COLORADO MESA UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT

Fiscal Years Ended June 30, 2016 and 2015

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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, 2016

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, 2016. 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 October 2016.

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, 2016 and 2015. 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 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, 2016 Statewide Single Audit Report issued under separate cover.

Audit Opinion and Reports Summary

DWC expressed an unmodified opinion on the University's financial statements as of and for the years ended June 30, 2016 and 2015.

There were no current year audit findings and no audit adjustments were proposed or made to the financial statements of the University.

DWC 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.

DWC noted no matters involving the University’s internal control over financial reporting that we consider to be material weaknesses.

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, DWC 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, DWC does 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, 2016.

Summary of Progress in Implementing Prior Audit Findings

The University’s audit report for the year ended June 30, 2015 did not include any findings or recommendations that were required to be implemented during the year ended June 30, 2016.

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- 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:

	2014	2015	2016
Resident Students	6,738.0	6,317.3	6,598.4
Nonresident Students	1,069.8	1,081.5	1,153.6
Total Students	7,807.8	7,398.8	7,752.0
Faculty FTEs	377.5	375.4	380.0
Staff FTEs	321.1	368.8	385.7
Total Staff and Faculty FTEs	698.6	744.2	765.7

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.
CPAs and Business Advisors

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

Members of the Legislative Audit Committee:
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities, and 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, 2016 and 2015, 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, 2016 and 2015, respectively. Those financial statements were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundations, are based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundations were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, based on our 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, 2016 and 2015, 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 Notes 1 and 8 to the financial statements, during the year ended June 30, 2015, the University adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB 71). GASB 68 and 71 were implemented prospectively and resulted in the beginning balance of net position being restated for the year ended June 30, 2015 to reflect the implementation of GASB 68 and 71. Our opinion is not modified with respect to this 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, 2016 and 2015, 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 15 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 69 through 70 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 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 January 9, 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 grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Dalby, Wendland & Co, P.C.

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

January 9, 2017

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, 2016 and 2015 with comparative information presented as of and for the year ended June 30, 2014. 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, 2016 and 2015. 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, 2016 and 2015. 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, 2016 and 2015. 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 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 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 Foundation and the CMUREF meet the criteria to be included in the University's financial statements as a discretely presented component units. The Foundation was incorporated on August 22, 1975 under the laws of the State of Colorado. 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 of Colorado. 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 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 68, the University's net position continued to increase over the past three years, which is an indication of financial health.

The University's total net position as of June 30, 2014 was originally stated as $194.4 million before the effects of implementing GASB Statement No. 68. The University restated its beginning net position as $151.1 million to account for the University's proportionate share of the net (unfunded) pension liability of the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association of $43.3 million. The University's net position increased by $14.8 million, to $165.9 million from June 30, 2014 to June 30, 2015 and increased again by $16.6 million, to $182.5 million to June 30, 2016.

The 2014 to 2015 increase was from net operating and non-operating revenues of $2.7 million and other net revenues of $12.1 million, which included state capital appropriations of $10.8 million as well as capital donations of $2.9 million, which were offset by $1.6 million of transfers to other institutions. 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.

Throughout the University's growth – capital assets before depreciation increased from $416.0 million at the June 30, 2014 to $493.3 million at June 30, 2016 – the University has maintained current ratios of

2.13 (2016), 2.28 (2015) and 2.26 (2014). 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 fee and auxiliary enterprises revenues, combined, increased by $10.2 million from the year ended June 30, 2015 to the year ended June 30, 2016 and by $2.7 million from the year ended June 30, 2014 to the year ended June 30, 2015. 2015 revenue increased due to inflationary factors and tuition increases despite an enrollment decrease. Undergraduate enrollments on a student FTE basis at the University increased from 7,369.6 in the year ended June 30, 2015 to 7,722.7 in the year ended June 30, 2016 (4.4%) after having decreased from 7,752.2 in the year ended June 30, 2014 (4.9%). Graduate enrollment increased from 79.4 in the year ended June 30, 2015 to 120.5 in the year ended June 30, 2016 (51.8 %), after having increased from 55.7 in the year ended June 30, 2014 (42.5%). Overall enrollments increased by 4.8% in the year ended June 30, 2016, after having decreased by 4.6% in the year ended June 30, 2015, compared to the year ended June 30, 2014.

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.

Condensed Statements of Net Position as of June 30, 2016, 2015 and 2014 *(in thousands):*

				Increase (Decrease) 2016 vs. 2015	
	2016	**2015**	**2014**	**Amount**	**Percent**
Assets					
Current Assets	$ 50,211	$ 44,854	$ 40,355	$ 5,357	11.9%
Other Noncapital Assets	17,240	1,882	22,780	15,358	816.0%
Net Capital Assets	391,920	367,490	337,801	24,430	6.6%
Total Assets	**459,371**	**414,226**	**400,936**	**45,195**	**10.9%**
Deferred Outflows	14,134	10,796	7,307	3,338	30.9%
Liabilities					
Non-debt Liabilities	17,866	16,720	19,387	1,146	6.9%
Net Pension Liability	51,653	46,251	-	5,402	11.7%
Debt Liabilities	220,605	195,718	194,489	24,887	12.7%
Total Liabilities	**290,124**	**258,689**	**213,876**	**31,435**	**12.2%**
Deferred Inflows	881	418	-	463	110.8%
Net Position					
Invested In Capital Assets	185,803	171,772	143,389	14,031	8.2%
Restricted	20,829	4,811	25,286	16,018	332.9%
Unrestricted (deficit)	(24,132)	(10,668)	25,692	(13,464)	126.2%
Total Net Position	**$ 182,500**	**$ 165,915**	**$ 194,367**	**$ 16,585**	**9.99%**

Unrestricted cash and investments of $41.0 million (2016), $36.6 million (2015), and $33.2 million (2014) and restricted cash of $16.6 million (2016), $800 thousand (2015), and $21.4 million (2014) make up 85.4%, 80.0% and 86.5% of the University's total non-capital assets as of June 30, 2016, 2015 and 2014, respectively. The increase in Other Noncapital Assets and Restricted Net Position for Other Purposes is due to an increase of unspent bond proceeds reported as restricted cash from 2015 to 2016. Restricted cash of $16.6 million represents bond proceeds to be used for capital construction activity, as well as $1.3 million for required debt service (2016), which compares to $800 thousand debt service reserve on deposit with the University's bond custodian for the Series 2011 bond (2015), and restricted cash of $20.6 million (2014) to be used for capital construction activity, as well as $800 thousand (2014) for the required debt service reserve for the Series 2011 bond.

Non-debt liabilities of $17.9 million (2016), $16.7 million (2015) and $19.4 million (2014) make up 6.2%, 6.4% and 9.0% of total liabilities. Non-debt liabilities include accrued payroll liabilities of $6.4 million (2016), $5.9 million (2015) and $5.5 million (2014), accounts payable and non-payroll accrued liabilities of $6.6 million (2016), $4.3 million (2015) and $9.1 million (2014), unearned revenues of $1.7 million (2016), $2.2 million (2015) and $2.1 million (2014), compensated absences liabilities of $2.0 million (2016), $1.9 million (2015) and $1.7 million (2014) and deposits of $1.2 million (2016), $1.1 million (2015) and $1.0 million (2014).

The Governmental Accounting Standards Board issued GASB Statement No. 65 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.

With the implementation of GASB Statement No. 68, the University is required to report its proportionate share of the (unfunded) pension liability of $51.7 million (2016) and $46.3 million (2015). As described in Note 8, under this statement, at June 30, 2016 and 2015, the University reported a liability of $51.7 million and $46.3 million, 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, 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, 2014 and 2013. Standard update procedures were used to roll forward the SDTF's total pension liability to December 31, 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 2015 and 2014 relative to the total contributions of participating employers to the SDTF. GASB Statement No. 68 was not required to be implemented as of and for the year ended June 30, 2014. Accordingly, the University's financial statements as of and for the year ended June 30, 2014 do not reflect the effects of GASB Statement No. 68.

At June 30, 2016, the University's total net position was $182.5 million compared to $165.9 million and $194.4 million at June 30, 2015 and 2014, 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 $185.8 million (2016), $171.8 million (2015) and $143.4 million (2014). This category comprises 101.8%, 103.5% and 73.8 % of total net position as of June 30, 2016, 2015 and 2014, respectively, and represents investments in campus facilities and equipment, net of related debt and accumulated depreciation.
- Restricted net position includes restrictions of $20.0 million (2016), $4.8 million (2015) and $25.3 million (2014) 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 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 $24.1 million (2016), a deficit of $10.7 million (2015) and a positive balance of $25.7 million (2014) 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 $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, 2016, 2015 and 2014 *(in thousands):*

				Increase (Decrease) 2016 vs 2015	
	2016	**2015**	**2014**	**Amount**	**Percent**
Operating revenues	$ 112,148	$ 101,424	$ 95,687	$ 10,724	10.6%
Operating expenses	116,164	108,391	101,206	7,773	7.1%
Operating Income (Loss)	**(4,016)**	**(6,967)**	**(5,519)**	**2,951**	**-35.2%**
Net non-operating revenues	9,108	9,683	12,402	(575)	-5.9%
Income before Other Revenues	**5,092**	**2,716**	**6,883**	**2,376**	**87.4%**
Other revenues, expenditures, gains, losses and transfers	11,493	12,097	10,170	(604)	-5.0%
Increase in Net Position	**16,585**	**14,813**	**17,053**	**1,772**	**11.2%**
Net Position at Beginning of Year	165,915	194,367	177,314	(28,452)	-14.6%
Cumulative effect of adoption of accounting standard	-	(43,265)	-	43,265	-100.0%
Net Position at End of Year	**$ 182,500**	**$ 165,915**	**$ 194,367**	**$ 16,585**	**10.0%**

The University's operating revenues increased by $10.7 million from $101.4 million (2015) to $112.1 million (2016), and net non-operating revenues decreased by $576 thousand from $9.7 million (2015) to $9.1 million (2016).

