary operations totaled \$1,768,064 (2007) and \$1,782,075 (2006). Restricted expendable net assets also include net assets (fund balances) of its Perkins loan program. Program guidelines require that net assets fund new loans, are written off in accordance with program guidelines, or are refunded to the federal government. At June 30, the restricted net assets related to the Perkins loan program totaled \$1,182,560 (2007) and \$1,170,254 (2006).

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

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

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

Mesa State College deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The College reports its share of the Treasurer's unrealized gains and losses based on its participation in the State Treasurer's pool. All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2007 and 2006. 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 losses included in "Investment Income" reflect only the change in fair value during the current fiscal year. Additional information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

At June 30 the College had \$23,341,857 (2007) and \$22,153,929 (2006), including unrealized losses of \$132,856 (2007) and \$296,669 (2006) on deposit with the State Treasurer. 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:

	<u>2007</u>	<u>2006</u>
Cash on hand	\$ 22,850	\$ 21,300
Cash in checking accounts at bank	<u>21,803,295</u>	<u>10,905,427</u>
Total cash	<u>\$ 21,826,145</u>	<u>\$ 10,926,727</u>

The carrying amount of the College's cash on deposit was \$21,803,295 (2007) and \$10,905,427 (2006) and the bank balance was \$22,587,950 (2007) and \$10,864,998 (2006). Of this bank balance, \$4,077,120 (2007) and \$3,048,225 (2006) was covered by federal note depository insurance or by collateral held by the institution's agent in the institution's name. The difference between the College's cash on hand and the amount reported by the various banks was \$761,805 (2007) and \$61,729 (2006) in the form of outstanding checks. Of the total cash on deposit with banks, \$20,289,148 (2007) and \$10,574,466 (2006) was in an account restricted for capital construction and therefore unavailable for general operations. Other amounts presented as restricted cash relate to reserve and replacement and debt service requirements.

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

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

At June 30, 2007 and 2006, the College had no investments.

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, 2007:

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

The following schedule shows the status of accounts and loans receivable and related allowance for doubtful accounts at June 30, 2006:

	<u>Total</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net</u>
<u>Entity Wide</u>			
Accounts Receivable	\$ 3,474,731	\$ (664,014)	\$ 2,810,717

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

NOTE 4 – CAPITAL ASSETS

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

	<u>Balance June 30, 2006</u>	<u>Additions/ Depreciation</u>	<u>Retirements CIP Transfers/ Depreciation</u>	<u>Balance June 30, 2007</u>
Non-depreciable Capital Assets				
Land and Improvements	\$ 1,979,684	\$ 4,791,823	\$ (433,637)	\$ 6,337,870
Construction in Progress	18,572,575	8,790,973	(17,253,674)	10,109,874
Total Non-depreciable Capital Assets	\$ 20,552,259	\$ 13,582,796	\$ (17,687,311)	\$ 16,447,744
Depreciable Capital Assets				
Land Improvements	\$ 1,387,552	\$ 1,866,402	\$ -	\$ 3,253,954
Buildings	68,427,287	15,811,400	(946,360)	83,292,327
Equipment	8,942,055	425,833	(2,334,887)	7,033,001
Library Materials	9,082,943	292,722	(8,722)	9,366,943
Total Depreciable Capital Assets	\$ 87,839,837	\$ 18,396,357	\$ (3,289,969)	\$ 102,946,225

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 4 – CAPITAL ASSETS – CONTINUED

Less: Accumulated Depreciation

Land Improvements	\$ (814,832)	\$ (105,582)	\$ -	\$ (920,414)
Buildings	(21,737,323)	(2,689,289)	130,205	(24,296,407)
Equipment	(5,759,975)	(571,013)	2,334,886	(3,996,102)
Library Materials	(5,720,141)	(441,205)	8,722	(6,152,624)
Total Accumulated Depreciation	<u>\$(34,032,271)</u>	<u>\$ (3,807,089)</u>	<u>\$ 2,473,813</u>	<u>\$(35,365,547)</u>
Net Depreciable Capital Assets	<u>\$ 53,807,566</u>	<u>\$ 14,589,268</u>	<u>\$ (816,156)</u>	<u>\$ 67,580,678</u>
Capital Assets, Net	<u>\$ 74,359,825</u>	<u>\$ 28,172,064</u>	<u>\$(18,503,467)</u>	<u>\$ 84,028,422</u>

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

Capitalized Interest

Total interest expense	\$ 925,463
Less premium amortization	(27,843)
Less interest earnings	<u>(259,926)</u>
Total capitalized interest	<u>\$ 637,694</u>

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2006.

