

**COLORADO MESA UNIVERSITY**  
FINANCIAL AND COMPLIANCE AUDIT  
Fiscal Years Ended June 30, 2017 and 2016

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# COLORADO MESA UNIVERSITY

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**COLORADO MESA UNIVERSITY**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**REPORT SUMMARY**

As of and for the year ended June 30, 2017

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**Authority, Purpose and Scope**

The Office of the State Auditor of the State of Colorado engaged Dalby, Wendland, & Co., P.C. (DWC) to conduct a financial and compliance audit of Colorado Mesa University (the University) for the year ended June 30, 2017. DWC performed this 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 of America. We conducted our fieldwork from June through November 2017.

The purposes and scope of the audit were to:

- Express an opinion on the financial statements of the University as of and for the years ended June 30, 2017 and 2016. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.
- Evaluate the University's progress in implementing prior audit findings and recommendations, if any.

The University's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, State of Colorado, are included in the June 30, 2017 Statewide Single Audit Report issued under separate cover.

**Audit Opinion and Reports Summary**

We expressed an unmodified opinion on the University's financial statements as of and for the years ended June 30, 2017 and 2016.

We issued a report on the University's compliance and internal control over financial reporting based on an audit of the basic financial statements performed in accordance with *Government Auditing Standards*. 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We noted no matters involving the University's internal control over financial reporting and its operation that we consider to be material weaknesses.

In addition to issuing a report on the University's compliance and internal control over financial reporting, we also performed procedures in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, over major federal programs as determined by the Office of the State Auditor. The purpose of our procedures was not to issue an opinion over the University's compliance with the federal programs tested, but rather report any noncompliance and internal control deficiencies noted during our testing to the Office of the State Auditor for inclusion in the Statewide Single Audit report. As discussed below, there were no instances of noncompliance or internal control deficiencies noted during these procedures.

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of the University's 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.

### **Summary of Findings and Recommendations**

There were no reported findings or recommendations resulting from the audit of the University for the year ended June 30, 2017.

### **Summary of Progress in Implementing Prior Audit Findings**

The University's audit report for the year ended June 30, 2016 did not include any findings or recommendations that were required to be implemented during the year ended June 30, 2017.

## Description of Colorado Mesa University

The University is a liberal arts university with graduate programs in teacher education, business, nursing, and art. Section 23-53-101, of the Colorado Revised Statutes (C.R.S.), provides that the University shall be a general baccalaureate institution with selective admission standards. The University is a regional educational provider approved to offer limited professional programs. The University shall also maintain a community college role and mission, including career and technical education programs.

Through June 30, 2003, the University was a member of the State Colleges in Colorado and, as such, was governed by the Board of Trustees of the Office of State Colleges. Effective July 1, 2003, the State Colleges in Colorado were dissolved in accordance with House Bill 03-1093 and each member became an independent entity. Also effective on July 1, 2003, Colorado Revised Statute (C.R.S.) 23-53-102 established the composition of the Board of Trustees (Board) of the University to serve as the University's governing board.

The Board 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-year 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 the University.

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

	2015	2016	2017
Resident Students	6,367.5	6,659.6	6,631.2
Nonresident Students	1,081.5	1,153.6	1,245.6
Total Students	7,449.0	7,813.2	7,876.8
Faculty FTEs	375.4	380.0	387.4
Staff FTEs	368.8	385.7	401.8
Total Staff and Faculty FTEs	744.2	765.7	789.2

## Description of Colorado Mesa University Foundation

The Colorado Mesa University Foundation (the Foundation) was incorporated under the laws of the State of Colorado in August 1961. The Foundation is a separate non-profit 501 (c)(3) corporation formed to provide financial assistance to University students and to otherwise assist the University in serving educational needs.

## Description of Colorado Mesa University Real Estate Foundation

The Colorado Mesa University Real Estate Foundation (CMUREF) was incorporated under the laws of the state of Colorado in May 2006. The CMUREF is a separate non-profit 501(c)(3) corporation. The CMUREF's purpose is to receive, hold, invest, and administer real and personal property, borrow money, and to make expenditures to or for the benefit of the University.

## FINANCIAL STATEMENTS SECTION



DALBY, WENDLAND & CO., P.C.

Grand Junction

*CPAs and Business Advisors*

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## INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee:  
Denver, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and aggregate discretely presented component units, of Colorado Mesa University (the University), an institution of higher education, State of Colorado, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Colorado Mesa University Foundation and the Colorado Mesa University Real Estate Foundation (the Foundations), discretely presented component units, discussed in Note 1 to the basic financial statements, which represent 100 percent of total assets, total revenues, and net assets of the aggregate discretely presented component units as of and for the years ended June 30, 2017 and 2016, respectively. Those financial statements were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundations, are based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundations were not audited in accordance with *Government Auditing Standards*.

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

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

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## **Opinions**

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University, an institution of higher education, State of Colorado, as of June 30, 2017 and 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements of the University, an institution of higher education, State of Colorado are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and the aggregate discretely presented component units of the State that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2017 and 2016, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 16 be presented to supplement the basic financial statements. Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires that the Schedule of the University's Proportionate Share of the Net Pension Liability of the State Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association and the Schedule of University Contributions to the State Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association on pages 73 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Enterprise Revenue Bonds Schedules of Revenues and Expenditures for the years ended June 30, 2017 and 2016 on page 75 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the University.

The Enterprise Revenue Bonds Schedules of Revenues and Expenditures are the responsibility of the University's management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the Enterprise Revenue Bonds Schedules of Revenues and Expenditures are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Dalby, Wendland & Co, P.C.

DALBY, WENDLAND & CO., P.C.

Grand Junction, Colorado

November 29, 2017

**COLORADO MESA UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
As of and for the years ended June 30, 2017, 2016 and 2015

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This section of Colorado Mesa University's (the University) annual financial report presents management's discussion and analysis of the University's financial position and changes in its financial position as of and for the years ended June 30, 2017 and 2016 with comparative information presented as of and for the year ended June 30, 2015. It is intended to make the University's financial statements easier to understand and communicate financial position and changes in its financial position in an open and accountable manner. This discussion focuses on current activities and known facts and therefore should be read in conjunction with the financial statements and accompanying notes to the financial statements. University management is responsible for the completeness and fairness of this discussion and analysis, as well as the underlying systems of internal controls.

**Understanding the Financial Statements**

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

- **Statements of Net Position** report the University's assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2017 and 2016. The purpose is to present a financial snapshot of the University and assist readers in determining the assets available for operations, amounts owed to employees, vendors and other creditors and the net position available for future on-going concerns of the University.
- **Statements of Revenues, Expenses and Changes in Net Position** present total revenues earned and expenses incurred for operating, non-operating and other capital related purposes during the years ended June 30, 2017 and 2016. The purpose is to help readers assess the University's operating and non-operating activities.
- **Statements of Cash Flows** report the University's cash receipts and cash disbursements during the years ended June 30, 2017 and 2016. The purpose is to help readers assess the University's ability to generate cash flows sufficient to meet obligations as they become due.
- **Notes to the Financial Statements** present additional information to support the financial statements. The purpose is to clarify and further explain information in the financial statements.

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

**Required Supplementary Information (RSI)**

The RSI presents additional information that differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes the management's discussion and analysis as well as certain RSI required by Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, including the:

- Schedule of the University's Proportionate Share of the Net Pension Liability of the State Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association
- Schedule of University Contributions to the State Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association

The financial statements of the University include all of the integral parts of the University's operations. The University applied required criteria to determine whether any organization should be included in the University's reporting entity. Management of the University has considered the criteria described in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, paragraph 47, and management of the University has determined that the Foundation and the CMUREF meet the criteria to be included in the University's financial statements as discretely presented component units. The Foundation was incorporated on August 22, 1975 under the laws of the State of Colorado (the State). The purpose of the Foundation is to aid, directly or indirectly, the University in fulfilling its educational purposes. The Foundation is supported primarily through donor contributions. The CMUREF was incorporated in May 2006 under the laws of the State. The purpose of the CMUREF is to acquire, manage and dispose of properties in order to provide financial assistance to the University. A full copy of the Foundation's and CMUREF's financial statements may be obtained from the Colorado Mesa University Foundation and Colorado Mesa University Real Estate Foundation, 1100 North Avenue, Grand Junction, CO 81501.

### **Financial Highlights**

As of and for the year ended June 30, 2016, the University implemented GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 establishes new requirements on how fair value should be measured, which assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements (see Note 2).

As of and for the year ended June 30, 2015, the University implemented GASB Statement No. 68. GASB Statement No. 68 establishes accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses for pensions that are provided to the employees of state and local governmental employers through pension plans. Excluding the effects of GASB Statement No. 68, the University's net position continued to increase over the past three years, which is an indication of financial health.

The University's net position increased by \$16.6 million, to \$182.5 million in June 30, 2016 and again increased by \$5.5 million, to \$188.0 million in June 20, 2017.

The 2015 to 2016 increase is from net operating and non-operating revenues of \$5.1 million and other net revenues of \$11.5 million, which included state capital appropriations of \$10.7 million as well as capital donations of \$4.2 million, which were offset by \$3.4 million of transfers to other institutions. The 2016 to 2017 increase included a net operating loss of \$19.1 million, which was offset by net non-operating revenues of \$10.7 million and other net revenues of \$13.9 million. The largest components of non-operating revenues include federal Pell and other grants of \$16.0 million and investment and interest income of \$2.0 million, reduced by interest expense on capital debt of \$8.1 million. Other revenues included state capital appropriations of \$12.2 million as well as capital donations of \$7.9 million, which were offset by \$6.3 million of transfers to other institutions.

Throughout the University's growth – capital assets before depreciation increased from \$456.3 million at June 30, 2015 to \$532.6 million at June 30, 2017 – the University has maintained current ratios of 2.39 (2017), 2.13 (2016) and 2.28 (2015). 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.

Net tuition and fee, fee for service and auxiliary enterprises revenues, combined, increased by \$6.3 million from the year ended June 30, 2016 to the year ended June 30, 2017 and by \$10.2 million from the year ended June 30, 2015 to the year ended June 30, 2016. Undergraduate enrollments on a student FTE basis at the University increased from 7,692.7 in the year ended June 30, 2016 to 7,777.0 in the year ended June 30, 2017 (1.1%) after having increased from 7,369.6 in the year ended June 30, 2015 (4.4%). Graduate enrollment decreased from 120.5 in the year ended June 30, 2016 to 99.8 in the year ended June 30, 2017 (-17.2%), after having increased from 79.4 in the year ended June 30, 2015 (51.9%). Overall enrollments increased by 0.8% in the year ended June 30, 2017, after having increased by 4.9% in the year ended June 30, 2016, compared to the year ended June 30, 2015.

### Statements of Net Position

The condensed statements of net position show the University has grown over the year. Increases or decreases in net position are one indicator of the University's financial health when considered in conjunction with non-financial facts such as student enrollment and the condition of facilities. Analyses of the University's capital assets and the University's debt are discussed below, while this section provides analysis of the University's non-capital assets and non-debt liabilities.

<b>Condensed Statements of Net Position as of June 30, 2017, 2016 and 2015 (in thousands)</b>					
	2017	2016	2015	Increase (Decrease) 2017 vs. 2016	
				Amount	Percent
<b>Assets</b>					
Current assets	\$ 52,890	\$ 50,211	\$ 44,854	\$ 2,679	5.3%
Other non-capital assets	2,586	17,240	1,882	(14,654)	-85.0%
Net capital assets	417,952	391,920	367,490	26,031	6.6%
<b>Total Assets</b>	<b>473,428</b>	<b>459,371</b>	<b>414,226</b>	<b>14,057</b>	<b>3.1%</b>
<b>Total Deferred Outflows</b>	35,934	14,134	10,796	21,800	154.2%
<b>Liabilities</b>					
Non-debt liabilities	18,835	17,866	16,720	967	5.4%
Net pension liability	90,475	51,653	46,251	38,822	75.2%
Debt liabilities	211,861	220,605	195,718	(8,744)	-4.0%
<b>Total Liabilities</b>	<b>321,171</b>	<b>290,124</b>	<b>258,689</b>	<b>31,045</b>	<b>10.7%</b>
<b>Total Deferred Inflows</b>	184	881	418	(697)	-79.1%
<b>Net Position</b>					
Invested in capital assets	208,055	185,803	171,772	22,252	12.0%
Restricted for other purposes	6,601	20,829	4,811	(14,227)	-68.3%
Unrestricted deficit	(26,649)	(24,132)	(10,668)	(2,517)	10.4%
<b>Total Net Position</b>	<b>\$ 188,007</b>	<b>\$ 182,500</b>	<b>\$ 165,915</b>	<b>\$ 5,508</b>	<b>3.0%</b>

Unrestricted cash and investments of \$45.1 million (2017), \$41.0 million (2016) and \$36.6 million (2015) and restricted cash of \$2.0 million (2017), \$16.6 million (2016) and \$800 thousand (2015) make up 84.9%, 85.4% and 80.0% of the University's total non-capital assets as of June 30, 2017, 2016 and 2015, respectively. The decrease in other non-capital assets and restricted net position for other purposes is due to the decrease of unspent bond proceeds reported as restricted cash from 2016 to 2017. Restricted cash of \$2.0 million (2017) and \$16.6 million (2016) represents bond proceeds to be used for capital construction activity, as well as \$1.3 million (2016) for required debt service, which compares to \$800 thousand debt service reserve on deposit with the University's bond custodian for the Series 2011 bond (2015).

Excluding the University's net pension liability of \$90.5 million (2017) and \$51.7 million (2016), non-debt liabilities of \$18.8 million (2017), \$17.9 million (2016) and \$16.7 million (2015) make up 5.9%, 6.2% and 6.4% of total liabilities. Non-debt liabilities include accrued payroll liabilities of \$6.6 million (2017), \$6.4 million (2016) and \$5.9 million (2015), accounts payable and non-payroll accrued liabilities of \$7.4 million (2017), \$6.6 million (2016) and \$4.3 million (2015), unearned revenues of \$1.3 million (2017), \$1.7 million

(2016) and \$2.2 million (2015), compensated absences liabilities of \$2.2 million (2017), \$2.0 million (2016) and \$1.9 million (2015), and deposits of \$1.3 million (2017), \$1.2 million (2016) and \$1.1 million (2015).

The Governmental Accounting Standards Board issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which defines certain elements of the financial statements previously reported as assets or liabilities as deferred outflows or deferred inflows of resources. Assets and liabilities are resources and obligations with present service capacities and present obligations, while deferred outflows and inflows of resources are acquisitions and uses of net assets that relate to a future period. See Note 1 to the financial statements for more detail. Deferred outflows of resources represent unamortized book losses on certain bond refinancing transactions and certain defined benefit pension related amounts recognized in accordance with GASB Statement No. 68. See Notes 1 and 8 to the financial statements for detailed information on the composition of the University's deferred outflows and deferred inflows.

Defined pension benefit deferred outflows were \$28.4 million (2017), \$6.1 million (2016) and \$2.2 million (2015). The increase in defined pension benefit deferred outflow of \$22.3 million is primarily due to the Colorado Public Employee Retirement Association change in assumptions or other inputs. Defined pension benefit deferred pension benefit deferred inflow were \$184 thousand (2017), \$881 thousand (2016) and \$418 thousand (2015). See Note 8 for more information.

As described in Note 8, GASB Statement No. 68 requires the University to report its proportionate share of the unfunded pension liability of \$90.5 million (2017), \$51.7 million (2016) and \$46.3 million (2015), respectively, for its proportionate share of the net pension liability of the SDTF. The SDTF's net pension liability was measured as of December 31, 2016, 2015 and 2014 and the SDTF's total pension liability used to calculate the SDTF's net pension liability was determined by an actuarial valuation as of December 31, 2015, 2014 and 2013. Standard update procedures were used to roll forward the SDTF's total pension liability to December 31, 2016, 2015 and 2014. The University's proportion of the SDTF's net pension liability was based on the University's contributions to the SDTF for the calendar years 2016, 2015 and 2014 relative to the total contributions of participating employers to the SDTF.

