

**ADAMS STATE UNIVERSITY**

**FINANCIAL AND COMPLIANCE AUDIT**

**Fiscal Years Ended June 30, 2013 and 2012**



Wall,  
Smith,  
Bateman Inc.  
Certified Public Accountants

**LEGISLATIVE AUDIT COMMITTEE  
2013 MEMBERS**

*Representative Angela Williams*  
Chairman

*Senator Steve King*  
Vice Chairman

*Senator Lucia Guzman*  
*Representative Dan Nordberg*  
*Senator Owen Hill*  
*Representative Jerry Sonnenberg*  
*Representative Su Ryden*  
*Senator Lois Tochtrop*

**OFFICE OF THE STATE AUDITOR**

*Dianne E. Ray*  
State Auditor

*Kerri Hunter*  
Deputy State Auditor

*Pooja Tulsian*  
Legislative Auditor

*Wall, Smith, Bateman Inc.*  
Contract Auditors

## TABLE OF CONTENTS

	<u>Page</u>
Report Summary .....	1
Description of Adams State University .....	3
Disposition of Prior Audit Recommendations .....	4
<b>Financial Statements Section</b>	
Independent Auditors' Report .....	5
Management's Discussion and Analysis .....	7
Statements of Net Position .....	14
Adams State University Foundation Statements of Financial Position .....	15
Statements of Revenues, Expenses, and Changes in Net Position .....	16
Adams State University Foundation Statements of Activities .....	17
Statements of Cash Flows .....	19
Notes to the Financial Statements .....	21
<b>Supplemental Information</b>	
Schedule of Pledged Revenues and Expenses for Series 2009A, 2009B, 2009C, and 2012 Auxiliary Facilities Revenue Bonds .....	41
Report on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	42
Audit Committee Communications .....	44
Schedule of Passed Audit Adjusting Journal Entries.....	47

**ADAMS STATE UNIVERSITY  
FINANCIAL AND COMPLIANCE AUDIT  
REPORT SUMMARY  
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

**Authority, Purpose and Scope**

The audit of Adams State University was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all state agencies and educational institutions. The 2013 audit was conducted under contract with Wall, Smith, Bateman Inc. The audit was conducted in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Audit work was performed during June through October 2013.

The purposes and scope of the audit were to:

- § Perform a financial and compliance audit of Adams State University for the year ended June 30, 2013 and to express an opinion on the financial statements. This included a review of internal controls as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- § Evaluate the University's compliance with appropriate state and federal laws and regulations, and bond covenants that could have a material effect on the University's financial statements.
- § Report on the University's compliance and internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.
- § Evaluate progress in implementing prior year audit recommendations.

The Schedule of Expenditures of Federal Awards for Adams State University and applicable audit opinions are included in the fiscal year ended June 30, 2013 Statewide Single Audit Report issued by the Office of the State Auditor under a separate cover.

**Audit Results**

Wall, Smith, Bateman Inc. expressed an unmodified opinion on the financial statements for the year ended June 30, 2013. The financial statements for the year ended June 30, 2012 were audited by other auditors whose report dated December 4, 2012 expressed an unqualified opinion on those statements.

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

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

### **Summary of Findings and Recommendations**

There were no reported findings or recommendations resulting from the audit work completed for fiscal year ended June 30, 2013.

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

There was one recommendation made in the prior year audit. This recommendation was implemented during the year ended June 30, 2013. A detailed description is contained in the Disposition of Prior Audit Recommendations section of this report.

## Description of Adams State University

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

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

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

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

	2011	2012	2013
Resident Students	1,948.6	1,975.9	1,905.7
Nonresident Students	372.3	483.6	539.2
Total Students	<u>2,320.9</u>	<u>2,459.5</u>	<u>2,444.9</u>
Faculty FTEs	172.8	185.8	181.1
Staff FTEs	134.1	126.3	133.6
Total Staff and Faculty FTEs	<u>306.9</u>	<u>312.1</u>	<u>314.7</u>

DISPOSITION OF PRIOR YEAR AUDIT RECOMMENDATIONS

## **Disposition of Prior Audit Recommendations**

Listed below are the recommendations included in the audit report for Adams State University for the year ended June 30, 2012, and their respective disposition as of June 30, 2013.