	Balance June 30, 2005	Additions/ Depreciation	Retirements CIP Transfers/ Depreciation	Balance June 30, 2006
Non-depreciable Capital Assets				
Land	\$ 1,979,684	\$ -	\$ -	\$ 1,979,684
Construction in Progress	<u>3,095,499</u>	<u>15,477,076</u>	<u>-</u>	<u>18,572,575</u>
Total Non-depreciable Capital Assets	<u>\$ 5,075,183</u>	<u>\$ 15,477,076</u>	<u>\$ -</u>	<u>\$ 20,552,259</u>
Depreciable Capital Assets				
Land Improvements	\$ 1,278,271	\$ 109,281	\$ -	\$ 1,387,552
Buildings	69,120,958	-	(693,671)	68,427,287
Equipment	8,769,736	172,319	-	8,942,055
Library Materials	<u>8,813,508</u>	<u>286,022</u>	<u>(16,587)</u>	<u>9,082,943</u>
Total Depreciable Capital Assets	<u>\$ 87,982,473</u>	<u>\$ 567,622</u>	<u>\$ (710,258)</u>	<u>\$ 87,839,837</u>
Less: Accumulated Depreciation				
Land Improvements	\$ (741,732)	\$ (73,100)	\$ -	\$ (814,832)
Buildings	(20,024,246)	(1,851,552)	138,475	(21,737,323)
Equipment	(5,322,707)	(437,268)	-	(5,759,975)
Library Materials	<u>(5,293,446)</u>	<u>(443,282)</u>	<u>16,587</u>	<u>(5,720,141)</u>
Total Accumulated Depreciation	<u>(31,382,131)</u>	<u>(2,805,202)</u>	<u>155,062</u>	<u>(34,032,271)</u>
Net Depreciable Capital Assets	<u>\$ 56,600,342</u>	<u>\$ (2,237,580)</u>	<u>\$ (555,196)</u>	<u>\$ 53,807,566</u>
Capital Assets, Net	<u>\$ 61,675,525</u>	<u>\$ 13,239,496</u>	<u>\$ (557,196)</u>	<u>\$ 74,359,825</u>

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 4 – CAPITAL ASSETS – CONTINUED

Additions to construction in progress for the year ended June 30, 2006 includes \$113,108 in capitalized interest as shown below.

Capitalized Interest	
Total interest expense	\$ 616,975
Less premium amortization	(21,969)
Less interest earnings	(481,898)
Total capitalized interest	<u>\$ 113,108</u>

NOTE 5 – LONG-TERM LIABILITIES

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

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

Changes in long-term debt for the year ended June 30, 2006 were as follows:

	Balance 6/30/05	Additions	Reductions	Balance 6/30/06	Due in one year
Capital lease	\$ 31,137	\$ -	\$ 15,226	\$ 15,911	\$ 15,911
Series 2002A bonds	1,230,000	-	610,000	620,000	620,000
Series 2002B bonds	12,135,000	-	-	12,135,000	-
Bond discount – 2002	(622,316)	-	(36,858)	(585,458)	(36,856)
Series 2005 bonds	-	20,035,000	-	20,035,000	365,000
Bond premium – 2005	-	807,434	21,969	785,465	27,842
Notes payable	-	190,000	2,819	187,181	5,851
Other	50,000	-	-	50,000	-
Compensated absences	780,651	3,408	-	784,059	88,251
	<u>\$ 13,604,472</u>	<u>\$ 21,035,842</u>	<u>\$ 613,156</u>	<u>\$ 34,027,158</u>	<u>\$ 1,085,999</u>

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 5 – LONG-TERM LIABILITIES– CONTINUED

- Lease Obligations:

The College paid off a capital lease for piano lab computer equipment and pianos on October 9, 2006 and title for the equipment transferred to the College. The College had no capital lease obligations as of June 30, 2007.

- Revenue Bonds Payable

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

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

A Reserve Fund requirement was satisfied by the purchase of a surety bond in an amount equal to the Debt Service Reserve Requirement that is equal to the lesser of (i) the combined maximum annual principal and interest payments on all bonds outstanding, (ii) the combined average annual principal and interest payments on all bonds, or (iii) ten percent (10%) of the original principal of each issue of Bonds Outstanding.

