MESA STATE COLLEGE

FINANCIAL AND COMPLIANCE AUDIT

For Fiscal Years Ended June 30, 2011 and 2010

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MESA STATE COLLEGE
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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 the Fiscal Year ended June 30, 2011. 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 October 2011.

The purpose and scope of the audit was to:

- Express an opinion on the financial statements of the College as of and for the year ended June 30, 2011. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the basic financial statements performed in accordance with *Government Auditing Standards*.

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

- 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, 2011 and 2010.

Audit Opinions and Reports

We expressed an unqualified opinion on the College's financial statements as of and for the year ended June 30, 2011.

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

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

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, 2011 and 2010.

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, 2011 Statewide Single Audit Report, issued under separate cover.

Summary of Key Findings and Recommendations

There were no reported findings and recommendations resulting from the audit work completed for Fiscal Year 2011.

Summary of Progress in Implementing Prior Audit Recommendations

There were no recommendations for the year ended June 30, 2010.

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, 2011, 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:

	FY 2011	FY 2010	FY 2009
Resident Students	5,946.2	5,330.0	4,581.5
Non-Resident Students	835.7	614.0	517.3
Total Students	6,781.9	5,944.0	5,098.8
Faculty FTEs	300.7	279.8	287.8
Staff FTEs	198.4	184.7	177.9
Total Faculty and Staff FTEs	499.1	464.5	465.7

FINANCIAL STATEMENT SECTION

INDEPENDENT AUDITORS' REPORT

November 3, 2011

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, 2011 and 2010, 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, 2011 and 2010, where applicable, and the respective changes in financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2011 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.

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

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

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

This section of Mesa State College's annual financial report presents management's discussion and analysis of the financial performance of the College during the years ended June 30, 2011 and 2010. Additional information is provided in the notes accompanying the basic financial statements. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes.

Using the Financial Report

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

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

Component Units

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

Mesa State College Foundation

The Foundation had net assets of $15.4 million and $11.6 million as of June 30, 2011 and 2010, respectively, and total revenue, gains and other support of $7.8 million and $4.5 million for Fiscal Year 2011 and Fiscal Year 2010, respectively.

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

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

For the year ended June 30, 2011, Mesa State College, using GASB 39 criteria, has identified the Mesa State College Foundation as a component unit. Since the component unit uses a different reporting model (FASB Non-Profit), the required financial data is discretely presented on separate pages immediately following the basic financial statements as allowed by GASB 39.

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

Mesa State College Real Estate Foundation

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

For the year ended June 30, 2011, 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 $926 thousand at June 30, 2011 and net assets of $954 thousand at June 30, 2010. Total revenue and support in Fiscal Year 2011 was $992 thousand, which consisted of operating transfers from the College of $915 thousand and management income of $22 thousand. Total revenue and support in Fiscal Year 2010 was $381 thousand, which consisted of operating transfers from the College of $274 thousand and management income of $18 thousand.

Financial Highlights

- Mesa State College's financial position improved during the Fiscal Year ended June 30, 2011 as evidenced by an increase of $8.6 million in net assets; net assets were $161.2 million at June 30, 2011 and $152.6 million at June 30, 2010.

- Mesa State College's current assets of $32.6 million (2011) and $31.5 million (2010) were sufficient to cover current liabilities of $16.0 million (2011) and $17.5 million (2010). Current liabilities include $3.2 million (2011) and $4.8 million (2010) that were financed by restricted (non-current) cash and the COP receivable from the State Treasurer. The current ratio (current assets/current liabilities adjusted for current liabilities funded by restricted (non-current) cash) of 2.55 (2011) and 2.48 (2010) demonstrates the liquidity of assets and the relative availability of working capital to fund current operations.

- Operating expenditures of $78.1 million exceeded operating revenues of $76.9 million in 2011, and operating expenditures of $71.5 million exceeded operating revenues of $60.7 million in fiscal year 2010.

- Net non-operating revenues were $12.4 million in 2011 and $22.3 million in 2010. The decrease of $9.9 million is largely due to the decrease of $11.2 million in State Fiscal Stabilization Funds to $719 thousand (2011) from $11.9 million (2010). Pell and Other Non-operating Grants increased by $4.7 million, $14.9 million (2011) compared to $10.2 million (2010) and Interest expense on Capital Debt increased $2.2 million, $5.4 million (2011) compared to $3.2 million (2010).

- Undergraduate enrollments on a student FTE basis at Mesa State College increased from 5,861.9 in Fiscal Year 2010 to 6,717.3 in Fiscal Year 2011 (14.6%). Graduate enrollment decreased from 82.1 in Fiscal Year 2010 to 64.7 in Fiscal Year 2011 (-21.2%). All enrollments increased by about 14.1% in Fiscal Year 2011 compared to Fiscal Year 2010.

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)

	2011	2010	2009
Assets			
Current Assets	$ 32,620	$ 31,533	$ 39,773
Non-current Assets	288,512	285,933	183,159
Total Assets	$ 321,132	$317,466	$222,932
Liabilities			
Current Liabilities	$ 15,984	$ 17,546	$ 19,135
Non-current Liabilities	143,961	147,290	83,519
Total Liabilities	$ 159,945	$164,836	$102,654
Net Assets			
Invested In Capital Assets	$ 138,977	$130,187	$ 95,394
Restricted	4,615	4,204	3,548
Unrestricted	17,595	18,239	21,336
Total Net Assets	$ 161,187	$152,630	$120,278

At June 30, 2011, Mesa State College's total net assets were $161.2 million compared to $152.6 million at June 30, 2010. Invested in capital assets (net of related debt) is the largest net asset category with $139.0 million (2011) and $130.2 million (2010).

In Fiscal Year 2011, the College restated Investments of $4.9 million that were reported as a non-current asset in Fiscal Year 2010 as current assets. This change is supported by GASB Statement Number 62 which includes in its definition of current assets, "marketable securities representing the investment of cash available for current operations." Because Investments do not have any claims or restrictions against them, classifying them as current assets is more appropriate. The College also restated the account receivable due from the State Treasurer of $3.7 million that was reported as a current asset as a non-current asset because the receivable was restricted to the Wubben Science Hall renovation project and was not available for current operations.

Current assets of $32.6 million were sufficient to cover current liabilities of $16.0 million (producing a current ratio of 2.55 after adjusting for current liabilities of $3.2 million funded by restricted (non-current) cash and COP receivable from the State Treasurer). This compares to Fiscal Year 2010 with current assets of $31.5 million and current liabilities of $17.5 million (producing a current ratio of 2.39 after adjusting for current liabilities of $4.8 million funded by restricted (non-current) cash and the COP receivable from the State Treasurer). The current ratio increase from 1.80 at June 30, 2010 to 2.04 at June 30, 2011 is primarily due to the decrease of about $2.1 million of accounts payable and accrued liabilities combined and the increase of $1.8 million of unrestricted cash and investments combined. The decrease in accounts payable and accrued liabilities is mostly due to completing $64.8 million of significant construction projects in Fiscal Year 2011; the College liquidated significant construction retainage and end construction accounts payable that were shown as liabilities at June 30, 2010. Accounts payable and accrued liabilities were $10.8 million (2011) and $12.9 million (2010). The increase in unrestricted cash and investments is due to the growth of College revenues outpacing the increase in expenditures necessary to accommodate the College's growth in enrollments and related activity. Unrestricted cash and investments were $27.9 million (2011) and $26.1 million (2010).

Non-current assets increased by $2.5 million from $286.0 million (2010) to $288.5 million (2011). Restricted cash and the COP receivable from the State Treasurer decreased by a combined $32.0 million and construction in progress decreased by $26.9 million while buildings, land and land improvements, net of accumulated depreciation, increased by $61.3 million. Significant building additions in Fiscal Year 2011 included the College Center and parking garage at $38.4 million, the Wubben Science Center at $18.9 million and the Archuleta Engineering Center at $812 thousand. Significant land improvements completed in Fiscal Year 2011 included 12th Street Improvements, pedestrian malls and campus drill fields for $5.2 million.

Bonds payable totaled $138.5 million (2011) and $140.3 million (2010) and represents about 86.6% (2011) and 85.1% (2010) of Mesa State College's total liabilities of $159.9 million (2011) and $164.8 million (2010). The current portion of the bonds payable liability totals $2.2 million (2011) and $1.8 million (2010).

Capital leases payable totaled $6.6 million at June 30, 2011 and are comprised of a capital lease-purchase agreement to finance the Wubben science building renovation ($3.3 million), to finance the acquisition of property adjacent to the College's Western Colorado Community College campus ($1.2 million) and to install energy-efficient equipment in the campus buildings ($2.1 million). Capital leases payable were $8.0 million at June 30, 2010.

Mesa State College's financial position improved during the Fiscal Year as evidenced by the increase in net assets of $8.6 million (2011) and $32.3 million (2010) (see the Statement of Revenues, Expenses and Changes in Net Assets) to $161.2 million (2011) and $152.6 million (2010). Of the total net assets, $139.0 million (2011) and $130.2 million (2010) is invested in capital assets net of related debt, a total of $4.6 million (2011) and $4.2 million (2010) is restricted for specific purposes, and $17.6 million (2011) and $18.2 million (2009) is unrestricted and available for use at the discretion of the Board of Trustees.

