

**ADAMS STATE UNIVERSITY**

**FINANCIAL AND COMPLIANCE AUDIT**

**Fiscal Years Ended June 30, 2015 and 2014**



Wall,  
Smith,  
Bateman Inc.  
Certified Public Accountants

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# TABLE OF CONTENTS

	<u>Page</u>
Report Summary .....	1
Recommendation Locator .....	3
Description of Adams State University.....	4
Auditors' Findings and Recommendations.....	5
Disposition of Prior Year Audit Recommendations.....	8
 <b>Financial Statements Section</b>	
Independent Auditors' Report.....	9
Management's Discussion and Analysis.....	12
Statements of Net Position .....	19
Adams State University Foundation Statements of Financial Position.....	21
Statements of Revenues, Expenses, and Changes in Net Position.....	22
Adams State University Foundation Statements of Activities .....	23
Statements of Cash Flows .....	25
Notes to the Financial Statements .....	27
 <b>Required Supplemental Information</b>	
Schedule of the University's Proportionate Share of the Net Pension Liability.....	54
Schedule of Contributions .....	55
 <b>Supplemental Information</b>	
Schedule of Pledged Revenues and Expenses for Series 2009A, 2009B, 2009C, 2012, and 2015 Auxiliary Facilities Revenue Bonds .....	56
Independent Auditors' Report on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	57
Audit Committee Communications.....	59

**ADAMS STATE UNIVERSITY  
FINANCIAL AND COMPLIANCE AUDIT  
REPORT SUMMARY  
FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

**Authority, Purpose and Scope**

The audit of Adams State University was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all state agencies and educational institutions. The 2015 audit was conducted under contract with Wall, Smith, Bateman Inc. The audit was conducted in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Audit work was performed during June through November 2015.

The purposes and scope of the audit were to:

- Perform a financial and compliance audit of Adams State University for the year ended June 30, 2015, and to express an opinion on the financial statements. This included a review of internal controls as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate the University's compliance with appropriate state and federal laws and regulations, and bond covenants that could have a material effect on the University's financial statements.
- Report on the University's compliance and internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Evaluate progress in implementing prior year audit recommendations.

The Schedule of Expenditures of Federal Awards for Adams State University and applicable audit opinions are included in the June 30, 2015 Statewide Single Audit Report issued by the Office of the State Auditor under a separate cover.

**Audit Results**

Wall, Smith, Bateman Inc. expressed an unmodified opinion on the financial statements for the years ending June 30, 2015 and 2014.

**Required Auditor Communications to the Legislative Audit Committee**

The auditor is required to communicate to the Legislative Audit Committee certain matters related to the conduct of the audit and to ensure that the Legislative Audit Committee receives additional information regarding the scope and results of the audit that may assist the Legislative Audit Committee in overseeing the financial reporting and disclosure process for which management is responsible. These matters have been communicated to the Legislative Audit Committee in this report and include, among other items that there were no significant difficulties encountered in performing the audit.

## **Summary of Findings and Recommendations**

There is one finding and recommendation resulting from the audit work completed for fiscal year ended June 30, 2015. The finding is in regard to the trend of declining financial condition. A detailed description of the audit comment and recommendation is contained in the findings and recommendation section of the report.

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

There were no reported prior audit findings to be implemented.

## RECOMMENDATION LOCATOR

All recommendations are addressed to the Adams State University Fiscal Year 2015

<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Response</b>	<b>Implementation Date</b>
1	5	Adams State University should continue to consider strategies for attracting and retaining students to improve enrollment and also reevaluate the tuition and pricing policies. In addition, the University should search for efficiencies in its operations to minimize future losses.	Agree	Fall 2016 and on-going

## Description of Adams State University

The Board of Trustees of Adams State University is the governing board for Adams State 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 members appointed by the Governor to serve four-year terms. Additionally, an elected member of the faculty of the University serves for a two-year term and an elected member of the student body of the University serves for a one-year term. The President of Adams State University is responsible for providing leadership for the University and administering the policies and procedures of the Board of Trustees. The Board conducts its business at regular monthly meetings, all of which are open to the public.

Adams State University is a liberal arts university with graduate programs in Teacher Education, Business, Counseling, and Art. Section 23-51-101, C.R.S., provides that Adams State University shall be a general baccalaureate institution with moderately selective admission standards. Adams State University is a regional educational provider approved to offer limited professional programs, Hispanic programs, undergraduate education degrees, masters' level programs, PH.D. level programs, and two-year transfer programs with a community college role and mission, except for vocational education programs.

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Resident Students	1,905.7	1,832.6	1,776.1
Nonresident Students	539.2	596.8	609.4
Total Students	<u>2,444.9</u>	<u>2,429.4</u>	<u>2,385.5</u>
Faculty FTEs	181.1	181.6	180.4
Staff FTEs	133.6	135.5	139.2
Total Staff and Faculty FTEs	<u>314.7</u>	<u>317.1</u>	<u>319.6</u>

## **FINDINGS AND RECOMMENDATIONS SECTION**



**ADAMS STATE UNIVERSITY**  
**AUDITORS' FINDINGS AND RECOMMENDATIONS**  
**Fiscal year Ended June 30, 2015**

**TREND OF DECLINING FINANCIAL CONDITION**

Adams State University is an institution of higher education of the State of Colorado, and is located in Alamosa, Colorado. The University's student full-time equivalent (FTE) for Fiscal Years 2011 through 2015 averaged 2,400 students, and 312 faculty and staff.

The University has experienced a growing trend of operating losses before other revenues, expenses, gains, losses or transfers as of June 30, 2015 and the previous three years. Other revenues, expenses, gains, losses or transfers are made up of student capital fees, state appropriation, capital, and transfers to other institutions. During Fiscal Years 2015 and 2014, the University received \$13,039,450 and \$7,759,043, respectively, in state appropriation, capital funds for building renovations. During Fiscal Years 2015 and 2014, the University's financial statements reflect an increase in net position of \$6,007,728 and \$3,696,942, respectively; however, without the state appropriation for capital projects, the University would have experienced a substantial decrease in net position.

**What was the purpose of the audit work?**

To analyze and identify the University's results of financial operations and financial trends over the past five years.

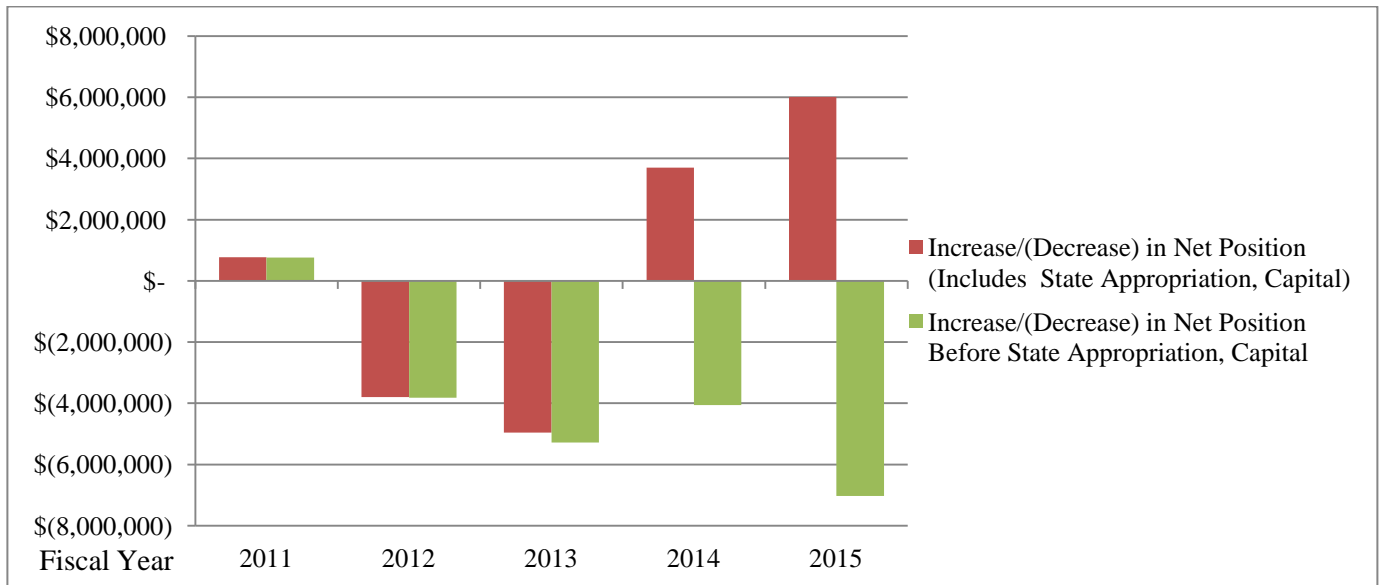
**What audit work was performed and how were results measured?**

We analyzed the University's operating results, based on the audited financial statements, for Fiscal Years 2011 through 2015 as follows:

For Fiscal Year Ended June 30,	Increase/(decrease) in net position	State Appropriation, Capital Contribution	Increase/(decrease) in net position excluding State Appropriation, Capital Contribution
2015	\$ 6,007,728	\$ 13,039,450	\$ (7,031,722)
2014	3,696,942	7,759,043	(4,062,101)
2013	(4,958,974)	321,140	(5,280,114)
2012	(3,799,589)	17,400	(3,816,989)
2011	681,191	16,515	664,676

**ADAMS STATE UNIVERSITY**  
**AUDITORS' FINDINGS AND RECOMMENDATIONS**  
**Fiscal year Ended June 30, 2015**

Exhibit A. ADAMS STATE UNIVERSITY'S TRENDS IN ACTUAL NET POSITION  
 FISCAL YEARS 2011 THROUGH 2015



Source: Adams State University audited financial statements

**What problem did the audit work identify?**

We determined that the University's results of operations have declined from Fiscal Year 2011 to Fiscal Year 2015.

**FINANCIAL TRENDS.** Our analysis of the net position for the period Fiscal Years 2011 through 2015 indicate negative trends in the University's financial position. Specifically, as shown in Exhibit A, while the University experienced an increase in net position in Fiscal Years 2015 and 2014 due to State appropriations for capital construction, without those funds, the University would have experienced a decrease in net position as of June 30, 2015 and 2014 of \$7,031,722 and \$4,062,101, respectively, in addition to the trending decreases from Fiscal Years 2012 and 2013.

