COLORADO MESA UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT

Fiscal years ended June 30, 2012 and 2011

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COLORADO MESA UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY

Fiscal years ended June 30, 2012 and 2011

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 2012 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 2012.

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, 2012 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 and State Fiscal Rules 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 Standards.*

Audit Results and Summary of Major Audit Findings

Dalby, Wendland & Co., P.C. expressed an unqualified opinion on the financial statements for the year ended June 30, 2012. The financial statements for the year ended June 30, 2011 were audited by another firm who expressed an unqualified opinion.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

The following is a summary of the findings contained in the report. The audit recommendation for this finding and associated University response is summarized in the Recommendation Locator, which follows the Summary.

During our testing we noted that the University did not have proper approval by an approving official for three (30 percent) procurement card transactions.

Recommendation and University Response

The recommendation for the finding summarized above is included in the Recommendation Locator included at the end of this summary. The Recommendation Locator also shows the University's response to the audit recommendation. A detailed description of the audit finding and recommendation is contained in the Findings and Recommendations Section of the report.

Summary of Progress in Implementing Prior Audit Findings

There were no recommendations made in the prior year audit.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1	5	Colorado Mesa University should ensure that purchasing cardholders and approving authorities comply with the procurement card policy that all purchases recorded in order logs are approved by the 15th of the following month.	Disagree	

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:

	2010	2011	2012
Resident Students	5,330.0	5,946.2	6,403.8
Nonresident Students	614.0	835.7	947.2
Total Students	5,944.0	6,781.9	7,351.0
Faculty FTEs	279.7	300.7	336.8
Staff FTEs	258.8	282.4	300.9
Total Staff and Faculty FTEs	538.5	583.1	637.7

FINDINGS AND RECOMMENDATIONS

<u>Procurement Card Transactions</u>

Colorado Mesa University (University) participates in the State's purchasing card program to facilitate purchases of less than $5,000. The University's internal policies limit cardholders to a maximum of $1,000 per transaction for 10 months of the Fiscal Year before the current limit of $3,000 per transaction was established in May 2012 The goal of the program is to facilitate state employees' ability to acquire goods and services required for state business while providing timely payments to merchants and reducing the number of small-dollar payments issued by the State's vouchering system. During Fiscal Year 2012, the University spent almost $2.5 million through purchasing card usage.

What was the purpose of the audit work?

The purpose of the audit work was to test the University's compliance with its procurement card (P-card) policy.

What audit work was performed and how were results measured?

We reviewed a sample of 10 of the University's P-card transactions that were processed during Fiscal Year 2012. We reviewed the supporting documentation, such as invoices and receipts, for the sampled P-card transactions to assess the University's adherence to its policy. Specifically, we sought to verify whether the supporting documentation agreed to the payment amount, the transaction was for an eligible expense, the transaction was posted to the correct fund, and the correct approvals were made.

The University has established a policy regarding P-card purchases. This policy requires that each cardholder's P-card transactions be recorded in an order log with supporting documentation attached. The cardholder is responsible for submitting the log and supporting documentation to his or her respective approving official for review. The expenses contained in each cardholder's order log must be reviewed and approved by the appropriate approving official by the 15th of the following month for each statement. The approval should be documented on the P-card order log for each transaction. The order logs also provide information for the University to determine whether the transactions are eligible P-card purchases and whether the purchases have been posted to the correct fund on the University's accounting system.

What problem did the audit work identify?

Our testing found that three (30 percent) of the P-card transactions selected for testing were not approved by an approving official. Based on our subsequent review of the three transactions with University officials, all transactions were found to be for eligible University expenses.

Why did the problem occur?

P-card holders were not following the P-card policy regarding proper approval of the expenditures. The cardholders kept the order log listing all of the transactions for the billing period but did not have the approving official sign the order log before payment was made.

Why does this problem matter?

The University currently processes approximately $2.5 million through P-card purchases. Instances of staff not properly adhering to written policies for P-card purchases increase the risk that ineligible purchases and/or unauthorized transactions will occur. Since the State, not the cardholder, is ultimately liable for P-card transactions, the University should ensure that all P-card purchases are approved as stated in the University's policy.

(Classification of Finding: Significant Deficiency.)

Recommendation No. 1:

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

Colorado Mesa University Response:

Disagree.

The University respectfully disagrees that the finding is considered to be a significant internal control deficiency. The purpose of the P-card is so the University can make small-dollar purchases in an efficient manner – the average transaction was $198 and 56% of them were for $100 or less. Preventative controls over the P-card program include department supervisors' (approving officials) authorizing cardholders to make limited purchases on behalf of departments, comprehensive P-card training for all cardholders, and requiring cardholders to sign agreements to abide by all P-card policy and procedure requirements before cards are issued. The approving official review and approval is a detective control to verify monthly charges are reasonable and that documentation complies with the program. All audited transactions were valid, necessary and documented. We believe that our upfront preventative controls combined with other efforts to monitor the program that include random audits of cardholder activity and our stringent budgetary processes mitigates the condition to the extent that it does not reach the threshold level of a reportable significant deficiency. Notwithstanding our disagreement, the University considers the auditor's observations serious and as a result has strengthened controls over the program to include more random audits of cardholders, from about 25 cardholders per fiscal year to 36, and has also implemented a point system for violations that could include revocation based on the severity of infractions.

Auditor Addendum:

We have considered the University's response to this recommendation and the additional documentation provided and did make applicable modifications to the comment. We maintain that this recommendation remains valid.

FINANCIAL STATEMENTS SECTION

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INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business type activities of Colorado Mesa University (the University), as of and for the year ended June 30, 2012, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the University as of and for the year ended June 30, 2011 were audited by other auditors whose report dated November 3, 2011 expressed an unqualified opinion. We did not audit the financial statements of the Colorado Mesa University Foundation and the Colorado Mesa University Real Estate Foundation (Foundations), discretely presented component units, discussed in note 1 to the basic financial statements, which represents 100 percent of total assets, total revenues, and net assets of the aggregate discretely presented component units as of and for the year ended June 30, 2012. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they related to the amounts included for the Foundation, are based on the report of other 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. 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 the *Government Auditing Standards.* An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the discretely presented component unit of the University as of June 30, 2012, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

The financial statements include partial prior-year comparative information for the University, where the discretely presented component units information is not included. Such information does not include all of the information required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2011 from which such information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2012, 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* and should be read in conjunction with this report in considering the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 16 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.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Revenues and Expenses for Enterprise Revenue Bonds is presented for purposes of additional analysis and is not a required part of the financial statements of the College. The Schedule of Revenues and Expenses for Enterprise Revenue Bonds is the responsibility of the College's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dalby, Wendland & Co, P.C.

DALBY, WENDLAND & CO., P.C.

December 5, 2012

This section of Colorado Mesa University's annual financial report presents management's discussion and analysis of the financial performance of the University during the years ended June 30, 2012 and 2011. 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 2012 and 2011, with comparative information for Fiscal Year 2010. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and accompanying notes to the financial statements. University management is responsible for the completeness and fairness of this discussion and analysis, as well as the underlying systems of internal controls.

Understanding the Financial Statements

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

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

- **Statements of Net Assets** report the assets, liabilities and net assets as of June 30, 2012 and 2011. 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 assets available for future on-going concerns of the University.

- **Statements of Revenues, Expenditures and Changes in Net Assets** present total revenues earned and expenses incurred for operating, non-operating and other activities during Fiscal Years 2012 and 2011. 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 2012 and 2011. The purpose is to help the readers assess the University's ability to generate cash flows sufficient to meet obligations as they become due.

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

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

CMUREF engages in activities that may be beyond the scope and control of the Colorado Mesa University Board of Trustees and its financial records are maintained separately from the University.

Financial Highlights

Colorado Mesa University's net assets continued to increase over the past three years, which is an indication of financial health. For Fiscal Years 2012, 2011, and 2010, University net assets have increased by $6.1 million, $8.6 million and $32.4 million respectively. Net assets have increased from $152.6 million (2010) to $161.2 million (2011) to $167.3 million (2012). Fiscal Year 2012 and Fiscal Year 2011 increases were primarily from net operating and non-operating revenues of $7.0 million and $11.2 million, respectively.

Throughout the University's growth – capital assets before depreciation increased from $282.7 million at June 30, 2010 to $350.0 million at June 30, 2012 – the University has maintained current ratios of 2.24 (2012) and 2.55 (2011). The current ratio (current assets/current liabilities adjusted for current liabilities paid by restricted (non-current) cash) demonstrates the liquidity of assets and the relative availability of working capital to fund current operations.

Combined net tuition and fee and auxiliary enterprises revenues increased by $8.2 million from Fiscal Year 2011 to Fiscal Year 2012, and are directly related to the continued enrollment increases over the past several years. Undergraduate enrollments on a student FTE basis at the University increased from 6,717.3 in Fiscal Year 2011 to 7,300.4 in Fiscal Year 2012 (8.7%). Graduate enrollment decreased from 64.7 in Fiscal Year 2011 to 50.6 in fiscal year 2012 (21.8%). All enrollments increased by 8.4% in fiscal year 2012 compared to fiscal year 2011.