<b>Recommendation</b>	<b>Disposition</b>
1. To ensure proper recording of payables and tuition revenue, the University should establish monitoring procedures to ensure that all accounts payable subsidiary ledgers are reconciled and investigate any abnormal balances in related accounts payable accounts. In addition, the University should correct the automatic journal entry in the Banner system to properly record the instructor payable portion of extended studies tuition with the remainder recorded as extended studies tuition revenue.	Implemented.

FINANCIAL STATEMENTS SECTION

# INDEPENDENT AUDITORS' REPORT



Wall,  
Smith,  
Bateman Inc.

Members of the Legislative Audit Committee:

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Adams State University (the University), an institution of Higher Education, State of Colorado, the Adams State University Foundation, a discretely presented component unit, discussed in note 1 of the financial statements, which represents 100 percent of the total assets, total revenues, and total net assets of the aggregate discretely presented component unit, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents. We have also audited the financial statements of the Adams State University Foundation as of June 30, 2012.

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund and the discretely presented component unit of Adams State University, an institution of Higher Education, State of Colorado, as of June 30, 2013 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Certified Public Accountants**

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 [www.wsbcpa.com](http://www.wsbcpa.com)

***Emphasis of a Matter***

As discussed in Note 1 – Summary of Significant Accounting Policies, the financial statements of Adams State University are intended to present the net position and changes in net position for only that portion of the financial reporting entity, State of Colorado, that is attributable to the transactions of the University. They do not purport to, and do not present fairly the financial position of the State of Colorado as of June 30, 2013 and 2012, and the changes in its financial position, or, where applicable, its cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

The financial statements of Adams State University as of June 30, 2012, were audited by other auditors whose report dated December 4, 2012, expressed an unmodified opinion on those statements.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 7–13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Adams State University basic financial statements. The Schedule of Pledged Revenues and Expenses for Series 2009A, 2009B, 2009C and 2012 Auxiliary Facilities Revenue Bonds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013, on our consideration of the University’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University’s internal control over financial reporting and compliance.

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the financial report presents a discussion and analysis of the financial performance of Adams State University (the University), formerly known as Adams State College, for the fiscal year ended June 30, 2013, with selected comparative information for the years ended June 30, 2012 and June 30, 2011. On May 19, 2012, Governor Hickenlooper signed House Bill 12-1080, changing the name of Adams State College to Adams State University, effective August 7, 2012. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes for the reporting entity of the University that includes Adams State University and the Adams State University Foundation, a discretely presented component unit. (See Note 1 for additional information on the reporting entity.)

**FINANCIAL HIGHLIGHTS**

**Year ended June 30, 2013**

The University's total net position decreased by \$5.0 million during fiscal year 2013 compared to a \$3.8 million decrease in net position during fiscal year 2012. The decrease is primarily a result of increases in interest on capital debt of \$1.8 million and total operating expenses of \$0.9 million and a decrease of \$0.9 million in Federal Pell Grants, net of increases in tuition and fees of \$1.4 million from fiscal year 2013 to 2012.

The University had a ratio of current assets to current liabilities of 2.6 and 3.5 for fiscal years 2013 and 2012, respectively. This current ratio demonstrates the liquidity of University assets and the relative availability of working capital to fund current operations. The decrease in the current ratio from fiscal year 2012 to fiscal year 2013 is primarily a result of the spending of bond proceeds used for capital construction projects in fiscal year 2013.

An operating deficit of \$11.5 million is the result of the University's dependence on Federal Pell Grants, gifts and donations and other non-operating revenue, which under the guidelines established by Governmental Accounting Standards Board (GASB) Statements 34 and 35 is shown as non-operating revenues. The University received no state operating appropriations, but received \$8.4 million in fee for service contract revenue from the Colorado Department of Higher Education and \$2.7 million in College Opportunity Fund stipends from College Assist during fiscal year 2013.