Operating and Net Non-operating Revenues (Expenses) for the Years Ended June 30, 2016, 2015 and 2014 *(in thousands):*

	2016	2015	2014	Increase (Decrease) 2016 vs 2015 Amount	Percent
Operating Revenues					
Tuition and Fees (net)	$ 60,490	$ 55,116	$ 52,256	$ 5,374	9.8%
Fee for Service Revenue	10,200	8,321	7,407	1,879	22.6%
Federal, State, Private Grants and Contracts	9,101	8,593	6,694	508	5.9%
Auxiliary Enterprise Revenue (net)	31,245	28,280	28,311	2,965	10.5%
Other Operating Revenues	1,112	1,114	1,019	(2)	-0.2%
Total Operating Revenues	**112,148**	**101,424**	**95,687**	**10,724**	**10.6%**
Non-Operating Revenues (Expenses)					
Federal Pell and Other Non-operating Grants	16,339	16,806	17,261	(467)	-2.8%
Contributions	486	56	90	430	767.9%
Investment and Interest Income	469	903	2,005	(434)	-48.1%
Interest Expense on Capital Debt	(8,078)	(7,631)	(7,925)	(447)	5.9%
Other Net Non-Operating Revenues (Expenses)	68	315	1,186	(248)	-78.8%
Gain or (Loss) on Disposal of Assets	(176)	(766)	(215)	590	-77.0%
Total Net Non-operating Revenues (Expenses)	**9,108**	**9,683**	**12,402**	**(575)**	**-5.9%**
Total Operating and Net Non-operating Revenues (Expenses)	**$ 121,256**	**$ 111,107**	**$ 108,089**	**$ 10,149**	**9.1%**

For the years ended June 30, tuition and fee revenues are reported net of scholarship allowances of $21.2 million (2016), $20.4 million (2015) and $13.2 million (2014), and auxiliary enterprise revenues are reported net of scholarship allowances of $113 thousand (2016), $125 thousand (2015) and $83 thousand (2014). Scholarship allowances are defined as the financial aid awarded to students by the University and used to pay University charges. The increase in tuition and fees is due to an average rate increase of 4.83%. The increase in auxiliary revenues is due to the opening of the Garfield II Residence Hall in the Spring term in FY 2015 and operating for a full year in FY 2016, plus the additional food service sales associated with the additional beds.

The State of Colorado (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 (2016), $75 per credit hour (2015) and $64 per credit hour (2014), and the University received total COF funding of $14.3 million (2016), $13.7 million (2015) and $12.4 million (2014).

For the years ended June 30, Federal Pell grant revenues were $14.1 million (2016), $14.4 million (2015) and $15.1 million (2014). For the years ended June 30, other non-operating grants were $2.3 million (2016), $2.4 million (2015) and $2.2 million (2014) and were primarily comprised of Build America Bond interest subsidies of $1.2 million (2016), $1.2 million (2015) and 1.2 million (2014). For the years ended June 30, the University also received $745 thousand (2016), $850 thousand (2015) and $700 thousand (2014) 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 pledged a combined $700 thousand per year for 10 years beginning in Fiscal Year 2013.

For the years ended June 30, investment and interest income was $469 thousand (2016), $903 thousand (2015) and $2.0 million (2014). The decrease from 2015 to 2016 is due primarily to unrealized investment losses of $646 thousand, offset in part by unrealized gains on the treasury pooled cash of $242 thousand. Investment and interest income in 2014 was significantly higher than 2016 or 2015 primarily due to higher investment earnings compared to 2016 or 2015. See Note 2 to the financial statements for detailed investment information.

Operating expenses totaled $116.2 million (2016), $108.4 million (2015) and $101.2 million (2014). The breakdown of expenses by reporting category is as follows:

Operating Expenses for Fiscal Years 2016, 2015 and 2014 *(in thousands):*

				Increase (Decrease) 2016 vs 2015	
	2016	**2015**	**2014**	**Amount**	**Percent**
Instruction	$ 35,053	$ 32,650	$ 31,121	$ 2,403	7.4%
Research	418	393	330	25	6.4%
Public service	62	63	66	(1)	-1.2%
Academic support	7,570	7,228	7,037	342	4.7%
Student services	10,795	10,068	9,435	727	7.2%
Institutional support	6,436	6,032	6,190	404	6.7%
Operation and maintenance of plant	12,792	12,640	10,399	152	1.2%
Net scholarships and fellowships	7,745	6,456	5,753	1,289	20.0%
Auxiliary enterprises	22,526	21,760	20,789	766	3.5%
Depreciation	12,767	11,101	10,086	1,666	15.0%
Total Operating Expenses	**$ 116,164**	**$ 108,391**	**$ 101,206**	**$ 7,773**	**7.2%**

Over the past Fiscal Year, total enrollment increased from 7,398.8 FTE in Fiscal Year 2015 to 7,752.0 in Fiscal Year 2016 (4.7%) after decreasing from 7,807.8 FTE in Fiscal Year 2014 (4.6%).

During the same period, combined tuition and fees and auxiliary enterprise revenues (net of scholarship allowance) increased from $80.6 million in Fiscal Year 2014 to $83.4 million in Fiscal Year 2015 (3.4%) to $91.7 million in Fiscal Year 2016 (9.9%), while expenses for instruction, academic support, student services, institutional support and auxiliary enterprises have increased from $74.6 million in Fiscal Year 2014 to $77.7 million in Fiscal Year 2015 (4.1%) to $82.4 million in Fiscal Year 2016 (6.0%). The increases in these functional expense categories over the past two years reflect the costs of providing more programs and services to more students.

Scholarship expenses are reported net of total scholarship allowances of $21.2 million (2016), $20.5 million (2015) and $20.4 million (2014); gross scholarship expense was $29.0 million (2016), $27.0 million (2015) and $26.1 million (2014). Note 11 to the financial statements reports non-workstudy scholarships from institutional sources totaled $10.3 million (2016), $7.2 million (2015) and $8.5 million (2014), and overall non-loan student assistance from institutional sources was $13.3 million (2016), $10.1 million (2015) and $11.7 million (2014). See Note 11 to the financial statements for detailed non-loan student financial assistance information.

Capital Assets

At June 30, 2016, the University had $493.3 million invested in capital assets before total accumulated depreciation of $101.3 million. The projects completed during Fiscal Year 2016 and projects in progress at June 30, 2016 are reported below. Fiscal Year 2016 property acquisitions include $3.4 million in land and building contributions from the University's foundations.

Capital Asset Categories (before depreciation) as of June 30, 2016, 2015 and 2014 *(in thousands):*					
				Increase (Decrease) 2016 vs 2015	
	2016	**2015**	**2014**	**Amount**	**Percent**
Description					
Land	$ 36,051	$ 32,320	$ 31,324	$ 3,731	11.5%
Construction in progress	31,699	32,509	32,997	(810)	-2.5%
Land and leasehold improvements	35,886	33,420	28,145	2,466	7.4%
Buildings	360,142	329,840	296,095	30,302	9.2%
Equipment	16,722	15,957	15,645	765	4.8%
Library materials	12,751	12,217	11,753	534	4.4%
Total Gross Capital Assets	**$ 493,251**	**$ 456,263**	**$ 415,959**	**$ 36,988**	**8.1%**

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

Project Description *(in thousands):*	**Amount**
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
Total	**$ 30,246**

Significant capital additions (over $1 million) completed in Fiscal Year 2015 and the resources funding the acquisitions includes the following:

Project Description *(in thousands)*	**Amount**
Garfield II Residence Hall, University funded	$ 12,342
Escalante Hall (Academic Classroom Building II), University/State funded	19,906
Phase III Drill Field, University funded	1,543
Northwest Mall, University funded	1,728
Total	**$ 35,519**

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

Project Description *(in thousands):*	**Amount**
Maverick Center Training Expansion, University funded	$ 14,297
Wingate Student Housing, University funded	12,116
CMU Health Sciences Project, University funded	3,407
Health Sciences Phase I – Nurse Practitioner Center, University/State funded	1,591
Total	**$ 31,411**

The following significant projects were in progress at June 30, 2015:

Project Description *(in thousands)*	**Amount**
Tomlinson Library Expansion and Renovation, University/State funded	$ 13,586
Pinon Living Learning Center Renovation, University funded	3,715
Maverick Center Expansion, University funded	13,647
Total	**$ 30,948**

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 2016, 2015 and 2014 are primarily cash and in-kind contributions from the University's foundations.