Statements of Net Assets

The Condensed Statement of Net Assets shows the University has grown over the past three years. Increases or decreases in net assets 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 Assets as of June 30, 2012, 2011 and 2010 *(in thousands)*

				Increase (Decrease) 2012 vs 2011	
	2012	**2011**	**2010**	**Amount**	**Percent**
Assets					
Current Assets	$ 32,944	$ 32,620	$ 31,533	$ 324	1.0%
Other Non-capital Assets	14,761	10,074	41,569	4,687	46.5%
Net Capital Assets	291,203	273,751	239,273	17,452	6.4%
Total Assets	**$ 338,908**	**$ 316,445**	**$ 312,375**	**$ 22,463**	**7.1%**
Liabilities					
Non-debt Liabilities	$ 11,180	$ 13,532	$ 15,005	$ (2,352)	(17.4%)
Debt Liabilities	160,402	141,545	144,740	18,857	13.3%
Total Liabilities	**$ 171,582**	**$ 155,077**	**$ 159,745**	**16,505**	**10.6%**
Net Assets					
Invested In Capital Assets	$ 133,190	$ 134,407	$ 96,990	$ (1,217)	(0.9%)
Restricted	16,998	12,057	39,914	4,941	41.0%
Unrestricted	17,139	14,723	15,726	2,416	16.4%
Total Net Assets	**$ 167,327**	**$ 161,187**	**$ 152,630**	**$ 6,140**	**3.8%**

Unrestricted cash and investments of $27.1 million (2012) and $27.9 million (2011) and restricted cash of $12.6 million (2012) and $7.4 million (2011) make up 83.1% and 82.7% of the University's total non-capital assets as of June 30, 2012 and 2011, respectively.

Restricted cash primarily represents unspent bond proceeds of $11.3 million (2012) and $6.0 million (2011) to be used for capital construction activity; and $1.3 million (2012) and $1.4 million (2011) for debt service payments and required debt service reserves. The increase in other non-capital asset from Fiscal Year 2011 to Fiscal Year 2012 is comprised of a $7.4 million increase in unspent bond proceeds of $12.6 million (2012) and $5.2 million (2011), offset by a $500 thousand decrease in deferred charges of $1.3 million (2012) and $1.8 million (2011).

Non-debt liabilities of $11.2 million (2012) and $13.5 million (2011) make up 6.5% and 9.7% of total liabilities. The largest categories of non-debt liabilities include accrued payroll liabilities of $5.0 million (2012) and $4.6 million (2011), accounts payable and non-capital accrued liabilities of $2.4 million (2012) and $5.0 million (2011), deferred revenues of $1.5 million (2012) and $1.7 million (2011), and compensated absences liabilities of $1.4 million (2012 and 2011). The decrease in accounts payable and non-capital accruals is due to liquidating significant construction retainage and year-end construction accounts payable shown as liabilities at June 30, 2011.

At June 30, 2012, Colorado Mesa University's total net assets were $167.3 million compared to $161.2 million at June 30, 2011. The University's net assets are shown in three categories on the Statement of Net Assets:

- Invested in capital assets, net of related debt issued to fund the acquisition and construction of those assets, is the largest net asset category with $133.2 million (2012) and $134.4 million (2011). This category comprises 79.6% and 83.4% of total net assets for Fiscal Years 2012 and 2011 respectively and represents investments in campus facilities and equipment, net of related accumulated depreciation.

- Restricted net assets for capital projects, loans and other purposes were $17.0 million (2012) and $12.1 million (2011). This category of net assets represent amounts for specific purposes and allow the University to fully expend those funds in accordance with the purposes identified by the entities providing the funds. All of the University's restricted net assets are expendable.

- Unrestricted net assets were $17.1 million (2012) and $14.7 million (2011) and represent 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 Assets

The Statement of Revenues, Expenses and Changes in Net Assets reports the results of operations for the year. Activities are reported as operating, non-operating or other. Operating revenues and expenses generally result from providing goods and services for instruction, research, public service, and related support services to an individual or entity separate from 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, Expenses and Changes in Fund Balance for Years Ended June 30, 2012, 2011 and 2010 *(in thousands)*

				Increase (Decrease) 2012 vs 2011	
	2012	2011	2010	Amount	Percent
Operating revenues	$ 81,102	$ 76,910	$ 60,692	$ 4,192	5.5%
Operating expenses	84,611	78,124	71,542	6,487	8.3%
Operating Income (Loss)	(3,509)	(1,214)	(10,850)	(2,295)	189.0%
Net non-operating revenues	10,485	12,383	22,311	(1,898)	-15.3%
Income before Other Revenues	6,976	11,169	11,461	(4,193)	-37.5%
Other revenues, expenditures, gains, losses and transfers	(836)	(2,612)	20,891	1,790	67.3%
Increase in Net Assets	6,140	8,557	32,352	(2,417)	-28.2%
Net Assets at Beginning of Year	161,187	152,630	120,278	8,557	5.6%
Net Assets at End of Year	**$ 167,327**	**$ 161,187**	**$ 152,630**	**$ 6,140**	**43.8%**

The University's operating revenues increased by $4.2 million from $76.9 million (2011) to $81.1 million (2012), and total non-operating revenues increased by $91 thousand from $17.8 million to $17.9 million (2012).

Operating and Non-operating Revenues for Fiscal Years 2012, 2011 and 2010 *(in thousands)*

				Increase (Decrease) 2012 vs 2011	
	2012	2011	2010	Amount	Percent
Operating Revenues					
Tuition and Fees (net)	$ 43,072	$ 38,454	$ 29,396	$ 4,618	12.0%
DHE Fee for Service Revenues	7,038	10,712	5,199	(3,674)	-34.3%
Grants and Contracts	5,411	5,551	6,564	(140)	-2.5%
Auxiliary Enterprises (net)	24,484	20,921	18,779	3,563	17.0%
Other	1,098	1,272	754	(174)	-13.7%
Total Operating Revenues	**$ 81,103**	**$ 76,910**	**$ 60,692**	**$ 4,193**	**5.5%**
Non-Operating Revenues (Expenditures)					
State Fiscal Stabilization Funds	$ -	$ 719	$ 11,906	$ (719)	-100.0%
Pell and Other Non-operating Grants	17,069	14,858	10,237	2,211	14.9%
Interest Income	575	1,497	1,811	(922)	-61.6%
Other Non-Operating Revenues, net	286	765	1,575	(479)	-62.6%
Total Non-operating Revenues	**$ 17,930**	**$ 17,839**	**$ 25,529**	**$ 91**	**0.5%**
Total Operating and Non-operating Revenues	**$ 99,033**	**$ 94,749**	**$ 86,221**	**$ 4,284**	**4.5%**

Tuition and fee revenues are reported net of scholarship allowances of $20.5 million (2012) and $17.9 million (2011), and auxiliary enterprise revenues are reported net of scholarship allowances of $242 thousand (2012) and $212 thousand (2011), 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 8.4% and an increase in tuition and fees of 7%. The increase in auxiliary revenues is also due to the increased enrollments and to the opening of a 328 bed residence hall for the 2011 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 34% decrease in fee-for-service revenue in Fiscal Year 2012 from Fiscal Year 2011 is the result of the overall State cuts in funding to higher education. The value of the stipend was $62 per credit hour in both Fiscal Year 2012 and 2011, and the University received $11.5 million (2012) and $10.7 million (2011).

Pell revenues were $15.6 million (2012) and $13.4 million (2011) and the increase is due to enrollment growth, including more students who are eligible for the maximum award amount of $5,500. Other non-operating grants were $1.5 million in both Fiscal Year 2012 and 2011 and were primarily comprised of Build America Bond interest subsidies of $1.3 million in both Fiscal Year 2012 and 2011. The University received its final Federal State Fiscal Stabilization funds of $719 thousand in Fiscal Year 2011.

Interest income was $575 thousand (2012) and $1.5 million (2011). The decrease is due primarily to less unspent bond proceeds earning interest with the State Treasury in Fiscal Year 2012 compared to Fiscal Year 2011. In Fiscal Year 2011, the University's beginning restricted cash balance was $35.8 million of unspent bond proceeds and debt service funds was earning interest at the State Treasury until the cash was spent. This compares to a Fiscal Year 2012 beginning restricted cash balance of $7.4 million. Also, the State Treasury's average rate of return paid to the University declined from 1.95% in Fiscal Year 2011 to 1.37% in Fiscal Year 2012.

Operating expenses totaled $84.6 million (2012) and $78.1 million (2011). The breakdown of expenses by reporting category is as follows:

Operating Expenses for Fiscal Years 2012, 2011 and 2010 *(in thousands)*

				Increase (Decrease) 2012 vs 2011	
	2012	**2011**	**2010**	**Amount**	**Percent**
Instruction	$ 26,822	$ 23,957	$ 22,829	$ 2,865	12.0%
Research	386	415	356	(29)	(7.0%)
Public service	445	512	689	(67)	(13.1%)
Academic support	5,424	4,830	4,451	594	12.3%
Student services	7,050	5,917	5,388	1,133	19.1%
Institutional support	4,889	3,755	3,581	1,134	30.2%
Operation and maintenance of plant	8,177	10,748	10,401	(2,571)	(23.9%)
Scholarships (net)	3,454	3,227	2,410	227	7.0%
Auxiliary enterprises	19,109	17,119	15,801	1,990	11.6%
Depreciation	8,855	7,644	5,636	1,211	15.8%
Total Operating Expenses	**$ 84,611**	**$ 78,124**	**$ 71,542**	**$ 6,487**	**8.3%**

Since Fiscal Year 2010, all enrollments have increased from 5,944.0 FTE to 7,351.0 FTE in Fiscal Year 2012 (23.7%). During the same period, combined tuition and fees and auxiliary enterprise revenues (net of scholarship allowance) increased from $48.2 million in Fiscal Year 2010 to $67.6 million in Fiscal Year 2012 (40.2%), while expenses for instruction, academic support, student services and auxiliary enterprises have gone up from $48.5 million in Fiscal Year 2010 to $58.4 million in Fiscal Year 2012 (20%). 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 $20.7 million (2012) and $18.1 million (2011), gross scholarship expense was $24.2 million (2012) and $21.3 million (2011). Note 13 to the financial statements reports non-workstudy scholarships from institutional sources increased from $4.8 million (2011) to $6.2 million (2012). This is a result of the University's concerted effort to provide additional funding to help students meet educational expenses. In total, non-loan student assistance from institutional sources was $9.1 million (2012) and $7.1 million (2011).

