COLORADO MESA UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT

Fiscal Year Ended June 30, 2015

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COLORADO MESA UNIVERSITY

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COLORADO MESA UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY

As of and for the year ended June 30, 2015

Authority, Purpose and Scope

The audit of Colorado Mesa University (the University) was conducted pursuant to Section 2-3-103, of the Colorado Revised Statutes (C.R.S.), which authorizes the State Auditor to conduct audits of all State agencies. The Fiscal Year 2015 audit was conducted under contract with Dalby, Wendland & Co., P.C. (DWC). The audit was performed in accordance with audit standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Audit work was performed during June through October 2015.

The purposes and scope of the audit were to:

- Express an opinion on the financial statements of the University as of and for the year ended June 30, 2015. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.
- Evaluate the progress in implementing prior audit findings and recommendations, if any.

The University's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, State of Colorado, are included in the June 30, 2015 Statewide Single Audit Report issued under separate cover.

Audit Opinion and Reports Summary

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

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

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

DWC noted no matters involving the University's internal control over financial that they consider to be material weaknesses.

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, DWC performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, DWC does not express such an opinion.

In addition to issuing a report on the University's compliance with internal control over financial reporting, DWC also performed procedures in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, over major federal programs as determined by the Office of the State Auditor. The purpose of our procedures was not to issue an opinion over the University's compliance with the federal programs tested, but rather report any noncompliance and internal control deficiencies noted during our testing to the Office of the State Auditor for inclusion in the Statewide Single Audit report. DWC noted no instances of noncompliance or internal control deficiencies during these procedures that were required to be reported as a finding.

Summary of Findings and Recommendations

There were no reported findings or recommendations resulting from the audit of the University for the year ended June 30, 2015.

Summary of Progress in Implementing Prior Audit Findings

The University's audit report for the year ended June 30, 2014 did not include any findings or recommendations that were required to be implemented during the year ended June 30, 2015.

DESCRIPTION OF COLORADO MESA UNIVERSITY

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

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

The Board of Trustees of the University is the governing board for the University. The Board of Trustees has oversight and responsibility in the areas of finance, resources, academic programs, admissions, role and mission and personnel policies. The Board consists of nine voting and two non-voting members. The voting members are appointed by the Governor, confirmed by the Colorado State Senate and serve four-year terms. The University faculty and student body each elect one non-voting member to serve two- and one-year terms, respectively. The University president is appointed by the Board and is responsible for day-to-day management of the institution and its employees. The Board conducts its business at regular monthly meetings and special meetings, all of which are open to the public. The Colorado Commission on Higher Education is the policy and coordinating board for the state's higher education system, including the University.

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

	2014	2015
Resident Students	6,738.0	6,317.3
Nonresident Students	1,069.8	1,081.5
Total Students	7,807.8	7,398.8
Faculty FTEs	377.5	375.4
Staff FTEs	321.1	368.8
Total Staff and Faculty FTEs	698.6	744.2

DESCRIPTION OF COLORADO MESA UNIVERSITY FOUNDATION

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

DESCRIPTION OF COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

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

FINANCIAL STATEMENTS SECTION

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

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INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee:
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities, and discretely presented component units, of Colorado Mesa University (the University), an institution of higher education, State of Colorado, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Colorado Mesa University Foundation and the Colorado Mesa University Real Estate Foundation (the Foundations), discretely presented component units, discussed in Note 1 to the basic financial statements, which represent 100 percent of total assets, total revenues, and net assets of the aggregate discretely presented component units as of and for the year ended June 30, 2015. Those financial statements were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundations, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundations were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University, an institution of higher education, State of Colorado as of June 30, 2015, and the respective changes in financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 8 to the financial statements, during the year ended June 30, 2015, the University adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 was implemented prospectively and resulted in the beginning balance of net position being restated for the year ended June 30, 2015 to reflect the implementation of GASB 68. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of the Colorado Mesa University, an institution of higher education, State of Colorado are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and the aggregate discretely presented component units of the State that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2015, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15 be presented to supplement the basic financial statements. Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions,* requires that the Schedule of the University's Proportionate Share of the Net Pension Liability of the State Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association and the Schedule of University Contributions to the State Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employee's Retirement Association on pages 55 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Enterprise Revenue Bonds Schedule of Revenues and Expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements of the University.

The Enterprise Revenue Bonds Schedule of Revenues and Expenditures is the responsibility of the University's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Enterprise Revenue Bonds Schedule of Revenues and Expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Dalby, Wendland & Co, P.C.

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

December 4, 2015

This section of Colorado Mesa University's (the University) annual financial report presents management's discussion and analysis of the University's financial position and changes in its financial position the year ended June 30, 2015 with comparative information presented as of and for the year ended June 30, 2014. It is intended to make the University's financial statements easier to understand and communicate financial position and changes in its financial position in an open and accountable manner. This discussion focuses on current activities and known facts and therefore should be read in conjunction with the financial statements and accompanying notes to the financial statements. University management is responsible for the completeness and fairness of this discussion and analysis, as well as the underlying systems of internal controls.

Understanding the Financial Statements

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

- **Statements of Net Position** report the assets, deferred outflows, liabilities and net position as of June 30, 2015. The purpose is to present a financial snapshot of the University and assist readers in determining the assets available for operations, amounts owed to employees, vendors and other creditors and the net position available for future on-going concerns of the University.
- **Statements of Revenues, Expenses and Changes in Net Position** present total revenues earned and expenses incurred for operating, non-operating and other capital related purposes during the year ended June 30, 2015. The purpose is to help readers assess the University's operating and non-operating activities.
- **Statements of Cash Flows** report the University's cash receipts and cash disbursements during the year ended June 30, 2015. The purpose is to help readers assess the University's ability to generate cash flows sufficient to meet obligations as they become due.
- **Notes to the Financial Statements** present additional information to support the financial statements. The purpose is to clarify and further explain information in the financial statements.

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

Required Supplementary Information (RSI)

The RSI presents additional information that differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes the management's discussion and analysis as well as certain RSI required by GASB 68 including the:

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

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

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

Financial Highlights

The University's net position continued to increase over the past three years, which is an indication of financial health. As previously mentioned, as of and for the year ended June 30, 2015, the University implemented GASB 68. GASB 68 establishes accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for pensions that are provided to the employees of state and local governmental employers through pension plans.

The University's total net position as of June 30, 2014 was originally stated as $194.4 million before the effects of implementing GASB 68. The University restated its beginning net position as $151.1 million to account for the University's proportionate share of the net (unfunded) pension liability of the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees Retirement Association (PERA) of $43.3 million. The University's net position increased by $14.8 million, to $165.9 million from June 30, 2014 to June 30, 2015. The increase is from net operating and non-operating revenues of $2.7 million and other net revenues of $12.1 million, which included state capital appropriations of $10.8 million as well as capital donations of $2.9 million, which were offset by $1.6 million of transfers to other institutions.

Throughout the University's growth – capital assets before depreciation increased from $416.0 million at the June 30, 2014 to $456.3 million at June 30, 2015 – the University has maintained current ratios of 2.28 (2015) and 2.26 (2014). The current ratio (current assets/current liabilities adjusted for current liabilities paid by restricted (non-current) cash) demonstrates the liquidity of assets and the relative availability of working capital to fund current operations.

Combined net tuition and fee and auxiliary enterprises revenues increased by $2.7 million from the year ended June 30, 2014 to the year ended June 30, 2015. Undergraduate enrollments on a student FTE basis at the University decreased from 7,752.2 in the year ended June 30, 2014 to 7,369.6 in the year ended June 30, 2015 (4.9%). Graduate enrollment increased from 55.7 in the year ended June 30, 2014 to 79.4 in the year ended June 30, 2015 (42.5%). Overall enrollments decreased by 4.6% in the year ended June 30, 2015 compared to the year ended June 30, 2014.

Statements of Net Position

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

Condensed Statements of Net Position as of June 30, 2015 and 2014 *(in thousands)*				
			Increase (Decrease) 2015 vs 2014	
	2015	2014	Amount	Percent
Assets				
Current Assets	$ 44,854	$ 40,355	$ 4,499	11.1%
Other Noncapital Assets	1,882	22,780	(20,898)	-91.7%
Net Capital Assets	367,490	337,801	29,689	8.8%
Total Assets	**414,226**	**400,936**	**13,290**	**3.3%**
Deferred Outflows	10,796	7,307	3,489	47.7%
Liabilities				
Non-debt Liabilities	16,720	19,387	(2,667)	-13.7%
Net Pension Liability	46,251	-	46,251	100.0%
Debt Liabilities	195,718	194,489	1,229	0.6%
Total Liabilities	**258,689**	**213,876**	**44,813**	**20.9%**
Deferred Inflows	418	-	418	100.0%
Net Position				
Invested In Capital Assets	171,772	143,389	28,383	19.7%
Restricted - Other Purposes	4,811	25,286	(20,475)	-80.9%
Unrestricted (deficit)	(10,668)	25,692	(36,360)	-140.3%
Total Net Position	**$ 165,915**	**$ 194,367**	**$ (28,452)**	**-14.6%**

Unrestricted cash and investments of $36.6 million (2015) and $33.2 million (2014) and restricted cash of $800 thousand (2015) and $21.4 million (2014) make up 80.0% and 86.5% of the University's total non-capital assets as of June 30, 2015 and 2014, respectively. Restricted cash of $800 thousand represents the debt service reserve on deposit with the University's bond custodian for the Series 2011 bond (2015), which compares to restricted cash of $20.6 million (2014) to be used for capital construction activity, as well as $800 thousand (2014) for the required debt service reserve for the Series 2011 bond.