**Why did the problem occur?**

Adams State University has not been able to significantly increase enrollment and has experienced expenses that have increased at a faster pace than the revenue increases. The University's total revenues, excluding the State of Colorado contribution for capital projects, have increased approximately \$5,079,596 (11%) from Fiscal Years 2011 through 2015. The University's operating and interest expenses have increased by approximately \$12,788,326 (27%) from Fiscal Years 2011 through 2015. The University has experienced diminishing Federal Pell grant funding and Colorado fee for service contract revenue. As shown in the table below, Federal Pell Grant funding was \$7,156,021 for Fiscal Year 2011 and it has dropped steadily every year to \$4,835,890 for Fiscal Year 2015. The decline in Federal Pell grant funding at the University is a result of a change in the criteria for eligibility which caused many students to not be eligible for the Pell grants. As a result, enrollment has been negatively affected which adversely affects the total revenue of the University. In addition, the Colorado fee for service contract revenue was \$10,262,730 for Fiscal Year 2011 and, as shown in the table below, the revenue decreased for Fiscal Years 2012 and 2014. The Colorado fee for service contract revenue is \$9,946,663 for Fiscal Year 2015. The Colorado Department of Higher Education, the Governor's Office, and the Joint Budget Committee negotiate/establish the fee for service contract annually. The University has experienced over \$47 million of capital construction projects since 2011. Related to the capital construction, there have been significant increases in

**ADAMS STATE UNIVERSITY**  
**AUDITORS' FINDINGS AND RECOMMENDATIONS**  
**Fiscal year Ended June 30, 2015**

depreciation, interest and operation of plant expenses. The combination of declining revenue and increasing expenses has caused a negative trend in the University's financial condition.

The Federal Pell Grant and the State of Colorado Fee for Service revenue for Fiscal Years 2011 through 2015 is as follows:

<u>Fiscal Year Ended</u>	<u>Federal Pell Revenue</u>	<u>State of Colorado Fee for Service</u>
2015	\$ 9,946,663	\$ 4,835,890
2014	8,940,559	5,126,682
2013	8,375,066	5,284,183
2012	8,394,711	6,215,410
2011	10,262,730	7,156,021

**Why does this problem matter?**

If the trend is not reversed, the University's financial condition will deteriorate and jeopardize the operations of the University.

(Classification of Finding: Other Matter)

**Recommendation No. 1:**

Adams State University should continue to consider strategies for attracting and retaining students to improve enrollment and also reevaluate the tuition and pricing policies. In addition, the University should also search for efficiencies in its operations to minimize future losses.

**Adams State University's Response:**

Agree. Adams State University is aggressively implementing new strategies to attract and retain students. Beginning fall 2016, undergraduate students will be given a guaranteed tuition rate for four years. This will allow our students and their families to better plan for their education. It will also encourage persistence and completion. The University has also developed a matrix of new programs to roll out, which will broaden our enrollment base and create more stability. The Board of Trustees are taking a more active role in enrollment and financial management. The Board of Trustees also established a Finance and Audit Committee to review detailed financial information. The University is evaluating each position every time there is turnover to determine the most efficient way to meet the need. While we continue to look for ways to increase efficiency, it is important to note how efficient we already are. Colorado Commission on Higher Education established a "Cost Driver Analysis Expert Team" to look into this issue in 2015. A peer group of similar institutions was analyzed, then ran through a regression analysis. Based on this analysis, Colorado institutions were spending far less than their peer institutions. The University has been spending 39.8% less than predicted. Adams State is reliant on funding from the State of Colorado to balance our budget. Declining state support has been the major factor driving both our declining financial position and tuition increases. When tuition increases impact enrollment, this is compounded. Adams State University is committed to finding new, innovative ways to turn our current financial trend around.

**Implementation Date:** Fall 2016 and on-going

**ADAMS STATE UNIVERSITY  
DISPOSITION OF PRIOR YEAR AUDIT RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2015**

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

The audit report for the year ended June 30, 2014, did not include any recommendations or findings.

## **FINANCIAL STATEMENTS SECTION**

# INDEPENDENT AUDITORS' REPORT



Wall,  
Smith,  
Bateman Inc.

Members of the Legislative Audit Committee:

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the major fund of Adams State University (the University), an Institution of Higher Education, State of Colorado, the Adams State University Foundation, a discretely presented component unit, discussed in Note 1 of the financial statements, which represents 100 percent of the total assets, total revenues, and total net position of the aggregate discretely presented component unit, as of and for the years ended June 30, 2015 and 2014, 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.

## ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund, and the discretely presented component unit of Adams State University, an Institution of Higher Education, State of Colorado, as of June 30, 2015 and 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Certified Public Accountants**

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***Emphasis of Matter***

*Relationship to State of Colorado*

As discussed in Note 1 – Summary of Significant Accounting Policies, the financial statements of Adams State University are intended to present the net position and changes in net position for only that portion of the financial reporting entity, State of Colorado, 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 2014, and the changes in its financial position, or, where applicable, its cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Change in Accounting Principle*

As discussed in Note 1 – Summary of Significant Accounting Policies, management has adopted the provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions-an amendment of GASB No. 27* and *GASB Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date*, which represents a change in accounting principle. As of July 1, 2014, the University's net position was restated to reflect the change in accounting principle. The June 30, 2014 financial statements were not restated for this change in accounting principle due to the fact the information was not available to the University to restate net position as of July 1, 2013. 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 14-20 and the Colorado PERA Pension Plan Schedules of the University's Proportionate Share of the Net Pension Liability and Contributions on pages 55 and 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Adams State University's basic financial statements. The Schedule of Pledged Revenues and Expenses for Series 2009A, 2009B, 2009C, 2012, and 2015 Auxiliary Facilities Revenue Bonds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Pledged Revenues and Expenses for Series 2009A, 2009B, 2009C, 2012, and 2015 Auxiliary Facilities Revenue Bonds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Pledged Revenues and Expenses for Series 2009A, 2009B, 2009C, 2012, and 2015 Auxiliary Facilities Revenue Bonds 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 November 25, 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 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.

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." in a cursive style.

Wall, Smith, Bateman Inc.

November 25, 2015



**STATE OF COLORADO  
ADAMS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the financial report presents a discussion and analysis of the financial performance of Adams State University (the University), formerly known as Adams State College, for the fiscal year ended June 30, 2015, with selected comparative information for the years ended June 30, 2014 and June 30, 2013. On May 19, 2012, Governor Hickenlooper signed House Bill 12-1080, changing the name of Adams State College to Adams State University, effective August 7, 2012. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes for the reporting entity of the University that includes Adams State University and the Adams State University Foundation, a discretely presented component unit. (See Note 1 for additional information on the reporting entity.)

**FINANCIAL HIGHLIGHTS**

**Year ended June 30, 2015**

The University's total net position increased by \$6.0 million during fiscal year 2015 compared to a \$3.7 million decrease in net position during fiscal year 2014. The increase is primarily a result of increases in State appropriations, capital of \$5.3 million and fee for service contracts of \$1.0 million, net of an increase in \$4.4 million in operating expenses.

The University had a ratio of current assets to current liabilities of 2.1 and 2.3 for fiscal years 2015 and 2014, respectively. This current ratio demonstrates the liquidity of University assets and the relative availability of working capital to fund current operations. The decrease in the current ratio from fiscal year 2014 to fiscal year 2015 is primarily a result of the spending of bond proceeds used for capital construction projects in fiscal year 2015.

An operating deficit of \$13.2 million is the result of the University's dependence on Federal Pell Grants, gifts and donations and other non-operating revenue, which under the guidelines established by Governmental Accounting Standards Board (GASB) Statements 34 and 35 is shown as non-operating revenues. The University received no state operating appropriations, but received \$9.9 million in fee for service contract revenue from the Colorado Department of Higher Education and \$2.9 million in College Opportunity Fund stipends from College Assist during fiscal year 2015.

**Year Ended June 30, 2014**

The University's total net position increased by \$3.7 million during fiscal year 2014 compared to a \$5.0 million decrease in net position during fiscal year 2013. The increase is primarily a result of increases in State appropriations, capital of \$7.4 million, tuition and fees of \$1.6 million and fee for service contracts of \$0.6 million, net of an increase in \$1.3 million in operating expenses.

The University had a ratio of current assets to current liabilities of 2.3 and 2.6 for fiscal years 2014 and 2013, respectively. This current ratio demonstrates the liquidity of University assets and the relative availability of working capital to fund current operations. The decrease in the current ratio from fiscal year 2013 to fiscal year 2014 is primarily a result of the spending of bond proceeds used for capital construction projects in fiscal year 2014.

An operating deficit of \$10.5 million is the result of the University's dependence on Federal Pell Grants, gifts and donations and other non-operating revenue, which under the guidelines established by Governmental Accounting Standards Board (GASB) Statements 34 and 35 is shown as non-operating revenues. The University received no state operating appropriations, but received \$8.9 million in fee for service contract revenue from the Colorado

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

Department of Higher Education and \$2.6 million in College Opportunity Fund stipends from College Assist during fiscal year 2014.

**STATEMENT OF NET POSITION**

The Statement of Net Position includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when services are received, regardless of when cash is exchanged. Over time, increases and decreases in net position (the difference between assets and liabilities) is 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.

A summarized comparison of the University's assets, liabilities and net position at June 30 follows:

	2015	2014	2013
		(in thousands)	
<b>Assets</b>			
Current Assets	\$21,560	\$20,879	\$24,018
Noncurrent Assets	124,607	118,282	113,180
	146,167	139,161	137,198
<b>Deferred outflows of resources</b>	4,647	651	792
<b>Liabilities</b>			
Current Liabilities	10,404	8,890	9,379
Noncurrent Liabilities	113,291	71,757	73,144
	123,695	80,647	82,523
<b>Deferred inflows of resources</b>	749	-	-
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	54,590	47,583	44,406
Restricted	4,470	4,231	4,996
Unrestricted	(32,690)	7,351	6,066
	\$26,370	\$59,165	\$55,468

At June 30, 2015 the University's total assets were \$146.2 million. The largest asset category is the \$124.6 million in capital assets, net of accumulated depreciation of \$73.9 million. These assets include land, buildings, equipment, library holdings, and construction in progress. Construction in progress decreased by a net amount of \$6.7 million in fiscal year 2015. The Richardson Hall Renovation Project increased construction in progress by \$11.9 million in fiscal year 2015, was completed in fiscal year 2015 and transferred out of construction in progress in the amount of \$18.7 million. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

In fiscal year 2015, the University's current assets of \$21.6 million were sufficient to cover current liabilities of \$10.4 million (producing a current ratio of 2.1). Cash and cash equivalents (bank deposits, certificates of deposits, and pooled cash with the State Treasurer) comprised over \$18.9 million in assets per the Statement of Net Position.

Bonds payable of \$70.1 million represent over 57% of the University's total noncurrent liabilities, while the Net Pension Liability represents 33% of the University's total noncurrent liabilities of \$113.3 million. The current portion of the bonds payable liability is \$1.7 million.

The University's net position increased \$6.0 million (see the Statement of Revenues, Expenses and Changes in Net Position) to \$26.4 million. The increase in net position is mainly attributed to the \$13 million of State appropriation, capital. Net Position was restated due to the implementation of GASB 68 and 71, which had the effect of decreasing Net Position by \$38,802,228. Net Position is composed of \$54.6 million net investment in capital assets, \$4.5 million externally restricted for specific purposes, and (\$32.7) million unrestricted and available for any lawful purpose of the University.

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

The Statements of Revenues, Expenses and Changes in Net Position present the result of operations during the year. Activities are reported as either operating or non-operating. Operating revenues and expenses generally result from providing goods and services for instruction, research, public service, and related support services to an individual or entity separate from the University. Non-operating revenues and expenses are those other than operating and include, but are not limited to: State appropriations, investment income, interest expense on capital debt, gain/loss on disposal of assets, State capital construction and controlled maintenance appropriations, transfers and other non-operating revenue.