The decrease in operation and maintenance of plant expenses from Fiscal Year 2011 to Fiscal Year 2012 is explained, to a large degree, by non-capital costs associated with equipping the University Center, Houston Hall and the Bunting Avenue student housing project of $3.2 million compared to non-capital costs for those same projects of $1.3 million expensed in Fiscal Year 2012. Significant non-capital repair and replacement projects in Fiscal Year 2011 also included upgrading the student housing plumbing system ($1.0 million) and re-roofing the library ($259 thousand). The increase in depreciation expense is primarily due to taking a full year's expense on $64.8 million of projects completed in Fiscal Year 2011.

Other transfers to other governing boards or other institutions were $5.7 million (2012) and $5.6 million (2011). Fiscal Year 2012 transfers included a $1.6 million grant match to the Foundation and $4.1 million to the Foundation and CMUREF for property acquisitions. Fiscal Year 2011 transfers included transfers to the Foundation and CMUREF of $2.3 million to acquire property and a $2.9 million non-cash transfer to State Treasury related to the University's cash match portion of the Wubben Hall renovation that was funded by the State-issued Certificates of Participation that are described in Note 5 to the financial statements.

Capital Assets

At June 30, 2012, the College had $350.0 million invested in capital assets before total accumulated depreciation of $58.8 million. The projects completed during Fiscal Year 2012 are shown below and explain the decrease in construction in progress and the increase in buildings. Fiscal Year 2012 property acquisitions include $4.1 million in land and building contributions from the University's foundations. The University also acquired $1.6 million in land by issuing a note payable that is reported in Note 5 to the financial statements. The increase in equipment includes an addition to the Maverick Pavilion of $1.7 million.

Capital Asset Categories (before depreciation) as of June 30, 2012, 2011 and 2010 *(in thousands)*

				Increase (Decrease) 2012 vs 2011	
	2012	2011	2010	Amount	Percent
Land and Improvements	$ 23,876	$ 18,138	$ 16,273	$ 5,738	31.6%
Construction in Progress	1,821	29,308	56,200	(27,487)	(93.8%)
Land Improvements	26,383	24,974	18,240	1,409	5.6%
Buildings	273,459	230,220	171,306	43,239	18.8%
Equipment	13,307	10,883	10,287	2,424	22.3%
Library Materials	11,141	10,828	10,439	313	2.9%
Total Gross Capital Assets	**$ 349,987**	**$ 324,351**	**$ 282,745**	**$ 25,636**	**7.9%**

Significant capital additions completed in Fiscal Year 2012 and the resources funding the acquisitions includes the following:

Significant (over one million) Fiscal Year 2012 Additions *(in thousands)*

Project Description	Amount
Houston Hall, University funded	$ 14,572
Bunting Hall, University funded	14,255
Orchard Avenue Student Housing, University funded	10,434
Campus expansion land, University funded	4,415
University Center Expansion, University funded	1,541
Community Hospital land, University funded	1,603
Walker Field improvements, University funded	1,022
Blichman property, University funded	1,002
Total	**$ 48,844**

The following significant projects were in progress at June 30, 2012:

Project Description	Amount
Poma Phase III	$ 715
Montrose Campus remodel	302
Moss Performing Arts Center - phase I	289
MAV Pavilion remodel	183
Forensic/Lineman building	180
Campus expansion land	152
Total	**$ 1,821**

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 2012 and 2011 are primarily cash and in-kind contributions from the University's foundations.

Capital Revenues for Fiscal Years 2012, 2011 and 2010 *(in thousands)*

				Increase (Decrease) 2012 vs 2011	
	2012	**2011**	**2010**	**Amount**	**Percent**
Capital Revenues					
State Appropriation, Capital	$ 32	$ 183	$ 4,488	$ (151)	(82.5%)
Capital Contributions from the State	-	74	14,469	(74)	(100.0%)
Capital Donations	4,810	2,770	4,375	2,040	73.6%
Total Capital Revenues	**$ 4,842**	**$ 3,027**	**$ 23,332**	**$ 1,815**	**60.0%**

Debt

The University had $158.8 million (2012), $140.4 million (2011) and $143.4 million (2010), detailed as follows. See Note 5 to the financial statements for detailed descriptions of the University's debt.

Capital Debt Categories as of June 30, 2012, 2011 and 2010 *(in thousands)*

				Increase (Decrease) 2012 vs 2011	
	2012	2011	2010	Amount	Percent
Bonds Payable	$ 152,334	$ 133,622	$ 135,230	$ 18,712	14.0%
Capital leases	5,159	6,593	7,977	(1,434)	(21.8%)
Notes payable	1,280	155	162	1,125	725.8%
Total Capital Debt	**$ 158,773**	**$ 140,370**	**$ 143,369**	**$ 18,403**	**13.1%**

Economic Outlook

After several years of declining state funding from fee-for-service contracts and College Opportunity Fund (COF) stipends, the Fiscal Year appropriation from those sources will hold steady compared to Fiscal Year 2012. The State appropriated $18.6 million of state support in Fiscal Year 2013 compared to $18.5 million actually received in Fiscal Year 2012. The COF stipend amount will remain at $62 per credit hour, the same amount as in Fiscal Year 2012. However, stability of state funding in the long-term is uncertain and the University continues to plan for the probability of this reduction and has accommodated it 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) 23-53-102 was amended, effective August 10, 2011, to confer university status and re-name the institution Colorado Mesa University. The new name will more effectively communicate our geographic location as well as the breadth and depth of the University's program offerings. Colorado Mesa University has evolved into its role as a regional comprehensive institution that offers programs ranging from career and technical training to relevant graduate programs including a recently approved Doctor of Nurse Practitioner program in the Health Sciences Department.

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

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

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

STATE OF COLORADO

COLORADAO MESA UNIVERSITY

Statement of Net Assets

		June 30, 2012		June 30, 2011
Assets				
Current Assets				
Cash and cash equivalents	$	21,124,374	$	21,829,684
Investments		5,967,811		6,027,950
Student accounts receivable, net		2,687,434		2,390,493
Other accounts receivable, net		1,935,862		1,263,353
Student loans, net		247,743		356,679
Inventories		729,457		526,504
Prepaid expenses		251,700		225,000
Total Current Assets		**32,944,380**		**32,619,663**
Noncurrent Assets				
Noncapital Noncurrent Assets				
Restricted cash and cash equivalents		12,556,867		7,442,229
Student loans, net		900,136		823,312
Deferred charges and other noncurrent assets		1,303,989		1,809,246
Total Noncapital Noncurrent Assets		**14,760,992**		**10,074,787**
Non-depreciable Capital Assets, Net				
Land and Improvements		23,875,712		18,138,010
Construction in Progress		1,821,468		29,308,426
Total Non-depreciable Capital Assets		**25,697,180**		**47,446,436**
Depreciable Capital Assets, Net				
Land Improvements		21,380,861		21,068,710
Buildings		234,347,563		197,738,683
Equipment		7,020,659		4,652,613
Library Materials		2,756,820		2,844,555
Total Depreciable Capital Assets, Net		**265,505,903**		**226,304,561**
Total Non-current Assets		**305,964,076**		**283,825,784**
Total Assets	**$**	**338,908,456**	**$**	**316,445,447**
Liabilities				
Current Liabilities				
Accounts Payable	$	1,872,363	$	3,643,895
Accrued Liabilities		7,197,582		7,137,384
Deferred Revenues		1,493,405		1,686,359
Deposits Held For Others		370,315		390,579
Student Deposits		455,397		427,917
Bonds Payable, Current Portion		3,205,000		2,150,000
Capital Leases Payable - Current Portion		233,213		348,298
Notes Payable, Current Portion		222,191		7,490
Compensated Absence Liability, Current Portion		191,831		191,831
Total Current Liabilities		**15,241,298**		**15,983,753**
Non-current Liabilities				
Bonds Payable		149,128,904		131,471,904
Capital Leases Payable		4,926,261		6,244,734
Notes Payable		1,057,697		147,321
Compensated Absence		1,227,658		1,229,141
Total Non-current Liabilities		**156,340,520**		**139,093,100**
Total Liabilities	**$**	**171,581,818**	**$**	**155,076,853**
Net Assets				
Invested in Capital Assets, Net of Related Debt		133,190,149		134,406,795
Restricted for Expendable Purposes				
Capital Projects		11,264,662		6,001,959
Loans		1,210,331		1,233,407
Other Purposes		4,522,639		4,821,797
Unrestricted		17,138,857		14,722,636
Total Net Assets	**$**	**167,326,638**	**$**	**161,186,594**

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

COLORADO MESA UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

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

See accompanying notes.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS		
CURRENT ASSETS		
Cash	$	389,077
Accounts Receivable		16,314
Prepaid Expense		326
Interest Receivable		-
Capital Lease Receivable - Current Portion		-
TOTAL CURRENT ASSETS		405,717
LONG-TERM ASSETS		
Capital Lease Receivable		-
Land Held for Investment		886,686
Other		599
TOTAL LONG-TERM ASSETS		887,285
TOTAL ASSETS	$	1,293,002
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$	93,825
Bond Interest Payable		-
Bonds Payable - Current Portion		-
TOTAL CURRENT LIABILITIES		93,825
NON-CURRENT LIABILITIES		
Tenant Deposits		17,340
Bonds Payable		-
TOTAL NON-CURRENT LIABILITIES		17,340
TOTAL LIABILITIES		111,165
NET ASSETS		
Unrestricted Net Assets		922,174
Temporarily Restricted Net Assets		259,663
TOTAL NET ASSETS		1,181,837
TOTAL LIABILITIES & NET ASSETS	$	1,293,002

See accompanying notes.

