Chadwick, Steinkirchner, Davis & Co., P.C. Consultants and Certified Public Accountants

MESA STATE COLLEGE

FINANCIAL AND COMPLIANCE AUDIT

For Fiscal Years Ended June 30, 2009 and 2008

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STATE OF COLORADO
MESA STATE COLLEGE
REPORT SUMMARY - FINANCIAL AND COMPLIANCE AUDIT
Year Ended June 30, 2009

PURPOSE AND SCOPE OF AUDIT

The Office of the State Auditor, State of Colorado, engaged Chadwick, Steinkirchner, Davis & Co., P.C. to conduct an audit of Mesa State College (the College) for its Fiscal Year ended June 30, 2009. Chadwick, Steinkirchner, Davis & Co., P.C. performed the audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, issued by the Comptroller General of the United States. The related fieldwork was conducted from May through August 2009.

The purpose and scope of the audit was to:

- Express an opinion on the financial statements of the College as of and for the years ended June 30, 2009. This includes a review of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditures of federal and state funds.

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

- Evaluate progress in implementing prior audit findings and recommendations, if any.

- Express opinions on the Statement of Appropriations, Expenditures, Transfers, and Reversions of state-funded Student Assistance Programs for the fiscal years ended June 30, 2009 and 2008.

Audit Opinions and Reports

We expressed an unqualified opinion on the College's financial statements as of and for the year ended June 30, 2009.

We issued a report on the College's compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards*. We did not note any material weaknesses or any material instances of noncompliance with legal or regulatory requirements based on our audit of the financial statements.

We issued certain required communications related to the conduct of an audit including our responsibility under auditing standards generally accepted in the United States of America, significant accounting policies, management judgments and accounting estimates, audit adjustments, disagreements with management, and difficulties encountered in performing the audit. No delays or disagreements are reported.

We also expressed unqualified opinions on the Statements of Appropriations, Expenditures, Transfers, and Reversions of state-funded Student Assistance Programs for the fiscal years ended June 30, 2009 and 2008.

The College's Schedule of Expenditures of Federal Awards and applicable opinions thereon of the Office of the State Auditor, State of Colorado, are included in the June 30, 2009 Statewide Single Audit Report, issued under separate cover.

Summary of Key Findings and Recommendations

There were no reported findings and recommendations resulting from the audit work completed for Fiscal Year 2009.

Summary of Progress in Implementing Prior Audit Recommendations

There were no recommendations for the year ended June 30, 2008.

Description of Mesa State College

The Board of Trustees of Mesa State College

House Bill 03-1093, as enacted by the General Assembly of the State of Colorado, establishes an independent governing board for Mesa State College. Effective July 1, 2003, the powers, duties and functions formerly performed by the Trustees of the State Colleges in Colorado were transferred to the Board of Trustees of Mesa State College. For the year ended June 30, 2009, the financial statements of Mesa State College are presented on a stand-alone basis as the State Colleges in Colorado system no longer exists. For the years ended on and prior to June 30, 2002, the financial statements of Mesa State College were included on a consolidated basis, which included Adams State College, Mesa State College, Metropolitan State College of Denver, Western State College, the Office of State Colleges, and the Western Colorado Graduate Center.

The Board of Trustees of Mesa State College is the governing board for Mesa State College. The Board of Trustees has oversight responsibility in the areas of finance, resources, academic programs, admissions, role and mission, and personnel policies.

The Board has three goals:

- To provide outstanding teaching with diverse student populations.

- To furnish Board and campus leadership that connects educational issues with the future of Colorado and the communities served by Mesa State College.

- To assure the people of Colorado that human and financial resources are utilized most effectively.

The Board consists of nine members appointed by the Governor to serve four-year terms. Additionally, a faculty and student trustee is elected to serve two and one year terms respectively. The President of Mesa State College is responsible for providing leadership for the College and administering the policies and procedures of the Trustees. The Board conducts its business at regular monthly meetings and special meetings, all of which are open to the public.

Mesa State College

Mesa State College offers certificate programs, associate degrees, baccalaureate degrees, and selected graduate programs. Section 23-53-101, C.R.S., provides for Mesa State College to be a general baccalaureate and specialized graduate institution with moderately selective admission. Mesa State College is to offer liberal arts and sciences programs and a limited number of professional, technical, and graduate programs. Mesa State College is also to maintain a community college role and mission, including vocational and technical programs.

Section 23-53-115, C.R.S., authorizes Mesa State College to offer graduate programs in selected areas to ensure that persons living in Western Colorado have reliable and cost-effective access to necessary graduate courses and programs.

Full time equivalent (FTE) student, faculty, and staff reported by the College for the past three years were as follows:

	2009	2008	2007
Resident Students	4,581.5	4,485.8	4,426.8
Non-Resident Students	517.3	507.6	437.9
Total Students	5,098.8	4,993.4	4,864.7
Faculty FTEs	279.8	267.6	263.1
Staff FTEs	186.0	173.0	159.1
Total Faculty and Staff FTEs	465.8	440.6	422.2

FINANCIAL STATEMENT SECTION

CSD

INDEPENDENT AUDITORS' REPORT

December 10, 2009

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the business-type activities of Mesa State College, a blended component unit of the State of Colorado, as of and for the years ended June 30, 2009 and 2008, which collectively comprise the College's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the management of Mesa State College. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Mesa State College Foundation or Mesa State College Real Estate Foundation, the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the two foundations, is 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Mesa State College and its discretely presented component units as of June 30, 2009 and 2008, where applicable, and the respective changes in financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2009 on our consideration of Mesa State College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Management's Discussion and Analysis on pages seven through fifteen is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Revenues and Expenses for Enterprise Revenue Bonds is presented for purposes of additional analysis and is not a required part of the basic financial statements of Mesa State College. Such information, which is the responsibility of the College's management, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Chadwick, Steinkirchner, Davis + Co., P.C.

This section of Mesa State College's annual financial report presents management's discussion and analysis of the financial performance of the College during the years ended June 30, 2009 and 2008. Additional information is provided in the notes accompanying the basic financial statements. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes.

Using the Financial Report

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". In November 1999, GASB issued Statement No. 35 "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities" which amended Statement No. 34 to include public colleges and universities. Several significant changes in accounting and financial reporting standards were required such as recording depreciation on capital assets, allocating summer session revenues and expenses between Fiscal Years, presenting financial statements from an entity-wide perspective, and producing cash flow statements.

The financial statements prescribed by GASB Statement No. 35 (the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows) present financial information in a format more comparable to that used by for-profit colleges and universities. The statements are prepared under the accrual basis of accounting. Revenues and assets are recognized when service is provided, and expenses and liabilities are recognized when others provide the goods or service, regardless of when cash is exchanged.

Component Units

During Fiscal Year 2004, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14 to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, should be included in the College's financial reporting entity. The College has determined that the Mesa State College Foundation and the Mesa State College Real Estate Foundation meet GASB Statement No. 39 criteria for inclusion in the College's financial statements.

Mesa State College Foundation

The Foundation had net assets of $13.5 million and $15.5 million as of June 30, 2009 and 2008, respectively, and total revenue, gains and other support of $2.8 million and $5.0 million for Fiscal Year 2009 and Fiscal Year 2008, respectively.

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

For Colorado institutions of higher education, either of these presentation options is acceptable if the component unit uses a different reporting model. Component Unit reporting must include a Statement of Net Assets (or Financial Position) and a Statement of Revenues, Expenses, and Changes in Net Assets (or Statement of Activities.) A Statement of Cash Flows is not required.

For the year ended June 30, 2009, Mesa State College, using GASB 39 criteria, has identified the Mesa State College Foundation as a component unit. Since the component unit uses a different reporting model (FASB Non-Profit), the required financial data is discretely presented on separate pages immediately following the basic financial statements as allowed by GASB 39.

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

Mesa State College Real Estate Foundation

In May 2006, the Mesa State College Board of Trustees approved the articles of incorporation for the Mesa State College Real Estate Foundation (MSCREF). MSCREF 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 Mesa State College. MSCREF engages in activities that may be beyond the scope of the Mesa State College Board of Trustees and its financial records are maintained separately from the College.

For the year ended June 30, 2009, Mesa State College, using GASB 39 criteria, has identified the MSCREF as a component unit. Since the component unit uses a different reporting model (FASB Non-Profit), the required financial data is discretely presented on separate pages immediately following the basic financial statements as allowed by GASB 39.

MSCREF had unrestricted net assets of $729 thousand at June 30, 2009 and net assets of $591 thousand at June 30, 2008. Total revenue and support in Fiscal Year 2009 was $1.4 million, which consisted of operating transfers from the College of $1.3 million and management income of $17 thousand. Operating transfers from the College in Fiscal Year 2009 included $1.2 million to acquire a property adjacent to the Western Community College of Colorado campus. The College entered into a capital lease-purchase agreement with MSCREF and, as a result, MSCREF made a capital transfer of $1.2 million back to the College. Total revenue and support in Fiscal Year 2008 was $65 thousand, which consisted of operating transfers from the College of $50 thousand and management income of $15 thousand.

Financial Highlights

- Mesa State College's financial position improved during the Fiscal Year ended June 30, 2009 as evidenced by an increase of $26.0 million in net assets; net assets were $120.3 million at June 30, 2009 and $94.5 million at June 30, 2008.

- Mesa State College's current assets of $39.8 million (2009) and $32.7 million (2008) were sufficient to cover current liabilities of $19.1 million (2009) and $10.7 million (2008). The current ratio (current assets/current liabilities) of 2.08 (2009) and 3.06 (2008) demonstrates the liquidity of assets and the relative availability of working capital to fund current operations.

- Operating revenues of $65.5 million exceeded operating expenditures of $65.4 million in 2009, and operating revenues of $64.4 million exceeded operating expenditures of $55.7 million in fiscal year 2008.

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) are one indicator of Mesa State College's financial health when considered in conjunction with non-financial facts such as student enrollment and the condition of facilities.

Condensed Statement of Net Assets
As of June 30,
(in Thousands)

	2009	2008	2007
Assets			
Current Assets	$ 39,773	$ 32,676	$ 28,858
Non-current Assets	183,159	123,167	105,607
Total Assets	$222,932	$155,843	$134,465
Liabilities			
Current Liabilities	$ 19,135	$ 10,750	$ 10,749
Non-current Liabilities	83,519	50,547	49,615
Total Liabilities	$102,654	$ 61,297	$ 60,364
Net Assets			
Invested In Capital Assets	$ 98,526	$ 71,919	$ 55,153
Restricted	3,548	3,843	3,010
Unrestricted	18,204	18,784	15,938
Total Net Assets	$120,278	$ 94,546	$ 74,101

At June 30, 2009, Mesa State College's total net assets were $120.3 million compared to $94.5 million at June 30, 2008. Invested in capital assets (net of related debt) is the largest net asset category with the $98.5 million (2009) and $71.9 million (2008).

In Fiscal Year 2009, Mesa State College's current assets of $39.8 million were sufficient to cover current liabilities of $19.1 million (producing a current ratio of 2.08). This compares to Fiscal Year 2008 with current assets of $32.7 million and current liabilities of $10.7 million (producing a current ratio of 3.06). The current ratio decrease from 3.06 at June 30, 2008 to 2.08 at June 30, 2009 is primarily due to an increase of about $8.0 million of construction related current liabilities. Unrestricted cash and cash equivalents that are available for operating expenditures include bank deposits and pooled cash with the State Treasurer and were $31.9 million (2009) and $28.8 million (2008).

Non-current assets increased from $123.2 million in Fiscal Year 2008 to $183.2 million at June 30, 2009 primarily due to the College's construction activity during the year, including a new residence hall ($17.1 million), College center and parking garage ($3.3 million), renovation and expansion of the Saunders Field House ($21.8 million) and expansion of the Wubben science building ($2.1 million). The additions were partially offset by building and equipment disposals of $2.2 million that included the demolition of the old College center ($1.9 million). The College also capitalized the Academic Classroom Building ($15.8 million). Unamortized bond issuance costs increased $137 thousand from the Series 2008 bond issue.

Bonds payable totaled $74.8 million (2009) and $48.1 million (2008) and represents about 72.9% (2009) and 78.4% (2008) of Mesa State College's total liabilities of $102.7 million (2009) and $61.3 million (2008). The current portion of the bonds payable liability totals $1.2 million (2009) and $1.2 million (2008). In Fiscal Year 2009, the College issued Series 2008 bonds of $25 million to construct the College center and to make other additions.

