



**MESA STATE COLLEGE  
FINANCIAL AND COMPLIANCE AUDIT**

**FISCAL YEAR ENDED  
JUNE 30, 2004**

LEGISLATIVE AUDIT COMMITTEE

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Effective August 2, 2004

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Deputy State Auditor



November 30, 2004

Members of the Legislative Audit Committee:

This report contains the results of our financial and compliance audit of Mesa State College. The audit was conducted under contract with the State Auditor pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions, and agencies of state government. The audit included examinations of the basic financial statements and the statements of state-funded student assistance programs. The report includes the financial statements as well as the independent auditors' reports issued as part of the audit.

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**STATE OF COLORADO  
MESA STATE COLLEGE  
REPORT SUMMARY - FINANCIAL AND COMPLIANCE AUDIT  
Year Ended June 30, 2004**

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**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, 2004. 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. We conducted the related field work from June through September 2004.

The purpose and scope of the audit was to:

- Express an opinion on the financial statements of the College as of and for the year ended June 30, 2004. 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*.
- Express an opinion on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs of the College for the year ended June 30, 2004.
- Evaluate progress in implementing prior audit findings and recommendations.

**Audit Opinions and Reports**

We expressed an unqualified opinion on the College's financial statements and the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Financial Assistance Programs as of and for the year ended June 30, 2004.

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.

**REPORT SUMMARY - FINANCIAL AND COMPLIANCE AUDIT**

**Year Ended June 30, 2004**

Page Two

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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, 2004, Statewide Single Audit Report issued under separate cover.

We also 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, disagreements or audit adjustments are reported.

**Summary of Key Findings and Recommendations**

There were no reported findings and recommendations resulting from the audit work completed for Fiscal Year 2004.

**Summary of Progress in Implementing Prior Audit Recommendations**

There were no recommendations for the year ended June 30, 2003.

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# Description of Mesa State College

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## 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 years ended June 30, 2004 and 2003, 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 July 1, 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:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Resident Students	4,334.3	4,216.1	4,029.6
Non-Resident Students	<u>463.0</u>	<u>441.3</u>	<u>431.3</u>
Total Students	<u>4,797.3</u>	<u>4,657.4</u>	<u>4,460.9</u>
Faculty FTEs	240.8	243.7	247.5
Staff FTEs	<u>148.4</u>	<u>144.9</u>	<u>151.0</u>
Total Faculty and Staff FTEs	<u>389.2</u>	<u>388.6</u>	<u>398.5</u>

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**FINANCIAL STATEMENT SECTION**

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**INDEPENDENT AUDITORS' REPORT**

September 10, 2004

Members of the Legislative Audit Committee:

We have audited the accompanying Statements of Net Assets of Mesa State College, a blended component unit of the State of Colorado, as of June 30, 2004 and 2003, and the related Statements of Revenues, Expenses, and Changes in Net Assets, and Cash Flows for the years then ended. We have also audited the Statements of Financial Position of Mesa State College Foundation, a discretely presented component unit of Mesa State College, as of June 30, 2004 and 2003, and the related Statements of Activities for the years then ended. 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 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 unit 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, 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 unit as of June 30, 2004 and 2003, 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.

As described in Note 1, Mesa State College implemented the provisions of the Government Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units an amendment of GASB Statement 14*, as of July 1, 2002. This resulted in including the Mesa State College Foundation in the reporting of Mesa State College.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2004 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. This 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.



Management's Discussion and Analysis on pages seven through seventeen 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.*

MESA STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2004 and 2003

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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, 2004 and 2003. Prior to July 1, 2003, Mesa State College was a member of the former State College system comprised of Adams State College, Mesa State College, Metropolitan State College of Denver, Western State College, the Western Colorado Graduate Center and the Office of State Colleges (governing board staff). Mesa State College was granted independent status by action enacted in the 2003 legislative session of the State of Colorado General Assembly. 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 (all funds in aggregate), 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 meets GASB Statement No. 39 criteria for inclusion in the College's financial statements. The Foundation had net assets of \$7.1 million and \$9.6 million as of June 30, 2004 and 2003, respectively, and total support and revenue of \$1.6 million and \$2.4 million for Fiscal Year 2004 and Fiscal Year 2003, respectively.

MESA STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2004 and 2003

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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, 2004, 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.

### **Financial Highlights**

- Economic conditions during Fiscal Year 2004 forced the state of Colorado to restrict the appropriation of all higher education institutions and most state agencies at, or in some cases, below 2003 levels. The impact on Mesa State College was a reduction in state funds available for student financial aid of \$280 thousand and a general state appropriation equal to 2003. In order to maintain student financial aid at the 2003 level, Mesa State College allocated institutional resources to offset the loss of state funds. In addition, the College did not receive any new capital appropriations in 2004 or 2003.
- Mesa State College's financial position improved during the Fiscal Year ended June 30, 2004 as evidenced by an increase in net assets of \$4.7 million to \$59.3 million.
- Mesa State College's current assets of \$12.8 million (2004) and \$13.7 million (2003) were sufficient to cover current liabilities of \$4.9 million (2004) and \$4.8 million (2003). The current ratio (current assets/current liabilities) of 2.61 (2004) and 2.85 (2003) demonstrates the liquidity of assets and the relative availability of working capital to fund current operations.

MESA STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2004 and 2003

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- The financial reporting model required by GASB classifies state appropriations as non-operating revenues. This classification produced operating deficits of \$17.4 million (2004) and \$17.9 million (2003). In actuality the College enjoyed an increase of \$4.7 million (2004) and \$2.7 million (2003) in net assets when all revenues and expenses are considered.
- Mesa State College was part of the State Colleges' system during 2003. HB 03-1093 authorized independent governance for Mesa State College effective July 1, 2003. Mesa State College supports the largest student enrollment of the three State Colleges and correspondingly comprised a significant portion of 2003 system operations. Since the State Colleges system no longer exists, Mesa State College's financials are presented on a stand-alone basis for 2004 and 2003.
- Mesa State College advance refunded the outstanding Series 1994 and Series 1996 bonds in March 2003 by issuing the 2002 Series A & B bonds listed in the notes to the financial statements. 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. At June 30, 2004, \$1.7 million remained in the construction fund. The fund will be expended over the next two years for renovation to the Auxiliary Facilities System. On June 30, 2004 the amount of defeased debt still outstanding was \$4.3 million. As a result of the favorable bond market in 2003, the College was able to realize a net gain of nearly \$232,000.

#### **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.

**MESA STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

Years Ended June 30, 2004 and 2003

**Mesa State College  
Condensed Statement of Net Assets  
As of June 30,**

	2004	2003	2002 Unaudited
<b>Assets</b>			
Current Assets	\$ 12,831,245	\$ 13,720,575	\$ 6,784,408
Non-Current Assets	64,910,825	60,006,498	59,443,126
Total Assets	77,742,070	73,727,073	66,227,534
<b>Liabilities</b>			
Current Liabilities	4,915,558	4,816,444	2,204,608
Non-Current Liabilities	13,533,804	14,316,231	12,080,271
Total Liabilities	18,449,362	19,132,675	14,284,879
<b>Net Assets</b>			
Invested in Capital Assets	49,257,673	44,677,601	46,722,932
Restricted	8,617,884	9,303,364	5,509,404
Unrestricted	1,417,151	613,433	(289,681)
Total Net Assets	\$ 59,292,708	\$ 54,594,398	\$ 51,942,655

At June 30, 2004, Mesa State College's total net assets were \$59.3 million compared to \$54.6 million at June 30, 2003. The largest asset category being the \$49.3 million (2004) and \$44.7 million (2003) in capital assets (net of related debt), which includes land, buildings, equipment, library holdings, and construction in process. The capital asset amounts are net of accumulated depreciation of \$28.4 million (2004) and \$25.7 million (2003). Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In Fiscal Year 2004, Mesa State College's current assets of \$12.8 million were sufficient to cover current liabilities of \$4.9 million (producing a current ratio of 2.61). This compares to Fiscal Year 2003 with current assets of \$13.7 million and current liabilities of \$4.8 million, which produced a current ratio of 2.85. Cash and cash equivalents (bank deposits, pooled cash with the State Treasurer, and highly liquid investments with maturities of three months or less) comprised approximately \$10.6 million (2004) and \$11.5 million (2003) in assets per the Statement of Net Assets.

Bonds payable totaled \$13.4 million (2004) \$14.1 million (2003) and represents almost 73% (2004) and 74% (2003) of Mesa State College's total liabilities of \$18.5 million (2004) \$19.1 million (2003). The current portion of the bonds payable liability totals \$595,000 (2004) and \$590,000 (2003).

MESA STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2004 and 2003

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Mesa State College's financial position improved during the Fiscal Year as evidenced by the increase in net assets of \$4.7 million (2004) and \$2.7 million (2003) (see the Statement of Revenues, Expenses and Changes in Net Assets) to \$59.3 million (2004) and \$54.6 million (2003). Of the total net assets, \$49.3 million (2004) and \$44.7 million (2003) is invested in capital assets net of related debt, a total of \$8.6 million (2004) and \$9.3 million (2003) is externally restricted for specific purposes, and \$1.4 million (2004) and \$613 thousand (2003) is unrestricted and available for any lawful purpose of the College. The increase in net assets includes \$2.9 million in land and buildings donated by the Mesa State College Foundation.

**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 \$7.8 million of the \$26.0 million in operating revenues in FY2004 compared to \$7.9 million of the \$23.4 million in operating revenues in FY2003. The tuition and fee amount is net of scholarship allowances of \$6.6 million (2004) and \$5.7 million (2003). 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.

Operating expenses totaled \$43.4 million in FY2004 and \$41.3 million in FY2003. Of that total, \$15.5 million was for instruction in FY2004 and \$16.2 million in FY2003, \$11.7 million for auxiliary enterprises in FY2004 and \$9.8 million in FY2003, \$2.6 million for student services in FY2004 and \$2.6 million in FY2003, \$1.6 million for institutional support in FY2004 and \$1.5 million in FY2003, and \$2.9 million for academic support in FY2004 and \$2.8 million in FY2003. Operating expense for Research and Public Service totaled \$557 thousand in FY2004 and less than \$200 thousand in FY2003.