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

		June 30, 2012		June 30, 2011
Operating Revenues				
Tuition and Fees (including $10,608,318 (2012) and $9,585,257 (2011) pledged for bonds and net of scholarship allowances of $20,502,876 (2012) and $17,861,146 (2011))	$	43,072,224	$	38,454,434
Fee For Service Revenue		7,037,933		10,711,935
Federal, State, Private Grants and Contracts		5,410,786		5,551,047
Gifts		531,879		509,665
Auxiliary Enterprises (including $22,485,279 (2012) and $20,118,108 (2011) pledged for bonds and net of scholarship allowances of $241,932 (2012) and $212,345 (2011))		24,483,560		20,920,916
Other Operating Revenues (including $143,943 (2012) and $81,974 (2011) pledged for bonds)		566,015		762,385
Total Operating Revenues		**81,102,397**		**76,910,382**
Operating Expenses				
Instruction		26,821,517		23,956,473
Research		386,408		414,574
Public Service		444,702		512,292
Academic Support		5,423,640		4,830,148
Student Services		7,050,321		5,917,135
Institutional Support		4,888,936		3,755,421
Operation and Maintenance of Plant		8,177,331		10,747,751
Net Scholarships and Fellowships		3,453,678		3,226,986
Auxiliary Enterprises		19,109,308		17,118,999
Depreciation		8,855,426		7,644,228
Total Operating Expenses		**84,611,267**		**78,124,007**
Operating Income (Loss)		**(3,508,870)**		**(1,213,625)**
Non-operating Revenues (Expenses)				
State Fiscal Stabilization Funds		-		718,987
Federal Pell and Other Non-operating Grants		17,069,021		14,857,936
Gifts		257,313		131,945
Investment and Interest Income (including $414,824 (2012) and $465,787 (2011) pledged to bonds)		575,377		1,497,390
Interest Expense on Capital Debt		(7,410,645)		(5,407,886)
Other Non-operating Revenues		28,399		632,920
Gain or (Loss) on Disposal of Assets		(34,010)		(48,753)
Net Non-operating Revenues		**10,485,455**		**12,382,539**
Income (Loss) Before Other Revenues or Expenses		**6,976,585**		**11,168,914**
Other Revenues, Expenses, Gains, Losses, and Transfers				
State Appropriations, Capital		31,688		182,677
Capital Contributions from the State		-		73,894
Capital Donations		4,810,267		2,770,213
Transfers (To) From Governing Boards or Other Institutions		(5,678,497)		(5,638,696)
Increase (Decrease) in Net Assets		**6,140,043**		**8,557,002**
Net Assets				
Net Assets - Beginning of Year		161,186,594		152,629,592
Net Assets - End of Year	**$**	**167,326,637**	**$**	**161,186,594**

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, 2012

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

See accompanying notes.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

UNRESTRICTED NET ASSETS

REVENUE AND SUPPORT	
Support from Colorado Mesa University	$ -
Real Estate Management Fee	23,126
Interest Income	18,342
TOTAL REVENUE AND SUPPORT	41,468
EXPENSES	
Program Expenses	
Support Colorado Mesa University	
Real Estate Management Expenses	21,662
Bond Interest Expense	18,342
Supporting Services	
Management & General	5,239
TOTAL EXPENSES	45,243
INCREASE IN UNRESTRICTED NET ASSETS	(3,775)

TEMPORARILY RESTRICTED NET ASSETS

REVENUE AND SUPPORT	
Support from Colorado Mesa University	4,181,701
EXPENSES	
Program Expenses	
Support Colorado Mesa University	
Purchase of Real Estate	3,922,038
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	259,663
INCREASE IN NET ASSETS	255,888
NET ASSETS - BEGINNING	925,949
NET ASSETS - ENDING	$ 1,181,837

See accompanying notes.

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

	June 30, 2012	June 30, 2011
Cash Flows from Operating Activities		
Tuition & Fees	$ 62,220,290	$ 56,095,214
Sales of Service	21,997,770	23,057,232
Sales of Product	9,735,547	8,922,113
Grants Contracts and Gifts	5,896,953	6,017,415
Student Loans Collected	162,673	230,745
Other Operating Receipts	566,015	762,385
Payments to or for Employees	(44,298,074)	(40,127,349)
Payments to Suppliers	(27,529,603)	(26,146,216)
Scholarships Disbursed	(24,198,487)	(21,300,728)
Student Loans Disbursed	(177,037)	(177,100)
Net Cash Provided by Operating Activities	**4,376,049**	**7,333,711**
Cash Flows from Non-capital Financing Activities		
Gifts/Grants for Other than Capital Purposes	17,326,334	15,800,600
Other Agency Inflows	100,996,993	90,121,978
Other Agency (Outflows)	(100,945,720)	(86,845,071)
Transfers from (to) Other Campuses, Board, or Institution	(5,656,306)	(2,672,806)
Net Cash Provided by Non-Capital Financing Activities	**11,721,301**	**16,404,701**
Cash Flows from Capital and Related Financing Activities		
State Appropriations, Capital	-	208,364
Capital Grants, Contracts, and Gifts	256,947	529,468
Acquisition and Construction of Capital Assets	(24,056,656)	(43,875,345)
Proceeds from Capital Debt	22,332,426	-
Bond Issuance Costs Paid	(266,529)	-
Principal Paid on Capital Debt	(3,631,048)	(3,145,868)
Interest on Capital Debt	(7,004,817)	(5,464,793)
Net Cash Used by Capital & Related Financing Activities	**(12,369,677)**	**(51,748,174)**
Cash Flows from Investing Activities		
Purchase of Investments	(97,144)	(290,608)
Investment Earnings (Interest/Dividends)	778,799	672,947
Net Cash Provided by Investing Activities	**681,655**	**382,339**
Net Increase (Decrease) in Cash & Cash Equivalents	4,409,328	(27,627,423)
Cash & Cash Equivalents - Beginning of the Year	29,271,913	56,899,336
Cash & Cash Equivalents - End of the Year	**$ 33,681,241**	**$ 29,271,913**

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

STATE OF COLORADO

COLORADO MESA UNIVERSITY

Comparative Statement of Cash Flows (continued)

For The Years Ended:

		June 30, 2012		June 30, 2011
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Loss	$	(3,508,870)	$	(1,213,625)
Adjustments to Reconcile:				
Depreciation Expense		8,855,426		7,644,228
Provision for Uncollectible Accounts		811,294		309,861
Decrease (Increase) in Assets - Operating Portions		(1,684,258)		(183,015)
Increase (Decrease) in Liabilities - Operating Portions		(97,543)		776,261
Net Cash Provided by Operating Activities	**$**	**4,376,049**	**$**	**7,333,710**
Supplemental Disclosure of Noncash Investing and Financing Activates				
Additions to construction in progress included in accounts payable and accrued liabilities.	$	1,648,942	$	3,856,192
Land donated from Foundations		4,141,717		2,241,108
Reacquisition cost of bond refunding		(30,390,872)		-
Amortization of bond issuance costs		36,512		54,150
Capital assets purchased with capital leases and noncash transfers		-		(2,999,254)
Land acquired with note payable		1,132,567		-

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Institution Name Change

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

Governance

The accompanying financial statements describe the financial activities of Colorado Mesa University (the University) for the fiscal years ended June 30, 2012 and 2011. Colorado Revised Statute (CRS) 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 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, resources, academic programs, admissions, role and mission, personnel policies, *etc.* To assist them in meeting their responsibilities, the Board delegates to the President of the University the authority to interpret and administer its policies in all areas of operation.

Reporting Entity

The accompanying financial statements reflect the financial activities of Colorado Mesa University for the fiscal years ended June 30, 2012 and 2011. The University is an institution of higher education of the State of Colorado. 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.

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

Applying GASB 39 criteria, the University has identified Colorado Mesa University Foundation (Foundation) and the Colorado Mesa University Real Estate Foundation (CMUREF) as component units. Since the component units use a different reporting model (FASB Non-Profit), the required financial data is discretely presented on separate pages as allowed by GASB 39. The Foundation is a separate non-profit corporation under Internal Revenue Code Section 501(c)(3) formed to provide financial assistance to Colorado Mesa University students and to otherwise assist the University in serving educational needs. The Foundation engages in activities that may be beyond the scope of the Colorado Mesa University Board of Trustees and its financial records are maintained separately from the University. The CMUREF is a separate non-profit corporation under Internal Revenue Code Section 501(c)(3) formed to acquire, manage, and dispose of properties in order to provide financial assistance to the University. The CMUREF engages in activities that may be beyond the scope of the Colorado Mesa University Board of Trustees and its financial records are maintained separately from the University.

Basis of Accounting

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

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

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the State Treasurer, including unrealized gains and losses, and all highly liquid investments with an original maturity of three months or less. 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 assets. The University had investments of $5,967,811, including an unrealized gain of $530,779 at June 30, 2012 and $6,027,950, including an unrealized gain of $688,062 at June 30, 2011.

Inventories

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

Capital Assets

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

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

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

Capital Lease Liabilities
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 December 2008, the University entered into a lease-purchase agreement with the Colorado Mesa University Real Estate Foundation to finance the acquisition of property adjacent to the Western Community College of Colorado campus. The University made final payment on the lease in December 2011 and the property was transferred to the University.

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.

Deferred Revenues
Deferred revenues represent unearned student tuition and fees, sports camp revenues and advances on grant 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. Non-operating revenues include state operating appropriations, Federal stimulus money grants and other non-operating grants, gifts, investment income, interest expense, and insurance reimbursements.
- Other revenues, expenses, gains, losses, and transfers include state capital and controlled maintenance appropriations, capital contributions, gains and losses from the disposal of assets and donations and transfers between governing boards and other institutions.

Scholarship Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the 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 and fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees for the year ended June 30 were \$20,502,876 (2012) and \$17,861,146 (2011). Scholarship allowances for auxiliary charges for the year ended June 30 were \$241,932 (2012) and \$212,345 (2011).