Capital Revenues for Fiscal Years 2016, 2015 and 2014 *(in thousands):*				Increase (Decrease) 2016 vs 2015	
	2016	**2015**	**2014**	**Amount**	**Percent**
Capital Revenues					
State appropriations, capital	$ 10,705	$ 10,838	$ 9,904	$ (133)	-1.2%
Capital contributions from the State	-	-	153	-	-
Capital donations	4,235	2,870	5,211	1,365	47.6%
Total Capital Revenues	**$ 14,940**	**$ 13,708**	**$ 15,268**	**$ 1,232**	**8.9%**

Debt

The University had debt of $220.6 million (2016), $195.7 million (2015) and $194.5 million (2014), 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. See Note 6 for more information. In February 2016, the University also 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.

Capital Debt Categories as of June 30, 2016, 2015 and 2014 *(in thousands):*				Increase (Decrease) 2016 vs 2015	
	2016	**2015**	**2014**	**Amount**	**Percent**
Bonds payable	$ 212,170	$ 189,532	$ 187,966	$ 22,638	11.9%
Capital leases	4,130	4,413	4,677	(283)	-6.4%
Notes payable	4,305	1,773	1,844	2,532	142.8%
Total Capital Debt	**$ 220,605**	**$ 195,718**	**$ 194,487**	**$ 24,887**	**12.7%**

Economic Outlook

After several years of declining state funding from fee-for-service contracts and COF stipends, the Fiscal Year 2016 appropriation from those sources increased by $2.4 million compared to Fiscal Year 2015. Appropriated state support for Fiscal Year 2017 is $24.3 million and compares to $24.9 million of state support actually received in Fiscal Year 2016.

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

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

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

COLORADO MESA UNIVERSITY

Statements of Net Position

June 30, 2016 and 2015 *(in thousands)*

		2016		2015
Assets				
Current Assets				
Cash and cash equivalents	**$**	**31,313**	$	26,588
Investments		**9,682**		10,022
Student accounts receivable, net		**5,042**		4,427
Other accounts receivable, net		**2,432**		2,521
Student loans, net		**383**		94
Inventories		**971**		819
Prepaid expenses		**388**		383
Total Current Assets		**50,211**		44,854
Noncurrent Assets				
Noncapital Noncurrent Assets				
Restricted cash and cash equivalents		**16,581**		800
Student loans, net		**569**		954
Other noncurrent assets		**90**		128
Total Noncapital Noncurrent Assets		**17,240**		1,882
Non-depreciable Capital Assets, Net				
Land and improvements		**36,051**		32,320
Construction in progress		**31,699**		32,508
Total Non-depreciable Capital Assets		**67,750**		64,828
Depreciable Capital Assets, Net				
Land and leasehold improvements		**24,957**		24,117
Buildings		**288,465**		267,801
Equipment		**7,242**		7,468
Library materials		**3,506**		3,276
Total Depreciable Capital Assets, Net		**324,170**		302,662
Total Non-current Assets		**409,160**		369,372
Total Assets	**$**	**459,371**	$	414,226
Deferred Outflows				
Loss on bond refundings, net	**$**	**8,074**	$	8,611
Contributions to cost-sharing multiple employer defined benefit pension plan subsequent to the measurement date		**1,414**		1,243
Net difference between projected and actual earnings on cost-sharing multiple-employer defined benefit pension plan investments		**3,894**		942
Difference between expected and actual experience in the measurement of the total pension liability from cost-sharing multiple-employer defined benefit pension plan		**752**		-
Total Deferred Outflows	**$**	**14,134**	$	10,796

See accompanying notes.

COLORADO MESA UNIVERSITY

Statements of Net Position (continued)

June 30, 2016 and 2015 *(in thousands)*

		2016		2015
Liabilities				
Current Liabilities				
Accounts payable	**$**	**4,079**	$	3,444
Accrued liabilities		**8,885**		8,096
Unearned revenues		**1,652**		2,173
Deposits held for others		**669**		508
Student deposits		**521**		616
Bonds payable, current portion		**5,660**		5,510
Capital leases payable - current portion		**300**		282
Notes payable, current portion		**1,565**		692
Compensated absence liability, current portion		**248**		248
Total Current Liabilities		**23,579**		21,569
Non-current Liabilities				
Bonds payable		**206,510**		184,022
Capital leases payable		**3,830**		4,131
Notes payable		**2,740**		1,081
Compensated absence liability		**1,812**		1,635
Net pension liability		**51,653**		46,251
Total Non-current Liabilities		**266,545**		237,120
Total Liabilities	**$**	**290,124**	$	258,689
Deferred Inflows				
Change in the University's proportion and differences between the University's contributions and the University's proportionate share of contibutions to a cost-sharing multiple-employer defined benefit pension plan.	**$**	**268**	$	414
Difference between expected and actual experience in the measurement of the total pension liability		**2**		4
Change in assumptions of other inputs related to a cost-sharing multiple-employer defined benefit pension plan		**611**		-
Total Deferred Inflows	**$**	**881**	$	418
Net Position				
Net investment in capital assets	**$**	**185,803**	$	171,772
Restricted for:				
Loans		**1,350**		1,283
Capital projects		**14,488**		-
Other purposes		**4,991**		3,528
Unrestricted deficit		**(24,132)**		(10,668)
Total Net Position	**$**	**182,500**	$	165,915

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	$ 28,651,765
LIABILITIES & NET ASSETS	
LIABILITIES	
Note Payable - Line of Credit - Bank	$ 600,000
Accounts Payable	116,434
TOTAL LIABILITIES	716,434
NET ASSETS	
Unrestricted Net Assets	
Designated by the Board for Endowment Purposes	71,144
Undesignated	(396,778)
Total Unrestricted Net Assets	(325,634)
Temporarily Restricted Net Assets	7,299,002
Permanently Restricted Net Assets	20,961,963
TOTAL NET ASSETS	27,935,331
TOTAL LIABILITIES & NET ASSETS	$ 28,651,765

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

ASSETS	
Cash and Cash Equivalents	$2,477,944
Investments	23,867,212
Unconditional Promises to Give	1,557,472
Property Subject to Life Estate	508,000
TOTAL ASSETS	$28,410,628
LIABILITIES & NET ASSETS	
LIABILITIES	
Note Payable - Line of Credit - Bank	$1,200,000
Accounts Payable	126,605
Accrued Liabilities	49
TOTAL LIABILITIES	1,326,654
NET ASSETS	
Unrestricted Net Assets	
Designated by the Board for Endowment Purposes	68,144
Undesignated	(1,030,543)
Total Unrestricted Net Assets	(962,399)
Temporarily Restricted Net Assets	7,912,898
Permanently Restricted Net Assets	20,133,475
TOTAL NET ASSETS	27,083,974
TOTAL LIABILITIES & NET ASSETS	$28,410,628

See accompanying notes.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 & 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 162,610	$ 162,565
Accounts Receivable (Net of Allowance of $30,177 (2016) and $0 (2015))	37,374	32,298
TOTAL CURRENT ASSETS	199,984	194,863
PROPERTY & EQUIPMENT		
Building	-	1,041,910
Land	-	112,820
NET PROPERTY & EQUIPMENT	-	1,154,730
LONG-TERM ASSETS		
Land Held for Investment	880,393	880,393
TOTAL LONG-TERM ASSETS	880,393	880,393
TOTAL ASSETS	$1,080,377	$2,229,986
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$ -	$ 152,882
Accrued Interest Payable	-	22,672
Accounts Payable and Accrued Liabilities	8,253	27,633
TOTAL CURRENT LIABILITIES	8,253	203,187
NON-CURRENT LIABILITIES		
Long-Term Debt	-	344,618
Tenant Deposits	21,556	18,356
TOTAL NON-CURRENT LIABILITIES	21,556	362,974
TOTAL LIABILITIES	29,809	566,161
NET ASSETS		
Unrestricted Net Assets	1,050,568	1,663,825
TOTAL NET ASSETS	1,050,568	1,663,825
TOTAL LIABILITIES & NET ASSETS	$ 1,080,377	$ 2,229,986

See accompanying notes.