At June 30, 2017, the University's total net position was \$188.0 million compared to \$182.5 million and \$165.9 million at June 30, 2016 and 2015, respectively. The University's net position is shown in three categories on the statement of net position:

- Net investment in capital assets, which consists of amounts issued to fund the acquisition and construction of those assets and is the largest net position category with balances of \$208.1 million (2017), \$185.8 million (2016) and \$171.8 million (2015). This category comprises 110.7%, 101.8% and 103.5% of total net position as of June 30, 2017, 2016 and 2015, respectively and represents investments in campus facilities and equipment, net of related debt and accumulated depreciation.
- Restricted net position includes restrictions of \$6.6 million (2017), \$20.8 million (2016) and \$4.8 million (2015) for capital projects, loans and other purposes. This category of net position represents amounts externally restricted for specific purposes and allows the University to fully expend those funds in accordance with the purposes identified by the entities providing the funds. The decrease of \$14.2 million from June 30, 2016 to June 30, 2017, the increase of \$15.2 million from June 30, 2015 to June 30, 2016 and the decrease of \$20.5 million from June 30, 2014 to June 30, 2015 is due to the increase and decrease in unspent bond funds. All of the University's restricted net position is expendable.
- Unrestricted net position was a deficit of \$26.6 million (2017), \$24.1 million (2016) and \$10.7 million (2015) and represents the amount available for spending for any lawful purpose, at management's discretion. In some instances, the Board has placed internal designations on the use of these funds.

- While the implementation of GASB Statement No. 68 resulted in a deficit in unrestricted net position, the University does not expect to need to fund its share of the unfunded pension liability leaving the University with an unrestricted net position excluding pension related amounts recognized under GASB Statement No. 68 of \$35.6 million (2017), \$23.1 million (2016) and \$33.8 million (2015), which is available for any lawful purposes under management's discretion.

### Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position reports the results of operations for the year. Activities are reported as operating, non-operating or other. Operating revenues and expenses generally result from providing goods and services for instruction, research, public service and related support services to an individual or entity separate from the University. Non-operating revenues and expenses are those other than operating and include, but are not limited to, non-operating grants and contracts, investment income and expenses and interest expense on capital debt. Other revenues, expenditures, gains and losses and transfers to other governing boards or institutions include state capital construction and controlled maintenance appropriations, transfers between funds and other organizations and agencies and gains or losses from the disposal of assets.

#### Condensed Statements of Revenues, Expenses and Changes in Net Position for the Years Ended June 30, 2017, 2016 and 2015 (in thousands)

	2017	2016	2015	Increase (Decrease) 2017 vs 2016	
				Amount	Percent
Operating revenues	\$ 118,494	\$ 112,148	\$ 101,424	\$ 6,346	5.7%
Operating expenses	137,579	116,164	108,391	21,413	18.4%
<b>Operating Loss</b>	<b>(19,085)</b>	<b>(4,016)</b>	<b>(6,967)</b>	<b>(15,067)</b>	<b>375.2%</b>
Net non-operating revenues	10,737	9,108	9,683	1,628	17.9%
<b>Income before Other Revenues or Expenses</b>	<b>(8,348)</b>	<b>5,092</b>	<b>2,716</b>	<b>(13,439)</b>	<b>263.9%</b>
Other revenues, expenses, gains, losses and transfers	13,855	11,493	12,097	2,362	20.6%
<b>Increase in Net Position</b>	<b>5,507</b>	<b>16,585</b>	<b>14,813</b>	<b>(11,077)</b>	<b>-66.8%</b>
Net position at beginning of year	182,500	165,915	194,367	16,585	10.0%
Cumulative effect of adoption of accounting standard	-	-	(43,265)	-	0%
<b>Net Position at End of Year</b>	<b>\$ 188,007</b>	<b>\$ 182,500</b>	<b>\$ 165,915</b>	<b>\$ 5,508</b>	<b>3.0%</b>

The University's operating revenues increased by \$6.3 million from \$112.1 million (2016) to \$118.5 million (2017) and net non-operating revenues increased by \$1.6 million from \$9.1 million (2016) to \$10.7 million (2017).

#### Operating and Net Non-operating Revenues (Expenses) for the Years Ended June 30, 2017, 2016 and 2015 (in thousands)

	2017	2016	2015	Increase (Decrease) 2017 vs 2016	
				Amount	Percent
<b>Operating Revenues</b>					
Tuition and fees (net)	\$ 67,109	\$ 60,490	\$ 55,116	\$ 6,619	10.9%
Fee for service revenue	9,994	10,200	8,321	(206)	-2.0%
Federal, state, private grants and contracts	8,619	9,101	8,593	(482)	-5.3%
Auxiliary enterprise revenue (net)	31,110	31,245	28,280	(135)	-0.4%
Other operating revenues	1,662	1,112	1,114	550	49.5%
<b>Total Operating Revenues</b>	<b>\$ 118,494</b>	<b>\$ 112,148</b>	<b>\$ 101,424</b>	<b>\$ 6,345</b>	<b>5.7%</b>

## Non-operating Revenues and Expenses

	2017	2016	2015	Increase (Decrease) 2017 vs 2016	
				Amount	Percent
Pell and other non-operating grants	\$ 16,014	\$ 16,339	\$ 16,806	\$ (325)	-2.0%
Contributions	642	486	56	156	32.0%
Investment and interest income	2,029	469	903	1,560	332.5%
Interest expense on capital debt	(8,147)	(8,078)	(7,631)	(69)	0.9%
Other net non-operating revenues	605	68	315	537	789.7%
Loss on disposal of assets	(406)	(176)	(766)	(230)	130.7%
<b>Net Non-operating Revenues</b>	<b>10,736</b>	<b>9,108</b>	<b>9,683</b>	<b>1,628</b>	<b>17.9%</b>
<b>Income Before Other Revenues or Expenses</b>	<b>\$ 129,229</b>	<b>\$ 121,256</b>	<b>\$ 111,107</b>	<b>\$ 7,973</b>	<b>6.6%</b>

For the years ended June 30, tuition and fee revenues are reported net of scholarship allowances of \$18.6 million (2017), \$21.2 million (2016) and \$20.4 million (2015), and auxiliary enterprise revenues are reported net of scholarship allowances of \$58 thousand (2017), \$113 thousand (2016) and \$125 thousand (2015). Scholarship allowances are defined as the financial aid awarded to students by the University to pay for University charges. The increase in tuition and fees is due to an average rate increase of 4.32%. The increase in auxiliary revenues is due to the opening of Wingate Residence Hall in Fiscal Year 2017 and the operation of the Garfield II Residence Hall in the Fiscal Year 2016, plus the additional food service sales associated with the additional beds.

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. For the years ended June 30, the value of the stipend was \$75 per credit hour (2017, 2016 and 2015) and the University received total COF funding of \$14.3 million (2017 and 2016) and \$13.7 million (2015).

For the years ended June 30, Federal Pell grant revenues were \$13.9 million (2017), \$14.1 million (2016) and \$14.4 million (2015). For the years ended June 30, other non-operating grants were \$2.1 million (2017), \$2.3 million (2016) and \$2.4 million (2015) and were primarily comprised of Build America Bond interest subsidies of \$1.2 million (2017, 2016 and 2015). For the years ended June 30, the University also received \$725 thousand (2017), \$745 thousand (2016) and \$850 thousand (2015) in local government funding to help fund the construction and debt service of constructing an Academic Classroom Building on campus. The City of Grand Junction and Mesa County committed support in a combined amount of \$700 thousand per year for 10 years beginning in Fiscal Year 2013 for an Academic Classroom Building.

For the years ended June 30, investment and interest income was \$2.0 million (2017), \$469 thousand (2016) and \$903 thousand (2015). The increase from 2016 to 2017 is due primarily to unrealized investment gains of \$1.1 million, realized investment gains and interest income of \$416 thousand, offset in part by unrealized losses on treasury pooled cash of \$242 thousand. The decrease from 2015 to 2016 is due primarily to unrealized investment losses of \$646 thousand, offset in part by unrealized gains on treasury pooled cash of \$251 thousand. See Note 2 to the financial statements for detailed investment information.

Operating expenses totaled \$137.6 million (2017), \$116.2 million (2016) and \$108.4 million (2015). The breakdown of expenses by reporting category is as follows.



**Operating Expenses for Fiscal Years 2017, 2016 and 2015** (in thousands)

	2017	2016	2015	Increase (Decrease)	
				2017 vs 2016	
				Amount	Percent
Instruction	\$ 41,754	\$ 35,053	\$ 32,650	\$ 6,701	19.1%
Research	344	418	393	(74)	-17.7%
Public service	56	62	63	(6)	-9.7%
Academic support	9,564	7,570	7,228	1,994	26.3%
Student services	12,858	10,795	10,068	2,063	19.1%
Institutional support	8,082	6,436	6,032	1,646	25.6%
Operation and maintenance of plant	12,637	12,792	12,640	(155)	-1.2%
Net scholarships and fellowships	12,359	7,745	6,456	4,614	59.6%
Auxiliary enterprises	25,836	22,526	21,760	3,310	14.7%
Depreciation	14,087	12,767	11,101	1,320	10.3%
<b>Total Operating Expenses</b>	<b>\$ 137,577</b>	<b>\$ 116,164</b>	<b>\$ 108,391</b>	<b>\$ 21,413</b>	<b>18.4%</b>

Over the past Fiscal Year, total enrollment increased from 7,448.9 FTE in Fiscal Year 2015 to 7,813.2 in Fiscal Year 2016 (4.9%) to 7,876.7 FTE in Fiscal Year 2017 (0.8%).

During the same period, combined tuition and fees and auxiliary enterprise revenues (net of scholarship allowance) increased from \$83.4 million in Fiscal Year 2015 to \$91.7 million in Fiscal Year 2016 (9.9%) to \$98.2 million in Fiscal Year 2017 (7.1%), while expenses for instruction, academic support, student services, institutional support and auxiliary enterprises have increased from \$77.7 million in Fiscal Year 2015 to \$82.4 million in Fiscal Year 2016 (6.0%) to \$98.1 million in Fiscal Year 2017 (19.1%). The increases in these functional expense categories over the past two years reflect the costs of providing more programs and services to more students. In addition, the increases were driven by the net pension expense increasing from \$2.0 million (2016) to \$15.8 million (2017).

Scholarship expenses are reported net of total scholarship allowances of \$18.6 million (2017), \$21.2 million (2016) and \$20.5 million (2015); gross scholarship expense was \$31.0 million (2017), \$29.0 million (2016) and \$27.0 million (2015). Note 11 to the financial statements reports non-work-study scholarships from institutional sources totaled \$12.6 million (2017), \$10.3 million (2016) and \$7.2 million (2015) and overall non-loan student assistance from institutional sources was \$15.8 million (2017), \$13.3 million (2016) and \$10.1 million (2015). See Note 11 to the financial statements for detailed non-loan student financial assistance information.

**Capital Assets**

At June 30, 2017, the University had \$532.6 million invested in capital assets before total accumulated depreciation of \$114.7 million. The projects completed during Fiscal Year 2017 and projects in progress at June 30, 2017 are reported below. Fiscal Year 2017 property acquisitions include \$6.7 million in land and building contributions from the University's foundations.

**Capital Asset Categories (before depreciation) as of June 30, 2017, 2016 and 2015** (in thousands)

Description	2017	2016	2015	Increase (Decrease)	
				2017 vs 2016	
				Amount	Percent
Land and improvements	\$ 40,723	\$ 36,051	\$ 32,320	\$ 4,672	13.0%
Construction in progress	30,654	31,699	32,509	(1,045)	-3.3%
Land/leasehold improvements	36,395	35,886	33,420	509	1.4%
Buildings	393,769	360,142	329,840	33,627	9.3%
Equipment	17,694	16,722	15,957	972	5.8%
Library materials	13,389	12,751	12,217	638	5.0%
<b>Total Gross Capital Assets</b>	<b>\$ 532,624</b>	<b>\$ 493,251</b>	<b>\$ 456,263</b>	<b>\$ 39,373</b>	<b>8.0%</b>

Significant capital additions (over \$1 million) completed in Fiscal Year 2017 and the resources funding the acquisitions includes the following:

<b>Project Description (in thousands)</b>	<b>Amount</b>
Maverick Center, University-funded	\$ 16,062
Wingate Residence Hall, University-funded	12,592
Seventh Day Adventist building acquisition, University-funded	4,144
<b>Total</b>	<b>\$ 32,798</b>

Significant capital additions (over \$1 million) completed in Fiscal Year 2016 and the resources funding the acquisitions includes the following:

<b>Project Description (in thousands)</b>	<b>Amount</b>
Tomlinson Library Expansion and Renovation, University/State-funded	\$ 23,940
Pinon Living Learning Center Renovation, University-funded	4,757
Sanders and Garfield Geothermal Loops, University-funded	1,549
<b>Total</b>	<b>\$ 30,246</b>

The following significant projects (over \$1 million) were in progress at June 30, 2017:

<b>Project Description (in thousands)</b>	<b>Amount</b>
Health Sciences Phase I – Nurse Practitioner Center, University/State-funded	\$ 15,105
Engineering Building – McConnel MSC, University-funded	13,263
<b>Total</b>	<b>\$ 28,368</b>

The following significant projects (over \$1 million) were in progress at June 30, 2016:

<b>Project Description (in thousands)</b>	<b>Amount</b>
Maverick Center Training Expansion, University-funded	\$ 14,297
Wingate Student Housing, University-funded	12,116
Health Sciences Phase I – Nurse Practitioner Center, University/State-funded	4,998
<b>Total</b>	<b>\$ 31,411</b>

In addition to the operating and non-operating revenues discussed above, the University received capital revenues in the amounts shown below. Capital donations in Fiscal Years 2017, 2016 and 2015 are primarily cash and in-kind contributions from the University's foundations.

	<b>Capital Revenues for Fiscal Years 2017, 2016 and 2015 (in thousands)</b>			<b>Increase (Decrease)</b>	
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2017 vs 2016</b>	
				<b>Amount</b>	<b>Percent</b>
<b>Capital Revenues</b>					
State appropriation, capital	\$ 12,230	\$ 10,705	\$ 10,838	\$ 1,525	14.2%
Capital contributions from the State	-	-	-	-	-
Capital donations	7,878	4,235	2,870	3,643	86.0%
<b>Total Capital Revenues</b>	<b>\$ 20,108</b>	<b>\$ 14,940</b>	<b>\$ 13,708</b>	<b>\$ 5,168</b>	<b>34.6%</b>

## Debt

The University had debt of \$211.9 million (2017), \$220.6 million (2016) and \$195.7 million (2015), as follows. See Note 6 to the financial statements for detailed descriptions of the University's debt. In December 2015, the University negotiated a more favorable interest rate on the Auxiliary Facilities System Enterprise Revenue Bond Series 2011A. In February 2016, the University issued Enterprise Revenue Bonds Series 2016 to construct and equip a new residence hall on the University campus, expand, renovate and equip the Maverick Center located on the University campus and construct a portion of a new Engineering

facility. In May 2017, the University also issued Enterprise Revenue Bonds Series 2017A to construct and equip a new Engineering Building and the John McConnell Math and Science Center.

<b>Capital Debt Categories as of June 30, 2017, 2016 and 2015 (in thousands)</b>					
	2017	2016	2015	Increase (Decrease)	
				2017 vs 2016	
				Amount	Percent
Bonds payable	\$ 207,081	\$ 212,170	\$ 189,532	\$ (5,089)	-2.4%
Capital leases	3,909	4,130	4,413	(221)	-5.4%
Notes payable	870	4,305	1,773	(3,435)	-79.8%
<b>Total Capital Debt</b>	<b>\$ 211,860</b>	<b>\$ 220,605</b>	<b>\$ 195,718</b>	<b>\$ (8,746)</b>	<b>-4.0%</b>

### **Economic Outlook**

The Fiscal Year 2017 appropriation from fee-for-service and COF stipends of \$24.3 million decreased from \$24.5 million in Fiscal Year 2016. Appropriated state support for Fiscal Year 2018 is \$26.0 million and compares to \$24.3 million of state support actually received in Fiscal Year 2017, which is an increase of \$1.7 million over the Fiscal Year 2017 appropriation.

In 2014, the General Assembly passed HB 14-1319, Higher Education Funding, which requires the Colorado Commission on Higher Education (CCHE), the statewide coordinating board for the higher education system, to utilize a funding formula to allocate State general fund dollars to the State's public institutions of higher education within specified parameters. However, stability of state funding in the long-term is uncertain and the University continues to plan for the probability of a state funding reduction through a combination of enrollment growth, expense reductions and conservative budgeting. Notwithstanding potential decreases in state funding, the University is positioned to continue to provide quality instructional programs to all students.