**Year Ended June 30, 2012**

The University's total net position decreased by \$3.8 million during fiscal year 2012 compared to a \$0.6 million increase in net position during fiscal year 2011. The decrease is primarily a result of a decrease in Fee for Service Contract Revenue of \$1.9 million and increases in total operating expenses of \$3.0 million and interest on capital debt of \$1.1 million net of increases in Tuition and fees of \$1.8 million from fiscal year 2012 to 2011.

The University had a ratio of current assets to current liabilities of 3.5 and 2.6 for fiscal years 2012 and 2011, respectively. This current ratio demonstrates the liquidity of University assets and the relative availability of working capital to fund current operations. The increase in the current ratio from fiscal year 2011 to fiscal year 2012 is primarily a result of the payment of accrued liabilities associated with various construction projects in fiscal year 2012.

An operating deficit of \$12.5 million is the result of the University's dependence on Federal Pell Grants, gifts and donations and other non-operating revenue, which under the guidelines established by GASB Statements 34 and 35 is shown as non-operating revenues. The University received no state operating appropriations, but received \$8.4

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

million in fee for service contract revenue from the Colorado Department of Higher Education and \$2.8 million in College Opportunity Fund stipends from College Assist during fiscal year 2012.

**STATEMENT OF NET POSITION**

The Statement of Net Position includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when services are received, regardless of when cash is exchanged. Over time, increases and decreases in net position (the difference between assets and liabilities) is one indicator of the University's financial health when considered in conjunction with non-financial facts such as student enrollment and the condition of facilities.

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

	(in thousands)		
	2013	2012	2011
<b>Assets</b>			
Current Assets	\$ 24,018	\$ 33,325	\$ 35,078
Noncurrent Assets	113,846	110,815	102,280
	<hr/>	<hr/>	<hr/>
Total Assets	137,864	144,140	137,358
 <b>Liabilities</b>			
Current Liabilities	9,379	9,597	13,542
Noncurrent Liabilities	72,352	73,427	58,899
	<hr/>	<hr/>	<hr/>
Total Liabilities	81,731	83,024	72,441
 <b>Net Position</b>			
Net Investment in Capital Assets	44,406	47,301	49,916
Restricted	4,996	4,834	4,413
Unrestricted	6,732	8,982	10,587
	<hr/>	<hr/>	<hr/>
Total Net Position	<u>\$ 56,134</u>	<u>\$ 61,117</u>	<u>\$ 64,916</u>

At June 30, 2013 the University's total assets were \$137.9 million. The largest asset category is the \$112.5 million in capital assets, net of accumulated depreciation of \$60.6 million. These assets include land, buildings, equipment, library holdings, and construction in progress. Construction in progress decreased by a net amount of \$1.3 million in fiscal year 2013. The Coronado Hall Renovation Project increased construction in progress by \$2.7 million. The Energy Performance Lease Purchase, North Girault Renovation and Baseball Complex projects were completed in fiscal year 2013 and transferred out of construction in progress in the amounts of \$3.6 million, \$2.2 million and \$2.0 million, respectively. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

In fiscal year 2013, the University's current assets of \$24.0 million were sufficient to cover current liabilities of \$9.4 million (producing a current ratio of 2.6). Cash and cash equivalents (bank deposits, certificates of deposits, and pooled cash with the State Treasurer) comprised over \$21.5 million in assets per the Statement of Net Position.

Bonds payable of \$70.6 million represent over 86% of the University's total liabilities of \$81.7 million. The current portion of the bonds payable liability is \$0.8 million.

The University's financial position worsened during the fiscal year as evidenced by the decrease of \$5.0 million in net position (see the Statement of Revenues, Expenses and Changes in Net Position) to \$56.1 million. Net Position is composed of \$44.4 million net investment in capital assets, \$5.0 million externally restricted for specific purposes, and \$6.7 million unrestricted and available for any lawful purpose of the University.