Capital leases payable totaled $9.3 million (2009) and $2.1 million (2008). The College entered into capital lease-purchase agreements in Fiscal Year 2009 to finance the Wubben science building renovation ($3.6 million) and to finance the acquisition of property adjacent to the College's Western Colorado Community College campus ($3.6 million).

Mesa State College's financial position improved during the Fiscal Year as evidenced by the increase in net assets of $25.7 million (2009) and $20.4 million (2008) (see the Statement of Revenues, Expenses and Changes in Net Assets) to $120.3 million (2009) and $94.5 million (2008). Of the total net assets, $98.5 million (2009) and $71.9 million (2008) is invested in capital assets net of related debt, a total of $3.5 million (2009) and $3.8 million (2008) is restricted for specific purposes, and $18.2 million (2009) and $18.8 million (2008) is unrestricted and available for use at the discretion of the Board of Trustees.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets reflects the results of operations for the year. Activities are reported as either operating or non-operating. 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 Mesa State College. Non-operating revenues and expenses are those other than operating and include, but are not limited to: state appropriations, investment income and expenses, interest expense on capital debt, state capital construction and controlled maintenance appropriations, and transfers between funds.

- Tuition and fee revenues accounted for $27.0 million of the $65.5 million in operating revenues (2009) and $26.6 million of the $64.4 million (2008). Tuition and fees are reported net of scholarship allowances of $10.1 million (2009) and $8.9 million (2008). Scholarship allowances are defined as the financial aid awarded to students by the College that is used to pay College charges. The scholarship allowance is recognized as a direct reduction of revenue.

- Tuition revenues from College Opportunity Fund (COF) student stipends were $9.4 million in Fiscal Year 2009, which includes $3.2 million that was returned to the trust fund due to mid-year action by the legislature that reduced the value of the stipend from $92 to $68 per credit hour. COF student stipends were $11.8 million in Fiscal Year 2008. Operating revenues increased from $64.4 million in 2008 to $65.5 million in 2009. Department of Higher Education (DHE) Fee for Service operating revenue was $10.7 million in both Fiscal Year 2009 and 2008. The Fiscal Year 2009 Fee for Service contract was reduced by $1.1 million by the legislature during the year and was replaced, along with the reduction of COF stipends, by federal State Fiscal Stabilization Funds.

- Overall, operating revenues increased by $1.1 million in Fiscal Year 2009 compared to Fiscal Year 2008.

- Compared to Fiscal year 2008, Fiscal Year 2009 operation of plant and maintenance expenditures increased by $2.6 million due to the cost of maintaining additional facilities.

- Overall, operating expenditures increased by $9.8 million in Fiscal Year 2009 compared to Fiscal Year 2008.

- Overall, the College increased net assets by $25.7 million in Fiscal Year 2009, which compares to an increase in net assets of $20.4 million in Fiscal Year 2008. In Fiscal Year 2009, operations contributed $71 thousand, federal State Fiscal Stabilization Funds and other net non-operating revenue contributed $6.7 million, and State capital appropriations added $17.9 million to net assets. In Fiscal Year 2008, operations contributed $8.7 million, net non-operating revenues contributed $2.0 million and State capital appropriations contributed $12.6 million to net assets, while the losses on disposal of buildings reduced net assets by $2.4 million.

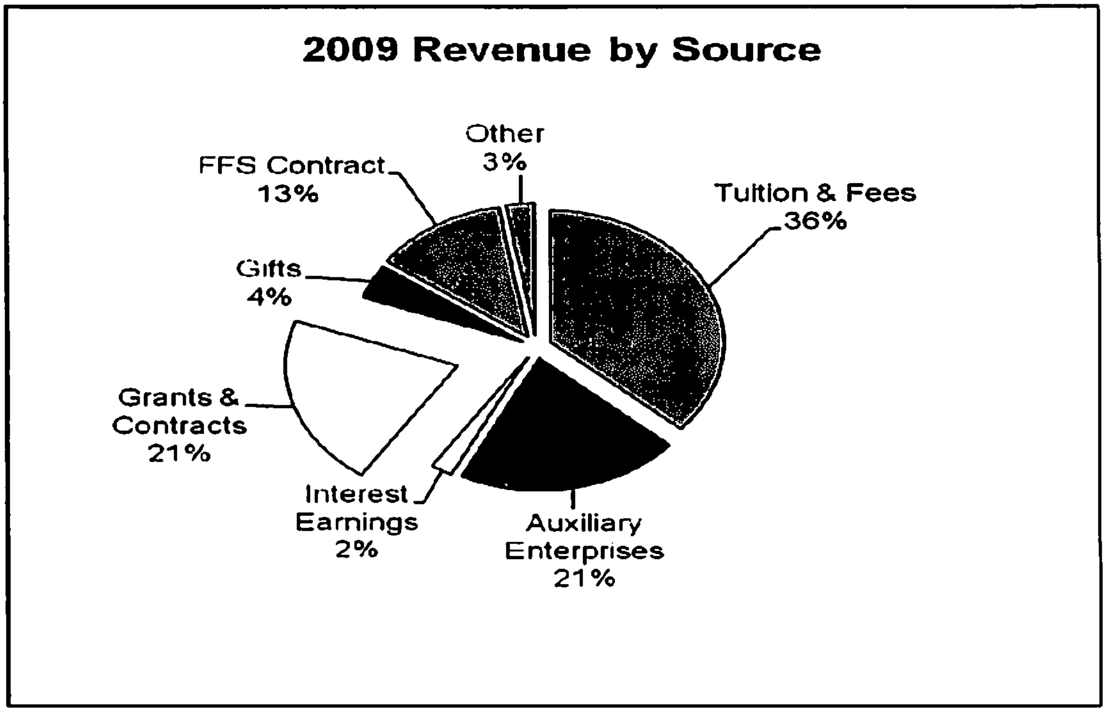
Condensed Statement of Revenues, Expenses and Changes in Net Assets
Years Ended June 30,
(in thousands)

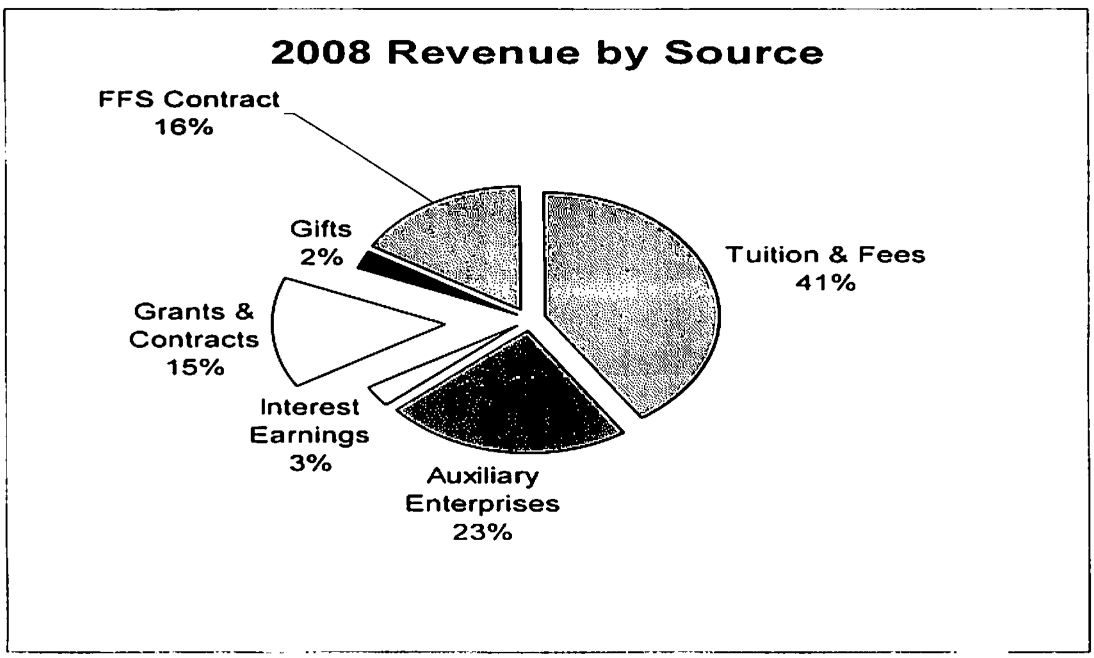
	2009	2008	2007
Operating Revenues			
Tuition and Fees (net)	$ 26,997	$ 26,604	$ 23,431
DHE Fee for Service Revenues	10,704	10,675	9,350
Grants and Contracts	11,443	11,183	9,755
Auxiliary Enterprises (net)	15,530	15,051	13,272
Other	851	862	846
Total Operating Revenues	$ 65,525	$ 64,375	$ 56,654
Operating Expenses	$ 65,454	$ 55,682	$ 52,837
Net Operating Revenues	$ 71	$ 8,693	$ 3,817
Non-Operating Revenues (Expenditures)			
State Fiscal Stabilization Funds	$ 4,117	$ -	$ -
Interest Income	1,275	1,747	1,562
Other Non-Operating Income (Expenses)	1,352	222	(66)
	$ 6,744	$ 1,969	$ 1,496
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	$ 6,815	$ 10,662	$ 5,313
State Appropriations Capital	$ 17,925	$ 12,559	$ 421
Other	993	(2,777)	(1,575)
Increase in Net Assets	$ 25,733	$ 20,444	$ 4,159
Net Assets			
Net Assets at Beginning of Year	$ 94,545	$ 74,101	$ 69,942
Net Assets at End of Year	$ 120,278	$ 94,545	$ 74,101

Operating expenses totaled $65.4 million (2009) and $55.7 million (2008). The breakdown of expenses by reporting category is as follows (in thousands):

Fiscal Year:	2009	2008
Instruction	$ 21,701	$ 19,558
Research	724	695
Public Service	469	536
Academic Support	4,303	3,745
Student Services	5,436	4,051
Institutional Support	3,485	3,085
Operation and Maintenance of Plant	8,726	6,093
Scholarships and Fellowships (net)	2,079	1,580
Auxiliary Enterprises	14,138	12,903
Depreciation	4,393	3,436

Below is a graphic illustration of total revenues by source for Mesa State College. Each major revenue component is displayed relative to its proportionate share of total revenues. Tuition and Fee revenues are shown net of scholarship allowance of $10.1 and $8.9 million in Fiscal Years 2009 and 2008, respectively.


2009 Revenue by Source
Other
3%
FFS Contract
13%
Tuition & Fees
36%
Gifts
4%
Grants &
Contracts
21%
Interest
Earnings
2%
Auxiliary
Enterprises
21%


2008 Revenue by Source
FFS Contract
16%
Gifts
2%
Tuition & Fees
41%
Grants &
Contracts
15%
Interest
Earnings
3%
Auxiliary
Enterprises
23%

Financing Activities

In December 2008, the College issued College Enterprise Revenue Bonds Series 2008. The debt issue totaled $28.4 million, including a discount of $510 thousand that will be amortized over the life of the bonds. After issuance costs, $25.0 million was deposited into the Project Construction Fund, $1.5 million was deposited into the Capitalized Interest Fund and $1.3 million was used to establish a Debt Service Reserve Fund for the Series 2005 bonds. The Project Fund will be used to construct and equip the North Avenue Student Housing Complex, pay a portion of the costs to construct a new college center, parking garage, parking improvements and other College capital projects. Combined with the outstanding bond issues from Series 2007, Series 2005 and Series 2002B, total related capital debt was $74.8 million. Pledged net revenues, including $3.4 million of tuition revenues, were $9.8 million in Fiscal Year 2009, which were 281% of the bond and interest payments of $3.5 million. In Fiscal Year 2008, pledged net revenues were $8.7 million, which were 257% of the bond principal and interest payments of $3.4 million.

In November 2008, the State Treasurer entered into 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. 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 percent to 5.50 percent with a total interest cost of 5.38 percent. The Certificate proceeds will be used to fund renovations, additions, and new construction at state colleges and universities and are collateralized with existing properties at the institutions. Certificate proceeds of $18.4 million were allocated to the College to renovate and expand the Wubben Hall science building. Of that, $3.7 million will be financed by the College through participation in the Certificate issuance. The College entered into a sublease with the State Treasurer and will make rental payments from April 2009 through October 2027 that total $5.9 million including interest of $2.2 million. The College pledged the Fine Arts Building and the Tomlinson Library as collateral for the project.

In December 2008, the Board of Trustees granted $1.2 million to MSCREF and entered into a $3.6 million capital lease-purchase agreement with MSCREF to finance the acquisition of property adjacent to the College's Western Community College campus. The term of the lease is for ten years at 3.00% with the final payment due in December 2018. The College has the option to purchase the leased property by paying MSCREF an amount which is sufficient to pay the outstanding principal and interest of the bond, and any other amounts due under the lease agreement.