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

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

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

A Reserve Fund requirement was satisfied by the purchase of a surety bond in an amount equal to the Debt Service Reserve Requirement that is equal to the lesser of (i) the combined maximum annual principal and interest payments on all bonds outstanding, (ii) the combined average annual principal and interest payments on all bonds, or (iii) ten percent (10%) of the original principal of each issue of Bonds Outstanding.

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

Mesa Auxiliary Facilities Revenue Bonds, Series A & B 2002, require annual debt service payments ranging from \$745,500 to \$1,409,150, including interest at 1.34% to 4.57%. Final payments are due in May of 2022. The bonds are secured by a first lien on and pledge of certain net revenues of the Mesa Auxiliary Facilities System. A \$325,000 renewal and replacement reserve fund is maintained, as required by the bond resolution. Bonds maturing on or after May 15, 2014 are callable at 100% par value plus accrued interest at the discretion of the Board on or after May 15, 2014. Bonds maturing in 2020 and thereafter are subject to mandatory sinking fund redemption without premium.

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

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

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

The following is a schedule of future minimum bond payments as of June 30, 2006.

Fiscal Year-End:	2002 Series A	2002 Series B	2005 Series	Total
2007	\$ 637,050	\$ 536,385	\$1,290,463	\$2,463,898
2008	-	1,341,385	1,287,688	2,629,073
2009	-	1,342,065	1,289,563	2,631,628
2010	-	1,329,378	1,290,913	2,620,291
2011	-	1,338,910	1,290,725	2,629,635
2012-2016	-	6,800,050	6,450,125	13,250,175
2017-2021	-	3,736,200	6,454,500	10,190,700
2022-2026	-	745,500	6,447,750	7,193,250
2027-2032	-	-	7,736,750	7,736,750
2032-2035	-	-	3,861,250	3,861,250
Subtotals	\$ 637,050	\$17,169,873	\$37,399,727	\$55,206,650
Less Interest Included Above	(17,050)	(5,034,873)	(17,364,727)	(22,416,650)
Total Principal Outstanding	\$ 620,000	\$12,135,000	\$20,035,000	\$32,790,000
Less Current Portion	(620,000)	-	(365,000)	(985,000)
Net Long Term Principal	\$ -	\$12,135,000	\$19,670,000	\$31,805,000
Less Unamortized Discount and Premium	-	(585,458)	785,465	200,007
Bonds Payable Net	\$ -	\$11,549,542	\$20,455,465	\$32,005,007

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

Year Ending June 30:	
2008	\$ 95,204
2009	95,204
2010	95,204
2011	71,403
Total	<u>\$ 357,015</u>

Rent expense for fiscal year 2007 was \$101,357.

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

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

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

	Year Ending June 30, 2007
Total Payments:	
2008	\$ 15,138
2009	15,138
2010	15,138
2011	15,138
2012	600,138
2013-2017	75,689
2018-2022	75,689
2023-2027	52,982
Total Principal and Interest Payments	\$ 865,050
Less: Interest Included Above	(98,720)
Total Principal Outstanding	\$ 766,330
Less: Current Portion	(6,147)
Net Long-term Principal	\$ 760,183

- Other Long-Term Liabilities

Under a memorandum of understanding between the College and the Mesa State College Foundation (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, 2006 consisted primarily of loans receivable, were held by the College and represented a payable to the Foundation of \$50,000. The College repaid the Foundation on March 27, 2007 and has no Other Long-Term Liabilities at June 30, 2007.

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

- **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, 2007 and June 30, 2006, are estimated as \$906,637 (including the current portion of \$122,521 listed in note 6 below) and \$784,059 respectively. Expenses include an increase of \$122,578 (2007) and \$51,409 (2006) for the estimated compensated absence liability.