Because the financial reporting standard classifies state appropriations as non-operating revenues, Mesa State College's dependency on state appropriations produced an operating deficit of \$17.4 million in Fiscal Year 2004 and \$17.9 in Fiscal Year 2003. However, the College enjoyed a \$4.7 million increase in net assets in Fiscal Year 2004 and a \$2.7 million increase in net assets in Fiscal Year 2003, in large part due to a donation of land and buildings valued at \$2.9 million from the Mesa State College Foundation in fiscal year 2004.

MESA STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2004 and 2003

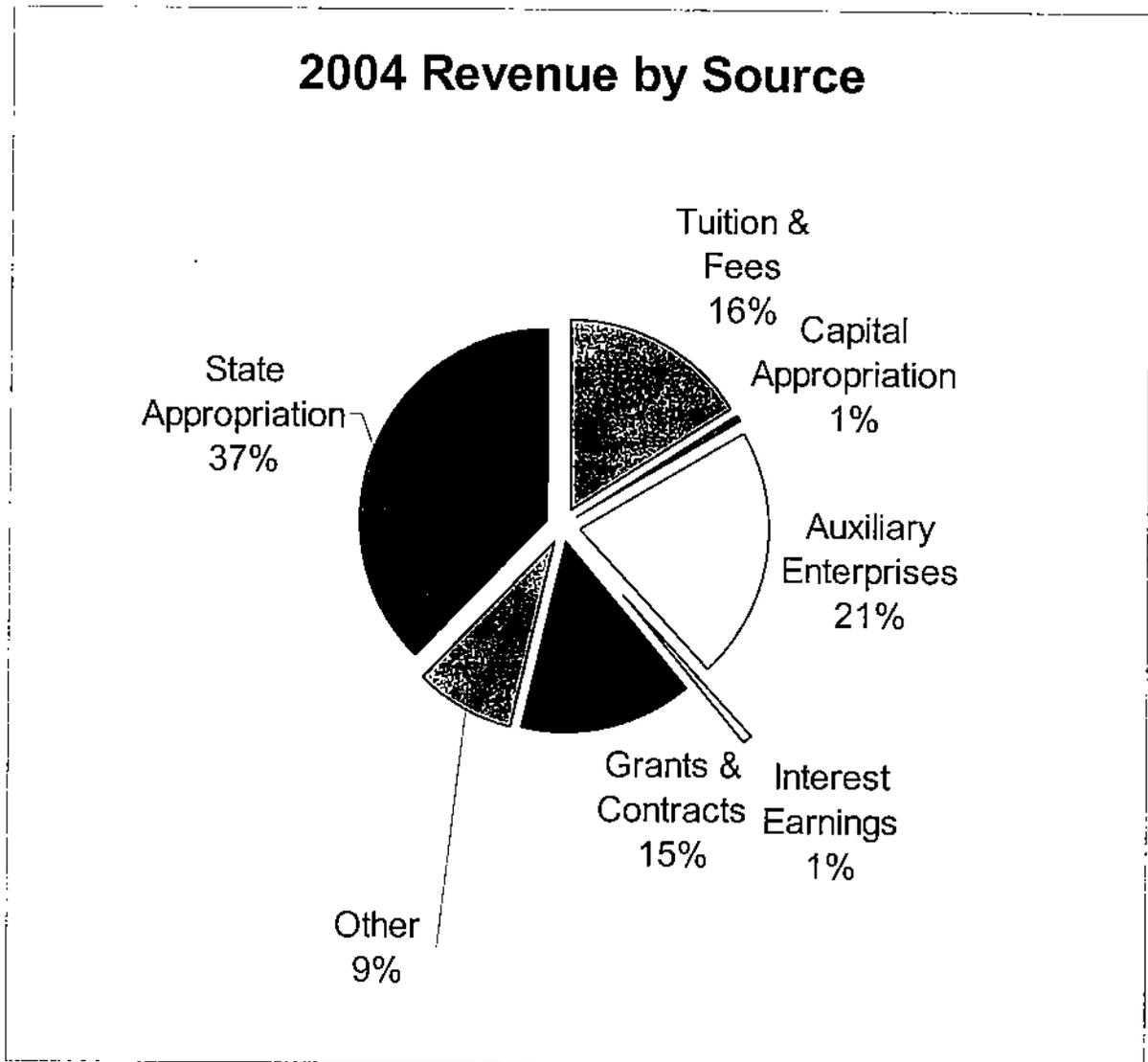
**Mesa State College**  
**Condensed Statement of Revenues Expenses and Changes in Net Assets**  
**Years Ended June 30,**

	<u>FY2004</u>	<u>FY2003</u>	<u>FY2002 Unaudited</u>
<b>Operating Revenues:</b>			
Tuition and Fees (net)	\$ 7,826,106	\$ 7,928,148	\$ 7,898,783
Grants and Contracts	7,182,909	6,479,208	5,511,216
Auxiliary Enterprises (net)	10,368,745	8,587,680	7,834,187
Other	624,461	369,547	498,599
Total Operating Revenues	<u>26,002,221</u>	<u>23,364,583</u>	<u>21,742,785</u>
<b>Operating Expenses:</b>	<u>43,368,189</u>	<u>41,260,731</u>	<u>40,526,873</u>
Net Operating (Loss)	(17,365,968)	(17,896,148)	(18,784,088)
<b>Non-Operating Revenues (Expenses):</b>			
State Appropriations	18,427,928	17,174,370	18,499,164
Interest Income	336,645	660,648	328,410
Other Non-Operating Income	<u>2,954,297</u>	<u>(174,704)</u>	<u>(227,119)</u>
	21,718,870	17,660,314	18,600,455
<b>Income (Loss) Before Other</b>			
<b>Revenues Expenses Gains or Losses</b>	<u>4,352,902</u>	<u>(235,834)</u>	<u>(183,633)</u>
State Appropriations Capital	345,409	1,928,792	8,667,171
Other	-	958,784	172,151
Increase (Decrease) in Net Assets	<u>4,698,311</u>	<u>2,651,742</u>	<u>8,655,689</u>
<b>Net Assets:</b>			
Net Assets Beginning of Year	54,594,397	51,942,655	43,286,967
Nets Assets End of Year	<u>\$ 59,292,708</u>	<u>\$ 54,594,397</u>	<u>\$ 51,942,656</u>

MESA STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2004 and 2003

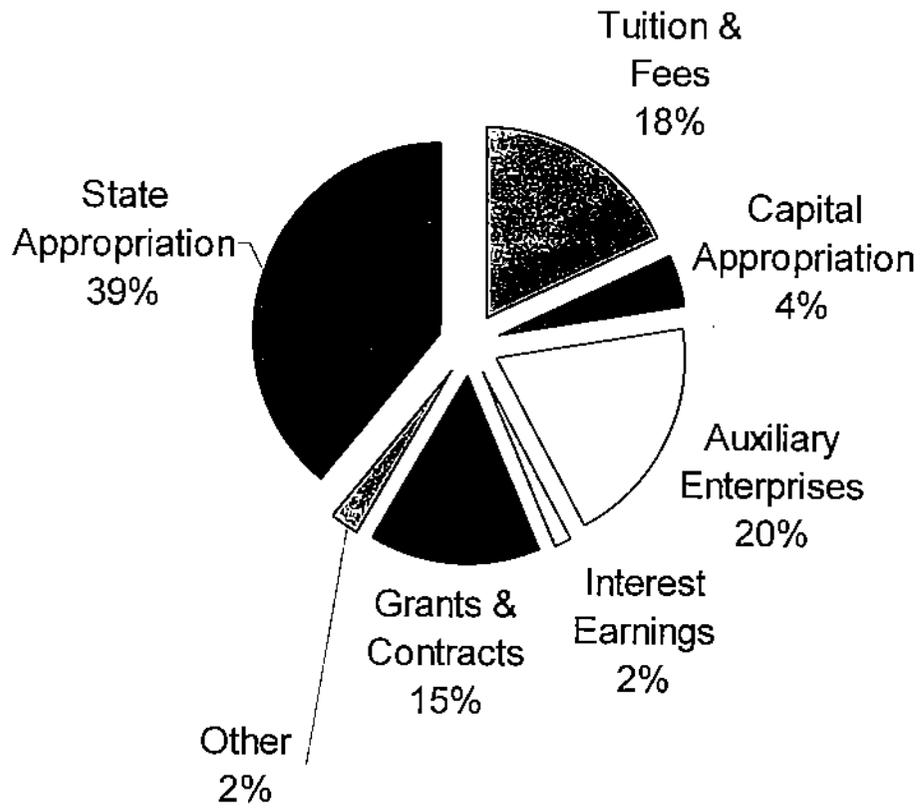
Below is a graphic illustration of total revenues by source for Mesa State College. It reflects the College's dependence on State Appropriations, including capital appropriations, while declining, comprise approximately 38% (2004) and 43% (2003) of total revenues. Each major revenue component is displayed relative to its proportionate share of total revenues. Tuition and Fee revenues are shown net of scholarship allowance of \$6.6 million (2004) and \$6.2 million (2003).



MESA STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2004 and 2003

### 2003 Revenue by Source



MESA STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2004 and 2003

**Statement of Cash Flows**

The Statement of Cash Flows presents relevant information related to cash inflows and outflows summarized by operating, non-capital financing, and capital financing and related investing activities. It also helps statement users identify the need for external financing as well as assess the College's ability to generate cash flows and meet financial obligations as they mature.