Economic Outlook

State funding for both fee-for-service contracts with the Department of Higher Education and College Opportunity Fund stipends was reduced by $4.1 million in Fiscal Years 2009 and 2010. For both years, these reductions have been temporarily replaced with federal State Fiscal Stabilization Funds that were made available to the State. This temporary stimulus funding is scheduled to expire in Fiscal Year 2011. As such, the College has accepted the reality of less State funding and has begun the process towards reducing expenses that are not mission-critical. The College continues to streamline administrative operations and evaluate alternative funding sources and is committed and confident it can direct sufficient resources to develop and enhance educational programs that attract and prepare students for success.

Undergraduate enrollments on a student FTE basis at Mesa State College increased from 4,919.6 in Fiscal Year 2008 to 5,025.9 in Fiscal Year 2009 (2.2%). Graduate enrollment decreased from 73.9 in Fiscal Year 2008 to 73.0 in Fiscal Year 2009. All enrollments increased by about 2.1% in Fiscal Year 2009 compared to Fiscal Year 2008.

Increasing enrollment is vital to the College's long-term economic health and the College has developed goals and strategies that include:

- Offering academic programs that are in demand given the changes in economic environment.
- Increasing penetration in Western Colorado, contiguous states, and select non-contiguous states.
- Improving student access through a combination of classroom, distance, and hybrid delivery modes.

Encourage access through affordable tuition levels and financial aid packages that attract students to the College.

- Expand enrichment opportunities and regional competitions for high-achieving K-12 students to participate in athletic and academic activities.
- Develop programs that encourage early academic and financial planning for college.
- Offering courses that meet the requirements of the State's guaranteed transfer general education program.
- Extend the College's technology network to enhance connectivity with other institutions in the region.
- Recruit and retain a highly-qualified faculty and ethnically-diverse faculty whose highest commitment is to excellent instruction.

Mesa State College did not meet TABOR-exempt enterprise criteria for Fiscal Years 2009 and 2008. Designations are reviewed at the end of each year to determine colleges and universities continue to meet TABOR-exempt criteria. To meet enterprise status under TABOR, the College must receive less than 10 percent of its revenue from grants from all Colorado state and local governments combined. TABOR enterprise status allows the Mesa State College Board of Trustees greater flexibility in terms of pricing, recruitment, retention and seeking additional revenue sources to further its respective role and mission as educational providers. The College expects to be re-certified as a TABOR-exempt enterprise status in Fiscal Year 2010.

STATE OF COLORADO
MESA STATE COLLEGE
Statement of Net Assets

	June 30, 2009	June 30, 2008
ASSETS		
Current Assets		
Cash & Cash Equivalents (Note 2)	$31,935,353	$28,847,549
Student Accounts Receivable, Net	1,708,389	1,395,006
Other Accounts Receivable, Net	4,529,794	1,160,858
Student Loans, Net	738,838	708,461
Inventories	582,454	492,576
Prepaid Expenses	277,921	71,967
Total Current Assets	$39,772,749	$32,676,417
Non-current Assets		
Restricted Cash & Cash Equivalents (Note 2)	$5,737,605	$12,226,314
Student Loans, Net	395,090	350,932
Other Non-current Assets	922,429	818,028
Total Non-current Assets	$7,055,124	$13,395,274
Non-depreciable Capital Assets, Net		
Land and improvements	$13,345,901	$10,159,095
Construction in Progress	64,801,927	23,991,199
Total Non-depreciable Capital Assets	$78,147,828	$34,150,294
Depreciable Capital Assets, Net		
Land Improvements (less accumulated depreciation of $1,996,925 and $1,280,031)	13,150,995	$11,810,731
Buildings & Improvements (less accumulated depreciation of $24,680,546 and $25,876,946)	77,418,900	57,774,669
Furniture and Equipment (less accumulated depreciation of $5,148,208 and $4,631,092)	4,376,523	2,947,218
Library Materials (less accumulated depreciation of $7,053,728 and $6,625,794)	3,009,924	3,088,520
Total Depreciable Capital Assets, Net	$97,956,342	$75,621,138
Total Non-current Assets	$183,159,294	$123,166,706
TOTAL ASSETS	$222,932,043	$155,843,123

continued

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

STATE OF COLORADO
MESA STATE COLLEGE
Comparative Statement of Net Assets (continued)

	June 30, 2009	June 30, 2008
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 5,907,508	$ 2,139,094
Accrued Liabilities	8,244,216	4,498,511
Deferred Revenues	2,182,492	1,451,428
Deposits Held For Others	617,391	1,053,927
Student Deposits	312,073	252,950
Bonds Payable, Current Portion	1,240,000	1,215,000
Notes Payable, Current Portion	6,785	6,458
Capital Leases Payable - Current Portion	469,030	-
Compensated Absence Liability, Current Portion	155,647	132,322
Total Current Liabilities	$ 19,135,142	$ 10,749,690
Non-current Liabilities		
Bonds Payable (net of $121,919 and $635,520 unamortized premium/discount)	$ 73,541,919	$ 46,850,520
Capital Leases Payable	8,818,590	2,071,110
Notes Payable	161,940	753,725
Compensated Absence	996,739	872,348
Total Non-current Liabilities	$ 83,519,188	$ 50,547,703
Total Liabilities	$ 102,654,330	$ 61,297,393
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 98,525,940	$ 71,918,960
Restricted For:		
Loans	1,207,631	1,199,129
Other Purposes	2,340,665	2,644,055
Unrestricted	18,203,477	18,783,586
Total Net Assets	$ 120,277,713	$ 94,545,730
Total Liabilities and Net Assets	$ 222,932,043	$ 155,843,123

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

MESA STATE COLLEGE FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF FINANCIAL POSITION

	June 30, 2009	June 30,2008
ASSETS		
Cash and Cash Equivalents	$ 2,150,250	$ 815,112
Investments	9,138,563	11,716,836
Unconditional Promises to Give	2,808,843	2,018,350
Due from Mesa State College	-	1,000
Note Receivable from Mesa State College	-	535,000
Property & Equipment, net of depreciation	382,949	424,157
Development Costs	-	18,221
TOTAL ASSETS	$ 14,480,605	$ 15,528,676
LIABILITIES & NET ASSETS		
LIABILITIES		
Note Payable - Line of Credit - Bank	$ 960,004	$ 522,766
Accounts Payable and Accrued Liabilities	1,760	14,440
TOTAL LIABILITIES	961,764	537,206
NET ASSETS		
Unrestricted Net Assets	(2,606,142)	625,864
Temporarily Restricted Net Assets	6,993,492	5,542,104
Permanently Restricted Net Assets	9,131,491	8,823,502
TOTAL NET ASSETS	13,518,841	14,991,470
TOTAL LIABILITIES & NET ASSETS	$ 14,480,605	$ 15,528,676

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

MESA STATE COLLEGE REAL ESTATE FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009 and 2008

	2009	2008
CURRENT ASSETS		
Cash	$7,227	$4,592
Prepaid Expense	13,100	14,958
Interest Receivable	53,438	0
Capital Lease Receivable - Current Portion	310,759	0
TOTAL CURRENT ASSETS	384,524	19,550
LONG-TERM ASSETS		
Capital Lease Receivable	3,251,741	0
Land Held for Investment	716,947	559,182
Other	60,421	31,872
TOTAL LONG-TERM ASSETS	4,029,109	591,054
TOTAL ASSETS	$4,413,633	$610,604
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$63,446	$14,425
Bond Interest Payable	53,438	0
Bonds Payable - Current Portion	310,759	0
TOTAL CURRENT LIABILITIES	427,643	14,425
NON-CURRENT LIABILITIES		
Tenant Deposits	5,174	5,174
Bonds Payable	3,251,741	0
TOTAL NON-CURRENT LIABILITIES	3,256,915	5,174
TOTAL LIABILITIES	3,684,558	19,599
NET ASSETS		
Unrestricted Net Assets	729,075	591,005
TOTAL LIABILITIES & NET ASSETS	$4,413,633	$610,604

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

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

	June 30, 2009	June 30, 2008
REVENUES		
Operating Revenues:		
Tuition and Fees (including $6,005,298 (2009) and $5,196,818 (2008) pledged for bonds and net of scholarship allowances of $10,124,998 (2009) and $8,914,045 (2008)	$ 26,996,717	$ 26,604,173
DHE Fee For Service Revenue	10,704,417	10,675,047
Federal, State, Private Grants and Contracts	11,443,049	11,183,266
Gifts	295,094	468,038
Auxiliary Enterprises (including $14,101,199 (2009) and $13,633,533 (2008) pledged for bonds and net of scholarship allowances of $174,477 (2009) and $215,089 (2008)	15,529,852	15,051,476
Other Operating Revenues (including $53,711 (2009) and $27,548 (2008) pledged for bonds)	556,164	393,437
Total Operating Revenues	$ 65,525,293	$ 64,375,437
EXPENSES		
Operating Expenses:		
Instruction	$ 21,700,902	$ 19,558,359
Research	723,897	694,849
Public Service	468,708	536,419
Academic Support	4,303,092	3,744,762
Student Services	5,435,934	4,051,349
Institutional Support	3,485,408	3,084,472
Operation and Maintenance of Plant	8,726,299	6,093,447
Net Scholarships and Fellowships	2,078,911	1,579,835
Auxiliary Enterprises	14,137,547	12,902,589
Depreciation	4,393,322	3,435,981
Total Operating Expenses	$ 65,454,020	$ 55,682,062
Operating Income (Loss)	$ 71,273	$ 8,693,375
NON-OPERATING REVENUES (EXPENSES)		
State Fiscal Stabilization Funds	$ 4,117,215	$ -
Gifts	2,852,266	1,651,414
Investment and Interest Income (including $656,309 (2009) and $374,292 (2008) pledged to bonds)	1,274,413	1,747,026
Interest Expense on Capital Debt	(1,483,241)	(1,376,304)
Other Non-operating Revenues (Expenses)	(16,831)	(53,206)
Net Non-operating Revenues (Expenses)	$ 6,743,822	$ 1,968,930
Income (Loss) Before Other Revenues or Expenses	$ 6,815,095	$ 10,662,305
Other Revenues, Expenses, Gains, Losses, or Transfers		
State Appropriations, Capital	$ 17,925,215	$ 12,559,062
Gain or (Loss) on Disposal of Assets	(2,190,540)	(2,444,342)
Transfers (To) From Governing Boards or Other Institutions	3,182,213	(332,716)
Increase (Decrease) in Net Assets	$ 25,731,983	$ 20,444,309
NET ASSETS		
Net Assets - Beginning of Year	$ 94,545,730	$ 74,101,421
Net Assets - End of Year	$ 120,277,713	$ 94,545,730

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

MESA STATE COLLEGE FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30,

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE GAINS AND OTHER SUPPORT								
Contributions	$ 32,086	$3,950,946	$ 307,989	$ 4,291,021	$ 157,598	$ 4,999,577	$ 400,859	$ 5,558,034
Investment income (loss)	186,000	-	-	186,000	-	142,647	232,739	375,386
Net unrealized gain on investments	74,384	-	-	74,384	-	(297,851)	(731,686)	(1,029,537)
Less: Costs of Direct Benefits to Donors	(56,356)	-	-	(56,356)	-	-	-	-
Investment Income	239,250	-	-	239,250	-	-	-	-
Realized Gain/Loss on Investments	(964,997)	-	-	(964,997)	-	-	-	-
Unrealized Gain/Loss on Investments	(1,765,910)	-	-	(1,765,910)	-	-	-	-
Mesa state College Department & Club Collections	-	764,032	-	764,032	-	-	-	-
Other	22,529	-	-	22,529	47,173	-	-	47,173
Net Assets Released from Restrictions	3,263,590	(3,263,590)	-	-	3,289,292	(3,289,292)	-	-
TOTAL REVENUE GAINS AND OTHER SUPPORT	$ 1,030,576	$1,451,388	$ 307,989	$ 2,789,953	$ 3,494,063	$ 1,555,081	$ (98,088)	$ 4,951,056
EXPENSES								
Program Expenses	$ 4,122,264	$ -	$ -	$ 4,122,264	$ 2,796,130	$ -	$ -	$ 2,796,130
Supporting Services								
Management & General	106,963	-	-	106,963	339,561	-	-	339,561
Fund-raising	33,355	-	-	33,355	32,424	-	-	32,424
TOTAL EXPENSES	4,262,582	-	-	4,262,582	3,168,115	-	-	3,168,115
CHANGE IN NET ASSETS	(3,232,006)	1,451,388	307,989	(1,472,629)	325,948	1,555,081	(98,088)	1,782,941
NET ASSETS - BEGINNING	625,864	5,542,104	8,823,502	14,991,470	299,916	3,987,023	8,921,590	13,208,529
NET ASSETS - ENDING	$(2,606,142)	$6,993,492	$9,131,491	$ 13,518,841	$ 625,864	$ 5,542,104	$ 8,823,502	$ 14,991,470