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

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

- An adaptable approach to learning that allows students to choose from a variety of pathways to achieve certificates as well as associate's, bachelor's and graduate degrees.
- A highly qualified faculty that excels in teaching and interacting with students.
- A curriculum bridging liberal education and professional programs that successfully prepares students for the 21<sup>st</sup> 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. Recently, a CMU20000 initiative was launched by the Grand Junction Area Chamber of Commerce to spearhead efforts to bring the University and our community closer together. CMU20000's goal is to bring enrollment up to 15,000 students and have 5,000 community supporters.

- A wide array of academic programs that are improved on an ongoing, 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 University Controller at Colorado Mesa University, 1100 North Avenue, Grand Junction, CO 81501.

**COLORADO MESA UNIVERSITY**  
**Statements of Net Position**  
As of June 30, 2017 and 2016 (in thousands)

	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 31,906	\$ 31,313
Investments	13,202	9,682
Student accounts receivable, net	5,008	5,042
Other accounts receivable, net	971	2,432
Student loans, net	238	383
Inventories	1,266	971
Prepaid expenses	300	388
<i>Total Current Assets</i>	<b>52,890</b>	50,211
<b>Non-current Assets</b>		
Non-capital non-current Assets		
Restricted cash and cash equivalents	1,964	16,581
Student loans, net	571	569
Other non-current assets	51	90
<i>Total Non-capital Non-current Assets</i>	<b>2,586</b>	17,240
Non-depreciable Capital Assets, Net		
Land and improvements	40,723	36,051
Construction in progress	30,654	31,699
<i>Total Non-depreciable Capital Assets</i>	<b>71,377</b>	67,750
Depreciable Capital Assets, Net		
Land and leasehold improvements	23,587	24,957
Buildings	311,986	288,465
Equipment	7,137	7,242
Library materials	3,864	3,506
<i>Total Depreciable Capital Assets, Net</i>	<b>346,574</b>	324,170
<i>Total Non-current Assets</i>	<b>420,538</b>	409,160
<b>Total Assets</b>	<b>\$ 473,428</b>	<b>\$ 459,371</b>
<b>Deferred Outflows</b>		
Loss on bond refundings, net	\$ 7,538	\$ 8,074
Changes of assumptions or other inputs	23,018	
Contributions to cost-sharing multiple employer defined benefit pension plan subsequent to the measurement date	1,480	1,414
Net difference between projected and actual earnings on cost-sharing multiple-employer defined benefit pension plan investments	2,999	3,894
Difference between expected and actual experience in the measurement of the total pension liability from cost-sharing multiple-employer defined benefit pension plan	899	752
<i>Total Deferred Outflows</i>	<b>\$ 35,934</b>	<b>\$ 14,134</b>

See accompanying notes.

**COLORADO MESA UNIVERSITY**  
**Statements of Net Position**  
As of June 30, 2017 and 2016 (in thousands)

	2017	2016
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 4,767	\$ 4,079
Accrued liabilities	9,246	8,885
Unearned revenues	1,339	1,652
Deposits held for others	815	669
Student deposits	498	521
Bonds payable, current portion	6,430	5,660
Capital leases payable - current portion	354	300
Notes payable, current portion	623	1,565
Compensated absence liability, current portion	263	248
	<i>Total Current Liabilities</i>	23,579
<b>Non-current Liabilities</b>		
Bonds payable	200,651	206,510
Capital leases payable	3,555	3,830
Notes payable	247	2,740
Compensated absence liability	1,908	1,812
Net pension liability	90,475	51,653
	<i>Total Non-current Liabilities</i>	266,545
	<i>Total Liabilities</i>	\$ 290,124
 <b>Deferred Inflows</b>		
Change in the University's proportion and differences between the University's contributions and the University's proportionate share of contributions to a cost-sharing multiple-employer defined benefit pension plan.	\$ 278	\$ 268
Difference between expected and actual experience in the measurement of the total pension liability	2	2
Change in assumptions of other inputs related to a cost-sharing multiple-employer defined benefit pension plan	(96)	611
	<i>Total Deferred Inflows</i>	\$ 881
 <b>Net Position</b>		
Net investment in capital assets	\$ 208,055	\$ 185,803
Restricted for:		
Loans	904	1,350
Capital projects	1,964	14,488
Other purposes	3,733	4,991
Unrestricted deficit	(26,649)	(24,132)
	<i>Total Net Position</i>	\$ 182,500

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

ASSETS	
Cash and Cash Equivalents	\$2,539,189
Investments	27,997,959
Unconditional Promises to Give	1,186,271
Accounts Receivable	1,835
Property Subject to Life Estate	508,000
TOTAL ASSETS	<u>\$32,233,254</u>
LIABILITIES & NET ASSETS	
LIABILITIES	
Accounts Payable	<u>\$64,477</u>
NET ASSETS	
Unrestricted Net Assets	
Designated by the Board for Endowment Purposes	103,145
Undesignated	<u>211,065</u>
Total Unrestricted Net Assets	314,210
Temporarily Restricted Net Assets	9,801,847
Permanently Restricted Net Assets	<u>22,052,720</u>
TOTAL NET ASSETS	<u>32,168,777</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$32,233,254</u>

See accompanying notes.

# COLORADO MESA UNIVERSITY FOUNDATION

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

ASSETS	
Cash and Cash Equivalents	\$ 1,661,009
Investments	25,179,260
Unconditional Promises to Give	1,302,160
Accounts Receivable	1,336
Property Subject to Life Estate	508,000
TOTAL ASSETS	<u>\$ 28,651,765</u>
LIABILITIES & NET ASSETS	
LIABILITIES	
Note Payable - Line of Credit - Bank	\$ 600,000
Accounts Payable	116,434
TOTAL LIABILITIES	<u>716,434</u>
NET ASSETS	
Unrestricted Net Assets	
Designated by the Board for Endowment Purposes	71,144
Undesignated	(396,778)
Total Unrestricted Net Assets	<u>(325,634)</u>
Temporarily Restricted Net Assets	7,299,002
Permanently Restricted Net Assets	20,961,963
TOTAL NET ASSETS	<u>27,935,331</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 28,651,765</u>

See accompanying notes.



# COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 & 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$232,221	\$162,610
Accounts Receivable (Net of Allowance of \$50,664 for 2017, & \$30,177 for 2016)	47,131	37,374
<b>TOTAL CURRENT ASSETS</b>	<b>279,352</b>	<b>199,984</b>
<b>LONG-TERM ASSETS</b>		
Land Held for Investment	880,393	880,393
<b>TOTAL LONG-TERM ASSETS</b>	<b>880,393</b>	<b>880,393</b>
<b>TOTAL ASSETS</b>	<b>\$1,159,745</b>	<b>\$1,080,377</b>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$2,660	\$8,253
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,660</b>	<b>8,253</b>
<b>NON-CURRENT LIABILITIES</b>		
Tenant Deposits	21,860	21,556
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>21,860</b>	<b>21,556</b>
<b>TOTAL LIABILITIES</b>	<b>24,520</b>	<b>29,809</b>
<b>NET ASSETS</b>		
Unrestricted Net Assets	1,135,225	1,050,568
<b>TOTAL NET ASSETS</b>	<b>1,135,225</b>	<b>1,050,568</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$1,159,745</b>	<b>\$1,080,377</b>

See accompanying notes.

**COLORADO MESA UNIVERSITY**  
**Statements of Revenues, Expenses and Changes in Net Position**  
For the Years Ended June 30, 2017 and 2016 *(in thousands)*

	2017	2016
<b>Operating Revenues</b>		
Tuition and fees (including \$13,319 (2017) and \$12,921 (2016) pledged for bonds, net of scholarship allowances of \$18,561 (2017) and \$21,191 (2016))	\$ 67,109	\$ 60,490
Fee for service revenue	9,994	10,200
Federal, state, private grants and contracts	8,619	9,101
Auxiliary enterprise revenue (including \$30,044 (2017) and \$30,555 (2016) pledged for bonds, net of scholarship allowances of \$58 (2017) and \$113 (2016))	31,110	31,245
Contributions	875	447
Other operating revenues (including \$123 (2017) and \$133 (2016) pledged for bonds)	787	665
<i>Total Operating Revenues</i>	118,494	112,148
<b>Operating Expenses</b>		
Instruction	41,754	35,053
Research	344	418
Public service	56	62
Academic support	9,564	7,570
Student services	12,858	10,795
Institutional support	8,084	6,436
Operation and maintenance of plant	12,637	12,792
Net scholarships and fellowships	12,359	7,745
Auxiliary enterprises	25,836	22,526
Depreciation	14,087	12,767
<i>Total Operating Expenses</i>	137,579	116,164
<i>Operating Loss</i>	(19,085)	(4,016)
<b>Non-operating Revenues and Expenses</b>		
Federal Pell and other non-operating grants	16,014	16,339
Contributions	642	486
Investment and interest income, net (including \$481 (2017) and \$512 (2016) pledged for bonds)	2,029	469
Interest expense on capital debt	(8,147)	(8,078)
Other net non-operating revenues (expenses)	606	68
Loss on disposal of assets	(406)	(176)
<i>Net Non-operating Revenues</i>	10,737	9,108
<i>Income before Other Revenues or Expenses</i>	(8,348)	5,092
<b>Other Revenues, Expenses, Gains, Losses, and Transfers</b>		
State appropriations, capital	12,230	10,705
Capital donations (including \$786 (2017) and \$757 (2016) pledged for bonds)	7,878	4,235
Transfers to governing boards or other institutions	(6,253)	(3,447)
<i>Total Other Revenues, Expenses, Gains, Losses, and Transfers</i>	13,855	11,493
<i>Increase in Net Position</i>	5,508	16,585
<b>Net Position - Beginning of Year</b>	182,500	165,915
<b>Net Position - End of Year</b>	\$ 188,008	\$ 182,500

See accompanying notes.

## COLORADO MESA UNIVERSITY FOUNDATION

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions	\$614,426	\$2,843,754	\$1,029,380	\$4,487,560
Support from Colorado Mesa University	324,389	35,329	0	359,718
Special Events	0	514,153	0	514,153
Less: Costs of Direct Benefits to Donors	0	(380,104)	0	(380,104)
Investment Income (net of fees)	2,483	510,287	0	512,770
Realized Gain/Loss on Investments	0	2,229,916	0	2,229,916
Unrealized Gain/Loss on Investments	0	10,800	0	10,800
Colorado Mesa University Department & Club Collections	0	1,743,754	0	1,743,754
Other	132	15	1,822	1,969
Net Assets Released from Restrictions	4,945,504	(4,945,504)		0
Donor Imposed Classification Change	0	(59,555)	59,555	0
TOTAL REVENUE AND SUPPORT	<u>5,886,934</u>	<u>2,502,845</u>	<u>1,090,757</u>	<u>9,480,536</u>
EXPENSES				
Program Services				
Scholarships	1,523,956	-	-	1,523,956
Colorado Mesa University Building Projects & Expansion	1,574,756	-	-	1,574,756
Colorado Mesa University Department & Club Transfers	1,539,259	-	-	1,539,259
Other Support of Colorado Mesa University	299,825	-	-	299,825
Supporting Services				
Management & General	59,507	-	-	59,507
Fund-raising	249,787	-	-	249,787
TOTAL EXPENSES	<u>5,247,090</u>	<u>0</u>	<u>0</u>	<u>5,247,090</u>
CHANGE IN NET ASSETS	639,844	2,502,845	1,090,757	4,233,446
NET ASSETS (DEFICIT) - BEGINNING	<u>(325,634)</u>	<u>7,299,002</u>	<u>20,961,963</u>	<u>27,935,331</u>
NET ASSETS (DEFICIT) - ENDING	<u>\$314,210</u>	<u>\$9,801,847</u>	<u>\$22,052,720</u>	<u>\$32,168,777</u>

See accompanying notes.

## COLORADO MESA UNIVERSITY FOUNDATION

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 28,690	\$ 1,780,330	\$ 800,390	\$ 2,609,410
Support from Colorado Mesa University	324,811	-	-	324,811
Special Events	-	524,798	-	524,798
Less: Costs of Direct Benefits to Donors	-	(347,965)	-	(347,965)
Investment Income (net of fees)	2,028	492,421	-	494,449
Realized Gain/Loss on Investments	217	16,106	-	16,323
Unrealized Gain/Loss on Investments	-	(607,315)	-	(607,315)
Colorado Mesa University Department & Club Collections	-	1,256,380	-	1,256,380
Other	-	2,200	-	2,200
Net Assets Released from Restrictions	3,702,753	(3,702,753)	-	-
Donor Imposed Classification Change	0	(28,098)	28,098	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>4,058,499</u>	<u>(613,896)</u>	<u>828,488</u>	<u>4,273,091</u>
<b>EXPENSES</b>				
Program Services				
Scholarships	1,186,643	-	-	1,186,643
Colorado Mesa University Building Projects & Expansion	861,162	-	-	861,162
Colorado Mesa University Department & Club Transfers	1,089,158	-	-	1,089,158
Supporting Services				
Management & General	40,427	-	-	40,427
Fund-raising	244,344	-	-	244,344
<b>TOTAL EXPENSES</b>	<u>3,421,734</u>	<u>-</u>	<u>-</u>	<u>3,421,734</u>
<b>CHANGE IN NET ASSETS</b>	636,765	(613,896)	828,488	851,357
<b>NET ASSETS (DEFICIT) - BEGINNING</b>	<u>(962,399)</u>	<u>7,912,898</u>	<u>20,133,475</u>	<u>27,083,974</u>
<b>NET ASSETS (DEFICIT) - ENDING</b>	<u>\$ (325,634)</u>	<u>\$ 7,299,002</u>	<u>\$20,961,963</u>	<u>\$27,935,331</u>

See accompanying notes.

# COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2017 & 2016

### UNRESTRICTED NET ASSETS

	<u>2017</u>	<u>2016</u>
REVENUE AND SUPPORT		
Real Estate Management Fee	\$158,228	\$150,677
Net Assets Released From Restrictions	100	521,454
TOTAL REVENUE AND SUPPORT	<u>158,328</u>	<u>672,131</u>
EXPENSES		
Program Expenses		
Support Colorado Mesa University		
Real Estate Management Expenses	67,813	124,888
Colorado Mesa University - Transfer of Property	0	1,154,730
Supporting Services		
Management & General	5,858	5,770
TOTAL EXPENSES	<u>73,671</u>	<u>1,285,388</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>84,657</u>	<u>(613,257)</u>

### TEMPORARILY RESTRICTED NET ASSETS

REVENUE AND SUPPORT		
Support from Colorado Mesa University	6,210,556	3,968,192
Support from Colorado Mesa University Foundation	500,000	0
Net Assets Released From Restrictions	(100)	(521,454)
TOTAL REVENUE AND SUPPORT	<u>6,710,456</u>	<u>3,446,738</u>
EXPENSES		
Program Expenses		
Support Colorado Mesa University		
Purchase of Real Estate	6,710,456	3,446,738
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>0</u>	<u>0</u>
INCREASE (DECREASE) IN NET ASSETS	84,657	(613,257)
NET ASSETS - BEGINNING	<u>1,050,568</u>	<u>1,663,825</u>
NET ASSETS - ENDING	<u><u>\$1,135,225</u></u>	<u><u>\$1,050,568</u></u>

See accompanying notes.

