COLORADO MESA UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT

Fiscal years ended June 30, 2013 and 2012

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COLORADO MESA UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY

Fiscal years ended June 30, 2013 and 2012

Authority, Purpose and Scope

The audit of Colorado Mesa University was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all State agencies. The 2013 audit was conducted under contract with Dalby, Wendland & Co., P.C. The audit was made in accordance with audit 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. Audit work was performed during June through October 2013.

The purposes and scope of the audit were to:

- Perform a financial and compliance audit of Colorado Mesa University for the year ended June 30, 2013 and to express an opinion on the financial statements. This included a review of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

- Review of the University's compliance with state and federal laws and regulations that could have a material effect on the University's financial statements.

- Express an opinion on the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs for the fiscal year ended June 30, 2013

- Perform audit work to evaluate the University's progress in implementing prior audit recommendations, if any.

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

Audit Results and Summary of Major Audit Findings

Dalby, Wendland & Co., P.C. expressed an unqualified opinion on the financial statements for the year ended June 30, 2013 and 2012. There were no current year audit findings.

DESCRIPTION OF COLORADO MESA UNIVERSITY

House Bill 03-1093 authorized independent governance for Colorado Mesa University effective July 1, 2003 and a new Board of Trustees was appointed to govern the University.

The Board of Trustees of Colorado Mesa University is the governing board for Colorado Mesa University. The Board of Trustees has oversight and responsibility in the areas of finance, resources, academic programs, admissions, role and mission and personnel policies. The Board consists of nine voting and two non-voting members. The voting members are appointed by the Governor, confirmed by the Colorado State Senate and serve four-year terms. The University faculty and student body each elect one non-voting member to serve two- and one-year terms, respectively. The University president is appointed by the Board and is responsible for day-to-day management of the institution and its employees. The Board conducts its business at regular monthly meetings and special meetings, all of which are open to the public. The Colorado Commission on Higher Education is the policy and coordinating board for the state's higher education system, including Colorado Mesa University.

Colorado Mesa University is a liberal arts University with graduate programs in Teacher Education, Business, Nursing, and Art. Section 23-53-101, C.R.S., provides that Colorado Mesa University shall be a general baccalaureate institution with selective admission standards. Colorado Mesa University is a regional educational provider approved to offer limited professional programs. Colorado Mesa University shall also maintain a community college role and mission, including career and technical education programs.

Full-time equivalent (FTE) student, faculty, and staff reported by the University for the last three fiscal years were as follows:

	2011	2012	2013
Resident Students	5,946.2	6,403.8	6,639.4
Nonresident Students	835.7	947.2	1,027.5
Total Students	6,781.9	7,351.0	7,666.9
Faculty FTEs	300.7	336.8	364.9
Staff FTEs	282.4	300.9	321.3
Total Staff and Faculty FTEs	583.1	637.7	686.2

DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS

Listed below are the recommendations included in the audit report for Colorado Mesa University for the year ended June 30, 2012, and their disposition as of June 30, 2013.

	Recommendation	Disposition
1.	Colorado Mesa University should ensure that purchasing cardholders and approving authorities comply with the procurement card policy that all purchases recorded in order logs are approved by the 15th of the following month.	Implemented

FINANCIAL STATEMENTS SECTION

DALBY, WENDLAND & CO., P.C.
CPAs and Business Advisors

Grand Junction
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INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities, and discretely presented component units, of Colorado Mesa University (the University), an institution of Higher Education, State of Colorado, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Colorado Mesa University Foundation and the Colorado Mesa University Real Estate Foundation (the Foundations), discretely presented component units, discussed in note 1 to the basic financial statements, which represent 100 percent of total assets, total revenues, and net assets of the aggregate discretely presented component units as of and for the years ended June 30, 2013 and 2012, respectively. Those financial statements were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundations, are 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundations were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Colorado Mesa University, an institution of higher education, State of Colorado as of June 30, 2013 and 2012, and the changes in its financial position, and its cash flows, where applicable, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1, the financial statements of the Colorado Mesa University, an institution of higher education, State of Colorado are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and the aggregate discretely presented component units of the State that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audits were performed for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedules of Revenues and Expenditures for Enterprise Revenue Bonds are presented for purposes of additional analysis and are not a required part of the basic financial statements of the University.

The Schedules of Revenues and Expenditures for Enterprise Revenue Bonds are the responsibility of the University's management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the Schedules of Revenues and Expenditures for Enterprise Revenue Bonds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Dalby, Wendland & Co, P.C.
DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado

December 4, 2013

This section of Colorado Mesa University's (the University) annual financial report presents management's discussion and analysis of the financial performance of the University during the years ended June 30, 2013 and 2012. It is intended to make the University's financial statements easier to understand and communicate our financial position in an open and accountable manner. It presents an analysis of the University's position and operating results as of and for Fiscal Years 2013 and 2012, with comparative information for Fiscal Year 2011. This discussion focuses on current activities and known facts and therefore should be read in conjunction with the financial statements and accompanying notes to the financial statements. University management is responsible for the completeness and fairness of this discussion and analysis, as well as the underlying systems of internal controls.

Understanding the Financial Statements

Financial highlights are presented in this discussion and analysis to help your assessment of the University's financial activities. Because the information is reported in a summarized form, it should be read in conjunction with the financial statements, which include:

- **Independent Auditor's Report** presents an unmodified opinion on the fairness, in all material respects, of our financial statements.

- **Statements of Net Position** report the assets, deferred outflows, liabilities, and net position as of June 30, 2013 and 2012. The purpose is to present a financial snapshot of the University and assist readers in determining the assets available for operations, amounts owed to employees, vendors and other creditors and the net position available for future on-going concerns of the University.

- **Statements of Revenues, Expenditures and Changes in Net Position** present total revenues earned and expenses incurred for operating, non-operating and other activities during Fiscal Years 2013 and 2012. The purpose is to help the readers assess the University's operating and non-operating activities.

- **Statements of Cash Flows** report the University's cash receipts and cash disbursements during Fiscal Years 2013 and 2012. The purpose is to help the readers assess the University's ability to generate cash flows sufficient to meet obligations as they become due.

- **Notes to the Financial Statements** present additional information to support the financial statements. The purpose is to clarify and further explain information in the financial statements.

The University has two discretely presented component units included in its financial statements, which is a required presentation in accordance with generally accepted accounting principles. The Colorado Mesa University Foundation (Foundation) is a separate non-profit 501(c)(3) corporation formed to provide financial assistance to Colorado Mesa University students and to otherwise assist the University in serving educational needs. The Foundation engages in activities that may be beyond the scope of the Colorado Mesa University Board of Trustees. The Foundation's records are maintained separately from the University. The Colorado Mesa University Real Estate Foundation (CMUREF) is a separate non-profit 501(c)(3) corporation formed to acquire, manage and dispose of properties in order to provide financial assistance to the University. CMUREF engages in activities that may be beyond the scope and control of the Colorado Mesa University Board of Trustees and its financial records are maintained separately from the University.

Financial Highlights
Colorado Mesa University's net position continued to increase over the past three years, which is an indication of financial health. For Fiscal Years 2013 and 2012, the University's net position has increased by $10.7 million and $5.4 million, respectively. Net position has increased from $161.2 million (2011) to $166.6 million (2012) to $177.3 million (2013). Fiscal Year 2013 and Fiscal Year 2012 increases were primarily from net operating and non-operating revenues of $7.3 million and $7.0 million, respectively. Other net revenues in Fiscal Year 2013 included $5.7 million in capital donations and $458 thousand in state capital contributions, offset by $2.8 million of transfers to other institutions. Fiscal Year 2012 other net revenues included capital donations of $4.8 million, state capital appropriations of $32 thousand, less $5.7 million of transfers to other institutions. Transfers to other institutions in fiscal years 2013 and 2012 were primarily to the CMUREF for property acquisitions.

Throughout the University's growth – capital assets before depreciation increased from $324.4 million at the end of Fiscal Year 2011 to $376.6 million at June 30, 2013 – the University has maintained current ratios of 2.27 (2013) and 2.24 (2012). The current ratio [current assets/current liabilities adjusted for current liabilities paid by restricted (non-current) cash] demonstrates the liquidity of assets and the relative availability of working capital to fund current operations.

Combined net tuition and fee and auxiliary enterprises revenues increased by $5.7 million from Fiscal Year 2012 to Fiscal Year 2013 and are directly related to the continued enrollment increases over the past several years. Undergraduate enrollments on a student FTE basis at the University increased from 7,300.4 in Fiscal Year 2012 to 7,617.1 in Fiscal Year 2013 (4.3%). Graduate enrollment decreased from 50.6 in Fiscal Year 2012 to 49.8 in Fiscal Year 2013 (-1.6%). Overall enrollments increased by 4.3% in Fiscal Year 2013 compared to Fiscal Year 2012.

Statements of Net Position
The Condensed Statements of Net Position show the University has grown over the past three years. Increases or decreases in net position are one indicator of the University's financial health when considered in conjunction with non-financial facts such as student enrollment and the condition of facilities. Analyses of the University's Capital Assets and the University's Debt are discussed below, while this section provides analysis of the University's non-capital assets and non-debt liabilities.

Condensed Statements of Net Position as of June 30, 2013, 2012 and 2011 *(in thousands)*

				Increase (Decrease) 2013 vs 2012	
	2013	**2012**	**2011**	**Amount**	**Percent**
Assets					
Current Assets	$ 35,621	$ 32,944	$ 32,620	$ 2,677	8.1%
Other Noncapital Assets	24,741	14,001	10,074	10,740	76.7%
Net Capital Assets	308,373	291,203	273,751	17,170	5.9%
Total Assets	**368,735**	**338,148**	**316,445**	**30,587**	**9.0%**
Deferred Outflows of Resources	**7,763**	**8,303**	**-**	**(540)**	**-6.5%**
Liabilities					
Nondebt Liabilities	14,024	11,180	13,532	2,844	25.4%
Debt Liabilities	185,160	168,622	141,545	16,538	9.8%
Total Liabilities	**199,184**	**179,802**	**155,077**	**19,382**	**10.8%**
Net Position					
Invested In Capital Assets	124,597	133,190	134,407	(8,593)	-6.5%
Restricted	27,850	16,998	12,057	10,852	63.8%
Unrestricted	24,867	16,461	14,723	8,406	51.1%
Total Net Position	**$ 177,314**	**$ 166,649**	**$ 161,187**	**$ 10,665**	**6.4%**

Unrestricted cash and investments of $29.2 million (2013) and $27.1 million (2012) and restricted cash of $23.3 million (2013) and $12.6 million (2012) make up 87.0% and 84.5% of the University's total non-capital assets as of June 30, 2013 and 2012, respectively.

Restricted cash primarily represents unspent bond proceeds of $21.8 million (2013) and $11.3 million (2012) to be used for capital construction activity, as well as $1.4 million (2013) and $1.3 million (2012) for debt service payments and required debt service reserves. The $10.7 million increase in other non-capital assets from Fiscal Year 2012 to Fiscal Year 2013 is the increase in restricted cash of $23.2 million from $12.6 million (2012).

Deferred outflows of resources represent unamortized book losses on certain bond refinancing transactions. See Note 5 to the financial statements for detailed information. The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 63 and Statement No. 65 which define certain elements of the financial statements previously reported as assets or liabilities as deferred outflows or deferred inflows of resources. Assets and liabilities are resources and obligations with present service capacities and present obligations, while deferred outflows and inflows of resources are acquisitions and uses of net assets that relate to a future period. See Note 1 to the financial statements for more detail.

Non-debt liabilities of $14.0 million (2013) and $11.2 million (2012) make up 7.0% and 6.2% of total liabilities. The largest categories of non-debt liabilities include accrued payroll liabilities of $5.2 million (2013) and $5.0 million (2012), accounts payable and non-payroll accrued liabilities of $4.3 million (2013) and $2.4 million (2012), unearned revenues of $2.0 million (2013) and $1.5 million (2012) and compensated absences liabilities of $1.5 million (2013) and $1.4 million (2012).

At June 30, 2013, the University's total investment in net position was $177.3 million compared to $166.6 million at June 30, 2012. The University's net position is shown in three categories on the Statement of Net Position:

- Invested in capital assets, net of related debt issued to fund the acquisition and construction of those assets, is the largest net asset category with $124.6 million (2013) and $133.2 million (2012). This category comprises 70.3% and 79.9% of total net position for Fiscal Years 2013 and 2012 respectively and represents investments in campus facilities and equipment, net of related accumulated depreciation.

- Restricted net position for capital projects, loans and other purposes was $27.9 million (2013) and $17.0 million (2012). This category of net position represents amounts for specific purposes and allows the University to fully expend those funds in accordance with the purposes identified by the entities providing the funds. The increase of $10.9 million from Fiscal Year 2012 to Fiscal Year 2013 is primarily the increase in unspent bond funds as described above. All of the University's restricted net position is expendable.