Statement of Revenues, Expenses and Changes in Net Assets

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

Non-operating revenues and expenses are those other than operating and include, but are not limited to, non-operating grants and contracts, investment income and expenses and interest expense on capital debt. Other revenues, expenditures, gains and losses and transfers to other governing boards or institutions include state capital construction and controlled maintenance appropriations, and transfers between funds and other organizations and agencies, and gains or losses from disposal of assets.

- Tuition and fee revenues accounted for $38.5 million of the $76.9 million in operating revenues (2011) and $29.4 million of the $60.7 million (2010). The increase in tuition and fees is due to an overall increase in enrollment of 14.1% and an increase in tuition and fees of 9%. Tuition and fees are reported net of scholarship allowances of $17.9 million (2011) and $14.1 million (2010). 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 $10.9 million in Fiscal Year 2011. Fiscal Year 2010 COF stipends were $7.2 million, which included $3.1 million that was returned to the trust due to mid-year action by the legislature that reduced the value of the stipend from $68 to $44 per credit hour. The value of the stipend was $62 per credit hour in Fiscal Year 2011.

- Department of Higher Education (DHE) Fee for Service operating revenue was $10.7 million in Fiscal Year 2011 and $5.2 million in Fiscal Year 2010. The Fiscal Year 2010 Fee for Service contract was reduced by $5.5 million by the legislature during the year and was replaced, along with the reduction of COF stipends, with federal State Fiscal Stabilization Funds. State Fiscal Stabilization Funds were $719 thousand (2011) and $11.9 million (2010).

- Fiscal Year 2011 auxiliary enterprises revenues of $20.9 million increased from $18.8 million in Fiscal Year 2010 (11.2%), and auxiliary enterprise expenses of $17.1 million in Fiscal Year 2011 increased from $15.8 million in Fiscal Year 2010 (8.3%) as a result of overall enrollment growth of 14.1% in student FTE. Overall, operating revenues increased by $16.2 million in Fiscal Year 2011 compared to Fiscal Year 2010.

- Compared to Fiscal year 2010, Fiscal Year 2011 auxiliary expenditures increased by $1.3 million due to the enrollment growth mentioned above and due to operating the new College Center. Fiscal Year 2011 depreciation expense increased by $2.01 million compared to Fiscal Year 2010 due to adding the new College Center and parking garage ($38.4 million) and the renovated Wubben Science Hall ($18.9 million) and from taking full-year depreciation for Fiscal Year 2010 depreciable capital additions of $20.3 million. Instruction expenses increased by $1.1 million due to the overall increase in student enrollment of 14.1% FTE. Overall, operating expenditures increased by $6.6 million in Fiscal Year 2011 compared to Fiscal Year 2010 because of the increase in enrollment (14.1%).

- Overall, the College increased net assets by $8.6 million in Fiscal Year 2011, which compares to an increase in net assets of $32.3 million in Fiscal Year 2010. The Fiscal Year 2011 operating deficit was $1.2 million while Pell grants ($13.4 million), and other non-operating revenues contributed $12.4 million after deducting interest on capital debt ($5.4 million) and other non-operating expenditures. Net other revenues, expenditures, gains, losses and transfers including State capital appropriations ($183 thousand), capital contributions and donations ($2.8 million) contributed $322 thousand after deducting transfers to other institutions ($5.6 million) and the loss from disposal of assets ($49 thousand).

- The Fiscal Year 2010 operating deficit was $10.9 million while grants, including federal State Fiscal Stabilization Funds ($11.9 million) and Pell grants ($9.6 million), and other net non-operating revenues contributed $22.3 million. Net other revenues, expenditures, gains, losses and transfers including State capital appropriations ($4.5 million), capital contributions and donations ($18.8 million) contributed $20.9 million including transfers to other institutions ($1.7 million) and the loss from disposal of assets ($744 thousand). Capital contributions and donations are from the State Treasurer for the COP-financed Wubben science building expansion ($11.4 million) and capital contributions from the Mesa State College Foundation ($4.4 million).

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Years Ended June 30,

(in Thousands)

	2011	**2010**	**2009**
Operating Revenues			
Tuition and Fees (net)	$ 38,455	$ 29,396	$ 26,997
DHE Fee for Service Revenues	10,712	5,197	10,704
Grants and Contracts	5,551	6,565	5,915
Auxiliary Enterprises (net)	20,920	18,779	15,530
Other	1,272	755	851
Total Operating Revenues	$ 76,910	$ 60,692	$ 59,997
Operating Expenses	$ 78,124	$ 71,542	$ 65,454
Net Operating Revenues	$ (1,214)	$ (10,850)	$ (5,457)
Non-Operating Revenues (Expenditures)			
State Fiscal Stabilization Funds	$ 719	$ 11,906	$ 4,117
Pell and Other Non-operating Grants	14,858	10,237	5,528
Interest Income	1,497	1,811	1,275
Interest on Capital Debt	(5,408)	(3,218)	(1,483)
Other net Non-Operating Income	765	1,575	492
	$ 12,431	$ 22,311	$ 9,929
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	$ 11,217	$ 11,461	$ 4,472
State Appropriations Capital	$ 183	$ 4,488	$ 17,925
Other	(2,843)	16,403	3,336
Increase in Net Assets	$ 8,557	$ 32,352	$ 25,733
Net Assets			
Net Assets at Beginning of Year	$ 152,630	$ 120,278	$ 94,545
Net Assets at End of Year	$ 161,187	$ 152,630	$ 120,278

Operating expenses totaled $78.1 million (2011) and $71.5 million (2010). The increased expenditures in Fiscal Year 2011 compared to Fiscal Year 2010 is due to the increase in student FTE and due to maintaining larger facilities. The breakdown of expenses by reporting category is as follows (in thousands):

Fiscal Year:	**2011**	**2010**
Instruction	$ 23,957	$ 22,829
Research	415	356
Public Service	512	689
Academic Support	4,830	4,451
Student Services	5,917	5,388
Institutional Support	3,755	3,581
Operation and Maintenance of Plant	10,748	10,401
Scholarships and Fellowships (net)	3,227	2,410
Auxiliary Enterprises	17,119	15,802
Depreciation	7,644	5,636
	$ 78,124	$ 71,543

Capital Assets

At June 30, 2011, the College had approximately $273.8 million invested in capital assets, net of accumulated depreciation of $50.6 million. Depreciation expense was $7.6 million for Fiscal Year 2011. At June 30, 2010, the College had approximately $239.3 million invested in capital assets, net of accumulated depreciation of $43.5 million. Depreciation expense was $5.6 million in Fiscal Year 2010. The capital asset detail is as follows (in thousands):

	2011	2010	2009
Land and Improvements	$ 18,138	$ 16,273	$ 13,346
Construction in Progress	29,308	56,200	64,802
Land Improvements, net	21,069	15,416	13,151
Buildings and Improvements, net	197,739	143,945	77,419
Equipment, net	4,653	4,509	4,377
Library Materials, net	2,844	2,930	3,009
	$ 273,751	$239,273	$176,104

Significant capital additions completed in Fiscal Year 2011, and the resources that funded their acquisitions (in thousands) include:

College Center and parking structure, College funded	$ 38,410
Wubben Science Hall, State and College funded	18,994
12th Street Improvements, College funded	1,969
Pedestrian Malls, College funded	1,944
Elliott Tennis Center, College funded	1,394
Campus drill fields and solar project, College funded	1,320
Archuleta Engineering Center, College funded	812
Total	$ 64,843

The following significant projects were in progress at June 30, 2011 (in thousands):

BASH student housing	$ 13,359
Houston Hall remodel	12,936
Walker Field expansion	787
Campus expansion	748
Dining hall expansion	706
Softball clubhouse	245
Montrose campus remodel	52
	$ 28,833

Debt

The College had approximately $145.2 million (2011), $148.5 million (2010) and $84.2 million (2009), detailed as follows (in thousands).

	2011	2010	2009
Bonds Payable	$ 138,490	$ 140,321	$ 74,782
Capital leases	6,593	7,977	9,288
Notes payable	155	162	169
	$ 145,238	$ 148,460	$ 84,239

Economic Outlook

State funding for both fee-for-service contracts and College Opportunity Fund (COF) stipends will decrease by about $3.1 million in Fiscal Year 2012 from Fiscal Year 2011. Actual fee-for-service and COF stipends were $21.6 million in Fiscal Year 2011 compared to Long Bill fee-for-service and COF stipends of $18.5 million in Fiscal Year 2012. The COF stipend amount in Fiscal Year 2012 will be $62 per credit hour. The College has planned for the eventuality of this reduction and has accommodated it through a combination of enrollment growth, expense reductions and conservative budgeting. Notwithstanding additional reductions in state funding, the College is positioned to continue to provide quality instructional programs to all students.

With the passage of SB 11-265, Colorado Revised Statute (CRS) 23-53-102 was amended, effective August 10, 2011, to confer university status and re-name the institution Colorado Mesa University. The new name will more effectively communicate our geographic location as well as the breadth and depth of the University's program offerings. Colorado Mesa University has evolved into its role as a regional comprehensive institution that offers programs ranging from career and technical training to relevant graduate programs including a recently approved Doctor of Nurse Practitioner program in the Health Sciences Department.

