COLORADO MESA UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT

Fiscal years ended June 30, 2014 and 2013

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COLORADO MESA UNIVERSITY

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COLORADO MESA UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY

Fiscal years ended June 30, 2014 and 2013

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 Fiscal Year 2014 audit was conducted under contract with Dalby, Wendland & Co., P.C. The audit was performed 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 2014.

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, 2014 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.

- 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 unmodified opinion on the financial statements for the year ended June 30, 2014 and 2013. 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:

	2012	2013	2014
Resident Students	6,403.8	6,639.4	6,738.0
Nonresident Students	947.2	1,027.5	1,069.8
Total Students	7,351.0	7,666.9	7,807.8
Faculty FTEs	336.8	364.9	377.5
Staff FTEs	300.9	321.3	321.1
Total Staff and Faculty FTEs	637.7	686.2	698.6

FINANCIAL STATEMENTS SECTION

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

Grand Junction
464 Main Street • P.O. Box 430 • Grand Junction, CO 81502
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INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee:
Denver, Colorado

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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, 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, 2014, 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 5 through 12 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 audit was 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 2, 2014, 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 2, 2014

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, 2014 and 2013. 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 2014 and 2013, with comparative information for Fiscal Year 2012. 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 in the readers' 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, 2014 and 2013. 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 activities 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 2014 and 2013. 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 2014 and 2013. 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 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 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 University Board of Trustees and its financial records are maintained separately from the University.

Financial Highlights

The University's net position continued to increase over the past three years, which is an indication of financial health. For Fiscal Years 2014 and 2013, the University's net position has increased by $17.1

million and $10.7 million, respectively. Net position has increased from $166.6 million (2012) to $177.3 million (2013) to $194.4 million (2014).

The Fiscal Year 2014 increase was from net operating and non-operating revenues of $6.9 million and other net revenues of $10.2 million, which include state capital appropriations and state capital contributions of $10.1 million as well as capital donations of $5.2 million, which are offset by $4.3 million of transfers to other institutions. The Fiscal Year 2013 increase is primarily net operating and non-operating revenues of $7.3 million. 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.

Throughout the University's growth – capital assets before depreciation increased from $350 million at the end of Fiscal Year 2012 to $416 million at June 30, 2014 – the University has maintained current ratios of 2.26 (2014) and 2.27 (2013). The current ratio [current assets divided by 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 $7.3 million from Fiscal Year 2013 to Fiscal Year 2014; the increase is directly related to the continued enrollment increases over the past several years. Undergraduate enrollments on a student FTE basis at the University increased from 7,615.1 in Fiscal Year 2013 to 7,752.2 in Fiscal Year 2014 (1.8%). Graduate enrollment increased from 49.8 in Fiscal Year 2013 to 55.7 in Fiscal Year 2014 (11.8%). Overall enrollments increased by 1.8% in Fiscal Year 2014 compared to Fiscal Year 2013.

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, 2014, 2013 and 2012 *(in thousands)*

				Increase (Decrease) 2014 vs 2013	
	2014	2013	2012	Amount	Percent
Assets					
Current assets	$ 40,355	$ 35,621	$ 32,944	$ 4,734	13.3%
Other noncapital assets	22,781	24,741	14,001	(1,960)	-7.9%
Net capital assets	337,800	308,373	291,203	29,427	9.5%
Total Assets	**$ 400,936**	**$ 368,735**	**$ 338,148**	**$ 32,201**	**8.7%**
Deferred Outflows	**$ 7,307**	**$ 7,763**	**$ 8,303**	**$ (456)**	**-5.9%**
Liabilities					
Non-debt liabilities	$ 19,388	$ 14,024	$ 11,180	$ 5,364	38.2%
Debt liabilities	154,487	185,160	168,622	9,327	5.0%
Total Liabilities	**$ 213,875**	**$ 199,184**	**$ 179,802**	**$ 14,691**	**7.4%**
Net Position					
Invested in capital assets	$ 143,389	$ 124,597	$ 133,190	$ 18,792	15.1%
Restricted	25,287	27,850	16,998	(2,563)	-9.2%
Unrestricted	25,692	24,867	16,461	825	3.3%
Total Net Position	**$ 194,368**	**$ 177,314**	**$ 166,649**	**$ 17,054**	**9.6%**

Unrestricted cash and investments of $33.2 million (2014) and $29.2 million (2013) and restricted cash of $21.4 million (2014) and $23.3 million (2013) make up 86.5% and 86.9% of the University's total non-capital assets as of June 30, 2014 and 2013, respectively. Restricted cash primarily represents unspent bond proceeds of $20.6 million (2014) and $21.8 million (2013) to be used for capital construction activity, as well as $800 thousand (2014) and $1.4 million (2013) for debt service payments and required debt service reserves.

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 $19.4 million (2014) and $14.0 million (2013) make up 9.1% and 7.0% of total liabilities. The largest categories of non-debt liabilities include accrued payroll liabilities of $5.5 million (2014) and $5.2 million (2013), accounts payable and non-payroll accrued liabilities of $9.0 million (2014) and $4.3 million (2013), unearned revenues of $2.1 million (2014) and $2.0 million (2013) and compensated absences liabilities of $1.7 million (2014) and $1.5 million (2013).

At June 30, 2014, the University's total investment net position was $194.4 million compared to $177.3 million at June 30, 2013. The University's net position is shown in three categories on the Statement of Net Position:

- Net investment in capital assets issued to fund the acquisition and construction of those assets, is the largest net asset category with $143.9 million (2014) and $124.6 million (2013). This category comprises 73.8% and 70.3% of total net position for Fiscal Years 2014 and 2013, 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 $25.3 million (2014) and $27.9 million (2013). 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 decrease of $2.6 million from Fiscal Year 2013 to Fiscal Year 2014 is due to the decrease in unspent bond funds of as described above. All of the University's restricted net position is expendable.
- Unrestricted net position was $25.7 million (2014) and $24.9 million (2013) 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 Fund Balance for Years Ended June 30, 2014, 2013 and 2012 *(in thousands)*				Increase (Decrease) 2014 vs 2013	
	2014	2013	2012	Amount	Percent
Operating revenues	$ 95,687	$ 86,838	$ 81,102	$ 8,849	10.2%
Operating expenses	101,206	90,712	84,611	10,494	11.6%
Operating income (loss)	(5,519)	(3,874)	(3,509)	(1,645)	42.5%
Net non-operating revenues	12,402	11,197	10,485	1,205	10.8%
Income before other revenues	6,883	7,323	6,976	(440)	-6.0%
Other revenues, expenditures, gains, losses and transfers	10,170	3,342	(837)	6,828	204.3%
Increase in net position	**17,053**	**10,665**	**6,139**	**6,388**	**59.9%**
Net position at beginning of year	177,314	166,649	161,187	10,665	6.4%
Restatement	-	-	(677)	-	-
Net Position at End of Year	**$ 194,367**	**$ 177,314**	**$ 166,649**	**$ 17,053**	**9.6%**

The University's operating revenues increased by $8.9 million from $86.8 million (2013) to $95.7 million (2014), and net non-operating revenues increased by $1.2 million from $11.2 million (2013) to $12.4 million (2014).

Operating and Non-operating Revenues for Fiscal Years 2014, 2013 and 2012 *(in thousands)*				Increase (Decrease) 2014 vs 2013	
	2014	2013	2012	Amount	Percent
Operating Revenues					
Tuition and fees, net	$ 52,256	$ 47,832	$ 43,072	$ 4,424	9.2%
DHE fee for service revenues	7,407	6,990	7,038	417	6.0%
Grants and contracts	6,694	5,365	5,411	1,329	24.8%
Auxiliary enterprises, net	28,311	25,428	24,484	2,883	11.3%
Other	1,019	1,223	1,098	(204)	-16.7%
Total Operating Revenues	**$ 95,687**	**$ 86,838**	**$ 81,103**	**$ 8,849**	**10.2%**
Non-Operating Revenues (Expenditures)					
Pell and other non-operating grants	17,261	17,724	17,069	(463)	-2.6%
Interest income	2,005	1,004	575	1,001	99.7%
Other non-operating revenues, net	1,276	237	286	1,039	438.4%
Total Non-operating Revenues	**$ 20,542**	**$ 18,965**	**$ 17,930**	**$ 1,577**	**8.3%**
Total Operating and Non-operating Revenues	**$ 116,229**	**$ 105,803**	**$ 99,033**	**$ 10,426**	**9.9%**

Tuition and fee revenues are reported net of scholarship allowances of $20.4 million (2014) and $20.0 million (2013), and auxiliary enterprise revenues are reported net of scholarship allowances of $83 thousand (2014) and $47 thousand (2013). 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 1.8% and an average tuition increase of 4.9%. The increase in auxiliary revenues is also due to the increased enrollments and to the opening of a 208 bed residence hall for the 2013 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 $64 per credit hour in Fiscal Year 2014 and $62 per credit hour in Fiscal Year 2013, and the University received $12.4 million (2014) and $11.9 million (2013).