- Unrestricted net position was $24.9 million (2013) and $16.5 million (2012) and represents the amount available for spending for any lawful purpose, at management's discretion. In some instances, management of the board has placed internal designations on the use of these funds.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position 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 the University. 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, transfers between funds and other organizations and agencies and gains or losses from the disposal of assets.

Condensed Statements of Revenues, Expenditures and Changes in Net Position for Years Ended June 30, 2013, 2012 and 2011 *(in thousands)*

				Increase (Decrease) 2013 vs 2012	
	2013	**2012**	**2011**	**Amount**	**Percent**
Operating revenues	$ 86,838	$ 81,102	$ 76,910	$ 5,736	7.1%
Operating expenses	90,712	84,611	78,124	6,101	7.2%
Operating Income (Loss)	(3,874)	(3,509)	(1,214)	(365)	10.4%
Net non-operating revenues	11,197	10,485	12,383	712	6.8%
Income before Other Revenues	7,323	6,976	11,169	347	5.0%
Other revenues, expenditures, gains, losses and transfers	3,342	(837)	(2,612)	4,179	499.3%
Increase in Net Position	10,665	6,139	8,557	4,526	73.7%
Net Position at Beginning of Year	166,649	161,187	152,630	5,462	3.4%
Restatement	-	(677)	-	677	100%
Net Position at End of Year	**$ 177,314**	**$ 166,649**	**$ 161,187**	**$ 10,665**	**6.4%**

The University's operating revenues increased by $5.7 million from $81.1 million (2012) to $86.8 million (2013), and total non-operating revenues increased by $1.1 million from $17.9 million (2012) to $19.0 million (2013).

Operating and Non-operating Revenues for Fiscal Years 2013, 2012 and 2011 *(in thousands)*

				Increase (Decrease) 2013 vs 2012	
	2013	**2012**	**2011**	**Amount**	**Percent**
Operating Revenues					
Tuition and Fees (net)	$ 47,832	$ 43,072	$ 38,454	$ 4,760	11.1%
DHE Fee for Service Revenues	6,990	7,038	10,712	(48)	-0.7%
Grants and Contracts	5,365	5,411	5,551	(46)	-0.9%
Auxiliary Enterprises (net)	25,428	24,484	20,921	944	3.9%
Other	1,223	1,098	1,272	125	11.4%
Total Operating Revenues	**86,838**	**81,103**	**76,910**	**5,735**	**7.1%**
Non-Operating Revenues (Expenditures)					
State Fiscal Stabilization Funds	-	-	719	-	-
Pell and Other Non-operating Grants	17,724	17,069	14,858	655	3.8%
Interest Income	1,004	575	1,497	429	74.6%
Other Non-Operating Revenues, net	237	286	765	(49)	-17.1%
Total Non-operating Revenues	**18,965**	**17,930**	**17,839**	**1,035**	**5.8%**
Total Operating and Non-operating Revenues	**$105,803**	**$ 99,033**	**$ 94,749**	**$ 6,770**	**6.8%**

Tuition and fee revenues are reported net of scholarship allowances of $20.0 million (2013) and $20.5 million (2012), and auxiliary enterprise revenues are reported net of scholarship allowances of $47 thousand (2013) and $242 thousand (2012). Scholarship allowances are defined as the financial aid awarded to students by the University and used to pay University charges. The increase in tuition and fees is due to an overall increase in enrollment of 4.3% and an average tuition increase of 5%. The increase in auxiliary revenues is also due to the increased enrollments and to the opening of a 184 bed residence hall for the 2012 Fall term.

The state provides funding from the College Opportunity Fund (COF) via fee-for-service contracts with the Department of Higher Education and with stipends to qualified undergraduate students to pay a portion of tuition. The value of the stipend was $62 per credit hour in both Fiscal Year 2013 and 2012, and the University received $11.9 million (2013) and $11.5 million (2012).

Pell revenues were $15.5 million (2013) and $15.6 million (2012). Other non-operating grants were $2.2 million (2013) and $1.5 million (2012) and were primarily comprised of Build America Bond interest subsidies of $1.3 million in both Fiscal Year 2013 and 2012. The University also received $700 thousand in local government funding in Fiscal Year 2013 to help fund the construction and debt service of constructing an Academic Classroom Building on campus. The City of Grand Junction and Mesa County pledged a combined $700 thousand per year for 10 years.

Interest income was $1.0 million (2013) and $575 thousand (2012). The increase is due primarily to improved investment earnings in Fiscal Year 2013 compared to 2012. See Note 2 to the financial statements for detailed investment information.

Operating expenses totaled $90.7 million (2013) and $84.6 million (2012). The breakdown of expenses by reporting category is as follows:

Operating Expenses for Fiscal Years 2013, 2012 and 2011 *(in thousands)*				**Increase (Decrease) 2013 vs 2012**	
	2013	**2012**	**2011**	**Amount**	**Percent**
Instruction	$ 29,231	$ 26,822	$ 23,957	$ 2,409	9.0%
Research	316	386	415	(70)	-18.1%
Public Service	159	445	512	(286)	-64.3%
Academic Support	6,015	5,424	4,830	591	10.9%
Student Services	8,334	7,050	5,917	1,284	18.2%
Institutional Support	5,081	4,889	3,755	192	3.9%
Operation and Maintenance of Plant	7,833	8,177	10,748	(344)	-4.2%
Scholarships and Fellowships (net)	4,127	3,454	3,227	673	19.5%
Auxiliary Enterprises	19,928	19,109	17,119	819	4.3%
Depreciation	9,688	8,855	7,644	833	9.4%
Total Operating Expenses	**$ 90,712**	**$ 84,611**	**$ 78,124**	**$ 6,101**	**7.2%**

All enrollments have increased from 6,781.9 FTE in Fiscal Year 2011 to 7,666.9 FTE in Fiscal Year 2013 (13.0%). During the same period, combined tuition and fees and auxiliary enterprise revenues (net of scholarship allowance) increased from $59.4 million in Fiscal Year 2011 to $73.3 million in Fiscal Year 2013 (23.4%), while expenses for instruction, academic support, student services and auxiliary enterprises have gone up from $51.8 million in Fiscal Year 2011 to $63.5 million in Fiscal Year 2013 (22.5%). The increases in these functional expense categories over the past two years reflect the costs of providing more programs and services to more students.

Scholarship expenses are reported net of total scholarship allowances of $20.0 million (2013) and $20.7 million (2012); gross scholarship expense was $24.2 million (2012 and 2013). Note 12 to the financial statements reports non-workstudy scholarships from institutional sources was $6.3 million (2013) and $6.2 million (2012), and total non-loan student assistance from institutional sources was $9.4 million (2013) and $9.1 million (2012). The University continues a concerted effort to provide additional funding to help students meet educational expenses; Fiscal Year 2011 total non-loan student assistance from institutional sources was $7.1 million and increased to $9.4 million in Fiscal Year 2013.

The slight decrease in operation and maintenance of plant expenses from Fiscal Year 2012 to Fiscal Year 2013 is due to non-capital equipment cost related to projects of $2.3 million (2012) and $1.1 million (2013). The decrease is offset by the increase in costs associated with maintaining expanded facilities.

The increase in depreciation expense is primarily due to taking a full year's expense on $48.1 million of projects completed in Fiscal Year 2012.

Transfers to other governing boards or other institutions were $2.8 million (2013) and $5.7 million (2012). Fiscal Year 2013 transfers were made to the CMUREF for property acquisitions. Fiscal Year 2012 transfers included a $1.6 million grant match to the Foundation and $4.1 million to the Foundation and CMUREF for property acquisitions.

Capital Assets
At June 30, 2013, the University had $376.6 million invested in capital assets before total accumulated depreciation of $68.2 million. The projects completed during Fiscal Year 2013 and projects in progress at June 30, 2013 are reported below. The construction in progress variances are due to the timing of completing capital projects; in Fiscal Year 2012, the University capitalized $55.4 million of capital assets, including $29.0 million of construction in progress from the 2011 Fiscal Year. Fiscal Year 2013 property acquisitions include $5.2 million in land and building contributions from the University's foundations.

Capital Asset Categories (before depreciation) as of June 30, 2013, 2012 and 2011 *(in thousands)*					
				Increase (Decrease) 2013 vs 2012	
	2013	**2012**	**2011**	**Amount**	**Percent**
Description					
Land	$ 27,869	$ 23,876	$ 18,138	$ 3,993	16.7%
Construction in Progress	15,266	1,821	29,308	13,445	738.3%
Land and Leasehold Improvements	27,295	26,383	24,974	912	3.5%
Buildings	280,142	273,459	230,220	6,683	2.4%
Equipment	14,554	13,307	10,883	1,247	9.4%
Library Materials	11,450	11,141	10,828	309	2.8%
Total Gross Capital Assets	**$ 376,576**	**$ 349,987**	**$ 324,351**	**$ 26,589**	**7.6%**

Significant capital additions completed in Fiscal Year 2013 and the resources funding the acquisitions includes the following:

Significant (over $1 million) Fiscal Year 2013 additions *(in thousands)*	
Project Description	**Amount**
Campus expansion land, University funded	$ 3,962
Moss Performing Arts Center, University funded	2,132
Forensic/Lineman Building, University funded	1,900
Rental Houses, University funded	1,521
Total	**$ 9,515**

The following significant projects were in progress at June 30, 2013:

Project Description *(in thousands)*	**Amount**
Garfield Residence Hall, University funded	$ 9,520
Academic Classroom Building II, University/State funded	1,900
WCCC Culinary Arts Remodel, University funded	1,620
Garfield Hall Geothermal Loop, University funded	821
Saunders Roof Replacement, State capital contribution	480
Maverick Center Expansion, University funded	430
Library Renovation, University/State funded	226
Phase III Drill Field, University funded	193
Total	**$ 15,190**

In addition to the operating and non-operating revenues discussed above, the University received capital revenues in the amounts shown below. Capital contributions from the state were for the Wubben Hall renovation funded by the state's issuance of Certificates of Participation that are described in Note 5 to the financial statements. Capital donations in Fiscal Years 2013 and 2012 are primarily cash and in-kind contributions from the University's foundations.

Capital Revenues for Fiscal Years 2013, 2012 and 2011 *(in thousands)*					
				Increase (Decrease) 2013 vs 2012	
	2013	**2012**	**2011**	**Amount**	**Percent**
Capital Revenues					
State Appropriation, Capital	$ -	$ 32	$ 183	$ (32)	-100.0%
Capital Contributions from the State	457	-	74	457	100.0%
Capital Donations	5,730	4,810	2,770	920	19.1%
Total Capital Revenues	**$ 6,187**	**$ 4,842**	**$ 3,027**	**$ 1,345**	**27.8%**

Debt

The University had $183.9 million (2013), $167.0 million (2012) and $140.4 million (2011), as follows. See Note 5 to the financial statements for detailed descriptions of the University's debt.

Capital Debt Categories as of June 30, 2013, 2012 and 2011 *(in thousands)*					
				Increase (Decrease) 2013 vs 2012	
	2013	**2012**	**2011**	**Amount**	
Bonds Payable	$ 177,869	$ 160,554	$ 133,622	$ 17,315	10.8%
Capital leases	4,926	5,159	6,593	(233)	-4.5%
Notes payable	1,061	1,280	155	(219)	-17.1%
Total Capital Debt	**$ 183,856**	**$ 166,993**	**$ 140,370**	**$ 16,863**	**10.1%**

Economic Outlook

After several years of declining state funding from fee-for-service contracts and College Opportunity Fund (COF) stipends, the Fiscal Year 2014 appropriation from those sources increased by $900 thousand compared to Fiscal Year 2013. The state appropriated $19.8 million of state support in Fiscal Year 2014 compared to $18.9 million actually received in Fiscal Year 2013. The COF stipend amount increased from $62 per credit hour in 2013 to $64 per credit hour in Fiscal Year 2014. However, stability of state funding in the long-term is uncertain and the University continues to plan for the probability of this reduction as well as accommodate state funding reductions through a combination of enrollment growth, expense reductions and conservative budgeting. Notwithstanding potential reductions in state funding, the University is positioned to continue to provide quality instructional programs to all students.

With the passage of SB 11-265, Colorado Revised Statute (CRS) Section 23-53-102 was amended, effective August 10, 2011, to confer university status and re-name the institution Colorado Mesa University. The new name has more effectively communicated 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 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, 1100 North Avenue, Grand Junction, CO 81501.