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

MESA STATE COLLEGE REAL ESTATE FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2009 and 2008

UNRESTRICTED NET ASSETS

	2009	2008
REVENUE AND SUPPORT		
Support from Mesa State College	$157,352	$50,000
Real Estate Management Fee	17,260	14,973
Interest Income	53,438	0
TOTAL REVENUE AND SUPPORT	228,050	64,973
EXPENSES		
Program Expenses		
Support Mesa State College		
Real Estate Management Expenses	21,013	40,863
Bond Interest Expense	53,438	0
Distributions to Mesa State College	5,462	0
Supporting Services		
Management & General	10,067	4,916
TOTAL EXPENSES	89,980	45,779
INCREASE IN UNRESTRICTED NET ASSETS	138,070	19,194

TEMPORARILY RESTRICTED NET ASSETS

	2009	2008
REVENUE AND SUPPORT		
Support from Mesa State College	1,187,500	0
EXPENSES		
Program Expenses		
Support Mesa State College		
Purchase of real estate	1,187,500	0
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	0	0
INCREASE IN NET ASSETS	138,070	19,194
NET ASSETS - BEGINNING	591,005	571,811
NET ASSETS - ENDING	$729,075	$591,005

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

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

	June 30, 2009	June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received:		
Tuition & Fees	$36,714,344	$35,106,950
Sales of Service	18,850,526	18,947,982
Sales of Product	7,592,658	7,248,796
Grants Contracts and Gifts	12,263,259	11,737,717
Student Loans Collected	85,754	115,001
Other Operating Receipts	607,943	389,392
Cash Payments:		
Payments to or for Employees	(35,198,553)	(31,941,134)
Payments to Suppliers	(19,972,780)	(17,528,856)
Scholarships Disbursed	(12,378,386)	(10,708,969)
Student Loans Disbursed	(187,173)	(164,842)
Other Operating Payments	(15,687)	(24,297)
Net Cash Provided (Used) by Operating Activities	$8,361,905	$13,177,740
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Gifts/Grants for Other than Capital Purposes	$4,645,222	$139,070
Other Agency Inflows	55,681,670	54,710,884
Other Agency (Outflows)	(56,083,132)	(54,163,903)
Transfers from (to) Other Campuses, Board, or Institution	130,251	(332,716)
Net Cash Provided (Used) by Non-Capital Financing Activities	$4,374,011	$353,335
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
State Appropriations, Capital	$17,925,215	$12,202,136
Capital Grants, Contracts, and Gifts	1,305,719	989,101
Acquisition and Construction of Capital Assets	(61,943,135)	(32,131,013)
Proceeds form Capital Debt	28,445,000	2,056,278
Bond Discounts Paid	(517,089)	-
Bond Issuance Costs Paid	(139,455)	-
Proceeds from Capital Asset Sales	571,015	-
Principal Paid on Capital Debt	(1,896,007)	(1,186,147)
Interest on Capital Debt	(1,195,950)	(1,325,672)
Net Cash Provided (Used) by Capital & Related Financing Activities	($17,444,687)	($19,395,317)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings (Interest/Dividends)	$1,307,866	$1,770,103
Net Cash Provided (Used) by Investing Activities	$1,307,866	$1,770,103
Net Increase (Decrease) in Cash & Cash Equivalents	(3,400,905)	(4,094,139)
Cash & Cash Equivalents - Beginning of the Year	41,073,863	45,168,002
Cash & Cash Equivalents - End of the Year	$37,672,958	$41,073,863

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

STATE OF COLORADO
MESA STATE COLLEGE
Comparative Statement of Cash Flows (continued)
For The Years Ended:

	June 30, 2009	June 30, 2008
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$71,273	$8,693,375
Adjustments to Reconcile:		
Depreciation Expense	4,393,322	3,435,981
Provision for Uncollectible Accounts	278,411	(276,999)
Decrease (Increase) in Assets	(678,803)	868,341
Increase (Decrease) in Liabilities	4,297,702	482,568
Other Reconciling Items	-	(25,526)
Net Cash Provided (Used) by Operating Activities	$8,361,905	$13,177,740

Supplemental Disclosure of Noncash Investing and Financing Activites

	June 30, 2009	June 30, 2008
Additions to construction in progress included in accounts payable and accrued liabilities	$6,320,624	$2,485,180
Land donated from Foundation	1,037,209	522,766
Amortization of bond issuance costs	35,064	39,722
Capital lease funded with receivables	3,652,294	-
Capital assets purchased with capital leases and noncash transfers	6,705,727	-
Capital assets donated to Real Estate Foundation	20,755	-

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
The accompanying financial statements reflect the financial activities of Mesa State College (the College) for the fiscal year ended June 30, 2009 and 2008. The College is an institution of higher education of the State of Colorado. For financial reporting purposes, the College is included as part of the State of Colorado's primary government. A copy of the state Comprehensive Annual Financial Report may be obtained from the Office of the State Controller, Department of Personnel and Administration (DPA), Denver Colorado.

Applying GASB 39 criteria, the College has identified Mesa State College Foundation (MSCF) and the Mesa State College Real Estate Foundation (MSCREF) as component units. Since the component units use a different reporting model (FASB Non-Profit), the required financial data is discretely presented on separate pages as allowed by GASB 39.

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

In May 2006, the Mesa State College Board of Trustees approved the articles of incorporation for the MSCREF. MSCREF 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 College. MSCREF engages in activities that may be beyond the scope of the Mesa State College Board of Trustees and its financial records are maintained separately from the College.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the State Treasurer, including unrealized gains and losses, and all highly liquid investments with an original maturity of three months or less, except those deposits and investments representing endowments. All endowment investments are considered long-term investments regardless of the liquidity or maturity of those investments.

Investments
Investments are stated at fair value.

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

The College follows the policy of capitalizing only those plant assets with an initial cost or fair value equal to or greater than $50,000.

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. The College capitalizes assets whose cost exceeds $5,000.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets with a half-year convention for asset additions. Estimated useful lives range from 25-40 years for buildings, 10-20 years for improvements other than buildings, and 3-20 years for equipment, collections, and library materials.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Lease Liabilities
The College 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.

On December 29, 2008, the College entered into a lease-purchase agreement with the Mesa State College Real Estate Foundation to finance the acquisition of property adjacent to the Western Community College of Colorado campus. 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.

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

Summer Sessions
Summer session tuition and fees and related direct academic expenditures are recognized in the year they are earned and incurred.

Classification of Revenue
The College has classified its revenues as either operating or non-operating according to the following criteria:

- Operating revenues – Revenues generally resulting from providing goods and services for instruction, public service or related support services to an individual or entity separate from the College.
- Non-operating revenues – Non-operating revenues are those revenues that do not meet the definition of operating revenues. Non-operating revenues include state capital and operating appropriations, gifts, investment income, and insurance reimbursements.
-

Scholarship Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees and housing for the year ended June 30 were $10,299,475 (2009) and $9,129,134 (2008).

Application of Restricted and Unrestricted Resources

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

Financial Statement Presentation - Net Assets

Net assets are classified as either Unrestricted (formerly unreserved/undesignated fund balance) or Restricted. As of June 30, 2009, the College had no non-expendable restricted assets. Restricted expendable net assets are classified as expendable for loans and bonded auxiliaries. Colorado Revised Statutes, CRS 23-05-103 specifically restricts the residual funds of the bonded auxiliaries, in excess of those required for operations and current year debt service, for the direct benefit of the bonded auxiliaries. At June 30, the restricted net assets of the bonded auxiliary operations totaled $2,112,715 (2009) and $2,681,639 (2008). Restricted expendable net assets also include net assets (fund balances) of its Perkins loan program. Program guidelines require that net assets fund new loans, are written off in accordance with program guidelines, or are refunded to the federal government. At June 30, the restricted net assets related to the Perkins loan program totaled $1,207,631 (2009) and $1,199,129 (2008).

Use of Estimates

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

NOTE 2 – CASH WITH THE STATE TREASURER, CASH ON HAND AND IN BANK, AND INVESTMENTS – CONTINUED

The College deposits cash with the Colorado State Treasurer as allowed by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The College reports its share of the Treasurer's unrealized gains and losses based on its participation in the State Treasurer's pool. All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2009 and 2008. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. The unrealized gains and losses included in "Investment Income" reflect only the change in fair value during the current fiscal year. Additional information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

At June 30 the College had $30,502,594 (2009) and $28,083,693 (2008), including unrealized gains of $405,148 (2009) and $130,885 (2008), on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

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

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

	2009	2008
Cash on hand	$ 20,850	$ 21,950
Cash in checking accounts at bank	7,149,514	12,968,220
Total cash	$ 7,170,364	$ 12,990,170

The carrying amount of the College's cash on deposit was $7,149,514 (2009) and $12,968,220 (2008) and the bank balance was $7,525,408 (2009) and $13,556,919 (2008). Of this bank balance, $3,181,276 (2009) and $3,111,654 (2008) was covered by federal depository insurance and the balance was collateralized by PDPA as described above. The difference between the College's cash in banks and the amount reported by the various banks was $375,894 (2009) and $588,699 (2008) in the form of outstanding checks. Of the total cash on deposit with banks, $5,737,605 (2009) and $12,226,314 (2008) was in an account restricted for capital construction and therefore unavailable for general operations.

NOTE 2 – CASH WITH THE STATE TREASURER, CASH ON HAND AND IN BANK, AND INVESTMENTS – CONTINUED

At June 30, 2009 and 2008, the College had no investments.

Beginning July 1, 2008, House Bill 08-1002, as enacted by the General Assembly of the State of Colorado, authorized Mesa State College Board of Trustees to invest all College cash assets rather than requiring that all receipts be deposited with the Colorado State Treasurer. The Board of Trustees approved the Mesa State College Investment Policy and established an Investment Advisory Committee in accordance with the legislation. As of June 30, 2009, however, the College has elected not to invest any cash assets outside of the Colorado State Treasury.

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, 2009:

	Total	Less Allowance for Doubtful Accounts	Net
Entity Wide			
Accounts Receivable	$ 8,782,115	$(1,410,004)	$7,372,111

The following schedule shows the status of accounts and loans receivable and related allowance for doubtful accounts at June 30, 2008:

	Total	Less Allowance for Doubtful Accounts	Net
Entity Wide			
Accounts Receivable	$ 4,746,850	$(1,131,593)	$ 3,615,257

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

NOTE 4 – CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2009.

	Balance July 1, 2008	Additions	Disposals	Transfers	Balance June 30, 2009
Non-depreciable Capital Assets					
Land and Improvements	$ 10,159,095	$ 2,244,952	$ (585,000)	$ 1,526,854	$ 13,345,901
Construction in Progress	23,991,199	58,157,714	(283,208)	(17,063,778)	64,801,927
Total Non-depreciable Capital Assets	$ 34,150,294	$ 60,402,666	$ (868,208)	$ (15,536,924)	$ 78,147,828
Depreciable Capital Assets					
Land Improvements	$ 13,090,762	$ 552,865	$ -	$ 1,504,294	$ 15,147,921
Buildings	83,651,615	10,017,110	(5,601,909)	14,032,630	102,099,446
Equipment	7,578,310	2,193,644	(247,223)	-	9,524,731
Library Materials	9,714,314	355,228	(5,890)	-	10,063,652
Total Depreciable Capital Assets	$ 114,035,001	$ 13,118,847	$ (5,855,022)	$ 15,536,924	$ 136,835,750
Less: Accumulated Depreciation					
Land Improvements	$ (1,280,031)	$ (716,895)	$ -	$ -	$ (1,996,926)
Buildings	(25,876,946)	(2,536,472)	3,732,872	-	(24,680,546)
Equipment	(4,631,092)	(705,289)	188,173	-	(5,148,208)
Library Materials	(6,625,794)	(434,665)	6,731	-	(7,053,728)
Total Accumulated Depreciation	$ (38,413,863)	$ (4,393,321)	$ 3,927,776	$ -	$ (38,879,408)
Net Depreciable Capital Assets	$ 75,621,138	$ 8,725,526	$ (1,927,246)	$ 15,536,924	$ 97,956,342
Capital Assets, net	$ 109,771,432	$ 69,128,192	$ (2,795,454)	$ -	$ 176,104,170

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2008.