COLORADO MESA UNIVERSITY
Statements of Revenues, Expenses and Changes in Net Position
June 30, 2016 and 2015 *(in thousands)*

	2016	2015
Operating Revenues		
Tuition and fees (including $12,921 (2016) and $12,101 (2015) pledged for bonds, net of scholarship allowances of $21,191 (2016) and $20,441 (2015))	**$ 60,490**	$ 55,116
Fee for service revenue	**10,200**	8,321
Federal, state, private grants and contracts	**9,101**	8,593
Auxiliary enterprise revenue (including $30,555 (2016) and $27,293 (2015) pledged for bonds, net of scholarship allowances of $113 (2016) and $125 (2015))	**31,245**	28,280
Contributions	**447**	536
Other operating revenues (including $133 (2016) and $97 (2015) pledged for bonds)	**665**	578
Total Operating Revenues	**112,148**	101,424
Operating Expenses		
Instruction	**35,053**	32,650
Research	**418**	393
Public service	**62**	63
Academic support	**7,570**	7,228
Student services	**10,795**	10,068
Institutional support	**6,436**	6,032
Operation and maintenance of plant	**12,792**	12,640
Net scholarships and fellowships	**7,745**	6,456
Auxiliary enterprises	**22,526**	21,760
Depreciation	**12,767**	11,101
Total Operating Expenses	**116,164**	108,391
Operating Loss	**(4,016)**	(6,967)
Non-operating Revenues and Expenses		
Federal pell and other non-operating grants	**16,339**	16,806
Contributions	**486**	56
Investment and interest income, net (including $512 (2016) and $459 (2015) pledged for bonds)	**469**	903
Interest expense on capital debt	**(8,078)**	(7,631)
Other net non-operating revenues (expenses)	**68**	315
Loss on disposal of assets	**(176)**	(766)
Net Non-operating Revenues	**9,108**	9,683
Income Before Other Revenues or Expenses	**5,092**	2,716
Other Revenues, Expenses, Gains, Losses, and Transfers		
State appropriations, capital	**10,705**	10,838
Capital donations (including $757 (2016) and $721 (2015) pledged for bonds)	**4,235**	2,870
Transfers to governing boards or other institutions	**(3,447)**	(1,611)
Total Other Revenues, Expenses, Gains, Losses, and Transfers	**11,493**	12,097
Increase in Net Position	**16,585**	14,813
Net Position - Beginning of Year	**165,915**	194,367
Cumulative effect of adoption of accounting standard	**-**	(43,265)
Net Position - End of Year	**$ 182,500**	$ 165,915

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
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	-
TOTAL REVENUE AND SUPPORT	4,058,499	(613,896)	828,488	4,273,091
EXPENSES				
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
TOTAL EXPENSES	3,421,734	-	-	3,421,734
CHANGE IN NET ASSETS	636,765	(613,896)	828,488	851,357
NET ASSETS (DEFICIT) - BEGINNING	(962,399)	7,912,898	20,133,475	27,083,974
NET ASSETS (DEFICIT) - ENDING	$ (325,634)	$ 7,299,002	$20,961,963	$27,935,331

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions	$54,832	$2,150,512	$1,690,540	$3,895,884
Support from Colorado Mesa University	321,439	0	0	321,439
Special Events	0	448,563	0	448,563
Less: Costs of Direct Benefits to Donors	0	(388,194)	0	(388,194)
Investment Income (net of fees)	2,665	452,320	0	454,985
Realized Gain/Loss on Investments	(674)	572,484	0	571,810
Unrealized Gain/Loss on Investments	0	(628,537)	0	(628,537)
Colorado Mesa University Department & Club Collections	0	1,285,084	0	1,285,084
Other	296	10,786	0	11,082
Net Assets Released from Restrictions	3,329,076	(3,329,076)	0	0
Donor Imposed Classification Change	0	50,177	(50,177)	0
TOTAL REVENUE AND SUPPORT	3,707,634	624,119	1,640,363	5,972,116
EXPENSES				
Program Services				
Scholarships	979,708	-	-	979,708
Colorado Mesa University Building Projects & Expansion	1,044,024	-	-	1,044,024
Colorado Mesa University Department & Club Transfers	881,143	-	-	881,143
Supporting Services				
Management & General	28,791	-	-	28,791
Fund-raising	222,855	-	-	222,855
TOTAL EXPENSES	3,156,521	0	0	3,156,521
CHANGE IN NET ASSETS	551,113	624,119	1,640,363	2,815,595
NET ASSETS (DEFICIT) - BEGINNING	(1,513,512)	7,288,779	18,493,112	24,268,379
NET ASSETS (DEFICIT) - ENDING	($962,399)	$7,912,898	$20,133,475	$27,083,974

See accompanying notes.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2016 & 2015

UNRESTRICTED NET ASSETS

	2016	2015
REVENUE AND SUPPORT		
Real Estate Management Fee	$ 150,677	$ 92,045
Net Assets Released From Restrictions	521,454	680,085
TOTAL REVENUE AND SUPPORT	672,131	772,130
EXPENSES		
Program Expenses		
Support Colorado Mesa University		
Real Estate Management Expenses	124,888	49,533
Interest Expense	-	22,672
Colorado Mesa University - Transfer of Property	1,154,730	402,541
Supporting Services		
Management & General	5,770	5,587
TOTAL EXPENSES	1,285,388	480,333
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(613,257)	291,797

TEMPORARILY RESTRICTED NET ASSETS

	2016	2015
REVENUE AND SUPPORT		
Support from Colorado Mesa University	3,968,192	1,611,136
Support from Colorado Mesa University Foundation	-	50,418
Net Assets Released From Restrictions	(521,454)	(680,085)
TOTAL REVENUE AND SUPPORT	3,446,738	981,469
EXPENSES		
Program Expenses		
Support Colorado Mesa University		
Purchase of Real Estate	3,446,738	1,127,932
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	(146,463)
INCREASE (DECREASE) IN NET ASSETS	(613,257)	145,334
NET ASSETS - BEGINNING	1,663,825	1,518,491
NET ASSETS - ENDING	$ 1,050,568	$ 1,663,825

See accompanying notes.

COLORADO MESA UNIVERSITY
Statements of Cash Flows
June 30, 2016 and 2015 *(in thousands)*

	2016	2015
Cash Flows from Operating Activities		
Tuition & fees	**$ 81,790**	$ 75,679
Sales of services	**27,320**	25,428
Sales of product	**12,431**	11,077
Grants, contracts and gifts	**9,212**	9,167
Student loans collected	**165**	162
Other operating receipts	**665**	425
Payments to or for employees	**(58,074)**	(55,162)
Payments to suppliers	**(33,678)**	(35,047)
Scholarships disbursed	**(29,049)**	(27,022)
Student loans disbursed	**(3)**	(153)
Net Cash Provided by Operating Activities	**10,779**	4,554
Cash Flows from Non-capital Financing Activities		
Gifts and grants for other than capital purposes	**16,784**	16,898
Other agency inflows	**80,325**	49,229
Other agency outflows	**(80,132)**	(49,091)
Transfers to other campuses, board, or institution	**(3,447)**	(1,611)
Net Cash Provided by Non-Capital Financing Activities	**13,530**	15,425
Cash Flows from Capital and Related Financing Activities		
State appropriations, capital	**11,348**	10,433
Capital grants, contracts and gifts	**787**	1,209
Acquisition and construction of capital assets	**(29,967)**	(42,182)
Proceeds from capital debt	**28,148**	24,005
Bond issuance costs paid	**(138)**	(93)
Principal paid on capital debt	**(6,484)**	(22,823)
Interest on capital debt	**(8,327)**	(8,560)
Net Cash Used by Capital and Related Financing Activities	**(4,633)**	(38,011)
Cash Flows from Investing Activities		
Purchase of investments	**-**	(656)
Investment earnings (interest/dividends)	**830**	1,174
Net Cash Provided by Investing Activities	**830**	518
Net Increase (Decrease) in Cash & Cash Equivalents	**20,506**	(17,514)
Cash & Cash Equivalents - Beginning of the Year	**27,388**	44,902
Cash & Cash Equivalents - End of the Year	**$ 47,894**	$ 27,388

See accompanying notes.

COLORADO MESA UNIVERSITY

Statements of Cash Flows (continued)

June 30, 2016 and 2015 *(in thousands)*

		June 30, 2016		June 30, 2015
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating Loss	**$**	**(4,016)**	$	(6,967)
Adjustments to reconcile operating loss to net cash provided by opeating activities:				
Depreciation expense		**12,767**		11,101
Provision for uncollectible accounts		**1,171**		808
Increase in assets - operating portions		**(2,389)**		(1,215)
Increase in liabilities - operating portions		**3,246**		827
Net Cash Provided by Operating Activities	**$**	**10,779**	$	4,554
Supplemental Disclosure of Noncash Investing and Financing Activities				
Additions to construction in progress included in accounts payable and accrued liabilities.	**$**	**6,212**	$	3,440
Land donated from foundations		**3,448**		1,611
State capital contributions		**153**		-
Amortization of bond issuance costs		**3**		-
Property acquired with note payable		**3,226**		-
Other property donation		**-**		50

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	2,407,481
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	(1,824,026)
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	(1,400,390)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(816,935)
BEGINNING CASH AND CASH EQUIVALENTS	2,477,944
ENDING CASH AND CASH EQUIVALENTS	$ 1,661,009
SUPPLEMENTAL DISCLOSURES	
Interest Paid	$ 29,024
Noncash Investing and Financing Activities	
Contribution of Equipment	$ 79,014