STATE OF COLORADO
COLORADO MESA UNIVERSITY
Statements of Net Position

	June 30, 2013	June 30, 2012
Assets		
Current Assets		
Cash and cash equivalents	$ 21,116,875	$ 21,124,374
Investments	8,129,224	5,967,811
Student accounts receivable, net	3,243,381	2,687,434
Other accounts receivable, net	1,975,381	1,935,862
Student loans, net	87,628	247,743
Inventories	782,227	729,457
Prepaid expenses	286,051	251,700
Total Current Assets	**$ 35,620,767**	**$ 32,944,381**
Noncurrent Assets		
Noncapital Noncurrent Assets		
Restricted cash and cash equivalents	$ 23,263,393	$ 12,556,867
Student loans, net	962,760	900,136
Other noncurrent assets	515,066	543,658
Total Noncapital Noncurrent Assets	**$ 24,741,219**	**$ 14,000,661**
Non-depreciable Capital Assets, Net		
Land and Improvements	$ 27,868,767	$ 23,875,712
Construction in Progress	15,265,854	1,821,468
Total Non-depreciable Capital Assets	**$ 43,134,621**	**$ 25,697,180**
Depreciable Capital Assets, Net		
Land and Leasehold Improvements	$ 20,924,408	$ 21,380,861
Buildings	233,878,390	234,347,563
Equipment	7,550,700	7,020,659
Library Materials	2,885,050	2,756,820
Total Depreciable Capital Assets, Net	**$ 265,238,548**	**$ 265,505,903**
Total Non-current Assets	**$ 333,114,388**	**$ 305,203,744**
Total Assets	**$ 368,735,155**	**$ 338,148,125**
Total Deferred Outflows	**$ 7,763,457**	**$ 8,302,769**
Liabilities		
Current Liabilities		
Accounts Payable	$ 3,731,639	$ 1,872,363
Accrued Liabilities	7,078,004	7,197,582
Unearned Revenues	2,024,159	1,493,405
Deposits Held For Others	455,703	370,315
Student Deposits	509,370	455,397
Bonds Payable, Current Portion	3,765,000	3,205,000
Capital Leases Payable - Current Portion	248,785	233,213
Notes Payable, Current Portion	230,131	222,191
Compensated Absence Liability, Current Portion	229,397	191,831
Total Current Liabilities	**$ 18,272,188**	**$ 15,241,297**
Non-current Liabilities		
Bonds Payable	$ 174,104,134	$ 157,348,636
Capital Leases Payable	4,677,475	4,926,260
Notes Payable	830,475	1,057,697
Compensated Absence	1,299,917	1,227,658
Total Non-current Liabilities	**$ 180,912,000**	**$ 164,560,251**
Total Liabilities	**$ 199,184,188**	**$ 179,801,548**
Net Position		
Net Investment in Capital Assets	$ 124,596,885	$ 133,190,149
Restricted for:		
Capital Projects	21,833,283	11,264,662
Loans	1,239,526	1,210,331
Other Purposes	4,777,892	4,522,639
Unrestricted	24,866,837	16,461,565
Total Net Position	**$ 177,314,423**	**$ 166,649,346**

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

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

ASSETS	
Cash and Cash Equivalents	$ 1,013,074
Investments	18,617,652
Unconditional Promises to Give	1,311,993
Property & Equipment	799,361
Less: Accumulated Depreciation	(523,095)
TOTAL ASSETS	$ 21,218,985
LIABILITIES & NET ASSETS	
LIABILITIES	
Note Payable - Line of Credit - Bank	$ 1,849,582
Accrued Liabilities	103
TOTAL LIABILITIES	1,849,685
NET ASSETS	
Unrestricted Net Assets	
Designated by the Board for Endowment Purposes	103,329
Undesignated	(2,366,977)
Total Unrestricted Net Assets	(2,263,648)
Temporarily Restricted Net Assets	4,582,230
Permanently Restricted Net Assets	17,050,718
TOTAL NET ASSETS	19,369,300
TOTAL LIABILITIES & NET ASSETS	$ 21,218,985

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS		
Cash and Cash Equivalents	$	1,039,706
Investments		16,400,355
Unconditional Promises to Give		1,690,087
Property & Equipment		2,139,556
Less: Accumulated Depreciation		(533,674)
TOTAL ASSETS	$	20,736,030
LIABILITIES & NET ASSETS		
LIABILITIES		
Note Payable - Line of Credit - Bank	$	359,663
NET ASSETS		
Unrestricted Net Assets		
Designated by the Board for Endowment Purposes		98,329
Undesignated		(846,508)
Total Unrestricted Net Assets		(748,179)
Temporarily Restricted Net Assets		4,727,244
Permanently Restricted Net Assets		16,397,302
TOTAL NET ASSETS		20,376,367
TOTAL LIABILITIES & NET ASSETS	$	20,736,030

See accompanying notes.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

		2013		2012
ASSETS				
CURRENT ASSETS				
Cash	**$**	**884,578**	$	389,077
Accounts Receivable		**20,188**		16,314
Prepaid Expense		**7,718**		326
TOTAL CURRENT ASSETS		**912,484**		405,717
LONG-TERM ASSETS				
Land Held for Investment		**884,118**		886,686
Other		**-**		599
TOTAL LONG-TERM ASSETS		**884,118**		887,285
TOTAL ASSETS	**$**	**1,796,602**	$	1,293,002
LIABILITIES & NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	**$**	**95,388**	$	93,825
TOTAL CURRENT LIABILITIES		**95,388**		93,825
NON-CURRENT LIABILITIES				
Tenant Deposits		**15,665**		17,340
TOTAL NON-CURRENT LIABILITIES		**15,665**		17,340
TOTAL LIABILITIES		**111,053**		111,165
NET ASSETS				
Unrestricted Net Assets		**970,245**		922,174
Temporarily Restricted Net Assets		**715,304**		259,663
TOTAL NET ASSETS		**1,685,549**		1,181,837
TOTAL LIABILITIES & NET ASSETS	**$**	**1,796,602**	$	1,293,002

See accompanying notes.

STATE OF COLORADO
COLORADO MESA UNIVERSITY
Comparative Statements of Revenues, Expenses, and Changes in Net Position
For The Years Ended:

	June 30, 2013	June 30, 2012
Operating Revenues		
Tuition and Fees (including $11,118,532 (2013) and $10,608,318 (2012) pledged for bonds and net of scholarship allowances of $19,983,650 (2013) and $20,502,879 (2012))	$ 47,832,516	$ 43,072,224
Fee For Service Revenue	6,989,868	7,037,933
Federal, State, Private Grants and Contracts	5,364,963	5,410,786
Gifts	595,968	531,879
Auxiliary Enterprises (including $23,340,653 (2013) and $22,485,279 (2012) pledged for bonds and net of scholarship allowances of $46,575 (2013) and $241,932 (2012))	25,427,520	24,483,560
Other Operating Revenues (including $41,761 (2013) and $143,943 (2012) pledged for bonds)	626,776	566,015
Total Operating Revenues	**$ 86,837,611**	**$ 81,102,397**
Operating Expenses		
Instruction	29,231,102	26,821,517
Research	315,631	386,408
Public Service	158,933	444,702
Academic Support	6,015,005	5,423,640
Student Services	8,333,911	7,050,321
Institutional Support	5,080,945	4,888,936
Operation and Maintenance of Plant	7,832,597	8,177,331
Net Scholarships and Fellowships	4,126,987	3,453,678
Auxiliary Enterprises	19,928,684	19,109,308
Depreciation	9,688,582	8,855,426
Total Operating Expenses	**$ 90,712,377**	**$ 84,611,267**
Operating Loss	**$ (3,874,766)**	**$ (3,508,870)**
Non-operating Revenues		
Federal Pell and Other Non-operating Grants	17,724,130	17,069,021
Gifts (including $700,000 (2013) pledged for bonds)	245,022	257,313
Investment and Interest Income (including $441,359 (2013) and $414,824 (2012) pledged for bonds)	1,004,288	575,377
Interest Expense on Capital Debt	(7,601,861)	(7,410,645)
Other Net Non-operating Revenues (Expenses)	(8,217)	28,399
Gain or (Loss) on Disposal of Assets	(166,006)	(34,010)
Net Non-operating Revenues	**$ 11,197,357**	**$ 10,485,455**
Income Before Other Revenues or Expenses	**$ 7,322,591**	**$ 6,976,585**
Other Revenues, Expenses, Gains, Losses, and Transfers		
State Appropriations, Capital	-	31,688
Capital Contributions from the State	457,715	-
Capital Donations	5,729,263	4,810,267
Transfers (To) From Governing Boards or Other Institutions	(2,844,490)	(5,678,497)
Increase in Net Position	**$ 10,665,079**	**$ 6,140,043**
Net Position		
Net Position - Beginning of Year, Restated	166,649,344	161,186,594
Restatement	-	(677,293)
Net Position - End of the Year	**$ 177,314,423**	**$ 166,649,344**

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

COLORADO MESA UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions	$ 12,295	$ 1,546,199	$ 830,438	$ 2,388,932
Support from Colorado Mesa University	250,841	-	-	250,841
Special Events	344,403	-	-	344,403
Less: Costs of Direct Benefits to Donors	(275,401)	-	-	(275,401)
Investment Income	1,872	321,724	-	323,596
Realized Gain/Loss on Investments	-	828,578	-	828,578
Unrealized Gain/Loss on Investments	-	212,988	-	212,988
Colorado Mesa University Department & Club Collections	-	754,186	-	754,186
Other	2,322	-	-	2,322
Net Assets Released from Restrictions	3,985,711	(3,985,711)	-	-
Donor Imposed Classification Change	-	177,022	(177,022)	-
TOTAL REVENUE AND SUPPORT	4,322,043	(145,014)	653,416	4,830,445
EXPENSES				
Program Expenses				
Scholarships	591,751	-	-	591,751
Colorado Mesa University Building Projects & Expansion	3,884,181	-	-	3,884,181
Colorado Mesa University Department & Club Transfers	1,226,012	-	-	1,226,012
Supporting Services				
Management & General	96,972	-	-	96,972
Fund-raising	38,596	-	-	38,596
TOTAL EXPENSES	5,837,512	-	-	5,837,512
CHANGE IN NET ASSETS	(1,515,469)	(145,014)	653,416	(1,007,067)
NET ASSETS (DEFICIT) - BEGINNING	(748,179)	4,727,244	16,397,302	20,376,367
NET ASSETS (DEFICIT) - ENDING	$ (2,263,648)	$ 4,582,230	$ 17,050,718	$ 19,369,300

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions	$ 97	$ 2,385,785	$ 3,760,775	$ 6,146,657
Support from Colorado Mesa University	238,716	243,264	-	481,980
Special Events	129,402	50,155	-	179,557
Less: Costs of Direct Benefits to Donors	(97,971)	(13,643)	-	(111,614)
Investment Income	-	249,742	-	249,742
Realized Gain/Loss on Investments	-	194,077	-	194,077
Unrealized Gain/Loss on Investments	-	(802,079)	-	(802,079)
Colorado Mesa University Department & Club Collections	-	1,601,155	-	1,601,155
Other	1,746	108,958	-	110,704
Net Assets Released from Restrictions	3,323,577	(3,323,577)	-	-
Donor Imposed Classification Change	-	(621,550)	621,550	-
TOTAL REVENUE AND SUPPORT	3,595,567	72,287	4,382,325	8,050,179
EXPENSES				
Program Expenses				
Scholarships	621,287	-	-	621,287
Colorado Mesa University Building Projects & Expansion	1,140,271	-	-	1,140,271
Colorado Mesa University Department & Club Transfers	1,210,018	-	-	1,210,018
Community Sporting Events Promotion	9,082	-	-	9,082
Supporting Services				
Management & General	70,570	-	-	70,570
Fund-raising	28,700	-	-	28,700
TOTAL EXPENSES	3,079,928	-	-	3,079,928
CHANGE IN NET ASSETS	515,639	72,287	4,382,325	4,970,251
NET ASSETS (DEFICIT) - BEGINNING	(1,263,818)	4,654,957	12,014,977	15,406,116
NET ASSETS (DEFICIT) - ENDING	$ (748,179)	$ 4,727,244	$ 16,397,302	$ 20,376,367

See accompanying notes.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
UNRESTRICTED NET ASSETS		
REVENUE AND SUPPORT		
Real Estate Management Fee	**$ 60,593**	$ 23,126
Interest Income	**-**	18,342
TOTAL REVENUE AND SUPPORT	**60,593**	41,468
EXPENSES		
Program Expenses		
Support Colorado Mesa University		
Real Estate Management Expenses	**6,986**	21,662
Bond Interest Expense	**-**	18,342
Supporting Services		
Management & General	**5,536**	5,239
TOTAL EXPENSES	**12,522**	45,243
INCREASE IN UNRESTRICTED NET ASSETS	**48,071**	(3,775)
TEMPORARILY RESTRICTED NET ASSETS		
REVENUE AND SUPPORT		
Support from Colorado Mesa University	**2,844,592**	4,181,701
EXPENSES		
Program Expenses		
Support Colorado Mesa University		
Purchase of Real Estate	**2,388,951**	3,922,038
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	**455,641**	259,663
INCREASE IN NET ASSETS	**503,712**	255,888
NET ASSETS - BEGINNING	**1,181,837**	925,949
NET ASSETS - ENDING	**$ 1,685,549**	$ 1,181,837

See accompanying notes.