NOTE 6 – SHORT-TERM LIABILITIES

Year-end payables were as follows:

	Year Ending	
	June 30, 2007	June 30, 2006
Accounts Payable, Vendors	\$ 3,139,695	\$ 1,800,007
Salaries and Benefits Payable	3,474,447	3,203,777
Capital Leases Payable, Current Portion	-	15,911
Capital Bonds Payable, Current Portion	1,180,000	985,000
Long-term Notes Payable, Current Portion	6,147	5,851
Compensated Absences, Current Portion	122,521	88,251
Retainage on Construction Contracts Payable	595,321	900,357
Accrued Interest Payable	243,023	223,424
Total Payables	<u>\$ 8,761,154</u>	<u>\$ 7,222,578</u>

NOTE 7 – CONTINGENT LIABILITIES

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

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

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 8 – ENCUMBRANCES

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Education and General	\$ 445,311	\$ 229,919
Auxiliary Enterprises	793,191	1,102,822
Restricted Funds	124,096	203,029
Plant Funds	4,163,419	1,089,485
Total	<u>\$ 5,526,017</u>	<u>\$ 2,625,255</u>

NOTE 9 – PENSION PLAN OBLIGATIONS

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

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

Plan Description

Classified employees, and some faculty and exempt professionals participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting www.copera.org.

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 9 – PENSION PLAN OBLIGATIONS -- CONTINUED

Employees hired the by the state after January 1, 2006, are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the state's Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed another 60 days to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan. PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institutions optional retirement plan. Based on the 2006 legislation, higher education employees hired on or after January 1, 2008, have the additional option of participating in the state's defined contribution plan or PERA's defined contribution plan, which are discussed below, as well as the plans available to other employees in their institution.

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

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

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

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 9 – PENSION PLAN OBLIGATIONS -- CONTINUED

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

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

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

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

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

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

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

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 9 – PENSION PLAN OBLIGATIONS -- CONTINUED

B. FUNDING POLICY

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

Most employees contribute 8.0 percent (10.0 percent for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2006, to December 31, 2006, the state contributed 10.65 percent, (13.35 percent for state troopers and 14.16 percent for the Judicial Branch) of the employee's salary. From January 1, 2007, through June 30, 2007, the state contributed 11.15 percent, (13.85 percent for state troopers and 14.66 percent for the Judicial Branch.) During all of Fiscal Year 2006-07, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2005, the division of PERA in which the state participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

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

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

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

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 9 – PENSION PLAN OBLIGATIONS – CONTINUED

The College's contributions to the Defined Benefit Plan and the Health Care Trust Fund for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,034,423, \$960,717, and \$846,152 respectively. These contributions met the contribution requirement for each year.

C. OPTIONAL RETIREMENT PLAN (ORP)

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

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

Funding Policy. The College's contribution to the ORP for fiscal years ended June 30, 2007, 2006, and 2005 were \$1,343,344, \$1,223,000 and \$1,187,328 respectively. Employee contributions were 8 percent of covered payroll.

D. STUDENT RETIREMENT PLAN

Beginning in Fiscal Year 1993, in accordance with the provisions of CRS 24-54.6 and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5 percent contribution on the employee's part with no employer contribution. Total current year payroll covered by the plan was \$458,266. Employee contributions were \$34,370, or 7.5 percent of covered payroll.

NOTE 10 – VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers a voluntary 401k 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.

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

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

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependants on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the Program was converted to a trust fund in 1999. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. Effective July 1, 2000, the maximum monthly subsidy was \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

The Health Care Trust Fund is maintained by employer contributions as explained in Footnote 9A above. 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. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical and prescription benefit plans, and with several health maintenance organizations providing services in Colorado. As of December 31, 2006, there were 42,433 enrollees in the plan.

Life Insurance

During Fiscal year 2004-05, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident in which 41,101 members participated. Active members may join the UnumProvident Plan and continue coverage unto retirement. In addition, PERA maintained coverage for 12,790 members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

NOTE 12 – COMPONENT UNITS

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

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

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 12 – COMPONENT UNITS – CONTINUED

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

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

MESA STATE COLLEGE FOUNDATION

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

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, 2006, consisting primarily of loans receivable, were held by the College and represented a payable to the Foundation of \$50,000. The College repaid the Foundation on March 27, 2007.

The MSC Foundation solicits and receives donations and other forms of support for the benefit of the College's intercollegiate athletic program as well as other programs and/or initiatives. Expenditures are primarily scholarships awarded. During fiscal year 2007, the Foundation awarded \$492,820 in scholarship funds directly to MSC students. Since the funds were paid directly to students, the College did not record related revenue or expense. Accordingly, this amount is not included in the schedule of Student Financial Assistance provided in Note 13.

The MSC Foundation received donations to partially fund regular operations of various college departments. During Fiscal Year 2007 cash and in-kind donations totaled \$553,195 and were recorded as revenue and expense in the appropriate funds.