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 Assets
Net assets are classified as either Unrestricted or Restricted. As of June 30, 2012, the University had no non-expendable restricted assets. Restricted expendable net assets are classified as expendable for loans, bonded auxiliaries and for capital projects. Colorado Revised Statutes, CRS 23-5-103 specifically restricts the residual funds of the bonded auxiliaries, in excess of those required for operations and current year debt service, for the direct benefit of the bonded auxiliaries. At June 30, the restricted net assets of the bonded auxiliary operations totaled $3,179,521 (2012) and $3,342,237 (2011). Restricted expendable net assets for capital projects were $11,264,662 (2012) and $6,001,959 (2011). Restricted expendable net assets also include net assets of its Perkins loan program. Program guidelines require that net assets fund new loans, are written off in accordance with program guidelines, or are refunded to the federal government. At June 30, the restricted net assets related to the Perkins loan program totaled $1,210,331 (2012) and $1,233,407 (2011).

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

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The University deposits cash with the Colorado State Treasurer as allowed by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The University reports its share of the Treasurer's unrealized gains and losses based on its participation in the State Treasurer's pool. All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2012 and 2011. 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 $30,613,259 (2012) and $26,544,635 (2011), including unrealized gains of $416,234 (2012) and $394,952 (2011) on deposit with the State Treasurer. Of that amount, $11,264,662 (2012) and $6,001,959 (2011) 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, 2012, 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, 2012, approximately 89.0 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for $12,085,710 of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

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

The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2012, the weighted average maturity of investments in the Treasurer's Pool is 0.090 years for Commercial Paper (2.1 percent of the Pool), 0.803 years for U.S. Government Securities (75.2 percent of the Pool), 2.379 years for Asset Backed Securities (3.253 percent of the Pool), and 3.133 years for Corporate Bonds (16.1 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in fiscal year 2012 and 2011.

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, 2012.

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

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

	Year-End	
	June 30, 2012	**June 30, 2011**
Cash on hand	$ 24,757	$ 20,505
Cash in checking accounts at bank	3,028,638	2,706,773
Total Cash on Hand and In Banks	**$ 3,053,395**	**$ 2,727,278**

The carrying amount of the University's cash on deposit was $3,028,638 (2012) and $2,704,668 (2011) and the bank balance was $3,313,626 (2012) and $3,604,599 (2011). Of this bank balance, $2,513,557 (2012) and $3,573,557 (2011) 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 $284,988 (2012) and $899,931 (2011) in the form of outstanding checks. Of the total cash on deposit with banks, $800,069 (2012) and $1,440,267 (2011) were in accounts restricted for debt service reserves and therefore unavailable for general operations.

Beginning July 1, 2008, 23-53-103.3, CRS authorized the Colorado Mesa University Board of Trustees (Board) to hold investments, unless externally restricted, in one or more consolidated funds in which the participation trusts or accounts have undivided interests. In accordance with the legislation, the Board of Trustees 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 shall take into account institutional cash flow analysis, diversification of investments, appropriate time horizons, and credit quality of investments to establish return benchmarks at acceptable levels of risk. Liquidity of assets invested shall at all times remain at a level sufficient to pay for all budgeted, outstanding operational obligations and expenses occurring within any fiscal year. The University's investments were $5,967,811 including an unrealized gain of $530,779 and included equity securities, fixed income investments and short-term money market funds (2012), and $6,027,950, including an unrealized gain of $688,072 and included equity securities, fixed income investments and short-term money market funds (2011). All of the University's investments are registered in the University's name.

Credit quality risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical ratings organization (NRSRO). To manage credit risk, the University's investment policy specifies investments of a single issuer, with the exception of the US Government and its agencies, may not exceed 5% of the total portfolio, and no more than 10% of the portfolio may be invested in corporate debt securities rated below investment grade.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. To mitigate interest rate risk, the investment portfolio should have an average duration of less than seven years and the University does not invest in instruments with a maturity date longer than 15 years. Investments at June 30, 2012 consisted of the following:

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

Investments at June 30, 2011 consisted of the following:

	Fair Value	S&P Rating	Weighted Average Maturity	Duration (in years)
Debt Securities				
U.S Government Agencies	$ 796,496	AAA	7.5	4.24
Corporate Bonds	639,210	Aa2 - Baa2	4.45	2.94
Bond Mutual Funds	148,960	Average Rating B	3.86	3.01
Municipal Bonds	50,176	Aa2	9.72	7.86
Money Market Mutual Funds	41,250		30 days	-
Other Investments				
Corporate Equities	2,285,136			
International Equities	1,089,080			
Mutual Funds	977,642			
Total	**$ 6,027,950**			

Investment income, gains and losses for fiscal year 2012 are as follows:

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

The return on investments for fiscal year 2012 was -0.34% gross of fees and -0.73% net of fees.

Investment income, gains and losses for fiscal year 2011 are as follows:

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

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

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, 2012 and June 30, 2011:

		June 30, 2012		**June 30, 2011**
Total Accounts and Loans Receivable	$	8,689,570	$	6,931,486
Less: Allowance for Doubtful Accounts		(2,918,396)		(2,097,648)
Net Accounts Receivable	**$**	**5,771,174**	**$**	**4,833,838**

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

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2011	Additions	Transfers	Disposals	Balance June 30, 2012
Non-depreciable Capital Assets					
Land	$ 18,138,010	$ 5,384,590	$ 353,113	$ -	23,875,713
Construction in Progress	29,308,426	1,544,919	(29,031,877)	-	1,821,468
Total Non-depreciable Capital Assets	**47,446,436**	**6,929,509**	**(28,678,764)**	**-**	**25,697,181**
Depreciable Capital Assets					
Land Improvements	24,973,735	754,902	801,127	(147,477)	26,382,287
Buildings	230,219,958	15,361,146	27,877,637	-	273,458,741
Equipment	10,883,348	2,983,005	-	(559,693)	13,306,660
Library Materials	10,828,018	312,961	-	-	11,140,979
Total Depreciable Capital Assets	**276,905,059**	**19,412,014**	**28,678,764**	**(707,170)**	**324,288,667**
Less: Accumulated Depreciation					
Land Improvements	(3,905,025)	(1,243,878)	-	147,477	(5,001,426)
Buildings	(32,481,275)	(6,629,902)	-	-	(39,111,177)
Equipment	(6,230,735)	(580,950)	-	525,683	(6,286,002)
Library Materials	(7,983,463)	(400,696)	-	-	(8,384,159)
Total Accumulated Depreciation	**(50,600,498)**	**(8,855,426)**	**-**	**673,160**	**(58,782,764)**
Net Depreciable Capital Assets	**226,304,561**	**10,556,588**	**28,678,764**	**(34,010)**	**265,505,903**
Capital Assets, net	**$ 273,750,997**	**$ 17,486,097**	**$ -**	**$ (34,010)**	**$ 291,203,084**

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

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2011.

	Balance July 1, 2010	Additions	Transfers	Disposals	Balance June 30, 2011
Non-depreciable Capital Assets					
Land and Improvements	$ 16,273,344	$ 1,700,387	$ 164,279	$ -	18,138,010
Construction in Progress	56,200,247	27,414,118	(54,305,939)	-	29,308,426
Total Non-depreciable Capital Assets	**72,473,591**	**29,114,505**	**(54,141,660)**	**-**	**47,446,436**
Depreciable Capital Assets					
Land Improvements	18,240,426	4,099,834	2,633,475	-	24,973,735
Buildings	171,305,666	7,527,703	51,508,185	(121,596)	230,219,958
Equipment	10,287,039	1,040,077	-	(443,768)	10,883,348
Library Materials	10,439,552	388,466	-	-	10,828,018
Total Depreciable Capital Assets	**210,272,683**	**13,056,080**	**54,141,660**	**(565,364)**	**276,905,059**
Less: Accumulated Depreciation					
Land Improvements	(2,824,814)	(1,080,211)	-	-	(3,905,025)
Buildings	(27,360,655)	(5,196,618)	-	75,998	(32,481,275)
Equipment	(5,778,241)	(893,106)	-	440,613	(6,230,735)
Library Materials	(7,509,171)	(474,292)	-	-	(7,983,463)
Total Accumulated Depreciation	**(43,472,881)**	**(7,644,228)**	**-**	**516,611**	**(50,600,498)**
Net Depreciable Capital Assets	**166,799,802**	**5,411,852**	**54,141,660**	**(48,753)**	**226,304,561**
Capital Assets, net	**$ 239,273,393**	**$ 34,526,357**	**$ -**	**$ (48,753)**	**$ 273,750,997**

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

NOTE 5 LONG-TERM LIABILITIES

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

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Revenue bonds	$ 136,595,000	$ 51,035,000	$ 29,070,000	$ 158,560,000	$ 3,205,000
Plus unamortized bond premiums	2,684,486	435,382	750,940	2,368,928	-
Less unamortized bond discounts	(789,416)	-	(414,123)	(375,293)	-
Less deferred refunding loss	(4,868,166)	(3,632,687)	(281,122)	(8,219,731)	-
Total revenue bonds	133,621,904	47,837,695	29,125,695	152,333,904	3,205,000
Capital leases	6,593,032	-	1,433,559	5,159,473	233,213
Notes payable	154,811	1,132,567	7,490	1,279,888	222,191
Total Bonds, Notes and Leases Payable	**$ 140,369,747**	**$ 48,970,262**	**$ 30,566,744**	**$ 158,773,265**	**$ 3,660,404**

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

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Current Portion
Revenue bonds	$ 138,350,000	$ -	$ 1,755,000	$ 136,595,000	$ 2,150,000
Plus unamortized bond premiums	2,810,390	-	125,904	2,684,486	-
Less unamortized bond discounts	(839,397)	-	(49,981)	(789,416)	-
Less deferred refunding loss	(5,091,136)	-	(222,970)	(4,868,166)	-
Total revenue bonds	135,229,857	-	1,607,953	133,621,904	2,150,000
Capital leases	7,976,771	-	1,383,739	6,593,032	348,298
Notes payable	161,940	-	7,129	154,811	7,490
Total Bonds, Notes and Leases Payable	**$ 143,368,568**	**$ -**	**$ 2,998,821**	**$ 140,369,747**	**$ 2,505,788**

Revenue Bonds Payable

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

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

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

Series 2012A Bonds: In March 2012, the University issued tax-exempt Enterprise Revenue Refunding Bonds, Series 2012A for $19,315,000. The Series 2012A bonds were issued to advance refund all of the Series 2005 bonds. Series 2012A bonds include a net premium of $163,688 that will be amortized over the life of the bonds. Series 2012A bonds require annual debt service payments ranging from $1,250,300 to $1,258,700, including coupon interest rates ranging from 2.005 to 4.00% affecting a net interest rate of 3.27%. Final payments are due in May 2034. The bonds are secured by the pledge of certain net revenues which are pledged and assigned for equal and ratable payment of the bonds.