**COLORADO MESA UNIVERSITY**

**Statements of Cash Flows**

For the Years Ended June 30, 2017 and 2016 *(in thousands)*

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 86,738	\$ 81,790
Sales of services	29,104	27,320
Sales of product	12,027	12,431
Grants, contracts and gifts	9,670	9,212
Student loans collected	146	165
Other operating receipts	787	665
Payments to or for employees	(61,279)	(58,074)
Payments to suppliers	(34,825)	(33,678)
Scholarships disbursed	(30,978)	(29,049)
Student loans disbursed	-	(3)
<i>Net Cash Provided by Operating Activities</i>	<u>11,390</u>	<u>10,779</u>
<b>Cash Flows from Non-capital Financing Activities</b>		
Gifts and grants for other than capital purposes	16,645	16,784
Other agency inflows	79,807	80,325
Other agency outflows	(79,399)	(80,132)
Transfers to other campuses, board, or institution	(6,253)	(3,447)
<i>Net Cash Provided by Non-capital Financing Activities</i>	<u>10,800</u>	<u>13,530</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
State appropriations, capital	12,230	11,348
Capital grants, contracts and gifts	936	787
Acquisition and construction of capital assets	(26,823)	(29,967)
Proceeds from capital debt	745	28,148
Bond issuance costs paid	(30)	(138)
Principal paid on capital debt	(12,320)	(6,484)
Interest on capital debt	(9,437)	(8,327)
<i>Net Cash Used by Capital and Related Financing Activities</i>	<u>(34,701)</u>	<u>(4,633)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(2,242)	-
Investment earnings (interest/dividends)	729	830
<i>Net Cash Provided (Used) by Investing Activities</i>	<u>(1,513)</u>	<u>830</u>
<i>Net Increase (Decrease) in Cash &amp; Cash Equivalents</i>	<u>(14,024)</u>	<u>20,506</u>
<b>Cash &amp; Cash Equivalents - Beginning of the Year</b>	<u>47,894</u>	<u>27,388</u>
<b>Cash &amp; Cash Equivalents - End of the Year</b>	<u>\$ 33,870</u>	<u>\$ 47,894</u>

See accompanying notes.

**COLORADO MESA UNIVERSITY**  
**Statements of Cash Flows (continued)**  
June 30, 2017 and 2016 *(in thousands)*

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>		
Operating Loss	\$ (19,085)	\$ (4,016)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	14,087	12,767
Provision for uncollectible accounts	1,160	1,171
Increase in assets - operating portions	(22,199)	(2,389)
Increase in liabilities - operating portions	37,427	3,246
<i>Net Cash Provided by Operating Activities</i>	<b>\$ 11,390</b>	<b>\$ 10,779</b>
<b>Supplemental Disclosure of Noncash Investing and Financing Activities</b>		
Additions to construction in progress included in accounts payable and accrued liabilities	\$ 2,881	\$ 6,212
Land donated from foundations	6,710	3,448
State capital contributions	-	153
Amortization of bond issuance costs	30	3
Property acquired with note payable	2,900	3,226

See accompanying notes.

## COLORADO MESA UNIVERSITY FOUNDATION

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$4,233,446
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by:	
Operating Activities:	
Donation of Equipment Included in Contributions	(126,648)
Realized & Unrealized (Gains)/Losses on Investments	(2,240,716)
(Increase) Decrease in Operating Assets:	
Unconditional Promises to Give	115,889
Accounts Receivable	(499)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	(51,957)
Contributions Restricted for Long-Term Purposes:	
Scholarships	<u>1,029,380</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,958,895</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Equipment Contributed to Colorado Mesa University	126,648
Proceeds from Sales of Long-Term Investments	22,830,432
Purchases of Long-Term Investments	<u>(23,408,415)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(451,335)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of Contributions Restricted for Long-Term Purposes:	
Scholarships	(1,029,380)
Debt Reduction - Line of Credit	<u>(600,000)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(1,629,380)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	878,180
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,661,009</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$2,539,189</u></u>
SUPPLEMENTAL DISCLOSURES	
Interest Paid	\$7,798
Noncash Investing and Financing Activities	
Contribution of Equipment	\$126,648

See accompanying notes.



## COLORADO MESA UNIVERSITY FOUNDATION

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$ 851,357
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by:	
Operating Activities:	
Donation of Equipment Included in Contributions	(79,014)
Realized & Unrealized (Gains)/Losses on Investments	590,992
(Increase) Decrease in Operating Assets:	
Unconditional Promises to Give	255,312
Accounts Receivable	(1,336)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	(10,220)
Contributions Restricted for Long-Term Purposes:	
Scholarships	800,390
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,407,481</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Equipment Contributed to Colorado Mesa University	79,014
Proceeds from Sales of Long-Term Investments	4,572,039
Purchases of Long-Term Investments	(6,475,079)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,824,026)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of Contributions Restricted for Long-Term Purposes:	
Scholarships	(800,390)
New Borrowings - Line of Credit	-
Debt Reduction - Line of Credit	(600,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(1,400,390)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(816,935)
BEGINNING CASH AND CASH EQUIVALENTS	<u>2,477,944</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 1,661,009</u></u>
SUPPLEMENTAL DISCLOSURES	
Interest Paid	\$ 29,024
Noncash Investing and Financing Activities	
Contribution of Equipment	\$ 79,014

See accompanying notes.

# COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 & 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$84,657	(\$613,257)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by		
Operating Activities:		
Colorado Mesa University - Transfer of Property	0	657,230
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(9,757)	(5,076)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	(5,593)	(19,380)
Accrued Interest Payable	0	(22,672)
Tenant Deposits	304	3,200
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>69,611</u>	<u>45</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	69,611	45
BEGINNING CASH	<u>162,610</u>	<u>162,565</u>
ENDING CASH	<u><u>\$232,221</u></u>	<u><u>\$162,610</u></u>
SUPPLEMENTAL DISCLOSURES		
Noncash Investing and Financing Transaction:		
Property and Equipment Transferred to Colorado Mesa University	\$2,875,000	\$1,154,730
Note Payable Assumed by Colorado Mesa University	<u>(2,875,000)</u>	<u>(497,500)</u>
Transfer of Property	<u>0</u>	<u>\$657,230</u>

See accompanying notes.

**COLORADO MESA UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As of and for the Years Ended June 30, 2017 and 2016

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Governance**

Colorado Revised Statutes (C.R.S.) Section 23-53-102 established the Board of Trustees (the Board) for Colorado Mesa University (the University) to serve as the University's governing board. Eleven of the thirteen trustees are appointed by the Governor with the consent of the Senate. The remaining two members include a student representative elected by the student body and a faculty member elected by other members of the faculty. Both of these members are non-voting members. The Board has full authority and responsibility for control and governance of the University, including such areas as finance, resource management, academic programs, admissions, role and mission, personnel policies, etc. To assist them in meeting their responsibilities, the Board delegates authority to interpret and administer its policies in all areas of operation to the President of the University.

**Reporting Entity**

The accompanying financial statements reflect the financial activities of the University for the Fiscal Years ended June 30, 2017 and 2016. The University is a State of Colorado (the State) institution of higher education. For financial reporting purposes, the University is included as part of the State's primary government. A copy of the State's Comprehensive Annual Financial Report may be obtained from the Office of the State Controller, Department of Personnel and Administration, Denver, Colorado.

The financial statements of the University include all of the integral parts of the University's operations. The University applied required criteria to determine whether any organization should be included in the University's reporting entity. Management of the University has considered the criteria described in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, paragraph 47, and management of the University has determined that the Colorado Mesa University Foundation (the Foundation) and the Colorado Mesa University Real Estate Foundation (CMUREF) meet the criteria to be included in the University's financial statements as discretely presented component units.

Applying GASB Statement No. 61 criteria, the University has identified the Foundation and CMUREF as component units (see Note 10). Since the component units use a different reporting model (Financial Accounting Standards Board (FASB) Non-Profit), the required financial data is discretely presented on separate pages as allowed by GASB Statement No. 61. The Foundation is a separate non-profit corporation under Internal Revenue Code Section 501(c)(3) formed to provide financial assistance to the University students and to otherwise assist the University in serving educational needs. The Foundation engages in activities that may be beyond the scope of the Board and its financial records are maintained separately from the University. 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. CMUREF engages in activities that may be beyond the scope of the Board and its financial records are maintained separately from the University.

**Basis of Accounting**

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of

accounting, revenues are recognized when earned and expenses are recorded when an obligation is incurred. All significant intra-agency transactions have been eliminated.

In accordance with GASB Statement No. 61 and GASB Statement No. 39, the discrete presentation of the Foundation's and CMUREF's financial statements appear on separate pages from the University. The Foundation and CMUREF warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the University. Please refer to Note 10 for additional discussion.

The financial statements of the Foundation and CMUREF are prepared on the accrual basis and follow FASB Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

The Foundation and CMUREF use different generally accepted accounting principles (GAAP) reporting models and, following the GASB Statement No. 39 recommendation, their financial information is not presented on the same page as the University but is reported on separate pages after the University's financial statements. The separate financials include the statements of financial position, the statements of activities and the statements of cash flows.

### **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 Colorado 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**

As of and for the year ended June 30, 2016, the University implemented GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 establishes new requirements on how fair value should be measured, which assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements (see Note 2).

Investments are stated at fair value, which, except for bonds, is determined based on quoted market prices. Unrealized gains and losses on the carrying value of investments are reported as a component of investment income in the Statements of Revenues, Expenses and Changes in Net Position. The University had investments of \$13.2 million and \$9.7 million, including an unrealized gain of \$1.1 million and \$736 thousand, at June 30, 2017 and 2016, respectively.

### **Inventories**

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

### **Capital Assets**

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

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

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

### **Deferred Outflows of Resources and Deferred Inflows of Resources**

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, defines the five elements that make up a statement of financial position to include:

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

See Note 8 for detail of the composition of the University's deferred outflows and deferred inflows.

### **Unearned Revenues**

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

### **Capital Lease Liabilities**

In November 2016, the University entered into a lease-purchase contract for the acquisition and installation of meters and sub-meters in several buildings on campus to better monitor electric and gas usage.

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

In May 2008, the University entered into a capital lease-purchase contract for the acquisition of equipment that will result in guaranteed energy cost savings. 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.

### **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 from activities associated with providing goods and services for instruction, public service or related support services to an individual or entity separate from the University.
- Non-operating revenues and expenditures do not meet the definition of operating revenues or operating expenses. Non-operating revenues include state operating appropriations, federal Pell grants and other non-operating grants, gifts, investment income, interest expense and insurance reimbursements. Non-operating expenses include interest expense on capital debt, bond issue cost

expenses, gains and losses from disposal of assets and certain other expenses that do not meet the definition of current expenses.

- Other revenues, expenses, gains, losses and transfers include state capital and controlled maintenance appropriations, capital contributions and donations and transfers between governing boards and other institutions.

### **Scholarship Allowances**

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees were \$18.6 million and \$21.2 million and scholarship allowances for auxiliary charges were \$58 thousand and \$113 thousand for the years ended June 30, 2017 and 2016, respectively.

### **Application of Restricted and Unrestricted Resources**

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

### **Financial Statement Presentation - Net Position**

The University's net position is classified as either unrestricted or restricted. As of June 30, 2017 and 2016, the University had no non-expendable investment in restricted net position. Restricted net position is classified as expendable for loans, capital projects and other purposes. C.R.S. Section 23-05-103 specifically restricts the residual funds of the bonded auxiliaries, in excess of those required for operations and current year debt service, for the direct benefit of the bonded auxiliaries.

The restricted net position of the bonded auxiliary operations was \$3.4 million and \$2.7 million at June 30, 2017 and 2016, respectively. Restricted net position also includes the net position of the Federal Perkins Loan (FPL) program and the University's sponsored program activities. FPL guidelines require that net program resources fund new loans, are written off in accordance with program guidelines or are refunded to the federal government. At June 30, 2017 and 2016, the restricted net position related to the FPL program totaled \$904 thousand and \$1.3 million. The sponsored programs' net position was \$281 thousand and \$156 thousand at June 30, 2017 and 2016, respectively.

Unrestricted net position is not subject to externally imposed stipulations although these resources may be designated for specific purposes by the University's management or Board. This category is a deficit due to the required implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

### **Income Taxes**

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. The University did not have any significant unrelated business taxable income in the years ended June 30, 2017 and 2016.

The Foundation and CMUREF are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than private foundations.

### **Use of Estimates**

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

## **NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

### **Cash and Cash Equivalents**

The University deposits its cash with the Colorado State Treasurer (the Treasurer) as allowed by C.R.S. The Treasurer pools these deposits and invests them in securities authorized by C.R.S. Section 24-75-601.1. The Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. The University had \$22.7 million and \$36.9 million, including an unrealized loss of \$10 thousand (2017) and an unrealized gain of \$242 thousand (2016), on deposit with the Treasurer as of June 30, 2017 and 2016, which represented approximately 0.34% of the total \$6,770.2 million fair value of deposits in the State Treasurer's Pool (the Pool). The June 30, 2017 balance included \$2.0 million of bond proceeds and the June 30, 2016 balance included \$15.8 million of bond proceeds, leaving \$20.7 million and \$21.1 million available for operations as of June 30, 2017 and 2016 respectively.

On the basis of the University's participation in the Pool, the University reports an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Additional information on investments of the Pool may be obtained in the State's Comprehensive Annual Financial Report for the years ended June 30, 2017 and 2016.

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 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.

As of June 30, the carrying amount of the University's cash on deposit was \$11.1 million (2017) and \$10.9 million (2016) and the bank balance was \$13.7 million (2017) and \$11.8 million (2016). The difference between the University's cash in banks and the amount reported by the various banks was \$2.6 million (2017) and \$908 thousand (2016) in the form of net outstanding checks and deposits in transit. All deposits were covered by federal depository insurance and balances in excess of federal insurance levels were collateralized by PDPA as described above.

## Investments

C.R.S. Section 23-53-103.3 authorized the Board to hold investments, unless externally restricted, in one or more consolidated funds in which the participation trusts or accounts have undivided interests. In accordance with the legislation, the Board approved the Colorado Mesa University Investment Policy and established an Investment Advisory Committee (IAC). The IAC is responsible for developing investment guidelines in support of the ‘prudent investor’ standard, providing liquidity, safety and yield. In formulating investment guidelines, the IAC takes into account institutional cash flow analysis, diversification of investments, appropriate time horizons and credit quality of investments to establish return benchmarks at acceptable levels of risk. Liquidity of assets invested shall at all times remain at a level sufficient to pay for all budgeted, outstanding operational obligations and expenses occurring within any fiscal year.

The University’s investments were \$13.2 million (2017) and \$9.7 million (2016), including an unrealized gain of \$1.1 million (2017) and \$736 thousand (2016). The University’s investments included debt and equity securities, fixed income investments, short-term money market funds and an alternative investment fund (2017 and 2016). All of the University’s investments are registered in the University’s name. The fair value of all investments, except for bonds, are based on the quoted market prices as of June 30, 2017 and 2016. The fair value of individual bond pricing was provided via Interactive Data Corporation fair value information services.

The fair values of investments by value level at year ended at June 30, 2017 are as follows (*in thousands*).

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Fair Value Total
Corporate Bonds	-	1,013	-	1,013
Corporate Equities	4,931	-	-	4,931
Mortgages	-	487	-	487
Mutual Funds	6,167	-	-	6,167
Taxable Municipals	-	483	-	483
Money Market	121	-	-	121
	11,219	1,983	-	13,202

The fair values of investments by value level at year ended at June 30, 2016 are as follows (*in thousands*).

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Fair Value Total
Corporate Bonds	-	994	-	994
Corporate Equities	3,652	-	-	3,652
Mortgages	-	700	-	700
Mutual Funds	3,835	-	-	3,835
Taxable Municipals	-	492	-	492
Money Market	9	-	-	9
	7,496	2,186	-	9,682

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



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

The change in the investment balance during the year ended at June 30, 2017 consisted of the following components (*in thousands*).

Investments - Cost	\$	8,933
Additional contributions		2,000
Net interest revenue		71
Dividend income		149
Net realized gain		207
Investment fees		(42)
Investments - cost	\$	11,318
Unrealized gain		1,884
Investments - Market	\$	13,202

The change in the investment balance during the year ended at June 30, 2016 consisted of the following components (*in thousands*).

Investments - Cost	\$	8,639
Additional contributions		-
Net interest revenue		62
Dividend income		100
Net realized gain		183
Investment fees		(38)
Investments - cost	\$	8,946
Unrealized gain		736
Investments - Market	\$	9,682

Investments at June 30, 2017 consisted of the following.

	Fair Value	Moody's Rating	Weighted Average Maturity	Duration (in years)
<b>Debt Securities</b>				
U.S. Government Securities	\$ 487	Aaa	7.17	3.18
Corporate Bonds	1,013	A-Baa, WR	5.25	3.99
Taxable Municipal Bonds	483	Aaa-Aa	5.64	4.30
<b>Other Investments</b>				
Corporate Equities	4,931			
Mutual Funds	6,167			
Money Market Mutual Funds	121			
<b>Total</b>	<b>\$ 13,202</b>			

The return on investments for the year ended June 30, 2017 was 14.27% gross of fees and 13.90% net of fees.

Investments at June 30, 2016 consisted of the following.