Pell revenues were $15.1 million (2014) and $15.5 million (2013). Other non-operating grants were $2.2 million in both Fiscal Years 2014 and 2013 and were primarily comprised of Build America Bond interest subsidies of $1.2 million in Fiscal Year 2014 and $1.3 million in Fiscal year 2013. The University also received $700 thousand in local government funding in both Fiscal Years 2014 and 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 beginning in Fiscal Year 2013.

Interest income was $2.0 million (2014) and $1.0 million (2013). The increase is due primarily to improved investment earnings in Fiscal Year 2014 compared to 2013. See Note 2 to the financial statements for detailed investment information.

Operating expenses totaled $101.2 million (2014) and $90.7 million (2013). The breakdown of expenses by reporting category is as follows:

Operating Expenses for Fiscal Years 2014, 2013 and 2012 *(in thousands)*

				Increase (Decrease) 2014 vs 2013	
	2014	**2013**	**2012**	**Amount**	**Percent**
Instruction	$ 31,121	$ 29,231	$ 26,822	$ 1,890	6.5%
Research	330	316	386	14	4.4%
Public service	66	159	445	(93)	-58.5%
Academic support	7,037	6,015	5,424	1,022	17.0%
Student services	9,435	8,334	7,050	1,101	13.2%
Institutional support	6,190	5,081	4,889	1,109	21.8%
Operation and maintenance of plant	10,399	7,833	8,177	2,566	32.8%
Net scholarships and fellowships	5,753	4,127	3,454	1,626	39.4%
Auxiliary enterprises	20,789	19,928	19,109	861	4.3%
Depreciation	10,086	9,688	8,855	398	4.1%
Total Operating Expenses	**$ 101,206**	**$ 90,712**	**$ 84,611**	**$ 10,494**	**11.6%**

Over the past two fiscal years, all enrollments increased from 7,351.0 FTE in Fiscal Year 2012 to 7807.8 FTE in Fiscal Year 2014 (6.2%). During the same period, combined tuition and fees and auxiliary enterprise revenues (net of scholarship allowance) increased from $67.6 million in Fiscal Year 2012 to $80.6 million in Fiscal Year 2014 (19.3%), while expenses for instruction, academic support, student services, institutional support and auxiliary enterprises have gone up from $63.3 million in Fiscal Year 2012 to $74.6 million in Fiscal Year 2014 (17.8%). 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 $20.4 million (2014) and $20.0 million (2013); gross scholarship expense was $26.1 million (2014) and $24.2 million (2013). Note 12 to the financial statements reports non-workstudy scholarships from institutional sources was $8.5 million (2014) and $6.3 million (2013), and total non-loan student assistance from institutional sources was $11.7 million (2014) and $9.4 million (2013). The University continues a concerted effort to provide additional funding to help students meet educational expenses; Fiscal Year 2012 total non-loan student assistance from institutional sources was $9.1 million and increased to $11.7 million in Fiscal Year 2014. See Note 12 to the financial statements for detailed non-loan student financial assistance information.

About 12% of the increase in operation and maintenance of plant expenses from Fiscal Year 2013 to Fiscal Year 2014 is due to the increased costs associated with maintaining expanded facilities and the remainder of the increase is due to non-capital repair, replacement and renovation projects. Transfers to other governing boards or other institutions were $4.3 million (2014) and $2.8 million (2013) were transfers to the CMUREF for property acquisitions.

Capital Assets

At June 30, 2014, the University had $416.0 million invested in capital assets before total accumulated depreciation of $78.2 million. The projects completed during Fiscal Year 2014 and projects in progress at June 30, 2014 are reported below. The construction in progress variances are due to the timing of completing capital projects; the Escalante Hall and Garfield II projects were completed by August 2014 (see the schedule of significant projects in progress below). Fiscal Year 2014 property acquisitions include $4.4 million in land and building contributions from the University's foundations.

Capital Asset Categories (before depreciation) as of June 30, 2014, 2013 and 2012 *(in thousands)*

				Increase (Decrease) 2014 vs 2013	
Description	**2014**	**2013**	**2012**	**Amount**	**Percent**
Land	$ 31,324	$ 27,869	$ 23,876	$ 3,455	12.4%
Construction in progress	32,997	15,266	1,821	17,731	116.1%
Land and leasehold improvements	28,146	27,295	26,383	851	3.1%
Buildings	296,094	280,142	273,459	15,952	5.7%
Equipment	15,644	14,554	13,307	1,090	7.5%
Library materials	11,753	11,450	11,141	303	2.6%
Total Gross Capital Assets	**$ 415,958**	**$ 376,576**	**$ 349,987**	**$ 39,382**	**10.5%**

Significant capital additions (over $1 million) completed in Fiscal Year 2014 and the resources funding the acquisitions includes the following:

Project Description *(in thousands)*	**Amount**
Garfield Residence Hall, University funded	$ 10,346
Campus expansion Land and Buildings, University funded	4,822
WCCC culinary arts remodel, University funded	1,740
Community hospital parcel 4 acquisition	1,521
Total	**$ 18,429**

The following significant projects were in progress at June 30, 2014:

Project Description *(in thousands)*	**Amount**
Escalante Hall (Academic Classroom Building II), University/State funded	$ 17,969
Garfield II Residence Hall, University funded	7,125
Maverick Center expansion, University funded	4,803
Phase III drill field, University funded	1,413
Total	**$ 31,310**

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 2014 and 2013 are primarily cash and in-kind contributions from the University's foundations.

Capital Revenues for Fiscal Years 2014, 2013 and 2012 *(in thousands)*									
							Increase (Decrease)		
							2014 vs 2013		
		2014		**2013**		**2012**		**Amount**	**Percent**
Capital Revenues									
State appropriation, capital	$	9,904	$	-	$	32	$	9,904	100.0%
Capital contributions from the State		153		457		-		(304)	-66.5%
Capital donations		5,211		5,730		4,810		(519)	-9.1%
Total Capital Revenues	**$**	**15,268**	**$**	**6,187**	**$**	**4,842**	**$**	**9,081**	**146.8%**

Debt

The University had debt of $194.5 million (2014), $183.9 million (2013) and $167.0 million (2012), as follows. See Note 5 to the financial statements for detailed descriptions of the University's debt. In August 2014, the University issued Enterprise Revenue Bond Series 2014 Bond C. The Series 2014B bond is to refund the College Enterprise Revenue Bonds Series 2007 and the Series 2014C Bond is a non-qualified, draw down, tax exempt bond to provide funding to renovate and expand the Tomlinson Library. See Note 16 to the financial statements for more details.

Capital Debt Categories as of June 30, 2014, 2013 and 2012 *(in thousands)*									
							Increase (Decrease)		
							2014 vs 2013		
		2014		**2013**		**2012**		**Amount**	**Percent**
Bonds payable	$	187,966	$	177,869	$	160,554	$	10,097	5.7%
Capital leases		4,677		4,926		5,159		(249)	-5.1%
Notes payable		1,844		1,061		1,280		783	73.8%
Total Capital Debt	**$**	**194,487**	**$**	**183,856**	**$**	**166,993**	**$**	**10,631**	**5.8%**

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. Appropriated state support for Fiscal Year 2015 is $20.1 million and compares to $20.1 million of state support actually received in Fiscal Year 2014.

In 2014, the General Assembly passed HB 14-1319, Higher Education Funding, which requires the Colorado Commission on Higher Education (CCHE), the statewide coordinating board for the higher education system, to develop a new funding formula to allocate state general fund dollars to the state's public institutions of higher education within specified parameters. The intent of this new funding model is, in part, to determine and implement a mechanism that is more transparent and understandable for Colorado taxpayers, provide tuition predictability while ensuring both accessible and affordable higher education for residents and do so in harmony with the statewide goals for higher education as articulated in the CCHE's Master Plan – Colorado Competes, A Complete Agenda for Higher Education.

