

**Colorado State University – Global Campus**  
**(A University within the Colorado State University System)**  
**Financial Statements and Independent Auditor’s Reports**  
**Financial Audit**  
Years Ended June 30, 2016 and 2015



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December 9, 2016

Members of the Legislative Audit Committee:

We have completed the financial statement audit of Colorado State University – Global Campus as of and for the year ended June 30, 2016. Our audit was conducted 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.

We were engaged to conduct our audit pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions and agencies of state government. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.

*BKD, LLP*

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**(A University within the Colorado State University System)**  
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**Colorado State University - Global Campus**  
**(A University within the Colorado State University System)**

Report Summary

Year Ended June 30, 2016

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**Purposes and Scope of Audit**

The Office of the State Auditor engaged **BKD, LLP** (BKD) to conduct a financial audit of Colorado State University – Global Campus (CSU – Global) for the year ended June 30, 2016. BKD performed the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The purposes and scope of the audit were to:

- Express opinions on the financial statements of CSU – Global as of and for the year ended June 30, 2016, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards* for the year ended June 30, 2016.
- Evaluate compliance with certain provisions of laws, regulations, contracts and grants governing the expenditure of federal and state funds for the year ended June 30, 2016.
- Issue a report on CSU – Global’s internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters based on our audits of the financial statements performed in accordance with *Government Auditing Standards* for the year ended June 30, 2016.

**Audit Opinions and Reports**

The independent auditor’s reports included herein expressed unmodified opinions on CSU – Global’s financial statements as of and for the years ended June 30, 2016 and 2015.

No material weaknesses in internal control over financial reporting were identified.

No instances of noncompliance considered material to the financial statements were disclosed by the audit.

There are no findings and recommendations reported for the year ended June 30, 2016.

**Significant Audit Adjustments**

No matters are reportable.

**Colorado State University - Global Campus**  
**(A University within the Colorado State University System)**

Report Summary

Year Ended June 30, 2016

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

There were no findings and recommendations reported for the year ended June 30, 2015.

**Colorado State University - Global Campus**  
Description of the Colorado State University-Global Campus  
Year Ended June 30, 2016

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**Organization and Administration**

Colorado State University-Global Campus (CSU – Global) is the newest institution in the Colorado State University System (the System), an established university system with a rich 140-year history that evolved from agrarian roots as a land-grant institution. CSU – Global was established on August 24, 2007, by the System Board of Governors with a central goal of meeting the educational needs of adult learners in the State of Colorado and beyond by providing high quality online programs. On May 7, 2008, the System Board of Governors delegated authority to CSU – Global to oversee academic, personnel, and financial matters consistent with powers granted to CSU and CSU-Pueblo. Thereafter, CSU – Global was legally sanctioned as a third, independent University on March 18, 2009, when Colorado’s Governor Ritter signed into law the State of Colorado Senate Bill 09-086 declaring the establishment of the CSU – Global Campus as an online university that is part of the Colorado State University System.

CSU – Global is the first statutorily-defined 100% online public university in the United States. It has a unique focus on the success of adult, nontraditional learners with learning outcomes focused on theory, knowledge, and skills necessary to secure employment and improve job performance. From its first class of nearly 200 students in 2008, CSU – Global has now grown to have a student body of 16,037 students.

On June 30, 2011, Colorado State University-Global Campus was officially granted independent regional accreditation status by the Higher Learning Commission (HLC) of the North Central Association of Colleges and Schools. CSU – Global is the first public university in Colorado to receive initial HLC accreditation since 1971, a significant achievement for the university, the CSU System, and online education. The role and mission of CSU – Global is established in Title 23, C.R.S.

The Board of Governors of the Colorado State University System (the Board) has control and supervision of CSU – Global. The Board consists of 15 members: Nine voting members appointed by the Governor and confirmed by the Senate for four-year terms and six advisory members representing the student bodies and the faculty councils elected for one-year terms.

The Board is authorized to set tuition, pay expenses, and hire officials. The chief academic and administrative officers are the Chancellor of the Colorado State University System and the President of each institution.

**Academic Degree Programs**

CSU – Global currently offers thirteen online undergraduate programs which lead to Bachelor of Science degrees in the following disciplines:

- Accounting
- Applied Social Sciences
- Business Management
- Communication
- Criminal Justice and Law Enforcement Administration
- Healthcare Administration and Management
- Human Resource Management
- Human Services
- Information Technology
- Management Information Systems and Business Analytics
- Marketing
- Organizational Leadership
- Project Management

CSU – Global also currently offers twelve graduate level degree programs in the following disciplines:

**Colorado State University - Global Campus**  
 Description of the Colorado State University-Global Campus  
 Year Ended June 30, 2016

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- Master of Science in Management
- Master of Science in Teaching and Learning
- Master of Finance
- Master of Information Technology Management
- Master of Project Management
- Master of Science in Organizational Leadership
- Master of Criminal Justice and Law Enforcement Administration
- Master of Healthcare Administration and Management
- Master of International Management
- Master of Science in Teaching and Learning – Education Leadership Principal Licensure Concentration
- Master of Professional Accounting
- Master of Human Resource Management

**Colorado State University-Global Campus**

Colorado State University – Global Campus (CSU – Global) was created by the Colorado State University System Board of Governors in 2007, and initiated its student instruction in Fall 2008. Built on a foundation of low cost, accountability, adaptability to marketplace needs, and sensitivity to student needs, CSU – Global is focused on facilitating adult success in a global marketplace through career-relevant education.

CSU – Global’s degree programs and specializations are carefully selected and crafted to prepare students for relevant jobs and careers that have current and forecasted long-term growth. Instructors with industry expertise and top academic credentials lead courses that emphasize not only pertinent professional information, but they also seek to expand vital skills of critical thinking, evaluation, examination, and decision making—all important factors in both securing and keeping desirable jobs.

**Mission Statement**

CSU – Global Campus is committed to advancing student success in a global society, investing in human capital, expanding the state economy, and enhancing the quality of life for citizens in the state of Colorado and beyond by providing access to dynamic degree programs characterized by academic excellence, innovative delivery technologies, and strong stakeholder engagement.

CSU – Global reports full-time equivalent (FTE) for student, faculty and staff for three continuous years as follows:

<b>Colorado State University-Global Campus</b>			
<b>Full-Time Equivalent (FTE) Student Enrollment</b>			
	<b>Resident</b>	<b>Nonresident</b>	<b>Total</b>
Fiscal year:			
2015–2016	3,155	4,247	7,402
2014–2015	2,771	3,323	6,094
2013–2014	2,502	2,460	4,962

**Colorado State University - Global Campus**  
Description of the Colorado State University-Global Campus  
Year Ended June 30, 2016

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**Colorado State University-Global Campus**  
**Full-Time Equivalent (FTE) Faculty and Staff**

Fiscal year:	<u>Faculty</u>	<u>Staff</u>	<u>Total</u>
2015–2016	273	157	430
2014–2015	259	144	403
2013–2014	240	134	374

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**Colorado State University-Global Campus**  
Auditor's Findings and Recommendations  
Year Ended June 30, 2016

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There are no findings and recommendations for the year ended June 30, 2016.