Tuition and fee revenues accounted for \$18.7 million of the \$42.8 million in operating revenues for fiscal year 2015. The tuition and fee amount is net of scholarship allowances of \$12.1 million. Scholarship allowances are defined as the financial aid awarded to students by the University that is used to pay University charges. The scholarship allowance is recognized as a direct reduction of revenue rather than an increase in financial aid expense. The tuition rate for resident undergraduate full-time tuition increased by 8.6% from fiscal year 2014 to 2015, causing an increase in gross tuition revenue.

Operating expenses, during Fiscal Year 2015, totaled \$56.0 million. Of that total, \$19.6 million was for instruction, \$2.7 million for academic support, \$5.2 million for student services, \$3.9 million for institutional support, \$3.7 million for operation of plant and \$13.6 million for auxiliary enterprises.

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

A summarized comparison of the University's revenues, expenses, and changes in net position at June 30 follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
		(in thousands)	
<b>Operating Revenues</b>			
Tuition and Fees, net	\$18,714	\$18,463	\$16,902
Grants and Contracts	15,934	13,965	13,555
Auxiliary Enterprises	7,129	7,507	7,371
Other	<u>981</u>	<u>1,166</u>	<u>974</u>
Total Operating Revenues	42,758	41,101	38,802
<b>Operating Expenses</b>	<u>56,022</u>	<u>51,604</u>	<u>50,306</u>
<b>Net Operating Income (Loss)</b>	(13,264)	(10,503)	(11,504)
<b>Nonoperating Revenue(Expense)</b>			
Federal Pell Grants	4,836	5,127	5,284
Gifts and Donations	1,900	1,996	2,014
Interest Income	142	158	(98)
Other Nonoperating	<u>(3,120)</u>	<u>(2,956)</u>	<u>(2,732)</u>
Net Nonoperating Revenue	<u>3,758</u>	<u>4,325</u>	<u>4,468</u>
<b>Income(Loss) Before Other     Revenue, Expenses, Gains     or Losses</b>	(9,506)	(6,178)	(7,036)
Student Capital Fees	2,535	2,187	1,825
State Appropriations, Capital	13,039	7,759	321
Other	<u>(61)</u>	<u>(71)</u>	<u>(69)</u>
<b>Increase(Decrease)         In Net Position</b>	6,007	3,697	(4,959)
<b>Net Assets</b>			
Net Assets-Beginning of Year	59,165	55,468	60,427
Restatement, GASB 68	<u>(38,802)</u>	<u>-</u>	<u>-</u>
Net Assets-Beginning of Year, Restated	<u>20,363</u>	<u>55,468</u>	<u>60,427</u>
Net Assets-End of Year	<u>\$26,370</u>	<u>\$59,165</u>	<u>\$55,468</u>

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**CAPITAL ASSETS**

At June 30, 2015, the University had approximately \$123.9 million invested in capital assets, net of accumulated depreciation of \$73.9 million. Depreciation charges were \$7.0 million for the current year compared to \$6.7 million in 2014 and \$6.4 million in 2013. Details of these assets for the three years are shown below.

**Capital Assets, Net of Depreciation, at Year End**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land	\$445,249	\$445,249	\$445,249
Land Improvements	7,496,336	8,028,317	7,348,525
Buildings	112,823,482	99,446,630	97,890,139
Construction in Progress	275,341	6,943,428	4,193,822
Equipment	2,153,654	1,955,073	1,934,537
Library Materials	655,833	662,485	732,983
Art and Historic Treasures	293,091	260,488	-
Total	<u>\$124,142,986</u>	<u>\$117,741,670</u>	<u>\$112,545,255</u>

Major capital additions completed this year and the source of resources that funded their acquisition included:

Richardson Hall Renovation, State Funds	\$18,728,573
Plachy Hall Renovation, Bond Funds	<u>186,093</u>
	<u>\$18,914,666</u>

**DEBT**

On March 12, 2009, the University issued Auxiliary Facilities Revenue Improvement Bonds Series 2009A in the amount of \$19.8 million for the purpose of funding various campus improvement projects, including the acquisition, construction, improvement and equipping of a new residence and recreational facility. In 2008, the University's students approved a student capital fee to be used to pay for these bonds.

On December 15, 2009, the University issued Auxiliary Facilities Revenue Bonds Series 2009B in the amount of \$12,760,000 for the purpose of refunding \$9,380,000 of Series 2004A Enterprise Revenue Bonds and to obtain additional funds in the amount of \$2,621,740 for improvement projects. Proceeds in the amount of \$10,407,501 were placed into an irrevocable escrow account and invested in non-callable direct obligations of the United States of America. Principal and interest on the government obligations will be used, together with any cash balance in the escrow account, to pay the regularly scheduled principal and interest on the refunded bonds through May 15, 2014 and to redeem on such date the refunded bonds maturing on and after May 15, 2015. As a result, the Series 2004A Bonds are considered defeased and the liability for those bonds has been removed from the University's Statement of Net Position.

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

On December 15, 2009, the University also issued Taxable Auxiliary Facilities Revenue Bonds Series 2009C in the amount of \$27,615,000 for the purpose of obtaining funds for various campus improvement projects, including the remodeling of various academic buildings. The Series 2009C Bonds are designated as "Build America Bonds" and the University will receive a cash subsidy payment equal to 35% of the interest payable on these bonds.

On May 1, 2012, the University issued Institutional Enterprise Revenue Bonds, Series 2012 in the amount of \$12,975,000 for the purpose of obtaining funds for certain capital improvements to the campus. In 2008, the University's students approved a student capital fee to be used to pay for these bonds.

On February 19, 2015, the University issued Institutional Enterprise Revenue Refunding Bonds Series 2015 in the amount of \$19,330,000 for the purpose of refunding \$16,415,000 of Auxiliary Facilities Revenue Improvement Bonds Series 2009A. Proceeds in the amount of \$19,244,036 were placed into an irrevocable escrow account and invested in non-callable direct obligations of the United States of America. Principal and interest on the government obligations will be used, together with any cash balance in the escrow account, to pay the regularly scheduled principal and interest on the refunded bonds maturing between May 2020 and May 2039. As a result, the portion of the Series 2009A Bonds refunded are considered defeased and the liability for those bonds has been removed from the University's Statement of Net Position.

At June 30, 2015, the University had approximately \$73.0 million in debt outstanding compared to \$71.9 million at June 30, 2014 and \$73.1 million at June 30, 2013. The table below summarizes these amounts by type of debt.

	2015	2014	2013
2009A Series Revenue Improvement Bonds	\$1,823,519	\$18,926,396	\$19,338,796
2009B Series Auxiliary Facilities Revenue Bonds	10,175,118	11,069,470	11,508,822
2009C Series Taxable Auxiliary Facilities Revenue Bonds	27,111,508	27,092,112	27,072,715
2012 Series Institutional Enterprise Revenue Bonds	13,406,435	13,500,307	13,519,182
2015 Series Institutional Enterprise Revenue Refunding Bonds	19,280,000	-	-
Capital Lease	1,223,208	1,289,512	1,665,808
Notes Payable	24,698	32,894	36,262
	<u>\$73,044,486</u>	<u>\$71,910,691</u>	<u>\$73,141,585</u>

**ECONOMIC OUTLOOK**

The economic position of the University is closely tied to that of the State. For fiscal years 2015, 2014, and 2013, the University received no operating State appropriations.

In 2004, Governor Owens signed Senate Bill 04-189, which created the Colorado Opportunity Fund. This legislation created a first-in-the-nation funding mechanism for higher education. The bill provides a stipend, calculated on a per-hour credit rate, to undergraduate resident students attending public and qualifying private higher education institutions. In addition, the bill provides higher education institutions the opportunity to become enterprise status under TABOR. Because funding is provided to students through the stipends and to the institutions through fee-for-service arrangements, the bill allows all qualifying public institutions to be designated as "enterprises" if approved by the Legislative Audit Committee. The Legislative Audit Committee approved the designation of the University as an enterprise for fiscal years 2006 through 2014, with the exception of 2009, 2014, and 2015. The University must meet the requirements of a TABOR enterprise on an annual basis.

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

The purpose of S.B. 04-189, or the College Opportunity Fund bill, is to bring awareness to students that funding from the State of Colorado does help cover their educational expenses. The trust fund's monies are administered by the Colorado Student Loan Program dba College Assist. The student can direct their stipend funding to a particular institution by applying for the program and registering at the institution of their choice.

The bill provides a stipend, calculated on a per-hour credit rate, to undergraduate resident students attending public and qualifying private higher education institutions. For fiscal years 2016, 2015, and 2014 the yearly stipends were \$2,250, \$2,250, and \$1,920 respectively, for a full-time public higher education student taking 30 credit hours of classes.

The University has budgeted \$3.0 million in College Opportunity Fund stipends for fiscal year 2016. The University received \$2.9 million, \$2.6 million, and \$2.7 million stipends in fiscal years 2015, 2014, and 2013, respectively. In fiscal year 2016, \$11.1 million will be billed through a fee for service contract with the Colorado Department of Higher Education (CDHE). The University received \$9.9 million, \$8.9 million, and \$8.4 million in fee for service revenue in fiscal years 2015, 2014, and 2013 respectively. The bill institutes fee-for-service contract arrangements between each institution and the CDHE to provide graduate education, rural education, and basic education services to the State. These fee-for-service contracts must be negotiated annually with the CDHE.

**CONTACTING THE UNIVERSITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide users of our financial statements with a general overview of the University's finances and to show the University's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Adams State University Controller's office at Richardson Hall, Room 3-300, Alamosa, Colorado 81101 or call (719) 587-7699.