The following is an excerpt from the Foundation's independent annual financial report. Note references for Fiscal Year 2006 follow those for Fiscal Year 2007.

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 12 – COMPONENT UNITS – CONTINUED

FOUNDATION – INVESTMENTS – Fiscal Year 2007

Investment return is summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
Balance at end of year	\$ 8,759,140	\$ 9,601,968	\$ 842,828
Balance at beginning of year	7,825,698	8,023,129	197,431
Increase in unrealized appreciation			<u>\$ 645,397</u>
Interest and dividend income			\$ 267,347
Realized gains on investments			185,089
Trust fees			(53,783)
Total			<u>\$ 398,653</u>

Investments recorded at fair value are comprised of the following:

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

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

	<u>Carrying Value</u>
Corporate stocks	<u>\$ 7</u>

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 12 - COMPONENT UNITS - CONTINUED

FOUNDATION - PROMISES TO GIVE - Fiscal Year 2007

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

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

FOUNDATION - PROPERTY AND EQUIPMENT - Fiscal Year 2007

Property and equipment consist of the following:

	<u>Estimated useful life</u>	<u>Amount</u>
Buildings	20-30 years	\$ 550,581
Equipment	5-10 years	265,732
Memorial alcove	10 years	<u>7,400</u>
		823,713
Less accumulated depreciation		<u>(352,787)</u>
		<u>\$ 470,926</u>

FOUNDATION - NOTE RECEIVABLE FROM MESA STATE COLLEGE - Fiscal Year 2007

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

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 12 – COMPONENT UNITS – CONTINUED

Fiscal Year 2006 NOTES:

FOUNDATION – INVESTMENTS – Fiscal Year 2006

Investment return is summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
Balance at end of year	\$ 7,825,698	\$ 8,023,129	\$ 197,431
Balance at beginning of year	5,973,154	6,307,580	334,426
Increase (decrease) in unrealized appreciation			<u>\$ (136,995)</u>
Interest and dividend income			\$ 279,412
Realized losses on investments			380,175
Trust fees			(51,372)
Total			<u>\$ 608,215</u>

Investments recorded at fair value are comprised of the following:

	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds	\$ 1,308,144	\$ 1,339,448
Corporate Bonds and Notes	1,278,710	1,244,524
U.S. Government Securities and Agencies	1,017,829	990,097
Common Stock and other	4,221,015	4,449,060
	<u>\$ 7,825,698</u>	<u>\$ 8,023,129</u>

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

	<u>Carrying Value</u>
Corporate stocks	<u>\$ 7</u>

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 12 – COMPONENT UNITS – CONTINUED

FOUNDATION – PROMISES TO GIVE – Fiscal Year 2006

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

Receivable in less than one year	\$ 192,275
Receivable in one to five years	484,040
Total Unconditional Promises to Give	<u>676,315</u>
Less discounts to net present value	(93,464)
Less allowance for uncollectible promises receivable	(58,285)
Net Unconditional Promises to Give	<u>\$ 524,566</u>

FOUNDATION – PROPERTY AND EQUIPMENT –Fiscal Year 2006

Property and equipment consist of the following:

	<u>Estimated Useful life</u>	<u>Amount</u>
Purchased property to be later donated to Mesa State College		
Depreciable property with rental income	20-30 years	\$ 550,581
Equipment	5-10 years	263,190
Memorial alcove	10 years	<u>7,400</u>
		821,171
Less accumulated depreciation		(301,535)
		<u>\$ 519,636</u>

No properties were transferred to the College in this year.

FOUNDATION – NOTES PAYABLE – Fiscal Year 2006

During fiscal year 2006, the Foundation paid off all outstanding promissory notes. The outstanding balance at June 30, 2005 totaled \$240,000 and was paid in full prior to June 30, 2006.

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 12 – COMPONENT UNITS – CONTINUED

FOUNDATION – SPLIT INTEREST AGREEMENT – Fiscal Year 2006

The Foundation administers a charitable remainder trust. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the Statement of Activities as a temporarily restricted contribution in the period the trust is established. Such contributions totaled \$111,660, with another \$27,915 being recorded as a liability for 20% of the total gift, which is to go to other organizations at the end of the trust's term. Assets held in the charitable remainder trust totaled \$359,965 at June 30, 2006 and are reported at fair value in the Foundation's Statement of Financial Position. On an annual basis, the Foundation will revalue the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$118,323 at June 30, 2006) is calculated using a discount rate of 5.2% and applicable mortality tables.