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	$2,815,595
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by:	
Operating Activities:	
Donation of Equipment Included in Contributions	(102,397)
Realized & Unrealized (Gains)/Losses on Investments	(56,727)
(Increase) Decrease in Operating Assets:	
Unconditional Promises to Give	(268,397)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	126,402
Contributions Restricted for Long-Term Purposes:	
Scholarships	1,640,363
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	4,154,839
CASH FLOWS FROM INVESTING ACTIVITIES	
Equipment Contributed to Colorado Mesa University	102,397
Proceeds from Sales of Long-Term Investments	6,231,354
Purchases of Long-Term Investments	(7,361,807)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,028,056)
CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of Contributions Restricted for Long-Term Purposes:	
Scholarships	(1,640,363)
New Borrowings - Line of Credit	50,418
Debt Reduction - Line of Credit	(600,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(2,189,945)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	936,838
BEGINNING CASH AND CASH EQUIVALENTS	1,541,106
ENDING CASH AND CASH EQUIVALENTS	$2,477,944
SUPPLEMENTAL DISCLOSURES	
Interest Paid	$50,352
Noncash Investing and Financing Activities	
Contribution of Equipment	$102,397

See accompanying notes.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2016 & 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	$ (613,257)	$ 145,334
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by		
Operating Activities:		
Colorado Mesa University - Transfer of Property	657,230	402,541
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(5,076)	11,893
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	(19,380)	(66,275)
Accrued Interest Payable	(22,672)	22,672
Tenant Deposits	3,200	2,866
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	45	519,031
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	-	(657,230)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	(657,230)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	45	(138,199)
BEGINNING CASH	162,565	300,764
ENDING CASH	$ 162,610	$ 162,565

SUPPLEMENTAL DISCLOSURES

	2016	2015
Noncash Investing and Financing Transaction:		
Cost of Building & Land	$ -	$ 497,500
Note Payable	$ -	$ (497,500)
Property and Equipment Transferred to Colorado Mesa University	$ 1,154,730	$ -
Note Payable Assumed by Colorado Mesa University	$ (497,500)	$ -
Transfer of Property	$ 657,230	$ -

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Governance

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

Reporting Entity

The accompanying financial statements reflect the financial activities of the University for the Fiscal Years ended June 30, 2016 and 2015. 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 Colorado Mesa University Foundation (Foundation) and the Colorado Mesa University Real Estate Foundation (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. The CMUREF is a separate non-profit corporation under Internal Revenue Code Section 501(c)(3) formed to acquire, manage and dispose of properties in order to provide financial assistance to the University. The CMUREF engages in activities that may be beyond the scope of the Board and its financial records are maintained separately from the University.

Basis of Accounting

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

In accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* (GASB 61) and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* paragraph 47 (GASB 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 the CMUREF are prepared on the accrual basis and follow FASB Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

The Foundation and the CMUREF use different GAAP reporting models and, following the GASB 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 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 $9.7 million and $10.0 million, including an unrealized gain of $736 thousand and $1.4 million, at June 30, 2016 and 2015, 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*, (GASB 63) 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, sports camp revenues and advances on grants and contracts for which the University has not yet provided the associated services.

Capital Lease Liabilities

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

In May 2008, the University entered into a capital lease-purchase contract for the acquisition of equipment that will result in guaranteed energy cost 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 derived from activities associated with providing goods and services for instruction, public service or related support services to an individual or entity separate from the University.
- Non-operating revenues and expenditures do not meet the definition of operating revenues or operating expenses. Non-operating revenues include state operating appropriations, federal 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 and certain other expenses which do not meet the definition of current expenses.

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

Scholarship Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees were $21.2 million and $20.4 million and scholarship allowances for auxiliary charges were $113 thousand and $125 thousand for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, the University had no non-expendable investment in restricted 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 $2.7 million and $3.4 million at June 30, 2016 and 2015, 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, 2016 and 2015, the restricted net position related to the FPL program totaled $1.3 million and $1.3 million. The sponsored program's net position was $156 thousand and $176 thousand at June 30, 2016 and 2015, 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* (See "Cumulative Effect of Adoption of New Accounting Standard" section on page 34).

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, 2016 and 2015.

The Foundation and the 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.

Cumulative Effect of Adoption of Accounting Standard
During the year ended June 30, 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 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 (see Note 8).

Certain employees of the University are covered by 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. In accordance with GASB 68, as a result of the University having employees covered by the SDTF, beginning net position as of July 1, 2014 was adjusted downward by $43.3 million for the net effect of recording the University's proportionate share of the STDF's net pension liability as of December 31, 2013 (STDF's measurement date) less contributions made by the University to the SDTF subsequent to the December 31, 2013 measurement date and prior to the beginning of the University's current fiscal year (the period of January 1, 2014 through June 30, 2014). The University's proportion of the net pension liability was based on the University's contributions to the SDTF for the calendar year 2013 relative to the total contributions made to the SDTF by participating employers for the calendar year 2013.

At December 31, 2015, the University's proportion of the SDTF's net pension liability was approximately 0.4950 percent. The SDTF's net pension liability as of December 31, 2015 was $10.5 billion. The University's share of the SDTF's net pension liability, calculated by applying the aforementioned proportion to the SDTF's net pension liability, is $51.6 million.

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 $36.9 million and $17.7 million, including unrealized gains of $242 thousand and $58 thousand, on deposit with the Treasurer as of June 30, 2016 and 2015. The June 30, 2016 balance included $15.8 million of bond proceeds, leaving $21.1 million and $17.7 million available for operations as of June 30, 2016 and 2015 respectively.

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted prices in active markets for identical assets ($230 million) and significant other observable inputs ($7,178.5 million) at the fiscal year end. On the basis of the University's participation in the Treasurer's Pool (Pool), the University reports as 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.

Investments in the Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the State's name. As of June 30, 2016, none of the investments in the Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2016, approximately 83.8% of investments of the Pool are subject to credit quality risk reporting. Except for $77.8 million (2016) and $87.4 million (2015) of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2016, the weighted average maturity of investments in the Treasurer's Pool is as follows *(in thousands)*.

Investment Type	**Weighted Average Maturity**		**Maturity Amount**	**Percent of Pool**
Asset Backed Securities	2.585	$	1,025	13.8
Corporate Bonds	1.985		1,668	22.5
U.S. Government Securities	1.343		3,633	49.0
Commercial Paper	0.094		847	11.4
Money Market Mutual Funds	0.000		230	3.1
Mortgages	0.000		5	0.2
Total		**$**	**7,408**	**100.0**

The Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year ended June 30, 2016.

Additional information on investments of the Pool may be obtained in the State's Comprehensive Annual Financial Report for the years ended June 30, 2016 and 2015.

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

As of June 30, the carrying amount of the University's cash on deposit was $10.9 million (2016) and $9.7 million (2015) and the bank balance was $11.8 million (2016) and $10.7 million (2015). The difference between the University's cash in banks and the amount reported by the various banks was $908 thousand (2016) and $1.0 million (2015) 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 $9.7 million (2016) and $10.0 million (2015), including an unrealized gain of $736 thousand (2016) and $1.4 million (2015). The University's investments included debt and equity securities, fixed income investments, short-term money market funds and an alternative investment fund (2016 and 2015). 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, 2016 and 2015. The fair value of individual bond pricing was provided via Interactive Data Corporation fair value information services.

The fair value 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	**Significant Other Observable Inputs**	**Significant Unobservable Inputs**	**Fair Value**
	Level 1	**Level 2**	**Level 3**	**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

The fair value of investments by value level at year ended at June 30, 2015 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**
US Government Securities	-	15	-	15
Corporate Bonds	-	1,054	-	1,054
Corporate Equities	3,848	-	-	3,848
Mortgages	-	800	-	800
Mutual Funds	3,816	-	-	3,816
Taxable Municipals	-	414	-	414
Money Market	75	-	-	75
	7,739	2,283	-	10,022

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, 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

The change in the investment balance during the year ended at June 30, 2015 consisted of the following components *(in thousands)*:

Investments - Cost	$	7,984
Additional contributions		-
Net interest revenue		66
Dividend income		104
Net realized gain		525
Non-cash changes		(1)
Investment fees		(39)
Investments - cost	$	8,639
Unrealized gain		1,383
Investments - Market	$	10,022

Investments at June 30, 2016 consisted of the following:

	Fair Value		Moody's Rating	Weighted Average Maturity	Duration (in years)
Debt Securities					
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
Other Investments					
Corporate Equities		3,652			
Mutual Funds		3,835			
Money Market Mutual Funds		9			
Total	**$**	**9,682**			

The return on investments for the year ended June 30, 2016 was -3.05% gross of fees and -3.44% net of fees.