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

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

Tuition and fee revenues accounted for \$16.9 million of the \$38.8 million in operating revenues for fiscal year 2013. The tuition and fee amount is net of scholarship allowances of \$11.2 million. Scholarship allowances are defined as the financial aid awarded to students by the University that is used to pay University charges. The scholarship allowance is recognized as a direct reduction of revenue rather than an increase in financial aid expense. The tuition rate for resident undergraduate full-time tuition increased by 10.5% from fiscal year 2012 to 2013, causing an increase in gross tuition revenue.

Operating expenses totaled \$50.3 million. Of that total, \$17.0 million was for instruction, \$2.1 million for academic support, \$4.3 million for student services, \$3.5 million for institutional support, \$3.0 million for operation of plant and \$12.9 million for auxiliary enterprises.

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

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

	(in thousands)		
	2013	2012	2011
<b>Operating Revenues</b>			
Tuition and Fees, net	\$ 16,902	\$ 15,524	\$ 13,713
Grants and Contracts	13,555	13,017	15,126
Auxiliary Enterprises	7,371	7,638	7,086
Other	974	790	853
	<u>38,802</u>	<u>36,969</u>	<u>36,778</u>
<b>Operating Expenses</b>	<u>50,306</u>	<u>49,456</u>	<u>46,443</u>
<b>Net operating (Loss)</b>	(11,504)	(12,487)	(9,665)
<b>Nonoperating Revenue(Expense)</b>			
State Fiscal Stabilization Funds	0	0	425
Federal Pell Grants	5,284	6,215	7,156
Gifts and Donations	2,014	1,888	1,789
Interest Income	(98)	127	(281)
Other Nonoperating	(2,756)	(966)	213
Net Nonoperating Revenue	<u>4,444</u>	<u>7,264</u>	<u>9,302</u>
<b>Income(Loss) Before Other Revenue, Expenses, Gains or Losses</b>	(7,060)	(5,223)	(363)
Student Capital Fees	1,825	1,483	1,100
State Appropriations, Capital	321	17	17
Other	(69)	(76)	(73)
<b>Increase(Decrease) In Net Position</b>	(4,983)	(3,799)	681
Prior Period Adjustment	0	0	(67)
<b>Net Position</b>			
Net Position-Beginning of Year	<u>61,117</u>	<u>64,916</u>	<u>64,302</u>
Net Position-End of Year	<u>\$ 56,134</u>	<u>\$ 61,117</u>	<u>\$ 64,916</u>

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**CAPITAL ASSETS**

At June 30, 2013, the University had approximately \$112.5 million invested in capital assets, net of accumulated depreciation of \$60.6 million. Depreciation charges were \$6.4 million for the current year compared to \$5.6 million in 2012 and \$4.5 million in 2011. Details of these assets for the three years are shown below.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land	\$ 445,249	\$ 445,249	\$ 445,249
Land Improvements	7,348,525	7,844,059	2,929,416
Buildings	97,890,139	93,266,546	70,779,644
Construction in Progress	4,193,822	5,468,850	24,545,737
Equipment	1,934,537	1,583,781	1,460,525
Library Materials	<u>732,983</u>	<u>776,090</u>	<u>809,305</u>
Total	<u>\$ 112,545,255</u>	<u>\$ 109,384,575</u>	<u>\$ 100,969,876</u>

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

Energy Performance Improvements, Lease Purchase	\$ 3,602,249
North Girault Renovation, Bond Funds	2,157,378
Baseball Complex, Bond Funds	2,001,500
Tutoring Center, Bond Funds	844,840
East Campus Renovation, Bond Funds	<u>659,069</u>
	<u>\$ 9,265,036</u>

**DEBT**

On March 12, 2009, the University issued Auxiliary Facilities Revenue Improvement Bonds Series 2009A in the amount of \$19.8 million for the purpose of funding various campus improvement projects, including the acquisition, construction, improvement and equipping of a new residence and recreational facility. These bonds will be paid off using proceeds from a student capital fee approved by University students in 2008.

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

On December 15, 2009, the University also issued Taxable Auxiliary Facilities Revenue Bonds Series 2009C in the amount of \$27,615,000 for the purpose of obtaining funds for various campus improvement projects, including the

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

remodeling of various academic buildings. The Series 2009C Bonds are designated as “Build America Bonds” and the University will receive a cash subsidy payment equal to 35% of the interest payable on these bonds.