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

The Governmental Accounting Standards Board issued GASB Statement No. 65 which defines certain elements of the financial statements previously reported as assets or liabilities as deferred outflows or deferred inflows of resources. Assets and liabilities are resources and obligations with present service capacities and present obligations, while deferred outflows and inflows of resources are acquisitions and uses of net assets that relate to a future period. See Note A to the financial statements for more detail. Deferred outflows of resources represent unamortized book losses on certain bond refinancing transactions and certain defined benefit pension related amounts recognized in accordance with GASB 68. See Notes 5 and 8 to the financial for detailed information on the composition of the University's deferred outflows and deferred inflows.

With the implementation of GASB 68, the University is required to report its proportionate share of (unfunded) pension liability of $46.3 million (2015). As described in Note 8, under this statement, at June

30, 2015, the University reported a liability of $46.3 million for its proportionate share of the net pension liability. The SDTF's net pension liability was measured as of December 31, 2014, and the SDTF's total pension liability used to calculate the SDTF's net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the SDTF's total pension liability to December 31, 2014. The University's proportion of the SDTF's net pension liability was based on the University's contributions to SDTF for the calendar year 2014 relative to the total contributions of participating employers to SDTF's. GASB 68 was not required to be implemented as of and for the year ended June 30, 2014. Accordingly, the University's financial statements as of and for the year ended June 30, 2014 do not reflect the effects of GASB 68.

At June 30, 2015, the University's total net position was $165.9 million compared to $194.4 million at June 30, 2014. The University's net position is shown in three categories on the statement of net position:

- Invested in capital assets, net of related debt issued to fund the acquisition and construction of those assets, is the largest net asset category with $171.8 million (2015) and $143.4 million (2014). This category comprises 103.5% and 73.8 % of total net position as of June 30, 2015 and 2014, respectively, and represents investments in campus facilities and equipment, net of related debt and accumulated depreciation.
- Restricted net position includes restrictions of $4.8 million for capital projects, loans and other purposes (2015); and $25.3 million (2014). This category of net position represents amounts for specific purposes and allows the University to fully expend those funds in accordance with the purposes identified by the entities providing the funds. The decrease of $20.5 million from June 30, 2014 to June 30, 2015 is due to the decrease in unspent bond funds. All of the University's restricted net position is expendable.
- Unrestricted net position was a deficit $57.1 million (2015) and a positive $25.7 million (2014) and represents the amount available for spending for any lawful purpose, at management's discretion. In some instances, management of the board has placed internal designations on the use of these funds. While the implementation of GASB 68 resulted in a deficit in unrestricted net position, the University does not expect to need to fund its share of the unfunded pension liability leaving the University with an unrestricted net position excluding pension related amounts recognized under GASB 68 of $33.8 million which is available for any lawful purposes under management's discretion.

Statement of Revenues, Expenses and Changes in Net Position

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

Condensed Statements of Revenues, Expenses and Changes in Net Position for the Years Ended June 30, 2015 and 2014 *(in thousands)*

	2015	2014	Increase (Decrease) 2015 vs 2014 Amount	Percent
Operating revenues	$ 101,424	$ 95,687	$ 5,737	5.9%
Operating expenses	108,391	101,206	7,185	7.0%
Operating Income (Loss)	**(6,967)**	**(5,519)**	**(1,448)**	**-26.2%**
Net non-operating revenues	9,683	12,402	(2,719)	-21.9%
Income before Other Revenues	**2,716**	**6,883**	**(4,167)**	**-60.5%**
Other revenues, expenditures, gains, losses and transfers	12,097	10,170	1,927	18.9%
Increase in Net Assets	**14,813**	**17,053**	**(2,240)**	**-13.1%**
Net Assets at Beginning of Year	194,367	177,314	17,053	9.6%
Cumulative effect of adoption of new accounting standard	(43,265)	-	(43,265)	-100.0%
Net Assets at End of Year	**$ 165,915**	**$ 194,367**	**$ (28,452)**	**-14.6%**

The University's operating revenues increased by $5.7 million from $95.7 million (2014) to $101.4 million (2015), and net non-operating revenues decreased by $2.7 million from $12.4 million (2014) to $9.7 million (2015).

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

	2015	2014	Increase (Decrease) 2015 vs 2014 Amount	Percent
Operating Revenues				
Tuition and Fees (net)	$ 55,116	$ 52,256	$ 2,860	5.4%
Fee for Service Revenue	8,321	7,407	914	12.3%
Federal, State, Private Grants and Contracts	8,593	6,694	1,899	28.3%
Auxiliary Enterprise revenue (net)	28,280	28,311	(31)	-0.1%
Other Operating Revenues	1,114	1,019	95	9.3%
Total Operating Revenues	**101,424**	**95,687**	**5,737**	**5.9%**
Non-Operating Revenues (Expenses)				
Pell and Other Non-operating Grants	16,806	17,261	(455)	-2.6%
Contributions	56	90	(34)	-37.7%
Investment and Interest Income	903	2,005	(1,102)	-54.9%
Interest expense on Capital Debt	(7,631)	(7,925)	294	3.7%
Other Net Non-Operating Revenues (Expenses)	315	1,186	(871)	-73.4%
Gain or (Loss) on Disposal of Assets	(766)	(215)	(551)	-256.2%
Total Net Non-operating Revenues (Expenses)	**9,683**	**12,402**	**(2,719)**	**-21.9%**
Total Operating and Net Non-operating Revenues (Expenses)	**$ 111,107**	**$ 108,089**	**$ 3,018**	**2.7%**

For the years ended June 30, tuition and fee revenues are reported net of scholarship allowances of $20.4 million for the years ended June 30, (2015) and $13.2 million (2014), and auxiliary enterprise revenues are reported net of scholarship allowances of $125 thousand (2015) and $83 thousand (2014).

Scholarship allowances are defined as the financial aid awarded to students by the University and used to pay University charges. The increase in tuition and fees is due to an average rate increase of 5.8%. The increase in auxiliary revenues is due to the opening of the Garfield II Residence Hall half in the fall and half in the spring terms.

The State provides funding from the College Opportunity Fund (COF) via fee-for-service contracts with the Department of Higher Education and with stipends to qualified undergraduate students to pay a portion of tuition. For the year ended June 30, the value of the stipend was $75 per credit hour (2015) and $64 per credit hour (2014), and the University received total COF funding of $13.7 million (2015) and $12.4 million (2014).

For the years ended June 30, Federal Pell grant revenues were $14.4 million (2015) and $15.1 million (2014). For the years ended June 30, other non-operating grants were $2.4 million (2015) and $2.2 million (2014) and were primarily comprised of Build America Bond interest subsidies of $1.2 million in (2015) and 1.2 million (2014). For the years ended June 30, the University also received $850 thousand (2015) and $700 thousand (2014) in local government funding to help fund the construction and debt service of constructing an Academic Classroom Building on campus. The City of Grand Junction and Mesa County pledged a combined $700 thousand per year for 10 years beginning in Fiscal Year 2013.

For the years ended June 30, interest income was $900 thousand (2015) and $2.0 million (2014). The decrease is due primarily to higher investment earnings during the year ended June 30, 2014 compared to 2015. See Note 2 to the financial statements for detailed investment information.

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

Operating Expenses for Fiscal Years 2015 and 2014 *(in thousands)*				
			Increase (Decrease) 2015 vs 2014	
	2015	**2014**	**Amount**	**Percent**
Instruction	$ 32,650	$ 31,121	$ 1,529	4.9%
Research	393	330	63	19.0%
Public service	63	66	(3)	-4.5%
Academic support	7,228	7,037	191	2.7%
Student services	10,068	9,435	633	6.7%
Institutional support	6,032	6,190	(158)	-2.5%
Operation and maintenance of plant	12,640	10,399	2,241	21.5%
Net scholarships and fellowships	6,456	5,753	703	12.2%
Auxiliary enterprises	21,760	20,789	971	4.6%
Depreciation	11,101	10,086	1,015	10.0%
Total Operating Expenses	**$ 108,391**	**$ 101,206**	**$ 7,185**	**7.0%**

Over the past Fiscal Year, all enrollments decreased from 7,807.8 FTE in Fiscal Year 2014 to 7,448.9 FTE in Fiscal Year 2015 (4.6%). During the same period, combined tuition and fees and auxiliary enterprise revenues (net of scholarship allowance) increased from $80.6 million in Fiscal Year 2014 to $83.4 million in Fiscal Year 2015 (3.4%), while expenses for instruction, academic support, student services, institutional support and auxiliary enterprises have increased from $74.6 million in Fiscal Year 2014 to $77.7 million in Fiscal Year 2015 (4.1%). The increases in these functional expense categories over the past two years reflect the costs of providing more programs and services to more students.