**ADAMS STATE UNIVERSITY**  
**STATEMENTS OF NET POSITION**  
As of June 30, 2015 and 2014

<b>ASSETS</b>	<b>2015</b>	<b>2014</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 16,341,053	\$ 15,222,891
Investments	2,607,075	2,591,902
Student accounts receivable, net	1,327,704	1,328,612
Other accounts receivable	668,444	1,066,075
Student loans receivable, net	140,749	124,412
Inventories	337,342	372,843
Prepaid expenses and other assets	137,891	172,148
<i>Total current assets</i>	<b>21,560,258</b>	20,878,883
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	28,250	28,250
Student loans receivable, net	435,937	512,312
	<b>464,187</b>	540,562
Non-depreciable capital assets:		
Land	445,249	445,249
Art and historic treasures	293,091	260,488
Construction in progress	275,341	6,943,428
<i>Total non-depreciable capital assets</i>	<b>1,013,681</b>	7,649,165
Depreciable capital assets, net:		
Buildings	112,823,482	99,446,630
Land improvements	7,496,336	8,028,317
Furniture & equipment	2,153,654	1,955,073
Library books	655,833	662,485
<i>Total depreciable capital assets, net</i>	<b>123,129,305</b>	110,092,505
<i>Total noncurrent assets</i>	<b>124,607,173</b>	118,282,232
<b>Total Assets</b>	<b>146,167,431</b>	139,161,115
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized refunding loss	2,792,627	651,469
Pension contributions made after measurement date	1,022,949	-
Differences between expected and actual pension experience	831,285	-
<i>Total Deferred Outflows of Resources</i>	<b>4,646,861</b>	651,469

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



**ADAMS STATE UNIVERSITY**

STATEMENTS OF NET POSITION

As of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	1,641,751	982,326
Accrued liabilities	5,461,944	5,143,682
Unearned revenue	1,044,749	962,435
Deposits held for others	357,349	348,097
Bonds payable, current	1,705,000	1,365,000
Notes payable, current	9,551	9,551
Capital leases payable, current	70,419	66,304
Compensated absences liability	112,856	13,136
<i>Total current liabilities</i>	<u>10,403,619</u>	<u>8,890,531</u>
<b>Noncurrent Liabilities</b>		
Compensated absences liability	1,262,665	1,287,067
Notes payable	15,147	23,343
Capital leases payable	1,152,789	1,223,208
Bonds payable	70,091,580	69,223,285
Net pension liability	40,769,013	-
<i>Total noncurrent liabilities</i>	<u>113,291,194</u>	<u>71,756,903</u>
<b>Total Liabilities</b>	<u>123,694,813</u>	<u>80,647,434</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Differences between projected and actual earnings on pension plan	3,021	-
Differences between proportionate share of pension plan	745,808	-
<b>Total Deferred Inflows of Resources</b>	<u>748,829</u>	<u>-</u>
 <b>NET POSITION</b>		
Net investment in capital assets	54,590,355	47,583,263
Restricted for non-expendable purposes:		
Endowments	28,250	28,250
Restricted for expendable purposes:		
Endowments	33,281	34,858
Loans	822,097	823,738
Other Purposes	3,586,782	3,343,811
<i>Total Restricted</i>	<u>4,470,410</u>	<u>4,230,657</u>
<i>Unrestricted</i>	<u>(32,690,115)</u>	<u>7,351,230</u>
<b>Total Net Position</b>	<u>\$ 26,370,650</u>	<u>\$ 59,165,150</u>

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

**ADAMS STATE UNIVERSITY FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Cash in Bank	\$ 480,061	\$ 267,524
Pooled Cash - Brokerage Accounts	23,553	56,679
Segregated Cash - Brokerage Accounts	22,706	27,855
Certificates of Deposit	300,000	300,000
Pooled Investments, at Fair Value	10,193,696	9,768,164
Restricted Investments, at Fair Value	6,802,435	6,776,054
Pledges Receivable, net of allowance	93,833	87,917
Inventories	7,240	10,680
<b>TOTAL ASSETS</b>	<b>\$ 17,923,524</b>	<b>\$ 17,294,873</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 55,276	\$ 42,023
<b>TOTAL LIABILITIES</b>	<b>55,276</b>	<b>42,023</b>
<b>NET ASSETS</b>		
Unrestricted:		
Unreserved	2,572,515	2,543,718
Board Designated	21,250	21,950
Total Unrestricted	2,593,765	2,565,668
Temporarily Restricted Net Assets:		
Temporarily Restricted	2,025,532	1,877,772
Total Temporarily Restricted Net Assets	2,025,532	1,877,772
Permanently Restricted Net Assets	13,248,951	12,809,410
<b>TOTAL NET ASSETS</b>	<b>17,868,248</b>	<b>17,252,850</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 17,923,524</b>	<b>\$ 17,294,873</b>

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

**ADAMS STATE UNIVERSITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Years Ending June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Operating Revenues:</b>		
Tuition & fees (including \$10,803,561 and \$9,959,779, respectively of revenues pledged for bonds and net of scholarship allowances of \$12,079,528 and \$11,866,291, respectively)	<b>\$18,714,367</b>	\$18,463,301
Sales & services of auxiliary enterprises (including \$7,501,140 and \$7,728,524, respectively of revenues pledged for bonds and net of scholarship allowances of \$722,140 and \$644,155 respectively)	<b>7,129,158</b>	7,507,221
Fee for service contract revenue	<b>9,946,663</b>	8,940,559
Federal grants and contracts	<b>3,908,584</b>	3,320,491
State grants and contracts	<b>2,078,398</b>	1,703,895
Other operating revenues (including \$163,401 and \$160,093, respectively of revenues pledged for bonds)	<b>980,578</b>	1,165,537
<i>Total Operating Revenues</i>	<u><b>42,757,748</b></u>	<u>41,101,004</u>
<b>Operating Expenses:</b>		
Instruction	<b>19,613,393</b>	17,822,925
Research	<b>1,124</b>	-
Public service	<b>150,247</b>	108,643
Academic support	<b>2,712,394</b>	2,343,472
Student services	<b>5,175,642</b>	4,645,267
Institutional support	<b>3,888,749</b>	3,420,549
Operation of plant	<b>3,656,461</b>	3,095,882
Scholarships and fellowships	<b>254,183</b>	831,691
Auxiliary enterprises expenditures	<b>13,572,081</b>	12,664,501
Depreciation	<b>6,997,811</b>	6,670,913
Total operating expenses	<u><b>56,022,085</b></u>	<u>51,603,843</u>
<i>Operating Loss</i>	<u><b>(13,264,337)</b></u>	<u>(10,502,839)</u>
<b>Nonoperating Revenues (Expenses):</b>		
Federal Pell Grants	<b>4,835,890</b>	5,126,682
Gifts and Donations	<b>1,900,246</b>	1,995,508
Federal Build America Bonds Subsidy	<b>573,547</b>	574,166
Investment & interest income (loss) (including \$21,101 and \$20,069, respectively of revenue pledged for bonds)	<b>141,922</b>	158,354
Limited gaming transfer	<b>20,260</b>	19,381
Interest on capital debt	<b>(3,713,815)</b>	(3,549,646)
<i>Net nonoperating revenue</i>	<u><b>3,758,050</b></u>	<u>4,324,445</u>
<i>Income (Loss) before other revenues, expenses, gains, losses or transfers</i>	<u><b>(9,506,287)</b></u>	<u>(6,178,394)</u>
<b>Other Revenues, Expenses, Gains, Losses or Transfers:</b>		
Student capital fees	<b>2,534,782</b>	2,187,058
State appropriation, capital	<b>13,039,450</b>	7,759,043
Transfers to Other Institutions	<b>(60,217)</b>	(70,765)
<i>Increase (Decrease) in Net Position</i>	<u><b>6,007,728</b></u>	<u>3,696,942</u>
Net Position - beginning of the year	<b>59,165,150</b>	55,468,208
Restatement GASB 68	<b>(38,802,228)</b>	-
Net Position - beginning of the year, restated	<u><b>20,362,922</b></u>	<u>55,468,208</u>
Net Position - end of the year	<u><b>\$26,370,650</b></u>	<u>\$59,165,150</u>

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

**ADAMS STATE UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>NET ASSETS, BEGINNING OF YEAR</b>	\$ 2,565,668	\$ 1,877,772	\$ 12,809,410	\$ 17,252,850
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Donations - Cash	128,605	1,339,903	409,093	1,877,601
Investment Income	70,507	708,825	-	779,332
Net Realized Gains (Losses) on long-term investments	24,235	(3,103)	-	21,132
Net Unrealized Gains (Losses) on long-term investments	(38,935)	(155,023)	-	(193,958)
Subtotal	184,412	1,890,602	409,093	2,484,107
Net Assets Released from Restriction	1,645,009	(1,645,009)	-	-
<b>Total from Revenues, Gains, and Other Support</b>	<b>1,829,421</b>	<b>245,593</b>	<b>409,093</b>	<b>2,484,107</b>
<b>EXPENSES AND LOSSES</b>				
Scholarships and Awards	945,725	-	-	945,725
Program Services	715,984	-	-	715,984
Management and General Activities	190,409	-	-	190,409
Fundraising	16,591	-	-	16,591
<b>Total Expenses and Losses</b>	<b>1,868,709</b>	<b>-</b>	<b>-</b>	<b>1,868,709</b>
Transfers:				
Transfers In/(Out)	67,385	(97,833)	30,448	-
Change in Net Assets for the Year	28,097	147,760	439,541	615,398
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2,593,765</b>	<b>\$ 2,025,532</b>	<b>\$ 13,248,951</b>	<b>\$ 17,868,248</b>

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

**ADAMS STATE UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>NET ASSETS, BEGINNING OF YEAR</b>	\$ 1,212,696	\$ 1,905,995	\$ 11,919,621	\$ 15,038,312
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Donations - Cash	118,204	1,088,435	135,571	1,342,210
Investment Income	14,136	563,034	-	577,170
Net Realized Gains (Losses)				
on long-term investments	15,385	23,834	-	39,219
Net Unrealized Gains (Losses)				
on long-term investments	1,220,586	686,434	-	1,907,020
Subtotal	1,368,311	2,361,737	135,571	3,865,619
Net Assets Released from Restriction	1,571,656	(1,571,656)	-	-
<b>Total from Revenues, Gains, and Other Support</b>	2,939,967	790,081	135,571	3,865,619
<b>EXPENSES AND LOSSES</b>				
Scholarships and Awards	963,597	-	-	963,597
Program Services	623,059	-	-	623,059
Management and General Activities	55,877	-	-	55,877
Fundraising	8,548	-	-	8,548
<b>Total Expenses and Losses</b>	1,651,081	-	-	1,651,081
Transfers:				
Transfers In/(Out)	64,086	(818,304)	754,218	-
Change in Net Assets for the Year	1,352,972	(28,223)	889,789	2,214,538
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2,565,668</b>	<b>\$ 1,877,772</b>	<b>\$ 12,809,410</b>	<b>\$ 17,252,850</b>

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

**ADAMS STATE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ending June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities:</b>		
<u>Cash Received:</u>		
Tuition and fees	<b>\$18,812,479</b>	\$18,113,250
Fee for service Contract Revenue	<b>9,946,663</b>	8,940,559
Sales of services	<b>6,121,725</b>	6,565,193
Sales of products	<b>879,494</b>	904,795
Grants and contracts	<b>6,117,222</b>	4,827,333
Student loans collected	<b>163,516</b>	244,303
Other receipts	<b>1,221,995</b>	1,158,563
<u>Cash Payments:</u>		
Payments to or for employees	<b>(35,968,255)</b>	(31,411,796)
Payments to suppliers	<b>(10,632,872)</b>	(13,101,463)
Scholarships disbursed	<b>(254,183)</b>	(831,691)
Student loans disbursed	<b>(124,062)</b>	(184,682)
<i>Net Cash (Used) Provided by Operating Activities</i>	<b><u>(3,716,278)</u></b>	<u>(4,775,636)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Federal grants and contracts, non-operating	<b>5,409,437</b>	5,700,848
Gifts/grants for other than capital purposes	<b>1,920,506</b>	2,014,889
Agency receipts	<b>21,561,040</b>	21,387,700
Agency payments	<b>(21,558,647)</b>	(21,337,766)
Transfers from (to) other institutions	<b>(60,217)</b>	(70,765)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<b><u>7,272,119</u></b>	<u>7,694,906</u>
<b>Cash Flows from Capital &amp; Related Financing Activities:</b>		
State appropriations, capital	<b>13,039,450</b>	7,759,043
Proceeds from capital debt	<b>19,158,755</b>	-
Student capital fees	<b>2,532,179</b>	2,167,742
Acquisition or construction of capital assets	<b>(13,371,292)</b>	(11,748,760)
Principal paid on capital debt	<b>(19,735,288)</b>	(1,090,036)
Interest paid on capital debt	<b>(4,189,379)</b>	(3,863,847)
<i>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</i>	<b><u>(2,565,575)</u></b>	<u>(6,775,858)</u>
<b>Cash Flows from Investing Activities:</b>		
Investment earnings	<b>143,069</b>	164,543
<i>Net Cash Provided (Used) by Investing Activities</i>	<b><u>143,069</u></b>	<u>164,543</u>
<b>Net Increase (Decrease) in Cash</b>	<b><u>1,133,335</u></b>	<u>(3,692,045)</u>
Beginning cash balance	<b>17,843,043</b>	21,535,088
Ending cash balance	<b><u>\$18,976,378</u></b>	<u>\$17,843,043</u>