**Mesa State College  
Condensed Statement of Cash Flows  
Years Ended June 30,**

	2004	2003	2002 Unaudited
Net Cash Provided (Used) by:			
Operating Activities	\$ (14,261,516)	\$ (12,535,545)	\$ (16,483,957)
Non-Capital Financing Activities	18,733,525	18,760,593	19,784,129
Capital and Related Financing Activities	(2,938,012)	563,925	(2,404,576)
Investing Activities	334,996	641,395	328,142
Net Increase (Decrease) in Cash	1,868,993	7,430,368	1,223,738
Cash and Equivalents:			
Beginning of Year	11,516,715	4,086,347	2,862,609
End of Year	\$ 13,385,708	\$ 11,516,715	\$ 4,086,347

Mesa State College's overall liquidity improved during the Fiscal Year with an increase in cash and cash equivalents of \$1.9 million. The net cash outflow from operating activities was \$14.3 million (FY2004) and \$12.5 million (FY2003). The \$15.3 million (FY2004) and \$13.7 million (FY2003) in student tuition and fees, \$7.5 million (FY2004) and \$6.5 (FY2003) in contracts and grants, \$9.5 million (FY2004) and \$8.7 (FY2003) in auxiliary sales and services were the major sources of cash. Payments to or for employees of \$25.2 million (FY2004) and \$22.3 million (FY2003) and payments to suppliers of \$12.2 million (FY2004) and \$10.9 million (FY2003) and scholarships disbursed \$9.2 million (FY2004) and \$8.7 million (FY2003) were the primary uses of funds.

**Financing Activities**

In March of 2003, Mesa State College took advantage of the favorable bond market created by 40 year lows in interest rates and advance refunded the College's outstanding Series 1994 and Series 1996 bonds by issuing new 2002 Series A & B bonds. The College also increased borrowing to accelerate planned improvements/renovations to student housing. The new debt issue totaled \$15.2 million with the proceeds first applied to an escrow account for retirement of the now defeased Series 1994 and Series 1996 bonds with the remainder (\$2.5 million) deposited to a capital improvement construction fund. At June 30, 2004, \$1.7 million remained in the construction fund. The fund will be expended over the next two years for renovation/improvement of the Auxiliary Facilities System. On June 30, 2004 the amount of defeased debt still outstanding was \$4.3 million. The effect of this transaction was an improved cash flow and a net economic gain of nearly \$232,000.

MESA STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2004 and 2003

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**Economic Outlook**

During fiscal year 2004, the State of Colorado continued to experience economic difficulties due to a sluggish economy. Revenue growth was negligible. Consequently, higher education institutions generally received no increase in their general appropriations, reductions in state student financial aid allocations and little or no funding for capital construction or controlled maintenance projects. For fiscal year 2005, the economic condition of the State is projected to improve. Mesa State College's fiscal year 2005 appropriation is the same as the ending fiscal year 2003 revised appropriation. The College is not anticipating any additional appropriation reductions for fiscal year 2005. Yet, because of the constitutional limits on state revenue and appropriation growth and with an increasing share of the state budget going towards state and federally mandated programs, future appropriation growth for institutions of higher education, including Mesa State College, is expected to be minimal.

HB03-1093, enacted during the 2003 legislative session, provided Mesa State College and other state colleges with their own independent governing boards. Subsequently, future appropriations will be directly appropriated to the individual colleges, a change from the previous method in which the former system board distributed appropriations on a revenue sharing model. Mesa State College's new board will also be responsible for setting annual tuition and fees as well as charges for room and board and other auxiliary programs.

Enrollments on a student FTE basis at Mesa State College have increased annually for several years with undergraduate gains of 3.16% (2004), 4.67% (2003), and 2.98% (2002) and graduate gains of 1.30% (2004), 12.14% (2003), and 8.42% (2002). A tuition rate increase of 1.1% for resident students and 1.1% for nonresident students was approved for fiscal year 2005.

**College Opportunity Fund**

In July of 2004, the College Opportunity Fund (COF) (C.R.S. 23-18-101 through 23-18-207) became law. The legislation established a new student-based process for providing state funds to institutions of higher education beginning with fiscal year 2006 (July 1, 2005). The COF is funded by annual appropriation and establishes a stipend value that is available to eligible students by application and may be used to attend the Colorado institution of their choice. While the COF provides stipends to both public and private higher education institutions in Colorado, only students attending public institutions are eligible for the full stipend value.

The COF administration process is currently under development by the statutorily assigned College Access Network (CAN). CAN has formed a project team with representatives from many of Colorado's higher education governing boards and institutions (both public and private). The process includes provisions that govern the distribution of COF stipends to each institution. While still a work in progress at the date of this document, the process includes a methodology under which a student first selects the institution of their choice and then applies for the stipend. Once eligibility and attendance is confirmed, the stipend is paid directly to the institution on behalf of the student and is applied to the

MESA STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Years Ended June 30, 2004 and 2003

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student's account much in the same manner as financial aid is currently credited to a student's account. The legislation also contains a provision that specifically exempts the value of the stipend paid to public institutions from TABOR limitations. This means that unlike the current state funding allocated to public higher education institutions, the COF funds are not subject to TABOR revenue limitations at the institutional or governing board level. This may allow total exemption from TABOR limits under C.R.S. 23-5-101.5 and allow a qualified institution to achieve enterprise status.

By achieving TABOR enterprise status, institutions of higher education and their governing board would enjoy greater flexibility in terms of pricing, recruitment, retention and seeking additional revenue sources to further their respective roles and missions as educational providers. Mesa State College plans to seek TABOR enterprise status as soon as allowed by statute with an objective to become exempt effective July 1, 2005 (fiscal year 2006). The College expects little or no fiscal impact during FY2006 as a result of the COF or achieving TABOR enterprise status since the COF legislation also contains provisions, including performance contracts, regional grants and other funding mechanisms, that effectively keep individual governing boards and their respective institutions whole in terms of total state funding during the inaugural year of the COF. Future legislation will determine the continuance and amount of both the COF and alternate funding methods.

For additional information please refer to the statutory cites provided and the Colorado Commission on Higher Education (CCHHE) website at <http://www.state.co.us/cche>.

STATE OF COLORADO  
MESA STATE COLLEGE

Statements of Net Assets

For The Years Ended June 30,

ASSETS	<u>2004</u>	<u>2003</u>
<b>Current Assets</b>		
Cash and Cash Equivalents (Note 2)	\$ 10,643,159	\$ 11,516,715
Student Accounts Receivable, Net	535,512	449,522
Other Accounts Receivable, Net	671,017	714,172
Student Loans, Net	459,135	461,982
Inventories	510,047	497,061
Prepaid Expenses	5,619	77,798
Other Current Assets	<u>6,756</u>	<u>3,325</u>
<b>Total Current Assets</b>	<u>12,831,245</u>	<u>13,720,575</u>
<b>Non-current Assets</b>		
Restricted Cash and Cash Equivalents (Note 2)	2,742,547	-
Student Loans, Net	576,490	601,622
Other Non-current Assets	<u>343,609</u>	<u>363,613</u>
<b>Total Non-current Non-capital Assets</b>	<u>3,662,646</u>	<u>965,235</u>
Land	1,979,684	1,157,257
Construction in Progress	<u>887,113</u>	<u>7,323,534</u>
<b>Total Non-depreciable Capital Assets</b>	<u>2,866,797</u>	<u>8,480,791</u>
Depreciable Capital Assets, Net		
Land Improvements (less accumulated depreciation of \$647,462 and \$590,994)	614,808	671,276
Buildings & Improvements (less accumulated depreciation of \$18,171,419 and \$16,527,648)	50,259,660	41,928,138
Furniture and Equipment (less accumulated depreciation of \$4,740,632 and \$4,143,065)	3,812,181	4,147,237
Library Materials (less accumulated depreciation of \$4,861,008 and \$4,448,397)	<u>3,694,733</u>	<u>3,813,821</u>
<b>Total Depreciable Capital Assets, Net</b>	<u>58,381,382</u>	<u>50,560,472</u>
<b>Total Non-current Assets</b>	<u>64,910,825</u>	<u>60,006,498</u>
<b>TOTAL ASSETS</b>	<u>\$ 77,742,070</u>	<u>\$ 73,727,073</u>

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

**STATE OF COLORADO  
MESA STATE COLLEGE**

**Statements of Net Assets – continued**

**For The Years Ended June 30,**

<b>LIABILITIES AND NET ASSETS</b>	<u>2004</u>	<u>2003</u>
<b><u>Current Liabilities</u></b>		
Accounts Payable	\$ 246,993	\$ 137,874
Accrued Liabilities	3,179,843	3,086,024
Deferred Revenues	310,481	462,880
Deposits Held for Others	162,363	110,258
Student Deposits	214,387	186,137
Bonds Payable, Current Portion	595,000	590,000
Capital Leases, Payable Current Portion	73,199	108,983
Compensated Absence Liability, Current Portion	<u>133,292</u>	<u>134,288</u>
<b>Total Current Liabilities</b>	<u>4,915,558</u>	<u>4,816,444</u>
<b><u>Non-current Liabilities</u></b>		
Bonds Payable (net of \$526,804 (2004) and \$492,920 (2003) unamortized premium/gain) (Note 5)	12,838,196	13,467,080
Capital Leases Payable	49,658	122,858
Other Long Term Liabilities (Note 5)	50,000	50,000
Compensated Absences	<u>595,950</u>	<u>676,293</u>
<b>Total Non-current Liabilities</b>	<u>13,533,804</u>	<u>14,316,231</u>
<b>Total Liabilities</b>	<u>18,449,362</u>	<u>19,132,675</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	49,257,673	44,677,601
Restricted for:		
Expendable Purposes		
Loans	1,153,871	1,140,257
Capital Projects	1,683,900	2,500,000
Other Purposes	5,780,113	5,663,107
Unrestricted	<u>1,417,151</u>	<u>613,433</u>
<b>Total Net Assets</b>	<u>59,292,708</u>	<u>54,594,398</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 77,742,070</u>	<u>\$ 73,727,073</u>