Scholarship expenses are reported net of total scholarship allowances of $20.5 million (2015) and $20.4 million (2014); gross scholarship expense was $27.0 million (2015) and $26.1 million (2014). Note 11 to the financial statements reports non-workstudy scholarships from institutional sources totaled $7.2 million in both 2015 and 2014, and overall non-loan student assistance from institutional sources was $11.5 million (2015) and $11.7 million (2014). See Note 11 to the financial statements for detailed non-loan student financial assistance information.

About 12% of the increase in operation and maintenance of plant expenses from Fiscal Year 2014 to Fiscal Year 2015 is due to the increased costs associated with maintaining expanded facilities and the remainder of the increase is due to non-capital repair, replacement and renovation projects. Transfers to other governing boards or other institutions were $1.6 million (2015) and $4.3 million (2014) and were made to the CMUREF for property acquisitions.

Capital Assets
At June 30, 2015, the University had $456.3 million invested in capital assets before total accumulated depreciation of $88.6 million. The projects completed during Fiscal Year 2015 and projects in progress at June 30, 2015 are reported below. Fiscal Year 2015 property acquisitions include $1.6 million in land and building contributions from the University's foundations.

Capital Asset Categories (before depreciation) as of June 30, 2015 and 2014 *(in thousands)*

					Increase (Decrease) 2015 vs 2014		
		2015		**2014**		**Amount**	**Percent**
Description							
Land	$	32,320	$	31,324	$	996	3.1%
Construction in progress		32,509		32,997		(488)	-1.4%
Land and leasehold improvements		33,420		28,145		5,275	18.7%
Buildings		329,840		296,095		33,745	11.3%
Equipment		15,957		15,645		312	1.9%
Library materials		12,217		11,753		464	3.9%
Total Gross Capital Assets	**$**	**456,263**	**$**	**415,959**	**$**	**40,304**	**9.6%**

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

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

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

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

In addition to the operating and non-operating revenues discussed above, the University received capital revenues in the amounts shown below. Capital donations in Fiscal Years 2015 and 2014 are primarily cash and in-kind contributions from the University's foundations.

Capital Revenues for Fiscal Years 2015 and 2014 *(in thousands)*				
			Increase (Decrease) 2015 vs 2014	
	2015	**2014**	**Amount**	**Percent**
Capital Revenues				
State appropriation, capital	$ 10,838	$ 9,904	$ 934	9.4%
Capital contributions from the State	-	153	(153)	-100.0%
Capital donations	2,870	5,211	(2,341)	-44.9%
Total Capital Revenues	**$ 13,708**	**$ 15,268**	**$ (1,560)**	**-10.2%**

Debt

The University had debt of $195.7 million (2015) and $194.5 million (2014), as follows. See Note 5 to the financial statements for detailed descriptions of the University's debt. In August 2014, the University issued Enterprise Revenue Bond Series 2014 Bond B and Enterprise Revenue Bond Series 2014 Bond C. The Series 2014B Bond is to refund the College Enterprise Revenue Bonds Series 2007 and the Series 2014C Bond is a non-qualified, draw down, tax exempt bond to provide funding to renovate and expand the Tomlinson Library.

Capital Debt Categories as of June 30, 2015 and 2014 *(in thousands)*				
			Increase (Decrease) 2015 vs 2014	
	2015	**2014**	**Amount**	**Percent**
Bonds payable	$ 189,532	$ 187,966	$ 1,566	0.8%
Capital leases	4,413	4,678	(265)	-5.6%
Notes payable	1,773	1,845	(72)	-3.9%
Total Capital Debt	**$ 195,718**	**$ 194,489**	**$ 1,229**	**0.6%**

Economic Outlook

After several years of declining state funding from fee-for-service contracts and College Opportunity Fund (COF) stipends, the Fiscal Year 2015 appropriation from those sources increased by $2.2 million compared to Fiscal Year 2014. Appropriated state support for Fiscal Year 2016 is $24.5 million and compares to $22.6 million of state support actually received in Fiscal Year 2015.

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

However, stability of state funding in the long-term is uncertain and the University continues to plan for the probability of a state funding reduction through a combination of enrollment growth, expense reductions and conservative budgeting. Notwithstanding potential decreases in state funding, the University is positioned to continue to provide quality instructional programs to all students.

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

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

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

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

COLORADO MESA UNIVERSITY

STATEMENT OF NET POSITION

JUNE 30, 2015 *(in thousands)*

ASSETS		
Current Assets		
Cash and cash equivalents	$	26,588
Investments		10,022
Student accounts receivable, net		4,427
Other accounts receivable, net		2,521
Student loans, net		94
Inventories		819
Prepaid expenses		383
Total Current Assets		**44,854**
Non-current Assets		
Noncapital Non-current Assets		
Restricted cash and cash equivalents		800
Student loans, net		954
Other noncurrent assets		128
Total Noncapital Noncurrent Assets		**1,882**
Non-depreciable Capital Assets, Net		
Land and improvements		32,320
Construction in progress		32,508
Total Non-depreciable Capital Assets		**64,828**
Depreciable Capital Assets, Net		
Land and leasehold improvements		24,117
Buildings		267,801
Equipment		7,468
Library materials		3,276
Total Depreciable Capital Assets, Net		**302,662**
Total Non-current Assets		**369,372**
Total Assets	**$**	**414,226**
DEFERRED OUTFLOWS		
Loss on Bond Refundings, net	$	8,611
Contributions to cost-sharing multiple employer defined benefit pension plan subsequent to the measurement date (See Note 8)		1,243
Net difference between projected and actual earnings on cost-sharing multiple-empoyer defined benefit pension plan investments (See Note 8)		942
Total Deferred Outflows	**$**	**10,796**

See accompanying notes.

COLORADO MESA UNIVERSITY
STATEMENT OF NET POSITION (continued)
JUNE 30, 2015 *(in thousands)*

LIABILITIES		
Current Liabilities		
Accounts payable	$	3,445
Accrued liabilities		8,096
Unearned revenues		2,173
Deposits held for others		508
Student deposits		616
Bonds payable, current portion		5,510
Capital leases payable - current portion		282
Notes payable, current portion		692
Compensated absence liability, current portion		248
Total Current Liabilities		**21,570**
Non-current Liabilities		
Bonds payable		184,022
Capital leases payable		4,131
Notes payable		1,081
Compensated absence liability		1,635
Net pension liability (See Note 8)		46,251
Total Non-current Liabilities		**237,119**
Total Liabilities	**$**	**258,689**
DEFERRED INFLOWS		
Defined benefit pension plan related deferred inflow (See Note 8)		414
Difference between expected and actual experience in the measurement of the total pension liability (See Note 8)		4
Total Deferred Inflows	**$**	**418**
NET POSITION		
Net investment in capital assets	$	171,772
Restricted for:		
Loans		1,283
Other purposes		3,528
Unrestricted Deficit	$	(10,668)
Total Net Position	**$**	**165,915**

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

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

See accompanying notes.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

CURRENT ASSETS	
Cash	$162,565
Accounts Receivable	32,298
TOTAL CURRENT ASSETS	194,863
PROPERTY & EQUIPMENT	
Building	1,041,910
Land	112,820
NET PROPERTY & EQUIPMENT	1,154,730
LONG-TERM ASSETS	
Land Held for Investment	880,393
TOTAL LONG-TERM ASSETS	880,393
TOTAL ASSETS	$2,229,986

LIABILITIES & NET ASSETS

CURRENT LIABILITIES	
Current Portion of Long-Term Debt	$152,882
Accrued Interest Payable	22,672
Accounts Payable and Accrued Liabilities	27,633
TOTAL CURRENT LIABILITIES	203,187
NON-CURRENT LIABILITIES	
Long-Term Debt	344,618
Tenant Deposits	18,356
TOTAL NON-CURRENT LIABILITIES	362,974
TOTAL LIABILITIES	566,161
NET ASSETS	
Unrestricted Net Assets	1,663,825
Temporarily Restricted Net Assets	0
TOTAL NET ASSETS	1,663,825
TOTAL LIABILITIES & NET ASSETS	$2,229,986

See accompanying notes.