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

The University advance refunded the Series 2005 bonds by placing the bond proceeds and the Series 2005 debt service reserve in an irrevocable trust to provide for future debt service payments on the Series 2005 bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 2012 $17,645,000 is outstanding for the advance refunding that is considered defeased debt.

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

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

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

The University advance refunded the Series 2002B bonds by placing the bond proceeds in an irrevocable trust to provide for future debt service payments on the Series 2005 bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 2012 $7,900,000 is outstanding for the advance refunding that is considered defeased debt.

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

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

The Series 2011 bond matures in August 2021 with variable interest calculated as the product of (a) the Bank Qualified factor; and the sum of (i) the Five Year Treasury, Constant Maturity; plus (ii) 210 basis points. The initial rate is 2.49% and shall remain in effect for a five-year period. The bond will be recalculated in 2016 using the formula above. The Bond will recalculate each year using the above formula and the University may accept the recalculated rate for a period of five years or through the Series 2011 maturity date, whichever is shorter. The University is under no obligation to accept any recalculated rate. The bonds are secured by the pledge of certain net revenues which are pledged and assigned for equal and ratable payment of the bonds.

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

Series 2010 AB Bonds: In April 2010, the University issued tax-exempt Auxiliary Facilities System Enterprise Revenue Bonds, Series 2010A for $1,040,000 and Taxable Auxiliary Facilities System Enterprise Revenue Bonds (Build America Bonds – Direct Payment to Board), Series 2010B for $30,670,000. Series 2010 bonds were issued to finance the costs of construction, acquisition, renovation and equipping of certain housing, classroom, and other University facilities; and to fund a deposit to the Series 2010 Capitalized Interest Fund to pay a portion of the interest on the Series 2010 bonds through May 2011. The Series 2010 bonds include a net discount of $149,696 that will be amortized over the life of the bonds. After issuance costs, $30,000,000 was deposited into the Series 2010 Project Fund and $1,426,665 was deposited into the Series 2010 Capitalized Interest Fund.

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

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

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

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

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

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

The University in-substance defeased the Series 2008 bonds by placing the proceeds of the Series 2009A in an irrevocable trust to provide for future debt service payments on the Series 2008 bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 2012 $28,445,000 is outstanding for the advance refunding that is considered defeased debt.

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

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

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

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

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

Fiscal Year-End:	2007	2009AB	2010AB	2011A	2011BC	2012A	2012B	Total
2013	$ 844,494	$ 3,564,888	$ 2,339,001	$ 886,128	$ 1,381,274	$ 1,254,892	$ 491,900	$ 10,762,577
2014	844,494	3,612,137	2,343,651	883,510	1,332,974	1,255,600	886,900	11,159,266
2015	844,494	3,627,588	2,342,851	885,458	1,315,174	1,257,200	889,000	11,161,765
2016	844,494	3,622,137	2,339,480	881,970	1,322,275	1,253,500	891,850	11,155,706
2017	844,494	4,226,388	2,328,630	883,046	720,284	1,255,700	889,250	11,147,792
2018-2022	4,222,469	21,125,375	11,554,967	4,413,068	3,608,574	6,274,350	4,450,200	55,649,003
2023-2027	7,528,769	21,561,250	11,332,534	-	-	6,273,875	4,446,250	51,142,678
2028-2032	7,527,219	21,556,850	11,054,575	-	-	6,270,906	4,451,888	50,861,438
2033-2037	10,117,106	21,160,000	10,667,369	-	-	2,504,956	4,450,950	48,900,381
2038-2042	-	20,236,570	23,023,746	-	-	-	-	43,260,316
Subtotals	**33,618,033.00**	**124,293,183.00**	**79,326,804.00**	**8,833,180.00**	**9,680,555.00**	**27,600,979.00**	**21,848,188.00**	**305,200,922.00**
Less Interest Included Above	(16,813,033)	(63,573,183)	(47,951,804)	(1,008,180)	(1,160,555)	(8,285,979)	(7,848,188)	(146,640,922)
Total Principal Outstanding	**16,805,000**	**60,720,000**	**31,375,000**	**7,825,000**	**8,520,000**	**19,315,000**	**14,000,000**	**158,560,000**
Less Current Portion	-	(425,000)	(345,000)	(700,000)	(1,165,000)	(570,000)	-	(3,205,000)
Net Long Term Principal	**16,805,000**	**60,295,000**	**31,030,000**	**7,125,000**	**7,355,000**	**18,745,000**	**14,000,000**	**155,355,000**
Less Unamortized Disc/Premium	359,813	(3,284,262)	(156,064)	-	(1,315,970)	(2,067,069)	237,456	(6,226,096)
Bonds Payable Net	**$ 17,164,813**	**$ 57,010,738**	**$ 30,873,936**	**$ 7,125,000**	**$ 6,039,030**	**$ 16,677,931**	**$ 14,237,456**	**$ 149,128,904**

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

Fiscal Year-End:	2002B	2005	2007	2009AB	2010AB	Total
2012	$ 1,340,200	$ 1,289,975	$ 844,494	$ 3,634,287	$ 2,339,051	$ 9,448,007
2013	1,409,150	1,289,750	844,494	3,564,887	2,339,001	9,447,282
2014	1,359,150	1,289,000	844,493	3,612,138	2,343,652	9,448,433
2015	1,344,150	1,290,400	844,493	3,627,588	2,342,852	9,449,483
2016	1,347,400	1,291,000	844,494	3,622,138	2,339,480	9,444,511
2017-2021	3,736,200	6,454,500	4,222,469	21,126,363	11,586,754	47,126,285
2022-2026	745,500	6,447,750	6,863,431	21,479,700	11,381,630	46,918,011
2027-2031	-	6,443,250	7,536,331	21,549,050	11,121,496	46,650,128
2032-2036	-	5,154,750	8,821,500	21,345,590	10,753,260	46,075,100
2037-2041	-	-	2,796,325	24,365,730	16,781,818	43,943,873
2042	-	-	-	-	8,336,863	8,336,863
Subtotals	11,281,750.00	30,950,375.00	34,462,524.18	127,927,470.00	81,665,856.20	286,287,975.38
Less Interest Included Above	(2,481,750)	(12,870,375)	(17,657,525)	(66,727,470)	(49,955,855)	(149,692,975)
Total Principal Outstanding	**8,800,000**	**18,080,000**	**16,804,999**	**61,200,000**	**31,710,001**	**136,595,000**
Less Current Portion	(900,000)	(435,000)	-	(480,000)	(335,000)	(2,150,000)
Net Long Term Principal	**7,900,000**	**17,645,000**	**16,804,999**	**60,720,000**	**31,375,001**	**134,445,000**
Less Unamortized Disc/Premium	(401,036)	646,411	374,205	(3,439,442)	(153,234)	(2,973,096)
Bonds Payable Net	**$ 7,498,964**	**$ 18,291,411**	**$ 17,179,204**	**$ 57,280,558**	**$ 31,221,767**	**$ 131,471,904**

Capital Leases

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

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

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

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

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

Capital Lease-Purchase with the Colorado Mesa University Real Estate Foundation (CMUREF): On December 29, 2008, the Board of Trustees granted $1,187,500 to the CMUREF and entered into a lease-purchase agreement with the CMUREF to finance the acquisition of property adjacent to the University's Western Community College campus. CMUREF made an equity contribution of $1,187,500 and issued a lease revenue bond through the Colorado Educational and Cultural Facilities Authority for $3,562,500 with a fixed interest rate of 3.00% that matured on December 29, 2011. The term of the capital lease was for ten years at 3.00% with the final payment due on December 29, 2018. The University had the option to purchase the CMUREF's interest in the leased property by paying the CMUREF an amount which is sufficient to pay the outstanding principal and interest of the bond, and any other amounts due under the lease agreement. The University exercised its option to purchase the leased property by paying the purchase option price on December 29, 2011 and title to the property transferred to the University.

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

Fiscal Year End	Principal	Interest	Total
2013	$ 233,213	$ 249,526	$ 482,739
2014	248,785	237,087	485,872
2015	264,961	228,168	493,129
2016	281,964	213,686	495,650
2017	300,137	198,032	498,169
2018-2022	1,830,921	761,491	2,592,412
2023-2027	1,710,911	285,885	1,996,795
2028	288,582	9,392	297,974
Total Future Minimum Payments	**$ 5,159,474**	**$ 2,183,267**	**$ 7,342,740**

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

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

Operating Lease

The University entered into an agreement to lease copier equipment in Fiscal Year 2012. The following is a schedule of future minimum rental payments under the lease:

Fiscal Year End	Amount
2013	$ 72,539
2014	72,539
2015	72,539
2016	72,539
Total	**$ 290,156**

Rent expense for Fiscal Year 2012 was $71,186.