To achieve the vision statement of being the first choice institution for students, faculty, and staff, Colorado Mesa University will leverage:

- An adaptable, flexible approach to learning that allows students to choose from multiple and potentially integrated pathways to achieve certification, associates, bachelors, and graduate degrees.
- A highly qualified faculty that excels in teaching and interacting with students.
- A curriculum, often bridging liberal education and professional programs, that successfully prepares students for the 21st century in the areas of personal and social responsibility, civic engagement, ethics, and intercultural/ global learning.
- Continued investment in facilities and technology that expand, expedite, and enhance learning for every student.
- Community support from businesses, industries, alumni, and residents of the region.
- A wide array of academic programs that are improved on an on-going, continuous basis for quality and relevance to Western Colorado's needs in the context of an ever-changing world.
- An administration that uses human and natural resources wisely, embraces excellence, is committed to shared governance, and is focused on the future.

Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Controller at Colorado Mesa University.

STATE OF COLORADO
MESA STATE COLLEGE
Statement of Net Assets

	June 30, 2011	June 30, 2010
ASSETS		
Current Assets		
Cash & Cash Equivalents (Note 2)	$ 21,829,684	$ 21,150,182
Investments	6,027,950	4,922,324
Student Accounts Receivable, Net	2,390,493	2,170,261
Other Accounts Receivable, Net	1,263,353	1,525,194
Student Loans, Net	356,679	851,545
Inventories	526,504	470,475
Prepaid Expenses	225,000	442,580
Total Current Assets	32,619,663	31,532,561
Non-current Assets		
Restricted Cash & Cash Equivalents (Note 2)	7,442,229	35,749,154
Restricted COP Receivable from State Treasury	-	3,652,294
Student Loans, Net	823,312	399,849
Other Non-current Assets	6,495,413	6,858,713
Total Non-current Assets	14,760,954	46,660,010
Non-depreciable Capital Assets, Net		
Land and improvements	18,138,010	16,273,344
Construction in Progress	29,308,426	56,200,247
Total Non-depreciable Capital Assets	47,446,436	72,473,591
Depreciable Capital Assets, Net		
Land Improvements (less accumulated depreciation of $3,905,025 and $2,824,814)	21,068,710	15,415,612
Buildings & Improvements (less accumulated depreciation of $32,481,275 and $27,360,655)	197,738,683	143,945,011
Equipment (less accumulated depreciation of $6,230,735 and $5,778,241)	4,652,613	4,508,798
Library Materials (less accumulated depreciation of $7,983,463 and $7,509,171)	2,844,555	2,930,381
Total Depreciable Capital Assets, Net	226,304,561	166,799,802
Total Non-current Assets	288,511,951	285,933,403
TOTAL ASSETS	$ 321,131,614	$ 317,465,964
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 3,643,895	$ 5,087,063
Accrued Liabilities	7,137,384	7,828,930
Deferred Revenues	1,686,359	1,510,887
Deposits Held For Others	390,579	331,546
Student Deposits	427,917	328,332
Bonds Payable, Current Portion	2,150,000	1,755,000
Notes Payable, Current Portion	7,490	7,129
Capital Leases Payable - Current Portion	348,298	541,921
Compensated Absence Liability, Current Portion	191,831	155,647
Total Current Liabilities	15,983,753	17,546,455
Non-current Liabilities		
Bonds Payable (net of $1,895,071 and $1,970,993 unamortized premium)	136,340,071	138,565,993
Capital Leases Payable	6,244,734	7,434,850
Notes Payable	147,321	154,811
Compensated Absence	1,229,141	1,134,263
Total Non-current Liabilities	143,961,267	147,289,917
Total Liabilities	159,945,020	164,836,372
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	138,976,596	130,186,528
Restricted For:		
Loans	1,233,407	1,207,087
Other Purposes	3,381,527	2,996,748
Unrestricted	17,595,064	18,239,229
Total Net Assets	$ 161,186,594	$ 152,629,592

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

MESA STATE COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30,

	2011	2010
ASSETS		
Cash and Cash Equivalents	$ 759,872	$ 610,886
Investments	13,511,072	10,485,291
Accounts Receivable	-	21,738
Unconditional Promises to Give	1,795,030	1,930,104
Property & Equipment	792,997	792,997
Less: Accumulated Depreciation	(490,865)	(450,691)
TOTAL ASSETS	$ 16,368,106	$ 13,390,325
LIABILITIES & NET ASSETS		
LIABILITIES		
Note Payable - Line of Credit - Bank	$ 950,000	$ 1,800,000
Accounts Payable and Accrued Liabilities	11,990	4,751
TOTAL LIABILITIES	961,990	1,804,751
NET ASSETS		
Unrestricted Net Assets	(1,263,818)	(2,648,220)
Temporarily Restricted Net Assets	4,654,957	4,596,318
Permanently Restricted Net Assets	12,014,977	9,637,476
TOTAL NET ASSETS	15,406,116	11,585,574
TOTAL LIABILITIES & NET ASSETS	$ 16,368,106	$ 13,390,325

See accompanying notes.

MESA STATE COLLEGE REAL ESTATE FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011 & 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash	$ 152,726	$ 205,292
Accounts Receivable	4,347	600
Prepaid Expense	8,476	12,188
Interest Receivable	18,342	36,149
Capital Lease Receivable - Current Portion	380,951	345,336
TOTAL CURRENT ASSETS	564,842	599,564
LONG-TERM ASSETS		
Capital Lease Receivable	841,818	2,064,587
Land Held for Investment	879,744	846,128
Other	7,598	34,388
TOTAL LONG-TERM ASSETS	1,729,160	2,945,104
TOTAL ASSETS	$ 2,294,002	$ 3,544,668
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 111,093	$ 133,475
Bond Interest Payable	18,342	36,149
Bonds Payable - Current Portion	1,222,769	237,218
TOTAL CURRENT LIABILITIES	1,352,204	406,842
NON-CURRENT LIABILITIES		
Tenant Deposits	15,849	11,549
Bonds Payable	-	2,172,705
TOTAL NON-CURRENT LIABILITIES	15,849	2,184,254
TOTAL LIABILITIES	1,368,053	2,591,096
NET ASSETS		
Unrestricted Net Assets	925,949	953,572
TOTAL LIABILITIES & NET ASSETS	$ 2,294,002	$ 3,544,668

See accompanying notes.

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

	June 30, 2011	June 30, 2010
REVENUES		
Operating Revenues:		
Tuition and Fees (including $9,585,257 (2011) and $6,985,945 (2010) pledged for bonds and net of scholarship allowances of $17,861,146 (2011) and $14,147,978 (2010))	$ 38,454,434	$ 29,395,726
Fee For Service Revenue	10,711,935	5,199,060
Federal, State, Private Grants and Contracts	5,551,047	6,564,630
Gifts	509,665	333,528
Auxiliary Enterprises (including $20,118,108 (2011) and $17,736,149 (2010) pledged for bonds and net of scholarship allowances of $212,345 (2011) and $377,940 (2010))	20,920,916	18,778,906
Other Operating Revenues (including $81,974 (2011) and $41,014 (2010) pledged for bonds)	762,385	420,438
Total Operating Revenues	76,910,382	60,692,288
EXPENSES		
Operating Expenses:		
Instruction	$ 23,956,473	22,828,560
Research	414,574	355,579
Public Service	512,292	689,282
Academic Support	4,830,148	4,451,322
Student Services	5,917,135	5,387,797
Institutional Support	3,755,421	3,581,352
Operation and Maintenance of Plant	10,747,751	10,401,432
Net Scholarships and Fellowships	3,226,986	2,410,294
Auxiliary Enterprises	17,118,999	15,801,471
Depreciation	7,644,228	5,635,846
Total Operating Expenses	78,124,007	71,542,935
Operating Income (Loss)	(1,213,625)	(10,850,647)
NON-OPERATING REVENUES (EXPENSES)		
State Fiscal Stabilization Funds	718,987	11,906,309
Federal Pell and Other Non-operating Grants	14,857,936	10,236,949
Gifts	131,945	1,180,219
Investment and Interest Income (including $465,787 (2011) and $569,733 (2010) pledged to bonds)	1,497,390	1,811,329
Interest Expense on Capital Debt	(5,407,886)	(3,218,087)
Other Non-operating Revenues (Expenses)	632,920	395,078
Net Non-operating Revenues (Expenses)	12,431,292	22,311,797
Income (Loss) Before Other Revenues or Expenses	11,217,667	11,461,150
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS		
State Appropriations, Capital	182,677	4,487,587
Capital Contributions from the State	73,894	14,468,878
Capital Donations	2,770,213	4,374,928
Gain or (Loss) on Disposal of Assets	(48,753)	(744,483)
Transfers (To) From Governing Boards or Other Institutions	(5,638,696)	(1,696,181)
Increase (Decrease) in Net Assets	8,557,002	32,351,879
NET ASSETS		
Net Assets - Beginning of Year	152,629,592	120,277,713
Net Assets - End of Year	$ 161,186,594	$ 152,629,592