Investments at June 30, 2015 consisted of the following:

	Fair Value		Moody's Rating	Weighted Average Maturity	Duration (in years)
Debt Securities					
U.S Government Securities	$	815	Aaa	3.10	2.73
Corporate Bonds		1,054	AAA – BBB	6.82	4.37
Taxable Municipal Bonds		291	Aa	3.09	2.45
Taxable Municipal Bonds		122	not rated	3.09	2.45
Other Investments					
Corporate Equities		3,851			
Mutual Funds		3,816			
Money Markets		73			
Total	**$**	**10,022**			

The return on investments for the year ended June 30, 2015 was 4.01% gross of fees and 3.59% 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, 2016 and 2015 *(in thousands)*:

	June 30, 2016		June 30, 2015	
Total Accounts and Loans Receivable	$	13,498	$	12,045
Less: Allowance for Doubtful Accounts		(5,072)		(4,049)
Net Accounts and Loans Receivable	$	8,426	$	7,996

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, 2016 *(in thousands)*:

	Balance July 1, 2015	Additions	Transfers	Disposals	Balance June 30, 2016
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
Total Non-depreciable Capital Assets	**64,828**	**21,215**	**(18,293)**	**-**	**67,750**
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
Total Depreciable Capital Assets	**391,434**	**16,159**	**18,293**	**(387)**	**425,499**
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)
Total Accumulated Depreciation	**(88,772)**	**(12,767)**	**-**	**210**	**(101,329)**
Net Depreciable Capital Assets	**302,662**	**3,392**	**18,293**	**(177)**	**324,170**
Capital Assets, net	**$ 367,490**	**$ 24,607**	**$ -**	**$ (177)**	**$ 391,920**

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2015 *(in thousands)*:

	Balance July 1, 2014	Additions	Transfers	Disposals	Balance June 30, 2015
Non-depreciable Capital Assets					
Land and Improvements	$ 31,324	$ 996	$ -	$ -	$ 32,320
Construction in Progress	32,997	26,813	(27,302)	-	32,508
Total Non-depreciable Capital Assets	**64,321**	**27,809**	**(27,302)**	-	**64,828**
Depreciable Capital Assets					
Leasehold and Land Improvements	28,146	3,071	2,203	-	33,420
Buildings	296,094	9,414	25,099	(767)	329,840
Equipment	15,644	797	-	(484)	15,957
Library Materials	11,753	464	-	-	12,217
Total Depreciable Capital Assets	**351,637**	**13,746**	**27,302**	**(1,251)**	**391,434**
Less: Accumulated Depreciation					
Land Improvements	(7,748)	(1,556)	-	1	(9,303)
Buildings	(53,808)	(8,407)	-	176	(62,039)
Equipment	(7,857)	(942)	-	310	(8,489)
Library Materials	(8,745)	(196)	-	-	(8,941)
Total Accumulated Depreciation	**(78,158)**	**(11,101)**	**-**	**487**	**(88,772)**
Net Depreciable Capital Assets	**273,479**	**2,645**	**27,302**	**(764)**	**302,662**
Capital Assets, net	**$ 337,800**	**$ 30,454**	**$ -**	**$ (764)**	**$ 367,490**

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, 2016 and 2015, interest revenue used to offset interest costs capitalized was $98 thousand and $100 thousand, respectively. Total interest costs incurred for the years ended June 30, 2016 and 2015 were $8.1 million and $8.6 million, respectively. Interest capitalized for the years ended June 30, 2016 and 2015 was $1.1 million and $1.0 million, respectively. Gross interest costs incurred less interest costs capitalized for the years ended June 30, 2016 and 2015 were $8.1 million and $7.6 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)*:

	June 30, 2016	June 30, 2015
Accounts Payable, Vendors	$ 4,079	$ 3,444
Salaries and Benefits Payable	6,381	5,952
Capital Leases Payable, Current Portion	300	282
Bonds Payable, Current Portion	5,660	5,510
Notes Payable, Current Portion	1,565	692
Compensated Absences, Current Portion	248	248
Retainage on Construction Contracts Payable	710	823
Accrued Interest Payable	1,794	1,321
Total Payables	**$ 20,737**	**$ 18,272**

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
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
Total Bonds, Notes and Leases Payable	**$ 195,718**	**$ 31,508**	**$ (6,621)**	**$ 220,605**	**$ 7,525**

Changes in long-term debt for the year ended June 30, 2015 were as follows *(in thousands)*:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
Revenue bonds	$ 185,490	$ 24,005	$ (21,990)	$ 187,505	$ 5,510
Plus unamortized bond premiums	2,825	-	(462)	2,363	-
Less unamortized bond discounts	(349)	-	13	(336)	-
Total revenue bonds	187,966	24,005	(22,439)	189,532	5,510
Capital leases	4,678	-	(265)	4,413	282
Notes payable	1,844	487	(558)	1,773	692
Total Bonds, Notes and Leases Payable	**$ 194,488**	**$ 24,492**	**$ (23,262)**	**$ 195,718**	**$ 6,484**

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

Series 2009B and Series 2010B qualify as Build America Bonds under the American Recovery and Reinvestment Act of 2009. 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 6.8% less in Fiscal Year 2016. During the years ended June 30, 2016 and 2015 the University received $1.2 million in Federal Direct Payments.

Revenue Bond Detail *(in thousands)*			
Issuance Description	**Original Issuance Amount**	**Outstanding Balance 2016**	**Outstanding Balance 2015**
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%.	$ 26,575	$ 26,575	$ -
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 and 2015, $16.8 million is outstanding for the advance refunding that is considered defeased debt. 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%.	24,005	22,765	23,360
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	13,435	13,850

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	18,810	19,365
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	12,780	13,200
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	16,695	17,390
Series 2011BC – Refunding 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%.	9,720	3,895	5,070
Series 2011A – 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;	8,000	4,925	5,675

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.			
Series 2010AB – 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%	31,710	29,920	30,300
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, 2016, $27.120 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	58,770	59,295

Revenue Bonds Outstanding	**$ 228,890**	**$ 208,570**	**$ 187,505**
Plus Bond Premiums		3,923	2,363
Less Bond Discounts		(323)	(336)
Revenue Bonds Outstanding Net of Premiums and Discounts		**$ 212,170**	**$ 189,532**

The following is a schedule of future minimum bond payments as of June 30, 2016 *(in thousands)*:

Year Ending June 30			Type of Debt Revenue Bonds Principal	Interest
2017			$ 5,660	$ 9,199
2018			5,830	8,784
2019			6,015	8,599
2020			6,205	8,411
2021			6,425	8,198
2022	to	2026	31,945	37,649
2027	to	2031	37,210	31,269
2032	to	2036	44,980	22,958
2037	to	2041	44,965	12,431
2042	to	2046	19,335	1,907
Total Future Minimum Payments			$ 208,570	$ 149,405

The following is a schedule of future minimum bond payments as of June 30, 2015 *(in thousands)*:

Year Ending June 30			Type of Debt Revenue Bonds Principal	Interest
2016			$ 5,510	$ 8,073
2017			5,660	7,948
2018			5,830	7,783
2019			6,015	7,565
2020			6,205	7,373
2021	to	2025	31,120	33,566
2026	to	2030	32,535	27,844
2031	to	2035	37,985	20,731
2036	to	2040	41,355	11,562
2041	to	2045	15,290	1,558
Total Future Minimum Payments			$ 187,505	$ 134,003

Reserve Fund Requirements

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

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 State 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, 2016 *(in thousands)*:

Years ending June 30	Principal	Interest	Total
2017	$ 300	$ 198	$ 498
2018	320	185	506
2019	341	172	513
2020	365	154	519
2021	389	135	525
2022-2026	1,853	376	2,229
2027-2031	562	35	596
Total Future Minimum Payments	**$ 4,130**	**$ 1,255**	**$ 5,385**

The following is a schedule of future minimum capital lease payments as of June 30, 2015 *(in thousands)*:

Years ending June 30	Principal	Interest	Total
2016	$ 282	$ 214	$ 496
2017	300	198	498
2018	320	185	505
2019	341	172	513
2020	365	154	519
2021-2025	1,984	471	2,455
2026-2030	821	75	896
Total Future Minimum Payments	**$ 4,413**	**$ 1,469**	**$ 5,882**

Operating Lease
The University entered into an agreement to lease copier equipment during the year ended June 30, 2012 with a lease term through the year ending June 30, 2016. 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 *(in thousands)*:

Years Ending June 30	Total
2017	194
2018	194
2019	195
2020	195
2021	195
Total	**$ 973**

Rent expense for the years ended June 30, 2016 and 2015 was $255 thousand and $231 thousand, respectively.

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

In August 2011, the University acquired parcels two and three from the Colorado West Health Care System by paying $480 thousand and issuing a note payable for $1.2 million payable in five equal installments of $245 thousand with the final payment due in August 2016. The note is interest-free and is discounted at the University's incremental borrowing rate of 2.49% as of the date of the agreement.

In March 2014, the University acquired parcel four of the property by paying $1.0 million cash and issuing a note payable for $795 thousand payable in three equal installments of $265 thousand with final payment due in August 2016. The note is interest-free and is discounted at the University's incremental borrowing rate of 2.49% as of the date of the agreement.

In 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%.

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. The note is interest-free and is discounted at the University's incremental borrowing rate of 2.49% as of the date of the agreement.