COLORADO MESA UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2015 *(in thousands)*

Operating Revenues		
Tuition and fees including $12,101 pledged for bonds, net of scholarship allowance of $20,441	$	55,116
Fee for service revenue		8,321
Federal, state, and private grants and contracts		8,593
Auxiliary enterprise revenue including $27,239 pledged for bonds, net of scholarship allowance of $125		28,280
Contributions		536
Other operating revenues including $97 pledged for bonds		578
Total Operating Revenues		**101,424**
Operating Expenses		
Instruction		32,650
Research		393
Public service		63
Academic support		7,228
Student services		10,068
Institutional support		6,032
Operation and maintenance of plant		12,640
Net scholarships and fellowships		6,456
Auxiliary enterprises		21,760
Depreciation		11,101
Total Operating Expenses		**108,391**
Operating Loss		**(6,967)**
Non-operating Revenues		
Federal Pell and other non-operating grants		16,806
Contributions		56
Investment and interest income including $459 pledged for bonds		903
Interest expense on capital debt		(7,631)
Other net non-operating revenues (expenses)		315
Gain or (loss) on disposal of assets		(766)
Net Non-operating Revenues		**9,683**
Income Before Other Revenues or Expenses		**2,716**
Other Revenues, Expenses, Gains, Losses, and Transfers		
State appropriations, capital		10,838
Capital donations, including $721 pledged for bonds		2,870
Transfers (to) from governing goards or other institutions		(1,611)
Total Other Revenues, Expenses, Gains, Losses, and Transfers		**12,097**
Increase in Net Position		**14,813**
Net Position - Beginning of Year, Originally Stated		194,367
Cumulative effect of adoption of new accounting standard		(43,265)
Net Position - End of Year	**$**	**165,915**

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

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

See accompanying notes.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

UNRESTRICTED NET ASSETS

REVENUE AND SUPPORT	
Real Estate Management Fee	$92,045
Net Assets Released From Restrictions	680,085
TOTAL REVENUE AND SUPPORT	772,130
EXPENSES	
Program Expenses	
Support Colorado Mesa University	
Real Estate Management Expenses	49,533
Interest Expense	22,672
Colorado Mesa University - Transfer of Property	402,541
Supporting Services	
Management & General	5,587
TOTAL EXPENSES	480,333
INCREASE IN UNRESTRICTED NET ASSETS	291,797

TEMPORARILY RESTRICTED NET ASSETS

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

See accompanying notes.

COLORADO MESA UNIVERSITY

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2015 *(in thousands)*

Cash Flows from Operating Activities		
Tuition and fees	$	75,679
Sales of services		25,428
Sales of product		11,077
Grants, contracts and gifts		9,167
Student loans collected		162
Other operating receipts		425
Payments to or for employees		(55,162)
Payments to suppliers		(35,047)
Scholarships disbursed		(27,022)
Student loans disbursed		(153)
Net Cash Provided (Used) by Operating Activities		**4,554**
Cash Flows from Non-capital Financing Activities		
Gifts and grants for other than capital purposes		16,898
Other agency inflows		49,229
Other agency (outflows)		(49,091)
Transfers from (to) other campuses, board, or institution		(1,611)
Net Cash Provided (Used) by Non-Capital Financing Activities		**15,425**
Cash Flows from Capital and Related Financing Activities		
State appropriations, capital		10,433
Capital grants, contracts and gifts		1,209
Acquisition and construction of capital assets		(42,182)
Proceeds from capital debt		24,005
Bond issuance costs paid		(93)
Principal paid on capital debt		(22,823)
Interest on capital debt		(8,560)
Net Cash Provided (Used) by Capital and Related Financing Activities		**(38,011)**
Cash Flows from Investing Activities		
Purchase of Investments		(656)
Investment Earnings (Interest/Dividends)		1,174
Net Cash Provided (Used) by Investing Activities		**518**
Net Increase (Decrease) in Cash and Cash Equivalents		(17,514)
Cash & Cash Equivalents - beginning of the year		44,902
Cash & Cash Equivalents - end of the year	**$**	**27,388**

See accompanying notes.

COLORADO MESA UNIVERSITY

STATEMENT OF CASH FLOWS (continued)

For the Year Ended June 30, 2015 *(in thousands)*

Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities		
Operating Loss	$	(7,034)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense		11,101
Provision for uncollectible receivables		808
Decrease (Increase) in Assets - Operating Portions		(1,215)
Increase (Decrease) in Liabilities - Operating Portions		893
Net Cash Provided (Used) by Operating Activities	**$**	**4,554**
Supplemental Disclosure of Noncash Investing and Financing Activities		
Additions to construction in progress included in accounts payable and accrued liabilities.	$	3,440
Land donated from foundations		1,611
Other propery donation		50

See accompanying notes.

COLORADO MESA UNIVERSITY FOUNDATION

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

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

See accompanying notes.

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	$145,334
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by	
Operating Activities:	
Depreciation & Amortization	0
Colorado Mesa University - Transfer of Property	402,541
(Increase) Decrease in Operating Assets:	
Accounts Receivable	11,893
Prepaid Expense	0
Increase (Decrease) in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	(66,275)
Accrued Interest Payable	22,672
Tenant Deposits	2,866
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	519,031
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	(657,230)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(657,230)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(138,199)
BEGINNING CASH	300,764
ENDING CASH	$162,565

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity
The accompanying financial statements reflect the financial activities of the University for the Fiscal Year ended June 30, 2015. The University is a State of Colorado (the State) institution of higher education. For financial reporting purposes, the University is included as part of the State's primary government. A copy of the State's Comprehensive Annual Financial Report may be obtained from the Office of the State Controller (OSC), Department of Personnel and Administration (DPA), Denver, Colorado.

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

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

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

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus* GASB (61) and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* paragraph 47, (GASB 39) the discrete presentation of the Foundation's and CMUREF's financial statements appear on separate pages from the University. The Foundation and CMUREF warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the University. Please refer to Note M for additional discussion.

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

The Foundation and the CMUREF use different GAAP reporting models and following the GASB 39 recommendation, their financial information is not presented on the same page as the University but is reported on separate pages after the University's financial statements. The separate financials include the statements for financial position and the statements of activities.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the Colorado State Treasurer, including unrealized gains and losses and all highly liquid investments with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash balances.

Investments
Investments are stated at fair value, which is determined based on quoted market prices. Unrealized gains and losses on the carrying value of investments are reported as a component of investment income on the statement of revenues, expenses and changes in net position. The University had investments of $10.0 million, including an unrealized gain of $1.4 million, at June 30, 2015.

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

See notes 5 and 8 for detail of the composition of the University's deferred outflows and deferred inflows.

Unearned Revenues

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

Capital Lease Liabilities

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

In May 2008, the University entered into a capital lease-purchase contract for the acquisition of equipment that will result in guaranteed energy cost savings. The contract provides for any commitments beyond the current year be contingent upon funds being appropriated, budgeted and otherwise made available for that purpose. It is reasonably assured that sufficient funds will be available for the full term of the contract and, therefore, are treated as non-cancelable for financial reporting purposes.

Classification of Revenues and Expenses

The University has classified its revenues and expenses as operating, non-operating or other, according to the following criteria:

- Operating revenues and expenses are derived from activities associated with providing goods and services for instruction, public service or related support services to an individual or entity separate from the University.

- Non-operating revenues and expenditures do not meet the definition of operating revenues or operating expenses. Non-operating revenues include state operating appropriations, federal Pell grants and other non-operating grants, gifts, investment income, interest expense and insurance reimbursements. Non-operating expenses include interest expense on capital debt, bond issue cost expenses and certain other expenses which do not meet the definition of current expenses.

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

Scholarship Allowances
Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees were $20.4 million and scholarship allowances for auxiliary charges were $125 thousand for the year ended June 30, 2015.

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

Financial Statement Presentation - Net Position
The University's net position is classified as either unrestricted or restricted. As of June 30, 2015, the University had no non-expendable investment in restricted position. Restricted net position is classified as expendable for loans and other purposes. CRS Section 23-05-103 specifically restricts the residual funds of the bonded auxiliaries, in excess of those required for operations and current year debt service, for the direct benefit of the bonded auxiliaries.

The restricted net position of the bonded auxiliary operations was $3.4 million. Restricted net position also includes the net position of the Federal Perkins Loan (FPL) program and the University's sponsored program activities. FPL guidelines require that net program resources fund new loans, are written off in accordance with program guidelines or are refunded to the federal government. At June 30, 2015, the restricted net position related to the FPL program totaled $1.3 million. The sponsored programs net position was $176 thousand at June 30, 2015.

Unrestricted Net Position is not subject to externally imposed stipulations although these resources may be designated for specific purposes by the University's management or Board. This category is a deficit due to the required implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions (See "Cumulative Effect of Adoption of New Accounting Standard" section on page 31).

Income Taxes
As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code (IRC) and a similar provision of State law. However, the University is subject to federal income tax on any unrelated business taxable income. The University did not have any significant unrelated business taxable income in fiscal year 2015.

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

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

Cumulative Effect of Adoption of New Accounting Standard
The University adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 establishes accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for pensions that are provided to the employees of state and local governmental employers through pension plans (see Note 8).