	Fair Value	Moody's Rating	Weighted Average Maturity	Duration (in years)
<b>Debt Securities</b>				
U.S. Government Securities	\$ 700	Aaa	3.67	3.23
Corporate Bonds	994	A-Baa, WR	4.76	3.48
Taxable Municipal Bonds	371	Aa	4.04	3.06
Taxable Municipal Bonds	121	not rated	4.04	3.06
<b>Other Investments</b>				
Corporate Equities	3,652			
Mutual Funds	3,835			
Money Market Mutual Funds	9			
<b>Total</b>	<b>\$ 9,682</b>			

The return on investments for the year ended June 30, 2016 was -3.05% gross of fees and -3.44% 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, 2017 and 2016 (*in thousands*).

	June 30, 2017	June 30, 2016
Total Accounts and Loans Receivable	\$ 11,090	\$ 13,498
Less: Allowance for Doubtful Accounts	(4,303)	(5,072)
Net Accounts and Loans Receivable	\$ 6,787	\$ 8,426

Receivables reported on the Statements of Net Position may be aggregations of various components, such as balances 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, 2017 (*in thousands*).

	Balance July 1, 2016	Additions	Transfers	Disposals	Balance June 30, 2017
<b>Non-depreciable Capital Assets</b>					
Land and Improvements	\$ 36,051	\$ 4,672	\$ -	\$ -	\$ 40,723
Construction in Progress	31,699	25,630	(26,636)	(39)	30,654
<b>Total Non-depreciable Capital Assets</b>	<b>67,750</b>	<b>30,302</b>	<b>(26,636)</b>	<b>(39)</b>	<b>71,377</b>
<b>Depreciable Capital Assets</b>					
Leasehold and Land Improvements	35,886	287	222		36,395
Buildings	360,141	8,069	26,414	(856)	393,768
Equipment	16,721	1,265	-	(293)	17,694
Library Materials	12,751	639	-	-	13,390
<b>Total Depreciable Capital Assets</b>	<b>425,499</b>	<b>10,260</b>	<b>26,636</b>	<b>(1,149)</b>	<b>461,247</b>

	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2016</b>	<b>Additions</b>	<b>Transfers</b>	<b>Disposals</b>	<b>June 30, 2017</b>
Less: Accumulated Depreciation					
Leasehold and Land Improvements	(10,928)	(1,880)	-	-	(12,808)
Buildings	(71,677)	(10,561)	-	454	(81,784)
Equipment	(9,480)	(1,365)	-	289	(10,556)
Library Materials	(9,244)	(281)	-	-	(9,525)
<b>Total Accumulated Depreciation</b>	<b>(101,329)</b>	<b>(14,087)</b>	<b>-</b>	<b>743</b>	<b>(114,673)</b>
<b>Net Depreciable Capital Assets</b>	<b>324,170</b>	<b>(3,827)</b>	<b>26,636</b>	<b>(406)</b>	<b>346,574</b>
<b>Capital Assets, Net</b>	<b>\$ 391,920</b>	<b>\$ 26,475</b>	<b>\$ -</b>	<b>\$ (445)</b>	<b>\$ 417,951</b>

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2016 (in thousands).

	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2015</b>	<b>Additions</b>	<b>Transfers</b>	<b>Disposals</b>	<b>June 30, 2016</b>
Non-depreciable Capital Assets					
Land and Improvements	\$ 32,320	\$ 3,645	\$ 86	\$ -	\$ 36,051
Construction in Progress	32,508	17,570	(18,379)	-	31,699
<b>Total Non-depreciable Capital Assets</b>	<b>64,828</b>	<b>21,215</b>	<b>(18,293)</b>	<b>-</b>	<b>67,750</b>
Depreciable Capital Assets					
Leasehold and Land Improvements	33,420	2,310	156	-	35,886
Buildings	329,840	12,477	18,137	(313)	360,141
Equipment	15,957	838	-	(74)	16,721
Library Materials	12,217	534	-	-	12,751
<b>Total Depreciable Capital Assets</b>	<b>391,434</b>	<b>16,159</b>	<b>18,293</b>	<b>(387)</b>	<b>425,499</b>
Less: Accumulated Depreciation					
Land Improvements	(9,303)	(1,625)	-	-	(10,928)
Buildings	(62,039)	(9,775)	-	137	(71,677)
Equipment	(8,489)	(1,064)	-	73	(9,480)
Library Materials	(8,941)	(303)	-	-	(9,244)
<b>Total Accumulated Depreciation</b>	<b>(88,772)</b>	<b>(12,767)</b>	<b>-</b>	<b>210</b>	<b>(101,329)</b>
<b>Net Depreciable Capital Assets</b>	<b>302,662</b>	<b>3,392</b>	<b>18,293</b>	<b>(177)</b>	<b>324,170</b>
<b>Capital Assets, Net</b>	<b>\$ 367,490</b>	<b>\$ 24,607</b>	<b>\$ -</b>	<b>\$ (177)</b>	<b>\$ 391,920</b>

### Capitalization of Interest

Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. Interest earned on proceeds of the University's tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs capitalized in determining the amount to be capitalized. During the years ended June 30, 2017 and 2016, interest revenue used to offset interest costs capitalized was \$78 thousand and \$98 thousand, respectively. Total interest costs incurred for the years ended June 30, 2017 and 2016 were \$9.2 million and \$8.1 million, respectively. Interest capitalized for the years ended June 30, 2017 and 2016 was \$1.5 million and \$1.1 million, respectively. Gross interest costs incurred less interest costs capitalized for the years ended June 30, 2017 and 2016 were \$8.1 million and \$8.1 million, respectively, as reported on the Statements of Revenues, Expenses and Changes in Net Position.

**NOTE 5 - SHORT-TERM LIABILITIES**

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

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
Accounts Payable, Vendors	\$ 4,767	\$ 4,079
Salaries and Benefits Payable	6,584	6,381
Capital Leases Payable, Current Portion	354	300
Bonds Payable, Current Portion	6,430	5,660
Notes Payable, Current Portion	623	1,565
Compensated Absences, Current Portion	263	248
Retainage on Construction Contracts Payable	1,115	710
Accrued Interest Payable	1,546	1,794
<b>Total Payables</b>	<b>\$ 21,682</b>	<b>\$ 20,737</b>

**NOTE 6 - LONG-TERM LIABILITIES**

Changes in long-term debt for the year ended June 30, 2017 were as follows (*in thousands*).

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2017</b>	<b>Current Portion</b>
Revenue bonds	\$ 208,570	\$ 745	\$ (5,660)	\$ 203,655	\$ 6,430
Plus: unamortized bond premiums	3,923	-	(187)	3,736	-
Less: unamortized bond discounts	(323)	-	13	(310)	-
Total revenue bonds	212,170	745	(5,834)	207,081	6,430
Capital leases	4,130	79	(300)	3,909	354
Notes payable	4,305	500	(3,935)	870	623
<b>Total Bonds, Notes and Leases Payable</b>	<b>\$ 220,605</b>	<b>\$ 1,324</b>	<b>\$ (10,069)</b>	<b>\$ 211,860</b>	<b>\$ 7,407</b>

Changes in long-term debt for the year ended June 30, 2016 were as follows (*in thousands*).

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2016</b>	<b>Current Portion</b>
Revenue bonds	\$ 187,505	\$ 26,575	\$ (5,510)	\$ 208,570	\$ 5,660
Plus: unamortized bond premiums	2,363	1,709	(149)	3,923	-
Less: unamortized bond discounts	(336)	-	13	(323)	-
Total revenue bonds	189,532	28,284	(5,646)	212,170	5,660
Capital leases	4,413	-	(283)	4,130	300
Notes payable	1,773	3,224	(692)	4,305	1,565
<b>Total Bonds, Notes and Leases Payable</b>	<b>\$ 195,718</b>	<b>\$ 31,508</b>	<b>\$ (6,621)</b>	<b>\$ 220,605</b>	<b>\$ 7,525</b>

**Revenue Bonds Payable**

Revenue bonds are secured by a pledge of all net revenues as defined by the bond documents. For the years ended June 30, 2017 and 2016, net pledged revenues and debt service coverage are shown on the Enterprise Revenue Bonds Schedules of Revenues and Expenditures for the years ended June 30, 2017 and 2016. Annual debt service payments are detailed below and the net pledged revenues will continue to be pledged for the life of the associated revenue bonds.

Series 2009B and Series 2010B qualify as Build America Bonds under the American Recovery and Reinvestment Act of 2009. The University expects to receive cash subsidies of 35% of the interest payments, referred to as Federal Direct Payments. Due to federal budget cuts that occurred during the year ended June 30, 2013, the University received approximately 6.9% less in Fiscal Year 2017 and 6.8% less in Fiscal Year 2016. During the years ended June 30, 2017 and 2016 the University received \$1.2 million and \$1.2 million in Federal Direct Payments.

<b>Revenue Bond Detail (in thousands)</b>			
<b>Issuance Description</b>	<b>Original Issuance Amount</b>	<b>Outstanding Balance 2017</b>	<b>Outstanding Balance 2016</b>
<p>Series 2017A –  Issued tax-exempt Series 2017A bonds to construct and equip a new Engineering Building and the John McConnell Math and Science Center, and certain other campus improvements as are deemed necessary or desirable by the Board; and pay the costs of issuance related to the Series 2017A bonds. The interest rate for the Series 2017A was initially set at 2.3% Thereafter, on each May 15, the bond will adjust to an annual rate of the then effective LIBOR Pate plus 1.75%. The net effective interest rate shall not exceed 6% if issued as a fixed rate obligation and shall not exceed 18% if issued as a variable rate obligation. Series 2017A bond proceeds are being distributed to the University in predetermined amounts through February 2018. As of June 30, 2017, the University received \$745 thousand, which represents the liability reported in the financial statements.</p>	\$ 15,000	\$ 745	N/A
<p>Series 2016 –  Issued tax-exempt Series 2016 bonds to construct and equip a new residence hall on the University campus, expand, renovate and equip the Maverick Center located on the University campus, and construct a portion of a new Engineering facility; pay capitalized interest; and pay the costs of issuance related to the Series 2016 bonds. Coupon rates are between 3.00% and 5.00%, effecting a net interest rate of 3.55%.</p>	26,575	26,575	26,575
<p>Series 2014BC –  Issued tax-exempt Series 2014B bonds to advance refund all of the College Enterprise Revenue Bonds, Series 2007 by placing the bond proceeds in an irrevocable trust to provide for future debt payments on the Series 2007 bonds. As such, the trust account assets and the liability for the defeased bonds are not be included in the University’s financial statements. At June 30, 2016, \$16.8 million was outstanding for the advance refunding and considered defeased debt. The Series 2007 bonds were paid in full in May 2017. The defeasance resulted in an economic gain of \$2.8 million and a book loss of \$1.8 million that is being amortized as an adjustment to interest expense over the life of the 2014B bond. The Series 2014B bond carries an interest rate of 2.96%. The Series 2014C bond is a non-bank qualified, draw down, tax-exempt term loan in an amount not to exceed \$5.0 million with a 10-year maturity in order to provide funding to renovate and expand Tomlinson Library. The interest rate for the Series 2014C is fixed at 2.37%.</p>	24,005	22,155	22,765

<b>Revenue Bond Detail (in thousands)</b>			
<b>Issuance Description</b>	<b>Original Issuance Amount</b>	<b>Outstanding Balance 2017</b>	<b>Outstanding Balance 2016</b>
Series 2014A – Issued tax-exempt Series 2014A bonds to construct and equip new housing facilities and make such additional capital improvements to the campus as may be designated by the Board; pay capitalized interest; and pay the costs of issuance related to the Series 2014A bonds. Interest is fixed at 2.67%.	14,000	13,010	13,435
Series 2013 – Issued tax-exempt Series 2013 bonds to construct and equip a new academic classroom building on campus, renovate and equip the campus library and make such additional capital improvements to the campus as may be designated by the Board; pay capitalized interest; and pay the costs of issuance related to the Series 2013 bonds. Coupon rates are between 3.00% and 4.00%, effecting a net interest rate of 3.35%.	19,900	18,240	18,810
Series 2012B – Issued tax-exempt Series 2012B bonds to construct, improve and equip a new, approximately 200-bed student residence hall; pay capitalized interest through May 15, 2013; and pay the costs of issuance relating to the Series 2012B bonds. Coupon rates are between 2.00% and 4.25%, affecting a net interest rate of 3.60%.	14,000	12,350	12,780
Series 2012A – Refunding Issued tax-exempt Series 2012A bonds to advance refund all of the Series 2005 bonds by placing the bond proceeds and the Series 2005 debt service reserve in an irrevocable trust to provide for future debt service payments on the Series 2005 bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. The Series 2005 were paid in full in May 2015. The defeasance resulted in an economic gain of \$742 thousand and a book loss of \$2.3 million that is being amortized as an adjustment to interest expense over the life of the Series 2012A bonds. Coupon rates are between 2.00% and 4.00%, effecting a net interest rate of 3.27%.	19,315	15,970	16,695

<b>Revenue Bond Detail</b> <i>(in thousands)</i>			
<b>Issuance Description</b>	<b>Original Issuance Amount</b>	<b>Outstanding Balance 2017</b>	<b>Outstanding Balance 2016</b>
<p>Series 2011BC – Refunding</p> <p>Issued taxable Series 2011B bonds and tax-exempt Series 2011C bonds to advance refund all of the Series 2002B bonds by placing the bond proceeds in an irrevocable trust to provide for future debt service payments on the Series 2002B bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the University’s financial statements. The bond trustees paid the outstanding balance of the defeased debt. The defeasance resulted in an economic gain of \$372 thousand and a book loss of \$1.4 million that is being amortized as an adjustment to interest expense over the life of the Series 2012BC bonds. Coupon rates are between 2.00% and 3.52%, affecting a net interest rate of 2.82%.</p>	9,720	3,295	3,895
<p>Series 2011A –</p> <p>Issued tax-exempt Series 2011 bonds to finance the costs of construction and equipping the Orchard Avenue Apartments; and to fund a deposit into the Series 2011 Debt Service Reserve Fund. The Series 2011 bond matures in August 2021 with variable interest calculated as the product of (a) the Bank Qualified factor; and the sum of (i) the Five Year Treasury, Constant Maturity; plus (ii) 210 basis points. The initial rate is 2.49% and shall remain in effect for a five-year period. The bond will be recalculated in 2017 using the formula above. The bond will recalculate each year using the above formula and the University may accept the recalculated rate for a period of five years or through the Series 2011 maturity date, whichever is shorter. The University was under no obligation to accept any recalculated rate, but accepted the recalculated rate of 1.81% in August 2012, which was scheduled to be in effect for a period of five years. In December 2015, the University entered into the 2011A Supplemental Resolution which replaced the variable interest rate language above with a fixed rate of 1.40% for the remainder of the bond. The bonds are secured by the pledge of certain net revenues which are pledged and assigned for equal and ratable payment of the bonds.</p>	8,000	4,155	4,925
<p>Series 2010AB –</p> <p>Issued tax-exempt Series 2010A bonds and taxable (Build America Bonds – Direct Payment to Board) Series 2010B bonds to finance the costs of construction, acquisition, renovation and equipping of certain housing, classroom and other University facilities; and to fund a deposit to the Series 2010 Capitalized Interest Fund to pay a portion of the interest on the Series 2010 bonds through May 2011. Coupon rates are between 3.00% and 6.75%, effecting a net interest rate of 4.32%</p>	31,710	29,535	29,920

<b>Revenue Bond Detail</b> (in thousands)			
<b>Issuance Description</b>	<b>Original Issuance Amount</b>	<b>Outstanding Balance 2017</b>	<b>Outstanding Balance 2016</b>
Series 2009AB – Issued tax-exempt Series 2009A bonds to advance refund all of the Series 2008 bonds and issued taxable (Build America Bonds – Direct Payment to Board) Series 2009B bonds to finance the costs of construction, acquisition, renovation and equipping of certain housing, University Center, parking and other University facilities; and to fund a deposit to the Series 2009 Capitalized Interest Fund to pay a portion of the interest on the Series 2009 bonds through November 2010. The University in-substance defeased the Series 2008 bonds by placing the proceeds of the Series 2009A in an irrevocable trust to provide for future debt service payments on the Series 2008 bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the University’s financial statements. At June 30, 2017, \$27.1 million is outstanding for the advance refunding that is considered defeased debt. The defeasance resulted in an economic gain of \$2.5 million and a book loss of \$5.3 million that is being amortized as an adjustment to interest expense over the life of the Series 2009A bonds. Coupon rates are between 3.00% and 5.80%, effecting a net interest rate of 3.97%.	61,665	57,625	58,770
<b>Revenue Bonds Outstanding</b>	<b>\$ 243,890</b>	<b>\$ 203,655</b>	<b>\$ 208,570</b>
Plus: Bond Premiums		3,736	3,923
Less: Bond Discounts		(310)	(323)
<b>Revenue Bonds Outstanding Net of Premiums and Discounts</b>		<b>\$ 207,081</b>	<b>\$ 212,170</b>

The following is a schedule of future minimum bond payments as of June 30, 2017 (in thousands).