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 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.

Effective July 1, 2014 (Fiscal Year 2015), the University is required to adopt the provisions of GASB Statement No. 68 Accounting and Financial Reporting for Pensions. Statement No. 68 requires the University to record, as a liability, its "proportionate share" of the net pension liability of the Colorado Public Employees' Retirement Association (PERA). PERA has not yet performed the calculations required to determine the net pension liability nor has it determined the University's proportionate share of the net pension liability. Under existing accounting and actuarial standards, at December 31, 2013 PERA disclosed an unfunded actuarial accrued liability of $9,714,265,000. The net pension liability assigned to the University under the provisions of Statement No. 68 will directly offset unrestricted net position.

Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the University Controller at Colorado Mesa University, 1100 North Avenue, Grand Junction, CO 81501.

COLORADO MESA UNIVERSITY
STATEMENTS OF NET POSITION
June 30, 2014 and 2013 *(in thousands)*

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	**$ 23,487**	$ 21,117
Investments	**9,678**	8,130
Student accounts receivable, net	**4,191**	3,243
Other accounts receivable, net	**1,744**	1,975
Student loans, net	**109**	88
Inventories	**811**	782
Prepaid expenses	**335**	286
Total Current Assets	**40,355**	35,621
Noncurrent Assets		
Noncapital Noncurrent Assets		
Restricted cash and cash equivalents	**21,415**	23,263
Student loans, net	**959**	963
Other noncurrent assets	**406**	515
Total Noncapital Noncurrent Assets	**22,780**	24,741
Non-depreciable Capital Assets, Net		
Land and Improvements	**31,324**	27,869
Construction in Progress	**32,997**	15,266
Total Non-depreciable Capital Assets	**64,321**	43,135
Depreciable Capital Assets, Net		
Land and Leasehold Improvements	**20,398**	20,924
Buildings	**242,286**	233,878
Equipment	**7,788**	7,551
Library materials	**3,008**	2,885
Total Depreciable Capital Assets, Net	**273,480**	265,238
Total Non-current Assets	**360,581**	333,114
Total Assets	**$ 400,936**	$ 368,735
Deferred Outflows		
Loss on Bond Refundings, net	**$ 7,307**	$ 7,763
Total Deferred Outflows	**$ 7,307**	$ 7,763
Liabilities		
Current Liabilities		
Accounts Payable	**$ 6,196**	$ 3,732
Accrued Liabilities	**8,333**	7,078
Unearned Revenues	**2,100**	2,024
Deposits Held For Others	**551**	456
Student Deposits	**466**	509
Bonds Payable, Current Portion	**4,540**	3,765
Capital Leases Payable - Current Portion	**265**	249
Notes Payable, Current Portion	**499**	230
Compensated Absence Liability, Current Portion	**248**	229
Total Current Liabilities	**23,198**	18,272
Non-current Liabilities		
Bonds Payable	**183,426**	174,104
Capital Leases Payable	**4,413**	4,677
Notes Payable	**1,346**	831
Compensated Absence	**1,493**	1,300
Total Non-current Liabilities	**190,678**	180,912
Total Liabilities	**$ 213,876**	$ 199,184
Net Position		
Net Investment in Capital Assets	**$ 143,389**	$ 124,597
Restricted for:		
Capital Projects	**20,615**	21,833
Loans	**1,256**	1,239
Other Purposes	**3,415**	4,778
Unrestricted	**25,692**	24,867
Total Net Position	**$ 194,367**	$ 177,314

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

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

ASSETS	
Cash and Cash Equivalents	$1,541,106
Investments	22,680,032
Unconditional Promises to Give	1,289,075
Property Subject to Life Estate	508,000
TOTAL ASSETS	$26,018,213
LIABILITIES & NET ASSETS	
LIABILITIES	
Note Payable - Line of Credit - Bank	$1,749,582
Accrued Liabilities	252
TOTAL LIABILITIES	1,749,834
NET ASSETS	
Unrestricted Net Assets	
Designated by the Board for Endowment Purposes	103,643
Undesignated	(1,617,155)
Total Unrestricted Net Assets	(1,513,512)
Temporarily Restricted Net Assets	7,288,779
Permanently Restricted Net Assets	18,493,112
TOTAL NET ASSETS	24,268,379
TOTAL LIABILITIES & NET ASSETS	$26,018,213

See accompanying notes.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 & 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	$300,764	$884,578
Accounts Receivable	44,191	20,188
Prepaid Expense	0	7,718
TOTAL CURRENT ASSETS	344,955	912,484
PROPERTY & EQUIPMENT		
Building	318,007	0
Land	84,534	0
NET PROPERTY & EQUIPMENT	402,541	0
LONG-TERM ASSETS		
Land Held for Investment	880,393	884,118
TOTAL LONG-TERM ASSETS	880,393	884,118
TOTAL ASSETS	$1,627,889	$1,796,602
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$93,908	$95,388
TOTAL CURRENT LIABILITIES	93,908	95,388
NON-CURRENT LIABILITIES		
Tenant Deposits	15,490	15,665
TOTAL NON-CURRENT LIABILITIES	15,490	15,665
TOTAL LIABILITIES	109,398	111,053
NET ASSETS		
Unrestricted Net Assets	1,372,028	970,245
Temporarily Restricted Net Assets	146,463	715,304
TOTAL NET ASSETS	1,518,491	1,685,549
TOTAL LIABILITIES & NET ASSETS	$1,627,889	$1,796,602

See accompanying notes.

COLORADO MESA UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

June 30, 2014 and 2013 *(in thousands)*

	2014	2013
Operating Revenues		
Tuition and Fees (including $11,701 (2014) and $11,119 (2013) pledged for bonds, net of scholarship allowances of $20,372 (2014) and $19,983 (2013))	$ 52,256	$ 47,833
Fee For Service Revenue	7,407	6,990
Federal, State, Private Grants and Contracts	6,694	5,365
Auxiliary Enterprise Revenue (including $26,484 (2014) and $23,341(2013) pledged for bonds, net of scholarship allowances of $83 (2014) and $46 (2013))	28,311	25,427
Contributions	472	596
Other Operating Revenues (including $90 (2014) and $42 (2013) pledged for bonds)	547	627
Total Operating Revenues	**95,687**	**86,838**
Operating Expenses		
Instruction	31,121	29,231
Research	330	316
Public Service	66	159
Academic Support	7,037	6,015
Student Services	9,435	8,334
Institutional Support	6,190	5,081
Operation and Maintenance of Plant	10,399	7,832
Net Scholarships and Fellowships	5,753	4,127
Auxiliary Enterprises	20,789	19,929
Depreciation	10,086	9,688
Total Operating Expenses	**101,206**	**90,712**
Operating Loss	**(5,519)**	**(3,874)**
Non-operating Revenues		
Federal Pell and Other Non-operating Grants	17,261	17,724
Contributions	90	245
Investment and Interest Income (including $460 (2014) and $441 (2013) pledged for bonds)	2,005	1,004
Interest Expense on Capital Debt	(7,925)	(7,602)
Other Net Non-operating Revenues (Expenses)	1,186	(8)
Gain or (Loss) on Disposal of Assets	(215)	(166)
Net Non-operating Revenues	**12,402**	**11,197**
Income Before Other Revenues or Expenses	**6,883**	**7,323**
Other Revenues, Expenses, Gains, Losses, and Transfers		
State Appropriations, Capital	9,094	-
Capital Contributions from the State	153	458
Capital Donations (including $700 (2014) and $700 (2013) pledged for bonds)	5,211	5,729
Transfers (To) From Governing Boards or Other Institutions	(4,288)	(2,845)
Total Other Revenues	**10,170**	**3,342**
Increase in Net Position	**17,053**	**10,665**
Net Position - Beginning of Year	177,314	166,649
Net Position - End of Year	**$ 194,367**	**$ 177,314**