MESA STATE COLLEGE REAL ESTATE FOUNDATION

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

Under an operating agreement with the College, the parties generally intend to satisfy MSCREF's need for financial capital by allowing MSCREF to retain a portion of proceeds on an approximate 20% (MSCREF), 80% (College) sharing. The Board of Trustees authorized up to \$375,000 from operating revenues for MSCREF start-up costs. The College made operating transfers of \$25,000 in Fiscal Year 2006 and \$125,000 in Fiscal Year 2007. In Fiscal Year 2007, the College transferred title of land with a book value of \$433,637 to MSCREF.

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

MSCREF – PREPAID EXPENSES – Fiscal Year 2007

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

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 12 – COMPONENT UNITS – CONTINUED

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

Mesa State College contributed a piece of land located in Mesa County in November of 2006. This land is to be developed in the future years by MSCREF to benefit the College. MSCREF has capitalized all of the development costs as other long-term assets for the year ended June 30, 2007. There was no income from either the sale or rental from this land for the year ended June 30, 2007.

MSCREF – LEASING ARRANGEMENT – Fiscal Year 2007

MSCREF leases two commercial spaces in Grand Junction from the College. The terms of this lease is one year expiring September 21, 2007 and annual rent is \$10. MSCREF manages these commercial spaces as the College's landlord and retains 20% of rental income as management fee. The other 80 percent is remitted to the College. The tenants lease the properties under 5 year-lease agreements. In Fiscal Year 2007, the rental income from the two commercial spaces was \$10,662 and MSCREF earned \$2,931 in management fees.

NOTE 13 – STUDENT FINANCIAL ASSISTANCE

The College receives funds from and administers student financial assistance programs for various federal and state agencies. In addition, the College dedicates institutional resources to fund scholarships and work-study programs for students. With the implementation of GASB 34 in 2002, the new financial statement format lacks the detail of student financial assistance available on pre-2002 financial statements since part of the revenues previously recorded are now properly netted against tuition and fees with a corresponding reduction in scholarship expense. The tables below reflect the student financial assistance activities that the College received resources for and expended for and on the behalf of students in Fiscal Years 2007 and 2006. Student loans, external scholarships, grants, and other student financial assistance not recorded on the College's financial system are not included. A detailed schedule of state-funded financial assistance is provided in the 'State-Funded Student Assistance Programs Section'.

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 13 – STUDENT FINANCIAL ASSISTANCE –CONTINUED

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

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

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

A schedule of non-loan student assistance for the year ended June 30, 2006 follows:

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Scholarships				
Colorado Need-based	\$ -	\$1,734,484	\$ -	\$ 1,734,484
Colorado Merit	-	37,111	-	37,111
CLEAP	14,779	37,611	-	52,390
SLEAP	21,671	22,233	-	43,904
Governor's Opportunity	-	357,280	-	357,280
Pell Grants	5,207,212	-	-	5,207,212
General Institutional	-	-	1,088,477	1,088,477
Auxiliary	-	-	594,312	594,312
Work Study **	140,718	645,193	990,993	1,776,904
SEOG	93,513	-	31,171	124,684
Non-resident Scholar	-	-	61,246	61,246
Total	\$5,477,893	\$2,833,912	\$ 2,766,199	\$ 11,078,004

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

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 14 – LEGISLATIVE APPROPRIATION

The Colorado Legislature establishes spending authority for the Trustees Mesa State College in its annual Long Appropriation Bill. Prior to Fiscal Year 2006, appropriated funds included an amount from the State of Colorado's General Fund, as well as certain cash funds. Cash funds include tuition, certain fees, and other certain revenue sources. In Fiscal Year 2007, the Colorado Legislature appropriated \$7,000,000 for the Business and Information Technology Center. Of that, \$421,310 was spent and realized as capital construction appropriated revenue. In Fiscal Year 2006, the Colorado Legislature appropriated \$11,598 in capital construction funds for controlled maintenance projects.