	Balance July 1, 2007	Additions	Disposals	Transfers	Balance June 30, 2008
Non-depreciable Capital Assets					
Land	$ 6,337,870	$ 2,698,001	$ -	$ 1,123,224	$ 10,159,095
Construction in Progress	10,109,874	22,494,273		(8,612,948)	23,991,199
Total Non-depreciable Capital Assets	$ 16,447,744	$ 25,192,274	$ -	$ (7,489,724)	$ 34,150,294
Depreciable Capital Assets					
Land Improvements	$ 3,253,954	$ 2,865,780	$ -	6,971,028	$ 13,090,762
Buildings	83,292,327	2,627,153	(2,786,561)	518,696	83,651,615
Equipment	7,033,001	585,989	(40,680)	-	7,578,310
Library Materials	9,366,943	352,136	(4,765)	-	9,714,314
Total Depreciable Capital Assets	$ 102,946,225	$ 6,431,058	$ (2,832,006)	$ 7,489,724	$ 114,035,001
Less: Accumulated Depreciation					
Land Improvements	$ (920,414)	$ (359,617)	$ -	$ -	$ (1,280,031)
Buildings	(24,296,407)	(1,948,573)	368,034	-	(25,876,946)
Equipment	(3,996,102)	(649,856)	14,866	-	(4,631,092)
Library Materials	(6,152,624)	(477,935)	4,765	-	(6,625,794)
Total Accumulated Depreciation	$ (35,365,547)	$ (3,435,981)	$ 387,665	$ -	$ (38,413,863)
Net Depreciable Capital Assets	$ 67,580,678	$ 2,995,077	$ (2,444,341)	$ 7,489,724	$ 75,621,138
Capital Assets, net	$ 84,028,422	$ 28,187,351	$ (2,444,341)	$ -	$ 109,771,432

NOTE 4 – CAPITAL ASSETS – CONTINUED

Additions to buildings and construction in progress for the year ended June 30, 2009 includes $2,073,665 in capitalized interest as shown below.

Capitalized Interest	
Total interest expense	$ 2,158,183
Plus net premium amortization	(5,603)
Less interest earnings	(78,915)
Total capitalized interest	$2,073,665

Additions to buildings and construction in progress for the year ended June 30, 2008 includes $353,339 in capitalized interest as shown below.

Capitalized Interest	
Total interest expense	$ 853,877
Less premium amortization	(14,343)
Less interest earnings	(486,195)
Total capitalized interest	$ 353,339

NOTE 5 – LONG-TERM LIABILITIES

Changes in long-term debt for the year ended June 30, 2009 were as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due in one year
Capital Leases	$ 2,071,110	$ 7,306,059	$ 89,549	$ 9,287,620	$ 469,030
Series 2002B bonds	11,330,000	-	825,000	10,505,000	835,000
Bond discount - 2002	(511,643)	-	(36,857)	(474,786)	(36,958)
Series 2005 bonds	19,295,000	-	390,000	18,905,000	405,000
Bond premium - 2005	729,780	-	27,765	702,015	27,842
Series 2007 bonds	16,805,000	-	-	16,805,000	-
Bond premium - 2007	417,383	-	14,393	402,990	14,393
Series 2008 bonds	-	28,445,000	-	28,445,000	-
Bond discount - 2008	-	(517,089)	(8,789)	(508,300)	(17,578)
Notes Payable	760,183	-	591,458	168,725	6,785
Compensated Absences	1,004,670	147,716	-	1,152,386	155,647
	$ 51,901,483	$ 35,381,686	$ 1,892,519	$ 85,390,650	$ 1,859,161

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

Changes in long-term debt for the year ended June 30, 2008 were as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due in one year
Capital Lease	$ -	$ 2,071,110	$ -	$ 2,071,110	$ -
Series 2002B Bonds	12,135,000	-	805,000	11,330,000	825,000
Bond discount - 2002	(548,602)	-	(36,959)	(511,643)	(36,958)
Series 2005 Bonds	19,670,000	-	375,000	19,295,000	390,000
Bond premium - 2005	757,623	-	27,843	729,780	27,842
Series 2007 bonds	16,805,000	-	-	16,805,000	-
Bond premium - 2007	431,775	-	14,392	417,383	14,393
Notes Payable	766,330	-	6,147	760,183	6,458
Compensated Absences	906,637	98,033	-	1,004,670	132,322
	$ 50,923,763	$ 2,169,143	$ 1,191,423	$ 51,901,483	$ 1,359,057

Revenue Bonds Payable

Series 2008 bonds: The College issued College Auxiliary Facilities System Enterprise Bonds Series 2008 in December 2008. The debt issue totaled $28,445,000 including a discount of $517,089 that will be amortized over the life of the bonds. After issuance costs, $25,000,000 was deposited into the Series 2008 Project Fund; $1,485,891 was deposited to the Series 2008 Capitalized Interest Fund which will be used to pay bond interest expense during the construction of North Avenue Student Housing Complex; and $1,289,688 was used to establish a debt service reserve fund for the Series 2005 bonds. The Project Fund will be used to construct and equip the North Avenue Student Housing Complex and pay a portion of the cost for the new college center, parking improvements and other College capital projects.

Series 2008 bonds require annual debt service payments ranging from $670,463 to $2,369,291, including coupon interest rates ranging from 4.75% to 6.00%, affecting a net interest rate of 5.97%. Final payments are due in May of 2038. The bonds are secured by the pledge of certain net revenues and other money in funds and accounts held by the Trustees of Mesa State College which are pledged and assigned for equal and ratable payment of the bonds.

A Reserve Fund requirement was met by participating in the State Intercept Program, which was enacted for bonds issued by state-supported institutions of higher education on or after June 4, 2008. Under Section 23-5-139, CRS, as amended, if the College cannot meet a scheduled payment of principal and interest, the State Treasurer is required to forward the amount necessary to make the payment to the paying agent, and will recover such amounts by withholding funds from the College's fee-for-service contract with the Department of Higher Education. The College established a Debt Service Reserve Fund to satisfy the Debt Service Reserve Requirement related to the Series 2005 bonds as described below. The Series 2008 bonds, however, will not be secured by the Debt Service Reserve Fund.

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

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

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

A Reserve Fund requirement was satisfied by the purchase of a surety bond in an amount equal to the Debt Service Reserve Requirement that is equal to the lesser of (i) the combined maximum annual principal and interest payments on all bonds outstanding, (ii) the combined average annual principal and interest payments on all bonds, or (iii) ten percent (10%) of the original principal of each issue of Bonds Outstanding. Because of downgrades of the bond insurer in February 2009, the surety bond for the Series 2007 bonds is no longer a "qualified surety bond" under the Bond Resolution requirements. Pursuant to the Bond Resolution, the College has one year from the time of the downgrade to fund the Series 2007 Debt Service Reserve Fund of $1,291,125.

Series 2005 bonds: The College issued Auxiliary Facilities System Revenue Bonds Series 2005 in September 2005. The debt issue totaled $20,842,434, including a net premium of $807,434 that will be amortized over the life of the bonds. After the costs of issuance, $19,468,388 was deposited into the Project Construction Fund. The 2005 Resolution establishes a Capitalized Interest Fund funded with $1,049,879 of the bond proceeds to pay interest through November 2006, after which any remaining funds will be transferred to the Project Fund. The Project Fund was for construction of student housing, the soccer field and parking facility, and to expand and equip the College's auxiliary facilities system.

Series 2005 bonds require annual debt service payments ranging from $616,975 to $1,294,250, including coupon interest of 3.5% to 5.0%, affecting a net interest rate of 4.38%. Final payments are due in May of 2035. The bonds are secured by the pledge of certain net revenues and other money in funds and accounts held by the Trustees of Mesa State College which are pledged and assigned for equal and ratable payment of the bonds.

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

A Reserve Fund requirement was satisfied when the bonds were issued by the purchase of a surety bond in an amount equal to the Debt Service Reserve Requirement that is equal to the lesser of (i) the combined maximum annual principal and interest payments on all bonds outstanding, (ii) the combined average annual principal and interest payments on all bonds, or (iii) ten percent (10%) of the original principal of each issue of Bonds Outstanding. Because of recent downgrades of the bond insurer, the surety bond for the Series 2005 bonds is no longer a "qualified surety bond" under the Bond Resolution requirements. Pursuant to the Bond Resolution, the College made a deposit of $1,289,688 to the Series 2005 Debt Service Reserve fund from Series 2008 proceeds.

Series 2002 A & B bonds: The College advance refunded the outstanding Series 1994 and Series 1996 bonds in March 2003 by issuing the 2002 Series A & B listed below. The new debt issue totaled $15,180,000 with the proceeds first applied to an escrow account for retirement of the now defeased Series 1994 and Series 1996 bonds with the remainder ($2,500,000) deposited to a capital improvement construction fund.

Mesa Auxiliary Facilities Revenue Bonds, Series A & B 2002, require annual debt service payments ranging from $745,500 to $1,409,150, including interest at 1.34% to 4.57%. Final payments are due in May of 2022. The bonds are secured by a first lien on and pledge of certain net revenues of the Mesa Auxiliary Facilities System. A $325,000 renewal and replacement reserve fund is maintained, as required by the bond resolution. Bonds maturing on or after May 15, 2014 are callable at 100% par value plus accrued interest at the discretion of the Board on or after May 15, 2014. Bonds maturing in 2020 and thereafter are subject to mandatory sinking fund redemption without premium.

The following is a schedule of future minimum bond payments as of June 30, 2009:

Fiscal Year-End:	2002 Series B	2005 Series	2007 Series	2008 Series	Total
2010	$ 1,329,378	$ 1,290,913	$ 844,494	$ 1,630,856	$ 5,095,641
2011	1,338,910	1,290,725	844,494	1,630,856	5,104,985
2012	1,340,200	1,289,975	844,494	1,630,856	5,105,525
2013	1,409,150	1,289,750	844,494	1,630,856	5,174,250
2014	1,359,150	1,289,000	844,494	1,630,856	5,123,500
2015-2019	4,931,500	6,457,650	4,222,469	10,095,469	25,707,088
2020-2024	2,241,750	6,448,700	5,541,119	11,573,246	25,804,815
2025-2029	-	6,444,550	7,535,131	11,829,463	25,809,144
2030-2034	-	6,444,500	7,526,293	11,838,338	25,809,131
2035-2038	-	1,286,250	7,104,031	9,460,700	17,850,981
Subtotals	$ 13,950,038	$ 33,532,013	$ 36,151,513	$ 62,951,496	$ 146,585,060
Less Interest Included Above	(3,445,038)	(14,627,013)	(19,346,513)	(34,506,496)	(71,925,060)
Total Principal Outstanding	$ 10,505,000	$ 18,905,000	$ 16,805,000	$ 28,445,000	$ 74,660,000
Less Current Portion	(835,000)	(405,000)	-	-	(1,240,000)
Net Long Term Principal	$ 9,670,000	$ 18,500,000	$ 16,805,000	$ 28,445,000	$ 73,420,000
Less Unamortized Premium/Discount	(474,786)	702,015	402,990	(508,300)	121,919
Bonds Payable Net	$ 9,195,214	$ 19,202,015	$ 17,207,990	$ 27,936,700	$ 73,541,919

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

The following is a schedule of future minimum bond payments as of June 30, 2008:

Fiscal Year-End:	2002 Series B	2005 Series	2007 Series	Total
2009	$ 1,342,065	$ 1,289,563	$ 844,494	$ 3,476,122
2010	1,329,378	1,290,913	844,494	3,464,785
2011	1,338,910	1,290,725	844,494	3,474,129
2012	1,340,200	1,289,975	844,494	3,474,669
2013	1,409,150	1,289,750	844,494	3,543,394
2014-2018	5,545,350	6,455,400	4,222,469	16,223,219
2019-2023	2,987,050	6,449,125	4,882,469	14,318,644
2024-2028	-	6,447,624	7,531,106	13,978,730
2029-2033	-	6,442,500	7,529,343	13,971,843
2034-2038	-	2,576,000	8,608,150	11,184,150
Subtotals	$15,292,103	$34,821,575	$36,996,007	$87,109,685
Less Interest Included Above	(3,962,103)	(15,526,575)	(20,191,007)	(39,679,685)
Total Principal Outstanding	$11,330,000	$19,295,000	$16,805,000	$47,430,000
Less Current Portion	(825,000)	(390,000)	-	(1,215,000)
Net Long Term Principal	$10,505,000	$18,905,000	$16,805,000	$46,215,000
Less Unamortized Discount and Premium	(511,643)	729,780	417,383	635,520
Bonds Payable Net	$9,993,357	$19,634,780	$17,222,383	$46,850,520

Capital Leases

Equipment Lease: In Fiscal Year 2008, the College entered into a $2,162,375 capital lease-purchase contract for the acquisition of equipment that will result in energy cost savings guarantees. Interest of 4.32% accrued to the lease principal during the installation period which ran through Fiscal Year 2009. Rent payments begin in September 2009 and continue through August 2024. The contract provides that any commitments beyond the current year are contingent upon funds being 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 State Treasurer entered a lease-purchase agreement under which a Trustee issued $230,845,000 of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008. The Certificates were issued at a net premium of $180,940 and were a combination of serial and term maturities with the final maturity in November 2027. The Certificates carry coupon rates ranging from 3.00 percent to 5.50 percent with a total interest cost of 5.38 percent.