**Colorado State University-Global Campus**  
Disposition of Prior Audit Recommendations  
Year Ended June 30, 2016

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

There were no findings and recommendations reported for the year ended June 30, 2015.



## Independent Auditor's Report

Members of the Legislative Audit Committee:

### Report on the Financial Statements

We have audited the accompanying financial statements of Colorado State University – Global Campus (CSU – Global), a university within the Colorado State University System, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise CSU – Global's basic financial statements listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Members of the Legislative Audit Committee:

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CSU – Global as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements of CSU – Global, are intended to present the financial position, the changes in financial position and the cash flows of only that portion of the business –type activities of the CSU System that is attributable to the transactions of CSU – Global. They do not purport to, and do not, present fairly the financial position of the CSU System as of June 30, 2016 and 2015, and the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise CSU – Global’s basic financial statements. The Description of the Colorado State University-Global Campus listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Members of the Legislative Audit Committee:

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of CSU – Global’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CSU – Global’s internal control over financial reporting and compliance.

*BKD, LLP*

Denver, Colorado  
December 9, 2016

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**Colorado State University - Global Campus**  
Management's Discussion and Analysis  
Years Ended June 30, 2016 and 2015  
(Unaudited)

**Management's Discussion and Analysis**

This section of the financial report presents management's discussion and analysis of the financial performance of Colorado State University-Global Campus (CSU – Global) for the fiscal years ended June 30, 2016 and 2015. CSU – Global began offering classes to students in fiscal year 2009 and achieved a positive net position (total assets in excess of total liabilities) in fiscal year 2012. Management's comments will primarily focus on the periods ending June 30, 2014 through June 30, 2016. This discussion provides an analysis of the university's financial activities based on currently known facts, decisions, or existing conditions, and should be read in conjunction with CSU – Global's financial statements and notes thereto, which are also presented in this document. The analyses in this section of the report are unaudited.

**Enrollment and Financial Highlights**

The following accomplishments occurred during the fiscal years ended June 30, 2016, 2015 and 2014:

- Student enrollment (unduplicated headcount) increased 22% between fiscal year 2015 and 2016 and increased 26% between fiscal year 2014 and 2015.
- Student enrollment (FTE) increased 21% and 23% between fiscal year 2015 and 2016 and between fiscal year 2014 and 2015, respectively.
- Unique course offerings to our students increased 5.74% and 15% between fiscal year 2015 and 2016 and between fiscal year 2014 and 2015, respectively.
- CSU – Global's net position increased from \$25.4 million at June 30, 2014, to \$77.3 million by June 30, 2016.

**The Basic Financial Statements**

The enclosed financial statements are designed to provide readers with a broad overview of CSU – Global's financial activities. The statements of net position, statements of revenues, expenses and changes in net position, and the statements of cash flow compose the basic financials of CSU – Global.

**Financial Analysis**

**Statement of Net Position**

The statement of net position presents the financial position of CSU – Global and includes all assets and liabilities of the university at a point in time. CSU-Global assets exceeded liabilities resulting in positive net position by \$77,320,584, \$48,364,321, and \$25,410,266 at June 30, 2016, 2015 and 2014, respectively. At June 30, 2016, the majority (93%) of CSU – Global's assets are held as cash and cash equivalents. Surplus reserves or net position is primarily designated to fund strategic initiatives such as enrollment growth and exceptional customer service, to maintain financial stability as required by the

**Colorado State University - Global Campus**  
Management's Discussion and Analysis  
Years Ended June 30, 2016 and 2015  
(Unaudited)

Board and Higher Learning Accrediting Authorities and for the development of new and maintenance of existing online courses and degree programs.

**Summary of Net Position**

	<b>June 30</b>		
	<b>2016</b>	<b>2015</b>	<b>2014 *</b>
Current assets	\$ 85,338,905	\$ 54,453,764	\$ 35,081,015
Capital assets	1,155,409	1,243,564	841,684
Other assets	1,320,713	1,320,713	-
Total assets	<u>\$ 87,815,027</u>	<u>\$ 57,018,041</u>	<u>\$ 35,922,699</u>
Deferred outflows of resources	\$ 1,089,574	\$ 419,815	\$ -
Total deferred outflows of resources	<u>\$ 1,089,574</u>	<u>\$ 419,815</u>	<u>\$ -</u>
Current liabilities	\$ 6,956,615	\$ 5,819,223	\$ 10,048,980
Noncurrent liabilities	4,580,402	3,254,107	463,453
Total liabilities	<u>\$ 11,537,017</u>	<u>\$ 9,073,330</u>	<u>\$ 10,512,433</u>
Deferred inflows of resources	\$ 47,000	\$ 205	\$ -
Total deferred inflows of resources	<u>\$ 47,000</u>	<u>\$ 205</u>	<u>\$ -</u>
Net position:			
Net investment in capital assets	\$ 1,155,409	\$ 1,243,564	\$ 841,684
Restricted for expendable purposes			
Scholarships	11,548	32,093	164,958
Other	-	-	16,750
Unrestricted	<u>76,153,627</u>	<u>47,088,663</u>	<u>24,386,873</u>
Total net position	<u>\$ 77,320,585</u>	<u>\$ 48,364,321</u>	<u>\$ 25,410,266</u>

\* The 2014 amounts were not restated with the adoption of GASB 68

**2016 compared to 2015**

Continued expansion of new courses and degree programs followed by strong enrollment growth contributed to the changes in CSU – Global statement of net position assets as outlined below:

- Cash and cash equivalents increased \$30.2 million, or 59%.
- Although CSU-Global increased revenue, net student accounts receivable increased \$40 thousand or only 2% as a result of more timely collections.

## Colorado State University - Global Campus

### Management's Discussion and Analysis

Years Ended June 30, 2016 and 2015

(Unaudited)

- Other accounts receivable, increased \$455 thousand, or 219% in 2016 over that of 2015 due to the timing difference of receipts related to student credit card settlement payments, direct loan disbursement payments.
- Net capital assets decreased \$88 thousand, or 7%, over fiscal year 2015 due to disposals of software licenses of \$80 thousand. Prepaid expenses increased \$184 thousand, or 26%, in 2016 over that of 2015 due to increased prepayments of licensing and subscriptions.
- Current liabilities increased \$1.1 million or 20% with the increase in expenses related to the strong enrollment growth.
- Noncurrent liabilities increased by \$1.3 million or 41%, primarily as a result of the increase in the net pension liability
- The change in deferred outflows and deferred inflows are the result of change in deferred items related to pension plans

#### **2015 compared to 2014**

Continued expansion of new courses and degree programs followed by strong enrollment growth contributed to the changes in CSU – Global statement of net position assets as outlined below:

- Cash and cash equivalents increased \$18.1 million, or 55%, in 2015 over that of 2014.
- Net student accounts receivable increased \$934 thousand or 71% due to the timing of the tuition bill date of the last term in the fiscal year, federal financial aid disbursements applied to accounts receivable, and the evaluation of the allowance for doubtful accounts.
- Other accounts receivable, decreased \$97 thousand, or 32% in 2015 over that of 2014 due to the timing difference related to student credit card settlement payments, direct loan disbursement payments received subsequent to year end, and enhanced accounting processes.
- Net capital assets increased \$402 thousand, or 48%, over fiscal year 2014 due to the increase in furniture and equipment and perpetual software licenses purchases in improving the technological infrastructure of the University.
- Prepaid expenses increased \$421 thousand, or 154%, in 2015 over that of 2014 due to increased prepayments of licensing and subscriptions.
- Current liabilities decreased \$4.3 million or 42% primarily as a result of payment of \$5.4 million in transfers and payments to CSU-Pueblo that occurred in 2015.
- Noncurrent liabilities increased by \$2.8 million, due to the recognition of net pension liability per GASB 68
- The change in deferred outflows and deferred inflows are the result of change in deferred items related to pension plans

**Colorado State University - Global Campus**  
Management's Discussion and Analysis  
Years Ended June 30, 2016 and 2015  
(Unaudited)

**Statement of Revenues, Expenses and Changes in Net Position**

The statement of revenues, expenses and changes in net position presents the financial operating results of CSU – Global for the reporting period. Operating and nonoperating revenues and expenses and the resulting increase/decrease (changes in net position) during the year are shown in this statement.

	Year Ended June 30		
	2016	2015	2014
Operating revenues			
Student tuition and fees	\$ 76,468,053	\$ 63,603,436	\$ 48,454,218
Other operating revenue	1,919,797	1,843,092	1,192,425
Total operating revenues	<u>78,387,850</u>	<u>65,446,528</u>	<u>49,646,643</u>
Operating expenses			
Instruction	16,240,963	12,605,994	10,232,984
Academic support	4,651,949	4,457,086	2,960,592
Student services	21,886,826	16,905,263	13,196,369
Institutional support	5,935,999	6,306,771	5,274,946
Operation and maintenance of plant	531,924	491,710	418,996
Depreciation	399,948	287,116	93,291
Scholarships and fellowships	9,628,414	8,474,220	6,551,036
Total operating expenses	<u>59,276,023</u>	<u>49,528,160</u>	<u>38,728,214</u>
Operating income	<u>19,111,827</u>	<u>15,918,368</u>	<u>10,918,429</u>
Nonoperating revenues (expenses)			
Investment income	940,078	332,273	247,931
Grant to Community College	-	(161,250)	(168,750)
Federal nonoperating grants and contracts	9,628,414	8,474,220	6,551,036
Net nonoperating revenues	<u>10,568,492</u>	<u>8,645,243</u>	<u>6,630,217</u>
Income before other revenues (expenses) or transfers	<u>29,680,319</u>	<u>24,563,611</u>	<u>17,548,646</u>
Other revenues (expenses) or transfers			
Payments from (to) governing boards or other institutions	(724,056)	547,235	(7,012,389)
Total other revenues, (expenses) or transfers	<u>(724,056)</u>	<u>547,235</u>	<u>(7,012,389)</u>
Increase in net position	28,956,263	25,110,846	10,536,257
Net Position			
Net position, beginning of year	48,364,321	25,410,266	14,874,009
Change in accounting principle	-	(2,156,791)	-
Net position, beginning of year, as adjusted	<u>48,364,321</u>	<u>23,253,475</u>	<u>14,874,009</u>
Net position, end of year	<u>\$ 77,320,584</u>	<u>\$ 48,364,321</u>	<u>\$ 25,410,266</u>



**Colorado State University - Global Campus**  
Management's Discussion and Analysis  
Years Ended June 30, 2016 and 2015  
(Unaudited)

**2016 compared to 2015**

The introduction of new courses and degree programs combined with strong enrollment growth led to significant increases in operating revenues and expenses. CSU – Global offers fixed tuition pricing. Once a student enrolls in a degree program, the tuition rate is locked as long as the student remains in classes and in good academic standing.

- Total student enrollment based on full-time equivalents increased 21.0%
- Tuition and fee revenue grew by \$12.9 million or 20.2%

As the interest and demand grew for CSU – Global online course offerings, so did its operating costs.

- The number of instructors (full-time equivalent) increased 5.4%.
- The number of non-teaching or support staff employees (full-time equivalent) increased 9.0% during this same period.

Between the fiscal years of 2015 and 2016, CSU – Global's spend on operating expenses covered the following main areas. Academic related activities such as online instruction, course design, maintenance and development comprised 42% of the overall operating expense spend. Also, student enrollment and retention services covered another 43% with 15% spent on administration, technology, and facilities.

- Nonoperating revenues increased \$1.9 million or 22.2%. This increase is attributable to the increased number of undergraduate students eligible for federal grants. Nonoperating revenues for CSU – Global primarily consist of federal Pell Grant awards received on behalf of students. Reporting standards require the receipt of these resources to be recognized as nonoperating revenue while the actual disbursement to students is reported as an operating expense.
- CSU – Global's change in net position was \$29.0 million as the result of increased revenues in excess of costs.

**2015 compared to 2014**

The introduction of new courses and degree programs combined with strong enrollment growth led to significant increases in operating revenues and expenses. CSU – Global offers fixed tuition pricing. Once a student enrolls in a degree program, the tuition rate is locked as long as the student remains in classes and in good academic standing.

- Total student enrollment based on full-time equivalents increased 22.8%

## Colorado State University - Global Campus

### Management's Discussion and Analysis

Years Ended June 30, 2016 and 2015

(Unaudited)

- Tuition and fee revenue grew \$15.1 million, or 31.3%

As the interest and demand grew for CSU – Global online course offerings, so did its operating costs.

- The number of instructors (full-time equivalent) increased 7.9%.
- The number of non-teaching or support staff employees (full-time equivalent) increased 7.5% during this same period.

Between the fiscal years of 2014 and 2015, CSU – Global's spend on operating expenses covered the following main areas. Academic related activities such as online instruction, course design, maintenance and development comprised 41% of the overall operating expense spend. Also, student enrollment and retention services covered another 42% with 17% spent on administration, technology, and facilities.

- Nonoperating revenues increased \$2.0 million or 30.4%. This increase is attributable to the increased number of undergraduate students eligible for federal grants. Nonoperating revenues for CSU – Global primarily consist of federal Pell Grant awards received on behalf of students. Reporting standards require the receipt of these resources to be recognized as nonoperating revenue while the actual disbursement to students is reported as an operating expense.
- CSU – Global's change in net position was \$25.1 million as the result of increased revenues in excess of costs.

#### Statement of Cash Flows

The statement of cash flows provides information about CSU – Global's operating results by reporting sources and uses of cash. The basis of presentation for this statement is the direct method, which illustrates cash flows from operating, non-capital financing, capital and related financing, and investing activities.