NOTE 15 – TABOR ENTERPRISE STATUS

In November 1992, the Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to all local governments and to the State of Colorado, including Mesa State College. On August 10, 2005, the Colorado State Auditor issued an opinion that Mesa State College, along with nine other state colleges and universities, meet the TABOR requirements, and recommended that the Legislative Audit Committee approve them as TABOR-exempt enterprises. To qualify as a TABOR-exempt enterprise, a higher education institution needs to be a government-owned business authorized to issue its own revenue bonds and receiving less than 10 percent of its revenue grants from all Colorado state and local governments combined. Designation will be reviewed at the end of each year to determine that the colleges and universities continue to meet TABOR-exempt criteria. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any of the provisions of TABOR. The schedule below shows the TABOR Enterprise State support calculation for fiscal year 2007.

State Grants	
State appropriations	\$ -
Capital appropriations	421,310
Total State Grants	<u>\$ 421,310</u>
Total Revenues (gross operating, non- operating, and other revenues)	<u>\$ 59,053,591</u>
Ratio of State Grants to Total Revenues	0.71%

The College does not expect to achieve Tabor enterprise status in Fiscal Year 2008, because State capital appropriations for construction of the Business and Information Technology Center and for controlled maintenance projects will likely exceed 10 percent of all College revenues. The College hopes to be re-certified as a Tabor-exempt enterprise in Fiscal Year 2009.

**STATE OF COLORADO
MESA STATE COLLEGE**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2007 and 2006

NOTE 16 – CHANGE IN GOVERNANCE AND FINANCIAL REPORTING

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

NOTE 17 – RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

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

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

MESA STATE COLLEGE
Auxiliary Facilities System - Enterprise Revenue Bonds
Schedule of Revenues and Expenses
For Year Ended June, 30

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Residence Halls and Apartments	\$ 4,681,876	\$ 3,675,522
Food Service Income	3,365,390	2,800,473
College Center	676,789	677,966
Bookstore	3,308,255	3,237,278
Recreation Center	1,054,765	1,266,130
Campus Parking	353,691	304,021
Central Services	323,519	271,496
Total Revenues	<u>13,764,285</u>	<u>12,232,886</u>
OPERATING EXPENDITURES		
Residence Halls and Apartments	\$ 2,809,923	\$ 2,609,520
Food Services	2,608,441	2,683,687
College Center	243,064	377,477
Bookstore	3,171,697	3,083,147
Recreation Center	539,873	619,496
Campus Parking	178,406	145,731
Central Services	215,468	173,901
Total Operating Expenditures	<u>\$ 9,766,872</u>	<u>\$ 9,692,959</u>
Net Revenue before Transfers	<u>\$ 3,997,413</u>	<u>\$ 2,539,927</u>
TRANSFERS		
Mandatory transfers	\$ (2,001,166)	\$ (1,341,195)
Net Non-mandatory Transfers	(1,589,492)	(619,613)
Total Transfers	<u>\$ (3,590,658)</u>	<u>\$ (1,960,808)</u>
 Increase (Decrease) in fund balance	 <u>\$ 406,755</u>	 <u>\$ 579,119</u>
 Net operaing revenue	 \$ 3,997,413	 \$ 2,539,927
Bond Principal and Interest	2,001,166	1,177,465
Excess of net operaing revenues over debt service	<u>\$ 1,996,247</u>	<u>\$ 1,362,462</u>
 Debt service coverage ratio	 200%	 216%



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

October 26, 2007

Members of the Legislative Audit Committee:

We have audited the basic financial statements of Mesa State College, a blended component unit of the State of Colorado as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated October 26, 2007. We did not audit the financial statements of the Mesa State College Foundation or the Mesa State College Real Estate Foundation, the discretely presented component units of the College. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the two foundations, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component units, Mesa State College Foundation and Mesa State College Real Estate Foundation, were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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



October 26, 2007

Page Two

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

Compliance and Other Matters

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

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

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



AUDIT COMMITTEE COMMUNICATIONS

October 26, 2007

Members of the Legislative Audit Committee:

We have audited the financial statements of Mesa State College, a blended component unit of the State of Colorado, for the years ended June 30, 2007 and 2006, and have issued our report thereon dated October 26, 2007. 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 our audits 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

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Mesa State College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007 or 2006. We noted no transactions entered into by Mesa State College during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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.



Members of the Legislative Audit Committee
October 26, 2007
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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 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.

Consultations with Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

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

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**

MESA STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
For the Years Ended June 30, 2007 and 2006

Introduction

Mesa State College is a state-supported institution of higher education located in Grand Junction, Colorado.