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

MESA STATE COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT								
Contributions	$ -	$ 1,078,979	$ 1,979,489	$ 3,058,468	$ -	$ 1,151,240	$ 253,451	$ 1,404,691
Support from Mesa State College	218,083	1,404,320	-	1,622,403	218,083	1,098,977	-	1,317,060
Special Events	98,116	-	-	98,116	41,546	-	-	41,546
Less: Costs of Direct Benefits to Donors	(61,950)	-	-	(61,950)	(25,165)	-	-	(25,165)
Investment Income	-	214,097	-	214,097	-	168,157	-	168,157
Realized Gain/Loss on Investments	-	313,819	-	313,819	-	108,887	-	108,887
Unrealized Gain/Loss on Investments	-	1,634,343	-	1,634,343	-	659,982	-	659,982
Mesa State College Department & Club Collections	-	843,674	-	843,674	-	797,546	-	797,546
Other	17,307	15,673	-	32,980	19,574	1,177	-	20,751
Net Assets Released from Restrictions	5,048,254	(5,048,254)	-	-	6,130,606	(6,130,606)	-	-
Donor Imposed Classification Change	-	(398,012)	398,012	-	-	(252,534)	252,534	-
TOTAL REVENUE AND SUPPORT	5,319,810	58,639	2,377,501	7,755,950	6,384,644	(2,397,174)	505,985	4,493,455
EXPENSES								
Program Expenses								
Scholarships	641,134	-	-	641,134	662,801	-	-	662,801
Mesa State College Building Projects & Expansion	1,959,777	-	-	1,959,777	4,847,409	-	-	4,847,409
Mesa State College Department & Club Transfers	1,066,063	-	-	1,066,063	784,022	-	-	784,022
Community Sporting Events Promotion	57,242	-	-	57,242	-	-	-	-
Supporting Services								
Management & General	116,818	-	-	116,818	103,799	-	-	103,799
Fund-raising	94,374	-	-	94,374	28,691	-	-	28,691
TOTAL EXPENSES	3,935,408	-	-	3,935,408	6,426,722	-	-	6,426,722
CHANGE IN NET ASSETS	1,384,402	58,639	2,377,501	3,820,542	(42,078)	(2,397,174)	505,985	(1,933,267)
NET ASSETS - BEGINNING	(2,648,220)	4,596,318	9,637,476	11,585,574	(2,606,142)	6,993,492	9,131,491	13,518,841
NET ASSETS - ENDING	$ (1,263,818)	$ 4,654,957	$ 12,014,977	$ 15,406,116	$ (2,648,220)	$ 4,596,318	$ 9,637,476	$ 11,585,574

See accompanying notes.

MESA STATE COLLEGE REAL ESTATE FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2011 & 2010

UNRESTRICTED NET ASSETS

	2011	2010
REVENUE AND SUPPORT		
Support from Mesa State College	$ 1,031	$ 274,115
Real Estate Management Fee	22,264	17,711
Interest Income	54,834	89,586
TOTAL REVENUE AND SUPPORT	78,129	381,412
EXPENSES		
Program Expenses		
Support Mesa State College		
Real Estate Management Expenses	46,399	55,432
Bond Interest Expense	54,490	89,586
Supporting Services		
Management & General	4,863	11,897
TOTAL EXPENSES	105,752	156,916
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(27,623)	224,497

TEMPORARILY RESTRICTED NET ASSETS

	2011	2010
REVENUE AND SUPPORT		
Support from Mesa State College	914,105	-
EXPENSES		
Program Expenses		
Support Mesa State College		
Purchase of real estate	914,105	-
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	-	-
INCREASE (DECREASE) IN NET ASSETS	(27,623)	224,497
NET ASSETS - BEGINNING	953,572	729,075
NET ASSETS - ENDING	$ 925,949	$ 953,572

See accompanying notes.

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

	June 30, 2011	June 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received:		
Tuition & Fees	$ 56,095,214	$ 43,139,151
Sales of Service	23,057,232	14,774,631
Sales of Product	8,922,113	9,105,551
Grants Contracts and Gifts	6,017,415	6,282,545
Student Loans Collected	230,745	105,399
Other Operating Receipts	762,385	420,438
Cash Payments:		
Payments to or for Employees	(40,127,349)	(37,843,303)
Payments to Suppliers	(26,146,216)	(25,473,660)
Scholarships Disbursed	(21,300,728)	(16,936,212)
Student Loans Disbursed	(177,100)	(245,533)
Net Cash Provided (Used) by Operating Activities	7,333,710	(6,670,993)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Gifts/Grants for Other than Capital Purposes	15,800,600	22,678,055
Other Agency Inflows	90,121,978	67,057,313
Other Agency (Outflows)	(86,845,071)	(66,883,171)
Transfers from (to) Other Campuses, Board, or Institution	(2,672,806)	(1,739,678)
Net Cash Provided (Used) by Non-Capital Financing Activities	16,404,701	21,112,519
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
State Appropriations, Capital	208,364	4,461,900
Capital Grants, Contracts, and Gifts	529,468	16,818,729
Acquisition and Construction of Capital Assets	(43,875,345)	(69,713,318)
Proceeds from Capital Debt	-	61,710,000
Net Bond Discounts Paid	-	(374,696)
Bond Issuance Costs Paid	-	(233,710)
Principal Paid on Capital Debt	(3,145,868)	(2,334,015)
Interest on Capital Debt	(5,464,793)	(2,414,602)
Net Cash Provided (Used) by Capital & Related Financing Activities	(51,748,174)	7,920,288
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(290,608)	(5,049,280)
Investment Earnings (Interest/Dividends)	672,947	1,913,844
Net Cash Provided (Used) by Investing Activities	382,339	(3,135,436)
Net Increase (Decrease) in Cash & Cash Equivalents	(27,627,423)	19,226,378
Cash & Cash Equivalents - Beginning of the Year	56,899,336	37,672,958
Cash & Cash Equivalents - End of the Year	$ 29,271,913	$ 56,899,336

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

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

	June 30, 2011	June 30, 2010
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$ (1,213,625)	$ (10,850,647)
Adjustments to Reconcile:		
Depreciation Expense	7,644,228	5,635,846
Provision for Uncollectible Accounts	309,861	370,538
Decrease (Increase) in Assets - Operating Portions	(183,015)	(2,033,230)
Increase (Decrease) in Liabilities - Operating Portions	776,261	206,500
Net Cash Provided (Used) by Operating Activities	$ 7,333,710	$ (6,670,993)

Supplemental Disclosure of Noncash Investing and Financing Activates

Additions to construction in progress included in accounts payable and accrued liabilities.	$ 3,856,192	$ 2,540,399
Land donated from Foundation	2,241,108	2,014,789
Reacquisition cost of bond refunding	-	(33,280,416)
Amortization of bond issuance costs	54,150	48,345
Capital assets purchased with capital leases and noncash transfers	(2,999,254)	361,844

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Governance

The accompanying financial statements describe the financial activities of Mesa State College (the College) for the fiscal years ended June 30 2011 and 2010. Colorado Revised Statute (CRS) 23-53-102 established the Board of Trustees (Board) for Mesa State College to serve as the College's governing board. Nine of the eleven trustees are appointed by the Governor with consent of the Senate. The remaining two members include a student representative elected by the student body, and a faculty member elected by other members of the faculty. Both of these members are non-voting members. The Board has full authority and responsibility for control and governance of the College, including such areas as finance, resources, academic programs, admissions, role and mission, personnel policies, *etc.* To assist them in meeting their responsibilities, the Board delegates to the President of the College the authority to interpret and administer its policies in all areas of operation.

Reporting Entity

The accompanying financial statements reflect the financial activities of Mesa State College for the fiscal years ended June 30, 2011 and 2010. The College is an institution of higher education of the State of Colorado. For financial reporting purposes, the College is included as part of the State of Colorado's primary government. A copy of the state Comprehensive Annual Financial Report may be obtained from the Office of the State Controller, Department of Personnel and Administration (DPA), Denver Colorado.

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

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

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

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value which is determined based on quoted market prices at Fiscal Year-End. Unrealized gains and losses on the carrying value of investments are reported as a component of interest income on the statement of revenues, expenditures and changes in net assets. Beginning with Fiscal Year 2011, the College will classify Investments as current assets. This change is supported by GASB Statement Number 62 which includes in its definition of current assets, "marketable securities representing the investment of cash available for current operations." Because Investments do not have any claims or restrictions against them, classifying them as current assets is more appropriate. The College had investments of $6,027,950, including an unrealized gain of $688,062 at June 30, 2011 and $4,922,324, including an unrealized loss of $126,957 at June 30, 2010.

Inventories

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

Capital Assets

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

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

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

Capital Lease Liabilities

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

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

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

Summer Sessions

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

Classification of Revenues and Expenses

The College has classified its revenues and expenses as operating, non-operating or other according to the following criteria:

- Operating revenues and expenses are derived from activities associated with providing goods and services for instruction, public service or related support services to an individual or entity separate from the College.
- Non-operating revenues and expenditures are those that do not meet the definition of operating revenues. Non-operating revenues include state operating appropriations, Federal stimulus money grants and other non-operating grants, gifts, investment income, interest expense, and insurance reimbursements.
- Other revenues, expenses, gains, losses, and transfers include state capital and controlled maintenance appropriations, capital contributions, gains and losses from the disposal of assets and donations and transfers between governing boards and other institutions.

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees for the year ended June 30 were $17,861,146 (2011) and $14,147,978 (2010). Scholarship allowances for auxiliary charges for the year ended June 30 were $212,345 (2011) and $377,940 (2010).

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 or Restricted. As of June 30, 2011, 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 $3,342,237 (2011) and $2,954,408 (2010). Restricted expendable net assets also include net assets 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 $1,233,407 (2011) and $1,207,087 (2010).