#### Economic Outlook for Colorado State University-Global Campus

Quality, convenience, flexibility and affordability are the growing demands of the educational consumer, particularly among the adult nontraditional students on which CSU – Global's mission is focused. The university's data-driven approach to all university activities, its introduction of market relevant courses and degree programs, its emphasis on student and graduate workplace success, and its dedication to student retention and degree completion are expected to continue to fuel the university's growth and reputation.

## **Colorado State University - Global Campus**

### **Management's Discussion and Analysis**

Years Ended June 30, 2016 and 2015

(Unaudited)

Management believes CSU – Global will experience strong enrollment growth as new accredited programs and student experience enhancements are introduced across the nation, and as students continue to demand educational opportunities that provide access, affordability, and high academic quality. Although CSU – Global is a Colorado public university under the governance of the CSU System Board of Governors, it receives no state funding but instead relies on its own operational excellence and efficiencies to achieve its mission. Therefore, the threat of reduced or limited state support will not encumber the operational abilities of CSU – Global. It is the intent of management, as evidenced by its strong and favorable net position on June 30, 2016, to employ a fiscal policy of adding to its cash reserves while maintaining minimal long-term debt. Given CSU – Global's mission and focused initiatives, its leadership position in higher education innovation, and its understanding of the educational market, management believes that the University's financial position will remain strong.

CSU – Global is a young university that is rising up in a time that its industry is rapidly filling with competitive private equity players, for-profit publishers & businesses, large well-funded non-profit organizations, innovative upstarts and new public university online options. As in any industry, there are uncertain economic and political factors that may restrict the growth and threaten the financial viability of an organization. With CSU – Global's streamlined operational models that afford it flexibility and scalability, minimal long-term debt load, and low operating costs, and with its revenue diversification abilities, management believes that it is well-positioned for adverse and unforeseeable events.

#### **Requests for Information**

The financial report is designed to provide a general overview of the Colorado State University-Global Campus's finances for all those with an interest in CSU – Global's finances and to demonstrate CSU – Global's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the attention of the Controller, Colorado State University-Global Campus, 7800 East Orchard Road, Suite 200, Greenwood Village, Colorado 80111.

# Colorado State University-Global Campus

## Statements of Net Position

June 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 81,500,318	\$ 51,297,195
Student accounts receivable, net	2,290,439	2,249,805
Grant and other accounts receivable, net	662,430	207,673
Inventories	7,180	4,416
Prepaid expenses	878,538	694,675
Total current assets	85,338,905	54,453,764
Capital assets		
Furniture and equipment, net	\$ 797,355	\$ 768,056
Software, net	241,320	371,155
Leasehold improvements, net	116,734	104,353
Total capital assets	1,155,409	1,243,564
Other assets		
Long term intra fund receivable	\$ 1,320,713	\$ 1,320,713
Total other assets	1,320,713	1,320,713
Total assets	\$ 87,815,027	\$ 57,018,041
<b>Deferred Outflows of Resources</b>	\$ 1,089,574	\$ 419,815
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 1,647,051	\$ 1,182,552
Accrued liabilities	2,377,794	2,112,697
Unearned revenue	2,433,931	2,154,566
Deposits held for others	451,439	310,838
Other noncurrent liabilities, current portion	45,116	45,116
Compensated absences, current portion	1,284	13,454
Total current liabilities	6,956,615	5,819,223
Noncurrent liabilities		
Net pension liability	3,962,509	2,769,722
Compensated absence liabilities	538,941	360,316
Other noncurrent liabilities	78,952	124,069
Total noncurrent liabilities	4,580,402	3,254,107
Total liabilities	\$ 11,537,017	\$ 9,073,330
<b>Deferred Inflows of Resources</b>	\$ 47,000	\$ 205
<b>Net Position</b>		
Net investment in capital assets	\$ 1,155,409	\$ 1,243,564
Restricted for expendable purposes		
Scholarships and grants	11,548	32,093
Unrestricted	76,153,627	47,088,663
Total net position	\$ 77,320,584	\$ 48,364,321

**Colorado State University-Global Campus**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Operating revenues		
Student tuition and fees, net	\$ 76,468,053	\$ 63,603,436
Other operating revenue	<u>1,919,797</u>	<u>1,843,092</u>
Total operating revenues	<u>78,387,850</u>	<u>65,446,528</u>
Operating expenses		
Instruction	16,240,963	12,605,994
Academic support	4,651,949	4,457,086
Student services	21,886,826	16,905,263
Institutional support	5,935,999	6,306,771
Operation and maintenance of plant	531,924	491,710
Depreciation	399,948	287,116
Scholarships and fellowships	<u>9,628,414</u>	<u>8,474,220</u>
Total operating expenses	<u>59,276,023</u>	<u>49,528,160</u>
Operating income	<u>19,111,827</u>	<u>15,918,368</u>
Nonoperating revenues (expenses)		
Investment income	940,078	332,273
Grant to Community College	-	(161,250)
Federal nonoperating grants and contracts	<u>9,628,414</u>	<u>8,474,220</u>
Net nonoperating revenues	<u>10,568,492</u>	<u>8,645,243</u>
Income before other revenues, expenses or transfers	<u>29,680,319</u>	<u>24,563,611</u>
Other revenues (expenses), or transfers		
Payments from (to) governing boards or other institutions	<u>(724,056)</u>	<u>547,235</u>
Total other revenues, (expenses), or transfers	<u>(724,056)</u>	<u>547,235</u>
Increase in net position	28,956,263	25,110,846
Net position, beginning of year	<u>48,364,321</u>	<u>23,253,475</u>
Net position, end of year	<u>\$ 77,320,584</u>	<u>\$ 48,364,321</u>

## Colorado State University System-Global Campus

### Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
Cash flows from operating activities		
Cash received		
Tuition and fees	\$76,847,386	\$ 63,101,081
Other operating receipts	1,465,039	1,940,128
Cash payments		
Scholarships disbursed	(9,628,414)	(8,474,220)
Payments to employees	(27,442,012)	(23,948,781)
Payments to suppliers	(20,490,882)	(16,411,167)
Net cash provided by operating activities	20,751,117	16,207,041
Cash flows from noncapital financing activities		
Gifts and grants for other than capital purposes	-	(161,250)
Agency (direct lending inflows)	79,094,890	65,123,080
Agency (direct lending outflows)	(79,094,890)	(65,123,080)
Other agency (inflows)	903,770	789,546
Other agency (outflows)	(903,770)	(789,546)
Payments to governing boards or other institutions	(724,056)	(6,173,478)
Other nonoperating revenues	9,628,414	8,474,220
Net cash provided by noncapital financing activities	8,904,358	2,139,492
Cash flows from capital financing activities		
Acquisition of capital assets	(392,430)	(562,421)
Net cash used in capital financing activities	(392,430)	(562,421)
Cash flows from investing activities		
Investment earnings	940,078	332,273
Net cash provided by investing activities	940,078	332,273
Net increase in cash and cash equivalents	30,203,123	18,116,385
Cash and cash equivalents, beginning of the year	51,297,195	33,180,810
Cash and cash equivalents, end of the year	\$ 81,500,318	\$ 51,297,195