Certain employees of the University are covered by the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association (PERA), as described in Note H. In accordance with GASB 68, as a result of the University having employees covered by the SDTF, beginning net position as of July 1, 2014 has been adjusted downward by $43.3 million for the net effect of recording the University's proportionate share of the STDF's net pension liability as of December 31, 2013 (STDF's measurement date) less contributions made by the University to the SDTF subsequent to the December 31, 2013 measurement date and prior to the beginning of the University's current fiscal year (the period of January 1, 2014 through June 30, 2014). The University's proportion of the net pension liability was based on the University's contributions to the SDTF for the calendar year 2013 relative to the total contributions made to the SDTF by participating employers for the calendar year 2013.

At December 31, 2013, the University's proportion of the SDTF's net pension liability was approximately 0.4988 percent. The SDTF's net pension liability as of December 31, 2013 was $8.9 billion. The University's share of the SDTF's net pension liability calculated by applying the aforementioned proportion to the SDTF's net pension liability is $44.4 million. Contributions made by the University to the SDTF subsequent to the December 31, 2013 measurement date and prior to the beginning of the University's current fiscal year (the period of January 1, 2014 through June 30, 2014) were $1.2 million. Therefore, the cumulative effect of the adoption of GASB 68 is comprised of the following (in thousands):

University's proportionate share of SDTF's December 31, 2013 net pension liability	$	44,435
Less: Contributions made by the University to the SDTF for the period of January 1, 2014 through June 30, 2014 (Deferred outflow)		(1,170)
Cumulative effect of adoption of new accounting standard		43,265

The restatement affects the balance of beginning net position for the year ended June 30, 2015 as follows (in thousands):

Net Position - July 1, 2014 beginning balance	$	194,367
Cumulative effect of adoption of new accounting standard		(43,265)
Net Position - July 1, 2014 beginning balance, as restated		151,102

The financial statements as of and for the year ended June 30, 2014 have not been restated based on the fact that it is not practical for the University to determine the amounts of all deferred inflows and deferred outflows of resources related to the University's participation in the SDTF that would affect beginning net position for the year ended June 30, 2014. This should be considered when comparing the University's

June 30, 2015 financial statements to the University's June 30, 2014 financial statements and the University's financial statements for all years prior to the year ended June 30, 2014.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The University deposits cash with the Colorado State Treasurer (the Treasurer) as allowed by Colorado Revised Statutes. The Treasurer Pools these deposits and invests them in securities approved by CRS Section 24-75-601.1. The University reports its share of the Treasurer's unrealized gains and losses based on its participation in the Treasurer's Pool (the Pool). All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2015. The Treasurer does not invest any of the Pool resources in any external investment pool and there is no assignment of income related to participation in the Pool. The unrealized gains and losses included in "Investment Income" reflect only the change in fair value during the current fiscal year. Additional information on the Pool may be obtained in the State of Colorado's (the State) Comprehensive Annual Financial Report.

The University had $17.7 million, including unrealized gains of $58 thousand, on deposit with the Treasurer as of June 30, 2015 that was available for general operations. Detailed information on the Treasurer's pooled cash and investments is available from that office.

Investments in the Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the State's name and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the State's name. As of June 30, 2015, none of the investments in the Pool were subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2015, approximately 88.0% of investments of the Pool were subject to credit quality risk reporting. Except for $87.4 million of corporate bonds rated lower medium and $25.0 million of corporate bonds rated very speculative, these investments were rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2015, the weighted average maturity of investments in the Pool was 0.063 years for commercial paper (6.3% of the Pool), 1.339 years for U.S. government securities (47.5% of the Pool), 2.528 years for asset backed securities (18.5% of the Pool), 2.196 years for corporate bonds (22.9% of the Pool) and 0.010 years for money market mutual funds (4.8% of the Pool).
The Pool was not subject to foreign currency risk or concentration of credit risk at June 30, 2015.

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

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

At year-end, the University had cash on hand of $28 thousand and cash in banks of $9.7 million. The carrying amount of the University's cash on deposit was $9.7 million and the bank balance was $10.7 million. The difference between the University's cash in banks and the amount reported by the various banks was $1.0 million in the form of net outstanding checks and deposits in transit.

Of this bank balance, $750 thousand was covered by federal depository insurance and the balance was collateralized by PDPA as described above. Of the total cash on deposit with banks, $800 thousand was in accounts restricted for debt service reserves and therefore unavailable for general operations.

CRS Section 23-53-103.3 authorized the Board to hold investments, unless externally restricted, in one or more consolidated funds in which the participation trusts or accounts have undivided interests. In accordance with the legislation, the Board approved the Colorado Mesa University Investment Policy and established an Investment Advisory Committee (IAC). The IAC is responsible for developing investment guidelines in support of the 'prudent investor' standard, providing liquidity, safety and yield. In formulating investment guidelines, the IAC takes into account institutional cash flow analysis, diversification of investments, appropriate time horizons and credit quality of investments to establish return benchmarks at acceptable levels of risk. Liquidity of assets invested shall at all times remain at a level sufficient to pay for all budgeted, outstanding operational obligations and expenses occurring within any fiscal year. The University's 2015 investments were $10.0 million, including an unrealized gain of $1.4 million. The University's investments included debt and equity securities, fixed income investments, short-term money market funds and an alternative investment fund (2015). All of the University's investments are registered in the University's name.

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

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

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

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

Investments at June 30, 2015 consisted of the following:

	Fair Value	Moody's Rating	Weighted Average Maturity	Duration (in years)
Debt Securities				
U.S Government Securities	$ 815	Aaa	3.10	2.73
Corporate Bonds	1,054	AAA - BBB	6.82	4.37
Taxable Municipal Bonds	291	Aa	3.09	2.45
Taxable Municipal Bonds	122	not rated	3.09	2.45
Other Investments				
Corporate Equities	3,848			
Mutual Funds	3,816			
Money Markets	73			
Total	**$ 10,022**			

The return on investments for the year ended June 30, 2015 was 4.01% gross of fees and 3.59% net of fees.

NOTE 3 - ACCOUNTS AND LOANS RECEIVABLE

The following schedule shows the status of accounts and loans receivable and related allowance for doubtful accounts at June 30, 2015 *(in thousands)*:

	June 30, 2015
Total Accounts and Loans Receivable	$ 12,045
Less: Allowance for Doubtful Accounts	($4,049)
Net Accounts Receivable	**$ 7,996**

Receivables reported on the statement of net position 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, 2015 *(in thousands)*:

	Balance July 1, 2014	Additions	Transfers	Disposals	Balance June 30, 2015
Non-depreciable Capital Assets					
Land and Improvements	$ 31,324	$ 996	$ -	$ -	$ 32,320
Construction in Progress	32,997	26,813	(27,302)	-	32,508
Total Non-depreciable Capital Assets	**64,321**	**27,809**	**(27,302)**	-	**64,828**
Depreciable Capital Assets					
Leasehold and Land Improvements	28,146	3,071	2,203	-	33,420
Buildings	296,094	9,414	25,099	(767)	329,840
Equipment	15,644	797	-	(484)	15,957
Library Materials	11,753	464	-	-	12,217
Total Depreciable Capital Assets	**351,637**	**13,746**	**27,302**	**(1,251)**	**391,434**

Less: Accumulated Depreciation					
Land Improvements	(7,748)	(1,556)	-	1	(9,303)
Buildings	(53,808)	(8,407)	-	176	(62,039)
Equipment	(7,857)	(942)	-	310	(8,489)
Library Materials	(8,745)	(196)	-	-	(8,941)
Total Accumulated Depreciation	**(78,158)**	**(11,101)**	**-**	**487**	**88,772**
Net Depreciable Capital Assets	**273,479**	**2,645**	**27,302**	**(764)**	**302,662**
Capital Assets, net	**$ 337,800**	**$ 30,454**	**$ -**	**$ (764)**	**$ 367,490**

Capitalization of Interest
Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. Interest earned on proceeds of the University's tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs capitalized in determining the amount to be capitalized. During the year ended June 30, 2015, interest revenue used to offset interest costs capitalized was $100 thousand. Total interest costs incurred for the year ended June 30, 2015 was $8.0 million. Interest capitalized for the year ended June 30, 2015 was $1.0 million. Gross interest costs incurred less interest costs capitalized for the year ended June 30, 2015 was $7.6 million, as reported on the Statements of Revenues, Expenses and Changes in Net Position.

NOTE 5 - LONG-TERM LIABILITIES

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

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

Revenue Bonds Payable
Revenue bonds are secured by a pledge of all net revenues as defined by the bond documents. As of June 30, 2015, net pledged revenues and debt service coverage is shown on the Enterprise Revenue Bonds Schedule of Revenues and Expenditures. Annual debt service payments are detailed below and the net pledged revenues will continue to be pledged for the life of the associated revenue bonds.

Series 2009B and Series 2010B qualify as Build America Bonds under the American Recovery and Reinvestment Act of 2009 (ARRA). The University expects to receive cash subsidies of 35% of the interest payments, referred to as Federal Direct Payments. Due to federal budget cuts that occurred during the year ended June 30, 2013, the University received approximately 7.2% less in Fiscal Year 2015. The University received $1.2 million in Federal Direct Payments during the year ended June 30, 2015.