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

	June 30, 2013	June 30, 2012
Cash Flows from Operating Activities		
Tuition & Fees	$ 67,950,406	$ 62,220,292
Sales of Service	21,543,813	21,997,770
Sales of Product	10,604,059	9,735,547
Grants Contracts and Gifts	6,013,689	5,896,953
Student Loans Collected	199,959	162,673
Other Operating Receipts	626,776	566,015
Payments to or for Employees	(48,703,194)	(44,298,074)
Payments to Suppliers	(27,790,183)	(27,529,603)
Scholarships Disbursed	(24,157,212)	(24,198,487)
Student Loans Disbursed	(96,900)	(177,037)
Net Cash Provided by Operating Activities	**6,191,211**	**4,376,049**
Cash Flows from Non-capital Financing Activities		
Gifts/Grants for Other than Capital Purposes	17,972,075	17,326,334
Other Agency Inflows	76,444,353	100,996,993
Other Agency (Outflows)	(76,723,275)	(100,945,720)
Transfers from (to) Other Campuses, Board, or Institution	(2,845,983)	(5,656,306)
Net Cash Provided by Non-Capital Financing Activities	**14,847,170**	**11,721,301**
Cash Flows from Capital and Related Financing Activities		
State Appropriations, Capital	31,688	-
Capital Grants, Contracts, and Gifts	1,010,708	256,947
Acquisition and Construction of Capital Assets	(19,219,824)	(24,056,656)
Proceeds from Capital Debt	20,530,000	22,332,426
Bond Issuance Costs Paid	(104,040)	(266,529)
Principal Paid on Capital Debt	(3,660,404)	(3,631,048)
Interest on Capital Debt	(7,804,283)	(7,004,817)
Net Cash Used by Capital & Related Financing Activities	**(9,216,155)**	**(12,369,677)**
Cash Flows from Investing Activities		
Purchase of Investments	(1,924,421)	(97,144)
Investment Earnings (Interest/Dividends)	801,222	778,799
Net Cash Provided (Used) by Investing Activities	**(1,123,199)**	**681,655**
Net Increase in Cash and Cash Equivalents	10,699,027	4,409,328
Cash and Cash Equivalents - Beginning of the Year	33,681,241	29,271,913
Cash and Cash Equivalents - End of the Year	**$ 44,380,268**	**$ 33,681,241**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Loss	$ (3,874,766)	$ (3,508,870)
Adjustments to Reconcile:		
Depreciation Expense	9,688,582	8,855,426
Provision for Uncollectible Accounts	887,579	811,294
Decrease (Increase) in Assets - Operating Portions	(1,693,335)	(1,684,258)
Increase (Decrease) in Liabilities - Operating Portions	1,183,151	(97,543)
Net Cash Provided by Operating Activities	**$ 6,191,211**	**$ 4,376,049**
Supplemental Disclosure of Noncash Investing and Financing Activities		
Additions to construction in progress included in accounts payable and accrued liabilities.	$ 3,264,293	$ 1,648,942
Land donated from Foundations	5,161,271	4,141,717
State capital contributions	457,715	-
Amortization of bond issuance costs	3,323	36,512
Reacquisition cost of bond refunding	-	(30,390,872)
Land acquired with note payable	-	1,132,567

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Institution Name Change
With the passage of SB 11-265, Colorado Revised Statute (CRS) Section 23-53-102 was amended, effective August 10, 2011, to confer university status on and re-name the institution formerly known as Mesa State College to Colorado Mesa University. With the name change, the institutions formerly known as the Mesa State College Foundation and the Mesa State College Real Estate Foundation (described below) have legally changed their names to the Colorado Mesa University Foundation and the Colorado Mesa University Real Estate Foundation.

Governance
The accompanying financial statements describe the financial activities of Colorado Mesa University (the University) for the Fiscal Years ended June 30, 2013 and 2012. Colorado Revised Statute (CRS) Section 23-53-102 established the Board of Trustees (Board) for Colorado Mesa University to serve as the University's governing board. Nine of the eleven trustees are appointed by the Governor with the 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 University, including such areas as finance, resource management, academic programs, admissions, role and mission, personnel policies, etc. To assist them in meeting their responsibilities, the Board delegates authority to interpret and administer its policies in all areas of operation to the President of the University.

Reporting Entity
The accompanying financial statements reflect the financial activities of the University for the Fiscal Years ended June 30, 2013 and 2012. The University is a State of Colorado institution of higher education. For financial reporting purposes, the University 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.

Governmental Accounting Standards Board (GASB) Statement No. 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 of 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.

Applying GASB 39 criteria, the University has identified Colorado Mesa University Foundation (Foundation) and the Colorado Mesa University Real Estate Foundation (CMUREF) as component units (see Note 11). 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. The Foundation is a separate non-profit corporation under Internal Revenue Code Section 501(c)(3) formed to provide financial assistance to Colorado Mesa University students and to otherwise assist the University in serving educational needs. The Foundation engages in activities that may be beyond the scope of the Colorado Mesa University Board of Trustees and its financial records are maintained separately from the University. The CMUREF 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 University. The CMUREF engages in activities that may be beyond the scope of the Colorado Mesa University Board of Trustees and its financial records are maintained separately from the University.

Basis of Accounting
For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University'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 University implemented GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements* during the year ended June 30, 2013.

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. For the purposes of the Statement of Cash Flows, cash and cash equivalents include restricted and unrestricted cash balances.

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 position. The University had investments of $8,129,224, including an unrealized gain of $767,771, at June 30, 2013 and $5,967,811, including an unrealized gain of $530,779, at June 30, 2012.

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 are performed for insurance purposes.

The University 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 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.

Deferred Outflows of Resources and Deferred Inflows of Resources
The Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred inflows of Resources and Net Position*, effective for Fiscal Year 2013. GASB also issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* and the University elected to early implement the standard in Fiscal Year 2013.

GASB Statement No. 63 defined the five elements that make up a statement or financial position to include:

- Assets – resources with a present service capacity under University control.
- Deferred Outflows of Resources – consumption of net assets by the University in a future reporting period.
- Liabilities – present obligations to sacrifice resources.
- Deferred Inflows of Resources – acquisitions of net assets by the University applicable to a future reporting period.
- Net Position – residual of all other elements presented in a statement of financial position.

GASB Statement No. 65 defines which items previously reported as assets and liabilities are now required to be reported as either deferred outflows or deferred inflows of resources. Under this statement, the University is reporting $7,763,457 (2013) and $8,302,769 (2012) of unamortized accounting losses from refunding certain bonds, as described in Note 5 of the financial statements, as deferred outflows of resources. The amounts were previously reported as a component of bonds payable in prior years. Under GASB Statement No. 65, the University also reported unamortized bond issue costs of $677,293 as of June 30, 2012 as a reduction to beginning Net Position for Fiscal Year 2013 (see Note 16). Unamortized bond issue costs were shown as other noncurrent assets in prior years. The University did not have any deferred inflows of resources as of June 30, 2013 or 2012.

Capital Lease Liabilities
In November 2008, the University 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 May 2008, the University entered into a capital lease-purchase contract for the acquisition of equipment that will result in guaranteed energy cost saving. The contract provides for any commitments beyond the current year be contingent upon funds being appropriated, budgeted and otherwise made available for that purpose. 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.

Unearned Revenues
Unearned revenues include unearned student tuition and fees, sports camp revenues and advances on grants and contracts for which the University has not yet provided the associated services.

Classification of Revenues and Expenses
The University 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 University.

- Non-operating revenues and expenditures do not meet the definition of operating revenues or operating expenses. Non-operating revenues include state operating appropriations, federal stimulus money grants and other non-operating grants, gifts, investment income, interest expense and insurance reimbursements. Non-operating expenses include interest expense on capital debt, bond issue cost expenses and certain other expenses which do not meet the definition of current expenses.
- 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 Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, 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 University's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees for the years ended June 30 were $19,983,650 (2013) and $20,502,879 (2012). Scholarship allowances for auxiliary charges for the years ended June 30 were $46,575 (2013) and $241,932 (2012).

Application of Restricted and Unrestricted Resources
The University'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 Position
The University's net position is classified as either unrestricted or restricted. As of June 30, 2013, the University had no non-expendable investment in restricted position. Restricted net position is classified as expendable for capital projects, loans and for other purposes. 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 position of the bonded auxiliary operations totaled $3,214,983 (2013) and $3,179,521 (2012). Restricted net position for capital projects were $21,833,283 (2013) and $11,264,662 (2012). Restricted net position also includes the net positions of its Perkins loan program and the University's sponsored program activities. Perkins guidelines require that net program resources fund new loans, are written off in accordance with program guidelines, or are refunded to the federal government. At June 30, the restricted net position related to the Perkins loan program totaled $1,239,526 (2013) and $1,210,331 (2012). The sponsored programs net position was $132,887 (2013) and $39,290 (2012).

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 position during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The University 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 University 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, 2013 and 2012. 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 University had \$41,023,196 (2013) and \$30,613,259 (2012), including unrealized gains of \$67,523 (2013) and \$416,234 (2012) on deposit with the State Treasurer. Of that amount, \$21,833,283 (2013) and \$11,264,662 (2012) 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, 2013, 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, 2013, approximately 88.5% of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for \$41,074,270 of corporate bonds rated lower medium, 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, 2013, the weighted average maturity of investments in the Treasurer's Pool is 0.037 years for Commercial Paper (1.0% of the pool), 1.321 years for U.S. Government Securities (63.9% of the pool), 3.371 years for Asset Backed Securities (16.0% of the pool) and 3.100 years for Corporate Bonds (19.1% of the pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Years 2013 and 2012.

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, 2013.

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government to 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:

	Year-End			
	June 30, 2013		June 30, 2012	
Cash on hand	$	27,151	$	24,757
Cash in checking accounts at bank		3,329,922		3,028,638
Total Cash on Hand and In Banks	**$**	**3,357,073**	**$**	**3,053,395**

The carrying amount of the University's cash on deposit was $3,329,922 (2013) and $3,028,638 (2012) and the bank balance was $5,082,468 (2013) and $3,313,626 (2012). Of this bank balance, $4,282,319 (2013) and $2,513,557 (2012) was covered by federal depository insurance and the balance was collateralized by PDPA as described above. The difference between the University's cash in banks and the amount reported by the various banks was $1,752,546 (2013) and $284,988 (2012) in the form of outstanding checks. Of the total cash on deposit with banks, $800,149 (2013) and $800,069 (2012) were in accounts restricted for debt service reserves and therefore unavailable for general operations.

CRS 23-53-103.3, authorized the University Board of Trustees (Board) 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 approved the Colorado Mesa University 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 takes 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 University's investments were $8,129,224 including an unrealized gain of $767,771 and included equity securities, fixed income investments and short-term money market funds (2013) and $5,967,811, including an unrealized gain of $530,779 and included equity securities, fixed income investments and short-term money market funds (2012). All of the University's investments are registered in the University'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 University's investment policy specifies investments of a single issuer, with the exception of the US Government and its agencies, may not exceed 5% of the total portfolio and no more than 10% 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 investment portfolio should have an average duration of less than seven years and the University does not invest in instruments with a maturity date longer than 15 years. Investments at June 30, 2013 consisted of the following:

	Fair Value	S&P Rating	Weighted Average Maturity	Duration (in years)
Debt Securities				
U.S. Government Securities	$ 841,412	AA	4.64	4.15
Corporate Bonds	1,170,739	AA-BBB	5.86	3.82
Municipal Bonds	333,378	AAA - AA	6.86	5.57
Municipal Bonds	54,224	Not rated	6.86	5.57
Other Investments				
Corporate Equities	2,594,869			
Mutual Funds	3,127,000			
Money Markets	7,602			
Total	**$ 8,129,224**			

Investments at June 30, 2012 consisted of the following:

	Fair Value	S&P Rating	Weighted Average Maturity	Duration (in years)
Debt Securities	$ 855,652	AAA	3.99	2.867
U.S. Government Securities	770,085	AA+ - BBB	5.391	3.476
Corporate Bonds	156,448	Avg Rating = B	4.3	5.35
Bond Mutual Funds	116,681	AA + - AA	10.87	8.266
Taxable Municipal Bonds	2,242,815			
Other Investments				
Corporate Equities	873,752			
International Equities	806,065			
Mutual Funds	146,313			
Total	**$ 5,967,811**			

Investment income, gains and losses for Fiscal Year 2013 are as follows:

Beginning Investments - Cost	$ 5,437,032
Fiscal Year 13 Contributions	1,500,000
Net Interest Revenue	77,139
Dividend Income	80,210
Net Realized Gain	293,025
Investment Fees	(25,953)
Investments - Cost	**7,361,453**
Unrealized Gain	767,771
Investments - Market	**$ 8,129,224**

The return on investments for Fiscal Year 2013 was 11.82% gross of fees and 11.38% net of fees.