## Colorado State University System-Global Campus

### Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income	\$ 19,111,827	\$ 15,918,368
Adjustments		
Depreciation expense	399,948	287,116
Noncash operating transactions	634,071	(19,378)
Decrease (increase) in assets		
Receivables, net	(1,048,825)	(817,218)
Inventories and prepaids	(186,628)	(419,768)
Increase (decrease) in liabilities		
Accounts payable	464,499	576,846
Accrued liabilities	265,097	71,579
Unearned revenue	279,365	393,082
Deposits held for others	140,601	38,196
Compensated absences liabilities	166,454	30,016
Other liabilities	524,708	148,202
Net cash provided by operating activities	\$ 20,751,117	\$ 16,207,041
Noncash activities		
Accounts payable incurred for capital assets	\$ -	\$ 126,574

# Colorado State University – Global Campus

## Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

### **(1) Governance and Reporting Entity**

#### *Governance*

Colorado State University-Global Campus (CSU – Global) is a Colorado public institution and one of three universities within the Colorado State University System (the CSU System). The CSU System is an institution of higher education of the State of Colorado. The Board of Governors (the Board) is the governing board of the CSU System. The Board consists of nine members appointed by the Governor of the State of Colorado and four nonvoting representatives from the institutions. In addition to these financial statements, CSU – Global’s financial activity is also included in the basic financial statements of the Colorado State University System.

#### *Reporting Entity*

The accompanying financial statements present the operations of CSU – Global. As a higher education institution of the State of Colorado, the income of CSU – Global is generally exempt from income taxes under Section 115 of the Internal Revenue Code (IRC). However, income unrelated to the exempt purpose of CSU – Global would be subject to tax under IRC Section 511(a)(2)(B). CSU – Global had no material unrelated business income for the years ended June 30, 2016 and 2015.

### **(2) Basis of Presentation**

The financial statements of CSU – Global, are intended to present the financial position, the changes in financial position and the cash flows of only that portion of the business –type activities of the CSU System that is attributable to the transactions of CSU – Global. They do not purport to, and do not, present fairly the financial position of the CSU System as of June 30, 2016 and 2015, and the changes in its financial position, or where applicable, its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Any effort to reconcile this report with presentations made for other purposes, such as data submitted with the legislative budget request of CSU – Global, must take into consideration the differences in the basis of accounting and other requirements for the presentation of such information.

### **(3) Measurement Focus, Basis of Accounting, and Summary of Significant Accounting Policies**

For financial reporting purposes, CSU – Global is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the basic financial statements of CSU – Global have been presented using the economic resources measurement focus and the accrual basis of accounting. Presentation is also in accordance with the State of Colorado Higher Education Accounting Standard No. 17. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred.

#### *Cash and Cash Equivalents*

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



# Colorado State University – Global Campus

## Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

### ***Student Receivables***

Student receivables are carried at cost, less an allowance for doubtful accounts. Management believes that the allowance for doubtful accounts is adequate. Management uses available information to recognize losses on student receivables. Future additions to the allowance may be necessary based on changes in economic conditions and other factors.

### ***Inventories***

Inventories, consisting of school store merchandise, are carried at cost.

### ***Capital Assets***

Capital assets are stated at cost. Depreciation on furniture, fixtures, equipment and improvements is provided on a straight-line basis over the estimated useful lives as described in the table below:

<u>Asset Class</u>	<u>Useful Life</u>
Furniture and Other Equipment	5–7 years
Computer Hardware and Software	3–5 years
Leasehold Improvements	Shorter of term of lease or useful life

Amounts spent for repairs and maintenance are charged to expense as incurred. When assets are sold or retired, the associated cost and accumulated depreciation are removed. Any gain or loss from such disposition is recorded as a component of other non-operating revenues and expenses on the Statements of Revenues, Expenses and Changes in Net Position.

### ***Deferred Outflows and Inflows of Resources***

With the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, the System reports a deferred outflow and a deferred inflow of resources related to pensions.

### ***Compensated Absence Liabilities***

The amount of compensated absence liabilities that are recorded as a current liability on the statements of net position are the known amount of separation payouts at June 30. The remaining balance of the compensated absence liabilities is recorded as a noncurrent liability on the statements of net position.

### ***Net Position***

Net positions of CSU – Global are classified as follows:

***Net investment in capital assets*** – This represents the total investment in capital assets, net of accumulated depreciation and outstanding debt obligations, if any, related to those capital assets.

# Colorado State University – Global Campus

## Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

***Restricted net position – nonexpendable*** – Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing future income, which may either be expended or added to principal. CSU – Global has no non-expendable assets as of June 30, 2016 and 2015.

***Restricted net position – expendable*** – Restricted expendable net positions in which CSU – Global is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or debt agreements.

***Unrestricted net position*** – Unrestricted net position represents resources derived from student tuition and fees, state fee for service reserves, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of CSU – Global and may be used to meet current expenses for any purpose. Unrestricted net assets may be designated by actions of the Board.

### ***Classification of Revenues***

CSU – Global has classified revenues as either operating or nonoperating according to the following criteria:

- Operating revenues consist of services related to teaching, including tuition and application fees from students (after reduction for bad debt and scholarship allowances provided with institutional funds).
- Operating expenses represent the full cost of providing the services and goods associated with operating revenues. These expenses are accrued when incurred and measurable and reported using functional classifications.
- Non-operating revenues and expenses consist primarily of investment income that are relied upon and budgeted for support of operating expenses. Also included in non-operating revenues are Federal Pell Grants.

### ***Unearned Revenue***

CSU – Global defers a portion of the tuition revenue for courses whose duration span two fiscal years. The unearned amount is based on the number of calendar days that occur after June 30.

### ***Application of Restricted and Unrestricted Resources***

This application is made on a case-by-case basis by management depending on overall program requirements and resources. Generally, management applies restricted resources then unrestricted resources when both restricted and unrestricted resources are available to pay an expense.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

# Colorado State University – Global Campus

## Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **(4) Cash and Cash Equivalents**

CSU – Global deposits cash and cash equivalents with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities as prescribed by CRS 24-75-601.1. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2016, CSU – Global had cash on deposit with the State Treasurer of approximately \$78 million, which represented approximately 1.0 percent of the total \$7.7 billion of fair value of deposits in the State Treasurer’s Pool (Pool). As of June 30, 2015, CSU – Global had cash on deposit with the State Treasurer of \$46 million, which represented approximately .60 percent of the total \$7.7 billion of 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 CSU – Global’s participation in the Pool, CSU – Global reports as an increase or decrease in cash and cash equivalents its share of the Treasurer’s unrealized gains and losses on 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 or losses included in income reflect only the change in fair value for the fiscal year.