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

MESA STATE COLLEGE  
GASB 39 COMPONENT UNIT

MESA STATE COLLEGE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION

For The Years Ended June 30,

ASSETS	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 916,036	\$ 649,270
Investments, at fair value	5,893,222	5,673,131
Notes receivable	-	210,914
Unconditional promises to give	100,124	208,599
Due from Mesa State College	50,000	50,000
Investments, at cost	15,915	23,399
Property held for sale	585,000	585,000
Property and equipment, net of depreciation	<u>765,788</u>	<u>3,338,391</u>
	<u>\$ 8,326,085</u>	<u>\$ 10,738,704</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 16,269	\$ 95,293
Accrued liabilities	5,507	6,250
Deposits held for others	356,654	-
Due to Mesa State College	258,013	683,054
Line of credit	250,000	5,000
Notes payable	165,000	165,000
Trust annuity payable	145,617	157,707
Deferred gifts payable	<u>27,915</u>	<u>27,915</u>
	1,224,975	1,140,219
Unrestricted	1,049,919	684,830
Temporarily restricted	633,414	3,752,026
Permanently restricted	<u>5,417,777</u>	<u>5,161,629</u>
	<u>7,101,110</u>	<u>9,598,485</u>
	<u>\$ 8,326,085</u>	<u>\$ 10,738,704</u>

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

STATE OF COLORADO  
MESA STATE COLLEGE  
Statements of Revenues, Expenses and Changes in  
Net Assets  
For The Years Ended June 30,

REVENUES	<u>2004</u>	<u>2003</u>
<b>Operating Revenues:</b>		
Tuition and Fees (including (2004) \$1,453,889 and (2003) \$1,265,976, respectively pledged for bonds and net of scholarship allowances of (2004) \$6,611,512 and (2003) \$5,657,593, respectively)	\$ 7,826,106	\$ 7,928,148
Federal, State, Private Grants and Contracts	7,182,909	6,479,208
Gifts	300,022	0
Auxiliary Enterprises (including \$8,775,341 and \$8,302,646, respectively of revenues pledged for bonds and net of scholarship allowances of \$0 and \$493,593, respectively)	10,368,745	8,587,680
Other Operating Revenues (including \$1,106 and \$822 respectively of revenues pledged for bonds)	<u>324,439</u>	<u>369,547</u>
<b>Total Operating Revenues</b>	<u>26,002,221</u>	<u>23,364,583</u>
<b>EXPENSES</b>		
Operating Expenses:		
Instruction	15,485,952	16,156,388
Research	449,222	187,314
Public Service	107,730	9,907
Academic Support	2,901,260	2,765,588
Student Services	2,599,819	2,645,429
Institutional Support	1,631,922	1,497,284
Operation and Maintenance of Plant	3,192,736	2,842,847
Scholarships and Fellowships (net of allowance \$6,611,512 and \$6,151,186 respectively)	2,578,864	2,518,379
Auxiliary Enterprises	11,697,205	9,833,698
Depreciation	<u>2,723,479</u>	<u>2,803,897</u>
<b>Total Operating Expenses</b>	<u>43,368,189</u>	<u>41,260,731</u>
<b>Operating Income (loss)</b>	<u>(17,365,968)</u>	<u>(17,896,148)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State Appropriations	18,427,928	17,174,370
Gifts	3,596,316	691,823
Investment and Interest Income (including \$279,099 and \$318,046 respectively, bond pledged)	336,645	660,648
Interest Expense on Capital Debt	(536,981)	(762,731)
Other Non-operating Revenues (Expenses)	<u>(105,038)</u>	<u>(103,796)</u>
<b>Net Non-Operating Revenues (Expenses)</b>	<u>21,718,870</u>	<u>17,660,314</u>
<b>Income (Loss) Before Other Revenues or Expenses</b>	<u>4,352,902</u>	<u>(235,834)</u>

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

STATE OF COLORADO  
MESA STATE COLLEGE  
Statements of Revenues, Expenses and Changes  
Net Assets – Continued  
For The Years Ended June 30,

	2004	2003
Other Revenues, Expenses, Gains, Losses or Transfers		
State Appropriations, Capital	345,409	1,928,792
Gain or (Loss) on Disposal of Assets		
Transfers (To) From Governing Boards or Other Institutions	-	958,784
Increase (Decrease) in Net Assets	4,698,311	2,651,742
<b>NET ASSETS</b>		
Net Assets – Beginning of Year	54,594,397	51,942,655
Net Assets – End of Year	\$ 59,292,708	\$ 54,594,397

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

MESA STATE COLLEGE  
GASB 39 COMPONENT UNIT

**MESA STATE COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE, GAIN AND OTHER SUPPORT</b>				
Contributions	\$ 6,826	\$ 731,207	\$ 234,639	\$ 972,672
Investment income (loss)	37,756	116,039	13,517	167,312
Net unrealized gains on investments	288,681	12,492	-	301,173
Administrative fee	73,076	-	-	73,076
Rental income, net of expenses of \$73,694	-	50,799	-	50,799
Special events, net of expenses of \$67,269	67,743	(893)	-	66,850
Gains on sale of assets	-	-	-	-
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>3,726,990</u>	<u>(3,726,990)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	4,201,072	(2,817,346)	248,156	1,631,882
 <b>EXPENSES</b>				
Program services	3,726,990	-	-	3,726,990
Supporting services:				
Management and general	304,441	-	-	304,441
Fundraising	<u>24,880</u>	<u>-</u>	<u>-</u>	<u>24,880</u>
<b>TOTAL EXPENSES</b>	4,056,311	-	-	4,056,311
 <b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	144,761	(2,817,346)	248,156	(2,424,429)
Transfers from liabilities	-	(69,950)	(2,996)	(72,946)
Transfers in equity	<u>220,328</u>	<u>(231,316)</u>	<u>10,988</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	365,089	(3,118,612)	256,148	(2,497,375)
Net Assets, beginning of year	<u>684,830</u>	<u>3,752,026</u>	<u>5,161,629</u>	<u>9,598,485</u>
Net Assets, end of year	<u>\$1,049,919</u>	<u>\$ 633,414</u>	<u>\$5,417,777</u>	<u>\$7,101,110</u>

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

MESA STATE COLLEGE  
GASB 39 COMPONENT UNIT

**MESA STATE COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE, GAIN AND OTHER SUPPORT</b>				
Contributions	\$ 54,781	\$1,408,760	\$ 504,853	\$1,968,394
Investment income (loss)	(72,324)	11,068	1,112	(60,144)
Net unrealized gains on investments	200,659	25,622	-	226,281
Administrative fee	98,765	-	-	98,765
Rental income, net of expenses of \$33,075	-	111,548	-	111,548
Special events, net of expenses of \$20,925	38,806	1,682	-	40,488
Gains on sale of assets	-	37,128	-	37,128
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>933,567</u>	<u>(933,567)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<u>1,254,254</u>	<u>662,241</u>	<u>505,965</u>	<u>2,422,460</u>
<b>EXPENSES</b>				
Program services	933,567	-	-	933,567
Supporting services:				
Management and general	293,103	-	-	293,103
Fundraising	<u>24,672</u>	<u>-</u>	<u>-</u>	<u>24,672</u>
<b>TOTAL EXPENSES</b>	<u>1,251,342</u>	<u>-</u>	<u>-</u>	<u>1,251,342</u>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	2,912	662,241	505,965	1,171,118
Transfers from liabilities	-	85,019	38,517	123,536
Transfers in equity	<u>244,023</u>	<u>269,327</u>	<u>(513,350)</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	246,935	1,016,587	31,132	1,294,654
Net Assets, beginning of year	<u>437,895</u>	<u>2,735,439</u>	<u>5,130,497</u>	<u>8,303,831</u>
Net Assets, end of year	<u>\$ 684,830</u>	<u>\$3,752,026</u>	<u>\$5,161,629</u>	<u>\$9,598,485</u>

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

**STATE OF COLORADO  
MESA STATE COLLEGE  
Statements of Cash Flows  
For The Years Ended June 30,**

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
<b><u>Cash Received:</u></b>		
Tuition & Fees	\$ 15,264,335	\$ 13,730,278
Sales of Service	4,119,469	5,732,808
Sales of Product	5,417,326	2,970,447
Grants Contracts and Gifts	7,458,684	6,542,514
Student Loans Collected	148,206	246,967
Other Operating Receipts	118,552	352,617
<b>Cash Payments:</b>		
Payments to or for Employees	(25,234,625)	(22,284,811)
Payments to Suppliers	(12,197,118)	(10,870,038)
Scholarships Disbursed	(9,190,376)	(8,669,565)
Student Loans Disbursed	(160,503)	(277,105)
Other Operating Payments	(5,468)	(9,657)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>(14,261,518)</u></b>	<b><u>(12,535,545)</u></b>
 <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>		
State Appropriations, Non-Capital	18,427,928	17,174,370
Gifts/Grants for Other than Capital Purposes	314,277	612,565
Other Agency Inflows	16,501,298	16,359,420
Other Agency Outflows	(16,452,995)	(16,344,546)
Transfers from (to) Other Campuses, Board, or Institution	(56,983)	958,784
<b>Net Cash Provided (Used) by     Non-Capital Financing Activities</b>	<b><u>18,733,525</u></b>	<b><u>18,760,593</u></b>
 <b><u>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</u></b>		
State Appropriations, Capital	345,410	1,928,792
Capital Grants, Contracts, and Gifts	0	0
Acquisition and Construction of Capital Assets	(1,987,658)	(2,780,459)
Proceeds from Sale of Capital Assets	810	10,019
Proceeds from Capital Debt	0	2,590,220
Principal Paid on Capital Debt	(698,984)	(736,636)
Interest on Capital Debt	(597,590)	(448,011)
<b>Net Cash Provided (Used) by Capital and     Related Financing Activities</b>	<b><u>(2,938,012)</u></b>	<b><u>563,925</u></b>
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceeds from Sale or Maturity of Investments		
Investment Earnings (Interest/Dividends)	334,996	641,395
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>334,996</u></b>	<b><u>641,395</u></b>
Net Increase (Decrease) in Cash and Cash Equivalents	1,868,991	7,430,368
Cash & Cash Equivalents - Beginning of the Year	11,516,715	4,086,347
<b>Cash and Cash Equivalents - End of the Year</b>	<b><u>\$ 13,385,706</u></b>	<b><u>\$ 11,516,715</u></b>
 Cash and Cash Equivalents is comprised of the following:		
Cash and cash equivalents	\$ 10,643,159	\$ 11,516,715
Restricted cash and cash equivalents	2,742,547	-
	<b><u>\$ 13,385,706</u></b>	<b><u>\$ 11,516,715</u></b>

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

STATE OF COLORADO  
MESA STATE COLLEGE  
Statements of Cash Flows – Continued  
For The Years Ended June 30,

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income (Loss)	\$(17,365,968)	\$ (17,896,148)
Adjustments to Reconcile:		
Depreciation Expense	2,723,479	2,803,897
Provision for Uncollectible Accounts	125,011	44,870
Decrease (Increase) in Assets	312,730	(117,586)
Increase (Decrease) in Liabilities	(24,454)	2,849,518
Other Reconciling Items	<u>(32,316)</u>	<u>(220,096)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><b>\$(14,261,518)</b></u>	<u><b>\$ (12,535,545)</b></u>

Supplemental Disclosure of Noncash Investing and Financing Activities:

Donation of capital assets received	\$ 2,942,739	\$ 343,782
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The accompanying notes to the financial statements are an integral part of this statement.