Investment income, gains and losses for Fiscal Year 2012 are as follows:

Beginning Investments - Cost	$ 5,339,888
Net Interest Revenue	68,677
Dividend Income	61,727
Net Realized Loss	(10,014)
Investment Fees	(23,247)
Investments - Cost	**5,437,032**
Unrealized Gain	530,779
Investments - Market	**$ 5,967,811**

The return on investments for Fiscal Year 2012 was -0.34% gross of fees and -0.73% 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, 2013 and June 30, 2012:

	June 30, 2013	June 30, 2012
Total Accounts and Loans Receivable	$ 9,669,658	$ 8,689,570
Less: Allowance for Doubtful Accounts	(3,400,508)	(2,918,396)
Net Accounts Receivable	**$ 6,269,150**	**$ 5,771,174**

Receivables reported on the statement of net position 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, 2013:

	Balance July 1, 2012	Additions	Transfers	Disposals	Balance June 30, 2013
Non-depreciable Capital Assets					
Land and Improvements	$ 23,875,712	$ 3,993,055	$ -	$ -	$ 7,868,767
Construction in Progress	1,821,468	15,265,854	(1,821,468)	-	15,265,854
Total Non-depreciable Capital Assets	**25,697,180**	**19,258,909**	**(1,821,468)**	**-**	**43,134,621**
Depreciable Capital Assets					
Leasehold and Land Improvements	26,382,287	610,887	301,629	-	27,294,803
Buildings	273,458,741	5,543,232	1,336,475	(196,425)	280,142,023
Equipment	13,306,660	1,302,838	183,364	(238,508)	14,554,354
Library Materials	11,140,979	308,810	-	-	11,449,789
Total Depreciable Capital Assets	**324,288,667**	**7,765,767**	**1,821,468**	**(434,933)**	**333,440,969**
Less: Accumulated Depreciation					
Land Improvements	(5,001,426)	(1,368,968)	-	-	(6,370,394)
Buildings	(39,111,177)	(7,185,194)	-	32,738	(46,263,633)
Equipment	(6,286,002)	(953,843)	-	236,189	(7,003,656)
Library Materials	(8,384,159)	(180,579)	-	-	(8,564,738)
Total Accumulated Depreciation	**(58,782,764)**	**(9,688,584)**	**-**	**268,927**	**(68,202,421)**
Net Depreciable Capital Assets	**265,505,903**	**(1,922,817)**	**1,821,468**	**(166,006)**	**265,238,548**
Capital Assets, net	**$ 291,203,083**	**$ 17,336,092**	**$ -**	**$ (166,006)**	**$ 308,373,169**

Additions to buildings and construction in progress for the year ended June 30, 2013 includes $578,402 in capitalized interest.

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Transfers	Disposals	Balance June 30, 2012
Non-depreciable Capital Assets					
Land	$ 18,138,010	$ 5,384,589	$ 353,113	$ -	$ 23,875,712
Construction in Progress	29,308,426	1,544,919	(29,031,877)	-	1,821,468
Total Non-depreciable Capital Assets	**47,446,436**	**6,929,508**	**(28,678,764)**	**-**	**25,697,180**
Depreciable Capital Assets					
Land Improvements	24,973,735	754,902	801,127	(147,477)	26,382,287
Buildings	230,219,958	15,361,146	27,877,637	-	273,458,741
Equipment	10,883,348	2,983,005	-	(559,693)	13,306,660
Library Materials	10,828,018	312,961	-	-	11,140,979
Total Depreciable Capital Assets	**276,905,059**	**19,412,014**	**28,678,764**	**(707,170)**	**324,288,667**
Less: Accumulated Depreciation					
Land Improvements	(3,905,025)	(1,243,878)	-	147,477	(5,001,426)
Buildings	(32,481,275)	(6,629,902)	-	-	(39,111,177)
Equipment	(6,230,735)	(580,950)	-	525,683	(6,286,002)
Library Materials	(7,983,463)	(400,696)	-	-	(8,384,159)
Total Accumulated Depreciation	**(50,600,498)**	**(8,855,426)**	**-**	**673,160**	**(58,782,764)**
Net Depreciable Capital Assets	**226,304,561**	**10,556,588**	**28,678,764**	**(34,010)**	**265,505,903**
Capital Assets, net	**$ 273,750,997**	**$ 17,486,096**	**$ -**	**$ (34,010)**	**$ 291,203,083**

Additions to buildings and construction in progress for the year ended June 30, 2012 includes $350,019 in capitalized interest.

NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term debt for the year ended June 30, 2013 were as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Revenue bonds	$ 158,560,000	$ 19,900,000	$ 3,205,000	$ 175,255,000	$ 3,765,000
Plus unamortized bond premiums	2,368,928	734,040	126,629	2,976,339	-
Less unamortized bond discounts	(375,293)	-	(13,088)	(362,205)	-
Total revenue bonds	160,553,635	20,634,040	3,318,541	177,869,134	3,765,000
Capital leases	5,159,473	-	233,213	4,926,260	248,785
Notes payable	1,279,888	-	219,282	1,060,606	230,131
Total Bonds, Notes and Leases Payable	**$ 166,992,996**	**$ 20,634,040**	**$ 3,771,036**	**$ 183,856,000**	**$ 4,243,916**

Changes in long-term debt for the year ended June 30, 2012 were as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Revenue bonds	$ 136,595,000	$ 51,035,000	$ 29,070,000	$ 158,560,000	$ 3,205,000
Plus unamortized bond premiums	2,684,486	435,382	750,940	2,368,928	-
Less unamortized bond discounts	(789,416)	-	(414,123)	(375,293)	-
Total revenue bonds	138,490,070	51,470,382	29,406,817	160,553,635	3,205,000
Capital leases	6,593,032	-	1,433,559	5,159,473	233,213
Notes payable	154,811	1,132,567	7,490	1,279,888	222,191
Total Bonds, Notes and Leases Payable	**$ 145,237,913**	**$ 52,602,949**	**$ 30,847,866**	**$ 166,992,996**	**$ 3,660,404**

Revenue Bonds Payable

Series 2013 Bonds: In May 2013, the University issued tax-exempt Enterprise Revenue Bonds, Series 2013 for $19,900,000. Series 2013 bonds were issued to construct and equip a new academic classroom building on campus, renovate and equip the campus library and make such additional capital improvements to the campus as may be designated by the Board; pay capitalized interest; and pay the costs of issuance related to the Series 2013 bonds. The Series 2013 bonds include a net premium of $734,040. After issuance costs, $19,900,000 was deposited into the Series 2013 Project Fund and $630,000 was deposited into the Series 2013 Capitalized Interest Fund.

Series 2013 bonds require annual debt service ranging from $706,018 to $1,259,044, including coupon interest rates ranging from 3.00% to 4.00%, affecting a net interest rate of 3.35%. Final payments are due in May of 2038. The bonds are secured by the pledge of certain net revenues which are pledged and assigned for equal and ratable payment of the bonds.

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 University 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 University's fee-for-service contract with the Department of Higher Education.

Series 2012B Bonds: In May 2012, the University issued tax-exempt Enterprise Revenue Bonds, Series 2012B for $14,000,000. Series 2012B bonds were issued to construct, improve and equip a new, approximately 200-bed student residence hall, pay capitalized interest through May 15, 2013 and pay the costs of issuance relating to the Series 2012B bonds. The Series 2012B bonds include a net premium of $240,124 that will be amortized over the life of the bonds. After issuance costs, $13,696,886 was deposited into the Series 2012B Project Fund and $491,900 was deposited into the Series 2012B Capitalized Interest Fund.

Series 2012B bonds require annual debt service ranging from $491,900 to $891,850, including coupon interest rates ranging from 2.00% to 4.25% affecting a net interest rate of 3.60%. Final payments are due in May of 2037. The bonds are secured by the pledge of certain net revenues which are pledged and assigned for equal and ratable payment of the bonds.

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 University 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 University's fee-for-service contract with the Department of Higher Education.

Series 2012A Bonds: In March 2012, the University issued tax-exempt Enterprise Revenue Refunding Bonds, Series 2012A for $19,315,000. The Series 2012A bonds were issued to advance refund all of the Series 2005 bonds. Series 2012A bonds include a net premium of $163,688 that will be amortized over the life of the bonds. Series 2012A bonds require annual debt service payments ranging from $1,250,300 to $1,258,700, including coupon interest rates ranging from 2.00% to 4.00% affecting a net interest rate of 3.27%. Final payments are due in May 2034. The bonds are secured by the pledge of certain net revenues which are pledged and assigned for equal and ratable payment of the bonds.

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 University 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 University's fee-for-service contract with the Department of Higher Education.

The University advance refunded the Series 2005 bonds by placing the bond proceeds and the Series 2005 debt service reserve in an irrevocable trust to provide for future debt service payments on the Series 2005 bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 2013 $17,195,000 is outstanding for the advance refunding that is considered defeased debt.

The defeasance resulted in an economic gain of $742,085 and a book loss of $2,253,389 that will be amortized as an adjustment to interest expense over the life of the Series 2012A bonds.

Series 2011BC Bonds: In November 2011, the University issued taxable Enterprise Revenue Bonds, Series 2011B for $7,775,000 and tax-exempt Enterprise Revenue Bonds, Series 2011C for $1,945,000. The Series 2011BC bonds were issued to advance refund all of the Mesa Auxiliary Facilities System Tax-Exempt Improvement and Refunding bonds, Series 2002B. Series 2011BC bonds include a net premium of $31,570 that will be amortized over the life of the bonds. Series 2011BC bonds require debt service payments ranging from $718,556 to $1,381,274, including coupon interest rates from 2.00% to 3.52% affecting a net interest rate of 2.82%. Final payments are due in May 2022. The bonds are secured by the pledge of certain net revenues which are pledged and assigned for equal and ratable payment of the bonds.

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 University 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 University's fee-for-service contract with the Department of Higher Education.

The University advance refunded the Series 2002B bonds by placing the bond proceeds in an irrevocable trust to provide for future debt service payments on the Series 2005 bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. The bond trustees paid the outstanding balance of the defeased debt.

The defeasance resulted in an economic gain of $371,643 and a book loss of $1,436,008 that will be amortized as an adjustment to interest expense over the life of the Series 2012A bonds.

Series 2011 Bond: In August 2011, the University issued tax-exempt Auxiliary Facilities System Enterprise Revenue Bond, Series 2011 for $8,000,000. The Series 2011 bond requires debt service payments ranging from $325,541 to $886,128. The Series 2011 bond was used to finance the costs of construction and equipping the Orchard Avenue Apartments; and to fund a deposit into the Series 2011 Debt Service Reserve Fund. After issuance costs, $7,164,000 was deposited into the Series 2011 Project Fund.

The Series 2011 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 University may accept the recalculated rate for a period of five years or through the Series 2011 maturity date, whichever is shorter. The University is under no obligation to accept any recalculated rate, but accepted the recalculated rate of 1.81% in August 2012, which will be in effect for a period of five years. The bonds are secured by the pledge of certain net revenues which are pledged and assigned for equal and ratable payment of the bonds.

The Reserve Fund requirement was met by depositing $800,000 with the 2011 Bond trustee.

Series 2010 AB Bonds: In April 2010, the University 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 University 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 University, and 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 University 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 University's fee-for-service contract with the Department of Higher Education.

Series 2009 AB Bonds: In October 2009, the University 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, University Center, parking and other University 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 was used to make interest payments during the construction of the University Center and University Center parking garage. The Project Fund was used to finance construction and equipping the new University Center and University 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 University, and 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 University 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 University's fee-for-service contract with the Department of Higher Education.

The University 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 University's financial statements. At June 30, 2013 $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 $5,267,944 that will be amortized as an adjustment to interest expense over the life of the Series 2009A bonds.

Series 2007 Bonds: The University 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 University's 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 Colorado Mesa University 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) 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 University 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.