Year Ending June 30	Type of Debt Revenue Bonds	
	Principal	Interest
2018	\$ 6,430	\$ 9,129
2019	6,615	8,930
2020	6,805	8,729
2021	7,025	8,501
2022	7,250	8,258
2023 to 2027	35,205	37,733
2028 to 2032	41,635	30,680
2033 to 2037	49,640	21,597
2038 to 2042	46,875	10,240
2043 to 2047	10,430	894
<b>Total Future Minimum Payments*</b>	<b>\$ 217,910</b>	<b>\$ 144,691</b>

\*The difference between total principal payments and of \$217,910 and the total amount of principal outstanding of \$203,655 represents 2017A proceeds of \$14.3 million that will be distributed to the University in Fiscal Year 2018.



### **Reserve Fund Requirements**

The Series 2017A bond is not secured by an encumbrance, mortgage or other pledge of any property except pledged net revenues. A Reserve Fund requirement was met for Series 2016, 2014BC, 2014A, 2013, 2012B, 2012A, 2011BC, 2010AB and 2009AB 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 C.R.S. Section 23-5-139, as amended, if the University cannot meet a scheduled payment of principal and interest, the 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.

### **Capital Leases**

*Campus Utility Metering Lease:* In November 2016, the University entered into a capital lease agreement to install meters and sub-meters in several buildings on the main campus in order to better monitor electric and gas usage for \$104 thousand at no interest to be paid over 36 months. Payments began in November 2016 and will continue through October 2019. The contract provides that any commitments beyond the current year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available. It is reasonably assured that sufficient funds will be available for the full term of the contract and, therefore, are treated as non-cancelable for financial reporting purposes.

*Equipment Lease:* During the year ended June 30, 2008, the University entered into a \$2.2 million capital lease purchase contract with an interest rate of 4.32% for the acquisition of equipment that will result in energy cost savings guarantees. Rent payments began in September 2009 and continue through August 2024. The contract provides that any commitments beyond the current year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available. It is reasonably assured that sufficient funds will be available for the full term of the contract and, therefore, are treated as non-cancelable for financial reporting purposes.

*State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008:* On November 6, 2008, the Treasurer entered a lease-purchase agreement under which a Trustee issued \$230.8 million of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 (Certificates). The Certificates were issued at a net premium of \$181 thousand and were a combination of serial and term maturities with the final maturity in November 2027. The Certificates carry coupon rates ranging from 3.00% to 5.50% with a total interest cost of 5.38%.

The Certificates' proceeds were 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 envisioned 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 \$18.4 million were allocated to renovate and expand the Wubben Hall science building. Of that, \$3.7 million was financed by the University through a sublease with the Treasurer. The University was scheduled to make rental payments from April 2009 through October 2027 totaling \$5.9 million including interest of \$2.2 million. The University pledged the Fine Arts Building and the Tomlinson Library as collateral for the project.

The following is a schedule of future minimum capital lease payments as of June 30, 2017 (*in thousands*).

<b>Years Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 354	\$ 185	\$ 539
2019	375	172	547
2020	376	154	530
2021	389	135	524
2022	415	115	530
2023-2027	1,711	286	1,997
2028-2032	289	9	298
<b>Total Future Minimum Payments</b>	<b>\$ 3,909</b>	<b>\$ 1,056</b>	<b>\$ 4,965</b>

### **Operating Lease**

The University entered into an agreement to lease copier equipment during the year ended June 30, 2012. On July 20, 2016, the University extended the agreement through July 20, 2020. During the year ended June 30, 2011, the University executed a five-year renewal to lease property from the city of Montrose, Colorado. At the end of the current extension, the University has the option to extend the agreement for a second five-year renewal term ending on June 30, 2020, and the University currently expects to exercise its option.

The following is a schedule of future minimum rental payments under the lease as of June 30, 2017 (*in thousands*).

<b>Years Ending June 30</b>	<b>Total</b>
2018	194
2019	195
2020	195
2021	9
<b>Total</b>	<b>\$ 593</b>

Rent expense for the years ended June 30, 2017 and 2016 was \$184 thousand and \$231 thousand, respectively.

### **Notes Payable**

*Community Hospital acquisition:* In August 2011, the University entered into a contract with the Colorado West Healthcare System to acquire the Community Hospital property adjacent to the University's main campus. The University acquired the property in four parcels using three notes payable that are secured by separate deed of trust. The notes are interest-free and are discounted at the University's incremental borrowing rate of 2.49% as of the date of the agreement.

- In August 2011, the University acquired parcels two and three from the Colorado West Healthcare System by paying \$480 thousand and issuing a note payable for \$1.2 million payable in five equal installments of \$245 thousand with the final payment due in August 2016.
- In March 2014, the University acquired parcel four of the property by paying \$1.0 million cash and issuing a note payable for \$795 thousand payable in three equal installments of \$265 thousand with final payment due in August 2016. The notes are interest-free and is discounted at the University's incremental borrowing rate of 2.49% as of the date of the agreement.
- In June 2016, the University acquired Community Hospital property in Grand Junction called Parcel One by issuing a note payable for \$2.6 million payable in five equal installments with final payment due in August 2020. The Parcel One acquisition also includes a \$1 million cash payment in August 2016.

In February 2017, Colorado West Healthcare System agreed to accept a lump sum payment of \$2.7 million to satisfy the remaining balance of \$2.8 million that would have been paid through August 2022. The outstanding balance at the time of the final payment included principal of \$2.6 million and imputed interest of \$200 thousand.

*Seventh Day Adventist building:* In August 2016, CMUREF acquired a building to construct the Engineering building for \$4.1 million by paying \$1.2 million in cash plus issuing a note payable to the seller for \$2.9 million. In March 2017, CMUREF and University entered into an assumption agreement and the University assumed both the property and the note. The University paid \$2.4 million of the note in Fiscal Year 2017 and a balance of \$375 thousand was outstanding at June 30, 2017. The remaining payment is due 10 days after the church vacates the property, expected to be by March 2018. Upon vacation, CMUREF will transfer the property deed to the University. Because the University has an assumption agreement, has serviced the note payable, and the intent is for the property to benefit the University, the property and note payable are recorded as an asset and a liability on its books.

*Campus expansion:* In May 2015, the University acquired a property near the Montrose campus by issuing a 5-year note payable for \$498 thousand payable in monthly installments at 4%. The University also acquired a property in July 2015 by issuing a 5-year note payable for \$300 thousand payable in annual installments at 3%.

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

The following is a schedule of payments of notes payable as of June 30, 2017 (*in thousands*).

Years Ending June 30	Total Payments
2018	\$ 643
2019	76
2020	116
2021	15
2022	15
2023-2027	52
<b>Total Principal and Interest Payments</b>	<b>917</b>
Less: Interest Included Above	(47)
<b>Total Principal Outstanding</b>	<b>870</b>
Less: Current Portion of Notes Payable	(623)
<b>Net Long-term Notes Payable</b>	<b>\$ 247</b>

### Compensated Absences

Employees accrue annual and sick leave based on the length of service and is subject to certain limitations on amounts paid upon termination and/or retirement. The changes in compensated absences balances are presented below (*in thousands*).

Compensated Absences	June 30, 2017	June 30, 2016
Beginning of the year	\$ 2,060	\$ 1,883
Additions	1,639	1,260
Adjustments/reductions	(1,527)	(1,083)
<b>End of the year</b>	<b>\$ 2,172</b>	<b>\$ 2,060</b>
<b>Current portion</b>	<b>\$ 263</b>	<b>\$ 248</b>

## **NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES**

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**

### **A. Colorado Public Employees Retirement Association (PERA)**

#### **1. Summary of Significant Accounting Policies**

The University participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **2. Plan Description**

Eligible employees of the University are provided with pensions through the SDTF. Plan benefits are specified in C.R.S. Section 24-51, administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

#### **3. Benefits Provided**

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. Section 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA’s Annual Increase Reserve (AIR) for the SDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

#### 4. Contributions

Eligible employees and the University are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. Section 24-51-401, et seq. Eligible employees with the exception of State Troopers are required to contribute 8% of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below.

	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	CY14	CY15		CY16		CY17
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Employer Contribution Rate <sup>1</sup>	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate to the SDTF <sup>1</sup>	16.43%	17.33%	17.33%	18.23%	18.23%	19.13%

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. Section 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. For the years ended June 30, employer contributions recognized by the SDTF from University were \$2.8 million (2017) and \$2.5 million (2016).

**B. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017 and 2016, the University reported a liability of \$90.5 million and \$51.7 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 and 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2016 and 2015. The University's proportion of the net pension liability was based on the University's contributions to the SDTF for the calendar years 2016 and 2015 relative to the total contributions of participating employers to the SDTF.

At December 31, 2016, the University's proportion was 0.4926%, which was an increase of 0.0021% its proportion of 0.4905% measured as of December 31, 2015.

For the years ended June 30, 2017 and 2016, the University recognized pension expense of \$18.8 million and \$4.7 million.

At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (*in thousands*).

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience in the measurement of the total pension liability	\$ 899	\$ 2
Changes of assumptions or other inputs	23,018	(96)
Net difference between projected and actual earnings on pension plan investments	2,999	-
Changes in the employer's proportion and differences between the employer's contributions (other than those to separately finance specific liabilities of the individual employer to the plan) and the employer's proportionate share of contributions	-	278
The employer's contributions to the plan subsequent to the measurement date of the collective net pension liability	1,480	-
<b>Total</b>	<b>\$ 28,396</b>	<b>\$ 184</b>

At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (*in thousands*).

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience in the measurement of the total pension liability	\$ 752	\$ 2
Changes of assumptions or other inputs	-	611
Net difference between projected and actual earnings on pension plan investments	3,894	-
Changes in the employer's proportion and differences between the employer's contributions (other than those to separately finance specific liabilities of the individual employer to the plan) and the employer's proportionate share of contributions	-	268
The employer's contributions to the plan subsequent to the measurement date of the collective net pension liability	1,414	-
<b>Total</b>	<b>\$ 6,060</b>	<b>\$ 881</b>

The \$1.5 million and \$1.4 million reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the years ended June 30, 2018 and 2017, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (*in thousands*).

<b>Years Ended June 30</b>	
2018	\$ 14,487
2019	11,376
2020	828
2021	41
Thereafter	-

### 1. Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs.

<b>Actuarial Cost Method</b>	<b>Entry Age</b>
Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90% – 9.57%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50%
Discount rate	7.50%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by the PERA Board of Trustees (the PERA Board) on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below

were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016.

<b>Actuarial Cost Method</b>	<b>Entry Age</b>
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% – 9.17%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	5.26%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55% of the base rate for males and 40% of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by the PERA Board on November 13, 2012, and an economic assumption study, adopted by the PERA Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by the PERA Board on November 18, 2016 to more closely reflect PERA’s actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.



For disabled retirees, the mortality assumption was changed to reflect 90% of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to the PERA Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50% per year, compounded annually, net of investment expenses to 7.25% per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80% per year to 2.40% per year.
- Real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90% per year to 3.50% per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table.

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

## 2. Discount Rate

The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by the PERA Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2039 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on pension plan investments was applied to periods through 2039 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2039 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%.

As of the prior measurement date, the projection test indicated the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50% was applied to all periods of projected

benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50%, 2.24% higher compared to the current measurement date.

**3. Sensitivity of the University’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.**

The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26%) or 1-percentage-point higher (6.26%) than the current rate.

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
2017 – Proportionate share of the net pension liability	\$ 112,059	\$ 90,475	\$ 72,482
2016 – Proportionate share of the net pension liability	\$ 62,256	\$ 51,653	\$ 40,274

**4. Pension Plan Fiduciary Net Position**

Detailed information about the SDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**C. Defined Contribution Retirement Plan (DC Plan)**

**1. Plan Description**

Employees of the State of Colorado that were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008 which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board. The PERA DC Plan is also included in PERA’s comprehensive annual financial report as referred to above.

**2. Funding Policy**

All participating employees in the PERA DC Plan, with the exception of State Troopers, are required to contribute 8.00% of their PERA-includable salary and the State of Colorado is required to contribute 10.15% of PERA-includable salary on behalf of these employees. All participating State Troopers are required to contribute 10.00% of their PERA-includable salary and the State of Colorado is required to contribute 12.85% of PERA-includable salary on behalf of these employees. Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows:

	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	CY14	CY15	CY16	CY16	CY17	CY17
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411 <sup>1</sup>	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411 <sup>1</sup>	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate for AED and SAED <sup>1</sup>	7.30%	8.20%	8.20%	9.10%	9.10%	10.00%

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50% vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10%. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed \$13,060,000 and the State of Colorado recognized pension contributions of \$10,382,000 for the PERA DC Plan.

#### **D. 401(k) Defined Contribution Plan**

##### **1. Plan Description**

Employees of the University that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. C.R.S. Section 24-51-14, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

##### **2. Funding Policy**

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under C.R.S. Section 24-51-1402, as amended. Employees are immediately vested in their own contributions.

#### **E. 457 Deferred Compensation Plan**

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan, which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2016, participants were allowed to make contributions of up to 100% of their annual gross salary (reduced by their 8% PERA contribution) to a maximum of \$18,000. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional \$6,000 contribution in 2016 for total contributions of \$24,000. Contributions and earnings are tax deferred. Special 457(b) catch-up contributions allow a participant for 3 years prior to the normal retirement age to contribute the lesser of (1) twice the annual limit (\$36,000 in 2015, 2016, and 2017), or (2) the basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions). Contributions and earnings are tax deferred. At December 31, 2016, the plan had 17,921 participants.

#### **F. Student Employee's Defined Contribution Pension Plan**

Beginning in Fiscal Year 1993, in accordance with the provisions of C.R.S. Section 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 Pension Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5% contribution on the employee's part with no employer contribution. Total payroll covered by the plan for the Fiscal Year ended June 30, 2017 and June 30, 2016 was \$510 thousand and \$408 thousand respectively. Employee contributions were \$38 thousand and \$37 thousand respectively, or 7.5% of covered payroll.

#### **G. Defined Contribution Pension Plan**

The University offers a Defined Contribution Pension Plan (DCPP) to its employees who may not be eligible to enroll in PERA or for employees who wish to make an irrevocable choice to enroll in the DCPP.

When enrolled in the DCP, the employee's retirement benefit is based on the total amount of the contributions made to his/her account and the return on investments of those contributions.

Employees enrolled in the DCP are required to contribute 8 percent of their covered earnings to their DCP account on a tax-deferred basis. The University currently contributes an amount equal to 11.4 percent of participating employees' covered earnings to their DCP account.

The DCP is administered by three vendors, Fidelity Investments, TIAA-CREF, and VALIC, providing a range of investment accounts for participants.

The University's contributions to the DCP for fiscal years ending June 30, 2017 and 2016 were \$3.2 million and \$3.1 million, respectively. These contributions were equal to the required contributions for each year. All DCP contributions are immediately invested in the employee's account. 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.

## **NOTE 9 - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

### **Health Care Program**

The University contributes to the Health Care Trust Fund (HCTF), a cost sharing multiple employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. C.R.S. Section 24-51-12, as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

The University is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the University are established under C.R.S. Section 24-51-4, as amended. The apportionment of the contributions to the HCTF is established under C.R.S. Section 24-51-208(1)(f), as amended. For the years ending June 30, 2017 and 2016, the University contributions to the HCTF were \$150 thousand and \$151 thousand, respectively, equal to their required contributions for each year.

## **NOTE 10 - COMPONENT UNITS**

In accordance with the GASB Statement No. 61 and GASB Statement No. 39, the discrete presentation of the Foundation and CMUREF's financial statements appear on separate pages from the University. The Foundation and CMUREF warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the University.