Revenue Bond Detail *(in thousands)*		
Issuance Description	**Original Issuance Amount**	**Outstanding Balance 2015**
Series 2014BC – Issued tax-exempt Series 2014B bonds to advance refund all of the College Enterprise Revenue Bonds, Series 2007 by placing the bond proceeds in an irrevocable trust to provide for future debt payments on the Series 2007 bonds. As such, the trust account assets and the liability for the defeased bonds are not be included in the University's financial statements. At June 30, 2015, $16.8 million is outstanding for the advance refunding that is considered defeased debt. The defeasance resulted in an economic gain of $2.8 million and a book loss of $1.8 million that is being amortized as an adjustment to interest expense over the life of the 2014B bond. The Series 2014B bond carries an interest rate of 2.96%. The Series 2014C bond is a non-bank qualified, draw down, tax-exempt term loan in an amount not to exceed $5.0 million with a 10-year maturity in order to provide funding to renovate and expand Tomlinson Library. The interest rate for the Series 2014C is fixed at 2.37%.	$ 24,005	$ 23,360
Series 2014A – Issued tax-exempt Series 2014A bonds to construct and equip new housing facilities and make such additional capital improvements to the campus as may be designated by the Board; pay capitalized interest; and pay the costs of issuance related to the Series 2014A bonds. Interest is fixed at 2.67%.	14,000	13,850
Series 2013 – Issued tax-exempt Series 2013 bonds to construct and equip a new academic classroom building on campus, renovate and equip the campus library and make such additional capital improvements to the campus as may be designated by the Board; pay capitalized interest; and pay the costs of issuance related to the Series 2013 bonds. Coupon rates are between 3.00% and 4.00%, effecting a net interest rate of 3.35%.	19,900	19,365
Series 2012B – Issued tax-exempt Series 2012B bonds to construct, improve and equip a new, approximately 200-bed student residence hall; pay capitalized interest through May 15, 2013; and pay the costs of issuance relating to the Series 2012B bonds. Coupon rates are between 2.00% and 4.25%, effecting a net interest rate of 3.60%.	14,000	13,200

Series 2012A – Refunding Issued tax-exempt Series 2012 A bonds to advance refund all of the Series 2005 bonds by placing the bond proceeds and the Series 2005 debt service reserve in an irrevocable trust to provide for future debt service payments on the Series 2005 bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 2015, $17.2 million is outstanding for the advance refunding that is considered defeased debt. The defeasance resulted in an economic gain of $742 thousand and a book loss of $2.3 million that is being amortized as an adjustment to interest expense over the life of the Series 2012A bonds. Coupon rates are between 2.00% and 4.00%, effecting a net interest rate of 3.27%.	19,315	17,390
Series 2011BC – Refunding Issued taxable Series 2011B bonds and tax-exempt Series 2011C bonds to advance refund all of the Series 2002B bonds by placing the bond proceeds in an irrevocable trust to provide for future debt service payments on the Series 2002B bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. The bond trustees paid the outstanding balance of the defeased debt. The defeasance resulted in an economic gain of $372 thousand and a book loss of $1.4 million that is being amortized as an adjustment to interest expense over the life of the Series 2012BC bonds. Coupon rates are between 2.00% and 3.52%, affecting a net interest rate of 2.82%.	9,720	5,070
Series 2011 – Issued tax-exempt Series 2011 bonds to finance the costs of construction and equipping the Orchard Avenue Apartments; and to fund a deposit into the Series 2011 Debt Service Reserve Fund. The Series 2011 bond matures in August 2021 with variable interest calculated as the product of (a) the Bank Qualified factor; and the sum of (i) the Five Year Treasury, Constant Maturity; plus (ii) 210 basis points. The initial rate is 2.49% and shall remain in effect for a five-year period. The bond will be recalculated in 2017 using the formula above. The bond will recalculate each year using the above formula and the University may accept the recalculated rate for a period of five years or through the Series 2011 maturity date, whichever is shorter. The University is under no obligation to accept any recalculated rate, but accepted the recalculated rate of 1.81% in August 2012, which will be in effect for a period of five years. The bonds are secured by the pledge of certain net revenues which are pledged and assigned for equal and ratable payment of the bonds.	8,000	5,675
Series 2010AB – Issued tax-exempt Series 2010A bonds and taxable (Build America Bonds – Direct Payment to Board) Series 2010B bonds to finance the costs of construction, acquisition, renovation and equipping of certain housing, classroom and other University facilities; and to fund a deposit to the Series 2010 Capitalized Interest Fund to pay a portion of the interest on the Series 2010 bonds through May 2011. Coupon rates are between 3.00% and 6.75%, effecting a net interest rate of 4.32%	31,710	30,300

Series 2009AB – Issued tax-exempt Series 2009A bonds to advance refund all of the Series 2008 bonds and issued taxable (Build America Bonds – Direct Payment to Board) Series 2009B bonds to finance the costs of construction, acquisition, renovation and equipping of certain housing, University Center, parking and other University facilities; and to fund a deposit to the Series 2009 Capitalized Interest Fund to pay a portion of the interest on the Series 2009 bonds through November 2010. The University in-substance defeased the Series 2008 bonds by placing the proceeds of the Series 2009A in an irrevocable trust to provide for future debt service payments on the Series 2008 bonds. As such, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 2015, \$27.1 million is outstanding for the advance refunding that is considered defeased debt. The defeasance resulted in an economic gain of \$2.5 million and a book loss of \$5.3 million that is being amortized as an adjustment to interest expense over the life of the Series 2009A bonds. Coupon rates are between 3.00% and 5.80%, effecting a net interest rate of 3.97%.	61,665	59,295
Revenue Bonds Outstanding	**\$ 202,315**	**\$ 187,505**
Plus Bond Premiums		2,363
Less Bond Discounts		(336)
Revenue Bonds Outstanding Net of Premiums and Discounts		**\$ 189,532**

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

Year Ending June 30			Type of Debt Revenue Bonds (2320, 2600, 2800, 2805) Principal	Interest
2016			\$ 5,510	\$ 8,073
2017			5,660	7,948
2018			5,830	7,783
2019			6,015	7,565
2020			6,205	7,373
2021	to	2025	31,120	33,566
2026	to	2030	32,535	27,844
2031	to	2035	37,985	20,731
2036	to	2040	41,355	11,562
2041	to	2045	15,290	1,558
Total Future Minimum Payments			187,505	134,003

Reserve Fund Requirements

A Reserve Fund requirement was met for Series 2014BC, 2014A, 2013, 2012B, 2012A, 2011BC, 2010AB and 2009AB by participating in the State Intercept Program, which was enacted for bonds issued by state-supported institutions of higher education on or after June 4, 2008. Under CRS Section 23-5-139, as amended, if the University cannot meet a scheduled payment of principal and interest, the Treasurer is required to forward the amount necessary to make the payment to the paying agent and will recover such amounts by withholding funds from the University's fee-for-service contract with the Department of Higher Education.

The Reserve Fund requirement was met for Series 2011 by depositing \$800 thousand with the 2011 Bond trustee.

Capital Leases

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

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

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

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

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

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

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

Operating Lease

The University entered into an agreement to lease copier equipment during the year ended June 30, 2012 with a lease term through the year ending June 30, 2016. During the year ended June 30, 2011, the University executed a five year renewal to lease property from the city of Montrose, Colorado. At the end of the current extension, the University has the option to extend the agreement for a second five year renewal term ending on June 30, 2020, and the University currently expects to exercise its option. The following is a schedule of future minimum rental payments under the lease *(in thousands)*:

Years Ending June 30		Total
2016	$	161
2017		89
2018		89
2019		89
2020		89
Total	**$**	**517**

Rent expense for the year ended 2015 was $231 thousand.

Notes Payable

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

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

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

In August 2016, the University is scheduled to acquire parcel one of the property by paying $1.0 million cash and issuing a note payable for $2.6 million payable in five equal installments with final payment due in August 2020. The note is interest-free and is discounted at the University's incremental borrowing rate of 2.49% as of the date of the agreement. In the event Community Hospital does not vacate the property associated with parcel one at the time of closing in August 2016, Colorado West Care Health Systems will pay rent of $480 thousand per year ($40 thousand per month) to the University.

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

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

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

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

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

Compensated Absences	June 30, 2015
Beginning of the year	$ 1,741
Additions	1,503
Adjustments/reductions	(1,361)
End of the year	**$ 1,883**
Current portion	**$ 248**

NOTE 6 - SHORT-TERM LIABILITIES

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

	June 30, 2015
Accounts Payable, Vendors	$ 3,445
Salaries and Benefits Payable	5,952
Capital Leases Payable, Current Portion	282
Bonds Payable, Current Portion	5,510
Notes Payable, Current Portion	692
Compensated Absences, Current Portion	248
Retainage on Construction Contracts Payable	823
Accrued Interest Payable	1,321
Total Payables	**$ 18,273**

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES

In August 2016, the University is scheduled to acquire parcel one of the Community Hospital property by paying $1.0 million cash and issuing a note payable for $2.6 million payable in five equal installments with final payment due in August 2020.