The following is a schedule of future minimum bond payments as of June 30, 2013:

Fiscal Year-End	2007	2009AB	2010AB	2011A	2011BC	2012A	2012B	2013	Total
2014	$ 844,494	$ 3,612,138	$ 2,343,651	$ 837,492	$ 1,332,974	$ 1,255,600	$ 886,900	$ 706,018	$ 11,819,267
2015	844,494	3,627,588	2,342,851	844,369	1,315,174	1,257,200	889,000	1,255,019	12,375,695
2016	844,494	3,622,137	2,339,480	845,930	1,322,274	1,253,500	891,850	1,258,969	12,378,634
2017	844,494	4,226,388	2,328,630	882,174	720,284	1,255,700	889,250	1,257,319	12,404,239
2018	844,494	4,220,588	2,326,609	888,056	718,556	1,256,200	891,350	1,255,219	12,401,072
2019-2023	4,882,469	21,217,988	11,514,808	3,488,759	2,890,018	6,275,125	4,449,500	6,286,344	61,005,011
2024-2028	7,531,106	21,554,400	11,285,064	-	-	6,274,625	4,447,113	6,282,344	57,374,652
2029-2033	7,529,344	21,561,500	10,986,561	-	-	6,264,275	4,447,613	6,279,569	57,068,862
2034-2038	8,608,150	23,714,380	10,575,683	-	-	1,253,863	3,563,713	6,284,844	54,000,633
2038-2042	-	13,371,190	20,944,466	-	-	-	-	-	34,315,656
Subtotals	**32,773,539**	**120,728,297**	**76,987,803**	**7,786,780**	**8,299,280**	**26,346,088**	**21,356,289**	**30,865,645**	**325,143,721**
Less Interest Included Above	(15,968,539)	(60,433,297)	(45,957,803)	(661,780)	(944,280)	(7,601,088)	(7,356,289)	(10,965,645)	(149,888,721)
Total Principal Outstanding	**16,805,000**	**60,295,000**	**31,030,000**	**7,125,000**	**7,355,000**	**18,745,000**	**14,000,000**	**19,900,000**	**175,255,000**
Less Current Portion	-	(485,000)	(360,000)	(715,000)	(1,140,000)	(670,000)	(395,000)	-	(3,765,000)
Net Long Term Principal	**16,805,000**	**59,810,000**	**30,670,000**	**6,410,000**	**6,215,000**	**18,075,000**	**13,605,000**	**19,900,000**	**171,490,000**
Less Unamortized Disc/Premium	345,420	1,293,145	(158,895)	-	26,598	154,825	221,448	731,593	2,614,134
Bonds Payable Net	**$ 17,150,420**	**$ 61,103,145**	**$ 30,511,105**	**$ 6,410,000**	**$ 6,241,598**	**$ 18,229,825**	**$ 13,826,448**	**$20,631,593**	**$ 174,104,134**

The following is a schedule of future minimum bond payments as of June 30, 2012:

Fiscal Year-End	2007	2009AB	2010AB	2011A	2011BC	2012A	2012B	Total
2013	$ 844,494	$ 3,564,888	$ 2,339,001	$ 886,128	$ 1,381,274	$ 1,254,892	$ 491,900	$ 10,762,577
2014	844,494	3,612,137	2,343,651	883,510	1,332,974	1,255,600	886,900	11,159,266
2015	844,494	3,627,588	2,342,851	885,458	1,315,174	1,257,200	889,000	11,161,765
2016	844,494	3,622,137	2,339,480	881,970	1,322,275	1,253,500	891,850	11,155,706
2017	844,494	4,226,388	2,328,630	883,046	720,284	1,255,700	889,250	11,147,792
2018-2022	4,222,469	21,125,375	11,554,967	4,413,068	3,608,574	6,274,350	4,450,200	55,649,003
2023-2027	7,528,769	21,561,250	11,332,534	-	-	6,273,875	4,446,250	51,142,678
2028-2032	7,527,219	21,556,850	11,054,575	-	-	6,270,906	4,451,888	50,861,438
2033-2037	10,117,106	21,160,000	10,667,369	-	-	2,504,956	4,450,950	48,900,381
2038-2042	-	20,236,570	23,023,746	-	-	-	-	43,260,316
Subtotals	**33,618,033**	**124,293,183**	**79,326,804**	**8,833,180**	**9,680,555**	**27,600,979**	**21,848,188**	**305,200,922**
Less Interest Included Above	(16,813,033)	(63,573,183)	(47,951,804)	(1,008,180)	(1,160,555)	(8,285,979)	(7,848,188)	(146,640,922)
Total Principal Outstanding	**16,805,000**	**60,720,000**	**31,375,000**	**7,825,000**	**8,520,000**	**19,315,000**	**14,000,000**	**158,560,000**
Less Current Portion	-	(425,000)	(345,000)	(700,000)	(1,165,000)	(570,000)	-	(3,205,000)
Net Long Term Principal	**16,805,000**	**60,295,000**	**31,030,000**	**7,125,000**	**7,355,000**	**18,475,000**	**13,605,000**	**155,355,000**
Less Unamortized Disc/Premium	359,813	(3,284,262)	(156,064)	-	(1,315,970)	(2,067,069)	237,456	(6,226,096)
Bonds Payable Net	**$ 17,164,813**	**$ 57,010,738**	**$ 30,873,936**	**$ 7,125,000**	**$ 6,039,030**	**$ 16,677,931**	**$ 14,237,456**	**$ 149,128,904**

Capital Leases

Equipment Lease: In Fiscal Year 2008, the University 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 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 (Certificates). 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% to 5.50% with a total interest cost of 5.38%.

The Certificates 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.

Proceeds from the issuance 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 University through a sublease with the State Treasurer. The University will make rental payments from April 2009 through October 2027 totaling $5,870,719 including interest of $2,195,719. The University pledged the Fine Arts Building and the Tomlinson Library as collateral for the project.

The following is a schedule of future minimum capital lease payments as of June 30, 2013:

Fiscal Year End	Principal	Interest	Total
2014	$ 248,785	$ 237,087	$ 485,872
2015	264,961	228,168	493,129
2016	281,964	213,686	495,650
2017	300,137	198,032	498,169
2018	320,426	185,335	505,761
2019-2023	1,953,091	669,697	2,622,788
2024-2028	1,556,896	201,737	1,758,633
Total Future Minimum Payments	**$ 4,926,260**	**$ 1,933,742**	**$ 6,860,002**

The following is a schedule of future minimum capital lease payments as of June 30, 2012:

Fiscal Year End	Principal	Interest	Total
2013	$ 233,213	$ 249,526	$ 482,739
2014	248,785	237,087	485,872
2015	264,961	228,168	493,129
2016	281,964	213,686	495,650
2017	300,137	198,032	498,169
2018-2022	1,830,921	761,491	2,592,412
2023-2027	1,710,911	285,885	1,996,796
2028	288,582	9,392	297,974
Total Future Minimum Payments	**$ 5,159,474**	**$ 2,183,267**	**$ 7,342,741**

Operating Lease

The University entered into an agreement to lease copier equipment in Fiscal Year 2012. In Fiscal Year 2011, the University executed a five year renewal to lease property from the city of Montrose, Colorado. At the end of the current extension, the University has the option to extend the agreement for a second five year renewal term ending on June 2020 and the University currently expects to exercise its option.

The following is a schedule of future minimum rental payments under the lease:

Year Ending June 30	Total
2014	$ 161,075
2015	161,075
2016	161,075
2017	161,075
2018	88,536
2019-2020	177,072
Total	$ 909,908

Rent expense for Fiscal Year 2013 was $248,098.

Notes Payable

In August 2011, the University entered into a contract with the Colorado West Health Care System to acquire the Community Hospital property adjacent to the University's main campus. The University will acquire the property in four parcels using three notes payable that are secured by separate deed of trust.

In August 2011, the University acquired parcels two and three from the Colorado West Health Care System by paying $480,000 and issuing a note payable for $1,224,000 payable in five equal installments of $244,800 with the final payment due in August 2016. The note is interest-free and is discounted at the University's incremental borrowing rate of 2.49% as of the date of the agreement.

In Fiscal Year 2014, the University is scheduled to acquire parcel four of the property by paying $520,000 cash and issuing a note payable for $795,600 payable in three equal installments of $265,200 with final payment due in August 2016. The note is interest-free and is discounted at the University's incremental borrowing rate of 2.49% as of the date of the agreement. In August 2016, the University is scheduled to acquire parcel one of the property by paying $1,000,000 cash and issuing a note payable for $2,550,000 payable in five equal installments with final payment due in August 2020. The note is interest-free and is discounted at the University's incremental borrowing rate of 2.49% as of the date of the agreement. In the event Community Hospital does not vacate the property associated with parcel one at the time of closing in August 2016, Colorado West Care Health Systems will pay rent of $480,000 per year ($40,000 per month) to the University.

As part of its campus expansion program, the University 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% interest.

The following is a schedule of payments of notes payable as of June 30, 2013:

Fiscal Year End	Total Payments
2014	$ 259,938
2015	259,938
2016	259,938
2017	259,938
2018	15,137
2019-2023	90,826
2024-2026	22,708
Total Principal and Interest Payments	**1,168,423**
Less: Interest Included Above	(107,817)
Total Principal Outstanding	**1,060,606**
Less: Current Portion	(230,131)
Net Long-term Principal	**$ 830,475**

The following is a schedule of payments of notes payable as of June 30, 2012:

Fiscal Year End	Total Payments
2013	$ 259,938
2014	259,938
2015	259,938
2016	259,938
2017	259,938
2018-2022	60,550
2023-2025	68,120
Total Principal and Interest Payments	**1,428,360**
Less: Interest Included Above	(148,472)
Total Principal Outstanding	**1,279,888**
Less: Current Portion	(222,191)
Net Long-term Principal	**$ 1,057,697**

Compensated Absences: Employees accrue annual and sick leave based on the length of service and is subject to certain limitations on amounts paid upon termination and/or retirement. The estimated costs of compensated absences for which employees are vested for the years ended June 30, 2013 and June 30, 2012, are estimated at $1,529,314 (including the current portion of $229,397 listed in note 6 below) and $1,419,489, respectively. Expenses include an increase of $109,825 (2013) and a decrease of $1,483 (2012) for the estimated compensated absence liability.

NOTE 6 - SHORT-TERM LIABILITIES

Year-end payables were as follows:

	June 30, 2013	June 30, 2012
Accounts Payable, Vendors	$ 3,731,639	$ 1,872,363
Salaries and Benefits Payable	5,195,727	5,043,446
Capital Leases Payable, Current Portion	248,785	233,213
Capital Bonds Payable, Current Portion	3,765,000	3,205,000
Long-term Notes Payable, Current Portion	230,131	222,191
Compensated Absences, Current Portion	229,397	191,831
Retainage on Construction Contracts Payable	576,927	524,686
Accrued Interest Payable	1,305,350	1,629,450
Total Payables	**$ 15,282,956**	**$ 12,922,180**

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES

In Fiscal Year 2014, the University is scheduled to acquire property from Community Hospital as described in Note 5 above by paying $520,000 cash and issuing a note payable for $795,600 payable in three equal installments of $265,200 with final payment due in August 2016. In August 2016, the University is scheduled to acquire parcel one of the property by paying $1,000,000 cash and issuing a note payable for $2,550,000 payable in five equal installments with final payment due in August 2020.

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

The University, 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 University.

NOTE 8 - PENSION PLAN OBLIGATIONS

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

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

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.

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

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the 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 and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior twelve months. In that case, they are required to remain in the PERA plan in which they participated previously.

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

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any 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 members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, 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 are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more. Age plus years of service requirements 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.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5% 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% increase between periods. For retirements after January 1, 2009, or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually 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% or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2% or the actual increase in the national Consumer Price Index, limited to a 10% 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% and declines by one-quarter percentage point when the funded ratio drops below 90% after having exceeded 103%. 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 are 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% (10.0% for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2012, the temporary contribution rate increase of 2.5% for members in the State and Judicial Divisions to replace the 2.5% reduction in employer contributions effective for Fiscal Years 2010-11 and 2011-12 expired.

From July 1, 2012, to December 31, 2012, the State contributed 15.65% (18.35% for state troopers and 17.36% for the Judicial Branch) of the employee's salary. From January 1, 2013, through June 30, 2013, the state contributed 16.55% (19.25% for state troopers and 17.36% for the Judicial Branch). During all of Fiscal Year 2012-13, 1.02% 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, 2012, the division of PERA in which the State participates has a funded ratio of 59.2% and a 53 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 60.2%.

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5% of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4% of salary through 2017, to a maximum of 5% (except for the Judicial Division whose AED contribution was frozen at the 2010 level).

In the 2006 and 2010 legislative sessions, 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, for calendar years 2008 through 2017, to a maximum of 5% (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and, for subsequent declines to below 90-percent funded, both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90% and subsequently declines, the AED and SAED will be increased by one-half percentage point.

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 University's contributions to the Defined Benefit Plan and the Health Care Trust Fund for Fiscal Years ended June 30, 2013, 2012 and 2011 were $1,055,510, $1,527,139 and $1,352,073 respectively. These contributions met the contribution requirement for each year.

C. OPTIONAL RETIREMENT PLAN (ORP)

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 University's contribution to the ORP is 11.4% of covered payroll and contributions by employees is 8% 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 University have elected to continue as members with the Public Employees' Retirement Association of Colorado (PERA) while the remainder participates in the ORP.

Funding Policy: The University's contributions to the ORP for Fiscal Years ended June 30, 2013, 2012 and 2011 were $2,370,458, $2,075,201, and $1,853,168 respectively. Employee contributions were 8% of covered payroll. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

D. STUDENT RETIREMENT PLAN

Beginning in Fiscal Year 1993, in accordance with the provisions of CRS 24-54.6 and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5% contribution on the employee's part with no employer contribution. Total payroll covered by the plan for Fiscal Years ended June 30, 2013 and 2012 were $496,419 and $663,805. Employee contributions were $37,231 and $49,785 for Fiscal Years ended June 30, 2013 and 2012, or 7.5% of covered payroll.