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

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**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, 2004 and 2003. The College is an institution of higher education of the State of Colorado. Thus, 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 State Controller's Office, Department of Personnel and Administration (DPA), Denver Colorado.

Applying GASB 39 criteria, the College has identified 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 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. Their financial records are maintained separately from the colleges.

**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.

**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.

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

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

Investments

Investments are stated at fair value.

Inventories

Inventories are stated at the lower of cost or market. The central stores inventory consists primarily of office supplies and other consumable goods. It is valued using the average cost method. 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.

Summer Sessions

Summer session tuition and fees and related direct academic expenditures are recognized as earned and incurred.

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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 appropriations for operations, 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 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 \$6,611,512 (2004) and \$6,151,186 (2003).

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.

Changes in Accounting Principles

GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units an amendment of GASB Statement 14" was applied for the first time during the year ended June 30, 2004. As a result, the Mesa State College Foundation is now presented as a component unit of the College.

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

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

**Financial Statement Presentation - Net Assets**

Net assets are classified as either Unrestricted (formally unreserved/undesignated fund balance) or Restricted. Restricted net assets are further classified as expendable or non-expendable, i.e. permanent endowments. As of June 30, 2004, the College had no non-expendable restricted assets. Restricted expendable net assets are classified as expendable for loans, debt service, capital projects and other purposes. For the College, restricted net assets expendable for other purposes includes net assets (fund balances) of its 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 \$1,889,310 (2004) and \$2,250,429 (2003).

**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**

Mesa State College deposits cash with the Colorado State Treasurer as required 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, 2004. 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 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.

**STATE OF COLORADO  
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**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

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

At June 30 the College had \$10,934,794 (2004) and \$8,935,234 (2003), including unrealized gains of \$63,741 (2004) and \$256,095 (2003), on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

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

	2004	2003
Cash on hand	\$ 19,000	\$ 18,750
Cash in checking accounts at bank	2,431,912	2,562,731
Total cash	\$ 2,450,912	\$ 2,581,481

The carrying amount of the college's cash on deposit was \$2,450,912 (2004) \$2,562,730 (2003) and the bank balance was \$2,616,941 (2004) and \$2,835,589 (2003). Of this bank balance, \$2,616,941 (2004) and \$2,835,589 (2003) was covered by federal note depository insurance or by collateral held by the institution's agent in the institution's name. The difference between the College's cash on hand and the amount reported by the various Banks was \$166,029 (2004) and \$272,859 (2003) in the form of outstanding/un-cleared checks. Of the total cash on deposit with banks, \$1,683,900 (2004) and \$2,500,000 (2003) was in an account restricted for capital construction and therefore unavailable for general operations. Other amounts presented as restricted cash relate to reserve and replacement and debt service requirements.

At June 30, 2004, the College had no investments.

**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, 2004:

	Total	Less Allowance for Doubtful Accounts	Net
<u>Entity Wide</u> Accounts Receivable	\$2,840,756	\$(598,602)	\$2,242,154

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

**NOTE 3 - ACCOUNTS AND LOANS RECEIVABLE - CONTINUED**

The following schedule shows the status of accounts and loans receivable and related allowance for doubtful accounts at June 30, 2003:

	Total	Less Allowance for Doubtful Accounts	Net
<u>Entity Wide</u>			
Accounts Receivable	<u>\$2,703,616</u>	<u>\$(476,318)</u>	<u>\$2,227,298</u>

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, 2004.

	Balance June 30, 2003	Additions/ Depreciation	Retirements CIP Transfers/ Depreciation	Balance June 30, 2004
<b>Non-depreciable Capital Assets</b>				
Land	\$ 1,157,257	\$ 822,427	\$ -	\$ 1,979,684
Land Improvements	-	-	-	-
Construction in Progress	<u>7,323,534</u>	<u>479,844</u>	<u>(6,916,265)</u>	<u>887,113</u>
<b>Total Non-depreciable Capital Assets</b>	<u>\$ 8,480,791</u>	<u>\$ 1,302,271</u>	<u>\$ (6,916,265)</u>	<u>\$ 2,866,797</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	\$ 1,262,270	\$ -	\$ -	\$ 1,262,270
Buildings	58,455,786	3,059,028	6,916,265	68,431,079
Equipment	8,290,302	262,511	-	8,552,813
Library Materials	<u>8,262,218</u>	<u>306,586</u>	<u>(13,063)</u>	<u>8,555,741</u>
<b>Total Depreciable Capital Assets</b>	76,270,576	3,628,125	6,903,202	86,801,903
<b>Less: Accumulated Depreciation</b>				
Land Improvements	(590,994)	(56,468)	-	(647,462)
Buildings	(16,527,648)	(1,643,771)	-	(18,171,419)
Equipment	(4,143,065)	(597,567)	-	(4,740,632)
Library Materials	<u>(4,448,397)</u>	<u>(425,674)</u>	<u>13,063</u>	<u>(4,861,008)</u>
<b>Total Accumulated Depreciation</b>	<u>(25,710,104)</u>	<u>(2,723,480)</u>	<u>13,063</u>	<u>(28,420,521)</u>
<b>Net Depreciable Capital Assets</b>	<u>\$50,560,472</u>	<u>\$ 904,645</u>	<u>\$ 6,916,265</u>	<u>\$58,381,382</u>
<b>Capital Assets Net</b>	<u>\$59,041,263</u>	<u>\$ 2,206,916</u>	<u>\$ -</u>	<u>\$61,248,179</u>

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

**NOTE 4 – CAPITAL ASSETS - CONTINUED**

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2003.

	Balance		Retirements CIP	
	June 30, 2002	Additions/ Depreciation	Transfers/ Depreciation	Balance June 30, 2003
<b>Non-depreciable Capital Assets</b>				
Land	\$ 1,157,257	\$ -	\$ -	\$ 1,157,257
Land Improvements	-	-	-	-
Construction in Progress	<u>13,828,644</u>	<u>2,650,159</u>	<u>(9,155,269)</u>	<u>7,323,534</u>
Total Non-depreciable Capital Assets	<u>\$ 14,985,901</u>	<u>\$ 2,650,159</u>	<u>\$ (9,155,269)</u>	<u>\$ 8,480,791</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	\$ 1,262,270	\$ -	\$ -	\$ 1,262,270
Buildings	52,547,441	-	5,908,345	58,455,786
Equipment	4,889,146	184,232	3,216,924	8,290,302
Library Materials	<u>7,992,009</u>	<u>289,851</u>	<u>(19,642)</u>	<u>8,262,218</u>
Total Depreciable Capital Assets	66,690,866	474,083	9,105,627	76,270,576
<b>Less: Accumulated Depreciation</b>				
Land Improvements	(527,881)	(63,113)	-	(590,994)
Buildings	(14,897,610)	(1,630,038)	-	(16,527,648)
Equipment	(3,484,704)	(688,361)	30,000	(4,143,065)
Library Materials	<u>(4,045,654)</u>	<u>(422,385)</u>	<u>19,642</u>	<u>(4,448,397)</u>
Total Accumulated Depreciation	<u>(22,955,849)</u>	<u>(2,803,897)</u>	<u>49,642</u>	<u>(25,710,104)</u>
Net Depreciable Capital Assets	<u>\$43,735,017</u>	<u>\$(2,329,814)</u>	<u>\$ 9,155,269</u>	<u>\$ 50,560,472</u>
Capital Assets Net	<u>\$58,720,918</u>	<u>\$ 320,345</u>	<u>\$ -</u>	<u>\$59,041,263</u>

**NOTE 5 – LONG-TERM LIABILITIES**

- Lease Obligations:

The College currently has three capital lease obligations: A capital lease of phone system equipment, through October 1, 2004, at which time the title will be transferred to the College. A capital lease of student ID equipment and an automated parking attendant machine, through August 10, 2005, at which time the title will be transferred to the College. A capital lease of piano lab computer equipment and pianos, through October 9, 2006, at which time the title will be transferred to the College. The leases can be terminated due to lack of funding with 30 days written notice. The College has an option to purchase at any time during the lease.

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

**NOTE 5 - LONG-TERM LIABILITIES - CONTINUED**

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

<u>Year Ending June 30,</u>	<u>2004</u>	<u>2003</u>
Total Payments		
2004	\$ -	\$ 119,843
2005	78,196	78,196
2006	36,546	36,546
2007	<u>16,628</u>	<u>16,629</u>
Total principal and interest payments	131,370	251,214
Less amount representing interest	<u>(8,513)</u>	<u>(19,373)</u>
Total Principal Outstanding	122,857	231,841
Less Current Portion	<u>(73,199)</u>	<u>(108,983)</u>
Net Long Term Principal	<u>\$ 49,658</u>	<u>\$ 122,858</u>

- Revenue Bonds Payable

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. At June 30, 2004 \$1,700,000 remained in the construction fund. The fund will be expended over the next two years for renovation to the Auxiliary Facilities System. On June 30, 2004 the amount of defeased debt still outstanding was \$4,295,000.