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

The Certificate proceeds will be used to fund renovations, additions, and new construction at twelve state Institutions of Higher Education and are collateralized with existing properties at eleven of the twelve institutions. Legislation enacted in the 2008 session of the General Assembly authorized the lease purchase and limited the lease payments to average $16.2 million for the first ten years and $16.8 million for the second ten years. The legislation envisions annual appropriations of Federal Mineral Lease Program (FML) revenues to fund the semi-annual lease payments required. Total lease payments anticipated from the FML source are $325.5 million, and three institutions will make $42.8 million of lease payments over the life of the Certificates to fund the portion of their required project match that they elected to finance through the Certificates.

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

Capital Lease-Purchase with the Mesa State College Real Estate Foundation (MSCREF): On December 29, 2008, the Board of Trustees granted $1,187,500 to the MSCREF and entered into a lease-purchase agreement with the MSCREF to finance the acquisition of property adjacent to the College's Western Community College campus. MSCREF made an equity contribution of $1,187,500 and issued a lease revenue bond through the Colorado Educational and Cultural Facilities Authority for $3,562,500 with a fixed interest rate of 3.00% that will mature on December 29, 2011. The term of the capital lease is for ten years at 3.00% with the final payment due on December 29, 2018. The College has the option to purchase the MSCREF's interest in the leased property by paying the MSCREF an amount which is sufficient to pay the outstanding principal and interest of the bond, and any other amounts due under the lease agreement. The College presently expects to exercise its option to purchase the leased property by paying the purchase option price on December 29, 2011; but this representation does not obligate or otherwise bind the College. The contract provides that any commitments beyond the current year are contingent upon funds being 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.

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

The following is a schedule of future minimum capital lease payments as of June 30, 2009:

Fiscal Year End	Principal	Interest	Total
2010	$ 469,030	$ 382,884	$ 851,914
2011	516,666	364,246	880,912
2012	540,474	344,100	884,574
2013	572,787	327,585	900,372
2014	598,547	304,959	903,506
2015-2019	3,421,144	1,172,374	4,593,518
2020-2024	2,083,618	572,770	2,656,388
2025-2028	1,085,354	127,039	1,212,393
	$ 9,287,620	$ 3,595,957	$ 12,883,577

The following is a schedule of future minimum capital lease payments as of June 30, 2008:

Fiscal Year End	Principal	Interest	Total
2009	$ (91,265)	$ 91,265	$ -
2010	41,984	92,833	134,817
2011	74,523	90,169	164,692
2012	82,715	86,762	169,477
2013	98,889	82,887	181,776
2014-2018	643,002	339,079	982,081
2019-2023	961,088	168,325	1,129,413
2024-2028	260,174	6,616	266,790
	$ 2,071,110	$ 957,936	$ 3,029,046

Operating Lease: The College entered into an agreement to lease kitchen equipment for the student dining hall during the construction of the College Center, and leases copiers. The following is a schedule of all future minimum rental payments under the lease:

Year Ending June 30:	
2010	$ 884,744
2011	71,403
Total	$ 956,147

Rent expense for Fiscal Year 2009 and 2008 was $132,538 and $103,576, respectively.

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

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

In Fiscal Year 2007, the Mesa State College Foundation (the Foundation) transferred real property with an estimated value of $585,000 to the College in exchange for a long-term note payable. The College sold the property and repaid the Foundation in September 2008.

The following is a schedule of payments of notes payable as of June 30, 2009:

	Year Ending June 30, 2009
Total Payments:	
2010	$ 15,138
2011	15,138
2012	15,138
2013	15,138
2014	15,138
2015-2019	75,689
2020-2014	75,689
2025-2029	22,707
Total Principal and Interest Payments	$ 249,775
Less: Interest Included Above	(81,050)
Total Principal Outstanding	$ 168,725
Less: Current Portion	(6,785)
Net Long-term Principal	$ 161,940

The following is a schedule of payments of notes payable as of June 30, 2008:

	Year Ending June 30, 2008
Total Payments:	
2009	$ 15,138
2010	15,138
2011	15,138
2012	600,138
2013	15,138
2014-2018	75,689
2019-2023	75,689
2024-2026	37,844
Total Principal and Interest Payments	$ 849,912
Less: Interest Included Above	(89,729)
Total Principal Outstanding	$ 760,183
Less: Current Portion	6,458
Net Long-term Principal	$ 753,725

NOTE 5 – LONG-TERM LIABILITIES – CONTINUED

Compensated Absences: Employees accrue annual and sick leave based on the length of service subject to certain limitations regarding the amount that will be paid upon termination and/or retirement. The estimated costs of compensated absences for which employees are vested for the years ended June 30, 2009 and June 30, 2008, are estimated as $1,152,386 (including the current portion of $155,647 listed in note 6 below) and $1,004,670 respectively. Expenses include an increase of $147,716 (2009) and $98,033 (2008) for the estimated compensated absence liability.

NOTE 6 – SHORT-TERM LIABILITIES

Year-end payables were as follows:

	Year Ending	
	June 30, 2009	June 30, 2008
Accounts Payable, Vendors	$ 5,907,508	$ 2,139,094
Salaries and Benefits Payable	4,139,191	3,710,078
Capital Leases Payable, Current Portion	469,030	-
Capital Bonds Payable, Current Portion	1,240,000	1,215,000
Long-term Notes Payable, Current Portion	6,785	6,458
Compensated Absences, Current Portion	155,647	132,322
Retainage on Construction Contracts Payable	3,537,123	504,333
Accrued Interest Payable	567,902	284,100
Total Payables	$ 16,023,186	$ 7,991,385

NOTE 7 – CONTINGENT LIABILITIES

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

The College, 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 College.

NOTE 8 – ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements are as follows:

	June 30, 2009	June 30, 2008
Education and General	$ 377,126	$ 332,735
Auxiliary Enterprises	1,219,172	481,696
Restricted Funds	68,694	122,816
Plant Funds	32,091,498	8,908,732
Total	$ 33,756,490	$ 9,845,979

NOTE 9 – PENSION PLAN OBLIGATIONS

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

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

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

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

NOTE 9 – PENSION PLAN OBLIGATIONS – CONTINUED

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institutions optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case, they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2008, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior twelve months. In that case, they are required to remain in the PERA plan in which they participated previously.

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

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2007 - any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

- Hired on or after January 1, 2007 – age 55 with a minimum of 5 years service credit and age plus years of service equals 80 or more.
- Hired before January 1, 2007 – age 55 with a minimum of 5 years service credit and age plus years of service equals 85 or more.

State troopers and judges comprise a small percentage of plan members but have higher contribution rates, and state troopers are eligible for retirement benefits at different ages and years of service.

NOTE 9 – PENSION PLAN OBLIGATIONS – CONTINUED

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated at 2.5 percent times the number of years of services times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which the contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009 or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index.
- Hired on or after January 1, 2007 - the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

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

B. FUNDING POLICY

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

NOTE 9 – PENSION PLAN OBLIGATIONS – CONTINUED

Most employees contribute 8.0 percent (10.0 percent for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2008, to December 31, 2008, the state contributed 12.05 percent, (14.75 percent for state troopers and 15.56 percent for the Judicial Branch) of the employee's salary. From January 1, 2009, through June 30, 2009, the state contributed 12.95 percent, (15.65 percent for state troopers and 16.46 percent for the Judicial Branch.) During all of Fiscal Year 2008-09, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2008, the division of PERA in which the state participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the general assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, the general assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one half percentage point in the SAED will be deducted from the amount of changes to state employees' salaries and used by the employer to pay the SAED. Both the AED and SAED will terminate when funding levels reach 100 percent.

Historically, members have been allowed to purchase service credits at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The College's contributions to the Defined Benefit Plan and the Health Care Trust Fund for the fiscal years ended June 30, 2009, 2008, and 2007 were $1,341,476, $1,162,557, and $1,034,423 respectively. These contributions met the contribution requirement for each year.

NOTE 9 – PENSION PLAN OBLIGATIONS – CONTINUED

C. OPTIONAL RETIREMENT PLAN (ORP)

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

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

Funding Policy. The College's contribution to the ORP for fiscal years ended June 30, 2009, 2008, and 2007 were $1,671,890, $1,501,329 and $1,343,344 respectively. Employee contributions were 8 percent of covered payroll. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

D. STUDENT RETIREMENT PLAN

Beginning in Fiscal Year 1993, in accordance with the provisions of CRS 24-54.6 and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5 percent contribution on the employee's part with no employer contribution. Total payroll covered by the plan for fiscal years ended June 30, 2009 and 2008 were $576,197 and $540,143. Employee contributions were $43,215 and $40,511, for fiscal years ended June 30, 2009 and 2008, or 7.5 percent of covered payroll.

NOTE 10 – VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan and, beginning on July 1, 2009, will administer the 457 deferred compensation plan previously administered by the state. Certain agencies and institutions of the state also offer 403(b) or 401(a) plans.

NOTE 11 – POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependants on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the Program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitle to Medicare and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitle to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 9B. Beginning July 1, 2004, the College is required to contribute 1.02% of gross covered wages to the Health Care Trust Fund. The College contributed $87,108, $84,034, and $80,537 as required by statute as of June 30, 2009, 2008 and 2007, respectively. In each year the amount contributed was 100% of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2008, there were 45,888 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2008, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.11 billion, a funded ratio of 18.7%, and a 39-year amortization period.

NOTE 12 – COMPONENT UNITS

Beginning with financial statements issued for years ending on or after June 30, 2004, GASB Statement 39 requires the inclusion of certain organizations as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support to the primary government or its other component units. If a separate entity is determined (by GASB 39 criteria) to be a component unit, its financial information should be discretely presented within the financial statements of the reporting entity.

NOTE 12 – COMPONENT UNITS – CONTINUED

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

For Colorado institutions of higher education, either of these presentation options is acceptable if the component unit uses a different reporting model. Component Unit reporting must include a Statement of Net Assets (or Financial Position) and a Statement of Revenues, Expenses, and Changes in Net Assets (or Statement of Activities). A Statement of Cash Flows is not required.

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

MESA STATE COLLEGE FOUNDATION

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

The Foundation solicits and receives donations and other forms of support for the benefit of the College's intercollegiate athletic program as well as other programs and/or initiatives. Expenditures are primarily scholarships awarded. During fiscal year 2009, the Foundation awarded $487,324 in scholarship funds directly to Mesa State College students. Since the funds were paid directly to students, the College did not record related revenue or expense. Accordingly, this amount is not included in the schedule of Student Financial Assistance provided in Note 13. The Foundation received donations to partially fund regular operations of various college departments. During Fiscal Year 2009 cash and in-kind donations totaled $2,377,329 and were recorded as revenue and expense in the appropriate funds.

The following is an excerpt from the Foundation's independent annual financial report. Note references for Fiscal Year 2008 follow those for Fiscal Year 2009.