NOTE 9 - VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer 403(b) or 401(a) plans.

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

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents 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% 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 8B. Beginning July 1, 2004, the University is required to contribute 1.02% of gross covered wages to the Health Care Trust Fund. The University contributed $89,042, $88,232 and $83,034, as required by statute as of June 30, 2013, 2012 and 2011, respectively. In each year the amount contributed was 100% of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2012, there were 51,666 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2012, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.43 billion, a funded ratio of 16.5% and a 66-year amortization period.

NOTE 11 - COMPONENT UNITS

The University, using GASB 39 criteria, has identified the Foundation and CMUREF as component units (see Note 1).

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." 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.

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.

COLORADO MESA UNIVERSITY FOUNDATION

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

The Foundation solicits and receives donations and other forms of support for the benefit of the University's intercollegiate athletic program as well as other programs and/or initiatives. Expenditures are primarily scholarships awarded. During Fiscal Year 2013, the Foundation awarded $547,336 in scholarship funds directly to Colorado Mesa University students. Since the funds were paid directly to students, the University did not record related revenue or expense. Accordingly, this amount is not included in the schedule of Student Financial Assistance provided in Note 12. The Foundation received donations to partially fund regular operations of various university departments. During Fiscal Year 2013 cash and in-kind donations totaled $1,243,178 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 2012 follow those for Fiscal Year 2013.

FOUNDATION – INVESTMENTS – Fiscal Year 2013

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

	Cost	Fair Value	Gain (Loss)
Cash & Money Markets	$ 1,930,470	$ 1,930,470	$ -
Bonds	2,295,907	2,251,998	(43,909)
Common Stock	9,647,502	9,904,075	256,573
Commodities	157,414	149,549	(7,865)
Mutual Funds	3,512,800	3,873,560	360,760
Real Estate	508,000	508,000	-
	$ 18,052,093	**$ 18,617,652**	**$ 565,559**

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

	Temporarily Restricted	Permanently Restricted	Total
Interest & Dividend Income	$ 418,546	$ -	$ 418,546
Investment Fees	(96,822)	-	(96,822)
Realized Fain (Losses)	828,578	-	828,578
Unrealized Gain (Losses)	212,988	-	212,988
	$ 1,363,290	**$ -**	**$ 1,363,290**

Fair value measurements for assets reported at fair value on a recurring basis were determined based on:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 2)
Long-Term Investments				
Cash & Money Markets	$ 1,930,470	$ 1,930,470	$ -	$ -
Bonds	2,251,998	-	2,251,998	-
Common Stock	9,904,075	9,904,075	-	-
Commodities	149,549	-	149,549	-
Mutual Funds	3,873,560	3,873,560	-	-
Real Estate	508,000	-	508,000	-
Total Long-Term Investments	**$ 18,617,652**	**$ 15,708,105**	**$ 2,909,547**	**$ -**

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels for the year ended December 31, 2013.

All long-term investments, except real estate, are reported at fair value on a recurring basis determined by reference to yield curves and quoted prices for similar assets. Real estate is determined using the market approach, based primarily on current appraised values and other information for similar property.

FOUNDATION – INVESTMENTS – Fiscal Year 2012

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

	Cost	Fair Value	Gain (Loss)
Cash & Money Markets	$ 1,323,537	$ 1,323,537	$ -
Bonds	2,594,857	2,701,025	106,168
Common Stock	9,358,120	9,755,200	397,080
Commodities	151,370	136,612	(14,758)
Mutual Funds	1,653,846	1,754,804	100,958
Real Estate	571,181	578,328	7,147
Other	156,582	150,849	(5,733)
	$ 15,809,493	**$ 16,400,355**	**$ 590,862**

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

	Temporarily Restricted	Permanently Restricted	Total
Interest & Dividend Income	$ 346,142	$ -	$ 346,142
Investment Fees	(96,400)	-	(96,400)
Realized Fain (Losses)	194,077	-	194,077
Unrealized Gain (Losses)	(802,079)	-	(802,079)
	$ (358,260)	**$ -**	**$ (358,260)**

Fair value measurements for assets reported at fair value on a recurring basis were determined based on:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 2)
Long-Term Investments				
Cash & Money Markets	$ 1,323,537	$ 1,323,537	$ -	$ -
Bonds	2,701,025	-	2,701,025	-
Common Stock	9,755,200	9,755,200	-	-
Commodities	136,612	-	136,612	-
Mutual Funds	1,754,804	1,754,804	-	-
Real Estate	578,328	-	578,328	-
Other	150,849	-	150,849	-
Total Long-Term Investments	**$ 16,400,355**	**$ 12,833,541**	**$ 3,566,814**	**$ -**

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels for the year ended December 31, 2012.

Long-term investments are reported at fair value, except real estate, on a recurring basis determined by reference to yield curves and quoted prices for similar assets. Real estate is determined using the market approach based primarily on current appraised values and other information for similar property.

FOUNDATION – ENDOWMENT – Fiscal Year 2013

The Foundation's endowment consists of 182 individual funds established for providing a future income stream for scholarships for Colorado Mesa University students, research, & other uses for certain Colorado Mesa University departments. Its endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization, in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the organization and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the organization

(7) The investment policies of the organization

The Organization has adopted investment and spending policies by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds, if possible.

The spending policy is to distribute 4% to 7% of the fair market value of the endowment accounts each year, with the caveat that the Foundation's Board shall have the discretion to adjust the distribution rate for a given year depending on short/long term needs of Colorado Mesa University and the anticipated near-term trends in inflation and investment returns, consistent with the Organization's investment policy.

Endowment Net Asset Composition by Type of Fund at year end is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Donor-Restricted Endowment Funds	$ -	$ 2,129,958	$ 17,050,718	$ 19,180,676
Board-Designated Endowment Funds	103,329	-	-	-
Total	$ 103,329	$ 2,129,958	$ 17,050,718	$ 19,284,005

Endowment Net Assets - Beginning	$ 98,329	$ 848,852	$ 16,397,307	$ 17,344,488
Contributions & Transfers	5,000	306,943	653,416	965,359
Investment Income	-	321,724	-	321,724
Net Appreciation (Depreciation)	-	1,041,566	-	1,041,566
Net Assets Released from Restrictions:				
Amounts Appropriated for Expenditure	-	(389,127)	-	(389,127)
Restore Net Assets to Donor Levels	-	-	-	-
Endowment Net Assets - Ending	**$ 103,329**	**$ 2,129,958**	**$ 17,050,723**	**$ 19,284,010**

FOUNDATION – ENDOWMENT – Fiscal Year 2012

The Foundation's endowment consists of 179 individual funds established for providing a future income stream for scholarships for Colorado Mesa University students. Its endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization, in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the organization and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the organization

(7) The investment policies of the organization

The Organization has adopted investment and spending policies by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds, if possible.

The spending policy is to distribute 4% to 7% of the fair market value of the endowment accounts each year, with the caveat that the Foundation's Board shall have the discretion to adjust the distribution rate for a given year depending on short/long term needs of Colorado Mesa University and the anticipated near-term trends in inflation and investment returns, consistent with the Organization's investment policy.

Endowment Net Asset Composition by Type of Fund at year end is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Donor-Restricted Endowment Funds	$ -	$ 848,852	$ 16,397,302	$ 17,246,154
Board-Designated Endowment Funds	98,329	-	-	98,329
Total	$ 98,329	$ 848,852	$ 16,397,302	$ 17,344,483
Endowment Net Assets - Beginning	$ -	$ 1,802,511	$ 12,014,977	$ 13,817,488
Contributions & Transfers	98,329	(22,398)	4,382,325	4,458,256
Investment Income	-	249,742	-	249,742
Net Appreciation (Depreciation)	-	(608,002)	-	(608,002)
Net Assets Released from Restrictions:				
Amounts Appropriated for Expenditure	-	(573,001)	-	(573,001)
Restore Net Assets to Donor Levels	-	-	-	-
Endowment Net Assets - Ending	**$ 98,329**	**$ 848,852**	**$ 16,397,302**	**$ 17,344,483**

FOUNDATION – PROMISES TO GIVE – Fiscal Year 2013

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

Colorado Mesa University Building Projects & Expansion	$ 267,629
Colorado Mesa University Departments & Clubs	537,193
Scholarships - Endowments	399,245
Scholarships - Temporary	205,892
Subtotal	1,409,959
Less discounts to net present value - Discount rate 2.52%	(41,830)
Less allowance for uncollectible promises receivable	(56,136)
Total	**1,311,993**
Receivable in less than one year	513,683
Receivable in one to five years	788,310
Receivables after five years	10,000
	$ 1,311,993

FOUNDATION – PROMISES TO GIVE – Fiscal Year 2012

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

Colorado Mesa University Building Projects	$	260,650
Colorado Mesa University Campus Expansion		300,000
Scholarships - Endowments		569,550
Scholarships - Temporary		756,348
Subtotal		1,886,548
Less discounts to net present value - Discount rate 7%		(156,461)
Less allowance for uncollectible promises receivable		(40,000)
Total	**$**	**1,690,087**
Receivable in less than one year	$	644,068
Receivable in one to five years		1,046,019
	$	**1,690,087**

FOUNDATION – PROPERTY AND EQUIPMENT – Fiscal Year 2013

Property and equipment consist of the following:

	Estimated Useful Life		
Building	20-30 years	$	550,675
Furniture and Fixtures	5-10 years		216,286
Memorial Alcove	10 years		7,400
Non-depreciable Property to be Donated to the University			25,000
			799,361
Less Accumulated Depreciation			**(523,095)**
Property and Equipment, net		**$**	**276,266**

FOUNDATION – PROPERTY AND EQUIPMENT – Fiscal Year 2012

Property and equipment consist of the following:

	Estimated Useful Life		
Building	20-30 years	$	550,581
Furniture and Fixtures	5-10 years		235,016
Memorial Alcove	10 years		7,400
Non-depreciable Property to be Donated to the University			1,346,559
			2,139,556
Less Accumulated Depreciation			**(533,674)**
Property and Equipment, net		**$**	**1,605,882**

FOUNDATION – LINE OF CREDIT – Fiscal Year 2013

Colorado Mesa University has plans to further expand the size of the university 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 Colorado Mesa University. $2,064,918 of real estate was purchased and quitclaimed to Colorado Mesa University 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, 2017. 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 $1,849,582. 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, Colorado Mesa University signed an agreement with the Foundation to deed over donated real estate or other real estate sufficient to pay-off the line of credit.

FOUNDATION – LINE OF CREDIT – Fiscal Year 2012

Colorado Mesa University 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 Colorado Mesa University. $631,282 of real estate was purchased and quitclaimed to Colorado Mesa University 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, 2017. 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 $359,663. 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, Colorado Mesa University signed an agreement with the Foundation to deed over donated real estate or other real estate sufficient to pay-off the line of credit.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

The Colorado Mesa University Real Estate Foundation (CMUREF) 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 University. CMUREF may receive gifts of real and personal property that persons and entities wish to donate for the benefit of the University in support and furtherance of the University's educational purposes. CMUREF may hold, maintain, improve, leverage, manage, and lease such donated property in a manner consistent with donor intent until such time as CMUREF deems it advisable to convey, transfer, or otherwise dispose of the property and then donate to support the University.

Under an operating agreement with the University, the parties generally intend to satisfy CMUREF's need for financial capital by allowing CMUREF to retain a portion of proceeds on an approximate 20% (CMUREF), 80% (University) sharing. In Fiscal Year 2013, the College transferred $2,844,490 to CMUREF for property acquisitions as part of the University's expansion project and the Foundation made capital property transfers of $2,811,389 to the University.

The following are excerpts from the Fiscal Years 2013 and 2012 CMUREF independent annual financial report.

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

Colorado Mesa University 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 CMUREF to benefit the University. CMUREF has capitalized all of the development costs. A building is on the investment land and is being depreciated over a 6 year life.

	2013	2012
Cost of land held for investment and developed costs	$ 880,992	$ 879,236
Building	22,352	22,352
Accumulated Depreciation	(19,226)	(14,902)
Total Land Held for Investment	**$ 884,118**	**$ 886,686**

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

OPERATING LEASE COMMITMENTS

CMUREF leases four commercial spaces in Grand Junction from Colorado Mesa University to tenants under non-cancelable operating leases with terms of five to ten years. CMUREF retains 20% of rental income as a management fee, and the other 80% is paid to the University. CMUREF also leases land and a building it owns in Grand Junction to tenants under non-cancelable operating leases with terms of one to five years. CMUREF retains 20% of rental income as a management fee, and the other 80% is paid to the University.