On May 1, 2012, the University issued Institutional Enterprise Revenue Bonds, Series 2012 in the amount of \$12,975,000 for the purpose of obtaining funds for certain capital improvements to the campus. These bonds will be paid off using proceeds from a student capital fee approved by University students in 2008.

At June 30, 2013, the University had approximately \$72.3 million in debt outstanding compared to \$73.4 million at June 30, 2012 and \$58.6 million at June 30, 2011. The table below summarizes these amounts by type of debt.

	2013	2012	2011
2009A Series Revenue Improvement Bonds	\$ 19,338,796	\$ 19,751,197	\$20,148,597
2009B Series Auxiliary Facilities Revenue Bonds	10,716,494	10,994,988	11,268,482
2009C Series Taxable Auxiliary Facilities Revenue Bonds	27,072,716	27,053,319	27,033,923
2012 Series Institutional Enterprise Revenue Bonds	13,519,182	13,538,055	-
Capital Lease	1,665,808	2,029,168	63,371
Notes Payable	36,262	38,980	45,530
	\$72,349,258	\$73,405,707	\$58,559,903
Total			

**ECONOMIC OUTLOOK**

The economic position of the University is closely tied to that of the State. For fiscal years 2013, 2012, and 2011, the University received no operating State appropriations.

In 2004, Governor Owens signed Senate Bill 04-189, which created the Colorado Opportunity Fund. This legislation created a first-in-the-nation funding mechanism for higher education. The bill provides a stipend, calculated on a per-hour credit rate, to undergraduate resident students attending public and qualifying private higher education institutions. In addition, the bill provides higher education institutions the opportunity to become enterprises under TABOR. Because funding is provided to students through the stipends and to the institutions through fee-for-service arrangements, the bill allows all qualifying public institutions to be designated as “enterprises” if approved by the Legislative Audit Committee. The Legislative Audit Committee approved the designation of the University as an enterprise for fiscal years 2006 through 2013, with the exception of 2009. The University must meet the requirements of a TABOR enterprise on an annual basis.

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

The bill provides a stipend, calculated on a per-hour credit rate, to undergraduate resident students attending public and qualifying private higher education institutions. For fiscal years 2014, 2013 and 2012 the yearly stipend was \$1,920, \$1,860 and \$1,860 respectively, for a full-time public higher education student taking 30 credit hours of classes.

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

The University has budgeted for \$2.9 million in College Opportunity Fund stipends for fiscal year 2014. The University received \$2.7 million, \$2.8 million and \$2.8 million stipends in fiscal years 2013, 2012 and 2011 respectively. In fiscal year 2014, \$8.6 million will be billed through a fee for service contract with the Colorado Department of Higher Education (CDHE). The University received \$8.4 million, \$8.4 million and \$10.3 million in fee for service revenue in fiscal years 2013, 2012 and 2011 respectively. The bill institutes fee-for-service contract arrangements between each institution and the CDHE to provide graduate education, rural education, and basic education services to the State. These fee-for-service contracts must be negotiated annually with the CDHE.

**CONTACTING THE UNIVERSITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide users of our financial statements with a general overview of the University's finances and to show the University's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Adams State University Controller's office at Richardson Hall, Room 130, Alamosa, Colorado 81101 or call (719) 587-7699.