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, 2016 *(in thousands)*:

Years ending June 30	Total Payments	
2017	$	1,748
2018		651
2019		586
2020		625
2021		525
2022-2026		578
Total Principal and Interest Payments		**4,713**
Less: Interest Included Above		(408)
Total Principal Outstanding		**4,305**
Less: Current Portion of Notes Payable		(1,565)
Net Long-term Notes Payable	**$**	**2,740**

The following is a schedule of payments of notes payable as of June 30, 2015 *(in thousands)*:

Years ending June 30	Total Payments	
2016	$	676
2017		760
2018		141
2019		139
2020		116
2021-2025		76
2026-2030		7
Total Principal and Interest Payments		**1,915**
Less: Interest Included Above		(142)
Total Principal Outstanding		**1,773**
Less: Current Portion of Notes Payable		(692)
Net Long-term Notes Payable	**$**	**1,081**

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, 2016		June 30, 2015	
Beginning of the year	$	1,883	$	1,741
Additions		1,260		1,503
Adjustments/reductions		(1,083)		(1,361)
End of the year	**$**	**2,060**	**$**	**1,883**
Current portion	**$**	**248**	**$**	**248**

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 Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at 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 2014		Fiscal Year 2015		Fiscal Year 2016	
	CY13	CY14		CY15		CY16
	7-1-13 to 12-31-13	1-1-14 to 6-30-14	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
Employer Contribution Rate[1]	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath 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	3.40%	3.80%	3.80%	4.20%	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	3.00%	3.50%	3.50%	4.00%	4.00%	4.50%
Total Employer Contribution Rate to the SDTF[1]	15.53%	16.43%	16.43%	17.33%	17.33%	18.23%

[1]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. Employer contributions recognized by the SDTF from University were $2.5 million and $2.6 million for the years ended June 30, 2016 and 2015.

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

At June 30, 2016 and 2015, the University reported a liability of $51.7 million and $46.3 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 and 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2015 and 2014. The University's proportion of the net pension liability was based on the University's contributions to the SDTF for the calendar years 2015 and 2014 relative to the total contributions of participating employers to the SDTF.

At December 31, 2015, the University's proportion was 0.4905% which was a decrease of .0012% its proportion of 0.4917% measured as of December 31, 2014.

For the years ended June 30, 2016 and 2015, the University recognized pension expense of $2.2 million and $1.3 million.

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)*:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	-
Total	**$ 6,060**	**$ 881**

At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources *(in thousands)*:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience in the measurement of the total pension liability	$ -	$ 4
Net difference between projected and actual earnings on pension plan investments	942	-
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	-	414
The employer's contributions to the plan subsequent to the measurement date of the collective net pension liability	1,243	-
Total	**$ 2,185**	**$ 418**

The $1.4 million and $1.2 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, 2017 and 2016, 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)*:

Year Ended June 30		
2017	$	874
2018		1,062
2019		1,032
2020		797
Thereafter		-

1. Actuarial assumptions

The total pension liability in the December 31, 2014 and 2013 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs.

Actuarial Cost Method	Entry Age
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%
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 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.

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

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Refinement of the 18-month annual increase timing.
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year.

- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The SDTF's long-term expected rate of return on pension plan investments was determined using 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 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 most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, 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	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

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 7.50%.

2. Discount rate

The discount rate used to measure the total pension liability was 7.50%. 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:

- 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 3.90%.
- 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, 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 actuarial cost method and assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior 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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	**Current Discount Rate (7.50%)**	**1% Increase (8.50%)**
2016 - Proportionate share of the net pension liability	$ 62,256	$ 51,653	$ 40,274
2015 – Proportionate share of the net pension liability	$ 59,304	$ 46,251	$ 35,270

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.

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 of Trustees. The 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 percent of their PERA-includable salary and the State of Colorado is required to contribute 10.15 percent of PERA-includable salary on behalf of these employees. All participating State Troopers are required to contribute 10.00 percent of their PERA-includable salary and the State of Colorado is required to contribute 12.85 percent 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:

<table>
<tr><th></th><th colspan="2">Fiscal Year 2014</th><th colspan="2">Fiscal Year 2015</th><th colspan="2">Fiscal Year 2016</th></tr>
<tr><th></th><th>CY13</th><th colspan="2">CY14</th><th colspan="2">CY15</th><th>CY16</th></tr>
<tr><th></th><th>7-1-13 to 12-31-13</th><th>1-1-14 to 6-30-14</th><th>7-1-14 to 12-31-14</th><th>1-1-15 to 6-30-15</th><th>7-1-15 to 12-31-15</th><th>1-1-16 to 6-30-16</th></tr>
<tr><td>Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]</td><td>3.40%</td><td>3.80%</td><td>3.80%</td><td>4.20%</td><td>4.20%</td><td>4.60%</td></tr>
<tr><td>Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]</td><td>3.00%</td><td>3.50%</td><td>3.50%</td><td>4.00%</td><td>4.00%</td><td>4.50%</td></tr>
<tr><td>Total Employer Contribution Rate for AED and SAED[1]</td><td>6.40%</td><td>7.30%</td><td>7.30%</td><td>8.20%</td><td>8.20%</td><td>9.10%</td></tr>
</table>

[1]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 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense.

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.

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 2015, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $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 2015 for total contributions of $24,000. Contributions and earnings are tax deferred. At December 31, 2015, the plan had 17,814 participants.

The University made contributions to other retirement plans totaling $2.9 million during fiscal year 2015.

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, 2016 and June 30, 2015 was $408 thousand and $387 thousand respectively. Employee contributions were $37 thousand and $29 thousand respectively, or 7.5% of covered payroll.

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.

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, 2016 and 2015, the University contributions to the HCTF were $151 thousand and $104 thousand, respectively, equal to their required contributions for each year.

NOTE 10 - COMPONENT UNITS

In accordance with the GASB Statement No. 61 The Financial Reporting Entity: Omnibus and GASB Statement No. 39 Determining Whether Certain Organizations are Component Units, paragraph 47, the discrete presentation of the Foundation and the CMUREF's financial statements appear on separate pages from the University. The Foundation and the CMUREF warrant inclusion as part of the financial reporting entity because of the nature and significance of its relationship with the University.

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

The Foundation and the 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 for 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, 2016 and 2015, the Foundation awarded $1.2 million and $932 thousand, 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, 2016 and 2015 cash and in-kind donations totaled $970 thousand and $981 thousand, respectively, and were recorded as revenue and expense in the appropriate funds.

The following is an excerpt from the Foundation's Fiscal Year 2015 and 2016 independent annual financial reports.

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
Total	**$ 23,631**	**$ 25,179**	**$ 1,548**

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 Fain (Losses)	-	16	-	16
Unrealized Gain (Losses)	-	(607)	-	(607)
Total	**$ 2**	**$ 98**	**$ -**	**$ (96)**

The following methods and assumptions were used by the Organization 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	$ 321	$ 321	$ -	$ -
Bonds	3,014	-	3,014	-
Common Stock	17,573	17,315	258	-
Mutual Funds	4,271	4,271	-	-
Total Long-Term Investments	**$ 25,179**	**$ 21,907**	**$ 3,272**	**$ -**

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, 2015

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

	Cost	**Fair Value**	**Unrealized Gain (Loss)**
Cash & Money Markets	$ 168	$ 168	$ -
Bonds	2,000	1,939	(61)
Common Stock	15,460	17,166	1,706
Mutual Funds	4,111	4,594	483
Total	**$ 21,739**	**$ 23,867**	**$ 2,128**

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 & Dividend Income	$ 2	$ 539	$ -	$ 541
Investment Fees	-	(86)	-	(86)
Realized Fain (Losses)	1	572	-	573
Unrealized Gain (Losses)	-	(629)	-	(629)
Total	**$ 3**	**$ 396**	**$ -**	**$ 399**

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 & Money Markets	$ 168	$ 168	$ -	$ -
Bonds	1,939	-	1,939	-
Common Stock	17,166	16,916	250	-
Mutual Funds	4,594	4,594	-	-
Total Long-Term Investments	**$ 23,867**	**$ 21,678**	**$ 2,189**	**$ -**

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels for the years ended June 30, 2016 and 2015.

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

FOUNDATION – ENDOWMENT – 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 organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

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

(3) General economic conditions

(4) The possible effect of inflation and deflation

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

(6) Other resources of the organization

(7) The investment policies of the organization

The 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 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
Total	**$ 71**	**$ 3,528**	**$ 20,962**	**$ 24,561**
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)
Endowment Net Assets - Ending	**$ 71**	**$ 3,528**	**$ 20,962**	**$ 24,561**

FOUNDATION – ENDOWMENT – As of and for the Year Ended June 30, 2015

The Foundation's endowment consists of 190 individual funds established for providing a future income stream for scholarships for Colorado Mesa University students, research and other uses for certain Colorado Mesa University departments. Its endowment includes only donor-restricted endowment funds.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

(1) The duration and preservation of the fund

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

(3) General economic conditions

(4) The possible effect of inflation and deflation

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

(6) Other resources of the organization

(7) The investment policies of the organization

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

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Donor-Restricted Endowment Funds	$ -	$ 4,282	$ 20,133	$ 24,415
Board-Designated Endowment Funds	68	-	-	68
Total	**$ 68**	**$ 4,282**	**$ 20,133**	**$ 24,483**
Endowment Net Assets - Beginning	$ 104	$ 4,416	$ 18,493	$ 23,013
Contributions & Transfers	(35)	51	1,640	1,656
Investment Income	-	452	-	452
Net Appreciation (Depreciation)	-	(56)	-	(56)
Net Assets Released from Restrictions:				
Amounts Appropriated for Expenditure	-	(582)	-	(582)
Endowment Net Assets - Ending	**$ 69**	**$ 4,281**	**$ 20,133**	**$ 24,483**

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		-
Subtotal	**$**	**1,351**
Less discounts to net present value - Discount rate 2.52%		(12)
Less allowance for uncollectible promises receivable		(36)
Total	**$**	**1,303**
Receivable in less than one year	$	842
Receivable in one to five years		509
Receivables after five years		-
Total	**$**	**1,351**

FOUNDATION – PROMISES TO GIVE – As of and for the Year Ended June 30, 2015

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

Unrestricted	$	-
Colorado Mesa University Building Projects & Expansion		994
Colorado Mesa University Departments & Clubs		52
Scholarships - Endowments		598
Scholarships - Temporary		-
Subtotal	**$**	**1,644**
Less discounts to net present value - Discount rate 2.52%		(33)
Less allowance for uncollectible promises receivable		(53)
Total	**$**	**1,558**
Receivable in less than one year	$	734
Receivable in one to five years		910
Receivables after five years		-
Total	**$**	**1,644**

FOUNDATION – PROPERTY AND EQUIPMENT – As of and for the Year Ended June 30, 2015

In Fiscal Year 2015, the remaining fixed assets with a positive net book value were donated to the University. As of June 30, 2015 the Foundation's property and equipment was fully depreciated and has no net carrying value.