In Fiscal Year 2010, CMUREF entered into a master lease with the University to rent six commercial spaces in the North Avenue Student Housing complex (NASH). Under the terms of the lease CMUREF will remit 100% of the tenant rents to the University until the costs of tenant improvements and lease commission fees are recovered, after which CMUREF will retain, as a management fee, rental income over $15 per square foot. As of June 30, 2013, all six commercial properties were under CMUREF leases. Terms of the leases range from five to ten years and rents range from $17 to $20 per square foot.

The rental income for the year was $379,214, of which CMUREF kept 20% ($60,593) as a management fee.

Future minimum rentals and expected management fees to CMUREF are as follows:

	Minimum Rentals	Minimum Expected Management Fees
June 30, 2014	$ 348,787	$ 76,501
June 30, 2015	355,678	82,848
June 30, 2016	284,206	67,654
June 30, 2017	133,040	33,075
June 30, 2018	94,771	27,271
	$ 1,216,482	**$ 287,348**

NOTE 12 - STUDENT FINANCIAL ASSISTANCE

The University receives funds from and administers student financial assistance programs for various federal and state agencies. In addition, the University 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 University received resources for and expended on behalf of students in Fiscal Years 2013 and 2012. Student loans, external scholarships, grants and other student financial assistance not recorded on the University's financial system are not included.

A schedule of non-loan student assistance for the year ended June 30, 2013 follows:

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Colorado Student Grants	$ -	$ 3,223,872	$ -	$ 3,223,872
Pell Grants	15,463,591	-	-	15,463,591
General Institutional	-	-	4,294,986	4,294,986
Auxiliary	-	-	1,957,030	1,957,030
Other Federal Scholarships	44,444	-	-	44,444
Work Study **	171,853	656,030	3,132,861	3,960,744
SEOG	132,440	-	44,147	176,587
Total	**$ 15,812,328**	**$ 3,879,902**	**$ 9,429,024**	**$ 29,121,254**

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

A schedule of non-loan student assistance for the year ended June 30, 2012 follows:

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Colorado Student Grants	$ -	$ 3,051,400	$ -	$ 3,051,400
Pell Grants	15,539,364	-	-	15,539,364
General Institutional	-	-	4,234,810	4,234,810
Auxiliary	-	-	1,971,733	1,971,733
Other Federal Scholarships	128,629	-	-	128,629
Work Study **	165,506	664,079	2,839,671	3,669,256
SEOG	115,645	-	38,549	154,194
Total	**$ 15,949,144**	**$ 3,715,479**	**$ 9,084,763**	**$ 28,749,386**

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

NOTE 13 - LEGISLATIVE APPROPRIATION

The Colorado Legislature establishes spending authority for the Trustees of Colorado Mesa University in its annual Long Appropriation Bill. The Long Bill appropriated funds include an amount from the State of Colorado's Colorado Opportunity Fund. In prior years, and for fiscal years beginning on or after July 1, 2016, the general assembly annual appropriation of general fund moneys bill include certain cash revenues from the student share of tuition and fees.

For the years ended June 30, 2013 and 2012, appropriated expenses were within spending authority. For the years ended June 30, 2013 and 2012, the University had a total appropriation $19,136,213 and $18,735,652 respectively. For the years ended June 30, 2013 and 2012, appropriated funds included $11,902,450 and $11,462,642, respectively, received from students that qualified for stipends from the College Opportunity Fund; $6,989,868 and $7,037,933, respectively, as fee-for-service contract revenue; $243,895 and $235,077 from limited gaming tax revenues. All other revenues represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues and other revenue sources. Appropriated expenses were $19,136,213 and $18,735,652 in Fiscal Years ended June 30, 2013 and June 30, 2012.

In Fiscal Year 2010, the Colorado Legislature appropriated $355,332 for the Tomlinson Library roof repair. Of that, $0 (2013) and $31,688 (2012) was spent and realized as capital construction appropriated revenue.

NOTE 14 - 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 Colorado Mesa University. On August 10, 2005, the Colorado State Auditor issued an opinion that Colorado Mesa University, 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% 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 2013.

State Grants		
State Share - Certificates of Participation	$	1,385,067
Local Government Grants		968,518
Total State Grants		2,353,585
Total Revenues (gross operating, non-operating and other revenues)	$	111,989,773
Ratio of State Grants to Total Revenues		2.10%

NOTE 15 - RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

The University is subject to risks of loss from liability for accident, property damage and personal injury. To mitigate these risks the University has purchased the following insurance:

Coverage	Company	Limit $	Deductible
General liability	Hanover	$ 2,000,000	$ -
Directors' and officers' liability	Hanover	2,000,000	10,000
Automobile liability	Hanover	1,000,000	-
Employment practices liability	Hanover	2,000,000	10,000
Employee benefits administration	Hanover	3,000,000	1,000
Employee dishonesty (Fidelity)	Hanover	300,000	1,000
Student professional liability	AIX Specialty	3,000,000	-
Sexual misconduct or molestation	Hanover	2,000,000	-
Commercial excess liability	Hanover	2,000,000	-
Workers compensation	Pinnacol	1,000,000	5,000
Boiler machinery breakdown	Hanover	no limit	25,000
Property - building	Hanover	308,110,876	25,000
Property - personal property	Hanover	97,304,626	25,000

The University became fully insured through several insurance companies in 2012 and is insured for everything above its reserve and deductible. The coverage in Fiscal Year 2013 is consistent with previous years and there have been no significant reductions in coverage or settlements exceeding coverage.

NOTE 16 - CHANGE IN FINANCIAL STATEMENT PRESENTATION

GASB Statement No. 65 defines which items that were previously reported as assets and liabilities to be reported as either deferred outflows or deferred inflows of resources. Under the statement, the University is reporting $7,763,457 (2013) and $8,302,769 (2012) of unamortized accounting losses from refunding certain bonds, as described in Note 5 of the financial statements. The amounts were previously reported as a component of bonds payable in prior years. Under GASB Statement No. 65, the University also reported unamortized bond issue costs of $677,293 as of June 30, 2012 as a reduction to beginning Net Position for Fiscal Year 2013. Unamortized bond issue costs were shown as other noncurrent assets in prior years.

SUPPLEMENTAL INFORMATION

COLORADO MESA UNIVERSITY
Enterprise Revenue Bonds
Schedule of Revenues and Expenditures
For the Year Ended:

	June 30, 2013	June 30, 2012
Operating Revenues		
Pledged Tuition Revenue	$ 6,191,663	$ 5,743,910
Residence Halls and Apartments	10,645,304	10,029,089
Food Services	6,666,956	6,704,556
University Center	2,987,710	2,928,730
Bookstore	4,122,980	4,190,605
Recreation Center	1,947,413	1,886,034
Campus Parking	668,570	545,449
Central Services	1,332,277	530,197
Student Fee Revenue	1,079,342	1,093,792
Total Revenue	**35,642,215**	**33,652,362**
Operating Expenses		
Residence Halls and Apartments	4,401,179	4,460,088
Food Services	4,281,730	4,076,243
College Center	877,959	773,728
Bookstore	3,818,163	4,211,008
Recreation Center	1,510,524	1,492,694
Campus Parking	242,916	260,436
Central Services	242,247	293,730
Total Operating Expenditures	**15,374,718**	**15,567,927**
Net Revenue Before Transfers	**20,267,497**	**18,084,435**
Transfers		
Mandatory Transfers	(8,946,921)	(7,594,837)
Net Non-mandatory Transfers	(4,832,528)	(4,462,279)
Total Transfers	**(13,779,449)**	**(12,057,116)**
Increase (Decrease) in Fund Balance	**$ 6,488,048**	**$ 6,027,319**
Debt Service Coverage		
Net Operating Revenue	$ 20,267,497	$ 18,084,435
Bond Principal and Interest	8,946,921	7,594,837
Excess of Net Operating Revenue Over Debt Service	**$ 11,320,576**	**$ 10,489,598**
Debt Service Coverage Ratio	**227%**	**238%**

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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*

Members of the Legislative Audit Committee:

We have audited the basic financial statements of Colorado Mesa University (the University); a part of the State of Colorado, as of and for the years ended June 30, 2013 and 2012, and have issued our report thereon dated December 4, 2013. The financial statements of Colorado Mesa University Foundation and Colorado Mesa University Real Estate Foundation, discretely presented component units of the University, as of and for the year ended June 30, 2013 and 2012 were audited by other auditors. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that were reported on separately by those auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component units, Colorado Mesa University Foundation and Colorado Mesa University Real Estate Foundation, were not audited in accordance with the *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dalby, Wendland & Co, P.C.

DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado

December 4, 2013

DALBY, WENDLAND & CO., P.C.

CPAs and Business Advisors

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AUDIT COMMITTEE COMMUNICATIONS

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities of Colorado Mesa University (the University), for the years ended June 30, 2013 and 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 7, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the University changed accounting policies by adopting Governmental Accounting Standards Board (GASB) No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*, GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB No. 65, *Items Previously Reported as Assets and Liabilities,* during the year ended June 30, 2013. The cumulative effect as of the beginning of the year of the account changes related to GASB No. 63 and 65 are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 estimate affecting the financial statements was:

> Management’s estimate of the collectability of student accounts receivable and student loans is based on historical analysis. We evaluated the key factors and assumptions used to develop the allowance for bad debts in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no 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 clearly trivial, and communicate them to the appropriate level of management. There were no misstatements identified during the audit.

Disagreements with Management
For purposes of this letter, a disagreement with management is 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 December 4, 2013.

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 governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings 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 University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters
With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Legislative Audit Committee, Board of Trustees and management of Colorado Mesa University and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Dalby, Wendland & Co., P.C.
DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado

December 4, 2013

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION

Introduction

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

The financial and compliance examination of the various state-funded student assistance programs at the University for the year ended June 30, 2013, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Department on Higher Education (CDHE). The State-Funded Student Assistance Programs policies are approved by the Colorado Commission on Higher Education (CCHE). The State student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2013.

State-Funded Student Assistance Programs

The various State-funded student assistance programs at the University include the Colorado Student Grant Program and the Colorado Work Study Program.

The State-funded student assistance awards made by the University was approximately $3,880,000 for the fiscal year ended 2013.

The Director of Financial Aid is responsible for 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 University Controller is responsible for the programs' financial management, general ledger accounting, payments, and collections.

During the audit period, Colorado Mesa University obtained authorizations to award federal student financial aid funds of $15,476,000 in the Pell Grant Program, $176,000 in the Supplemental Educational Opportunity Grant Program and $221,000 in the Federal College Work-Study Program.

During the audit period, Colorado Mesa University obtained authorizations to award Colorado student financial aid funds of $3,224,000 in the Student Grant Program and $656,000 in the Colorado Work Study Program.

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REPORT OF INDEPENDENT AUDITOR ON THE STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS OF THE STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS

Members of the Legislative Audit Committee:

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State–Funded Student Financial Assistance Programs (the Statement) for Colorado Mesa University (the University) for the year ended June 30, 2013. The Statement is the responsibility of the University's management. Our responsibility is to express an opinion on this Statement based on our audit.

Management's Responsibility for the Statement
Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial format as set forth in the *2012-13 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education (DHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance programs of the University for the year ended June 30, 2013, in accordance with the format as set forth in the *2012-13 Audit Guide for State and Private Non-Profit Institutions of Higher Education*, *Colorado-Funded Student Aid* issued by the Department of Higher Education (DHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University described in Note 1 to the Statement.

Basis of Accounting
We draw attention to Note 1 to the Statement, which describes the basis of accounting. As described in Note 1 to the Statement, the Statement prepared by the University was prepared in accordance with the 2012-2013 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid issued by the Department of Higher Education, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the statement of state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. Accordingly, the accompanying Statement is not intended to, and does not present the financial position, changes in financial position, or cash flows of the University in conformity with accounting principles generally accepted in the United States of America.

Report Restriction
This report is intended solely for the information and use of the Legislative Audit Committee, the University's Board of Trustees, and management of the University, the Department of Education, and the Colorado Commission of Higher Education and is not intended to be, and should not be used by anyone other than these specified parties.

Report on Other Legal and Regulatory Requirements
In accordance with Government Auditing Standards, we have issued our report dated December 4, 2013 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Dalby, Wendland & Co, P.C.

DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado

December 4, 2013

STATE OF COLORADO
COLORADO MESA UNIVERSITY
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS
YEAR ENDED JUNE 30, 2013

	Total State-Funded Student Assistance	Colorado Need-Based Grant	Colorado Graduate Grant	Colorado Work-Study
Appropriations:				
Original	$ 3,826,609	$ 3,169,518	$ 903	$ 656,188
Supplemental	53,496	53,496	-	-
Transfers	-	-	-	-
TOTAL	3,880,105	3,223,014	903	656,188
Expenditures	3,880,085	3,222,994	903	656,188
Reversions to State General Fund	$ 20	$ 20	$ -	$ -

COLORADO MESA UNIVERSITY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Colorado Mesa University's accounting system is structured and administered in accordance with the accounting principles promulgated by the National Association of College and University Business Officers in its revised publication *Financial Accounting and Reporting Manual*.

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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