**ADAMS STATE UNIVERSITY**  
**STATEMENT OF NET POSITION**  
As of June 30, 2013 and 2012

<b>ASSETS</b>	<b>2013</b>	<b>2012</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 18,892,478	\$ 28,207,743
Investments	2,578,088	2,554,570
Student accounts receivable, net	1,254,184	1,244,252
Other accounts receivable	781,593	667,420
Student loans receivable, net	113,902	89,801
Inventories	348,384	371,043
Prepaid expenses and other assets	49,870	190,589
<i>Total current assets</i>	<b>24,018,499</b>	<b>33,325,418</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	64,522	97,525
Student loans receivable, net	570,092	643,245
Deferred charges-bond issuance costs	665,679	689,548
<i>Total noncurrent assets</i>	<b>1,300,293</b>	<b>1,430,318</b>
<b>Non-depreciable capital assets:</b>		
Land	445,249	445,249
Construction in progress	4,193,822	5,468,850
<i>Total non-depreciable capital assets</i>	<b>4,639,071</b>	<b>5,914,099</b>
<b>Depreciable capital assets, net:</b>		
Buildings	97,890,139	93,266,546
Land improvements	7,348,525	7,844,059
Furniture & equipment	1,934,537	1,583,781
Library books	732,983	776,090
<i>Total depreciable capital assets, net</i>	<b>107,906,184</b>	<b>103,470,476</b>
<i>Total noncurrent assets</i>	<b>113,845,548</b>	<b>110,814,893</b>
<i>Total Assets</i>	<b>137,864,047</b>	<b>144,140,311</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	1,687,532	1,709,005
Accrued liabilities	5,194,993	5,143,210
Unearned revenue	985,803	921,019
Deposits held for others	295,605	623,364
Bonds payable, current	820,000	800,000
Notes payable, current	9,551	9,551
Capital leases payable, current	376,296	363,360
Compensated absences liability	8,819	27,120
<i>Total current liabilities</i>	<b>9,378,599</b>	<b>9,596,629</b>
<b>Noncurrent Liabilities</b>		
Compensated absences liability	1,208,150	1,194,156
Notes payable	26,711	29,429
Capital leases payable	1,289,512	1,665,808
Bonds payable	69,827,188	70,537,559
<i>Total noncurrent liabilities</i>	<b>72,351,561</b>	<b>73,426,952</b>
<i>Total Liabilities</i>	<b>81,730,160</b>	<b>83,023,581</b>
<b>NET POSITION</b>		
Net investment in capital assets	44,406,107	47,300,695
<b>Restricted for non-expendable purposes:</b>		
Endowments	28,250	28,250
<b>Restricted for expendable purposes:</b>		
Endowments	36,432	37,845
Loans	873,577	890,761
Other Purposes	4,057,744	3,877,364
<i>Total Restricted</i>	<b>4,996,003</b>	<b>4,834,220</b>
<i>Unrestricted</i>	<b>6,731,777</b>	<b>8,981,815</b>
<i>Total Net Position</i>	<b>\$ 56,133,887</b>	<b>\$ 61,116,730</b>

The accompanying notes are an integral part of this statement.

**ADAMS STATE UNIVERSITY FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2013 and 2012**

	2013	2012
<b>ASSETS</b>		
Cash in Bank	\$ 451,146	\$ 400,215
Pooled Cash - Brokerage Accounts	84,521	225,869
Segregated Cash - Brokerage Accounts	10,785	87,202
Certificates of Deposit	300,000	300,000
Pooled Investments, at Fair Value	8,101,171	7,077,273
Restricted Investments, at Fair Value	6,029,280	5,571,942
Pledges Receivable, net of allowance	112,750	120,466
Inventories	10,680	13,160
Land - Available for Sale	-	3,650
Art Collection	-	220,750
<b>TOTAL ASSETS</b>	<b>\$ 15,100,333</b>	<b>\$ 14,020,527</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 62,021	\$ 20,135
<b>TOTAL LIABILITIES</b>	<b>62,021</b>	<b>20,135</b>
<b>NET ASSETS</b>		
Unrestricted:		
Unreserved	1,191,746	761,385
Unrestricted, FASB ASC 958-205-65	-	(111,318)
Board Designated	20,950	26,750
Total Unrestricted	1,212,696	676,817
Temporarily Restricted Net Assets:		
Temporarily Restricted	1,905,995	1,841,647
Temporarily Restricted, FASB ASC 958-205-65	-	111,318
Total Temporarily Restricted Net Assets	1,905,995	1,952,965
Permanently Restricted Net Assets	11,919,621	11,370,610
<b>TOTAL NET ASSETS</b>	<b>15,038,312</b>	<b>14,000,392</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 15,100,333</b>	<b>\$ 14,020,527</b>

The accompanying notes are an integral part of this statement.