The financial statements of the Foundation and CMUREF are prepared on the accrual basis and follow the FASB Accounting Standards Codification Topic 958, *Not-for-Profit Entities*.

The Foundation and CMUREF use a different generally accepted accounting principles reporting model and following the GASB Statement No. 39 recommendation, their financial information is not presented on the same page as the University but is reported on separate pages after the University's financial statements. The separate financials include the statements of financial position and the statements of activities.

## 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 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 the years ended June 30, 2017 and 2016, the Foundation awarded \$1.4 million and \$1.2 million, respectively, in scholarship funds directly to 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 11. The Foundation received donations to partially fund regular operations of various university departments. During the years ended June 30, 2017 and 2016 cash and in-kind donations totaled \$2.7 million and \$970 thousand, respectively, and were recorded as revenue and expense in the appropriate funds.

The following is an excerpt from the Foundation's Fiscal Year 2017 and 2016 independent annual financial reports.

### FOUNDATION – INVESTMENTS – As of and for the Year Ended June 30, 2017

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

	Cost	Fair Value	Unrealized Gain (Loss)
Cash and Money Markets	\$ 93	\$ 93	\$ -
Bonds	8,366	8,365	(1)
Common Stock	7,949	8,920	971
Mutual Funds	9,918	10,620	702
<b>Total</b>	<b>\$ 26,326</b>	<b>\$ 27,998</b>	<b>\$ 1,672</b>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and Dividend Income	\$ 2	\$ 587	\$ -	\$ 589
Investment Fees	-	(77)	-	(77)
Realized Gain (Loss)	-	2,230	-	2,230
Unrealized Gain (Loss)	-	11	-	11
<b>Total</b>	<b>\$ 2</b>	<b>\$ 2,751</b>	<b>\$ -</b>	<b>\$ 2,753</b>

The following methods and assumptions were used by the Foundation in estimating the fair value of its other financial instruments:

#### Cash, Accounts Payable, and Debt

The carrying amount reported in the statement of financial position for cash, accounts payable, and debt approximates fair value because of the immediate or short-term maturities of these financial instruments.

## Investments

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

Long-Term Investments	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Money Markets	\$ 93	\$ 93	\$ -	\$ -
Bonds	8,365	-	8,365	-
Common Stock	8,920	8,648	272	-
Mutual Funds	10,620	10,620	-	-
<b>Total Long-Term Investments</b>	<b>\$ 27,998</b>	<b>\$ 19,361</b>	<b>\$ 8,637</b>	<b>\$ -</b>

The Foundation's policy for determining the timing of significant transfers between levels is at the end of the fiscal year.

The following is a description of valuation methodologies used for assets measured at fair value:

- Bonds – Value based on yields currently available on comparable bonds, with comparable durations, with similar credit ratings.
- Common Stock – Valued at the closing price as reported on the active market on which the stocks are traded.
- One stock was not traded on an active market; an outside valuation firm was used to value the stock.
- Mutual Funds – Valued at the closing price as reported on the active market on which the funds are traded.

## FOUNDATION – INVESTMENTS – As of and for the Year Ended June 30, 2016

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

	Cost	Fair Value	Unrealized Gain (Loss)
Cash and Money Markets	\$ 321	\$ 321	\$ -
Bonds	3,036	3,014	(22)
Common Stock	16,131	17,573	1,442
Mutual Funds	4,143	4,271	128
<b>Total</b>	<b>\$ 23,631</b>	<b>\$ 25,179</b>	<b>\$ 1,548</b>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and Dividend Income	\$ 2	\$ 581	\$ -	\$ 583
Investment Fees	-	(88)	-	(88)
Realized Gain (Loss)	-	16	-	16
Unrealized Gain (Loss)	-	(607)	-	(607)
<b>Total</b>	<b>\$ 2</b>	<b>\$ (98)</b>	<b>\$ -</b>	<b>\$ (96)</b>

The following methods and assumptions were used by the Foundation in estimating the fair value of its other financial instruments:

### Cash, Accounts Payable, and Debt

The carrying amount reported in the statement of financial position for cash, accounts payable, and debt approximates fair value because of the immediate or short-term maturities of these financial instruments.

### Investments

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

<b>Long-Term Investments</b>	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Cash and Money Markets	\$ 321	\$ 321	\$ -	\$ -
Bonds	3,014	-	3,014	-
Common Stock	17,573	17,315	258	-
Mutual Funds	4,271	4,271	-	-
<b>Total Long-Term Investments</b>	<b>\$ 25,179</b>	<b>\$ 21,907</b>	<b>\$ 3,272</b>	<b>\$ -</b>

The Foundation's policy for determining the timing of significant transfers between levels is at the end of the fiscal year.

The following is a description of valuation methodologies used for assets measured at fair value:

- Bonds – Value based on yields currently available on comparable bonds, with comparable durations, with similar credit ratings.
- Common Stock – Valued at the closing price as reported on the active market on which the stocks are traded.
- One stock was not traded on an active market; an outside valuation firm was used to value the stock.
- Mutual Funds – Valued at the closing price as reported on the active market on which the funds are traded.

### FOUNDATION – ENDOWMENT – As of and for the Year Ended June 30, 2017

At June 30, 2017, the Foundation's endowment consisted of 220 individual funds, established for providing a future income stream for scholarships for University students, research and other uses for certain University departments. Its endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, 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 Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Foundation 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 Foundation, in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation 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 Foundation 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.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee of the Foundation is responsible for selecting managers and asset mix for the endowments of the Foundation, keeping within ranges outlined in the Board-approved investment policy.

The spending policy is to distribute 3% to 5% of the fair market value of the endowment accounts each year, with the caveat that the Foundation's Board of Directors shall have the discretion to adjust the distribution rate for a given year, depending on short/long term needs of the University and the anticipated near-term trends in inflation and investment returns, consistent with the Foundation's investment policy.

Endowment Net Asset Composition by Type of Fund at year end is as follows (*in thousands*).

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Endowment Net Assets</b>
Donor-Restricted Endowment Funds	\$ -	\$ 5,542	\$ 22,053	\$ 27,595
Board-Designated Endowment Funds	103	-	-	103
<b>Total</b>	<b>\$ 103</b>	<b>\$ 5,542</b>	<b>\$ 22,053</b>	<b>\$ 27,698</b>
Endowment Net Assets - Beginning	\$ 71	\$ 3,528	\$ 20,962	\$ 24,561
Contributions and Transfers	32	18	1,091	1,141
Investment Income	-	2,740	-	2,740
Net Appreciation (Depreciation)	-	11	-	11
Net Assets Released from Restrictions:				
Amounts Appropriated for Expenditure	-	(755)	-	(755)
<b>Endowment Net Assets - Ending</b>	<b>\$ 103</b>	<b>\$ 5,542</b>	<b>\$ 22,053</b>	<b>\$ 27,698</b>

## **FOUNDATION – ENDOWMENT – As of and for the Year Ended June 30, 2016**

At June 30, 2016 the Foundation's endowment consists of 212 individual funds, established for providing a future income stream for scholarships for University students, research and other uses for certain University departments. Its endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, 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 Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Foundation 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 Foundation, in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation 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 Foundation 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.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee of the Foundation is responsible for selecting managers and asset mix for the endowments of the Foundation, keeping within ranges outlined in the Board approved investment policy.

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 of Directors shall have the discretion to adjust the distribution rate for a given year, depending on short/long term needs of the University and the anticipated near-term trends in inflation and investment returns, consistent with the Foundation's investment policy.

Endowment Net Asset Composition by Type of Fund at year end is as follows (*in thousands*).

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Donor-Restricted Endowment Funds	\$ -	\$ 3,528	\$ 20,962	\$ 24,490
Board-Designated Endowment Funds	71	-	-	71
<b>Total</b>	<b>\$ 71</b>	<b>\$ 3,528</b>	<b>\$ 20,962</b>	<b>\$ 24,561</b>
Endowment Net Assets - Beginning	\$ 68	\$ 4,282	\$ 20,133	\$ 24,483
Contributions and Transfers	3	42	829	874
Investment Income	-	492	-	492
Net Appreciation (Depreciation)	-	(591)	-	(591)
Net Assets Released from Restrictions:				
Amounts Appropriated for Expenditure	-	(697)	-	(697)
<b>Endowment Net Assets - Ending</b>	<b>\$ 71</b>	<b>\$ 3,528</b>	<b>\$ 20,962</b>	<b>\$ 24,561</b>

### FOUNDATION – PROMISES TO GIVE – As of and for the Year Ended June 30, 2017

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

Unrestricted	\$ -
Colorado Mesa University Building Projects and Expansion	1,060
Colorado Mesa University Departments and Clubs	28
Scholarships - Endowments	144
Scholarships - Temporary	-
<b>Subtotal</b>	<b>\$ 1,232</b>
Less discounts to net present value - Discount rate 2.52%	(18)
Less allowance for uncollectible promises receivable	(29)
<b>Total</b>	<b>\$ 1,185</b>
Receivable in less than one year	\$ 816
Receivable in one to five years	416
Receivables after five years	-
<b>Total</b>	<b>\$ 1,232</b>

### FOUNDATION – PROMISES TO GIVE – As of and for the Year Ended June 30, 2016

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

Unrestricted	\$ -
Colorado Mesa University Building Projects and Expansion	894
Colorado Mesa University Departments and Clubs	40
Scholarships - Endowments	417
Scholarships - Temporary	-
<b>Subtotal</b>	<b>\$ 1,351</b>
Less discounts to net present value - Discount rate 2.52%	(12)
Less allowance for uncollectible promises receivable	(36)
<b>Total</b>	<b>\$ 1,303</b>
Receivable in less than one year	\$ 842
Receivable in one to five years	509
Receivables after five years	-
<b>Total</b>	<b>\$ 1,351</b>

## FOUNDATION – CONCENTRATIONS

Amounts in excess of \$250 thousand in one bank account are not insured by the FDIC or related entity. The Foundation has one bank account which exceeds the FDIC insured amount but is fully collateralized by the bank with federal Ginnie Mae securities. Additionally, the Foundation has significant investments in stocks and bonds, which are subject to the risk of market value fluctuation.

As of and for the year ended June 30, 2017, fourteen donors gave 65% of all contributions, and 65% of the unconditional promises to give are from 6 donors.

As of and for the year ended June 30, 2016, fourteen donors gave 62% of all contributions, and 81% of the unconditional promises to give are from 6 donors.

## FOUNDATION – RESTRICTIONS ON NET ASSETS – As of and for the Year Ended June 30, 2017

Permanently and temporarily restricted net assets at year end (*in thousands*).

Permanently restricted net assets are comprised of the following:	
Student Scholarship Endowments	\$ 15,843
Research Endowments	3,200
Department Legacy Endowments	3,010
<b>Total</b>	<b>\$ 22,053</b>
Temporarily restricted net assets are comprised of the following:	
Accumulated expendable portion of investment income from student scholarship endowments	\$ 5,542
Colorado Mesa University Building Projects and Expansion	990
Colorado Mesa University Departments and Clubs	2,875
Various other Student Scholarships or Grants	395
<b>Total</b>	<b>\$ 9,802</b>

## FOUNDATION – RESTRICTIONS ON NET ASSETS – As of and for the Year Ended June 30, 2016

Permanently and temporarily restricted net assets at year end (*in thousands*).

Permanently restricted net assets are comprised of the following:	
Student Scholarship Endowments	\$ 14,911
Research Endowments	3,200
Department Legacy Endowments	2,851
<b>Total</b>	<b>\$ 20,962</b>
Temporarily restricted net assets are comprised of the following:	
Accumulated expendable portion of investment income from student scholarship endowments	\$ 3,528
Colorado Mesa University Building Projects and Expansion	818
Colorado Mesa University Departments and Clubs	2,624
Various other Student Scholarships or Grants	329
<b>Total</b>	<b>\$ 7,299</b>

## FOUNDATION – LINE OF CREDIT

The University has plans to further expand the size of the university campus. The Foundation is assisting in the expansion by purchasing real estate needed for campus expansion. At the time of closing on real estate purchases, the Foundation quitclaims the real estate to the University. Monies that the Foundation

collects for building projects and expansion are transferred to the University or CMUREF for the purchase of real estate or to reimburse them for purchases that have already occurred. The Foundation transferred \$1.6 million to the University and CMUREF during the fiscal year 2017 for building projects and expansion.

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 \$2.5 million which matured 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. The line of credit was paid off before year end June 30, 2017 and was not renewed. At June 30, 2016, the Foundation's balance on this loan was \$600 thousand. The collateral for the loan is tangible and intangible real and personal property that the Foundation owns.

To fund the purchase of the real estate, the City of Grand Junction has committed to donating \$500 thousand per year and Mesa County has committed to donating \$100 thousand per year. Should the City or County in future years, decrease their annual funding levels, such that the Foundation were unable to repay the line of credit, the 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 – RELATED PARTY**

The University provides staff and office space for the Foundation. The value of this is not reflected on the statement of activities.

#### **COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION**

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

Under an operating agreement with the University, the parties generally intend to satisfy CMUREF's need for financial capital by allowing CMUREF to retain a portion of proceeds on an approximate 20% CMUREF and 80% University sharing. In fiscal year 2017 and 2016, the University transferred \$6.7 million and \$3.4 million, respectively, to CMUREF for property acquisitions as part of the University's expansion project and the Foundation made capital property transfers of \$5.5 million and \$3.4 million, respectively, to the University. See related party note below.

The following is an excerpt from the CMUREF's Fiscal Year 2017 and 2016 independent annual financial reports.

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

The 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 CMUREF to benefit the University. CMUREF has capitalized all of the development costs. A building is on the investment land and is being depreciated over a 6-year life (*in thousands*).

	June 30, 2017	June 30, 2016
Cost of land held for investment and developed costs	\$ 880	\$ 880
Building	22	22
Accumulated Depreciation	(22)	(22)
<b>Total Land Held for Investment</b>	<b>\$ 880</b>	<b>\$ 880</b>

## CMUREF – OPERATING LEASE COMMITMENTS

CMUREF leases four commercial spaces in Grand Junction from the 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 remitted to the University.

CMUREF entered into a master lease with the University to rent six commercial spaces in the North Avenue Student Housing complex (NASH). CMUREF retains, as a management fee, rental income over \$15 per square foot. Terms of the leases range from five to ten years and rents range from \$17 to \$20 per square foot.

CMUREF has agreements with the University to lease other properties that are owned by the University. CMUREF has non-cancelable operating leases on these properties 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 years ended June 30, 2017 and 2016 was \$488 thousand and \$481 thousand, respectively, of which CMUREF kept \$158 thousand and \$92 thousand, respectively, as a management fee.

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

For the Year Ending	Minimum Rentals	Minimum Expected Management Fees
June 30, 2018	\$ 432	\$ 103
June 30, 2019	389	85
June 30, 2020	277	82
June 30, 2021	212	37
June 30, 2022	68	8
	<b>\$ 1,378</b>	<b>\$ 315</b>

## CMUREF – CONCENTRATIONS AND RELATED PARTY

At various times during the year, CMUREF maintained significant amounts of cash in a checking account with one financial institution. Such concentrations of cash may exceed the federally insured limits provided on such accounts. Management is aware of such exposure and is willing to accept the risks associated with the potential losses involved.

Approximately 90% of the CMUREF's support was received from the University. Another 7.3% of CMUREF's support was received from the Foundation. During the years ended June 30, 2017 and 2016, CMUREF received \$6.7 million and \$3.4 million, respectively, from the University that was used to acquire real estate properties in the surrounding area of the University, in order to grow and expand. See note above. Ownership of the acquired properties was conveyed back to the University in the amount of \$5.5 million

and \$3.4 million. One of the acquisitions involved a cash payment of \$1.2 million plus a note payable to the seller in the amount of \$2.8 million. CMUREF has an assumption agreement with the University, where the University agreed to assume the note payable. Direct note payable payments by the University were made to the seller in the amount of \$2.4 million as of June 30, 2017. Title for the property is in CMUREF's name as is the note payable. Since the University has an assumption agreement with CMUREF, has substantially paid down the note payable, and the intent for the property is to benefit the University, the property and note payable were not recorded as an asset and liability on CMUREF. The University has recorded the asset and note payable on their books. In addition, ownership of two acquired properties from the previous year was conveyed to the University in the amount of \$1.2 million. A note payable collateralized by one of those properties was assigned to the University in the amount of \$498 thousand.