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.

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

**NOTE 5 - LONG-TERM LIABILITIES - CONTINUED**

The following is a schedule of future minimum bond payments as of June 30, 2004.

**Auxiliary Facilities System Revenue Bonds**

<u>Year Ending June 30,</u>	<u>2002 Series A</u>	<u>2002 Series B</u>
2005	\$ 636,790	\$ 536,385
2006	641,080	536,385
2007	637,050	536,385
2008	-	1,341,385
2009	-	1,342,065
2010-2014	-	6,776,788
2015-2019	-	4,931,500
2020-2024	-	2,241,750
Subtotals	1,914,920	18,242,643
Less: Amount of Interest Included Above:	(89,920)	(6,107,643)
Total Principal Outstanding	1,825,000	12,135,000
Less Current Portion	(595,000)	-
Net Long Term Principal	\$ 1,230,000	\$ 12,135,000
Less: Unamortized Discount & Issue Cost:	-	(526,804)
Bonds Payable Net	\$ 1,230,000	\$ 11,608,196

The following is a schedule of future minimum bond payments as of June 30, 2003.

**Auxiliary Facilities System Revenue Bonds**

<u>Year Ending June 30,</u>	<u>2002 Series A</u>	<u>2002 Series B</u>
2004	\$ 640,345	\$ 536,385
2005	636,790	536,385
2006	641,080	536,385
2007	637,050	536,385
2008	-	1,341,385
2009-2013	-	6,759,703
2014-2018	-	5,545,350
2019-2023	-	2,987,050
Subtotals	2,555,265	18,779,028
Less: Amount of Interest Included Above:	(140,265)	(6,644,028)
Total Principal Outstanding	2,145,000	12,135,000
Less Current Portion	(590,000)	-
Net Long Term Principal	\$ 1,825,000	\$ 12,135,000
Less: Unamortized Discount & Issue Cost:	-	(492,920)
Bonds Payable Net	\$ 1,825,000	\$ 11,642,080

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

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**NOTE 5 - LONG-TERM LIABILITIES - CONTINUED**

- Other Long Term Liabilities

Under a memorandum of understanding between the College and the Mesa State College Foundation, (the Foundation) the College is to grant and manage student loans made from designated Foundation funds. The College absorbs any associated costs in excess of loan interest collections, including loan write-offs and administrative expenses. Student loan fund assets at June 30, 2004, consisting primarily of loans receivable, are held by the College and represent a payable to the Foundation of \$50,000.

- Compensated Absences

Employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount, which 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, 2004 and June 30, 2003, are estimated as \$729,242 (including the current portion of \$133,292 listed in note 6 below) and \$810,581 respectively. Expenses include a decrease of \$81,339 (2004) and \$40,244 (2003) for the estimated compensated absence liability.

**NOTE 6 - SHORT-TERM LIABILITIES**

Payables at June 30, were as follows:

	<u>2004</u>	<u>2003</u>
Accounts Payable, Vendors	\$ 246,993	\$ 137,874
Salaries and Benefits Payable	3,133,926	3,012,682
Capital Leases Payable Current Portion	73,199	108,983
Capital Bonds Payable Current Portion	595,000	590,000
Compensated Absences Current Portion	133,292	134,288
Other Payables	45,917	369,736
Total Payables	<u>\$ 4,228,327</u>	<u>\$ 4,353,563</u>

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

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**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 - 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)**

Plan Description. The PERA plan's purpose is to provide income to members and their families at retirement or in the case of death or disability. The plan is a cost-sharing multiple-employer, defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). PERA was established by statute in 1931. Responsibility for the organization and administration of the plan is placed with to Board of Trustees of PERA. Changes to the plan require legislation by the General Assembly. The state plan, as well as the other division's plans, is included in PERA's financial statements, which may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, CO 80203, or by calling PERA's Info Line at 1-800-759-PERA (7372) or Denver metro area 303-382-9550, or by visiting [www.copera.org](http://www.copera.org).

Plan members vest after five years of service and are eligible for benefits at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with 5 years of service. State troopers and judges comprise a small percentage of plan members but have higher contribution rates and are eligible for retirement benefits at different ages and years of service. Monthly benefits are calculated (by PERA) as a percentage of highest salary (HAS). HAS is one-twelfth (1/12) of the average highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit.

**STATE OF COLORADO  
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**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

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**NOTE 8 – PENSION PLAN OBLIGATIONS - CONTINUED**

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 (by PERA) to be permanently disabled. If a member dies before retirement, the member's eligible children under the age of 18 (23 if a full-time student) or the member's spouse are entitled to benefit payments. If there is no eligible spouse, financially dependent parents will receive a survivor's benefit.

**Funding Policy.** Most employees contribute 8 percent of their annual covered wages to an individual account in the plan. During the fiscal year ended June 30, 2004 the College contributed 10.15 percent of the employee's gross covered wages. The annual gross wages subject to PERA are the 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 Service Code. The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly.

The College's contributions to the three programs described above for the fiscal years ending June 30, 2004, 2003 and 2002 were \$862,049, \$904,726 and \$914,669. These contributions were equal to the required contributions for each year.

**B. 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% 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, 2004, 2003, and 2002 were \$1,155,113, \$1,124,175, and \$1,109,224, 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.

**STATE OF COLORADO  
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**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

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**NOTE 8 - PENSION PLAN OBLIGATIONS - CONTINUED**

**C. STUDENT RETIREMENT PLAN**

Beginning in Fiscal Year 1993, in accordance with the provisions of CRS 24-54.6 and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5% contribution on the employee's part with no employer contribution. Total current year payroll covered by the plan was \$384,431. Employee contributions were \$28,832 or 7.5% of covered payroll.

**NOTE 9 - VOLUNTARY TAX-DEFERRED RETIREMENT PLANS**

Beginning on January 1, 2001 the Matchmaker Program established a state match for PERA member's voluntary contributions to tax-deferred retirement plans. For calendar years 2001 and 2002, the match was 100 percent of up to 3 percent of gross covered wages paid during the month. For calendar year 2003, the match was 100 percent of up to 2 percent of the employee's gross covered wages paid during the month. For calendar year 2004 through May 31, 2004, the match was 100 percent of up to 1 percent of the employee's gross covered wages paid during the month. The PERA Board sets the level of the match with two percent of gross salary plus fifty percent of any reduction in the overall contribution rate due to over funding of the pension plan available for the match. While the plan is not over funded in the current year, the maximum one-year change in the match rate is statutorily limited to one percent, and therefore, the match changed from 2 percent to 1 percent on January 1, 2004. Legislation passed in the 2004 session of the General Assembly terminated the match for pay periods ending after May 31, 2004. The match will resume when the actuarial value of the defined benefit plan assets are one hundred ten percent of actuarially accrued plan liabilities.

PERA offers a voluntary 401k plan that is entirely separate from the defined benefit plan. The state offers a 457 deferred compensation plan and certain agencies and institutions of the state offer one or more 403b plans. Eligible PERA members who contribute to any of these plans receive the state match.

**STATE OF COLORADO  
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**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

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**NOTE 10 – POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

**Health Care Program**

PERACare (formerly known as 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. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During FY03-04, the premium subsidy was \$115.00 for those with 20 years of service credit (\$230.00 for members under 65 and not eligible for Medicare), and it was reduced by 5 percent for each year of service fewer than 20.

**Funding Policy**

The Health Care Trust Fund is maintained by employer contributions as explained in Footnote 8A above. Monthly premium costs for participants depend on the health care plan selected, the number of persons being covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical and prescription benefit plans, and with several health maintenance organizations providing services in Colorado. As of December 31, 2003, there were 37,067 enrollees in the plan.

**Life Insurance**

PERA provides its members access to two group life insurance plans offered by Prudential and Anthem Life (formerly known as Rocky Mountain Life Insurance Company). Eligible members may join one or both plans and may continue coverage into retirement. Premiums are collected by payroll deduction or other means.

**Other Programs**

Separate post-retirement health care and life insurance plans exist for the employees not eligible for the PERACare Plan System, but participation is small in comparison to the PERA plans for state employees. The state has no liability for any of these other post-retirement health care and life insurance plans.

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

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**NOTE 11 - 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.

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.

For the year ended June 30, 2004, the College, using GASB 39 criteria, has identified the following entity 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 as allowed by GASB 39.

**MESA STATE COLLEGE FOUNDATION**

The Mesa State College Foundation (the Foundation) is a separate non-profit 501 (c) 3 corporation 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. Their financial records are maintained separately from the College.

Under a memorandum of understanding between the College and the Foundation, the College is to grant and manage student loans made from designated Foundation funds. The College absorbs any associated costs in excess of loan interest collections, including loan write-offs and administrative expenses. Student loan fund assets at June 30, 2004, consisting primarily of loans receivable, are held by the College and represent a payable to the Foundation of \$50,000. The corresponding amount is shown as a receivable on the Foundation financial statements.

The MSC 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. The Foundation maintains an account on which the athletic administration can draw from to cover certain expenditures.

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

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**NOTE 11 – COMPONENT UNITS – CONTINUED**

The expenditures are primarily scholarships awarded by the athletic department. During fiscal 2004, the athletic administration approved draws totaling \$258,013 on their Foundation account. The \$258,013 is included in other receivables on the College's financial statements and shown as a payable on the Foundation financial statements.

The MSC Foundation received donations to partially fund regular operations of various college departments. During FY2004 cash and in-kind donations totaled \$333,736 and recorded as revenue and expense in the appropriate funds. The Foundation also funded a portion of the new Moss Performing Arts Center in the amount of \$278,608 during FY2004. The project was completed during FY04 and the appropriate balance sheet accounts and revenue accounts were used to record the transactions. These amounts are included as expense and or revenue on the Foundation financial statements.