**ADAMS STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the years ending June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues:</b>		
Tuition & fees (including \$8,790,664 and \$8,482,085, respectively of revenues pledged for bonds and net of scholarship allowances of \$11,180,233 and \$11,328,773, respectively)	<b>\$16,902,401</b>	\$15,523,672
Sales & services of auxiliary enterprises (including \$7,646,906 and \$7,978,085, respectively of revenues pledged for bonds and net of scholarship allowances of \$674,347 and \$897,898 respectively)	<b>7,370,766</b>	7,638,380
Fee for service contract revenue	<b>8,375,066</b>	8,394,711
Federal grants and contracts	<b>3,515,267</b>	2,877,923
State grants and contracts	<b>1,664,925</b>	1,744,780
Other operating revenues (including \$224,086 and \$160,932, respectively of revenues pledged for bonds)	<b>973,688</b>	789,647
<i>Total Operating Revenues</i>	<b><u>38,802,113</u></b>	<u>36,969,113</u>
<b>Operating Expenses:</b>		
Instruction	<b>17,000,519</b>	16,781,044
Research	<b>1,859</b>	1,200
Public service	<b>11,526</b>	16,864
Academic support	<b>2,120,534</b>	2,199,912
Student services	<b>4,303,818</b>	3,816,270
Institutional support	<b>3,470,937</b>	3,478,844
Operation of plant	<b>2,953,772</b>	2,834,266
Scholarships and fellowships	<b>1,171,567</b>	1,725,344
Auxiliary enterprises expenditures	<b>12,887,488</b>	13,023,324
Depreciation	<b>6,384,014</b>	5,578,687
Total operating expenses	<b><u>50,306,034</u></b>	<u>49,455,755</u>
<i>Operating Loss</i>	<b><u>(11,503,921)</u></b>	<u>(12,486,642)</u>
<b>Nonoperating Revenues (Expenses):</b>		
Federal Pell Grants	<b>5,284,183</b>	6,215,410
Gifts and donations	<b>2,014,219</b>	1,888,398
Federal Build America Bonds Subsidy	<b>591,799</b>	618,713
Investment & interest income (loss) (including \$31,315 and \$35,671, respectively of revenue pledged for bonds)	<b>(97,443)</b>	127,227
Limited gaming transfer	<b>20,123</b>	24,342
Interest on capital debt	<b>(3,368,264)</b>	(1,610,579)
<i>Net nonoperating revenue</i>	<b><u>4,444,617</u></b>	<u>7,263,511</u>
<i>Income (Loss) before other revenues, expenses, gains, losses or transfers</i>	<b><u>(7,059,304)</u></b>	<u>(5,223,131)</u>
<b>Other Revenues, Expenses, Gains, Losses or Transfers:</b>		
Student capital fees	<b>1,824,748</b>	1,482,493
State appropriation, capital	<b>321,140</b>	17,400
Transfers to Other Institutions	<b>(69,427)</b>	(76,351)
<i>Increase (Decrease) in Net Position</i>	<b><u>(4,982,843)</u></b>	<u>(3,799,589)</u>
Net Position - beginning of the year	<b><u>61,116,730</u></b>	<u>64,916,319</u>
Net Position - end of the year	<b><u><u>\$56,133,887</u></u></b>	<u><u>\$61,116,730</u></u>

The accompanying notes are an integral part of this statement.