Use of Estimates

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

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The College deposits cash with the Colorado State Treasurer as allowed by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The College reports its share of the Treasurer's unrealized gains and losses based on its participation in the State Treasurer's pool. All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2011 and 2010. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. The unrealized gains and losses included in "Investment Income" reflect only the change in fair value during the current fiscal year. Additional information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

At June 30 the College had $26,544,635 (2011) and $54,433,271 (2010), including unrealized gains of $394,952 (2011) and $1,110,906 (2010) on deposit with the State Treasurer. Of that amount, $6,001,959 (2011) and $34,281,704 (2010) was restricted for construction projects and not available for general operations. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2011, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2011, approximately 86.7 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for $18,384,300 of corporate bonds rated lower medium and $15,015,000 of corporate bonds rated as very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds.

The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2011, the weighted average maturity of investments in the Treasurer's Pool is 0.015 years for Commercial Paper (1.3 percent of the Pool), 1.054 years for U.S. Government Securities (81.7 percent of the Pool), 1.06 years for Asset Backed Securities (6.9 percent of the Pool), and 3.133 years for Corporate Bonds (10.1 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2011 and 2010.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Comprehensive Annual Financial Report for the year ended June 30, 2011.

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

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

	2011	2010
Cash on hand	$ 20,505	$ 21,400
Cash in checking accounts at bank	2,706,773	2,444,665
Total cash	$ 2,727,278	$ 2,466,065

The carrying amount of the College's cash on deposit was $2,704,668 (2011) and $2,444,665 (2010) and the bank balance was $3,604,599 (2011) and $5,398,958 (2010). Of this bank balance, $3,573,557 (2011) and $5,361,215 (2010) was covered by federal depository insurance and the balance was collateralized by PDPA as described above. The difference between the College's cash in banks and the amount reported by the various banks was $899,931 (2011) and $2,954,293 (2010) in the form of outstanding checks. Of the total cash on deposit with banks, $1,440,267 (2011) and $1,467,450 (2010) was in an account restricted for capital construction and therefore unavailable for general operations.

Beginning July 1, 2008, 23-53-103.3, CRS authorized the Mesa State College Board of Trustees (BOT) to hold investments, unless externally restricted, in one or more consolidated funds in which the participation trusts or accounts have undivided interests. In accordance with the legislation, the Board of Trustees approved the Mesa State College Investment Policy and established an Investment Advisory Committee (IAC). The IAC is responsible for developing investment guidelines in support of the 'prudent investor' standard, providing liquidity, safety and yield. In formulating investment guidelines the IAC shall take into account institutional cash flow analysis, diversification of investments, appropriate time horizons, and credit quality of investments to establish return benchmarks at acceptable levels of risk. Liquidity of assets invested shall at all times remain at a level sufficient to pay for all budgeted, outstanding operational obligations and expenses occurring within any fiscal year. The College's investments were $6,027,950, including an unrealized gain of $688,072 and included equity securities, fixed income investments and short-term money market funds (2011), and $4,922,324, including an unrealized loss of $126,957 and included equity securities, fixed income investments and short-term money market funds (2010). All of the College's investments are registered in the College's name.

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

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. To mitigate interest rate risk, the College does not invest in instruments that have a maturity date longer than five years. Investments at June 30, 2011 consisted of the following:

Debt Securities	**Fair Value**	**Weighted S&P Rating**	**Average Maturity**	**Duration (in years)**
US Government Agencies	$ 796,496	AAA	7.50	4.24
Corporate Bonds	639,210	Aa2 – Baa2	4.45	2.94
Bond Mutual Funds	148,960	Average Rating B	3.86	3.01
Municipal Bond	50,176	Aa2	9.72	7.86
Money Market Mutual Funds	41,250		30 days	-
Other Investments				
Corporate Equities	2,285,136			
International Equities	1,089,080			
Mutual Funds	977,642			
	$ 6,027,950			

Investments at June 30, 2010 consisted of the following:

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

Investment income, gains and losses for Fiscal Year 2011 are as follows:

Beginning Investments -Cost	$ 5,049,280
Net Interest Revenue	78,197
Dividend Income	176,989
Net Realized Gain	57,820
Investment Fees	(22,398)
Investments – Cost	$ 5,339,888
Unrealized Gain	$ 688,062
Investments – Market	$ 6,027,950

The return on investments for Fiscal Year 2011 was 22.5% gross of fees and 22.0% net of fees.

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

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

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

NOTE 3 – ACCOUNTS AND LOANS RECEIVABLE

The following schedule shows the status of accounts and loans receivable and related allowance for doubtful accounts at June 30, 2011:

	Total	Less Allowance for Doubtful Accounts	Net
Entity Wide			
Accounts Receivable	$ 6,931,486	$(2,097,648)	$4,833,838

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

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

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, 2011.

	Balance July 1, 2010	Additions	Transfers	Disposals	Balance June 30,2011
Non-depreciable Capital Assets					
Land	$ 16,273,344	$ 1,700,387	$ 164,279	$ –	$ 18,138,010
Construction in Progress	56,200,247	27,414,118	(54,305,939)	–	29,308,426
Total Non-depreciable Capital Assets	$ 72,473,591	$ 29,114,505	$ (54,141,660)	$ –	$ 47,446,436
Depreciable Capital Assets					
Land Improvements	$ 18,240,426	$ 4,099,834	$ 2,633,475	$ –	$ 24,973,735
Buildings	171,305,666	7,527,703	51,508,185	(121,596)	230,219,958
Equipment	10,287,039	1,040,077	–	(443,768)	10,883,348
Library Materials	10,439,552	388,466	–	–	10,828,018
Total Depreciable Capital Assets	$ 210,272,683	$ 13,056,080	$ 54,141,660	$ (565,364)	$ 276,905,059

	Balance July 1, 2010	Additions	Transfers	Disposals	Balance June 30,2011
Less: Accumulated Depreciation					
Land Improvements	$ (2,824,814)	$ (1,080,211)	$ –	$ –	$ (3,905,025)
Buildings	(27,360,655)	(5,196,618)	–	75,998	(32,481,275)
Equipment	(5,778,241)	(893,107)	–	440,613	(6,230,735)
Library Materials	(7,509,171)	(474,292)	–	–	(7,983,463)
Total Accumulated Depreciation	$ (43,472,881)	$ (7,644,228)	$ –	516,611	$ (50,600,498)
Net Depreciable Capital Assets	$ 166,799,802	$ 5,411,852	$ 54,141,660	$ (48,753)	$ 226,304,561
Capital Assets, net	$ 239,273,393	$ 34,526,357	$ –	$ (48,753)	$ 273,750,997

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

	Balance July 1, 2009	Additions	Transfers	Disposals	Balance June 30,2010
Non-depreciable Capital Assets					
Land	$ 13,345,901	$ 2,155,266	$ 772,177	$ –	$ 16,273,344
Construction in Progress	64,801,927	47,131,162	(55,732,842)	–	56,200,247
Total Non-depreciable Capital Assets	$ 78,147,828	$ 49,286,428	$ (54,960,665)	$ –	$ 72,473,591
Depreciable Capital Assets					
Land Improvements	$ 15,147,921	$ 373,770	$ 2,718,735	$ (1,630,786)	$ 18,240,426
Buildings	102,099,446	18,595,076	52,241,930	(156,072)	171,305,666
Equipment	9,524,731	918,380	–	–	10,287,039
Library Materials	10,063,652	375,900	–	–	10,439,552
Total Depreciable Capital Assets	$ 136,835,750	$ 20,263,126	$ 54,960,665	$ (1,786,858)	$ 210,272,683
Less: Accumulated Depreciation					
Land Improvements	$ (1,996,926)	$ (827,888)	$ –	$ –	$ (2,824,814)
Buildings	(24,680,546)	(3,568,511)	–	888,402	(27,360,655)
Equipment	(5,148,208)	(784,004)	–	153,971	(5,778,241)
Library Materials	(7,053,728)	(455,443)	–	–	(7,509,171)
Total Accumulated Depreciation	$ (38,879,408)	$ (5,635,846)	$ –	1,042,373	$ (43,472,881)
Net Depreciable Capital Assets	$ 97,956,342	$ 14,627,280	$ 54,960,665	$ (744,485)	$ 166,799,802
Capital Assets, net	$ 176,104,170	$ 63,913,708	$ –	$ (744,485)	$ 239,273,393

Additions to buildings and construction in progress for the year ended June 30, 2011 includes $2,492,680 in capitalized interest as shown below.

Total Interest Expense	$	2,485,095
Plus Discount Amortization		7,585
Total Capitalized Interest	$	2,492,680

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

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

NOTE 5 – LONG-TERM LIABILITIES

Changes in long-term debt for the year ended June 30, 2011 were as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due in one year
Capital Lease	$ 7,976,771	$ –	$ 1,383,739	$ 6,593,032	$ 348,298
Series 2002B bonds	9,670,000	–	870,000	8,800,000	900,000
Bond discount - 2002	(437,929)	–	(36,893)	(401,036)	(36,953)
Series 2005 bonds	18,500,000	–	420,000	18,080,000	435,000
Bond premium - 2005	674,213	–	27,802	646,411	27,803
Series 2007 bonds	16,805,000	–	–	16,805,000	–
Bond premium - 2007	388,598	–	14,393	374,205	14,393
Series 2009A bonds	31,665,000	–	465,000	31,200,000	480,000
Bond premium - 2009A	1,715,401	–	75,127	1,640,274	75,127
Series 2009B bonds	30,000,000	–	–	30,000,000	–
Bond Discount 2009B	(218,886)	–	(7,337)	(211,549)	(7,337)
Series 2010A bonds	1,040,000	–	–	1,040,000	335,000
Bond premium 2010A	32,178	–	8,581	23,597	8,581
Series 2010B bonds	30,670,000	–	–	30,670,000	–
Bond discount 2010B	(182,582)	–	(5,751)	(176,831)	(5,751)
Notes Payable	161,940	–	7,129	154,811	7,490
Compensated Absences	1,289,910	131,062	–	1,420,972	191,831
	$ 149,749,614	$ 131,062	$ 3,221,790	$ 146,658,886	$ 2,773,482

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

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

Revenue Bonds Payable

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

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

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

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

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

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

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

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

The College in-substance defeased the Series 2008 bonds by placing the proceeds of the Series 2009A in an irrevocable trust to provide for future debt service payments on the Series 2008 bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the College's financial statements. At June 30, 2011 $28,445,000 is outstanding for the advance refunding that is considered defeased debt.