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, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions	$97,868	$866,958	$1,401,274	$2,366,100
Support from Colorado Mesa University	792,675	0	0	792,675
Special Events	0	403,381	0	403,381
Less: Costs of Direct Benefits to Donors	0	(294,805)	0	(294,805)
Investment Income	2,057	415,453	0	417,510
Realized Gain/Loss on Investments	0	309,588	0	309,588
Unrealized Gain/Loss on Investments	0	2,115,734	0	2,115,734
Colorado Mesa University Department & Club Collections	0	1,203,377	0	1,203,377
Gain on Sale of Assets	137,006	0	0	137,006
Other	0	12,121	0	12,121
Net Assets Released from Restrictions	2,284,138	(2,284,138)	0	0
Donor Imposed Classification Change	0	(41,120)	41,120	0
TOTAL REVENUE AND SUPPORT	3,313,744	2,706,549	1,442,394	7,462,687
EXPENSES				
Program Services				
Scholarships	760,070	-	-	760,070
Colorado Mesa University Building Projects & Expansion	837,640	-	-	837,640
Colorado Mesa University Department & Club Transfers	762,394	-	-	762,394
Supporting Services				
Management & General	53,474	-	-	53,474
Fund-raising	150,030	-	-	150,030
TOTAL EXPENSES	2,563,608	0	0	2,563,608
CHANGE IN NET ASSETS	750,136	2,706,549	1,442,394	4,899,079
NET ASSETS (DEFICIT) - BEGINNING	(2,263,648)	4,582,230	17,050,718	19,369,300
NET ASSETS (DEFICIT) - ENDING	($1,513,512)	$7,288,779	$18,493,112	$24,268,379

See accompanying notes.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2014 & 2013

UNRESTRICTED NET ASSETS

	2014	2013
REVENUE AND SUPPORT		
Real Estate Management Fee	$102,794	$60,593
Net Assets Released From Restrictions	365,541	0
TOTAL REVENUE AND SUPPORT	468,335	60,593
EXPENSES		
Program Expenses		
Support Colorado Mesa University		
Real Estate Management Expenses	61,091	6,986
Supporting Services		
Management & General	5,461	5,536
TOTAL EXPENSES	66,552	12,522
INCREASE IN UNRESTRICTED NET ASSETS	401,783	48,071

TEMPORARILY RESTRICTED NET ASSETS

	2014	2013
REVENUE AND SUPPORT		
Support from Colorado Mesa University	4,287,670	2,844,592
Net assets Released From Restrictions	(365,541)	0
TOTAL REVENUE AND SUPPORT	3,922,129	2,844,592
EXPENSES		
Program Expenses		
Support Colorado Mesa University		
Purchase of Real Estate	4,490,970	2,388,951
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	(568,841)	455,641
INCREASE IN NET ASSETS	(167,058)	503,712
NET ASSETS - BEGINNING	1,685,549	1,181,837
NET ASSETS - ENDING	$1,518,491	$1,685,549

See accompanying notes.

COLORADO MESA UNIVERSITY
STATEMENTS OF CASH FLOWS
June 30, 2014 and 2013 *(in thousands)*

	2014	2013
Cash Flows from Operating Activities		
Tuition & Fees	$ 72,071	$ 67,950
Sales of Service	24,793	21,544
Sales of Product	10,949	10,604
Grants, Contracts and Gifts	7,666	6,013
Student Loans Collected	153	200
Other Operating Receipts	542	627
Payments to or for Employees	(52,722)	(48,703)
Payments to Suppliers	(31,628)	(27,790)
Scholarships Disbursed	(26,209)	(24,157)
Student Loans Disbursed	(181)	(97)
Net Cash Provided by Operating Activities	**5,434**	**6,191**
Cash Flows from Non-capital Financing Activities		
Gifts and Grants for Other than Capital Purposes	17,392	17,972
Other Agency Inflows	77,884	76,444
Other Agency (Outflows)	(76,682)	(76,723)
Transfers from (to) Other Campuses, Board, or Institution	(4,286)	(2,846)
Net Cash Provided by Non-Capital Financing Activities	**14,308**	**14,847**
Cash Flows from Capital and Related Financing Activities		
State Appropriations, Capital	8,261	31
Capital Grants, Contracts and Gifts	967	1,011
Acquisition and Construction of Capital Assets	(30,400)	(19,220)
Proceeds from Capital Debt	14,000	20,530
Bond Issuance Costs Paid	(72)	(104)
Proceeds from the Sale of Capital Assets	8	-
Principal Paid on Capital Debt	(4,304)	(3,660)
Interest on Capital Debt	(8,330)	(7,804)
Net Cash Used by Capital & Related Financing Activities	**(19,870)**	**(9,216)**
Cash Flows from Investing Activities		
Proceeds from the Sale of Investments	405	-
Purchase of Investments	(1,028)	(1,924)
Investment Earnings (Interest/Dividends)	1,273	801
Net Cash Provided (Used) by Investing Activities	**650**	**(1,123)**
Net Increase in Cash & Cash Equivalents	522	10,699
Cash & Cash Equivalents - Beginning of the Year	44,380	33,681
Cash & Cash Equivalents - End of the Year	**$ 44,902**	**$ 44,380**

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

COLORADO MESA UNIVERSITY

STATEMENTS OF CASH FLOWS (continued)

June 30, 2014 and 2013 *(in thousands)*

	2014	2013
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$ (5,519)	$ (3,874)
Adjustments to Reconcile:		
Depreciation Expense	10,085	9,689
Provision for Uncollectible Accounts	701	888
Decrease (Increase) in Assets - Operating Portions	(867)	(1,694)
Increase (Decrease) in Liabilities - Operating Portions	1,033	1,182
Net Cash Provided (Used) by Operating Activities	**$ 5,434**	**$ 6,191**
Supplemental Disclosure of Noncash Investing and Financing Activities		
Additions to Construction in Progress Included in Accounts Payable and Accrued Liabilities.	$ 6,212	$ 3,264
Land and Buildings Donated from Foundations	4,393	5,161
State Capital Contributions	153	458
Amortization of Bond Issuance Costs	3	3
Property Acquired With Note Payable	1,073	-

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

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, 2014 and 2013. 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 Statement No. 39 criteria) to be a component unit, its financial information should be discretely presented within the financial statements of the reporting entity.

Applying GASB Statement No. 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 Statement No. 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 Board 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 Board 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 Statement 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 $9.678 million, including an unrealized gain of $1.694 million, at June 30, 2014 and $8.130 million, including an unrealized gain of $768 thousand, at June 30, 2013.

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 thousand for buildings and improvements other than buildings, and $5 thousand 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
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 $7.307 million (2014) and $7.763 million (2013) of unamortized accounting losses from refunding certain bonds, as described in Note 5 of the financial statements, as deferred outflows of resources. Under GASB Statement No. 65, the University also reported unamortized bond issue costs of $677 thousand as of June 30, 2012 as a reduction of beginning net position for Fiscal Year 2013. The University did not have any deferred inflows of resources as of June 30, 2014 and 2013.

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 statements 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 $20.372 million (2014) and $19.983 million (2013). Scholarship allowances for auxiliary charges for the years ended June 30 were $83 thousand (2014) and $47 thousand (2013).

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, 2014, 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. CRS Section 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 $2.505 million (2014) and $3.215 million (2013). Restricted net position for capital projects were $20.615 million (2014) and $21.833 million (2013). Restricted net position also includes the net positions of the 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 $1.256 million (2014) and $1.239 million (2013). The sponsored programs net position was $109 thousand (2014) and $133 thousand (2013).

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. The State Treasurer pools these deposits and invests them in securities approved by CRS Section 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, 2014 and 2013. 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 $17.461 million (2014) and $41.023 million (2013), including unrealized gains of $76 thousand (2014) and $68 thousand (2013), on deposit with the State Treasurer. Of that amount, $20.615 million (2014) and $21.833 million (2013) 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, 2014, 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, 2014, approximately 87.0% of investments of the Treasurer’s Pool are subject to credit quality risk reporting. Except for $15.235 million of corporate bonds rated lower medium and $25.428 million of corporate bonds rated very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer’s investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2014, the weighted average maturity of investments in the Treasurer’s Pool is 0.043 years for Commercial Paper (1.0% of the pool), 1.424 years for U.S. Government Securities (55.8% of the pool), 3.033 years for Asset Backed Securities (19.9% of the pool) and 2.766 years for Corporate Bonds (23.3% of the pool).