The difference between CSU – Global’s cash carrying value, deposits with the State Treasurer and balances at other banks is due to outstanding checks and deposits in transit. CSU – Global earned interest of \$573,029 for the fiscal year ended June 30, 2016 and \$297,097 for the fiscal year ended June 30, 2015. However, CSU – Global recognized the occurrence of increases in cash and cash equivalents and increases or decreases in investment income as a result of unrealized gains or losses on deposits with the State Treasurer. CSU – Global reflected an unrealized gain of \$367,050 and \$35,245 in cash and cash equivalents on deposit with the State Treasurer for fiscal years ended June 30, 2016 and 2015, respectively. Detailed information on the State Treasurer’s pooled cash and cash equivalents and investments is available from the State Treasurer’s office.

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, 2016, none of the investments in the State Treasurer’s Pool are subject to custodial credit risk.

Custodial credit risk for deposits is the risk that in the event of a bank failure, CSU – Global’s deposits may not be returned to it. To manage custodial risk, deposits with financial institutions are made in accordance with the Colorado Public Deposit Protection Act (PDPA) of 1975. PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having a market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal depository insurance. Deposits collateralized under PDPA are considered to be collateralized with securities held by the pledging institutions in CSU – Global’s name. Deposits held in money market funds are not PDPA eligible deposits.

## Colorado State University – Global Campus

### Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

At June 30, 2016, CSU – Global’s book and bank balance value of cash not on deposit with the State Treasurer was \$2.7 million and \$4.8 million, respectively. Cash includes petty cash or cash on hand and cash in bank accounts. Bank account balances per the bank at June 30, 2016 and 2015, are \$3.6 million and \$3.4 million, respectively. Of the June 30, 2016 deposits, \$250,000 were covered by depository insurance and were not exposed to custodial credit risk, and the remaining \$3.3 million were collateralized with securities held by the pledging institution’s trust department. Of the June 30, 2015 deposits, \$250,000 were covered by depository insurance and were not exposed to custodial credit risk, and the remaining \$3.1 million were collateralized with securities held by the pledging institution’s trust department.

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 which assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2016, approximately 83.8 percent of investments of the Treasurer’s Pool are subject to credit quality risk reporting. Except for \$77.8 million of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has a strong capability to pay principal and interest when due. 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 \$87.4 million of corporate bonds rated lower medium, and \$25.0 million of corporate bonds rated very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has a strong capability 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 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, 2016, the weighted average maturity of investments in the Treasurer’s Pool was:

- 0.094 years for Commercial Paper (11.5 percent of the Pool)
- 1.34 years for U.S. Government Securities (49.0 percent of the Pool)
- 2.59 years for Asset Backed Securities (14.0 percent of the Pool)
- 1.99 years for Corporate Bonds (22.4 percent of the Pool)

As of June 30, 2015, the weighted average maturity of investments in the Treasurer’s Pool was:

- 0.063 years for Commercial Paper (6.3 percent of the Pool)
- 1.33 years for U.S. Government Securities (47.5 percent of the Pool)
- 2.53 years for Asset Backed Securities (18.5 percent of the Pool)
- 2.20 years for Corporate Bonds (22.9 percent of the Pool).

## Colorado State University – Global Campus

### Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in fiscal years ended June 30, 2016 and 2015.

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

#### (5) Accounts Receivable

Accounts receivable are shown net of allowances for doubtful accounts in the accompanying statements of net position.

	<b>June 30</b>	
	<b>2016</b>	<b>2015</b>
Student accounts receivable	\$ 4,789,224	\$ 5,058,730
Less: allowance for doubtful accounts	(2,498,785)	(2,808,925)
Student accounts receivable, net	\$ 2,290,439	\$ 2,249,805
Other accounts receivable, net	\$ 662,430	\$ 207,673

#### (6) Capital Assets

Capital assets as of June 30, 2016 and 2015, consist of the following:

	<b>Balance 6/30/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance 6/30/2016</b>
Depreciable capital assets					
Furniture and equipment	\$ 948,771	\$ 205,682	\$ -	\$ -	\$ 1,154,453
Software	522,355	139,718	(201,846)	-	460,227
Leasehold improvements	152,845	47,030	-	-	199,875
	1,623,971	392,430	(201,846)	-	1,814,555
Less accumulated depreciation					
Furniture and equipment	(180,714)	(176,384)	-	-	(357,098)
Software	(151,200)	(188,915)	121,209	-	(218,906)
Leasehold improvements	(48,493)	(34,649)	-	-	(83,142)
	(380,407)	(399,948)	121,209	-	(659,146)
Total capital assets, net	\$ 1,243,564	\$ (7,518)	\$ (80,637)	\$ -	\$ 1,155,409

## Colorado State University – Global Campus

### Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance 6/30/2015</b>
Depreciable capital assets					
Furniture and equipment	\$ 514,100	\$ 434,671	\$ -	\$ -	\$ 948,771
Software	268,030	254,325	-	-	522,355
Leasehold improvements	152,845	-	-	-	152,845
Total capital assets	<u>934,975</u>	<u>688,996</u>	<u>-</u>	<u>-</u>	<u>1,623,971</u>
Less accumulated depreciation					
Furniture and equipment	(49,032)	(131,682)	-	-	(180,714)
Software	(24,226)	(126,974)	-	-	(151,200)
Leasehold improvements	(20,033)	(28,460)	-	-	(48,493)
Total accumulated depreciation	<u>(93,291)</u>	<u>(287,116)</u>	<u>-</u>	<u>-</u>	<u>(380,407)</u>
Total capital assets, net	<u>\$ 841,684</u>	<u>\$ 401,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,243,564</u>

### (7) Accrued Liabilities

The current accrued liabilities balances as of June 30, 2016 and 2015, were composed of:

	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
Accrued payroll and benefits	\$ 1,425,240	\$ 1,467,331
Other accrued liabilities	952,554	645,366
Total current accrued liabilities	<u>\$ 2,377,794</u>	<u>\$ 2,112,697</u>

## Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

### (8) Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2016, was as follows:

	<b>Balance 6/30/2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6/30/2016</b>	<b>Amounts due within one year</b>
Accrued compensated absences	\$ 373,771	\$ 297,428	\$ 130,974	\$ 540,225	\$ 1,284
Other	169,184	-	45,116	124,068	45,116
Net pension liability	2,769,722	1,356,405	163,618	3,962,509	-
	<u>\$ 3,312,677</u>	<u>\$ 1,653,833</u>	<u>\$ 339,708</u>	<u>\$ 4,626,802</u>	<u>\$ 46,400</u>

Long-term liability activity for the fiscal year ended June 30, 2015, was as follows:

	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6/30/2015</b>	<b>Amounts due within one year</b>
Accrued compensated absences	\$ 343,757	\$ 144,220	\$ 114,206	\$ 373,771	\$ 13,454
Other	214,300	-	45,116	169,184	45,116
Net pension liability	2,693,207	214,861	138,346	2,769,722	-
	<u>\$ 3,251,264</u>	<u>\$ 359,081</u>	<u>\$ 297,668</u>	<u>\$ 3,312,677</u>	<u>\$ 58,570</u>

### (9) Operating Lease Commitment

The following is a schedule of CSU – Global’s aggregate minimum rental commitments for operating leases of real and personal property for each of the five subsequent fiscal years.