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

**ADAMS STATE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ending June 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>Reconciliation of Operating Loss to Net Cash (used) Provided</b>		
<b>by Operating Activities</b>		
Operating loss	(\$13,264,337)	(\$10,502,839)
Adjustments to reconcile:		
Depreciation expense	6,997,811	6,670,913
Pension expense	861,379	
Decrease (increase) in assets:		
Receivables, net	461,181	(292,323)
Inventories & prepaids	69,758	(146,737)
Increase (decrease) in liabilities:		
Accounts payable	659,425	(705,206)
Accrued liabilities	334,013	138,132
Unearned revenues	82,314	(23,368)
Student deposits	6,860	2,558
Compensated absences	75,318	83,234
<i>Net Cash Used by Operating Activities</i>	<b>(\$3,716,278)</b>	<b>(\$4,775,636)</b>
 <b>Noncash Investing, Capital, and Financing Activities:</b>		
State Capital Contributions	<b>\$13,039,450</b>	\$7,759,043
Amortization of capital premium/discount and capital loss	<b>193,019</b>	172,088

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

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

---

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

**Governance**

HB 03-1093 authorized independent governance for Adams State University effective July 1, 2003. Adams State University is governed by the Board of Trustees. The Trustees are statutorily charged with responsibility in the areas of finance, resources, academic programs, admissions, role and mission, and personnel policies. The Board consists of nine members appointed by the Governor serving four-year terms. Additionally, the Board also includes an elected member of the student body of the University who serves for a one-year term and an elected member of the faculty of the University who serves for a two-year term.

**Reporting Entity**

Adams State University is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, Adams State University is included as part of the State of Colorado's primary government. A copy of the State Comprehensive Annual Financial Report may be obtained from the Office of the State Controller.

The University adheres to Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus -an amendment of GASB Statements No.14 and No. 34*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 34, *Basic Financial Statements -and Management's Discussion and Analysis-for State and Local Governments* to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, should be included in the University's financial reporting entity.

The University has determined that the Adams State University Foundation meets the Governmental Accounting Standards Board (GASB) Statement No. 61 criteria for inclusion in the University's financial statements. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities, facilities, and programs of the University by the donors. Because these restricted resources held by the Foundation can only be used for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), Topic 958 Not-for-Profit Entities. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences. Complete financial statements for the Foundation can be obtained from the Controller's Office at the University. See Note 15 for a description of the Adams State University Foundation.

As defined by GASB Statement 61, *The Financial Reporting Entity*, the University is not financially accountable for any other entity, nor are there any other entities for which the nature and significance of their relation with the University are such that exclusion would cause the University's financial statements to be misleading or incomplete.

**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.



**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

---

**Cash and Cash Equivalents**

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

**Investments**

Investments are stated at their fair market value as determined by quoted market prices.

**Inventory**

Inventories consist primarily of bookstore inventory and consumable supplies and are stated at the lower of cost or market as determined by the FIFO (first in, first out) method. The valuation of the bookstore inventory is determined by the retail FIFO method, which involves pricing items at current selling prices reduced to the lower of cost or market by the application of an average mark-up ratio.

**Capital Assets**

Physical plant and equipment are stated at cost at date of acquisition, or fair market value at date of donation. A physical inventory of all plant assets is taken annually with appropriate adjustments made to the financial records. Annual revisions of statement of values for insurance purposes are performed. The University follows the policy of capitalizing only those plant assets with an initial cost or fair value equal to or greater than \$5,000.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are determined as 40 years for buildings, 15-20 years for building improvements, 10-20 years for improvements other than buildings, 5-30 years for equipment, and 10 years for library materials.

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized during the years ended June 30, was \$43,587 (2015) and \$308,011 (2014).

**Classification of Revenue**

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

- Operating revenues – Operating revenues generally result from providing goods and services for instruction, public service or related support services to an individual or entity separate from the University.
- Nonoperating revenues – Nonoperating revenues are those revenues that do not meet the definition of operating revenues. Nonoperating revenues include state appropriations for operations, gifts, investment income and insurance reimbursement revenue.

**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.

**Unearned Revenue**

Revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as deferred revenues.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

---

**Compensated Absence Liabilities**

Employees' compensated absences are accrued when earned. The liability and expense incurred are recorded at year-end as compensated absence liabilities in the Statement of Net Position and as a component of appropriate functional expense categories in the Statement of Revenues, Expenses, and Changes in Net Position. The current portion of this liability is estimated based on historical trends.

**Net Position**

The University has classified its net position according to the following criteria:

- *Net Investment in Capital Assets* – This category represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of this category.
- *Restricted Net Position, Nonexpendable* – This category consists of endowment funds that are required to be retained in perpetuity.
- *Restricted Net Position, Expendable* – This category includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Restricted expendable net position is classified as expendable for loans, debt service, capital projects and other purposes. For the University, restricted net position expendable for other purposes includes net assets of its bonded auxiliaries.
- *Unrestricted Net Position* – Unrestricted Net Position are those that do not meet the definition of "Restricted" or "Net Investment in Capital Assets" as described above. Generally, these resources will be derived from student tuition and fees, state appropriations, sales and services of educational activities, and sales and services of certain auxiliary and self-funded activities.

The Foundation applies Financial Accounting Standards Board FASB Staff Position 117-1, Endowments of Not-for-Profit Organizations. This policy provided guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA was ratified into Colorado state law as of September 1, 2008.

**Enterprise Designation**

Senate Bill 04-189, provides higher education institutions the opportunity to become designated enterprises under Section 20, Article X of the State Constitution (The Taxpayer's Bill of Rights) so long as the governing board of the institution has the authority to issue revenue bonds and the institution receives less than ten percent of its revenue from the State of Colorado and local governments. The Legislative Audit Committee and the Board of Trustees approved the designation of the University as an enterprise in fiscal year 2006. The University met the criteria for designation as an enterprise in fiscal years 2006 through 2013, with the exception of 2009. The enterprise designation is reviewed at the end of each fiscal year to ensure that the criteria are still being met.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

---

**Reclassifications**

Certain reclassifications were made to the fiscal year 2014 financial statements presentation in order to conform to the fiscal year 2015 financial statements presentation, except for the effects of Government Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and GASB No. 71 *Pension Transition for Contributions made Subsequent to the Measurement Date*, as the information was not available.

**Pensions**

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

**New Accounting Pronouncements**

During 2015, the University adopted the provisions of the following Governmental Accounting Standards Board (GASB) pronouncement:

Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, (GASB No. 68) revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The University provides certain of its employees with pension benefits through the State's multiple employer cost-sharing Public Employees' Retirement Association (PERA) defined benefit retirement program.

GASB No. 68 requires cost-sharing employers participating in the PERA program, such as the University, to record their proportionate share, as defined in GASB No. 68, of PERA's unfunded pension liability. The University has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA or the General Assembly. The requirement of GASB No. 68 to record a portion of PERA's unfunded liability negatively impacted the University's beginning June 30, 2015 unrestricted net position. by \$38,802,228. The net pension liability is \$40,769,013 as of June 30, 2015. GASB No. 68 requires restatement of the June 30, 2015 beginning net position, therefore the Fiscal Year 2014 balances do not reflect the impact of GASB No. 68.

Along with GASB No. 68, the University has implemented GASB No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, by recognizing contributions from the end of the calendar year to the end of the University's fiscal year, January 1 to June 30, as a deferred outflow of resources. The University's beginning net position was increased by \$950,673 to reflect PERA contributions between January 1 and June 30, 2014.

During 2014, the University adopted the provisions of the following Governmental Accounting Standards Board (GASB) pronouncement:

Effective July 1, 2013, the University adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The University has retroactively recognized the deferred loss on the defeasance of debt as a deferred outflow of resources.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

GASB 65 also established standards of accounting and financial reporting for debt issuance costs. Debt issuance costs, except any portion related to prepaid insurance costs, were recognized as an expense in the period incurred.

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

For an investment, custodial credit risk is the risk that in the event of a bank failure, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a deposit policy for custodial credit risk.

At June 30, 2015, the University had \$14,374,988 including unrealized gains of \$46,771 on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. At year-end, cash on hand and in banks consisted of the following:

Cash on hand	\$	7,670
Cash in checking accounts at bank		1,425,555
Certificates of deposits		3,168,165
Total cash	<u>\$</u>	<u>4,601,390</u>

The carrying amount of the University's cash on deposit was \$4,593,720. The bank balance of these deposits was \$5,356,380, of which \$1,166,225 was covered by federal depository insurance and \$4,190,155 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

At June 30, 2014, the University had \$9,027,478, including unrealized gains of \$39,443, on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. At year-end, cash on hand and in banks consisted of the following:

Cash on hand	\$	8,870
Cash in checking accounts at bank		5,656,778
Certificates of deposits		3,149,917
Total cash	<u>\$</u>	<u>8,815,565</u>

The carrying amount of the University's cash on deposit was \$8,806,695. The bank balance of these deposits was \$8,985,218, of which \$1,167,598 was covered by federal depository insurance and \$7,817,620 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

The University deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2015, the University had cash on deposit with the State Treasurer of \$14,374,988, which represented approximately 0.2 percent of the total \$7,661.8 million fair value of deposits in the State Treasurer's Pool (Pool).

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. On the basis of the University's participation in the Pool, the University reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Investments in the Treasurer's 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 State Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2015, approximately 88.0 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for \$87,396,440 of corporate bonds rated lower medium and \$25,018,750 of corporate bonds rated very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State 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 Treasurer's Pool is 0.063 years for Commercial Paper (6.3 percent of the Pool), 1.339 years for U.S. Government Securities (47.5 percent of the Pool), 2.528 years for Asset Backed Securities (18.5 percent of the Pool), 2.196 years for Corporate Bonds (22.9 percent of the Pool), and 0.010 years for Money Market Mutual Funds (4.8 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2014-15.