Notes Payable

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

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

In August 2013, the University is scheduled to acquire parcel 4 of the property by paying $520,000 cash and issuing a note payable for $795,600 payable in three equal installments of $265,200 with final payment due in August 2016. The note is interest-free and is discounted at the University's incremental borrowing rate of 2.49% as of the date of the agreement. In August 2016, the University is scheduled to acquire parcel 1 of the property by paying $1,000,000 cash and issuing a note payable for $2,550,000 payable in five equal installments with final payment due in August 2020. The note is interest-free and is discounted at the University's incremental borrowing rate of 2.49% as of the date of the agreement. In the event Community Hospital does not vacate the property associated with parcel one at the time of closing in August 2016, Colorado West Care Health Systems will pay rent of $480,000 per year ($40,000 per month) to the University.

As part of its campus expansion program, the University acquired a property by issuing a 20 year note payable in Fiscal Year 2006. The principal balance was $190,000, payable in semi- annual payments at 5 percent interest.

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

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

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

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

Compensated Absences: Employees accrue annual and sick leave based on the length of service that are subject to certain limitations on amounts that will be paid upon termination and/or retirement. The estimated costs of compensated absences for which employees are vested for the years ended June 30, 2012 and June 30, 2011, are estimated as $1,419,489 (including the current portion of $191,831 listed in note 6 below) and $1,420,972 respectively. Expenses include a decrease of $1,483 (2012) and an increase of $131,062 (2011) for the estimated compensated absence liability.

NOTE 6 - SHORT-TERM LIABILITIES

Year-end payables were as follows:

	June 30, 2012	June 30, 2011
Accounts Payable, Vendors	$ 1,872,363	$ 3,643,895
Salaries and Benefits Payable	5,043,446	4,646,427
Capital Leases Payable, Current Portion	233,213	348,298
Capital Bonds Payable, Current Portion	3,205,000	2,150,000
Long-term Notes Payable, Current Portion	222,191	7,490
Compensated Absences, Current Portion	191,831	191,831
Retainage on Construction Contracts Payable	524,686	1,315,940
Accrued Interest Payable	1,629,450	1,175,017
Total Payables	**$ 12,922,180**	**$ 13,478,898**

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES

In August 2013, the University is scheduled to acquire property from Community Hospital as described in Note 5 above by paying $520,000 cash and issuing a note payable for $795,600 payable in three equal installments of $265,200 with final payment due in August 2016. In August 2016, the University is scheduled to acquire parcel 1 of the property by paying $1,000,000 cash and issuing a note payable for $2,550,000 payable in five equal installments with final payment due in August 2020.

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

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

NOTE 8 - PENSION PLAN OBLIGATIONS

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

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

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

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

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2010, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior twelve months. In that case, they are required to remain in the PERA plan in which they participated previously.

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

Plan members (except State troopers) are eligible to receive a monthly retirement benefit when they meet age and service requirements based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 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 58 with 30 years of service, or age 65 with 5 years of service.

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

- Hired before January 1, 2007 – age 55 and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007– age 55 and age plus years of service equals 85 or more.
- 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 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. 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 percent or the average of the monthly Consumer Price Index.

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

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

B. FUNDING POLICY

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

Most employees contribute 8.0 percent (10.0 percent for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2011 Senate Bill 11-076 extended the requirement for members in the State and Judicial Divisions to pay 2.5 percent additional member contributions through June 30, 2012. Employer contributions for members in these two divisions were reduced by 2.5 percent.

From July 1, 2011, to December 31, 2011, the State contributed 12.25 percent (14.95 percent for state troopers and 14.86 percent for the Judicial Branch) of the employee's salary. From January 1, 2012, through June 30, 2012, the state contributed 13.15 percent (15.85 percent for state troopers and 14.86 percent for the Judicial Branch). During all of Fiscal Year 2011-12, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2011, the division of PERA in which the State participates has a funded ratio of 57.7 percent and a 56 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly lower at 57.6 percent.

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 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent (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 percent (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent 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 the Fiscal Years ended June 30, 2012, 2011, and 2010 were $1,527,139, $1,352,073, and $1,455,233 respectively. These contributions met the contribution requirement for each year.

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

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

Funding Policy: The University's contribution to the ORP for fiscal years ended June 30, 2012, 2011, and 2010 were $2,075,201, $1,853,168, and $1,770,034 respectively. Employee contributions were 8 percent of covered payroll. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

C. STUDENT RETIREMENT PLAN

Beginning in Fiscal Year 1993, in accordance with the provisions of CRS 24-54.6 and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5 percent contribution on the employee's part with no employer contribution. Total payroll covered by the plan for fiscal years ended June 30, 2012 and 2011 were $663,805 and $759,027. Employee contributions were $49,785 and $56,927 for fiscal years ended June 30, 2012 and 2011, or 7.5 percent 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 entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 9B. Beginning July 1, 2004, the University is required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The University contributed $88,232, $83,034, and $92,680, as required by statute as of June 30, 2012, 2011 and 2010, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2011, there were 50,217 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2011, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.43 billion, a funded ratio of 16.5 percent, and a 49-year amortization period.

NOTE 11 - COMPONENT UNITS

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

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

For Colorado institutions of higher education, either of these presentation options is acceptable if the component unit uses a different reporting model. Component Unit reporting must include a Statement of

Net Assets (or Financial Position) and a Statement of Revenues, Expenses, and Changes in Net Assets (or Statement of Activities). A Statement of Cash Flows is not required.

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

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 2012, the Foundation awarded $573,001 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 13. The Foundation received donations to partially fund regular operations of various university departments. During Fiscal Year 2012 cash and in-kind donations totaled $1,324,691 and were recorded as revenue and expense in the appropriate funds.

The following is an excerpt from the Foundation's independent annual financial report. Note references for Fiscal Year 2012 follow those for Fiscal Year 2011.

FOUNDATION – INVESTMENTS – Fiscal Year 2012

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

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

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

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

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

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

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

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

FOUNDATION – INVESTMENTS – Fiscal Year 2011

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

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

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

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

FOUNDATION – ENDOWMENT – Fiscal Year 2012

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

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

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization

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

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

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

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

FOUNDATION – ENDOWMENT – Fiscal Year 2011

The Foundation's endowment consists of 165 individual funds established for providing a future income stream for scholarships for Mesa State College students. Its endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization

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

The spending policy is to distribute 4% to 7% of the fair market value of the endowment accounts each year, with the caveat that the Foundation's Board shall have the discretion to adjust the distribution rate for a given year depending on short/long term needs of Mesa State College 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	$ -	$ -	$ 12,014,977	$ 12,014,977
Endowment Net Assets - Beginning	$ (433,466)	$ -	$ 9,637,476	$ 9,204,010
Contributions & Transfers	-	583,531	2,377,501	2,961,032
Investment Income	-	214,097	-	214,097
Net Appreciation (Depreciation)	-	1,948,162	-	1,948,162
Net Assets Released from Restrictions:				
Amounts Appropriated for Expenditure	-	(509,813)	-	(509,813)
Restore Net Assets to Donor Levels	433,466	(433,466)	-	-
Endowment Net Assets - Ending	$ -	$ 1,802,511	$ 12,014,977	$ 13,817,488

FOUNDATION – PROMISES TO GIVE – Fiscal Year 2012

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

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

FOUNDATION – PROMISES TO GIVE – Fiscal Year 2011

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

Colorado Mesa University Building Projects	$ 524,482
Colorado Mesa University Campus Expansion	400,000
Scholarships - Endowments	364,000
Scholarships - Temporary	743,038
Subtotal	2,031,520
Less discounts to net present value - Discount rate 7%	(196,490)
Less allowance for uncollectible promises receivable	(40,000)
Total	$ 1,795,030
Receivable in less than one year	$ 581,557
Receivable in one to five years	1,076,079
Receivables more than five years	137,394
	$ 1,795,030

FOUNDATION – PROPERTY AND EQUIPMENT – Fiscal Year 2012

Property and equipment consist of the following:

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

FOUNDATION – PROPERTY AND EQUIPMENT – Fiscal Year 2011

Property and equipment consist of the following:

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

FOUNDATION – LINE OF CREDIT – Fiscal Year 2012

Colorado Mesa University has plans to further expand the size of the college campus. The Foundation is assisting in the expansion by purchasing real estate needed for campus expansion. At the time of closing on real estate purchases, the Foundation quitclaims the real estate to Colorado Mesa University. $631,282 of real estate was purchased and quitclaimed to Colorado Mesa University during the last year.

To facilitate the purchase of real estate at the most advantageous prices and terms, the Foundation has a line of credit with a bank in the amount of $2,500,000 which matures June 2, 2017. The initial interest rate was 4% adjusted annually to a floating rate based on a Prime Rate; interest payments are due each month. At year end, the Foundation's balance on this loan was $359,663. The collateral for the loan is tangible and intangible real and personal property that the Foundation owns.

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

FOUNDATION – LINE OF CREDIT – Fiscal Year 2011

Colorado Mesa University has plans to further expand the size of the college campus. The Foundation is assisting in the expansion by purchasing real estate needed for campus expansion. At the time of closing on real estate purchases, the Foundation quitclaims the real estate to Colorado Mesa University. $1,341,887 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, 2013. The initial interest rate was 4% adjusted annually to a floating rate based on a Prime Rate; interest payments are due each month. At year end, the Foundation's balance on this loan was $950,000. The collateral for the loan is tangible and intangible real and personal property that the Foundation owns.

To fund the purchase of the real estate, the City of Grand Junction has committed to donating $500,000 per year and Mesa County has committed to donating $100,000 per year. Should the City or County in future years, decrease their annual funding levels, such that the Foundation were unable to repay the line of credit, 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 College. CMUREF may receive gifts of real and personal property that persons and entities wish to donate for the benefit of the College in support and furtherance of the 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 College.