The Treasurer’s Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Years 2014 and 2013.

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, 2014.

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 *(in thousands)*:

	Year-End			
	June 30, 2014		June 30, 2013	
Cash on Hand	$	26	$	27
Cash in check accounts at bank		27,377		3,330
Total cash	$	27,403	$	3,357

The carrying amount of the University's cash on deposit was $27.377 million (2014) and $3.330 million (2013) and the bank balance was $28.111 million (2014) and $5.082 million (2013). Of this bank balance, $27.310 million (2014) and $4.282 million (2013) 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 $734 thousand (2014) and $1.752 million (2013) in the form of outstanding checks and deposits in transit. Of the total cash on deposit with banks, $800 thousand in 2014 and 2013 were in accounts restricted for debt service reserves and therefore unavailable for general operations.

CRS Section 23-53-103.3 authorized the 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 $9.678 million, including an unrealized gain of $1.694 million; the University's investments included debt and equity securities, fixed income investments and short-term money market funds (2014) and $8.130 million, including an unrealized gain of $768 thousand; the University's investments included equity securities, fixed income investments and short-term money market funds (2013). 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 U.S. 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, 2014 consisted of the following *(in thousands)*:

	Fair Value		S&P Rating	Weighted Average Maturity	Duration (in years)
Debt Securities					
U.S. Government Securities	$	1,007	AAA-AA	3.69	2.35
Corporate Bonds		857	AAA-BBB	3.71	2.01
Guaranteed Investment Contracts		436	AAA - A	3.09	2.64
Guaranteed Investment Contracts		144	Not rated	3.09	2.64
Other Investments					
Corporate Equities		3,601			
Mutual Funds		3,562			
Money Markets		71			
Total	**$**	**9,678**			

Investments at June 30, 2013 consisted of the following *(in thousands)*:

	Fair Value		S&P Rating	Weighted Average Maturity	Duration (in years)
Debt Securities					
U.S. Government Securities	$	842	AA	4.64	4.15
Corporate Bonds		1,171	AA-BBB	5.86	3.82
Municipal Bonds		333	AAA - AA	6.86	5.57
Municipal Bonds		54	Not rated	6.86	5.57
Other Investments					
Corporate Equities		2,595			
Mutual Funds		3,127			
Money Markets		8			
Total	**$**	**8,130**			

Investment income, gains and losses for Fiscal Year 2014 are as follows *(in thousands)*:

Beginning Investments - Cost	$	7,361
Fiscal Year 2014 Contributions		500
Proceeds from Sale of Investments		(405)
Net Interest Revenue		94
Dividend Income		102
Net Realized Gain		369
Investment Fees		(37)
Investments - Cost		**7,984**
Unrealized Gain		1,694
Investments - Market	**$**	**9,678**

The return on investments for Fiscal Year 2014 was 17.54% gross of fees and 17.08% net of fees.

Investment income, gains and losses for Fiscal Year 2013 are as follows *(in thousands)*:

Beginning Investments - Cost	$	5,437
Fiscal Year 2013 Contributions		1,500
Net Interest Revenue		77
Dividend Income		80
Net Realized Gain		293
Investment Fees		(26)
Investments - Cost		**7,361**
Unrealized Gain		768
Investments - Market	**$**	**8,129**

The return on investments for Fiscal Year 2013 was 11.82% gross of fees and 11.38% 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, 2014 and June 30, 2013 *(in thousands)*:

	June 30, 2014		June 30, 2013	
Total Accounts and Loans Receivable	$	10,811	$	9,670
Less: Allowance for Doubtful Accounts		(3,808)		(3,401)
Net Accounts Receivable	$	7,003	$	6,269

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, 2014 *(in thousands)*:

		Balance June 30, 2013		Additions		Transfers		Disposals		Balance June 30, 2014
Non-depreciable Capital Assets										
Land and Improvements	$	27,869	$	3,455	$	-	$	-	$	31,324
Construction in Progress		15,266		30,248		(12,517)		-		32,997
Total Non-depreciable Capital Assets		**43,135**		**33,703**		**(12,517)**		**-**		**64,321**
Depreciable Capital Assets										
Leasehold and Land Improvements		27,295		6		845		(1)		28,145
Buildings		280,142		4,566		11,672		(285)		296,095
Equipment		14,554		1,151		-		(60)		15,645
Library Materials		11,450		303		-		-		11,753
Total Depreciable Capital Assets		**333,441**		**6,026**		**12,517**		**(346)**		**351,638**

Less: Accumulated Depreciation					
Land Improvements	(6,370)	(1,377)	-	-	(7,747)
Buildings	(46,264)	(7,614)	-	69	(53,809)
Equipment	(7,004)	(914)	-	61	(7,857)
Library Materials	(8,565)	(180)	-	-	(8,745)
Total Accumulated Depreciation	**(68,203)**	**(10,085)**	**-**	**130**	**(78,158)**
Net Depreciable Capital Assets	**265,238**	**(4,059)**	**12,517**	**(216)**	**273,480**
Capital Assets, net	**$ 308,373**	**$ 29,644**	**$ -**	**$ (216)**	**$ 337,801**

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2013 *(in thousands)*:

	Balance July 1, 2012	**Additions**	**Transfers**	**Disposals**	**Balance June 30, 2013**
Non-depreciable Capital Assets					
Land and Improvements	$ 23,876	$ 3,993	$ -	$ -	$ 27,869
Construction in Progress	1,821	15,266	(1,821)	-	15,266
Total Non-depreciable Capital Assets	**25,697**	**19,259**	**(1,821)**	**-**	**43,135**
Depreciable Capital Assets					
Leasehold and Land Improvements	26,382	611	302	-	27,295
Buildings	273,459	5,543	1,336	(196)	280,142
Equipment	13,307	1,303	183	(239)	14,554
Library Materials	11,141	309	-	-	11,450
Total Depreciable Capital Assets	**324,289**	**7,766**	**1,821**	**(435)**	**333,441**
Less: Accumulated Depreciation					
Land Improvements	(5,001)	(1,369)	-	-	(6,370)
Buildings	(39,111)	(7,185)	-	32	(46,264)
Equipment	(6,286)	(954)	-	236	(7,004)
Library Materials	(8,384)	(181)	-	-	(8,565)
Total Accumulated Depreciation	**(58,782)**	**(9,689)**	**-**	**268**	**(68,203)**
Net Depreciable Capital Assets	**265,507**	**(1,923)**	**1,821**	**(167)**	**265,238**
Capital Assets, net	**$ 291,204**	**$ 17,336**	**$ -**	**$ (167)**	**$ 308,373**

Capitalization of Interest

Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. Interest earned on proceeds of the University's tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs capitalized in determining the amount to be capitalized. During the years ended June 30, 2014 and 2013, interest revenue used to offset interest costs capitalized was $185 thousand and $17 thousand, respectively. Total interest costs incurred for the years ended June 30, 2014 and 2013 were $8.682 million and $8.180 million, respectively. Interest capitalized for the years ended June 30, 2014 and 2013 was $757 thousand and $578 thousand, respectively. Gross interest costs incurred less interest costs capitalized for the years ended June 30, 2014 and 2013 were $7.925 million and $7.602 million, respectively, as reported on the Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term debt for the year ended June 30, 2014 were as follows *(in thousands)*:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Revenue bonds	$ 175,255	$ 14,000	$ 3,765	$ 185,490	$ 4,540
Plus unamortized bond premiums	2,976	-	151	2,825	-
Less unamortized bond discounts	(362)	-	(13)	(349)	-
Total revenue bonds	177,869	14,000	3,903	187,966	4,540
Capital leases	4,926	-	248	4,678	265
Notes payable	1,061	1,073	289	1,845	499
Total Bonds, Notes and Leases Payable	**$ 183,856**	**$ 15,073**	**$ 4,440**	**$ 194,489**	**$ 5,304**

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

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Revenue bonds	$ 158,560	$ 19,900	$ 3,205	$ 175,255	$ 3,765
Plus unamortized bond premiums	2,369	734	127	2,976	-
Less unamortized bond discounts	(375)	-	(13)	(362)	-
Total revenue bonds	160,554	20,634	3,319	177,869	3,765
Capital leases	5,159	-	233	4,926	249
Notes payable	1,280	-	219	1,061	230
Total Bonds, Notes and Leases Payable	**$ 166,993**	**$ 20,634**	**$ 3,771**	**$ 183,856**	**$ 4,244**

Revenue Bonds Payable

The revenue bonds are secured by a pledge of all net revenues as defined by the bond documents. As of June 30, 2014 and 2013, net pledged revenues and debt service coverage is shown on the Enterprise Revenue Bonds Schedule of Revenues and Expenditures. Annual debt service payments are detailed below and the net pledged revenues will continue to be pledged for the life of the associated revenue bonds.