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

ASU Foundation Investments and Concentration of Risk

At June 30, investments recorded at fair value are comprised of the following:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Common Fund	\$ 15,332,201	\$ 17,042,389	\$ 14,243,507	\$ 16,628,751

Common Fund investments of the individual net asset classes are combined to form a pool of investments, which is managed by the Common Fund. Income earned on investments is allocated, based on cost, to the individual net asset classes with earnings of the endowment investments being included as an increase of temporarily restricted net assets or unrestricted net assets.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

As of June 30, the Foundation had bank deposits in two financial institutions that exceeded insurance coverage by a total of \$428,730 (2015) and \$240,292 (2014).

**NOTE 3 - ACCOUNTS AND LOANS RECEIVABLE**

Account receivable balances are presented net of estimated allowance for doubtful accounts in the accompanying Statement of Net Position. At June 30, accounts receivable were as follows:

	2015	2014
Student Accounts Receivable	\$ 2,455,175	\$ 2,303,877
Less: Allowance for Doubtful Accounts	<u>(1,127,471)</u>	<u>(975,265)</u>
Student Accounts Receivable, net	1,327,704	1,328,612
Other Accounts Receivable	668,444	1,066,075
Student Loans Receivable	906,416	963,015
Less: Allowance for Doubtful Accounts	<u>(329,730)</u>	<u>(326,291)</u>
Student Loans Receivable, Net	576,686	636,724
Total Receivables	<u>\$ 2,572,834</u>	<u>\$ 3,031,411</u>

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**NOTE 4 - CAPITAL ASSETS**

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2015.

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
<b>Nondepreciable Capital Assets</b>				
Land	\$ 445,249	\$ -	\$ -	\$ 445,249
Art and Historic Treasures	260,488	32,603	-	293,091
Construction in Progress	6,943,428	12,603,498	19,271,585	275,341
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 7,649,165</b>	<b>\$ 12,636,101</b>	<b>\$ 19,271,585</b>	<b>\$ 1,013,681</b>
<b>Depreciable Capital Assets</b>				
Land Improvements	\$ 13,773,630	\$ 24,625	\$ -	\$ 13,798,255
Buildings and Improvements	153,560,134	19,246,960	-	172,807,094
Equipment	4,739,792	626,314	38,197	5,327,909
Library Materials	4,968,502	136,402	14,648	5,090,256
<b>Total Depreciable Capital Assets</b>	<b>177,042,058</b>	<b>20,034,301</b>	<b>52,845</b>	<b>197,023,514</b>
<b>Less: Accumulated Depreciation</b>				
Land Improvements	5,745,313	556,605	-	6,301,918
Buildings and Improvements	54,113,504	5,870,108	-	59,983,612
Equipment	2,784,719	428,043	38,506	3,174,256
Library Materials	4,306,017	143,054	14,648	4,434,423
<b>Total Accumulated Depreciation</b>	<b>66,949,553</b>	<b>6,997,810</b>	<b>53,154</b>	<b>73,894,209</b>
<b>Net Depreciable Capital Assets</b>	<b>\$ 110,092,505</b>	<b>\$ 13,036,491</b>	<b>\$ (309)</b>	<b>\$ 123,129,305</b>

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2014.

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
<b>Nondepreciable Capital Assets</b>				
Land	\$ 445,249	\$ -	\$ -	\$ 445,249
Art and Historic Treasures	-	260,488	-	260,488
Construction in Progress	4,193,822	11,203,482	8,453,876	6,943,428
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 4,639,071</b>	<b>\$ 11,463,970</b>	<b>\$ 8,453,876</b>	<b>\$ 7,649,165</b>
<b>Depreciable Capital Assets</b>				
Land Improvements	\$ 12,536,445	\$ 1,237,185	\$ -	\$ 13,773,630
Buildings and Improvements	146,343,442	7,216,692	-	153,560,134
Equipment	4,674,090	551,338	485,636	4,739,792
Library Materials	4,933,940	112,507	77,945	4,968,502
<b>Total Depreciable Capital Assets</b>	<b>168,487,917</b>	<b>9,117,722</b>	<b>563,581</b>	<b>177,042,058</b>
<b>Less: Accumulated Depreciation</b>				
Land Improvements	5,187,920	557,393	-	5,745,313
Buildings and Improvements	48,453,303	5,660,201	-	54,113,504
Equipment	2,739,553	305,552	260,386	2,784,719
Library Materials	4,200,957	147,767	42,707	4,306,017
<b>Total Accumulated Depreciation</b>	<b>60,581,733</b>	<b>6,670,913</b>	<b>303,093</b>	<b>66,949,553</b>
<b>Net Depreciable Capital Assets</b>	<b>\$ 107,906,184</b>	<b>\$ 2,446,809</b>	<b>\$ 260,488</b>	<b>\$ 110,092,505</b>



**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**NOTE 5 - NONCURRENT LIABILITIES**

The University's noncurrent liability activity for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
<b>Bond and Leases Payable:</b>					
Series 2009A Bonds	\$ 18,620,000	\$ -	\$ 16,830,000	\$ 1,790,000	\$ 425,000
Series 2009B Bonds	10,780,000	-	875,000	9,905,000	920,000
Series 2009C Bonds	27,615,000	-	-	27,615,000	-
Series 2012 Bonds	12,975,000	-	75,000	12,900,000	175,000
Series 2015 Bonds	-	19,330,000	50,000	19,280,000	185,000
Unamortized Premium 2009A	306,396	-	272,877	33,519	-
Unamortized Premium 2009B	289,470	-	19,352	270,118	-
Unamortized Premium 2009C	(522,889)	-	(19,397)	(503,492)	-
Unamortized Premium 2012	525,307	-	18,872	506,435	-
Capital Lease Obligation	1,289,512	-	66,304	1,223,208	70,419
<i>Total Bonds and Leases Payable</i>	<u>71,877,796</u>	<u>19,330,000</u>	<u>18,188,008</u>	<u>73,019,788</u>	<u>1,775,419</u>
<b>Other Liabilities:</b>					
Compensated Absences	1,300,203	75,318	-	1,375,521	112,856
Other	32,894	-	8,196	24,698	9,551
Total Other Liabilities	<u>1,333,097</u>	<u>75,318</u>	<u>8,196</u>	<u>1,400,219</u>	<u>122,407</u>
<i>Total Long-Term Liabilities</i>	<u>\$ 73,210,893</u>	<u>\$ 19,405,318</u>	<u>\$ 18,196,204</u>	<u>\$ 74,420,007</u>	<u>\$ 1,897,826</u>

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

The University's noncurrent liability activity for the year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
<b>Bond and Leases Payable:</b>					
Series 2009A Bonds	\$ 19,020,000	\$ -	\$ 400,000	\$ 18,620,000	\$ 415,000
Series 2009B Bonds	11,200,000	-	420,000	10,780,000	875,000
Series 2009C Bonds	27,615,000	-	-	27,615,000	-
Series 2012 Bonds	12,975,000	-	-	12,975,000	75,000
Unamortized Premium 2009A	318,796	-	12,400	306,396	-
Unamortized Premium 2009B	308,822	-	19,352	289,470	-
Unamortized Premium 2009C	(542,285)	-	(19,396)	(522,889)	-
Unamortized Premium 2012	544,182	-	18,875	525,307	-
Capital Lease Obligation	1,665,808	-	376,296	1,289,512	66,304
<i>Total Bonds and Leases Payable</i>	<u>73,105,323</u>	<u>-</u>	<u>1,227,527</u>	<u>71,877,796</u>	<u>1,431,304</u>
<b>Other Liabilities:</b>					
Compensated Absences	1,216,969	83,234	-	1,300,203	13,136
Other	36,262	-	3,368	32,894	9,551
<b>Total Other Liabilities</b>	<u>1,253,231</u>	<u>83,234</u>	<u>3,368</u>	<u>1,333,097</u>	<u>22,687</u>
<b>Total Long-Term Liabilities</b>	<u>\$ 74,358,554</u>	<u>\$ 83,234</u>	<u>\$ 1,230,895</u>	<u>\$ 73,210,893</u>	<u>\$ 1,453,991</u>

**NOTE 6 - LEASE OBLIGATIONS**

A capital lease for Energy Conservation Measures equipment was entered into July 7, 2011, in the amount of \$1,414,680. The lease requires quarterly payments ranging between \$30,026 and \$37,855 for fifteen years at an interest rate of 4.375%.

Principal and Interest requirements to maturity for this lease purchase are as follows:

Year Ending June 30	
2016	\$ 122,797
2017	127,128
2018	131,815
2019	133,946
2020	136,323
2021-2025	698,419
2026-2027	224,923
	<u>1,575,351</u>
Less amount representing interest	<u>(352,143)</u>
<b>Principal outstanding</b>	<u>\$ 1,223,208</u>

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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**NOTE 7 - BONDS PAYABLE**

**Series 2009A Bonds**

On March 12, 2009, the University issued Auxiliary Facilities Revenue Improvement Bonds Series 2009A in the amount of \$19,805,000 for the purpose of obtaining funds for various campus improvement projects, including the acquisition, construction, improvement and equipping of a new residence and recreational facility.

The Series 2009A Bonds have annual maturities through 2039. The bonds maturing between May 2020 and May 2039 are subject to optional redemption prior to their respective maturities at the option of the Board of Trustees. The bonds maturing between May 2025 thru May 2039 are subject to mandatory sinking fund requirements by lot, on the dates and in the designated principal amounts as specified in the bond resolution, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. Interest rates vary from 2.50% to 5.50% with an average rate of 5.18%. The bonds are collateralized by first lien on and pledge of all net revenues of continuing education and capital construction debt service fee and pledge of all net revenues of the Auxiliary Facilities System. In addition, ten percent of tuition revenues will be pledged as collateral if the University is designated as an institutional enterprise under Section 23-5-101.7, Colorado Revised Statutes, as amended.

**Series 2009B and 2009C Bonds**

On December 15, 2009, the University issued Auxiliary Facilities Revenue Bonds Series 2009B in the amount of \$12,760,000 for the purpose of refunding \$9,380,000 of Series 2004A Enterprise Revenue Bonds and to obtain additional funds in the amount of \$2,621,740 for improvement projects. Proceeds in the amount of \$10,407,501 were placed into an irrevocable escrow account and invested in non-callable direct obligations of the United States of America. Principal and interest on the government obligations will be used, together with any cash balance in the escrow account, to pay the regularly scheduled principal and interest on the refunded bonds through May 15, 2014 and to redeem on such date the refunded bonds maturing on and after May 15, 2015. As a result, the Series 2004A Bonds are considered defeased and the liability for those bonds has been removed from the University's Statement of Net Position.

On December 15, 2009, the University also issued Taxable Auxiliary Facilities Revenue Bonds Series 2009C in the amount of \$27,615,000 for the purpose of obtaining funds for various campus improvement projects, including the remodeling of various academic buildings. The Series 2009C Bonds are designated as "Build America Bonds" and the University will receive a cash subsidy payment equal to 35% of the interest payable on these bonds.