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

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.

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, 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
Total	**$**	**20,962**
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
Total	**$**	**7,299**

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 Colorado Mesa University. No real estate was purchased and quitclaimed to the University during 2016 or 2015.

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 matures June 2, 2017. The initial interest rate was 4% adjusted annually to a floating rate based on a Prime Rate; interest payments are due each month. At June 30, 2016 and 2015, the Foundation's balance on this loan was $600 thousand and $1.2 million, respectively. 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

The 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% CUMREF and 80% University sharing. In fiscal year 2015, the University transferred $1.6 million to CMUREF for property acquisitions as part of the University's expansion project and the Foundation made capital property transfers of $1.6 million to the University. See related party note below.

The following is an excerpt from the CMUREF's Fiscal Year 2016 and 2015 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 the CMUREF to benefit the University. CMUREF has capitalized all of the development costs. A building is on the investment land and is being depreciated over a 6-year life *(in thousands)*:

	June 30, 2016	June 30, 2015
Cost of land held for investment and developed costs	$ 880	$ 880
Building	22	22
Accumulated Depreciation	(22)	(22)
Total Land Held for Investment	**$ 880**	**$ 880**

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, 2016 and 2015 was $481 thousand and $597 thousand, respectively, of which CMUREF kept $92 thousand and $151 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, 2017	$ 429	$ 92
June 30, 2018	377	86
June 30, 2019	352	85
June 30, 2020	326	82
June 30, 2021	181	37
	$ 1,665	**$ 382**

CMUREF – CONCENTRATIONS AND RELATED PARTY

Approximately 96% of the CMUREF's support was received from the University.

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.

During the year ended June 30, 2016, CMUREF received $3,448,020 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 for the same amount. 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 is 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 that the University received resources for and expended on behalf of students during the years ended June 30, 2016 and 2015. 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, 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
Total	**$ 14,432**	**$ 7,101**	**$ 13,295**	**$ 34,828**

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

A schedule of non-loan student assistance for the year ended June 30, 2015 follows *(in thousands)*:

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Scholarships				
Colorado Student Grants	$ -	$ 5,408	$ -	$ 5,408
Federal Pell Grants	14,435	-	-	14,435
General Institutional Aid	-	-	6,984	6,984
Auxiliary	-	-	1,442	1,442
Other Federal Student Aid	22	-	7	29
Work Study**	198	966	2,959	4,123
Federal SEOG	161	-	54	215
Total	**$ 14,816**	**$ 6,374**	**$ 11,446**	**$ 32,636**

**Includes CMU 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 Colorado Opportunity Fund. In prior years and for fiscal years beginning on or after July 1, 2016, the general assembly annual appropriation of general fund moneys bill includes certain cash revenues from the student share of tuition and fees.

For the years ended June 30, 2016 and 2015, appropriated expenses were within spending authority. For the years ended June 30, 2016 and 2015, the University had a total non-capital appropriation of $24.9 million and $22.3 million, respectively.

For the years ended June 30, 2016 and 2015, appropriated funds included $14.3 million and $13.7 million, respectively, received from students that qualified for stipends from the College Opportunity Fund; $10.2 million and $8.3 million, respectively, as fee-for-service contract revenue; and $357 thousand and $296 thousand, respectively, from limited gaming tax revenues. All other revenues represent non-appropriated funds and are excluded from the annual appropriations bill.

Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues and other revenue sources. Appropriated expenses were $24.5 million and $22.0 million in Fiscal Years ended June 30, 2016 and 2015, respectively .

Capital Construction State Appropriations: In Fiscal Year 2016, the legislature appropriated an additional $9.2 million for the University's Health Sciences Expansion and Renovation. In Fiscal Year 2015, the legislature appropriated $3.0 million for the University's Health Sciences Expansion and Renovation and $211 thousand for a controlled maintenance project from the state capital construction fund. Of appropriated funds, $10.7 million (2016) and $10.8 million (2015) was realized as capital state appropriated 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 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
Ratio of State Grants to Total Revenues		8.38%

The schedule below shows the TABOR Enterprise State support calculation for Fiscal Year 2015 *(in thousands)*:

State Grants		
State Capital Appropriation	$	10,838
State Share - Certificates of Participation (COP)		1,381
Local Government Grants		855
Total State Grants		13,074
Total Revenues and State share of COP (gross operating, non-operating and other revenues and State share of COP)	$	134,593
Ratio of State Grants to Total Revenues		9.71%

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	-
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	416,216	25
Property - personal property	Hanover	111,855	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, 2016 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,

	2016*	2015*
University's proportion of the net pension liability	0.4905%	0.4917%
University's proportionate share of the net pension liability	$ 51,652,554	$ 46,250,520
University's covered-employee payroll	$ 13,153,924	$ 13,618,150
University's proportionate share of the net pension liability as a percentage of its covered employee payroll	392.68%	339.62%
Plan fiduciary net position as a percentage of the total pension liability	56.10%	56.84%

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

	2016	2015
Contractually required contribution	$ 2,506,149	$ 2,372,914
Contributions in relation to the contractually required contribution	$ (2,506,149)	$ (2,372,914)
Contribution deficiency (excess)	$ -	$ -
University's covered-employee payroll	$ 13,351,872	$ 13,739,165
Contributions as a percentage of covered-employee payroll	18.77%	17.27%

SUPPLEMENTAL INFORMATION SECTION

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

	2016	2015
Revenues		
Pledged tuition revenue	$ 7,574	$ 7,005
Residence halls and apartments	13,942	12,479
Food services	8,759	7,234
University center	3,218	3,039
Bookstore	4,268	4,192
Recreation center	2,204	2,054
Campus parking	769	698
Continuing education	203	244
Mavcard	290	102
Central services	2,397	2,514
Student fee revenue	1,107	1,057
Total Revenues	44,731	40,618
Operating Expenses		
Residence halls and apartments	5,715	4,675
Food services	5,431	4,676
University center	841	899
Bookstore	3,918	4,043
Recreation center	1,514	1,467
Campus parking	369	316
Continuing education	513	520
Mavcard	111	137
Central services	1,260	1,121
Total Operating Expenses	19,672	17,854
Net Revenue Before Transfers	25,059	22,764
Transfers		
Mandatory transfers	(12,367)	(11,682)
Net non-mandatory transfers	(6,668)	(4,654)
Total Transfers	(19,035)	(16,336)
Net Revenue	$ 6,024	$ 6,428
Debt Service Coverage		
Net operating revenue	$ 25,059	$ 22,764
Bond principal and interest	12,367	11,682
Excess of Net Operating Revenue Over Debt Service	$ 12,692	$ 11,082
Debt Service Coverage Ratio	203%	195%

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

Members of the Legislative Audit Committee:
Denver, Colorado

We have audited, 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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 9, 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, 2016 and 2015 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 the *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

January 9, 2017

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

Grand Junction
464 Main Street • P.O. Box 430 • Grand Junction, CO 81502
Phone: (970) 243-1921 • Fax: (970) 243-9214

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 ending June 30, 2016 and 2015, and have issued our report thereon dated January 9, 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 2, 2016. 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. As described in Note 1 to the financial statements, the University adopted new accounting policies related by adopting Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* in 2016. As described in Note 1 to the financial statements, the University adopted new accounting policies related to adopting GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension transition for Contributions Made Subsequent to the Measurement Date*, in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statements of revenue, expenses and changes in net position as described in Note 1 to the financial statements. 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:

> The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense are calculated based on amounts actuarially determined.
>
> Management's estimate of the collectability of student accounts receivable and student loans is based on historical analysis. We evaluated the key factors and assumptions used to develop the allowance for bad debts in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

For purposes of this letter, a disagreement with management 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 January 9, 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.

<u>Other Matters</u>

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 Schedules 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, 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,

Dalby, Wendland & Co, P.C.

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

January 9, 2017