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

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

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

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

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

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

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

Pursuant to the Bond Resolution, the College made a deposit of $1,289,688 to the Series 2005 Debt Service Reserve fund from Series 2008 proceeds.

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

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

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

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

The following is a schedule of future minimum bond payments as of June 30, 2011:

Fiscal Year End:	2002B	2005	2007	2009AB	2010 AB	Total
2012	$ 1,340,200	$ 1,289,975	$ 844,494	$ 3,634,287	$ 2,339,051	$ 9,448,007
2013	1,409,150	1,289,750	844,494	3,564,887	2,339,001	9,447,282
2014	1,359,150	1,289,000	844,493	3,612,138	2,343,652	9,448,433
2015	1,344,150	1,290,400	844,493	3,627,588	2,342,852	9,449,483
2016	1,347,400	1,291,000	844,494	3,622,138	2,339,480	9,444,512
2017-2021	3,736,200	6,454,500	4,222,469	21,126,362	11,586,754	47,126,285
2022-2026	745,500	6,447,750	6,863,431	21,479,700	11,381,630	46,918,011
2027-2031	–	6,443,250	7,536,331	21,549,050	11,121,496	46,650,127
2032-2036	–	5,154,750	8,821,500	21,345,590	10,753,260	46,075,100
2037-2041	–	–	2,796,325	24,365,730	16,781,818	43,943,873
2042	–	–	–	–	8,336,862	8,336,862
Subtotals	$ 11,281,750	$ 30,950,375	$ 34,462,524	$127,927,470	$ 81,665,856	$ 286,287,975
Less Interest Included Above	(2,481,750)	(12,870,375)	(17,657,525)	(66,727,470)	(49,955,855)	(149,692,975)
Total Principal Outstanding	$ 8,800,000	$18,080,000	$ 16,804,999	$ 61,200,000	$ 31,710,001	$ 136,595,000
Less Current Portion	(900,000)	(435,000)	-	(480,000)	(335,000)	(2,150,000)
Net Long Term Principal	$ 7,900,000	$ 17,645,000	$ 16,804,999	$ 60,720,000	$ 31,375,001	$ 134,445,000
Less Unamortized Disc/ Premium	(401,036)	646,411	374,205	1,428,725	(153,234)	1,895,071
Bonds Payable Net	$ 7,498,964	$ 18,291,411	$ 17,179,204	$ 62,148,725	$ 31,221,767	$ 136,340,071

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

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

Capital Leases

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

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

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

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

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

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

The following is a schedule of future minimum capital lease payments as of June 30, 2011:

Fiscal Year End	**Principal**	**Interest**	**Total**
2012	$ 348,298	$ 292,833	$ 641,131
2013	374,846	282,084	656,930
2014	394,668	265,396	660,064
2015	415,220	252,101	667,321
2016	436,731	233,110	669,841
2017-2021	2,208,497	874,075	3,082,572
2022-2026	1,853,033	375,831	2,228,864
2027-2029	561,739	34,748	596,487
Total	$ 6,593,032	$ 2,610,178	$ 9,203,210

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

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

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 5 percent interest.

The following is a schedule of payments of notes payable as of June 30, 2011:

Total Payments:	**Year Ending June 30, 2011**
2012	$ 15,138
2013	15,138
2014	15,138
2015	15,138
2016	15,138
2017-2021	75,689
2022-2026	68,119
Total Principal and Interest Payments	$ 219,498
Less: Interest Included Above	(64,687)
Total Principal Outstanding	$ 154,811
Less: Current Portion	(7,490)
Net Long-term Principal	$ 147,321

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

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

Compensated Absences: Employees accrue annual and sick leave based on the length of service subject to certain limitations regarding the amount that will be paid upon termination and/or retirement. The estimated costs of compensated absences for which employees are vested for the years ended June 30, 2011 and June 30, 2010, are estimated as $1,420,972 (including the current portion of $191,831 listed in note 6 below) and $1,289,910 respectively. Expenses include an increase of $131,062 (2011) and $137,524 (2010) for the estimated compensated absence liability.

NOTE 6 – SHORT-TERM LIABILITIES

Year-end payables were as follows:

	Year Ending June 30, 2011	June 30, 2010
Accounts Payable, Vendors	$ 3,643,895	$ 5,087,063
Salaries and Benefits Payable	4,646,427	4,536,635
Capital Leases Payable, Current Portion	348,298	541,921
Capital Bonds Payable, Current Portion	2,150,000	1,755,000
Long-term Notes Payable, Current Portion	7,490	7,129
Compensated Absences, Current Portion	191,831	155,647
Retainage on Construction Contracts Payable	1,315,940	1,920,908
Accrued Interest Payable	1,175,017	1,371,387
Total Payables	$ 13,478,898	$ 15,375,690

NOTE 7 – CONTINGENT LIABILITIES

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

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

NOTE 8 – ENCUMBRANCES

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

	June 30, 2011	June 30, 2010
Education and General	$ 595,391	$ 603,777
Auxiliary Enterprises	635,615	961,170
Restricted Funds	62,140	60,112
Plant Funds	6,982,492	15,575,899
Total	$ 8,275,638	$ 17,200,958

NOTE 9 – PENSION PLAN OBLIGATIONS

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

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

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

New employees, excluding four-year college and university employees, are allowed 60 days to elect to participate in PERA's defined contribution retirement plan. If that election is not made, the employee becomes a member of PERA's 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 institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2010, are required to become members of PERA's defined benefit or defined contribution 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. 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 defined contribution plan is the same as the contributions to the PERA defined benefit plan.

Based on changes in the 2010 legislative session slightly different plan requirements were in effect until December 31, 2010. The following requirements were effective at June 30, 2011.

Plan members (except State troopers) are eligible to receive a monthly retirement benefit when they meet age and service requirements 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 between January 1, 2007 and December 31, 2010 – 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. For employees hired before January 1, 2007, age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010 if the member has less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

Members with five years of service credit at January 1, 2011, are also eligible for retirement benefits without a reduction for early retirement based on the original hire date, as follows:

- Hired before January 1, 2007 – age 55 and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 and age plus years of service equals 85 or more. For members hired before January 1, 2007, age plus years of service increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

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.

Most members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service 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 contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods if the salaries used were from the last three years of employment. For retirements after January 1, 2009, four periods are used and are ranked from lowest to highest with the maximum increase between years limited to 15 percent. For members hired on or after January 1, 2007, the maximum increase between ranked periods is 8 percent. Notwithstanding any other provisions, members first eligible for retirement after January 2, 2011 have a maximum increased between periods of 8 percent.

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)
- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

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

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. Effective July 1, 2010 Senate Bill 10-146 requires members in the State and Judicial Divisions to pay 2.5 percent additional member contributions through June 30, 2011. Employer contributions for members in these two divisions will be reduced by 2.5 percent. Senate Bill 11-076 continued these contribution rates through June 30, 2012.

From July 1, 2010, to December 31, 2010, the state contributed 11.35 percent (14.05 percent for State troopers and 14.86 percent for the Judicial Branch) of the employee's salary. From January 1, 2011, through June 30, 2011, the state contributed 12.25 percent (14.95 percent for State troopers and 14.86 percent for the Judicial Branch). During all of Fiscal Year 2010-11, 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, 2010, the division of PERA in which the state participates has a funded ratio of 62.8 percent and a 47 year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 61.3 percent.

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 increase in the SAED will be deducted from the amount of changes to state employees' salaries, and used by the employer to pay the SAED.

In the 2010 legislative session, the General Assembly extended both the AED and SAED. The AED will continue to increase at a rate of 0.4 percent of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. Both the AED and SAED will be reduced by one-half percent point when funding levels reach 103 percent, and both will be increased by one-half percent point when the funding level subsequently falls below 90 percent. Neither the AED or the SAED may exceed 5 percent.

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

The College's contributions to the Defined Benefit Plan and the Health Care Trust Fund for the fiscal years ended June 30, 2011, 2010, and 2009 were $1,352,073, $1,455,233, and $1,341,476 respectively. These contributions met the contribution requirement for each year.

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, 2011, 2010, and 2009 were $1,853,168, $1,770,034, and $1,671,890 respectively. Employee contributions were 8 percent of covered payroll. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

C. STUDENT RETIREMENT PLAN

Beginning in Fiscal Year 1993, in accordance with the provisions of CRS 24-54.6 and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5 percent contribution on the employee's part with no employer contribution. Total payroll covered by the plan for fiscal years ended June 30, 2011 and 2010 were $759,027 and $632,448. Employee contributions were $56,927 and $47,434 for fiscal years ended June 30, 2011 and 2010, or 7.5 percent of covered payroll.