The Series 2009B Bonds have annual maturities through 2029. The Series 2009C Bonds have annual maturities through 2041. The bonds maturing after May 15, 2020 are subject to optional redemption prior to their respective maturities at the option of the Board of Trustees. The bonds maturing between May 2022 and May 2041 are subject to mandatory sinking fund requirements by lot, on the dates and in the designated principal amounts as specified in the bond resolution, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. Interest rates on the Series 2009B Bonds vary from 2.00% to 5.00% with an average rate of 3.52%. Interest rates on the Series 2009C Bonds vary from 5.245% to 6.771% with an average rate of 5.97% net of the 35% Federal Interest Subsidy for Build America Bonds.

The bonds are collateralized by first lien on and pledge of all net revenues of continuing education, capital construction debt service fee and pledge of all net revenues of the Auxiliary Facilities System. In addition, ten percent of tuition revenues will be pledged as collateral if the University is designated as an institutional enterprise under Section 23-5-101.7, Colorado Revised Statutes, as amended.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

---

**Series 2012 Bonds**

On May 1, 2012, the University issued Institutional Enterprise Revenue Bonds, Series 2012 in the amount of \$12,975,000 for the purpose of obtaining funds for certain capital improvements to the campus.

The Series 2012 Bonds have annual maturities through 2042. The bonds maturing between May 2023 and May 2042 are subject to optional redemption prior to their respective maturities at the option of the Board of Trustees. The bonds maturing between May 2032 and May 2042 are subject to mandatory sinking fund requirements by lot, on the dates and in the designated principal amounts as specified in the bond resolution, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. Interest rates vary from 2.00% to 5.00% with an average rate of 4.07%. The bonds are collateralized by first lien on and pledge of all net revenues of continuing education and capital construction debt service fee and pledge of all net revenues of the Auxiliary Facilities System. In addition, ten percent of tuition revenues will be pledged as collateral if the University is designated as an institutional enterprise under Section 23-5-101.7, Colorado Revised Statutes, as amended.

**Series 2015 Bonds**

On February 19, 2015, the University issued Institutional Enterprise Revenue Refunding Bonds Series 2015 in the amount of \$19,330,000 for the purpose of refunding \$16,415,000 of Auxiliary Facilities Revenue Improvement Bonds Series 2009A. Proceeds in the amount of \$19,244,036 were placed into an irrevocable escrow account and invested in non-callable direct obligations of the United States of America. Principal and interest on the government obligations will be used, together with any cash balance in the escrow account, to pay the regularly scheduled principal and interest on the refunded bonds maturing between May 2020 and May 2039. As a result, the portion of the Series 2009A Bonds refunded are considered defeased and the liability for those bonds has been removed from the University's Statement of Net Position. Interest rates are fixed at 2.85%. The bonds are collateralized by first lien on and pledge of all net revenues of continuing education and capital construction debt service fee and pledge of all net revenues of the Auxiliary Facilities System. In addition, ten percent of tuition revenues will be pledged as collateral if the University is designated as an institutional enterprise under Section 23-5-101.7, Colorado Revised Statutes, as amended.

At June 30, 2015 and 2014, the University was in compliance with all covenants related to all bonds outstanding.

The long-term bonds payable are shown in the Statement of Net Position net of unamortized discount or premium and unamortized deferred loss on refunding.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

The following is a schedule of future minimum bond payments as of June 30, 2015:

Year Ending June 30,	2009A Series	2009B Series	2009C Series	2012 Series	2015 Series	Total
2016	\$ 493,056	\$ 1,310,500	\$ 1,767,752	\$ 701,145	\$ 734,480	\$ 5,006,933
2017	494,775	1,302,900	1,767,752	817,645	734,208	5,117,280
2018	489,375	1,305,300	1,767,752	816,745	733,793	5,112,965
2019	496,375	1,306,000	1,767,752	820,745	733,235	5,124,107
2020	-	755,400	2,317,752	821,445	1,232,535	5,127,132
2021-2025	-	3,780,963	11,429,964	4,108,125	6,136,170	25,455,222
2026-2030	-	3,032,750	11,792,104	4,098,098	6,136,183	25,059,135
2031-2035	-	-	13,969,895	4,156,250	6,125,553	24,251,698
2036-2040	-	-	11,800,438	4,140,500	4,905,458	20,846,396
2041-2045	-	-	1,359,418	1,638,400	-	2,997,818
Total Bond Payments	1,973,581	12,793,813	59,740,579	22,119,098	27,471,615	124,098,686
Less Interest Included Above	(183,581)	(2,888,813)	(32,125,579)	(9,219,098)	(8,191,615)	(52,608,686)
Total Principal Outstanding	1,790,000	9,905,000	27,615,000	12,900,000	19,280,000	71,490,000
Less Current Portion	(425,000)	(920,000)	-	(175,000)	(185,000)	(1,705,000)
Net Long Term Principal	1,365,000	8,985,000	27,615,000	12,725,000	19,095,000	69,785,000
Less Unamortized Premium and Discount	33,519	270,118	(503,492)	506,435	-	306,580
Bonds Payable, Net	\$ 1,398,519	\$ 9,255,118	\$ 27,111,508	\$ 13,231,435	\$ 19,095,000	\$ 70,091,580

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

Amounts expended under the terms of certain grants and contracts are subjected to audit and possible adjustment by governmental agencies. In the opinion of management, any adjustments will not have a material or adverse effect on the accompanying financial statements.

The University receives significant amounts from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed amounts resulting from such audits could become a liability of the University. However, University management believes that any such disallowed amounts will not have a material adverse effect on any of the financial statements or on the overall financial position of the University at June 30, 2015.

**NOTE 9 - ACCRUED PAYROLL**

Prior to fiscal year 2003, salaries and wages earned through the end of the fiscal year were paid to employees on June 30. Senate Bill 03-197 requires that monthly salaries for June that were normally paid on June 30 are to be paid on July 1. This created an accrual for June 30, of \$2,632,011 (2015) and \$2,429,985 (2014), respectively.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

---

**NOTE 10 - COMPENSATED ABSENCES**

Employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount, which will be paid upon termination. The estimated costs of current compensated absences for which employees are vested for the years ended June 30, are estimated as \$112,856 (2015) and \$13,136 (2014). The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, are estimated as \$1,262,665 (2015) and \$1,287,067 (2014). Current expenses include an increase of \$75,319 for the estimated compensated absence liability.

**NOTE 11 - PENSION PLAN OBLIGATIONS**

On September 10, 1993 the Board of Trustees of the State Universities adopted an Optional Retirement Plan (ORP) for faculty and exempt-administrative staff, under the authority of Senate Bill 92-127. The implementation date was May 1, 1994; eligible employees were offered the choice of remaining in PERA or participating in the ORP. New faculty and administrative staff members are required to enroll in the ORP unless they have one year or more service credit with PERA at the date of hire. On July 1, 2003 the Board of Trustees for Adams State University elected to continue with the Optional Retirement Plan (ORP).

The ORP is a defined contribution pension plan with three vendors, Fidelity Investments, TIAA-CREF and VALIC, providing a range of investment accounts for participants. The institution's contribution to the ORP is 11.4 percent of covered payroll and contributions by employees is 8 percent of covered payroll.

The University's contributions to the ORP for the fiscal years ending June 30, were \$1,285,920 (2015), \$1,197,766 (2014) and \$1,177,665 (2013). These contributions were equal to the required contributions for each year. All ORP contributions are immediately vested in the employee's account. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and decisions made by participants for their individual investment accounts.

As of May 1, 1994, some exempt employees of the institution elected to continue as members with the Public Employee's Retirement Association of Colorado (PERA), the remainder participates in the ORP.

**PERA Plan Description For the Fiscal Year Ended June 30, 2015 (GASB No. 68 and 71)**

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 (C.R.S.), 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](http://www.copera.org/investments/pera-financial-reports).

*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.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

---

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 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent 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 percent 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 percent or 100 percent 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 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent 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 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent 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. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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

**PERA Plan Contributions.**

Eligible employees and 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 percent of their PERA-includable salary.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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	CY15	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
<b>Employer Contribution Rate</b>	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
<b>Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)</b>	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
<b>Amount Apportioned to the SDTF</b>	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
<b>Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411</b>	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
<b>Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411</b>	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
<b>Total Employer Contribution Rate to the SDTF</b>	14.63%	15.53%	15.53%	16.43%	16.43%	17.33%

Rates in the table above 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 University were \$2,105,844 for the year ended June 30, 2015.

**PERA 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 \$40,769,013 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 proportion of the net pension liability was based on University 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 proportion was 0.43 percent, which was a decrease of 0.02 from its proportion measured as of December 31, 2013.



**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

For the year ended June 30, 2015, the University recognized pension expense of \$933,656. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	-	\$3,021
Net difference between projected and actual earnings on pension plan investments	\$831,285	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	745,808
Contributions subsequent to the measurement date	1,022,949	N/A
Total	\$1,854,235	\$748,829

\$1,022,949 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:

<b>Year ended June 30, 2015</b>	
2016	(\$192,619)
2017	( 140,567)
2018	207,821
2019	207,821

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

---

**PERA 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 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 9.57 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
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.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>10 Year Expected Geometric Real Rate of Return</b>
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%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. 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 percent, at which point, the AED and SAED will each drop 0.50 percent 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.

*Sensitivity of the University 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 percent, 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 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$52,275,735	\$40,769,013	\$31,090,321

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

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

---

**PERA Plan Description for the Fiscal Year Ended June 30, 2014 (GASB No. 27)**

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

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

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2010, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior twelve months. In that case, they are required to remain in the PERA plan in which they participated previously.

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

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011, age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, age 65 with 5 years of service.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

---

- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

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

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

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

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the National Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)
- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

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

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

---

**Funding Policy**

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

Most employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2012, the temporary contribution rate increase of 2.5 percent for members in the State and Judicial Divisions to replace the 2.5 percent reduction in employer contributions effective for Fiscal Years 2010-11 and 2011-12 expired.

From July 1, 2013 to December 31, 2013, the State contributed 16.55 percent of the employee's salary. From January 1, 2014 through June 30, 2014, the state contributed 17.45 percent. During all of Fiscal Year 2013-14, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2013, the division of PERA in which the State participates has a funded ratio of 57.5 percent and a 60 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0 percent.

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent (except for the Judicial Division whose AED contribution was frozen at the 2010 level).

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries, for calendar years 2008 through 2017, to a maximum of 5 percent (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent and subsequently declines, the AED and SAED will be increased by one-half percentage point.

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

The University's contributions to PERA and/or the state defined contribution plan for the fiscal years ending June 30, were \$1,974,531 (2014) and \$1,815,985 (2013). These contributions met the contribution requirement for each year.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**Student Retirement Plan**

Beginning in fiscal year 1993, in accordance with the provision of Section 24-54.6-101, Colorado Revised Statute (C.R.S.), and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5 percent contribution on the employee's part with no employer contribution. Total current year payroll covered by the plan, for Adams State University was \$124,915. Employee contributions were 7.5 percent of covered payroll.

**NOTE 12 - OTHER RETIREMENT PLANS**

**PERA Defined Contribution Plan (DC Plan)**

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

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

	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
<b>Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411</b>	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
<b>Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411</b>	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
<b>Total Employer Contribution Rate to the SDTF</b>	5.50%	6.40%	6.40%	7.30%	7.30%	8.20%

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

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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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.