During FY2004, the Foundation donated real property, including land and buildings, to the College valued at \$2,783,694 (donor value). The donation was recorded in the appropriate balance sheet and revenue account and included as non-operating gift revenue on the College's financial statements. The same amount is included as expense and or revenue on the Foundation's financial statements.

During FY2004, the Foundation awarded \$344,334 in scholarship funds directly to MSC 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 12.

The following is an excerpt from the Foundation's independent annual financial report. Note references for FY2003 follow those for FY2004.

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

**NOTE 11 - COMPONENT UNITS - CONTINUED**

**FY2004 NOTES:**

**FOUNDATION - INVESTMENTS - FY 2004**

Investment return is summarized as follows:

	Cost	Fair Value	Excess of Fair Value Over Cost
Balance at end of year	\$ 5,732,640	\$ 5,893,222	\$ 160,582
Balance at beginning of year	5,813,722	5,673,131	<u>(140,591)</u>
Increase in unrealized appreciation			<u>\$ 301,173</u>
Interest and dividend income			\$ 187,596
Realized gains on investments			11,287
Trust fees			<u>(31,571)</u>
Total			<u>\$ 167,312</u>

Investments recorded at fair value are comprised of the following:

	Cost	Fair Value
Mutual Funds	\$ 718,315	\$ 628,210
Corporate Bonds and Notes	2,319,066	2,355,344
U.S. Government Securities and Agencies	594,794	590,178
Common Stock and other	<u>2,100,465</u>	<u>2,319,490</u>
	<u>\$ 5,732,640</u>	<u>\$ 5,893,222</u>

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

	Carrying Value
Partnership interests	\$ 15,908
Corporate Stock	<u>7</u>
	<u>\$ 15,915</u>

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

**NOTE 11 - COMPONENT UNITS - CONTINUED**

**FOUNDATION - PROMISES TO GIVE - FY 2004**

In 1996, the Foundation initiated a capital campaign soliciting funds to purchase property near the College to meet the College's growth demands. The Foundation donates the properties to the College when the College deems necessary (see Note D).

Promises to give result from that campaign and are temporarily restricted for houses and lot purchases. The promises are generally for a five to ten year period payable in equal installments over that period. The majority of the promises come from businesses and citizens located in Mesa County, Colorado. In the fiscal year ended June 30, 2000, the Foundation began a new capital campaign to replace the original promises that were completed in 2001.

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

Receivable in less than one year	\$ 82,545
Receivable in one to five years	110,595
Receivable in more than five years	<u>6,200</u>
Total Unconditional Promises to Give	199,340
Less discounts to net present value	(81,077)
Less allowance for uncollectible promises receivable	<u>(18,139)</u>
Net Unconditional Promises to Give	<u>\$ 100,124</u>

The Foundation has a conditional promise to give from the City of Grand Junction (the City) whereby the City will match capital campaign contributions. The City has agreed to match contributions up to \$250,000 annually for ten years expiring in 2005 for a total contribution of \$2,500,000. The agreement specifies that these funds will be used to purchase property to be later donated to the College.

**FOUNDATION - PROPERTY AND EQUIPMENT - FY 2004**

Property and equipment consist of the following:

	<u>Estimated useful life</u>	<u>Amount</u>
Purchased property to be later donated to Mesa State College		
Depreciable property with rental income	20-30 years	\$ 791,311
Equipment	5-10 years	207,084
Memorial alcove	10 years	<u>7,400</u>
		1,005,795
Less accumulated depreciation		<u>(240,007)</u>
		<u>\$ 765,788</u>

Twenty-four properties were transferred to the College this year. The properties were transferred at book value for a decrease in net assets of \$2,783,694.

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

**NOTE 11 – COMPONENT UNITS – CONTINUED**

**FOUNDATION – NOTES PAYABLE – FY 2004**

As part of its capital campaign, the Foundation has purchased certain properties with promissory notes to the sellers. Following is a summary of those notes at June 30 and one other promissory note:

Term loan, \$80,000 matures July 2006, monthly payments of \$573 including interest at 6%. Secured by a deed of trust. Interest only payments through June 30, 2004, of \$400 monthly.	\$ 80,000
Term loan, \$85,000, matures July 2006, monthly payments of \$609 including interest at 6%. Secured by a deed of trust. Interest only payments through June 30, 2004, of \$425 monthly.	85,000
	165,000
Less current portion	(4,405)
	\$ 160,595

Aggregate maturities are as follows:

Years Ending June 30,	<u>Principal Amounts</u>
2005	\$ 4,405
2006	4,677
2007	155,918
	\$ 165,000

Promissory note of \$250,000, due August 7, 2004, including interest at 4%. Secured by real property. The note allows borrowing up to \$250,000	\$ 250,000
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**FOUNDATION – SPLIT INTEREST AGREEMENT – FY 2004**

The Foundation administers a charitable remainder trust. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the Statement of Activities as a temporarily restricted contribution in the period the trust is established. Such contributions totaled \$111,660, with another \$27,915 being recorded as a liability for 20% of the total gift, which is to go to other organizations at the end of the trust's term. Assets held in the charitable remainder trust totaled \$336,747 at June 30, 2004 and are reported at fair value in the Foundation's Statement of Financial Position. On an annual basis, the Foundation will revalue the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$145,617 at June 30, 2004) is calculated using a discount rate of 5.2% and applicable mortality tables.

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

Years Ended June 30, 2004 and 2003

**NOTE 11 - COMPONENT UNITS - CONTINUED**

**FY 2003 NOTES:**

**FOUNDATION - INVESTMENTS - FY 2003**

Investment return is summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
Balance at end of year	\$ 5,813,722	\$ 5,673,131	\$ (140,591)
Balance at beginning of year	5,001,219	4,634,347	<u>(366,872)</u>
Increase in unrealized appreciation			<u>\$ 226,281</u>
Interest and dividend income			\$ 189,700
Realized losses on investments			(225,821)
Trust fees			<u>(24,023)</u>
Total			<u>\$ (60,144)</u>

Investments recorded at fair value are comprised of the following:

	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds	\$ 1,247,607	\$ 1,161,099
Corporate Bonds and Notes	1,847,752	1,956,345
U.S. Government Securities and Agencies	175,531	182,077
Municipal Bonds	200,000	199,770
Common Stock and other	<u>2,342,832</u>	<u>2,173,840</u>
	<u>\$ 5,813,722</u>	<u>\$ 5,673,131</u>

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

	<u>Carrying Value</u>
Corporate stocks	\$ 7,491
Partnership interests	<u>15,908</u>
	<u>\$ 23,399</u>

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

**NOTE 11 - COMPONENT UNITS - CONTINUED**

**FOUNDATION - PROMISES TO GIVE - FY 2003**

In 1996, the Foundation initiated a capital campaign soliciting funds to purchase property near Mesa State College to meet the College's growth demands. The Foundation donates the properties to the College when the College deems necessary (see Note D).

Promises to give result from that campaign and are temporarily restricted for houses and lot purchases. The promises are generally for a five to ten year period payable in equal installments over that period. The majority of the promises come from businesses and citizens located in Mesa County, Colorado. In the fiscal year ended June 30, 2000, the Foundation began a new capital campaign to replace the original promises that were completed in 2001.

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

Receivable in less than one year	\$	87,967
Receivable in one to five years		182,066
Receivable in more than five years		<u>6,200</u>
Total Unconditional Promises to Give		<u>276,233</u>
Less discounts to net present value		(33,413)
Less allowance for uncollectible promises receivable		<u>(34,221)</u>
Net Unconditional Promises to Give	\$	<u><u>208,599</u></u>

The Foundation has a conditional promise to give from the City of Grand Junction (the City) whereby the City will match capital campaign contributions. The City has agreed to match contributions up to \$250,000 annually for ten years expiring in 2005 for a total contribution of \$2,500,000. The agreement specifies that these funds will be used to purchase property to be later donated to the College.

**FOUNDATION - PROPERTY AND EQUIPMENT - FY 2003**

Property and equipment consist of the following:

	<u>Estimated Useful life</u>	<u>Amount</u>
Purchased property to be later donated to Mesa State College		
Depreciable property with rental income	20-30 years	\$ 3,758,723
Equipment	5-10 years	207,084
Memorial alcove	10 years	<u>7,400</u>
		3,973,207
Less accumulated depreciation		<u>(634,816)</u>
		<u><u>\$ 3,338,391</u></u>

No properties were transferred to the College in this year.

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

**NOTE 11 - COMPONENT UNITS - CONTINUED**

**FOUNDATION - NOTES RECEIVABLE - FY 2003**

Notes receivable consists of the following at June 30:

Term note, \$156,000, matures July 2009, monthly payments of \$1,264 including interest at 9.5%. Secured by deed of trust.	\$ 155,140
Term note, donated to the Foundation, monthly payments of \$643 including interest at 8.0%. Secured by deed of trust.	<u>55,774</u>
	<u>\$ 210,914</u>

**FOUNDATION - NOTES PAYABLE - FY 2003**

As part of its capital campaign, the Foundation has purchased certain properties with promissory notes to the sellers. Following is a summary of those notes at June 30 and one other promissory note:

Term loan, \$80,000 matures July 2006, monthly payments of \$573 including interest at 6%. Secured by a deed of trust. Interest only payments through June 30, 2004, of \$400 monthly.	\$ 80,000
Term loan, \$85,000, matures July 2006, monthly payments of \$609 including interest at 6%. Secured by a deed of trust. Interest only payments through June 30, 2004, of \$425 monthly.	<u>85,000</u>
	165,000
Less current portion	<u>-</u>
	<u>\$ 165,000</u>

Aggregate maturities are as follows:

June 30	Amounts
2004	\$ -
2005	4,405
2006	4,677
2007	<u>155,918</u>
	<u>\$ 165,000</u>

Promissory note of \$5,000, due January 28, 2004, including interest at 4%. Secured by real property. The note allows borrowing up to \$250,000.	<u>\$ 5,000</u>
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**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

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**NOTE 11 - COMPONENT UNITS - CONTINUED**

**FOUNDATION - SPLIT INTEREST AGREEMENT - FY 2003**

The Foundation administers a charitable remainder trust. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the Statement of Activities as a temporarily restricted contribution in the period the trust is established. Such contributions totaled \$111,660, with another \$27,915 being recorded as a liability for 20% of the total gift, which is to go to other organizations at the end of the trust's term. Assets held in the charitable remainder trust totaled \$316,064 at June 30, 2003 and are reported at fair value in the Foundation's Statement of Financial Position. On an annual basis, the Foundation will revalue the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$157,707 at June 30, 2003) is calculated using a discount rate of 5.2% and applicable mortality tables.