The financial and compliance examinations of the various state-funded student assistance programs at the College for the years ended June 30, 2007 and 2006, were directed toward the objectives and criteria set forth in the Colorado Commission on Higher Education (CCHE) Financial Aid Policy, adopted April 2004. The state student financial assistance programs were examined simultaneously with the federal financial aid programs for the two years ended June 30, 2007 and 2006.

State-Funded Student Assistance Programs

The various state-funded student assistance programs at the College include the Colorado Need-based Grant Program, Colorado Work-Study Program, Colorado Merit Scholarship Program, Governor's Opportunity Scholarship Program, Colorado Leveraging Education Assistance Partnership Program (CLEAP), and Special Leveraging Education Assistance Partnership Program (SLEAP).

The state-funded student assistance awards made by the College were \$2,997,178 and \$2,870,362 for the fiscal years ended 2007 and 2006, respectively.

The Director of Financial Aid is responsible for the administration of these programs. This responsibility includes application processing, eligibility determination, and financial aid packaging, as well as ensuring compliance with regulations governing the participation of the College in federal and state financial aid programs. The College Controller is responsible for the programs' financial management, general ledger accounting, payments, and collections.

During the audit period Mesa State College obtained authorizations to award federal student financial aid funds for 2007 and 2006, respectively, of \$4,843,816 and \$5,210,007 in the Pell Grant Program, \$131,961 and \$133,266 in the Supplemental Educational Opportunity Grant Program, and \$192,193 and \$195,834 in the College Work-Study Program.

During the audit period Mesa State College obtained authorizations to award Colorado student financial aid funds for 2007 and 2006, respectively, of \$101,126 and \$96,294 in total for the CLEAP and SLEAP Programs, \$1,880,971 and \$1,734,484 in the Colorado Need-based Grant Program, \$632,690 and \$645,193 in the Colorado Work-Study Program, \$37,111 and \$37,111 in the Colorado Merit Scholarship Program, and \$345,280 and \$357,280 in the Governor's Opportunity Scholarship Program.



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

October 26, 2007

Members of the Legislative Audit Committee:

We have audited the accompanying Statements 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 years ended June 30, 2007 and 2006. These Statements are the responsibility of the College's management. Our responsibility is to express an opinion on the Statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Statements were 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), 2005 revision. The Statement is a summary of cash activity of the state-funded student financial assistance programs, with the exception of the College Work-Study 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 Statements are 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.

In our opinion, the Statements referred to above present fairly the appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs of Mesa State College for the years ended June 30, 2007 and 2006, in conformity with the provisions of the Colorado Commission on Higher Education's *Colorado Handbook for State-Funded Financial Assistance Programs*.



Members of the Legislative Audit Committee

October 26, 2007

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2007 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 audits.

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

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

Year Ended June 30, 2006

	<u>Colorado Need-based Grants</u>	<u>Colorado Merit Scholarship</u>	<u>Colorado Work-Study</u>	<u>Governor's Opportunity Scholarship</u>	<u>CLEAP</u>	<u>SLEAP</u>	<u>Total</u>
Appropriations	\$1,734,876	\$ 37,111	\$ 645,193	\$ 357,280	\$ 52,390	\$ 43,904	\$ 2,870,754
Expenditures	<u>1,734,484</u>	<u>37,111</u>	<u>645,193</u>	<u>357,280</u>	<u>52,390</u>	<u>\$ 43,904</u>	<u>2,870,362</u>
Reversions	<u>\$ 392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 392</u>

Year Ended June 30, 2007

	<u>Colorado Need-based Grants</u>	<u>Colorado Merit Scholarship</u>	<u>Colorado Work-Study</u>	<u>Governor's Opportunity Scholarship</u>	<u>CLEAP</u>	<u>SLEAP</u>	<u>Total</u>
Appropriations	\$1,880,971	\$ 37,111	\$ 631,193	\$ 345,280	\$ 52,390	\$ 48,736	\$ 2,995,681
Expenditures	<u>1,880,971</u>	<u>37,111</u>	<u>632,690</u>	<u>345,280</u>	<u>52,390</u>	<u>\$ 48,736</u>	<u>2,997,178</u>
Reversions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,497)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,497)</u>

MESA STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

June 30, 2007 and 2006

Basis of Accounting

The Statements of Appropriations, Expenditures, Transfers, and Revisions have 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*.

All student aid is expensed on a cash basis except for the College Work-Study Program (CWS). The CWS is on the accrual basis in that the expense is recognized when the services are performed.

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