Series 2009B and Series 2010B qualify as Build America Bonds under the American Recovery and Reinvestment Act of 2009 (ARRA). The University expects to receive cash subsidies of 35% of the interest payments, referred to as Federal Direct Payments. Due to federal budget cuts that occurred Fiscal Year 2013, the University received approximately 7.2% less in both Fiscal Years 2013 and 2014. The University received $1.205 million (2014) and $1.295 million (2013) in Federal Direct Payments.

Revenue Bond Detail *(in thousands)*

Issuance Description	Original Issuance Amount	Outstanding Balance 2014	Outstanding Balance 2013
Enterprise Revenue Bonds			
Series 2014A – Issued tax-exempt to construct and equip new housing facilities 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 2014A bonds. Interest is fixed at 2.67%.	$ 14,000	$ 14,000	N/A

Series 2013 – Issued tax-exempt 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. Coupon rates are between 3.00% - $4.00%, effecting a net interest rate of 3.35%.	19,900	19,900	19,900
Series 2012B – Issued tax-exempt 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. Coupon rates are between 2.00% and 4.25%, effecting a net interest rate of 3.60%.	14,000	13,605	14,000
Series 2012A – Refunding Issued tax-exempt to advance refund all of 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, 2014 $16.73 million is outstanding for the advance refunding that is considered defeased debt. The defeasance resulted in an economic gain of $742 thousand and a book loss of $2.253 million that will be amortized as an adjustment to interest expense over the life of the Series 2012A bonds. Coupon rates are between 2.00% and 4.00%, effecting a net interest rate of 3.27%.	19,315	18,075	18,745
Series 2011BC – Refunding Issued taxable Series 2011B and tax-exempt Series 2011C to advance refund all of the Mesa Auxiliary Facilities System Tax-Exempt Improvement and Refunding bonds, Series 2002B 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 $372 thousand and a book loss of $1.436 million that will be amortized as an adjustment to interest expense over the life of the Series 2012A bonds. Coupon rates are between 2.00% and 3.52%, effecting a net interest rate of 2.82%.	9,720	6,215	7,355
Series 2007 – Issued 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. Coupon rates are between 4.75% and 5.125%, effecting a net interest rate of 4.96%.	16,805	16,805	16,805

Auxiliary Facilities System Enterprise Revenue Bonds			
Series 2011 – Issued tax-exempt 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. 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 2017 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.	8,000	6,410	7,125
Series 2010AB – Issued tax-exempt Series 2010A and taxable (Build America Bonds – Direct Payment to Board) Series 2010B 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. Coupon rates are between 3.00% and 6.75%, effecting a net interest rate of 4.32%	31,710	30,670	31,030
Series 2009AB – Issued tax-exempt 2009A to advance refund all of the Series 2008 bonds and taxable (Build America Bonds – Direct Payment to Board) Series 2009B 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. 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, 2014 $28.445 million is outstanding for the advance refunding that is considered defeased debt. The defeasance resulted in an economic gain of $2.531 million and a book loss of $5.267 million that will be amortized as an adjustment to interest expense over the life of the Series 2009A bonds. Coupon rates are between 3.00% and 5.80%, effecting a net interest rate of 3.97%.	61,665	59,810	60,295
Revenue Bonds Outstanding	**$ 195,115**	**$ 185,490**	**$ 175,255**
Plus Bond Premiums		2,825	2,976
Less Bond Discounts		(349)	(362)
Total Revenue Bonds Payable		**$ 187,966**	**$ 177,869**

The following is a schedule of future minimum bond payments as of June 30, 2014 *(in thousands)*:

Fiscal Year	Principal	Interest	Total
2015	$ 4,540	$ 8,367	$ 12,907
2016	4,915	8,254	13,169
2017	5,050	8,143	13,193
2018	5,200	7,993	13,193
2019	5,375	7,791	13,166
2020-2024	28,030	36,043	64,073
2025-2029	30,820	30,454	61,274
2030-2034	37,545	23,387	60,932
2035-2039	41,520	13,888	55,408
2040-2044	22,495	3,017	25,512
Total Future Minimum Payments	**$ 185,490**	**$ 147,337**	**$ 332,827**

Reserve Fund Requirements

A Reserve Fund requirement was met for Series 2014A, Series 2013, 2012B, 2012A, 2011BC, 2010AB, and 2009 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 CRS Section 23-5-139, 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 Reserve Fund requirement was met for Series 2011 by depositing $800 thousand with the 2011 Bond trustee.

A Reserve Fund requirement was satisfied for Series 2007 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 $1.3 million to satisfy the reserve fund requirement for the Series 2007 bonds.

Capital Leases

Equipment Lease: In Fiscal Year 2008, the University entered into a $2.2 million 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 million 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 $181 thousand 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 million were allocated to renovate and expand the Wubben Hall science building. Of that, $3.652 million 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 million including interest of $2.195 million. 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, 2014 *(in thousands)*:

Fiscal Year	Principal	Interest	Total
2015	$ 265	$ 228	$ 493
2016	282	214	496
2017	300	198	498
2018	320	185	505
2019	341	172	513
2020-2024	2,084	573	2,657
2025	1,086	127	1,213
Total Future Minimum Payments	**$ 4,678**	**$ 1,697**	**$ 6,375**

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 30, 2020 and the University currently expects to exercise its option. The following is a schedule of future minimum rental payments under the lease *(in thousands)*:

Year Ending June 30:	Total
2015	$ 161
2016	161
2017	161
2018	89
2019	89
2020	89
Total	**$ 749**

Rent expense for Fiscal Year 2014 was $251 thousand.

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 thousand and issuing a note payable for $1.2 million payable in five equal installments of $245 thousand 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 March 2014, the University acquired parcel four of the property by paying $1.0 million cash and issuing a note payable for $795 thousand payable in three equal installments of $265 thousand 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 $1.0 million cash and issuing a note payable for $2.6 million 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 thousand per year ($40 thousand 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 thousand, payable in semi-annual payments at 5% interest.

The following is a schedule of payments of notes payable as of June 30, 2014 *(in thousands)*:

Fiscal Year End		**Total Payments**
2015	$	525
2016		592
2017		591
2018		79
2019		77
2020-2024		91
2025		8
Total Principal and Interest Payments		**1,963**
Less: Interest Included Above		(118)
Total Principal Outstanding		**1,845**
Less: Current Portion		(499)
Net Long-term Principal	**$**	**1,346**

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 changes in compensated absences balances are presented below.

Compensated Absences *(in thousands)*	**2014**		**2013**	
Beginning of the year	$	1,529	$	1,419
Additions		1,295		1,050
Adjustments/reductions		(1,083)		(940)
End of the year	**$**	**1,741**	**$**	**1,529**
Current portion	**$**	**248**	**$**	**229**

NOTE 6 - SHORT-TERM LIABILITIES

Year-end payables were as follows *(in thousands)*:

	June 30, 2014		**June 30, 2013**	
Accounts Payable, Vendors	$	6,196	$	3,732
Salaries and Benefits Payable		5,547		5,196
Capital Leases Payable, Current Portion		265		249
Capital Bonds Payable, Current Portion		4,540		3,765
Long-term Notes Payable, Current Portion		499		230
Compensated Absences, Current Portion		248		229
Retainage on Construction Contracts Payable		1,447		577
Accrued Interest Payable		1,339		1,305
Total Payables	**$**	**20,081**	**$**	**15,283**

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES

In August 2016, the University is scheduled to acquire parcel one of the Community Hospital property by paying $1.0 million cash and issuing a note payable for $2.6 million 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 2011 and 2012 expired.

From July 1, 2013, to December 31, 2013, the State contributed 16.55% (19.25% for state troopers and 17.36% for the Judicial Branch) of the employee's salary. From January 1, 2014, through June 30, 2014, the State contributed 17.45% (20.15% for state troopers and 17.36% for the Judicial Branch). During all of Fiscal Year 2014, 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, 2013, the division of PERA in which the State participates has a funded ratio of 57.5% and a 60 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0%.