NOTE 10 – VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the state's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the state's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants.

In calendar year 2010, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporarily increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2010, for total contributions of $22,000. Contributions and earnings are tax deferred. At December 31, 2010, the plan had 18,215 participants.

PERA also offers a voluntary 401k plan entirely separate from the defined benefit pension plan, the deferred compensation plan, and the defined contribution plan. Certain agencies and institutions of the state offered 403(b) or 401(a) plans.

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

Health Care Program

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

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitle to Medicare and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitle to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 9B. Beginning July 1, 2004, the College is required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The College contributed $83,034, $92,680, and $87,108, as required by statute as of June 30, 2011, 2010 and 2009, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2010, there were 48,455 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2010, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.35 billion, a funded ratio of 17.5 percent, and a 42-year amortization period. The actuarial valuation was based on the entry age cost method, an 8 percent investment rate of return, a 4.5 percent projection of salary increases (assuming a .75 percent inflation rate), a 3.5 percent annual medical claims increase, no post-retirement benefit increases, and a level dollar amortization on an open basis over 30 years.

NOTE 12 – COMPONENT UNITS

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

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

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

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

MESA STATE COLLEGE FOUNDATION

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

The Foundation solicits and receives donations and other forms of support for the benefit of the College's intercollegiate athletic program as well as other programs and/or initiatives. Expenditures are primarily scholarships awarded. During fiscal year 2011, the Foundation awarded $641,143 in scholarship funds directly to Mesa State College students. Since the funds were paid directly to students, the College did not record related revenue or expense. Accordingly, this amount is not included in the schedule of Student Financial Assistance provided in Note 13. The Foundation received donations to partially fund regular operations of various college departments. During Fiscal Year 2011 cash and in-kind donations totaled $2,460,088 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 2011 follow those for Fiscal Year 2010.

FOUNDATION – INVESTMENTS – Fiscal Year 2011

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

	Cost	Fair Value	Unrealized Gain(Loss)
Cash & Money Markets	$ 1,246,824	$ 1,246,824	$ –
Bonds	2,471,024	2,604,441	133,417
Common Stock	3,881,567	4,555,014	673,447
Mutual Funds	3,899,697	4,596,793	697,096
Real Estate	508,000	508,000	–
	$ 12,007,112	$ 13,511,072	$ 1,503,960

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

	Temporarily Restricted	Permanently Restricted	Total
Investment Income	$ 312,939	$ –	$ 312,939
Investment Fees	(98,842)	–	(98,842)
Realized Gains (Losses)	313,819	–	313,819
Unrealized Gains (Losses)	1,634,343	–	1,634,343
Total	$ 2,162,259	$ –	$ 2,162,259

FOUNDATION – INVESTMENTS – Fiscal Year 2010

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

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

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

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

FOUNDATION – PROMISES TO GIVE – Fiscal Year 2011

Unconditional promises to give at year end consisted of the following:

Mesa State College Building Projects	$ 524,482
Mesa State College Campus Expansion	400,000
Scholarships – Endowment	364,000
Scholarships - Temporary	743,038
Subtotal	2,031,520
Less discounts to net present value – Discount rate 7%	(196,490)
Less allowance for uncollectible promises receivable	(40,000)
Total	$ 1,795,030

Receivable in less than one year	$ 581,557
Receivable in one to five years	1,076,079
Receivable in more than five years	137,394
Total	$ 1,795,030

FOUNDATION – PROMISES TO GIVE – Fiscal Year 2010

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

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

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

FOUNDATION – PROPERTY AND EQUIPMENT – Fiscal Year 2011

Property and equipment consist of the following:

	Estimated Useful Life	
Building	20-30 years	$ 550,580
Furniture and Fixtures	5-10 years	235,017
Memorial Alcove	10 years	7,400
		792,997
Less: Accumulated Depreciation		(490,865)
		$ 302,132

FOUNDATION – PROPERTY AND EQUIPMENT – Fiscal Year 2010

Property and equipment consist of the following:

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

FOUNDATION – LINE OF CREDIT – Fiscal Year 2011

Mesa State College has plans to further expand the size of the college campus. The Foundation is assisting in the expansion by purchasing real estate needed for campus expansion. At the time of closing on real estate purchases, the Foundation quitclaims the real estate to Mesa State College. $1,341,887 of real estate was purchased and quitclaimed to Mesa State College during the last year.

To facilitate the purchase of real estate at the most advantageous prices and terms, the Foundation has a line of credit with a bank in the amount of $2,500,000 which matures June 2, 2013. The initial interest rate was 4% adjusted annually to a floating rate based on a Prime Rate; interest payments are due each month. At year end, the Foundation's balance on this loan was $950,000. The collateral for the loan is tangible and intangible real and personal property that the Foundation owns.

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

FOUNDATION – LINE OF CREDIT – Fiscal Year 2010

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

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

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

MESA STATE COLLEGE REAL ESTATE FOUNDATION

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

Under an operating agreement with the College, the parties generally intend to satisfy MSCREF's need for financial capital by allowing MSCREF to retain a portion of proceeds on an approximate 20% (MSCREF), 80% (College) sharing. In Fiscal Year 2009, the Board granted $1,187,500 to MSCREF and entered into a capital lease for the acquisition of property that is described in Note 5 above and MSCREF made a capital transfer of $1,192,962 back to the College. In Fiscal Year 2011, the College transferred $904,327 to MSCREF for property acquisitions as part of the College's expansion project and the Foundation made capital property transfers of $916,300 to the College.

The following are excerpts from the Fiscal Year 2011 and 2010 MSCREF independent annual financial report.

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

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

	2011	2010
Cost of land held for investment and developed costs	$ 868,568	$ 831,227
Building	22,352	22,352
Accumulated Depreciation	(11,176)	(7,451)
Total land held for investment	$ 879,744	$ 846,128

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

MSCREF – CAPITAL LEASE RECEIVABLE FROM THE COLLEGE

On December 29, 2008, the Board of Trustees granted $1,187,500 to the MSCREF and entered into a lease-receivable agreement with the College to finance the acquisition of property adjacent to the College's Western Community College campus. MSCREF made an equity contribution of $1,187,500 and issued a lease revenue bond through the Colorado Educational and Cultural Facilities Authority for $3,562,500.

The College has the option to purchase the MSCREF's interest in the leased property by paying the MSCREF an amount which is sufficient to pay the outstanding principal and interest of the bond, and any other amounts due under the lease agreement. The College presently expects to exercise its option to purchase the leased property by paying the purchase option price on December 29, 2011; but this representation does not obligate or otherwise bind the College. The contract provides that any commitments beyond the current year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available. It is reasonably assured that sufficient funds will be available for the full term of the contract, and, therefore are treated as non-cancelable for financial reporting purposes.

Future minimum lease payments (subject to Mesa State College annual appropriation) under the lease are as follows at June 30, 2011:

	Principal	Interest	Total
2012	$ 380,951	$ 36,683	$ 417,634
2013	392,379	25,255	417,634
2014	404,151	13,483	417,634
2015	45,288	1,358	46,646
	$ 1,222,769	$ 76,779	$ 1,299,548

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

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

MSCREF – OPERATING LEASE COMMITMENTS

MSCREF leases four commercial spaces in Grand Junction from Mesa State College to tenants under non-cancelable operating leases with terms of five to ten years. MSCREF retains 20% of rental income as a management fee, and the other 80% is paid to Mesa State College. The rental income for the year was $111,325, of which MSCREF kept 20% ($22,264) as a management fee.

In Fiscal Year 2010, MSCREF entered into a master lease with the College to rent six commercial spaces in the North Avenue Student Housing complex (NASH). Under the terms of the lease MSCREF will remit 100% of the tenant rents to the College until the costs of tenant improvements and lease commission fees are recovered, after which MSCREF will retain, as a management fee, rental income over $15 per square foot. The balance to be recovered by the College at June 30, 2011 was $481,834. As of June 30, 2011, all six commercial properties were under MSCREF leases. Terms of the leases range from five to ten years and rents range from $17 to $20 per square foot.

MSCREF – BOND PAYABLE

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

	Principal	Interest	Total
June 30, 2011	$ 1,222,716	$ 36,683	$ 1,259,452

Below is the schedule of debt service payments at June 30, 2010:

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

NOTE 13 – STUDENT FINANCIAL ASSISTANCE

The College receives funds from and administers student financial assistance programs for various federal and state agencies. In addition, the College dedicates institutional resources to fund scholarships and work-study programs for students. With the implementation of GASB 34 in 2002, the new financial statement format lacks the detail of student financial assistance available on pre-2002 financial statements since part of the revenues previously recorded are now properly netted against tuition and fees with a corresponding reduction in scholarship expense. The tables below reflect the student financial assistance activities that the College received resources for and expended on behalf of students in Fiscal Years 2011 and 2010. Student loans, external scholarships, grants, and other student financial assistance not recorded on the College's financial system are not included.