The University provides staff and office space to perform the administrative functions of CMUREF; the value of these are not reflected on the Statement of Activities.

#### NOTE 11 - STUDENT FINANCIAL ASSISTANCE

The University receives funds from and administers student financial assistance programs for various federal and state agencies. In addition, the University dedicates institutional resources to fund scholarships and work-study programs for students. The tables below reflect the student financial assistance activities for which the University received resources for and expended on behalf of students during the years ended June 30, 2017 and 2016. 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, 2017 follows (*in thousands*).

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Scholarships				
Colorado Student Grants	\$ -	\$ 5,895	\$ -	\$ 5,895
Federal Pell Grants	13,885	-	-	13,885
General Institutional Aid	-	-	9,279	9,279
Auxiliary	-	-	3,233	3,233
Other Federal Student Aid				
Work Study**	225	986	3,236	4,477
Federal SEOG	168	-	56	224
<b>Total</b>	<b>\$ 14,308</b>	<b>\$ 6,881</b>	<b>\$ 15,804</b>	<b>\$ 36,993</b>

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

A schedule of non-loan student assistance for the year ended June 30, 2016 follows (*in thousands*).

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Scholarships				
Colorado Student Grants	\$ -	\$ 6,115	\$ -	\$ 6,115
Federal Pell Grants	14,044	-	-	14,044
General Institutional Aid	-	-	7,336	7,336
Auxiliary	-	-	2,903	2,903
Other Federal Student Aid				
Work Study**	227	986	3,002	4,215
Federal SEOG	161	-	54	215
<b>Total</b>	<b>\$ 14,432</b>	<b>\$ 7,101</b>	<b>\$ 13,295</b>	<b>\$ 34,828</b>

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

## **NOTE 12 - LEGISLATIVE APPROPRIATIONS**

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

For the years ended June 30, 2017 and 2016, appropriated expenses were within spending authority. For the years ended June 30, 2017 and 2016, the University had a total non-capital appropriation of \$24.3 million and \$24.9 million, respectively.

For the years ended June 30, 2017 and 2016, appropriated funds included \$14.3 million and \$14.3 million, respectively, received from students that qualified for stipends from COF; \$10.0 million and \$10.2 million, respectively, as fee-for-service contract revenue; and \$432 thousand and \$357 thousand, respectively, from limited gaming tax revenues. In Fiscal Year 2017, appropriations from cash funds included \$72.9 million for the students' share of tuition and mandatory fees, and \$357 thousand represented an estimate of limited gaming tax revenues pursuant to C.R.S. Section 12-47-1-701.5(3)(c)(I). In Fiscal Year 2016, the students' share of tuition and mandatory fees was included in the Long Bill for informational purposes only. 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 \$89.8 million and \$24.5 million in Fiscal Years ended June 30, 2017 and 2016, respectively.

*Capital Construction State Appropriations:* In Fiscal Year 2017, the legislature appropriated \$301 thousand to add electronic access control to nine buildings. In addition, for Fiscal Year 2017, Senate Bill 17-263 makes several transfers to the Capital Construction Fund for FY 2017-18 projects, including repairing Wubben Hall roof (\$429 thousand), repairing Building B roof at WCCC (\$495 thousand), replacing the roof on the Fine Arts Building (\$272 thousand) and replacing the roof on the Admissions Offices (\$212 thousand). In Fiscal Year 2016, the legislature appropriated an additional \$9.2 million for the University's Health Sciences expansion and renovation. Of appropriated funds, \$12.2 million (2017) and \$10.7 million (2016) were recognized and reported as state capital appropriation revenue.

## **NOTE 13 - 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 the University. On August 10, 2005, the Colorado State Auditor issued an opinion that the University meets the TABOR requirements and recommended that the Legislative Audit Committee approve them as a TABOR-exempt enterprise.

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 that receives less than 10% of its revenue grants from all Colorado state and local governments combined. Designation is 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 2017 (*in thousands*).

State Grants	
State Capital Appropriation	\$ 12,230
State Share - Certificates of Participation (COP)	901
Local Government Grants	725
Total State Grants	13,856
Total Revenues and State share of COP (gross operating, non-operating and other revenues and State share of COP)	\$ 157,177
<i>Ratio of State Grants to Total Revenues</i>	
	8.82%

The schedule below shows the TABOR Enterprise State support calculation for Fiscal Year 2016 (*in thousands*).

State Grants	
State Capital Appropriation	\$ 10,705
State Share - Certificates of Participation (COP)	430
Local Government Grants	745
Total State Grants	11,880
Total Revenues and State share of COP (gross operating, non-operating and other revenues and State share of COP)	\$ 141,632
<i>Ratio of State Grants to Total Revenues</i>	
	8.39%

#### NOTE 14 - RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

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

Coverage	Company	Limit \$	Deductible
General liability	Hanover	\$ 2,000	\$ -
Directors' and officers' liability	Hanover	2,000	10
Automobile liability	Hanover	1,000	1
Employment practices liability	Hanover	2,000	10
Employee benefits administration	Hanover	3,000	1
Employee dishonesty (Fidelity)	Hanover	300	1
Student professional liability	AIX Specialty	3,000	-
Sexual misconduct or molestation	Hanover	2,000	-
Commercial excess liability	Hanover	2,000	-
Workers compensation	Pinnacol	1,000	5
Boiler machinery breakdown	Hanover	no limit	25
Property - building	Hanover	403,296	25
Property - personal property	Hanover	62,371	25

The University became fully insured through several insurance companies in 2012 and is insured for everything above its reserve and deductible. The coverage for the year ended June 30, 2017 is consistent with previous years and there have been no significant reductions in coverage or settlements exceeding coverage.

REQUIRED SUPPLEMENTARY INFORMATION

**COLORADO MESA UNIVERSITY**

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF THE STATE DIVISION TRUST FUND - A COST SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN ADMINISTERED BY THE COLORADO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION

For the Years Ended June 30,

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	2017*	2016*	2015*
University's proportion of the net pension liability	0.4926%	0.4905%	0.4917%
University's proportionate share of the net pension liability	\$ 90,474,883	\$ 51,652,554	\$ 46,250,520
University's covered payroll	\$ 13,187,958	\$ 12,658,750	\$ 12,549,395
University's proportionate share of the net pension liability as a percentage of its covered payroll	686.04%	408.04%	368.55%
Plan fiduciary net position as a percentage of the total pension liability	42.60%	56.10%	56.84%

\* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2016, 2015, and 2014 (the plan's measurement periods) occurring within the University's fiscal years ended June 30, 2017, 2016, and 2015 in accordance with Governmental Accounting Standards Board Statement No. 68 and 82, *Accounting and Financial Reporting for Pensions* .

**COLORADO MESA UNIVERSITY**

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF UNIVERSITY CONTRIBUTIONS TO THE STATE DIVISION TRUST FUND - A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN ADMINISTERED BY THE COLORADO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION

For the Years Ended June 30,

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	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,815,953	\$ 2,506,149	\$ 2,372,914
Contributions in relation to the contractually required contributor	<u>\$ (2,815,953)</u>	<u>\$ (2,506,149)</u>	<u>\$ (2,372,914)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 13,410,752	\$ 12,786,325	\$ 12,537,485
Contributions as a percentage of covered payroll	21.00%	19.60%	18.93%

**SUPPLEMENTAL INFORMATION SECTION**

**COLORADO MESA UNIVERSITY**  
**Enterprise Revenue Bonds Schedules of Revenues and Expenditures**  
For the years ended June 30, *(in thousands)*

	2017	2016
<b>Pledged Revenues</b>		
Pledged tuition revenue	\$ 8,019	\$ 7,574
Residence halls and apartments	13,481	13,942
Food services	8,988	8,759
University center	3,112	3,218
Bookstore	4,029	4,268
Recreation center	2,172	2,204
Campus parking	786	769
Continuing education	224	203
Mavcard	288	290
Central services	2,522	2,397
Student fee revenue	1,132	1,107
<i>Total Pledged Revenues</i>	44,753	44,731
<b>Operating Expenses</b>		
Residence halls and apartments	6,065	5,715
Food services	5,677	5,431
University center	892	841
Bookstore	3,691	3,918
Recreation center	1,560	1,514
Campus parking	366	369
Continuing education	434	513
Mavcard	93	111
Central services	1,327	1,260
<i>Total Operating Expenses</i>	20,105	19,672
<i>Net Revenue Before Transfers</i>	24,648	25,059
<b>Transfers</b>		
Mandatory transfers	(12,359)	(12,367)
Net Non-mandatory transfers	(4,537)	(6,668)
<i>Total Transfers</i>	(16,896)	(19,035)
<i>Net Revenue</i>	\$ 7,752	\$ 6,024
<b>Debt Service Coverage</b>		
Net operating revenue	\$ 24,648	\$ 25,059
Bond principal and interest	12,359	12,367
<i>Excess of Net Operating Revenue Over Debt Service</i>	\$ 12,289	\$ 12,692
<b>Debt Service Coverage Ratio</b>	199%	203%



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

Members of the Legislative Audit Committee:  
Denver, Colorado

We have audited, in accordance with the 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 business-type activities and aggregate discretely presented component units of Colorado Mesa University (the University); an institution of higher education of the State of Colorado, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 29, 2017. 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 years ended June 30, 2017 and 2016 were audited by other auditors. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that were reported on separately by those auditors. 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 *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

Dalby, Wendland & Co, P.C.

DALBY, WENDLAND & CO., P.C.

Grand Junction, Colorado

November 29, 2017





## AUDIT COMMITTEE COMMUNICATIONS

Members of the Legislative Audit Committee:  
Denver, Colorado

We have audited the financial statements of the business-type activities of Colorado Mesa University (the University) for the year ended June 30, 2017, and have issued our report thereon dated November 29, 2017. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the Colorado Mesa University Foundation (the Foundation), a discretely presented component unit of the University, and the Foundation's financial statements were not audited in accordance with *Government Auditing Standards*. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 3, 2017. 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. 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, 2017. We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the net pension liability is based on the estimate of the University's proportionate share of the net pension liability as of December 31, 2016 and 2015 of the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association (PERA), as described in Note 8 to the University's financial statements. The University's proportion of the SDTF's net pension liability was based on the University's contributions to the SDTF for the calendar year 2016 and 2015 relative to the total contributions made to the SDTF by participating employers for the calendar year 2016 and 2015.

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

Management's estimate of depreciation expense is based on their evaluation of the useful lives of property and equipment. We evaluated the key factors and assumptions used to determine the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

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

#### **Difficulties Encountered in Performing the Audit**

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

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during the audit.

#### **Disagreements with Management**

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

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated November 29, 2017.

#### **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 University'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**

We applied certain limited procedures to the management's discussion and analysis, the Schedule of the University's Proportionate Share of the Net Pension Liability of the State Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association and the Schedule of University Contributions to the State Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial

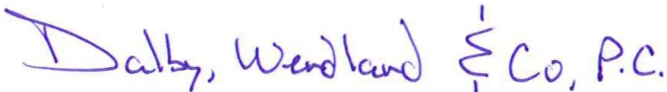
statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedules of revenue and expenses for enterprise revenue bonds, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

**Restriction on Use**

This information is intended solely for the use of the Legislative Audit Committee, Office of the State Auditor of the State of Colorado, Board of Trustees and management of the 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,

A handwritten signature in blue ink that reads "Dalby, Wendland & Co., P.C." with a stylized flourish at the end.

DALBY, WENDLAND & CO., P.C.

Grand Junction, Colorado

November 29, 2017

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION

**COLORADO MESA UNIVERSITY**  
**STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS**  
For the year ended June 30, 2017

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**Introduction**

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

The financial and compliance examination of the various state-funded student assistance programs at the University for the year ended June 30, 2017, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Department of Higher Education (CDHE). The State-Funded Student Assistance Programs policies are approved by the Colorado Commission on Higher Education (CCHE). The State student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2017.

**State-Funded Student Assistance Programs**

The various State-funded student assistance programs at the University include the Colorado Need Based Grant Program, the Colorado Work Study Program, the Colorado Merit Aid, the Colorado Graduate Grant and the Colorado Career and Technical Education Grant.

The State-funded student assistance awards made by the University totaled approximately \$6,961,000 for the fiscal year ended 2017.

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

During the audit period, Colorado Mesa University obtained authorizations to award federal student financial aid funds of \$13,874,000 under the Pell Grant Program, \$224,000 under the Supplemental Educational Opportunity Grant Program and \$322,000 under the Federal College Work-Study Program.

During the audit period, Colorado Mesa University obtained authorizations to award Colorado student financial aid funds of approximately \$5,691,000 under the Need Based Grant Program, \$273,000 under the Colorado Merit Scholarship, and \$986,000 under the Colorado Work Study Program.



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

Members of the Legislative Audit Committee:

**Report on the Statement**

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs (the Statement) for Colorado Mesa University (the University) for the year ended June 30, 2017. The Statement is the responsibility of the University's management. Our responsibility is to express an opinion on this Statement based on our audit.

**Management's Responsibility for the Statement**

Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial format as set forth in the *2016-17 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance programs of the University for the year ended June 30, 2017, in accordance with the format as set forth in the *2016-17 Audit*

*Aspen • Glenwood Springs • Rifle • Grand Junction • Montrose • Telluride*

*Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education (DHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University described in Note A to the Statement.

**Basis of Accounting**

We draw attention to Note A to the Statement, which describes the basis of accounting. As described in Note A to the Statement, the Statement prepared by the University was prepared in accordance with the 2016-2017 *Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the statement of state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. Accordingly, the accompanying Statement is not intended to, and does not present the financial position, changes in financial position, or cash flows of the University in conformity with accounting principles generally accepted in the United States of America.

**Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have issued our report dated November 29, 2017 on our consideration of the University’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**Restriction on Use**

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



DALBY, WENDLAND & CO., P.C.

Grand Junction, Colorado

November 29, 2017

**STATE OF COLORADO  
 COLORADO MESA UNIVERSITY  
 STATE-FUNDED STUDENT ASSISTANCE PROGRAMS  
 STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS  
 YEAR ENDED JUNE 30, 2017**

	Total State-Funded Student Assistance	Colorado Need-Based Grant	Colorado Graduate Grant	Colorado Merit Aid	Colorado CTE Grant	Colorado Work-Study
Appropriations:						
Original	\$ 6,886,079	\$ 5,730,462	\$ 6,498	\$ 248,038	\$ 4,648	\$ 896,433
Supplemental	74,803	(39,643)	-	24,803	-	89,643
Transfers	-	-	-	-	-	-
TOTAL	<u>6,960,882</u>	<u>5,690,819</u>	<u>6,498</u>	<u>272,841</u>	<u>4,648</u>	<u>986,076</u>
Expenditures	<u>6,960,882</u>	<u>5,690,819</u>	<u>6,498</u>	<u>272,841</u>	<u>4,648</u>	<u>986,076</u>
Reversions to State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



**COLORADO MESA UNIVERSITY**

**STATE –FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS  
NOTES TO STATEMENT OF APPROPRIATIONS,  
EXPENDITURES, TRANSFERS, AND REVERSIONS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

Colorado Mesa University (the University) is governed by the University's Board of Trustees.

The accompanying statement of appropriations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *2016-2017 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the University. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the University for the year ended June 30, 2017. Because the Statement presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position or changes in financial position of the University in conformity with U.S. generally accepted accounting principles.

**Basis of Accounting**

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

All student aid is expensed on a cash basis except for the Colorado Work Study (CWS) Program. The CWS is on the accrual basis in that the expense is recognized when students earn their wages from employment positions funded by CWS.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE STATEMENT OF APPROPRIATIONS, EXPENDITURES,  
TRANSFERS, AND REVERSIONS OF THE STATE OF COLORADO STATE-FUNDED STUDENT  
ASSISTANCE PROGRAMS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

Members of the Legislative Audit Committee:  
Denver, Colorado

We have audited, in accordance with the 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 statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs (the Statement) of Colorado Mesa University (the University), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2017, and the related notes to the Statement, and have issued our report thereon dated November 29, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the Statement, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's Statement is free from 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 Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit,

and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

Dalby, Wendland & Co, P.C.

DALBY, WENDLAND & CO., P.C.

Grand Junction, Colorado

November 29, 2017

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