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% funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and, for subsequent declines to below 90%-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, 2014, 2013 and 2012 were $2.2 million, $1.1 million and $1.5 million 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, 2014, 2013 and 2012 were $2.6 million, $2.4 million, and $2.1 million 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. DEFERRED COMPENSATION PLAN

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2013, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $17,500. The reduction for the 8 percent PERA contribution reflects the expiration of the temporary contribution rate increase to 10.5 percent effective in Fiscal Years 2010-11 and 2011-12. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2013, for total contributions of $23 thousand. Contributions and earnings are tax deferred. At December 31, 2013, the plan had 17,462 participants.

E. 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, 2014 and 2013 were $353 thousand and $496 thousand. Employee contributions were $26 thousand and $37 thousand for Fiscal Years ended June 30, 2014 and 2013, 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 8. 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 $90 thousand, $89 thousand and $82 thousand, as required by statute as of June 30, 2014, 2013 and 2012, 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, 2013, there were 53,041 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2013, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.26 billion, a funded ratio of 18.8% and a 30-year amortization period.

NOTE 11 - COMPONENT UNITS

The University, using GASB Statement No. 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 Statement No. 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 Statement No. 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 position (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 2014, the Foundation awarded $747 thousand 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 2014 cash and in-kind donations totaled $1 million 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 2013 follow those for Fiscal Year 2014.

FOUNDATION – INVESTMENTS – Fiscal Year 2014

Investments are stated at fair value from quoted market prices and consist of the following *(in thousands)*:

	Cost	Fair Value	Unrealized Gain (Loss)
Cash & Money Markets	$ 213	$ 213	$ -
Bonds	2,135	2,132	(3)
Common Stock	13,748	15,643	1,895
Commodities	197	212	15
Mutual Funds	3,711	4,480	769
Total	**$ 20,004**	**$ 22,680**	**$ 2,676**

The following schedule summarizes the investment return in the statement of activities for the year ended *(in thousands)*:

	Temporarily Restricted	Permanently Restricted	Total
Interest & Dividend Income	$ 495	$ -	$ 495
Investment Fees	(80)	-	(80)
Realized Fain (Losses)	310	-	310
Unrealized Gain (Losses)	2,116	-	2,116
Total	$ 2,841	**$** -	$ 2,841

Fair value measurements for assets reported at fair value on a recurring basis were determined based on the following *(in thousands)*:

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	$ 213	$ 213	$ -	$ -
Bonds	2,132	-	2,132	-
Common Stock	15,643	15,643	-	-
Commodities	212	-	212	-
Mutual Funds	4,480	4,480	-	-
Total Long-Term Investments	**$ 22,680**	**$ 20,336**	**$ 2,344**	**$ -**

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, 2014.

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 2013

Investments are stated at fair value from quoted market prices and consist of the following *(in thousands)*:

	Cost	Fair Value	Unrealized Gain (Loss)
Cash & Money Markets	$ 1,930	$ 1,930	$ -
Bonds	2,296	2,252	(44)
Common Stock	9,648	9,904	256
Commodities	157	150	(7)
Mutual Funds	3,513	3,874	361
Real Estate	508	508	-
	$ 18,052	**$ 18,618**	**$ 566**

The following schedule summarizes the investment return in the statement of activities for the year ended *(in thousands)*:

	Temporarily Restricted	Permanently Restricted	Total
Interest & Dividend Income	$ 418	$ -	$ 418
Investment Fees	(97)	-	(97)
Realized Fain (Losses)	829	-	829
Unrealized Gain (Losses)	213	-	213
	$ 1,363	**$ -**	**$ 1,363**

Fair value measurements for assets reported at fair value on a recurring basis were determined based on the following *(in thousands)*:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-Term Investments				
Cash & Money Markets	$ 1,930	$ 1,930	$ -	$ -
Bonds	2,252	-	2,252	-
Common Stock	9,904	9,904	-	-
Commodities	150	-	150	-
Mutual Funds	3,874	3,874	-	-
Real Estate	508	-	508	-
Total Long-Term Investments	**$ 18,618**	**$ 15,708**	**$ 2,910**	**$ -**

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 – ENDOWMENT – Fiscal Year 2014

The Foundation's endowment consists of 190 individual funds established for providing a future income stream for scholarships for Colorado Mesa University students, research and 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	$ -	$ 4,416	$ 18,493	$ 22,909
Board-Designated Endowment Funds	104	-	-	104
Total	$ 104	$ 4,416	$ 18,493	$ 23,013
Endowment Net Assets - Beginning	$ 103	$ 2,130	$ 17,051	$ 19,284
Contributions & Transfers	1	30	1,442	1,473
Investment Income	-	378	-	378
Net Appreciation (Depreciation)	-	2,425	-	2,425
Net Assets Released from Restrictions:				
Amounts Appropriated for Expenditure	-	(547)	-	(547)
Endowment Net Assets - Ending	**$ 104**	**$ 4,416**	**$ 18,493**	**$ 23,013**

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	$ -	$ 2,130	$ 17,051	$ 19,181
Board-Designated Endowment Funds	103	-	-	103
Total	$ 103	$ 2,130	$ 17,051	$ 19,284
Endowment Net Assets - Beginning	$ 98	$ 849	$ 16,397	$ 17,344
Contributions & Transfers	5	307	653	965
Investment Income	-	322	-	322
Net Appreciation (Depreciation)	-	1,042	-	1,041
Net Assets Released from Restrictions:				
Amounts Appropriated for Expenditure	-	(389)	-	(389)
Restore Net Assets to Donor Levels	-	-	-	-
Endowment Net Assets - Ending	**$ 103**	**$ 2,129**	**$ 17,050**	**$ 19,284**

FOUNDATION – PROMISES TO GIVE – Fiscal Year 2014

Unconditional promises to give at year end consisted of the following *(in thousands)*:

Unrestricted	$ 1
Colorado Mesa University Building Projects & Expansion	685
Colorado Mesa University Departments & Clubs	80
Scholarships - Endowments	603
Scholarships - Temporary	-
Subtotal	$ 1,369
Less discounts to net present value - Discount rate 2.52%	(32)
Less allowance for uncollectible promises receivable	(48)
Total	**$ 1,289**
Receivable in less than one year	$ 624
Receivable in one to five years	665
Receivables after five years	-
Total	**$ 1,289**

FOUNDATION – PROMISES TO GIVE – Fiscal Year 2013

Unconditional promises to give at year end consisted of the following *(in thousands)*:

Colorado Mesa University Building Projects & Expansion	$	268
Colorado Mesa University Departments & Clubs		537
Scholarships - Endowments		399
Scholarships - Temporary		206
Subtotal	$	1,410
Less discounts to net present value - Discount rate 2.52%		(42)
Less allowance for uncollectible promises receivable		(56)
Total	**$**	**1,312**
Receivable in less than one year		514
Receivable in one to five years		788
Receivables after five years		10
Total	**$**	**1,312**

FOUNDATION – PROPERTY AND EQUIPMENT – Fiscal Year 2014

In fiscal year 2014, the remaining fixed assets with a positive net book value were donated to the University. As of June 30, 2014 the CMU Foundation's property and equipment was fully depreciated and has no net carrying value.

FOUNDATION – PROPERTY AND EQUIPMENT – Fiscal Year 2013

Property and equipment consist of the following:

	Estimated Useful Life		
Building	20-30 years	$	551
Furniture and Fixtures	5-10 years		216
Memorial Alcove	10 years		7
Non-depreciable Property to be Donated to the University			25
			799
Less Accumulated Depreciation			**(523)**
Property and Equipment, net		**$**	**276**

FOUNDATION – LINE OF CREDIT

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 $1.750 million (2014) and $1.850 million

(2013). 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 thousand per year and Mesa County has committed to donating $100 thousand 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 2014, the University transferred $4.3 million to CMUREF for property acquisitions as part of the University's expansion project and the Foundation made capital property transfers of $4.4 million to the University.

The following are excerpts from the Fiscal Years 2014 and 2013 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.

	2014	2013
Cost of land held for investment and developed costs	$ 880	$ 881
Building	22	22
Accumulated Depreciation	(22)	(19)
Total Land Held for Investment	**$ 880**	**$ 884**

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.