**NOTE 12 - 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 FY2004 and FY2003. Student loans, external scholarships, grants, and other student financial assistance not recorded on the Colleges financial system are not included. A detailed schedule of state funded financial assistance is provided in the 'State-Funded Student Assistance Programs Section'.

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

**NOTE 12 - STUDENT FINANCIAL ASSISTANCE - CONTINUED**

A schedule of non-loan student assistance for the year ended June 30, 2004 follows:

	<u>Federal Sources</u>	<u>State Sources</u>	<u>Institutional Sources</u>	<u>Total All Sources</u>
Scholarships				
Colorado Need-Based	\$ -	\$ 1,423,006	\$ -	\$ 1,423,006
Colorado Merit	-	170,146	-	170,146
CLEAP	-	52,401	-	52,401
SLEAP	-	31,514	-	31,514
Governor's Opportunity	-	368,780	-	368,780
Pell Grants	5,743,502	-	-	5,743,502
General Institutional	73,376	9,108	701,261	783,745
Auxiliary	-	-	435,145	435,145
Work Study **	212,708	631,024	798,189	1,641,921
Perkins Match	-	7,369	115	7,484
SEOG	136,604	-	45,534	182,138
Non-Resident Scholar	-	-	261,567	261,567
Total	<u>\$6,166,190</u>	<u>\$ 2,693,348</u>	<u>\$2,241,811</u>	<u>\$11,101,349</u>

A schedule of non-loan student assistance for the year ended June 30, 2003 follows:

	<u>Federal Sources</u>	<u>State Sources</u>	<u>Institutional Sources</u>	<u>Total All Sources</u>
Scholarships				
Colorado Need-Based	\$ -	\$ 1,454,553	\$ -	\$ 1,454,553
Colorado Merit	-	368,032	-	368,032
Colorado Nursing	-	13,843	-	13,843
CLEAP	-	52,401	-	52,401
SLEAP	-	38,292	-	38,292
Governor's Opportunity	-	368,780	-	368,780
Pell Grants	5,033,700	-	-	5,033,700
General Institutional	-	-	589,413	589,413
Auxiliary	-	-	436,645	436,645
Work Study **	204,463	657,736	698,420	1,560,619
Perkins Match	-	7,286	-	7,286
SEOG	147,407	-	49,136	196,543
Non-Resident Scholar	-	-	344,390	344,390
Total	<u>\$5,385,570</u>	<u>\$ 2,960,923</u>	<u>\$2,118,004</u>	<u>\$10,464,497</u>

\*\* Includes MSC Student Assist Work Study - Not Based on Financial Need

**STATE OF COLORADO  
MESA STATE COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**Years Ended June 30, 2004 and 2003**

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**NOTE 13 - LEGISLATIVE APPROPRIATION**

The Colorado Legislature establishes spending authority for the Trustees of the State Colleges System in its annual Long Appropriation Bill. Effective July 1, 2003, the portion of the spending authority previously allocated to the College by Trustees of the State College will be made by direct legislative appropriation. (See Note 14 Below.) Appropriated funds include 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.

For the year ended June 30, 2004, the College received an appropriation allocation, net of scholarship allowance, from the State of \$22,737,394. Actual appropriated revenues earned totaled \$22,690,309. Actual appropriated expenditures and transfers totaled \$22,471,610.

**NOTE 14 - 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 are transferred to the Board of Trustees of the College. For the year ending June 30, 2003, the financial statements of the College are presented on a stand-alone basis as the Trustees of the State Colleges in Colorado system no longer exists. For the years ending on and prior to July 1, 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 15 - 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.

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**SUPPLEMENTAL INFORMATION  
SCHEDULE OF REVENUE AND EXPENSES  
FOR  
ENTERPRISE REVENUE BONDS**

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# MESA STATE COLLEGE

## Auxiliary Facilities System - Enterprise Revenue Bonds

Schedule of Revenues and Expenses

For Years Ended June 30

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
College Service Fees	\$ 1,082,800	\$ 897,668
Rental Income	3,197,705	2,957,959
Food Service Income	2,133,513	2,040,116
Sales/Services Auxiliaries	4,359,093	4,167,456
Interest Income	279,099	318,046
Other Income	<u>1,106</u>	<u>822</u>
Total Revenues	11,053,316	10,382,067
<b>EXPENDITURES</b>		
Salaries & Benefits	1,653,408	1,761,406
Costs of Goods	2,275,945	2,120,624
Utilities Expense	574,895	486,279
Rental Expense	132,791	122,001
Contract Food Services	1,298,526	1,228,802
Travel	16,282	19,867
Supplies	555,129	457,112
Other Operating Expenses	735,536	636,288
Purchased Services-Personal	127,988	49,194
Financial Aid	284,036	291,587
Administrative Cost Allowance	835,371	825,206
Furniture & Equipment	141,440	106,982
Other Capital Expenditures	10,515	-
Other Expenses	<u>-</u>	<u>-</u>
Total Expenditures	8,641,862	8,105,348
Net Revenue before Transfers	<u>2,411,454</u>	<u>2,276,719</u>
<b>TRANSFERS</b>		
Mandatory Transfers	1,346,448	1,346,448
Non-mandatory Transfers	<u>757,010</u>	<u>618,022</u>
Total Transfers	2,103,458	1,964,470
Net Revenue	<u>\$ 307,996</u>	<u>\$ 312,249</u>



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

September 10, 2004

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 and its discretely presented component unit, as of and for the years ended June 20, 2004 and 2003, and have issued our report thereon dated September 10, 2004. 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 unit, Mesa State College Foundation, were not audited in accordance with *Government Auditing Standards*.

**Compliance**

As part of obtaining reasonable assurance about whether Mesa State College's 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 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*.

**Internal Control over Financial Reporting**

In planning and performing our audits, we considered Mesa State College's internal control over financial reporting. This was done to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

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**

September 10, 2004

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, 2004 and 2003, and have issued our report thereon dated September 10, 2004. As required by professional auditing standards, we are providing you with information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

Our responsibility under professional standards is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Mesa State College. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Mesa State College's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Significant Accounting Policies**

Mesa State College's significant accounting policies are described in the notes to the financial statements. Mesa State College implemented the provisions of the Government Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units an amendment of GASB Statement 14*, as of July 1, 2002. This resulted in including the Mesa State College Foundation in the reporting of Mesa State College.

**Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the financial statements and are based on management's judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The significant accounting estimates affecting the financial statements are the allowance for uncollectible receivables, accrued compensated absences, scholarship allowances, and the depreciation of capital assets. We evaluated the factors and assumptions used to develop these estimates and determined they are reasonable in relation to the financial statements taken as a whole.



Members of the Legislative Audit Committee  
September 10 2004  
Page Two

**Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Mesa State College's financial reporting process (that is, cause future financial statements to be materially misstated). We noted no adjustments or differences that could have a significant effect on Mesa State College's financial reporting process.

**Disagreements with Management**

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

**Difficulties Encountered in Performing the Audit**

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

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.*

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**STATE-FUNDED STUDENT ASSISTANCE  
PROGRAMS SECTION**

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

September 10, 2004

Members of the Legislative Audit Committee:

We have audited the accompanying Statement 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 year ended June 30, 2004. This Statement is the responsibility of the College's management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The statement was prepared in the format as set forth in the *Colorado Handbook for State-Funded Student Financial Assistance Programs*, issued by the Colorado Commission on Higher Education (CCHE), 2004 revision. The Statement is a summary of cash activity of the state-funded student financial assistance program with the exception of the College Work-Study Program and the Perkins Loan 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 Statement is 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 Statement referred to above presents fairly the appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Program of Mesa State College for the year ended June 30, 2004, in conformity with the provisions of the Colorado Commission on Higher Education's *Colorado Handbook for State-Funded Financial Assistance Programs*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2004 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.

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

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

	YEAR ENDED JUNE 30, 2004									
	Total State-Funded Student Assistance	Part-Time Student Grants	Student Incentive Grants	Student Grants Program	Work Study Program	Colorado Nursing Program	Diversity Program Grant	Under-Grad Merit Grant	Perkins Loan Mauch	Governor's Opportunity Scholarship
Appropriations:										
Original	\$ 2,669,503	\$ 83,915	\$ 1,423,006	\$ 616,287	\$ -	\$ -	\$ -	\$ 170,146	\$ 7,369	\$ 368,780
Supplemental	14,737	-	-	14,737	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
TOTAL	2,684,240	83,915	1,423,006	631,024	-	-	-	170,146	7,369	368,780
EXPENDITURES										
Reversions to State General Fund	\$ -	\$ 83,915	\$ 1,423,006	\$ 631,024	\$ -	\$ -	\$ -	\$ 170,146	\$ 7,369	\$ 368,780
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

MESA STATE COLLEGE

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

June 30, 2004

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS**

**Basis of Accounting**

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

The Perkins Loan Program matching requirement from general funds, as approved by the Colorado Commission on Higher Education, is recorded as a transfer from the general fund to the loan fund and not as general fund expense and loan fund revenue.

All student aid is expensed on a cash basis except for Perkins loans and the College Work Study Program (CWS). Perkins loan disbursements are recorded as loans receivable when the funds are disbursed. The CWS is on the accrual basis in that the expense is recognized when the services are performed.

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