Fiscal year ending June 30:

2017	\$ 468,456
2018	474,177
2019	358,551
2020	-
2021	-
Total	<u>\$ 1,301,184</u>

# Colorado State University – Global Campus

## Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

In May 2013 CSU – Global entered into a new five-year lease for office space, with a commencement date of October 18, 2013. The lease provides an option to renew the terms of the lease for two consecutive additional periods of five years each. The lease agreement also includes a stipulation for rent holidays, which are recognized on a straight-line basis over the life of the lease. The lease includes base rent payable, net of property tax credits of \$2,345,770 beginning in March 2014. CSU – Global receives a monthly property tax credit in the amount of \$2,594 that began March 1, 2014 and continues through the duration of the lease.

Total rent expense for the years ended June 30, 2016 and 2015 was \$423,095 and \$418,269, respectively.

### **(10) Net Position**

CSU – Global is subject to multiple constraints, including those imposed by Colorado Constitutional and related legislative actions and State of Colorado statutes.

Student loan money is expended according to external restrictions imposed by the program funding sources. The federal programs are administered according to Department of Education Blue Book guidelines.

CSU – Global periodically receives nongovernmental grants or monies restricted for certain scholarships or programs. Amounts received with these restrictions are reflected in restricted net position.

Although other amounts reflected in unrestricted net position are not externally restricted, they may be internally designated by CSU – Global's Board or executive management for strategic and mission-related purposes.

### **(11) Employment Benefits**

CSU – Global employees who are eligible for retirement benefits participate in either the State Division Trust Fund (SDTF), a defined benefit pension fund, administered by the Public Employees' Retirement Association Defined Benefit Plan (PERA) or an Optional Retirement Plan (ORP), subject to eligibility criteria defined by PERA and CSU – Global for each separate governing entity.

CSU – Global's total payroll for the fiscal years ended June 30, 2016 and 2015 was approximately \$22.8 million and \$19.6 million, respectively. Payroll for employees covered by the SDTF plan and the optional defined contribution plan was approximately \$1.0 million and \$941,312 for the fiscal years ended June 30, 2016 and 2015, respectively.



# Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

## *(a) PERA Defined Benefit Pension Plan*

### **Plan Description**

CSU – Global provides certain of its employees with pension benefits through the State’s PERA defined benefit retirement program.

### **Summary of Significant Accounting Policies**

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

### **Plan Description**

Eligible employees of CSU – Global 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 provision 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.

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.

## Colorado State University – Global Campus

### Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

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 five 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 two percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of two 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 two 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. 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.

### **Contributions**

Eligible employees and CSU – Global 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 are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees are summarized in the table below:

## Colorado State University – Global Campus

### Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

	<b>For the Year Ended December 31, 2015</b>	<b>For the Year Ended December 31, 2016</b>	<b>For the Year Ended December 31, 2017</b>
Employer Contribution Rate <sup>1</sup>	10.15%	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF <sup>1</sup>	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.20%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.00%	4.50%	5.00%
Total Employer Contribution Rate to the SDTF <sup>1</sup>	17.33%	18.23%	19.13%

<sup>1</sup> Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and CSU – Global is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from CSU – Global were \$192,535, \$169,316 and \$101,758 for the years ended June 30, 2016, 2015 and 2014, respectively.

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, CSU – Global reported a liability of \$3,962,509 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. CSU – Global’s proportion of the net pension liability was based on CSU - Global contributions to the SDTF for the calendar year 2015 relative to the total contributions of participating employers to the SDTF.

At December 31, 2015, CSU – Global proportion was 0.0376 percent, which was an increase of 0.0045% from its proportion measured as of December 31, 2014.

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Proportionate share of net pension liability:	\$ 3,962,509	\$ 2,769,722
Proportion percentage:	0.0376%	0.0294%
Proportion percentage increase/(decrease):	0.0082%	

## Colorado State University – Global Campus

### Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

For the years ended June 30, 2016 and 2015, CSU – Global recognized pension expense of \$776,579 and \$368,628, respectively. At June 30, 2016, CSU – Global reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 57,701	\$ 96
Change in assumption or other inputs	-	46,904
Net difference between projected and actual earnings on pension plan investments	286,801	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	629,399	-
Contributions subsequent to the measurement date	115,673	N/A
Total	<u>\$ 1,089,574</u>	<u>\$ 47,000</u>

At June 30, 2015, CSU – Global reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 205
Net difference between projected and actual earnings on pension plan investments	56,475	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	261,348	-
Contributions subsequent to the measurement date	101,992	N/A
Total	<u>\$ 419,815</u>	<u>\$ 205</u>

## Colorado State University – Global Campus

### Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

\$115,673 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending June 30:			
2017	\$	480,115	
2018		310,444	
2019		75,230	
2020		61,111	
<b>Total</b>	<b>\$</b>	<b>926,900</b>	

### Actuarial Assumptions

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

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

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

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

## Colorado State University – Global Campus

### Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

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

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Refinement of the 18 month annual increase timing.
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
  
- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year.
  - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
  - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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

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

<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%	98.00%
High Yield	1.53%	2.64%
Long Duration Government/Credit	53.00%	1.57%
Emerging Market Bonds	43.00%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

# Colorado State University – Global Campus

## Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

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 applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

## Colorado State University – Global Campus

### Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

Based on the above actuarial cost method and assumptions, the SDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

#### **Sensitivity of CSU – Global 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	5,006,073		3,962,509	3,089,602

#### **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).

#### ***(b) University Optional Retirement Plan -The Defined Contribution Plan for Retirement (DCP)***

Under the University’s optional retirement plan, all Academic Faculty, and Administrative Professionals are required as a condition of employment under Colorado law to participate in either the University’s Defined Contribution Plan (DCP) for Retirement or, in very limited cases, in the PERA Defined Benefit plan (as eligibility permits). DCP participants may select from two investment companies as follows:

1. Teachers Insurance and Annuity Association (TIAA)
2. Variable Annuity Life Insurance Corporation (VALIC)

The defined contribution retirement plans are established pursuant to state statute (24-54.5-101 to 24-54.5-107 CRS). As a university of the Board of Governors for the Colorado State University System, CSU – Global employees are eligible to participate in CSU – Global’s retirement plan. The Defined Contribution Retirement Plan is a qualified plan under Section 401(a) of the IRC. CSU – Global participants contribute the required 8 percent of eligible salary. CSU – Global provides a matching contribution of 11.1 percent, as required, of eligible salary for all nonstudent employees, including those employees at less than half-time and nonstudent temporary, hourly employees. Both employee and employer contributions are vested immediately. Investments are participant-directed within the funds available through the authorized investment companies. CSU – Global’s aggregate contribution to the above two vendors was equal to 11.1 percent and 11.1 percent of covered payroll or approximately \$2.4 million and \$2.0 million for the fiscal years ended June 30, 2016 and 2015, respectively. The employee aggregate contribution to the above two vendors was equal to 8.0 percent and 8.0 percent of covered



## Colorado State University – Global Campus

### Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

payroll or approximately \$1.7 million and \$1.5 million for the fiscal years ended June 30, 2016 and 2015, respectively.