NOTE 12 – COMPONENT UNITS – CONTINUED

FOUNDATION – INVESTMENTS – Fiscal Year 2009

Investment return is summarized as follows:

	Cost	Fair Value	Unrealized Gain (Loss)
Balance at End of Year	$ 10,159,415	$ 9,138,563	$ (1,020,852)
Balance at Beginning of Year	11,903,540	11,716,831	(186,709)
Increase (Decrease) in Unrealized Appreciation			$ (834,143)
Interest and dividend income			$ 304,968
Realized Gains (Losses) on Investments			(964,997)
Trustee fees			(65,718)
Total			$ (725,747)

Investments recorded at fair value are comprised of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
Cash & Money Markets	$ 2,519,865	$ 2,519,865	$ -
Bonds	1,338,394	1,334,952	(3,442)
Common Stock	3,113,512	2,621,584	(491,928)
Mutual Funds	3,187,644	2,662,162	(525,482)
	$10,159,415	$ 9,138,563	$(1,020,852)

FOUNDATION – PROMISES TO GIVE – Fiscal Year 2009

A summary of the unconditional promises to give at June 30, 2009 and expected years of completion follows:

Mesa State College Building Projects	$1,602,312
Mesa State College Campus Expansion	600,000
Scholarships	1,099,107
Subtotal	3,301,419
Less discounts to net present value - Discount rate 7%	(280,263)
Less allowances for uncollectible promises receivable	(212,313)
Total	$2,808,843
Receivable in less than one year	$ 979,316
Receivable in one to five years	1,659,961
Receivable in more than five years	169,566
Total	$2,808,843

NOTE 12 – COMPONENT UNITS – CONTINUED

FOUNDATION – PROPERTY AND EQUIPMENT – Fiscal Year 2009

Property and equipment consist of the following:

	Estimated useful life	Amount
Building	20-30 years	$ 550,581
Furniture and Fixtures	5-10 years	235,017
Memorial alcove	10 years	7,400
		792,998
Less accumulated depreciation		(410,049)
		$ 382,949

FOUNDATION – LINE OF CREDIT – Fiscal Year 2009

Mesa State College has plans to further expand the size of the college campus. The Foundation is assisting in the expansion by purchasing real estate needed for campus expansion. At the time of closing on real estate purchases the Foundation quitclaim's the real estate to Mesa State College. $1,037,209 of real estate was purchased and quitclaimed to Mesa State College during the last year.

To facilitate the purchase of real estate at the most advantageous prices and terms the Foundation has a line of credit with a bank in the amount of $2,500,000 which matures June 2, 2013. The initial interest rate was 4% adjusted annually to a floating rate based on a Prime Rate and interest payments are due each month. At year end the Foundation's balance on this loan was $960,004. The collateral for the loan is all real property and personal property (both tangible and intangible) that the Foundation owns.

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

NOTE 12 – COMPONENT UNITS – CONTINUED

Fiscal Year 2008 – NOTES:

FOUNDATION – INVESTMENTS – Fiscal Year 2008

Investment return is summarized as follows:

	Cost	Fair Value	Unrealized Gain (Loss)
Balance at End of Year	$ 11,903,540	$ 11,716,831	$ (186,709)
Balance at Beginning of Year	8,759,140	9,601,968	842,828
Increase (Decrease) in Unrealized Appreciation			$ (1,029,537)

Interest and dividend income	$ 366,628
Realized Gains (Losses) on Investments	90,487
Trustee fees	(81,729)
Total	$ 375,386

Investments recorded at fair value are comprised of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
Mutual Funds	$ 8,641,365	$ 8,576,166	$ (65,199)
Corporate Bonds and Notes	987,669	970,840	(16,829)
U.S. Government Securities and Agencies	616,523	615,786	(737)
Common Stock and other	1,657,983	1,554,039	(103,944)
	$11,903,540	$11,716,831	$ (186,709)

Other investments are recorded at estimated value on the date of contribution where fair value is not available.

	Carrying Value
Corporate Stocks	$ 5

FOUNDATION – PROMISES TO GIVE – Fiscal Year 2008

A summary of the unconditional promises to give at June 30, 2008 and expected years of completion follows:

Receivable in less than one year	$ 993,055
Receivable in one to five years	1,520,141
Total Unconditional Promises to Give	2,513,196
Less discounts to net present value	(274,140)
Less allowances for uncollectible promises receivable	(220,706)
Net Unconditional Promises to Give	$2,018,350

NOTE 12 – COMPONENT UNITS – CONTINUED

FOUNDATION – PROPERTY AND EQUIPMENT – Fiscal Year 2008

Property and equipment consist of the following:

	Estimated useful life	Amount
Building	20-30 years	$ 550,581
Furniture and Fixtures	5-10 years	235,017
Memorial alcove	10 years	7,400
		792,998
Less accumulated depreciation		(368,841)
		$ 424,157

FOUNDATION – NOTE RECEIVABLE FROM THE COLLEGE – Fiscal Year 2008

In Fiscal Year 2007, the Foundation transferred real property with an estimated value of $585,000 to the College in exchange for a long-term note receivable. Should the College sell the property prior to December 31, 2011, the College is to repay the Foundation the principal balance of the note from the sales proceeds, less one half of the College's closing costs, within 90 days of the sale. If the property does not sell by November 20, 2011, the College can quitclaim the property back to the Foundation by December 31, 2011 to satisfy all claims on the note. Alternatively, the parties may agree to extend the term of the note through written amendment signed by both parties. During Fiscal Year 2008, there was a contract on this property with $50,000 down payment.

FOUNDATION – LINE OF CREDIT – Fiscal Year 2008

The Foundation has a $2,500,000 bank line of credit which matures June 2, 2013. Amounts borrowed under this agreement bear interest at the bank's prime rate minus 1% (4% at June 30, 2008) with a floor of 4%. At June 30, 2009, the Foundation had borrowed $522,766 on this line. The Foundation uses this line of credit to buy real estate properties identified by the College and quitclaims them over to the College on the date of the closing for its campus expansion. The Foundation and the College have a memorandum of understanding that the College will deed real estate selected by the College with a market value sufficient for the Foundation to meet its line of credit obligation, should the need arise.

MESA STATE COLLEGE REAL ESTATE FOUNDATION

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

NOTE 12 – COMPONENT UNITS – CONTINUED

Under an operating agreement with the College, the parties generally intend to satisfy MSCREF's need for financial capital by allowing MSCREF to retain a portion of proceeds on an approximate 20% (MSCREF), 80% (College) sharing. The Board of Trustees authorized up to $375,000 from the college for MSCREF start-up costs. The College made operating transfers of $135,000 in Fiscal Year 2009 and $50,000 in Fiscal Year 2008. In addition, the Board granted $1,187,500 to MSCREF in December 2008 for the acquisition of property that is described in Note 5 above and MSCREF made a capital transfer of $1,192,962 back to the College.

The following is an excerpt from the Fiscal Year 2009 MSCREF independent annual financial report.

MSCREF – LAND HELD FOR INVESTMENT AND OTHER LONG-TERM ASSETS – Fiscal Year 2009

Mesa State College contributed a piece of land located in Mesa County in November of 2006. This land is to be developed in future years by the MSCREF to benefit the College. MSCREF has capitalized all of the development costs. A building is on the investment land and is being depreciated over a 6 year life.

Cost of land held for investment and developed costs	$ 698,321
Building	22,352
Accumulated Depreciation	(3,726)
Total land held for investment	$ 716,947

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

MSCREF – CAPITAL LEASE RECEIVABLE FROM THE COLLEGE – Fiscal Year 2009

On December 29, 2008, the Board of Trustees granted $1,187,500 to the MSCREF and entered into a lease-receivable agreement with the College to finance the acquisition of property adjacent to the College's Western Community College campus. MSCREF made an equity contribution of $1,187,500 and issued a lease revenue bond through the Colorado Educational and Cultural Facilities Authority for $3,562,500. The College has the option to purchase the MSCREF's interest in the leased property by paying the MSCREF an amount which is sufficient to pay the outstanding principal and interest of the bond, and any other amounts due under the lease agreement. The College presently expects to exercise its option to purchase the leased property by paying the purchase option price on December 29, 2011; but this representation does not obligate or otherwise bind the College. The contract provides that any commitments beyond the current year are contingent upon funds being 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.

NOTE 12 – COMPONENT UNITS – CONTINUED

MSCREF – OPERATING LEASE COMMITMENTS – Fiscal Year 2009

MSCREF leases five commercial spaces in Grand Junction from Mesa State College. The terms of this lease expired September 21, 2008 and annual rent was $10. MSCREF then leases these commercial spaces to tenants under non-cancelable operating leases with terms of 5 years. MSCREF retains 20% of rental income as a management fee, and the other 80% is paid to Mesa State College. The rental income for the year was $86,298, of which MSCREF kept 20% as a management fee.

MSCREF – BOND PAYABLE – Fiscal Year 2009

MSCREF made an equity contribution of $1,187,500 and issued a lease revenue bond through the Colorado Educational and Cultural Facilities Authority for $3,562,500 to finance the acquisition of property adjacent to the College's Western Community College campus. The bond has a fixed interest rate of 3.00% and will mature on December 29, 2011. Below is the schedule of debt service payments.

Fiscal Year	Principal	Interest	Total
2010	$310,759	$106,875	$417,634
2011	320,082	97,552	417,634
2012	2,931,659	87,950	3,019,609
	$3,562,500	$292,377	$3,854,877

Fiscal Year 2008 NOTES:

MSCREF – PREPAID EXPENSES – Fiscal Year 2008

Prepaid expenses consist of leasing commissions and landlord improvements that are amortized over the life of the tenant leases.

MSCREF – INVESTMENT IN LAND AND OTHER LONG-TERM ASSETS – Fiscal Year 2008

The College contributed a piece of land located in Mesa County in November of 2006. This land is to be developed in the future years by MSCREF to benefit the College. MSCREF has capitalized all of the development costs as other long-term assets for the year ended June 30, 2008. There was no income from either the sale or rental from this land for the year ended June 30, 2008.

MSCREF – LEASING ARRANGEMENT – Fiscal Year 2008

MSCREF leases two commercial spaces in Grand Junction from the College. The terms of this lease is one year expiring September 21, 2008 and annual rent is $10. MSCREF manages these commercial spaces as the College's landlord and retains 20% of rental income as management fee. The other 80% is remitted to the College. The tenants lease the properties under 5 year-lease agreements. The rental income from the two commercial spaces was $74,865, of which MSCREF keeps 20% as management fees.

NOTE 13 – STUDENT FINANCIAL ASSISTANCE

The College receives funds from and administers student financial assistance programs for various federal and state agencies. In addition, the College dedicates institutional resources to fund scholarships and work-study programs for students. With the implementation of GASB 34 in 2002, the new financial statement format lacks the detail of student financial assistance available on pre-2002 financial statements since part of the revenues previously recorded are now properly netted against tuition and fees with a corresponding reduction in scholarship expense. The tables below reflect the student financial assistance activities that the College received resources for and expended for and on the behalf of students in Fiscal Years 2009 and 2008. Student loans, external scholarships, grants, and other student financial assistance not recorded on the College's financial system are not included. A detailed schedule of state-funded financial assistance is provided in the 'State-Funded Student Assistance Programs Section".

A schedule of non-loan student assistance for the year ended June 30, 2009 follows:

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Scholarships				
Colorado Need-based	$ -	$ 2,893,147	$ -	$ 2,893,147
Colorado Merit	-	37,111	-	37,111
CLEAP	14,779	37,609	-	52,388
SLEAP	23,578	25,158	-	48,736
Governor's Opportunity	-	165,552	-	165,552
Pre-Collegiate Academic	-	96,328	-	96,328
Pell Grants	5,518,013	-	-	5,518,013
General Institutional	-	-	2,462,126	2,462,126
Auxiliary	-	-	856,386	856,386
Other Federal Scholarships	224,079	-	-	224,079
Work Study **	155,707	716,668	1,557,666	2,430,041
SEOG	118,313	-	39,438	157,751
Non-resident Scholar	-	-	5,660	5,660
Total	$6,054,469	$3,971,573	$4,921,276	$14,947,318

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

NOTE 13 – STUDENT FINANCIAL ASSISTANCE

A schedule of non-loan student assistance for the year ended June 30, 2008 follows:

	Federal Sources	State Sources	Institutional Sources	Total All Sources
Scholarships				
Colorado Need-based	$ -	$2,573,757	$ -	$ 2,573,757
Colorado Merit	-	37,111	-	37,111
CLEAP	14,795	37,595	-	52,390
SLEAP	24,368	24,368	-	48,736
Governor's Opportunity	-	313,178	-	313,178
Pell Grants	4,998,473	-	-	4,998,473
General Institutional	-	-	1,899,538	1,899,538
Auxiliary	-	-	539,327	539,327
Other Federal Scholarships	172,201	-	-	172,201
Work Study **	175,881	615,193	1,087,307	1,878,381
SEOG	97,202	-	32,401	129,603
Non-resident Scholar	-	-	25,058	25,058
Total	$5,482,920	$3,601,202	$ 3,583,631	$ 12,667,753

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

NOTE 14 – LEGISLATIVE APPROPRIATION

The Colorado Legislature establishes spending authority for the Trustees Mesa State College in its annual Long Appropriation Bill. Prior to Fiscal Year 2006, appropriated funds included an amount from the State of Colorado's General Fund, as well as certain cash funds. Cash funds include tuition, certain fees, and other certain revenue sources. In Fiscal Year 2009, the Colorado Legislature appropriated $18,400,687 for Saunders Field House Addition and Renovation and in Fiscal Year 2008 the legislature appropriated $8,484,523 for the Business and Information Technology Center and for controlled maintenance projects. Of that, $17,925,215 was spent and realized as capital construction appropriated revenue in Fiscal Year 2009.