**401(k) Defined Contribution Plan**

Plan Description - Employees of the University that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. 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](http://www.copera.org/investments/pera-financial-reports).

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

**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.

**NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS & LIFE INSURANCE**

Health Care Trust Fund

Plan Description – 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](http://www.copera.org/investments/pera-financial-reports).

Funding Policy – 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 years ending June 30, 2015, 2014 and 2013, the University contributions to the HCTF were \$119,128, \$117,784 and \$114,463, respectively, equal to their required contributions for each year.



**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

Other Programs - Colorado Higher Education Insurance Benefits Alliance (CHEIBA)

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post-employment health coverage until the retiree is eligible for Medicare. As of June 30, 2015, there were 259 actively participating members.

CHEIBA financial statements are prepared under accounting principles generally accepted in the United States using the accrual basis of accounting following Governmental Accounting Standards for a business-type activity. The financial statements can be obtained by contacting the Adams State University Human Resources Office. Contributions are recognized in the period due. Benefits and refunds are recognized and paid when due according to the participating plans. The fair value of the Trust's investments is based on quoted market prices from national securities exchanges.

There are no long term contracts for contributions to the plan. Participating schools can withdraw their participation in the plan with at least one year notice to the CHEIBA board.

**NOTE 14 - SCHOLARSHIP ALLOWANCES**

Tuition, fee and auxiliary revenue and the related scholarship allowances for the year ended June 30, 2015 and 2014, were as follows:

	Tuition & Fees	Auxiliary Revenue	2015 Total	2014 Total
Gross Revenue	\$ 30,793,895	\$ 7,851,298	\$ 38,645,193	\$ 38,480,968
Scholarship Allowances:				
Federal	4,452,594	266,186	4,718,780	5,055,481
State	1,164,357	69,608	1,233,965	1,249,677
Private	1,213,145	72,524	1,285,669	1,368,877
Institutional	5,249,432	313,822	5,563,254	4,836,411
Total Allowances	<u>12,079,528</u>	<u>722,140</u>	<u>12,801,668</u>	<u>12,510,446</u>
Net Revenue	<u>\$ 18,714,367</u>	<u>\$ 7,129,158</u>	<u>\$ 25,843,525</u>	<u>\$ 25,970,522</u>

**NOTE 15 - UNIVERSITY FOUNDATION**

The Adams State University Foundation was formed and incorporated on January 23, 1962, as a non-profit corporation for the purpose of receiving gifts, legacies and grants of money and property and to administer these exclusively for educational purposes entirely within the Adams State University area in the State of Colorado, and for the purpose of promoting and furthering the interests, objectives and purposes of Adams State University in such other ways and manners as the corporation may from time to time determine.

During the year ended June 30, the University received funds totaling \$1,293,313 (2015) and \$1,192,378 (2014), from the Foundation for scholarships, work study and grants-in-aid. These funds are appropriately accounted for

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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and reported in the financial statements. In addition, the Foundation has expended funds for the purchase of an insignificant quantity of supplies and other services from the University.

**NOTE 16 - RISK FINANCING AND INSURANCE-RELATED ACTIVITIES**

The University is subject to risks of loss from liability for accident property damage and personal injury. The University is required to obtain insurance, but no reduction occurred in coverage nor did any settlements exceed coverage. The University does not retain risk of loss except for damage incurred to property belonging to the State, limited to a \$1,000 deductible per incident.

**NOTE 17 - LONG BILL BUDGET, ACTUAL REVENUE AND ACTUAL EXPENSES**

The budget, actual revenue and actual expenses related to the amounts shown in the State of Colorado Long Bill for tuition, academic fees, stipends and fee for service contracts for fiscal year 2015 are as follows:

Budget	\$12,856,669
Actual Revenues	12,857,549
Actual Expenses	12,856,669

## **REQUIRED SUPPLEMENTAL INFORMATION**

### **Pensions**

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These schedules are presented to illustrate the requirements to show information for ten years. However, until a full 10-year trend is compiled, the University will present information for those years for which information is available.

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**Adams State University**  
**Schedule of the University's Proportionate Share of the Net Pension Liability**  
**Colorado PERA Pension Plan**  
**For Fiscal Year Ended June 30,**

	<b>2015</b>	<b>2014</b>
University's proportion of the net pension liability	0.433%	0.446%
University's proportionate share of the net pension liability	\$ 40,769,013	\$ 39,752,901
University's covered employee payroll	\$ 11,898,898	\$ 11,717,998
University's proportionate share of the net pension liability as a percentage of its covered employee payroll	343%	339%
Plan fiduciary net position as a percentage of the total pension liability	59.8%	61.1%
PERA State Division Fiduciary Net Position (thousands)	\$ 14,013,947	\$ 13,980,460
PERA State Division Total Pension Liability (thousands)	\$ 23,420,000	\$ 22,888,000

**Notes to the Required Supplementary Information:**

There have not been any changes to benefit terms.

There have not been any changes in assumptions.

**Adams State University  
Schedule of Contributions  
Colorado PERA Pension Plan  
For Fiscal Year Ended June 30,**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 2,109,916	\$ 1,974,531	\$ 1,815,985	\$ 1,400,744	\$ 1,258,111	\$ 1,305,123	\$ 1,242,414	\$ 1,147,826	\$ 1,025,181	\$ 933,618
Contributions in relation to the contractually required contribution	2,109,916	1,974,531	1,815,985	1,400,744	1,258,111	1,305,123	1,242,414	1,147,826	1,025,181	933,618
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
University's covered employee payroll	\$ 11,898,898	\$ 11,717,998	\$ 11,221,830	\$ 11,096,675	\$ 10,423,854	\$ 9,928,171	\$ 9,943,293	\$ 9,890,487	\$ 9,402,305	\$ 8,977,821
Contributions as a percentage of covered employee payroll	17.73%	16.85%	16.18%	12.62%	12.07%	13.15%	12.49%	11.61%	10.90%	10.40%

**Notes to the Required Supplementary Information:**

There have not been any changes to benefit terms.

There have not been any changes in assumptions.

## **SUPPLEMENTAL INFORMATION**

**ADAMS STATE UNIVERSITY**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**FOR SERIES 2009A, 2009B, 2009C, 2012 AND 2015 AUXILIARY FACILITIES REVENUE BONDS**  
For the years ended June 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>Revenue</b>		
Tuition revenues	\$ 2,228,579	\$ 2,237,901
Extended Studies tuition and fees	5,361,846	4,874,120
Capital fees	2,534,783	2,187,057
College service fees	635,362	615,725
Traffic control fees	42,990	44,974
Rental income	4,237,290	4,462,841
Food service income	2,240,528	2,256,910
Sales/services auxiliaries	917,465	918,547
Interest income	21,102	20,068
Other income	269,262	250,323
<i>Total Revenue</i>	<b>18,489,207</b>	17,868,466
<b>Expenses</b>		
Salaries & benefits	5,410,562	5,130,175
Costs of goods	668,465	727,796
Utilities expense	541,864	585,717
Rental expense	184,059	192,633
Contract food services	1,332,160	1,328,597
Travel	156,075	97,757
Supplies	194,591	283,534
Other operating expenses	453,945	423,379
Purchased services-personal	763,561	330,967
Financial aid	656,464	577,059
Administrative cost allowance	1,275,398	1,233,923
Furniture & equipment	85,893	242,294
Other capital expenditures	7,950	225,000
Other expenses	281,475	277,742
<i>Total Expenses</i>	<b>12,012,462</b>	11,656,573
<b>Net Revenue before Transfers</b>	<b>6,476,745</b>	6,211,893
<b>Transfers</b>		
Mandatory transfers	3,817,538	3,432,918
Nonmandatory transfers	45,708	469,149
<i>Total Transfers</i>	<b>3,863,246</b>	3,902,067
<i>Net Revenue</i>	<b>\$ 2,613,499</b>	\$ 2,309,826
<b>Debt Service Coverage</b>		
Net Operating Revenue	\$ 6,476,745	\$ 6,211,893
Bond Principal and Interest	4,433,386	4,423,445
<b>Excess of Net Operating Revenue Over Debt Service</b>	<b>\$ 2,043,359</b>	\$ 1,788,448
<b>Debt Service Coverage Ratio</b>	<b>146%</b>	140%

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



Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the major fund of Adams State University (the University), an Institution of Higher Education, State of Colorado, the Adams State University Foundation, a discretely presented component unit, discussed in Note 1 of the financial statements, which represents 100 percent of the total assets, total revenues, and total net assets of the aggregate discretely presented component unit, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 25, 2015. The financial statements of the discretely presented component unit, Adams State University Foundation, were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

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

**Certified Public Accountants**

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Auditors' Findings and Recommendations.

## **Adams State University's Response to the Finding**

The University's response to the finding identified in our audit is described in the accompanying Finding and Recommendation section. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." in a cursive script.

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

November 25, 2015



Wall,  
Smith,  
Bateman Inc.

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities and the major fund of Adams State University (the University), an Institution of Higher Education, State of Colorado, and the Adams State University Foundation, a discretely presented component unit of the University, discussed in Note 1 of the financial statements, as of and for the years ended June 30, 2015 and 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *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 dated June 29, 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, the University changed accounting policies by adopting Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions and amendment of GASB Statement No. 27*, during Fiscal Year 2015. The requirement to record a portion of PERA's unfunded liability negatively impacted the University's beginning net position as of June 30, 2015 by \$38,802,228 as reported in the Statement of Revenues, Expenses and changes in Net position. Along with GASB No. 68 the University has implemented GASB No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, by recognizing contributions from the end of the calendar year to the end of the University's fiscal year, January to June, as a deferred outflow of resources. The University's beginning net position was increased by \$950,673 to reflect PERA contributions between January 1 and June 30, 2014. 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 University's financial statements were:

Management's estimate of the net pension liability, deferred outflows of resources, and deferred inflows of resources at June 30, 2015 and total pension expense recognized during FY 2015 are based upon the University's proportionate share of the collective net pension liability, deferred outflows of resources, and deferred inflows of resources reported by the

### **Certified Public Accountants**

Public Employee's Retirement Association of Colorado (PERA) at December 31, 2014 and the collective pension expense for the year then ended. The University's proportion has been adjusted for pension contributions between PERA's reporting date of December 31, 2014 and the University's fiscal year end of June 30, 2015.

Management's estimate of the depreciation expense is based on the estimated useful life of the capital assets being depreciated at June 30, 2015. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

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.

The financial statement disclosures are neutral, consistent, and clear.

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

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 25, 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 auditors' 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, and the schedule of the University's contributions, 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 RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompany the financial statements but are not required supplementary information. 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 State of Colorado Legislative Audit Committee, Board of Trustees, and management of the University and is not intended to be, and should not be, used by anyone other than these specified parties. However, the report is a matter of public record upon release by the Legislative Audit Committee.

Very truly yours,

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." The signature is written in a cursive, flowing style.

Wall, Smith, Bateman Inc.

November 25, 2015