In Fiscal Year 2014, CMUREF purchased a property and assumed a non-cancelable operating lease. Under the terms of the lease CMUREF will receive $4 thousand per month until October 2025, with escalations in rent of 5% every 5 years. CMUREF retains 20% of rental income as a management fee, and the other 80% is paid to the University.

The rental income for the year was $425 thousand of which CMUREF kept $103 thousand as a management fee.

Future minimum rentals and expected management fees to CMUREF are as follows *(in thousands)*:

Fiscal Year Ended	**Minimum Rentals**	**Minimum Expected Management Fees**
June 30, 2015	$ 406	$ 93
June 30, 2016	335	77
June 30, 2017	183	43
June 30, 2018	145	37
June 30, 2019	148	38
	$ 1,217	**$ 288**

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. The tables below reflect the student financial assistance activities that the University received resources for and expended on behalf of students in Fiscal Years 2014 and 2013. 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, 2014 follows *(in thousands)*:

	Federal Sources	**State Sources**	**Institutional Sources**	**Total All Sources**
Scholarships				
Colorado Student Grants	$ -	$ 3,508	$ -	$ 3,508
Pell Grants	15,098	-	-	15,098
General Institutional	-	-	6,229	6,229
Auxiliary	-	-	2,247	2,247
Other Federal Scholarships	16	-	-	16
Work Study **	179	656	3,112	3,947
SEOG	193	-	64	257
Total	**$ 15,486**	**$ 4,164**	**$ 11,652**	**$ 31,302**

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

A schedule of non-loan student assistance for the year ended June 30, 2013 follows *(in thousands)*:

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Scholarships				
Colorado Student Grants	$ -	$ 3,224	$ -	$ 3,224
Pell Grants	15,464	-	-	15,464
General Institutional	-	-	4,295	4,295
Auxiliary	-	-	1,957	1,957
Other Federal Scholarships	44	-	-	44
Work Study **	172	656	3,133	3,961
SEOG	132	-	44	176
Total	**$ 15,812**	**$ 3,880**	**$ 9,429**	**$ 29,121**

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

NOTE 13 - LEGISLATIVE APPROPRIATIONS

Appropriated Funds: 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, 2014 and 2013, appropriated expenses were within spending authority. For the years ended June 30, 2014 and 2013, the University had a total non-capital appropriation of $20.110 million and $19.136 million respectively.

For the years ended June 30, 2014 and 2013, appropriated funds included $12.426 million and $11.902 million, respectively, received from students that qualified for stipends from the College Opportunity Fund; $7.407 million and $6.990 million respectively, as fee-for-service contract revenue; $277 thousand and $244 thousand 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 $20.110 million and $19.136 million in Fiscal Years ended June 30, 2014 and June 30, 2013.

Capital Construction State Appropriations: In Fiscal Year 2013, the legislature appropriated $9.792 million for an academic classroom building and $1.473 million for three controlled maintenance projects from the state capital construction fund. Of that, $9.094 million was realized as capital state appropriated revenue. In Fiscal Year 2014, the legislator appropriated $18.462 million to renovate and expand the Tomlinson Library from the Fiscal Year 2013-14 General Fund Surplus. In September 2014, the legislature made the funds available for approved projects, including the Tomlinson Library and renovation and expansion.

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 2014 *(in thousands)*:

State Grants		
State Capital Appropriation	$	9,094
State Share - Certificates of Participation		1,381
Amendment 50 Limited Gaming Tax Revenues		277
Local Government Grants		700
Total State Grants		11,452
Total Revenues (gross operating, non-operating and other revenues)	$	132,072
Ratio of State Grants to Total Revenues		8.67%

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 *(in thousands)*:

Coverage	Company	Limit $	Deductible
General liability	Hanover	$ 2,000	$ -
Directors' and officers' liability	Hanover	2,000	10
Automobile liability	Hanover	1,000	-
Employment practices liability	Hanover	2,000	10
Employee benefits administration	Hanover	3,000	1
Employee dishonesty (Fidelity)	Hanover	300	1
Student professional liability	AIX Specialty	3,000	-
Sexual misconduct or molestation	Hanover	2,000	-
Commercial excess liability	Hanover	2,000	-
Workers compensation	Pinnacol	1,000	5
Boiler machinery breakdown	Hanover	no limit	25
Property - building	Hanover	349,027	25
Property - personal property	Hanover	99,006	25

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 2014 is consistent with previous years and there have been no significant reductions in coverage or settlements exceeding coverage.

NOTE 16 - SUBSEQUENT EVENT

In August 2014, the University issued Enterprise Revenue Bond Series 2014B for $19.0 million and Enterprise Revenue Bond Series 2014C for $5.0 million. The Series 2014B bond is to advance refund all of the College Enterprise Revenue Bonds Series 2007 by placing the bond proceeds in an irrevocable trust to provide for future debt payments on the Series 2007 bonds. As such, the trust account assets and the liability for the defeased bonds will not be included in the University's financial statements. The defeasance results in an economic gain of $2.758 million and a book loss of $1.840 million that will be amortized as an adjustment to interest expense over the life of the 2014B bond. The bond is secured by a pledge of all net revenues as defined by the bond documents. The Series 2014B bond requires debt service payments ranging from $125 thousand to $2.575 million, carries an interest rate of 2.960% and matures in May 2037. The Series 2014C bond is a non-bank qualified, draw down, tax-exempt term loan in an amount not to exceed $5 million with a 10-year maturity in order to provide funding to renovate and expand Tomlinson Library. The interest rate is fixed at 2.370% and the bond matures in May 2024. Reserve Fund requirements for both bonds were met by participating in the State Intercept program as described in Note 5 to the financial statements above. As noted in Note 13 the University also received state capital construction appropriations related to the expansion of the Tomlinson Library which were made available in September 2014.

SUPPLEMENTAL INFORMATION

COLORADO MESA UNIVERSITY
Enterprise Revenue Bonds Schedules of Revenues and Expenditures
June 30, 2014 and 2013 *(in thousands)*

	2014	2013
Pledged Revenues		
Pledged Tuition Revenue	$ 6,684	$ 6,192
Residence Halls and Apartments	12,638	10,645
Food Services	7,530	6,667
University Center	3,078	2,988
Bookstore	4,212	4,123
Recreation Center	1,999	1,947
Campus Parking	810	668
Central Services	1,426	1,333
Student Fee Revenue	1,101	1,079
Total Revenue	**39,478**	**35,642**
Operating Expenses		
Residence Halls and Apartments	5,001	4,401
Food Services	4,870	4,282
University Center	830	878
Bookstore	3,945	3,818
Recreation Center	1,409	1,511
Campus Parking	445	243
Central Services	385	242
Total Operating Expenditures	**16,885**	**15,375**
Net Revenue Before Transfers	**22,593**	**20,267**
Transfers		
Mandatory Transfers	(9,983)	(8,947)
Net Non-mandatory Transfers	(6,089)	(4,832)
Total Transfers	**(16,072)**	**(13,779)**
Increase in Fund Balance	**$ 6,521**	**$ 6,488**
Debt Service Coverage		
Net Operating Revenue	$ 22,593	$ 20,267
Bond Principal and Interest	9,983	8,947
Excess of Net Operating Revenue Over Debt Service	**$ 12,610**	**$ 11,320**
Debt Service Coverage Ratio	**226%**	**227%**

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INDEPENDENT AUDITOR'S 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:
Denver, Colorado

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, 2014 and 2013, and have issued our report thereon dated December 2, 2014. 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, 2014 and 2013 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*.

<u>Internal Control Over Financial Reporting</u>

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 2, 2014

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

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AUDIT COMMITTEE COMMUNICATIONS

Members of the Legislative Audit Committee:
Denver, Colorado

We have audited the financial statements of the business-type activities of Colorado Mesa University (the University) a part of the State of Colorado for the years ended June 30, 2014 and 2013, and have issued our report thereon dated December 2, 2014. 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 April 21, 2014. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

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. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2014. 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.
>
> Management's estimate of depreciation expense is based on their evaluation of the useful lives of property and equipment. We evaluated the key factors and assumptions used to determine the useful lives 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 2, 2014.

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.

<u>Other Matters</u>
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.

<u>Restriction on Use</u>
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 2, 2014