#### *(c) Health and Life Insurance Programs*

CSU – Global’s contribution to the various health insurance programs was approximately \$1.5 million and \$1.4 million for the fiscal years ended June 30, 2016 and 2015, respectively.

#### **(12) Compensated Absences Liability**

CSU – Global employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount that will be paid upon termination. The estimated liability of compensated absences for which employees are vested as of June 30, 2016 and 2015 was \$540 thousand and \$374 thousand, respectively.

Overall, net expenses increased by \$166 thousand for the fiscal year ended June 30, 2016 and \$30 thousand for the fiscal year ended June 30, 2015, for the estimated compensated absences liabilities.

#### **(13) Direct Student Financial Aid Reporting**

During the fiscal years ended June 30, 2016 and 2015, CSU – Global participated in the federal government’s Direct Loan Program. This program provides loans from the federal government to qualifying students and their families for educational purposes. While CSU – Global helps students obtain these loans, the University is not a party to the loans and is not responsible for collection of monies owed or for defaults by borrowers.

The gross amounts of Direct Loans disbursed during the fiscal years ended June 30, 2016 and 2015 were \$79.3 million and \$65.1 million, respectively.

#### **(14) Scholarship Allowance**

Tuition and fees revenues and the related scholarship and bad debt allowances for the year ended June 30, 2016 and 2015 were as follows:

	<b>Tuition and Fees</b>	
	<b>2016</b>	<b>2015</b>
Gross revenue	\$ 77,786,210	\$ 64,392,524
Bad debt allowance (net recoveries)	553,434	(19,378)
Scholarship allowances		
Institutional	764,723	808,466
Total allowances	1,318,157	789,088
Net revenue	\$ 76,468,053	\$ 63,603,436

# Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2016 and 2015

## **(15) Related-party Transactions**

In February and June 2014, the Colorado State University Board of Governors approved resolutions to transfer monies from the funds of the Board to balance the CSU-Pueblo budget for fiscal year 2014 with the intent that such funds would be transferred from CSU – Global to CSU-Pueblo. As such, at June 30, 2014 accounts payable included \$5.4 million as an obligation to CSU-Pueblo. In August 2014 the funds were transferred and subsequent to the issuance of the fiscal year 2014 audit financial report, it was determined that \$1.3 million of the \$5.4 million transferred was a note receivable from CSU - Pueblo. Therefore, CSU – Global recorded a long-term receivable in that amount, identified as an interest-free note with no minimum monthly payments, maturing June 30, 2018. This note is included in the "long term intra fund receivable" line on the Statement of Net Position.

## **(16) Risk Management**

CSU – Global is exposed to various risks of loss related to torts; theft of damage to and destruction of assets or information; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Insurance coverage for claims arising from such matters including those related to workers' compensation and natural disasters is purchased from the State of Colorado's Risk Management program. Settled claims have not exceeded this coverage in 2016 or 2015. Claims are administered by the Colorado Division of Risk Management.

## **(17) Subsequent Events**

Subsequent events have been evaluated through December 9, 2016, which is the date the financial statements were available to be issued.

## **Required Supplementary Information**

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## Colorado State University – Global Campus

Required Supplemental Information  
 Schedule of Proportionate Share of the Net Pension Liability and  
 Schedule of Contributions  
 (Unaudited)  
 June 30, 2016

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Proportion of the net pension liability	0.038%	0.029%	0.025%
Proportionate share of the net pension liability	3,962,509	2,769,722	2,221,821
Covered-employee payroll	1,019,873	792,808	642,148
Proportionate share of the net pension liability as a percentage of covered-employee payroll	480.3%	349.4%	346.0%
Plan fiduciary net position as a percentage of the total pension liability	56.10%	59.80%	61.08%

### Schedule of Contributions

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contributions	\$ 189,279	\$ 169,316	\$ 101,758
Contributions in relation to the contractually required contribution	(189,279)	(169,316)	(101,758)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,005,669	\$ 941,312	\$ 597,298
Contributions as a percentage of covered-employee payroll	18.8%	18.0%	17.0%

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**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based on an  
Audit of the 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 of Colorado State University – Global Campus (CSU – Global), a university within the Colorado State University System, State of Colorado (the CSU System) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise CSU – Global's basic financial statements and have issued our report thereon dated December 9, 2016, which contained an Emphasis of Matter paragraph indicating the financial statements do not purport to, and do not, present the CSU Systems financial position, changes in financial position, or, where applicable, cash flows.

***Internal Control Over Financial Reporting***

Management of CSU – Global is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered CSU – Global's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CSU – Global's internal control. Accordingly, we do not express an opinion on the effectiveness of CSU – Global'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 CSU – Global'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Members of the Legislative Audit Committee:

***Compliance and Other Matters***

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

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 CSU – Global’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Denver, Colorado  
December 9, 2016



## Independent Auditor's Audit Committee Communication

Members of the Legislative Audit Committee:

As part of our audit of the financial statements of Colorado State University – Global Campus (CSU – Global), a university within the Colorado State University System (the CSU System) as of and for the year ended June 30, 2016, we wish to communicate the following to you.

### **Auditor's Responsibility Under 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**

An audit performed 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 is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

### **Qualitative Aspects of Significant Accounting Policies and Practices**

#### Significant Accounting Policies

CSU – Global's significant accounting policies are described in Note 3 of the audited financial statements.

#### Alternative Accounting Treatments

- No matters are reportable

Members of the Legislative Audit Committee:

### Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Allowance for doubtful accounts
- Scholarship allowance
- Compensated absences
- Employment benefits, including the net pension liability measured according to Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*

### Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Related-party transactions

### Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

#### Proposed Audit Adjustments Recorded

- No matters are reportable

#### Proposed Audit Adjustments Not Recorded

- No matters are reportable

### Auditor's Judgments About the Quality of CSU – Global's Accounting Principles

During the course of the audit, we made the following observations regarding CSU – Global's application of accounting principles:

- No matters are reportable

Members of the Legislative Audit Committee:

**Other Material Written Communications**

Listed below are other material written communications between management and us related to the audit:

- Management representation letter
- Management letter

\* \* \* \* \*

This letter is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the Colorado State University Board of Governors, the Colorado State University Board of Governors' Audit Committee and Colorado State University – Global's management and is not intended to be and should not be used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee this report is a public document.

*BKD, LLP*

December 9, 2016

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