Under an operating agreement with the College, 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% (College) sharing. In Fiscal Year 2009, the Board granted $1,187,500 to CMUREF and entered into a capital lease for the acquisition of property that is described in Note 5 above and CMUREF made a capital transfer of $1,192,962 back to the College. On December 29, 2011, the University exercised its option to purchase the CMUREF'S interest in the leased property by paying the CMUREF an amount sufficient to pay the outstanding principal and interest of the bond, and title to the property transferred to the University.

In Fiscal Year 2012, the College transferred $3,910,261 to CMUREF for property acquisitions as part of the University's expansion project and the Foundation made capital property transfers of $3,922,038 to the University.

The following are excerpts from the Fiscal Year 2012 and 2011 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 College. CMUREF has capitalized all of the development costs. A building is on the investment land and is being depreciated over a 6 year life.

	2012	2011
Cost of land held for investment and developed costs	$ 879,236	$ 868,568
Building	22,352	22,352
Accumulated Depreciation	(14,902)	(11,176)
Total land held for investment	$ 886,686	$ 879,744

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

CMUREF – CAPITAL LEASE RECEIVABLE FROM THE UNIVERSITY

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

The College has the option to purchase the CMUREF's interest in the leased property by paying the CMUREF an amount which is sufficient to pay the outstanding principal and interest of the bond, and any other amounts due under the lease agreement. During the year ended June 30, 2012 the University paid the outstanding principal and interest of the bond, and all other amounts due under the lease agreement. It is CMUREF's intent to turn the title of the property to the University in their next Fiscal Year ending June 30, 2013.

CMUREF – 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. The rental income for the year was $115,630, of which CMUREF kept 20% ($23,126) as a management fee.

In Fiscal Year 2010, CMUREF entered into a master lease with the College to rent six commercial spaces in the North Avenue Student Housing complex (NASH). Under the terms of the lease 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. The balance to be recovered by the University at June 30, 2012 was $292,396. As of June 30, 2012, 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.

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

	Minimum Rentals	Minimum Expected Management Fees
June 30, 2013	$ 377,701	$ 78,465
June 30, 2014	399,891	116,963
June 30, 2015	409,552	126,563
June 30, 2016	307,997	42,345
June 30, 2017	157,189	89,676
Thereafter	241,301	79,811
	$ 1,893,631	$ 533,823

CMUREF – BOND PAYABLE

In Fiscal Year 2009, CMUREF made an equity contribution of $1,187,500 and issued a lease revenue bond through the Colorado Educational and Cultural Facilities Authority for $3,562,500, in order to finance the acquisition of property adjacent to the Colorado Mesa University's Western Community College campus. The property is used as collateral for the bond payable. The bond had a fixed interest rate of 3.00% and matured and was paid off on December 29, 2011.

NOTE 12 - STUDENT FINANCIAL ASSISTANCE

The University receives funds from and administers student financial assistance programs for various federal and state agencies. In addition, the University dedicates institutional resources to fund scholarships and work-study programs for students. With the implementation of GASB 34 in 2002, the new financial statement format lacks the detail of student financial assistance available on pre-2002 financial statements since part of the revenues previously recorded are now properly netted against tuition and fees with a corresponding reduction in scholarship expense. The tables below reflect the student financial assistance activities that the University received resources for and expended on behalf of students in Fiscal Years 2012 and 2011. 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, 2012 follows:

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

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

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

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

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

NOTE 13 - LEGISLATIVE APPROPRIATION

The Colorado Legislature establishes spending authority for the Trustees of Colorado Mesa University in its annual Long Appropriation Bill. The Long Bill appropriated funds include an amount from the State of Colorado's College 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 includes certain cash revenues from the student share of tuition and fees.

For the years ended June 30, 2012 and 2011, appropriated expenses were within spending authority. For the years ended June 30, 2012 and 2011, the University had a total appropriation $18,753,652 and $58,321,872 respectively. For the years ended June 30, 2012 and 2011, appropriated funds included $11,462,642 and $10,656,130, respectively, received from students that qualified for stipends from the College Opportunity Fund and $7,037,933 and $10,711,935, respectively, as fee-for-service contract revenue; $235,077 and $197,324 from limited gaming tax revenues; and $36,756,483 from the students' share of tuition and fees in the year ended June 30, 2011. 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 $18,735,652 and $58,321,872, respectively, in Fiscal Years ended June 30, 2012 and June 30, 2011.

In Fiscal Year 2010, the Colorado Legislature appropriated $355,332 for the Tomlinson Library roof repair and in Fiscal Year 2009, the Colorado Legislature appropriated $18,400,687 for Saunders Field House Addition and for controlled maintenance projects from the State Capital Construction fund. Of that, $31,688 (2012) and $182,677 (2011) was spent and realized as capital construction appropriated revenue.

NOTE 14 - TABOR ENTERPRISE STATUS

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

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

The schedule below shows the TABOR Enterprise State support calculation for Fiscal Year 2012.

State Grants		
Capital Appropriations	$	31,688
State Share - Certificates of Participation		908,896
Total State Grants		940,584
Total Revenues (gross operating, non-operating and other revenues)	$	103,098,783
Ratio of State Grants to Total Revenues		0.91%

NOTE 15 - RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

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

Coverage	Company	Limit $	Deductible
General liability	Philadelphia	$ 3,000,000	$ -
Professional liability	Philadelphia	1,000,000	1,000
Directors' and officers' liability	Philadelphia	2,000,000	$25,000 retention
Automobile liability	Philadelphia	1,000,000	-
Employment practices liability	Philadelphia	2,000,000	$50,000 retention
Employee dishonesty (Fidelity)	Travelers	300,000	10,000
Errors and omissions coverage	Philadelphia	1,000,000	-
Sexual/physical abuse	Philadelphia	2,000,000	-
Commercial excess liability	Philadelphia	2,000,000	10,000
Workers compensation	Pinnacol	1,000,000	5,000
Boiler machinery breakdown	Travelers	150,000,000	10,000
Property – building	Philadelphia	297,726,323	25,000
Property - personal property	Philadelphia	94,739,635	25,000

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

NOTE 16 - CHANGE IN FINANCIAL STATEMENT PRESENTATION

Certain reclassifications were made to the Fiscal Year 2011 financial statement presentation in order to conform to the Fiscal Year 2012 financial statement presentation. Deferred charges and other noncurrent assets included the unamortized loss from refinancing the Series 2008 bond of $4,868,167 that was reclassified as bonds payable. Fiscal Year 2011 net assets were reclassified to present restricted net assets for capital projects and for other purposes related to unspent bond proceeds as of June 30, 2011.

SUPPLEMENTAL INFORMATION

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

	June 30, 2012	June 30, 2011
Operating Revenues		
Pledged Tuition Revenue	$ 5,743,910	$ 5,117,276
Residence Halls and Apartments	10,029,089	8,694,692
Food Services	6,704,556	5,343,486
University Center	2,928,730	2,696,037
Bookstore	4,190,605	4,479,220
Recreation Center	1,886,034	1,810,474
Campus Parking	545,449	489,275
Central Services	530,197	496,791
Student Fee Revenue	1,093,792	1,123,877
Total Revenue	**33,652,362**	**30,251,128**
Operating Expenses		
Residence Halls and Apartments	4,460,088	4,073,927
Food Services	4,076,243	3,576,050
College Center	773,728	551,475
Bookstore	4,211,008	4,041,601
Recreation Center	1,492,694	1,446,565
Campus Parking	260,436	222,874
Central Services	293,730	330,454
Total Operating Expenditures	**15,567,927**	**14,242,946**
Net Revenue Before Transfers	**18,084,435**	**16,008,182**
Transfers		
Mandatory Transfers	(7,594,837)	(6,498,366)
Net Non-mandatory Transfers	(4,462,279)	(4,179,921)
Total Transfers	**(12,057,116)**	**(10,678,287)**
Increase in Fund Balance	**$ 6,027,320**	**$ 5,329,895**
Debt Service Coverage		
Net Operating Revenue	$ 18,084,435	$ 16,008,182
Bond Principal and Interest	7,594,837	6,498,366
Excess of Net Operating Revenue Over Debt Service	**$ 10,489,599**	**$ 9,509,816**
Debt Service Coverage Ratio	**238%**	**246%**

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

Members of the Legislative Audit Committee:

We have audited the basic financial statements of Colorado Mesa University (the University) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 5, 2012. The financial statements of the University as of and for the year ended June 30, 2011 were audited by other auditors whose report dated November 3, 2011 expressed an unqualified opinion. 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, 2012 were also audited by other auditors whose reports dated September 24, 2012 expressed an unqualified opinion. 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 preforming our audit, we considered the University's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statement, 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 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. We consider the deficiency described in the Findings and Recommendations Section to be a significant deficiency: Recommendation 1.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses.

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.*

This report is intended solely for the information and use of management, the audit committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record upon release by the Legislative Audit Committee.

Dalby, Wendland & Co, P.C.

DALBY, WENDLAND & CO., P.C.

December 5, 2012

W D&C
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Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities of Colorado Mesa University (the University), for the year ended June 30, 2012, and have issued our report thereon dated December 5, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in the engagement letter to you dated May 10, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by 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, 2012. We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

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

Difficulties Encountered in Performing the Audit
We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

There were no adjusting journal entries proposed during the audit and there were no known differences that were not adjusted.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We had a disagreement with management concerning the severity of an internal control deficiency identified during the audit process. The internal control deficiency was classified as a significant deficiency as required under Auditing Standards Codification (AU-C) Section 265, formerly SAS 115, "*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*". Management did not agree with the classification.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated December 5, 2012.

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

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

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

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

Sincerely,

Dalby, Wendland & Co., P.C.

DALBY, WENDLAND & CO., P.C.

December 5, 2012

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site of the Office of the State Auditor
www.state.co.us/auditor

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Office of the State Auditor
303-869-2800

Please refer to the Report Control Number below when requesting this report.

Report Control Number: 2092-12