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

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

NOTE 8 - PENSION PLAN OBLIGATIONS

A. Colorado Public Employees Retirement Association (PERA)

1. Summary of Significant Accounting Policies
The University participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund administered by PERA. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been

determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. Plan Description

Eligible employees of the University are provided with pensions through the State Division Trust Fund (SDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes, administrative rules set forth at 8 C.C.R. 1502-1 and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

3. Benefits provided

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

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

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

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

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

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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

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

	Fiscal Year 2013		**Fiscal Year 2014**		**Fiscal Year 2015**	
	CY12	**CY13**		**CY14**		**CY15**
	7-1-12 to 12-31-12	1-1-13 to 6-30-13	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total Employer Contribution Rate to the SDTF	14.63%	15.53%	15.53%	16.43%	16.43%	17.33%

[1]Rates are expressed as a percentage of salary as defined in C.R.S. 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University were $2.6 million for the year ended June 30, 2015.

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

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

At December 31, 2014, the University's proportion was 0.4917% which was a decrease of .0071% its proportion of 0.4988% measured as of December 31, 2013.

For the year ended June 30, 2015, the University recognized pension expense of $1.3 million. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources *(in thousands)*:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience in the measurement of the total pension liability	$ -	$ 4
Net difference between projected and actual earnings on pension plan investments	942	-
Changes in the employer's proportion and differences between the employer's contributions (other than those to separately finance specific liabilities of the individual employer to the plan) and the employer's proportionate share of contributions	-	414
The employer's contributions to the plan subsequent to the measurement date of the collective net pension liability	1,243	N/A
Total	**$ 2,185**	**$ 418**

The $1.2 million reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows *(in thousands)*.

Year Ended June 30	
2016	$ (35)
2017	(8)
2018	189
2019	189
2020	-
Thereafter	-

1. Actuarial assumptions

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year and Females set back 2 years.

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

The SDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table.

Asset Class	**Target Allocation**	**10 Year Expected Geometric Real Rate of Return**
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	**100.00%**	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

2. Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

3. Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate.

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate *(in thousands)*.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 59,304	$ 46,251	$ 35,270

4. Pension plan fiduciary net position

Detailed information about the SDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

The University's contributions to the Defined Benefit Plan and the Health Care Trust Fund for Fiscal Years ended June 30, 2015 was $1.4 million. These contributions met the contribution requirement for each year.

C. Defined Contribution Retirement Plan (DC Plan)

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

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

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	3.80%	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	3.50%	4.00%	4.50%
Total Employer Contribution Rate to the SDTF[1]	7.30%	8.20%	9.10%

[1]Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

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

D. 401(k) Defined Contribution Plan

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

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

E. 457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2014, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2014, for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2014, the plan had 17,738 participants.

F. Student Employee's Defined Contribution Pension Plan

Beginning in Fiscal Year 1993, in accordance with the provisions of CRS Section 24-54.6 and as provided in Section 403(b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Pension Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5% contribution on the employee's part with no employer contribution. Total payroll covered by the plan for the Fiscal Year ended June 30, 2015 was $387 thousand. Employee contributions were $29 thousand for the Fiscal Year ended June 30, 2015, or 7.5% of covered payroll.

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

Health Care Program

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

The University is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the University are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the year ending June 30, 2015, contributions to the HCTF were $104 thousand, equal to their required contributions for each year.

NOTE 10 - COMPONENT UNITS

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

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

The Foundation and the CMUREF use a different GAAP reporting model and following the GASB 39 recommendation, their financial information is not presented on the same page as the University but is reported on separate pages after the University's financial statements. The separate financials include the statements for financial position and the statements of activities.

COLORADO MESA UNIVERSITY FOUNDATION

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

The Foundation solicits and receives donations and other forms of support for the benefit of the University's intercollegiate athletic program as well as other programs and/or initiatives. Expenditures are primarily scholarships awarded. During the year ended June 30, 2015, the Foundation awarded $932 thousand in scholarship funds directly to Colorado Mesa University students. Since the funds were paid directly to students, the University did not record related revenue or expense. Accordingly, this amount is not included in the schedule of student financial assistance provided in Note 11. The Foundation received donations to partially fund regular operations of various university departments. During the year ended June 30, 2015 cash and in-kind donations totaled $981 thousand and were recorded as revenue and expense in the appropriate funds.

The following is an excerpt from the Foundation's independent annual financial report.

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

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

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

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

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

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

Long-Term Investments		**Fair Value**		**Quoted Prices in Active Markets for Identical Assets (Level 1)**		**Significant Other Observable Inputs (Level 2)**		**Significant Unobservable Inputs (Level 3)**
Cash & Money Markets	$	168	$	168	$	-	$	-
Bonds		1,939		-		1,939		-
Common Stock		17,166		16,916		250		-
Mutual Funds		4,594		4,594		-		-
Total Long-Term Investments	**$**	**23,867**	**$**	**21,678**	**$**	**2,189**	**$**	**-**

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

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

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

The Foundation's endowment consists of 190 individual funds established for providing a future income stream for scholarships for Colorado Mesa University students, research and other uses for certain Colorado Mesa University departments. Its endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

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

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

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

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

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

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

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

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

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

FOUNDATION – LINE OF CREDIT

Colorado Mesa University has plans to further expand the size of the university campus. The Foundation is assisting in the expansion by purchasing real estate needed for campus expansion. At the time of closing on real estate purchases, the Foundation quitclaims the real estate to Colorado Mesa University. No real estate was purchased and quitclaimed to Colorado Mesa University during the last year.

To facilitate the purchase of real estate at the most advantageous prices and terms, the Foundation has a line of credit with a bank in the amount of $2.5 million which matures June 2, 2017. The initial interest rate was 4% adjusted annually to a floating rate based on a Prime Rate; interest payments are due each month. At year end, the Foundation’s balance on this loan was $1.2 million (2015). The collateral for the loan is tangible and intangible real and personal property that the Foundation owns.

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

COLORADO MESA UNIVERSITY REAL ESTATE FOUNDATION

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

CMUREF deems it advisable to convey, transfer or otherwise dispose of the property and then donate to support the University.

Under an operating agreement with the University, the parties generally intend to satisfy CMUREF's need for financial capital by allowing CMUREF to retain a portion of proceeds on an approximate 20% (CMUREF), 80% (University) sharing. In Fiscal Year 2015, the University transferred $1.6 million to CMUREF for property acquisitions as part of the University's expansion project and the Foundation made capital property transfers of $1.6 million to the University.

The following are excerpts from the Fiscal Years 2015 CMUREF independent annual financial report.

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

Colorado Mesa University contributed a piece of land located in Mesa County in November of 2006. This land is to be developed in the future years by the CMUREF to benefit the University. CMUREF has capitalized all of the development costs. A building is on the investment land and is being depreciated over a 6 year life *(in thousands)*.

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

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

OPERATING LEASE COMMITMENTS

CMUREF leases four commercial spaces in Grand Junction from Colorado Mesa University to tenants under non-cancelable operating leases with terms of five to ten years. CMUREF retains 20% of rental income as a management fee, and the other 80% is paid to the University. CMUREF also leases land and a building it owns in Grand Junction to tenants under non-cancelable operating leases with terms of one to five years. CMUREF retains 20% of rental income as a management fee, and the other 80% is paid to the University.
In Fiscal Year 2010, CMUREF entered into a master lease with the University to rent six commercial spaces in the North Avenue Student Housing complex (NASH). Under the terms of the lease CMUREF will remit 100% of the tenant rents to the University until the costs of tenant improvements and lease commission fees are recovered, after which CMUREF will retain, as a management fee, rental income over $15 per square foot. As of June 30, 2015, all six commercial properties were under CMUREF leases. Terms of the leases range from five to ten years and rents range from $17 to $20 per square foot.

In Fiscal Year 2014, CMUREF purchased a property and assumed a non-cancelable operating lease. Under the terms of the lease CMUREF will receive $4 thousand per month until October 2025, with escalations in rent of 5% every 5 years. CMUREF retains 20% of rental income as a management fee, and the other 80% is paid to the University.

The rental income for the year was $481 thousand of which CMUREF kept $92 thousand as a management fee.

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

For the Year Ending		Minimum Rentals		Minimum Expected Management Fees
June 30, 2016	$	373	$	75
June 30, 2017		291		58
June 30, 2018		244		49
June 30, 2019		228		46
June 30, 2020		82		16
	$	**1,218**	**$**	**244**

NOTE 11 - STUDENT FINANCIAL ASSISTANCE

The University receives funds from and administers student financial assistance programs for various federal and state agencies. In addition, the University dedicates institutional resources to fund scholarships and work-study programs for students. The tables below reflect the student financial assistance activities that the University received resources for and expended on behalf of students during the year ended June 30, 2015. Student loans, external scholarships, grants and other student financial assistance not recorded on the University's financial system are not included.