NOTE 15 – 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 Mesa State College. On August 10, 2005, the Colorado State Auditor issued an opinion that Mesa State College, along with nine other state colleges and universities, meet the TABOR requirements, and recommended that the Legislative Audit Committee approve them as TABOR-exempt enterprises.

NOTE 15 – TABOR ENTERPRISE STATUS – CONTINUED

To qualify as a TABOR-exempt enterprise, a higher education institution needs to be a government-owned business authorized to issue its own revenue bonds and receiving less than 10 percent of its revenue grants from all Colorado state and local governments combined. Designation will be reviewed at the end of each year to determine that the colleges and universities continue to meet TABOR-exempt criteria. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any of the provisions of TABOR. The College lost its TABOR-exempt enterprise status in Fiscal Year's 2008 and 2009 due to receiving more than 10% of revenues from the state government. The schedule below shows the TABOR Enterprise State support calculation for fiscal year 2009.

State Grants	
Capital appropriations	$ 17,925,215
State Share – Certificate of Participation	729,999
Total State Grants	$ 18,655,214
Total Revenues (gross operating, non-operating, and other revenues)	$ 92,007,534
Ratio of State Grants to Total Revenues	20.28%

NOTE 16 – CHANGE IN GOVERNANCE AND FINANCIAL REPORTING

House Bill 03-1093, as enacted by the General Assembly of the State of Colorado, establishes an independent governing board for the College. Effective July 1, 2003, the powers, duties and functions formerly performed by the Trustees of the State Colleges in Colorado were transferred to the Board of Trustees of the College. For the years ending June 30, 2003 and later, the financial statements of the College are presented on a stand-alone basis. For the years ending on and prior to June 30, 2002, the financial statements of Mesa State College were included on a consolidated basis, which included Adams State College, Mesa State College, Metropolitan State College of Denver, the Office of State Colleges, and the Western Colorado Graduate Center.

NOTE 17 – RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

The College is subject to risks of loss from liability for accident property damage and personal injury. The State Division of Risk Management, an agency formed by statute and funded by the Long Appropriations Bill, manages these risks. Therefore, the College is not required to obtain insurance, and accordingly, no reduction occurred in coverage nor did any settlements exceed coverage. The College does not retain risk of loss except for damage incurred to property belonging to the State of Colorado, limited to a $1,000 deductible per incident.

NOTE 18 – SUBSEQUENT EVENTS

Series 2009 Auxiliary Facilities System Enterprise Revenue Bonds: The Mesa State College Board of Trustees authorized the College to issue Series 2009 Auxiliary Facilities System Enterprise Revenue Bonds to finance the construction, acquisition, renovation and equipping of the North Avenue Student Housing Complex, related surface and/or parking structures, and various other facilities at the College. The amount that will be deposited into the project fund is limited to $28 million, and the total issue, including project funds, capitalized interest fund, required and issuance costs is limited to $30 million. Additionally, the net effective interest rate on the Series 2009 Bonds shall not exceed 6.75%.

SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUE AND EXPENSES
FOR
ENTERPRISE REVENUE BONDS

MESA STATE COLLEGE
Enterprise Revenue Bonds
Schedule of Revenues and Expenditures
For the Year Ended June 30,

	Fiscal Year 2009	Fiscal Year 2008
OPERATING REVENUES		
Pledged Tuition Revenue	$ 3,440,578	$ 3,374,290
Residence Halls and Apartments	5,858,874	5,257,709
Food Services	4,206,960	4,107,827
College Center	427,342	659,635
Bookstore	3,708,982	3,508,816
Recreation Center	608,110	850,776
Campus Parking	478,703	417,433
Central Services	361,170	454,291
Student Fee Revenue	1,725,800	601,414
Total Revenue	$ 20,816,519	$ 19,232,191
OPERATING EXPENDITURES		
Residence Halls and Apartments	$ 3,394,440	$ 3,334,415
Food Services	3,069,143	2,651,397
College Center	361,827	303,198
Bookstore	3,422,573	3,429,382
Recreation Center	416,856	411,602
Campus Parking	190,628	153,301
Central Services	188,023	267,238
Total Operating Expenditures	$ 11,043,490	$ 10,550,533
Net Revenue Before Transfers	$ 9,773,029	$ 8,681,658
Transfers		
Mandatory Transfers	$ (3,683,785)	$ (2,533,041)
Net Non-mandatory Transfers	(3,020,303)	(2,159,412)
Total Transfers	$ (6,704,088)	$ (4,692,453)
Increase (Decrease) in Fund Balance	$ 3,068,941	$ 3,989,205
Net Operating Revenue	$ 9,773,029	$ 8,681,658
Bond Principal and Interest	3,476,121	3,384,425
Excess of Net Operating Revenue Over Debt Service	$ 6,296,908	$ 5,297,233
Debt Service Coverage Ratio	281%	257%

Chadwick, Steinkirchner, Davis & Co., P.C. Consultants and Certified Public Accountants

INDEPENDENT AUDITORS' 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*

December 10, 2009

Members of the Legislative Audit Committee:

We have audited the basic financial statements of Mesa State College, a blended component unit of the State of Colorado as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated December 10, 2009. We did not audit the financial statements of the Mesa State College Foundation or the Mesa State College Real Estate Foundation, the discretely presented component units of the College. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the two foundations, is 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. The financial statements of the discretely presented component units, Mesa State College Foundation and Mesa State College Real Estate Foundation, were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audits, we considered Mesa State College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

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December 10, 2009
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Chadwick, Steinkirchner, Davis + Co., P.C.

AUDIT COMMITTEE COMMUNICATIONS

December 10, 2009

Members of the Legislative Audit Committee:

We have audited the financial statements of Mesa State College, a blended component unit of the State of Colorado, for the years ended June 30, 2009 and 2008, and have issued our report thereon dated December 10, 2009. As required by professional auditing standards, we are providing you with information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in the engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with the Board of Trustee's oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve the Board of Trustee's or management of their responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters on May 12, 2009.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mesa State College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009 or 2008. We noted no transactions entered into by Mesa State College during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Management's estimate of depreciation is based on the estimated useful life of the fixed assets being depreciated at June 30, 2009. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

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Management's estimate of the allowance for doubtful accounts is based on historical trends of write offs related to accounts receivable. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the scholarship allowances is based on the student-to-student method, which uses the lesser of total charges (net of refunds) or total financial aid (net of refunds) by student. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The Governmental Accounting Standards Board's implementation guide issued in 2008 clarified that Pell grants should be recorded as nonoperating revenues since they are nonexchange revenues and entities generally have administrative requirements for these funds. Historically, Mesa State College has recorded this Pell grant activity as operating revenue. The Colorado State Controller's Office also recommended that public institutions in the state continue to reflect Pell grant activity as operating revenue. Consequently, since implementation guidance and industry practice are both level D GAAP and there are differences in practice, Mesa State College has decided to continue reporting Pell grant activity as operating revenue in its 2009 and 2008 financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 10, 2009.

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 College'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 Finding 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 Mesa State College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Legislative Audit Committee and management of Mesa State College 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION

MESA STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
For the Years Ended June 30, 2009 and 2008

Introduction

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

The financial and compliance examinations of the various state-funded student assistance programs at the College for the years ended June 30, 2009 and 2008, were directed toward the objectives and criteria set forth in the Colorado Commission on Higher Education (CCHE) Financial Aid Policy, adopted April 2004. The state student financial assistance programs were examined simultaneously with the federal financial aid programs for the two years ended June 30, 2009 and 2008.

State-Funded Student Assistance Programs

The various state-funded student assistance programs at the College include the Colorado Need-based Grant Program, Colorado Work-Study Program, Colorado Merit Scholarship Program, Governor's Opportunity Scholarship Program, Colorado Leveraging Education Assistance Partnership Program (CLEAP), Special Leveraging Education Assistance Partnership Program (SLEAP), and the Pre-Collegiate Academic Grant Program.

The state-funded student assistance awards made by the College were $4,009,928 and $3,582,758 for the fiscal years ended 2009 and 2008, respectively.

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

During the audit period Mesa State College obtained authorizations to award federal student financial aid funds for 2009 and 2008, respectively, of $5,527,273 and $5,008,238 in the Pell Grant Program, $274,821 and $183,860 in the Supplemental Educational Opportunity Grant Program, and $176,942 and $175,881 in the College Work-Study Program.

During the audit period Mesa State College obtained authorizations to award Colorado student financial aid funds for 2009 and 2008, respectively, of $101,126 and $101,126 in total for the CLEAP and SLEAP Programs, $2,893,147 and $2,573,757 in the Colorado Need-based Grant Program, $716,666 and $615,193 in the Colorado Work-Study Program, $37,111 and $37,111 in the Colorado Merit Scholarship Program, $166,826 and $319,780 in the Governor's Opportunity Scholarship Program, and $116,900 and $12,458 in the Pre-Collegiate Academic Grant program.

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INDEPENDENT AUDITORS' REPORT ON THE STATEMENTS OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS OF THE STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

December 10, 2009

Members of the Legislative Audit Committee:

We have audited the accompanying Statements of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs for Mesa State College, a blended component unit of the State of Colorado, for the years ended June 30, 2009 and 2008. These Statements are the responsibility of the College's management. Our responsibility is to express an opinion on the Statements based on our audits.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Statements were prepared in the format as set forth in the *Guidelines for Administering State-Funded Student Assistance Programs*, issued by the Colorado Commission on Higher Education (CCHE), 2009 revision. The Statement is a summary of cash activity of the state-funded student financial assistance programs, with the exception of the College Work-Study Program, and does not present certain transactions that would be included in the statements of the state-funded student financial assistance programs if presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America. Accordingly, the accompanying Statements are not intended to present the financial position or changes in financial position of Mesa State College, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Statements referred to above present fairly the appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs of Mesa State College for the years ended June 30, 2009 and 2008, in conformity with the provisions of the Colorado Commission on Higher Education's *Guidelines for Administering State-Funded Student Assistance Programs.*

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Members of the Legislative Audit Committee
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2009 on our consideration of Mesa State College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Chadwick, Steinkirchner, Davis & Co., P.C.

STATE OF COLORADO
MESA STATE COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS

YEAR ENDED JUNE 30, 2009

	Total State-Funded Student Assistance	Colorado Work-Study	Governor's Opportunity Scholarship	CLEAP	SLEAP	Pre-Collegiate Academic Grant	Colorado Need-Based Grant	Colorado Merit Scholarship
Appropriations:								
Original	$ 3,971,776	$ 658,010	$ 224,700	$ 52,390	$ 48,736	$ 116,900	$ 2,833,929	$ 37,111
Supplemental	60,000	58,656	(57,874)	-	-	-	59,218	-
Transfers	-	-	-	-	-	-	-	-
TOTAL	4,031,776	716,666	166,826	52,390	48,736	116,900	2,893,147	37,111
Expenditures	4,009,928	716,666	165,552	52,388	48,736	96,328	2,893,147	37,111
Reversions to State General Fund	$ 21,848	$ -	$ 1,274	$ 2	$ -	$ 20,572	$ -	$ -

YEAR ENDED JUNE 30, 2008

	Total State-Funded Student Assistance	Colorado Work-Study	Governor's Opportunity Scholarship	CLEAP	SLEAP	Pre-Collegiate Academic Grant	Colorado Need-Based Grant	Colorado Merit Scholarship
Appropriations:								
Original	$ 3,599,425	$ 615,193	$ 319,780	$ 52,390	$ 48,736	$ 12,458	$ 2,513,757	$ 37,111
Supplemental	60,000	-	-	-	-	-	60,000	-
Transfers	-	-	-	-	-	-	-	-
TOTAL	3,659,425	615,193	319,780	52,390	48,736	12,458	2,573,757	37,111
Expenditures	3,582,758	612,931	243,460	52,390	48,736	19,060	2,572,933	33,248
Reversions to State General Fund	$ 76,667	$ 2,262	$ 76,320	$ -	$ -	$ (6,602)	$ 824	$ 3,863

MESA STATE COLLEGE

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

June 30, 2009 and 2008

Basis of Accounting

The Statements of Appropriations, Expenditures, Transfers, and Revisions have been prepared in accordance with the format set forth in the Colorado Commission on Higher Education's publication *Guidelines for Administering State-Funded Student Assistance Programs*.

All student aid is expensed on a cash basis except for the College Work-Study Program (CWS). The CWS is on the accrual basis in that the expense is recognized when the services are performed.

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