A schedule of non-loan student assistance for the year ended June 30, 2011 follows:

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Scholarships				
Colorado Student Grants	$ –	$ 2,540,381	$ –	$ 2,540,381
CLEAP	16,551	40,442	–	56,993
SLEAP	22,085	26,539	–	48,624
Pell Grants	13,361,535	–	–	13,361,535
General Institutional	–	–	3,822,749	3,822,749
Auxiliary	–	–	978,096	978,096
Other Federal Scholarships	328,277	–	–	328,277
Work Study **	159,589	689,572	2,226,700	3,075,861
SEOG	122,867	–	40,956	163,823
Total	$14,010,904	$3,296,934	$7,068,501	$24,376,339

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

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

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Scholarships				
Colorado Need-based	$ -	$ 2,802,216	$ -	$ 2,802,216
SLEAP	15,595	26,405	-	42,000
CLEAP	15,287	37,103	-	52,390
Governor's Opportunity	-	69,792	-	69,792
Pell Grants	9,592,897	-	-	9,592,897
General Institutional	-	-	3,113,627	3,113,627
Auxiliary	-	-	793,845	793,845
Other Federal Scholarships	149,360	-	-	149,360
Work Study **	213,124	699,590	1,763,396	2,676,110
SEOG	139,679	-	46,560	186,239
Total	$10,125,942	$3,635,106	$5,717,428	$19,478,476

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

NOTE 14 – LEGISLATIVE APPROPRIATION

The Colorado Legislature establishes spending authority for the Trustees of Mesa State College in its annual Long Appropriation Bill. In Fiscal Year 2010, the Colorado Legislature appropriated $355,332 for the Tomlinson Library roof repair. In Fiscal Year 2009, the Colorado Legislature appropriated $18,400,687 for Saunders Field House Addition and for controlled maintenance projects. Of that, $182,677 (2011) and $4,487,587 (2010) was spent and realized as capital construction appropriated revenue.

NOTE 15 – TABOR ENTERPRISE STATUS

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

To qualify as a TABOR-exempt enterprise, a higher education institution needs to be a government-owned business authorized to issue its own revenue bonds and receiving less than 10 percent of its revenue grants from all Colorado state and local governments combined. Designation will be reviewed at the end of each year to determine that the colleges and universities continue to meet TABOR-exempt criteria. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any of the provisions of TABOR.

The schedule below shows the TABOR Enterprise State support calculation for Fiscal Year 2011.

State Grants		
Capital appropriations	$	182,677
State Share – Certificate of Participation		648,286
Total State Grants	$	830,963
Total Revenues (gross operating, non-operating, and other revenues)	$	97,836,100
Ratio of State Grants to Total Revenues		0.85%

NOTE 17 – RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

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

NOTE 18 – CHANGE IN FINANCIAL STATEMENT PRESENTATION

The College reclassified Investments of $4,922,234 that were reported as a non-current asset in Fiscal Year 2010 as current assets. This change is supported by GASB Statement Number 62 which includes in its definition of current assets, "marketable securities representing the investment of cash available for current operations." Because Investments do not have any claims or restrictions against them, classifying them as current assets is more appropriate.

The College reclassified the account receivable due from the State Treasurer of $3,652,294 that was reported as a current asset at June 30, 2010 to a non-current asset. The receivable was restricted to the Wubben Science Hall renovation project and was not available for current operations.

NOTE 19 – SUBSEQUENT EVENTS

Institution Name Change: With the passage of SB 11-265, Colorado Revised Statute (CRS) 23-53-102 was amended, effective August 10, 2011, to confer university status and re-name the institution Colorado Mesa University.

Land purchase agreement: In July 2011, the College contracted to purchase an adjacent piece of property for $1,704,000 by paying $480,000 cash and issuing a note payable for $1,224,000 due on July 15, 2014. The note has interest of 0% and is secured by a second Deed of Trust.

Series 2011 Bond: In August 2011, the College issued Auxiliary Facilities System Enterprise Revenue Bond Series 2011for $8,000,000. The bond matures in August 2021 with variable interest calculated as the product of (a) the Bank Qualified factor; and the sum of (i) the Five Year Treasury, Constant Maturity; plus (ii) 210 basis points. The initial rate is 2.49% and shall remain in effect for a five-year period. The bond will be recalculated in 2016 using the formula above. The Bond will recalculate each year using the above formula and the College may accept the recalculated rate for a period of five years or through the Series 2011 maturity date, whichever is shorter. The College is under no obligation to accept any recalculated rate.

SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUE AND EXPENSES
FOR
ENTERPRISE REVENUE BONDS

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

	Fiscal Year 2011	Fiscal Year 2010
OPERATING REVENUES		
Pledged Tuition Revenue	$ 5,117,276	$ 3,897,537
Residence Halls and Apartments	8,694,692	7,746,367
Food Services	5,343,486	4,802,711
College Center	2,696,037	906,957
Bookstore	4,479,220	4,133,321
Recreation Center	1,810,474	1,550,860
Campus Parking	489,275	491,830
Central Services	496,791	591,321
Student Fee Revenue	1,123,877	1,211,938
Total Revenue	$ 30,251,128	$ 25,332,842
OPERATING EXPENDITURES		
Residence Halls and Apartments	$ 4,073,927	$ 3,501,946
Food Services	3,576,050	3,069,143
College Center	551,475	307,823
Bookstore	4,041,601	3,787,296
Recreation Center	1,446,565	1,064,095
Campus Parking	222,874	211,739
Central Services	330,454	93,639
Total Operating Expenditures	$ 14,242,946	$ 12,035,681
Net Revenue Before Transfers	$ 16,008,182	$ 13,297,161
Transfers		
Mandatory Transfers	$ (6,498,366)	$ (3,902,483)
Net Non-mandatory Transfers	(4,179,921)	(4,200,022)
Total Transfers	$ (10,678,287)	$ (8,102,505)
Increase (Decrease) in Fund Balance	$ 5,329,895	$ 5,194,656
Net Operating Revenue	$ 16,008,182	$ 13,297,161
Bond Principal and Interest	6,498,366	5,021,653
Excess of Net Operating Revenue Over Debt Service	$ 9,509,816	$ 8,275,508
Debt Service Coverage Ratio	246%	265%

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

November 3, 2011

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, 2011 and 2010, and have issued our report thereon dated November 3, 2011. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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November 3, 2011
Page Two

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.

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

CSD

AUDIT COMMITTEE COMMUNICATIONS

November 3, 2011

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, 2011 and 2010, and have issued our report thereon dated November 3, 2011. As required by professional auditing standards, we are providing you with information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters on May 3, 2011.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mesa State College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011 or 2010. We noted no transactions entered into by Mesa State College during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Management's estimate of depreciation is based on the estimated useful life of the fixed assets being depreciated at June 30, 2011. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 3, 2011.

Members of the Legislative Audit Committee
November 3, 2011
Page Three

Management Consultations with Other Independent Accountants

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

Other Audit Finding or Issues

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

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

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

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION

MESA STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
For the Years Ended June 30, 2011 and 2010

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, 2011 and 2010, 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, 2011 and 2010.

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, 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 $3,335,397 and $3,666,588 for the fiscal years ended 2011 and 2010, 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 2011 and 2010, respectively, of $13,361,535 and $9,592,897 in the Pell Grant Program, $122,867 and $139,679 in the Supplemental Educational Opportunity Grant Program, and $182,862 and $191,555 in the College Work-Study Program.

During the audit period Mesa State College obtained authorizations to award Colorado student financial aid funds for 2011 and 2010, respectively, of $66,981 and $63,508 in total for the CLEAP and SLEAP Programs, $2,530,381 and $2,802,816 in the Colorado Need-based Grant Program, $689,590 and $699,590 in the Colorado Work-Study Program, and $10,000 and $79,320 in the Governor's Opportunity Scholarship Program.

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

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

November 3, 2011

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, 2011 and 2010. 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 *Guidelines for Administering State-Funded Student Assistance Programs*, issued by the Colorado Commission on Higher Education (CCHE), 2011 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, 2011 and 2010, in conformity with the provisions of the Colorado Commission on Higher Education's *Guidelines for Administering State-Funded Student Assistance Programs.*

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Members of the Legislative Audit Committee
November 3, 2011
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2011 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, 2011

	Total State-Funded Student Assistance	Colorado Work-Study	Governor's Opportunity Scholarship	CLEAP	SLEAP	Colorado Need-Based Grant
Appropriations:						
Original	$ 3,306,097	$ 664,590	$ 29,388	$ 52,390	$ 48,736	$ 2,510,993
Supplemental	29,603	25,000	(19,388)	4,603	-	19,388
Transfers	-	-	-	-	-	-
TOTAL	3,335,700	689,590	10,000	56,993	48,736	2,530,381
Expenditures	3,335,397	689,399	10,000	56,993	48,624	2,530,381
Reversions to State General Fund	$ 303	$ 191	$ -	$ -	$ 112	$ -

YEAR ENDED JUNE 30, 2010

	Total State-Funded Student Assistance	Colorado Work-Study	Governor's Opportunity Scholarship	CLEAP	SLEAP	Colorado Need-Based Grant
Appropriations:						
Original	$ 3,647,852	$ 664,590	$ 104,320	$ 52,390	$ 48,736	$ 2,777,816
Supplemental	35,000	35,000	(25,000)	-	-	25,000
Transfers	-	-	-	-	-	-
TOTAL	3,682,852	699,590	79,320	52,390	48,736	2,802,816
Expenditures	3,666,588	699,590	69,792	52,390	42,000	2,802,816
Reversions to State General Fund	$ 16,264	$ -	$ 9,528	$ -	$ 6,736	$ -

MESA STATE COLLEGE

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

June 30, 2011 and 2010

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 *Guidelines for Administering State-Funded Student 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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