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

		Federal Sources		State Sources		Institutional Sources		Total All Sources
Scholarships								
Colorado Student Grants	$	-	$	5,408	$	-	$	5,408
Federal Pell Grants		14,435		-		-		14,435
General Institutional Aid		-		-		6,984		6,984
Auxiliary		-		-		111		111
Other Federal Student Aid		22		-		7		29
Work Study**		198		966		2,959		4,123
Federal SEOG		161		-		54		215
Total	**$**	**14,816**	**$**	**6,374**	**$**	**10,115**	**$**	**31,305**

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

NOTE 12 - LEGISLATIVE APPROPRIATIONS

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

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

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

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

Capital Construction State Appropriations: In Fiscal Year 2015, the legislature appropriated $3.0 million for the University's Health Sciences Expansion and Renovation and $211 thousand for a controlled maintenance project from the state capital construction fund. Of that, $10.8 million was realized as capital state appropriated revenue.

NOTE 13 - TABOR ENTERPRISE STATUS

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

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

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

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

NOTE 14 - RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

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

Coverage	Company	Limit $	Deductible
General liability	Hanover	$ 2,000	$ -
Directors' and officers' liability	Hanover	2,000	10
Automobile liability	Hanover	1,000	-
Employment practices liability	Hanover	2,000	10
Employee benefits administration	Hanover	3,000	1
Employee dishonesty (Fidelity)	Hanover	300	1
Student professional liability	AIX Specialty	3,000	-
Sexual misconduct or molestation	Hanover	2,000	-
Commercial excess liability	Hanover	2,000	-
Workers compensation	Pinnacol	1,000	5
Boiler machinery breakdown	Hanover	no limit	25
Property - building	Hanover	349,027	25
Property - personal property	Hanover	99,006	25

The University became fully insured through several insurance companies in 2012 and is insured for everything above its reserve and deductible. The coverage for the year ended June 30, 2015 is consistent with previous years and there have been no significant reductions in coverage or settlements exceeding coverage.

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO MESA UNIVERSITY

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

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

For theYear Ended June 30, 2015*

University's proportion of the net pension liability	0.4917%
University's proportionate share of the net pension liability	$ 46,250,520
University's covered-employee payroll	$ 13,618,150
University's proportionate share of the net pension liability as a percentage of its covered employee payroll	339.62%
Plan fiduciary net position as a percentage of the total pension liability	56.84%

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

COLORADO MESA UNIVERSITY

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

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

For the Year Ended June 30, 2015

Contractually required contribution	$ 2,372,914
Contributions in relation to the contractually required contribution	$ (2,372,914)
Contribution deficiency (excess)	$ -
University's covered-employee payroll	$ 13,739,165
University's covered-employee payroll	17.27%

SUPPLEMENTAL INFORMATION SECTION

COLORADO MESA UNIVERSITY

ENTERPRISE REVENUE BONDS SCHEDULES OF REVENUES AND EXPENDITURES

For the Year Ednded June 30, 2015 (in thousands)

Revenues			
Pledged Tuition Revenue		$	7,005
Residence Halls and Apartments			12,479
Food Services			7,234
University Center			3,039
Bookstore			4,192
Recreation Center			2,054
Campus Parking			698
Continuing Education			244
Mavcard ID card fees and food service sales			102
Central Services			2,514
Student Fee Revenue			1,057
	Total Revenue		**40,618**
Operating Expenses			
Residence Halls and Apartments			4,675
Food Services			4,676
University Center			899
Bookstore			4,043
Recreation Center			1,467
Campus Parking			316
Cont Ed - cash funded			520
Food service and other expenses related to Mavcard revenues			137
Central Services			1,121
	Total Operating Expenses		**17,855**
	Net Revenue Before Transfers		**22,763**
Transfers			
Mandatory Transfers			(11,682)
Net Non-mandatory Transfers			(4,654)
	Total Transfers		**(16,336)**
	Net Revenue	**$**	**6,427**
Debt Service Coverage			
Net Operating Revenue		$	22,763
Bond Principal and Interest			11,682
	Excess of Net Operating Revenue Over Debt Service	**$**	**11,081**
Debt Service Coverage Ratio			**195%**

See accompanying notes.

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION

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

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

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

Members of the Legislative Audit Committee:
Denver, Colorado

We have audited the basic financial statements of Colorado Mesa University (the University); a part of the State of Colorado, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 4, 2015. The financial statements of Colorado Mesa University Foundation and Colorado Mesa University Real Estate Foundation, discretely presented component units of the University, as of and for the year ended June 30, 2015 were audited by other auditors. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that were reported on separately by those auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component units, Colorado Mesa University Foundation and Colorado Mesa University Real Estate Foundation, were not audited in accordance with the *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dalby, Wendland & Co, P.C.

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

December 4, 2015

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

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

AUDIT COMMITTEE COMMUNICATIONS

Members of the Legislative Audit Committee:
Denver, Colorado

We have audited the financial statements of the business-type activities of Colorado Mesa University (the University) a part of the State of Colorado for the year ending June 30, 2015, and have issued our report thereon dated December 4, 2015. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the Colorado Mesa University Foundation (the Foundation), a discretely presented component unit of the University, and the Foundation's financial statements were not audited in accordance with *Government Auditing Standards*. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated April 27, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the University adopted new accounting policies related to adopting Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statements of revenue, expenses and changes in net position as described in Note 1 to the financial statements. We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of the net pension liability is based on the estimate of the University's proportionate share of the net pension liability as of December 31, 2014 of the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association (PERA), as described in Note 8 to the University's financial statements. The University's proportion of the SDTF's net pension liability was based on the University's contributions to the SDTF for the calendar year 2014 relative to the total contributions made to the SDTF by participating employers for the calendar year 2014.
>
> Management's estimate of the collectability of student accounts receivable and student loans is based on historical analysis. We evaluated the key factors and assumptions used to develop the

allowance for bad debts in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2015.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the schedule of the University's proportionate share of the net pension liability of the State Division Trust Fund – a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association and the schedules of University contributions to the State Division Trust Fund – a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association, which are required supplementary information (RSI) that supplements the basic financial statements.

Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedules of revenue and expenses for enterprise revenue bonds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Sincerely,

Dalby, Wendland & Co, P.C.

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

December 4, 2015

COLORADO MESA UNIVERSITY

STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS

For the year ended June 30, 2015

Introduction

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

The financial and compliance examination of the various state-funded student assistance programs at the University for the year ended June 30, 2015, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Department of Higher Education (CDHE). The State-Funded Student Assistance Programs policies are approved by the Colorado Commission on Higher Education (CCHE). The State student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2015.

State-Funded Student Assistance Programs

The various State-funded student assistance programs at the University include the Colorado Student Grant Program, the Colorado Work Study Program, and the Colorado Merit Scholarship.

The State-funded student assistance awards made by the University totaled approximately $6,373,000 for the fiscal year ended 2015.

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

During the audit period, Colorado Mesa University obtained authorizations to award federal student financial aid funds of $14,400,000 under the Pell Grant Program, $214,000 under the Supplemental Educational Opportunity Grant Program and $255,000 under the Federal College Work-Study Program.

During the audit period, Colorado Mesa University obtained authorizations to award Colorado student financial aid funds of approximately $5,163,000 under the Student Grant Program, $244,000 under the Colorado Merit Scholarship, and $966,000 under the Colorado Work Study Program.

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

Members of the Legislative Audit Committee:

Report on the Statement
We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State–Funded Student Financial Assistance Programs (the Statement) for Colorado Mesa University (the University) for the year ended June 30, 2015. The Statement is the responsibility of the University's management. Our responsibility is to express an opinion on this Statement based on our audit.

Management's Responsibility for the Statement
Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial format as set forth in the *2014-15 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance programs of the University for the year ended June 30, 2015, in accordance with the format as set forth in the *2014-15 Audit*

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

Basis of Accounting

We draw attention to Note A to the Statement, which describes the basis of accounting. As described in Note A to the Statement, the Statement prepared by the University was prepared in accordance with the 2014-2015 *Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the statement of state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. Accordingly, the accompanying Statement is not intended to, and does not present the financial position, changes in financial position, or cash flows of the University in conformity with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have issued our report dated December 4, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Restriction on Use

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

Dalby, Wendland & Co, P.C.

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

December 4, 2015

STATE OF COLORADO
COLORADO MESA UNIVERSITY
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS
Year Ended June 30, 2015

	Total State-Funded Student Assistance	Colorado Need-Based Grant	Colorado Graduate Grant	Colorado Merit Aid	Colorado Work-Study
Appropriations:					
Original	$ 6,253,187	$ 5,109,267	$ 3,790	$ 243,697	$ 896,433
Supplemental	120,000	50,000	-	-	70,000
Transfers	-	-	-	-	-
TOTAL	6,373,187	5,159,267	3,790	243,697	966,433
Less Expenditures	6,373,187	5,159,267	3,790	243,697	966,433
Reversions to State General Fund	$ -	$ -	$ -	$ -	$ -

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying statement of appropriations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *2014-2015 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the University. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the University for the year ended June 30, 2015. Because the Statement presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position or changes in financial position of the University in conformity with U.S. generally accepted accounting principles.

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

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

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