**ADAMS STATE UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2013**

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>NET ASSETS, BEGINNING OF YEAR</b>	\$ 676,817	\$ 1,952,965	\$ 11,370,610	\$ 14,000,392
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Donations - Cash	102,415	990,871	236,897	1,330,183
Investment Income	(67,020)	425,558	-	358,538
Net Realized Gains (Losses) on long-term investments	664,372	159,100	-	823,472
Net Unrealized Gains (Losses) on long-term investments	(18,678)	260,398	-	241,720
Subtotal	681,089	1,835,927	236,897	2,753,913
Net Assets Released from Restriction	1,402,472	(1,402,472)	-	-
<b>Total from Revenues, Gains, and Other Support</b>	<b>2,083,561</b>	<b>433,455</b>	<b>236,897</b>	<b>2,753,913</b>
<b>EXPENSES AND LOSSES</b>				
Scholarships and Awards	866,218	-	-	866,218
Program Services	557,954	-	-	557,954
Management and General Activities	51,615	-	-	51,615
Donation	225,250	-	-	225,250
Fundraising	13,926	-	-	13,926
<b>Total Expenses and Losses</b>	<b>1,714,963</b>	<b>-</b>	<b>-</b>	<b>1,714,963</b>
Reclass for FASB ASC-958-205-65	111,318	(111,318)	-	-
Loss on Disposal of Asset	(1,030)	-	-	(1,030)
Transfers:				
Transfers In/(Out)	56,993	(369,107)	312,114	-
Change in Net Assets for the Year	535,879	(46,970)	549,011	1,037,920
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,212,696</b>	<b>\$ 1,905,995</b>	<b>\$ 11,919,621</b>	<b>\$ 15,038,312</b>

The accompanying notes are an integral part of this statement.

**ADAMS STATE UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2012**

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>NET ASSETS, BEGINNING OF YEAR</b>	\$ 725,200	\$ 1,834,338	\$ 11,237,457	\$ 13,796,995
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Donations - Cash	92,382	983,431	123,249	1,199,062
Investment Income	(73,381)	398,839	-	325,458
Net Realized Gains (Losses)				
on long-term investments	97,745	(144,919)	-	(47,174)
Net Unrealized Gains (Losses)				
on long-term investments	(87,857)	85,609	-	(2,248)
Subtotal	28,889	1,322,960	123,249	1,475,098
Net Assets Released from Restriction	1,198,619	(1,198,619)	-	-
<b>Total from Revenues, Gains, and Other Support</b>	<b>1,227,508</b>	<b>124,341</b>	<b>123,249</b>	<b>1,475,098</b>
<b>EXPENSES AND LOSSES</b>				
Scholarships and Awards	771,997	-	-	771,997
Program Services	441,622	-	-	441,622
Management and General Activities	49,852	-	-	49,852
Fundraising	8,230	-	-	8,230
<b>Total Expenses and Losses</b>	<b>1,271,701</b>	<b>-</b>	<b>-</b>	<b>1,271,701</b>
Reclass for FASB ASC 958-205-65 adjustment	(63,122)	63,122	-	-
Transfers:				
Transfers In/(Out)	58,932	(68,836)	9,904	-
Change in Net Assets for the Year	(48,383)	118,627	133,153	203,397
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 676,817</b>	<b>\$ 1,952,965</b>	<b>\$ 11,370,610</b>	<b>\$ 14,000,392</b>

The accompanying notes are an integral part of this statement.

**ADAMS STATE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
For the years ending June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities:</b>		
<u>Cash Received:</u>		
Tuition and fees	\$16,872,614	\$15,584,826
Fee for service contract revenue	8,375,066	8,394,711
Sales of services	6,059,882	6,150,177
Sales of products	1,023,230	1,182,203
Grants and contracts	5,114,706	4,711,364
Student loans collected	196,134	232,862
Other receipts	902,557	857,305
<u>Cash Payments:</u>		
Payments to or for employees	(30,640,258)	(29,307,210)
Payments to suppliers	(11,519,139)	(14,854,152)
Scholarships disbursed	(1,171,567)	(1,725,344)
Student loans disbursed	(135,567)	(213,061)
<i>Net Cash (Used) Provided by Operating Activities</i>	<u>(4,922,342)</u>	<u>(8,986,319)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Federal grants and contracts, non-operating	5,875,982	6,834,123
Gifts/grants for other than capital purposes	2,034,342	1,912,740
Agency receipts	22,811,486	22,644,093
Agency payments	(23,132,068)	(22,473,517)
Transfers from (to) other institutions	(69,427)	(76,351)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>7,520,315</u>	<u>8,841,088</u>
<b>Cash Flows from Capital &amp; Related Financing Activities:</b>		
State appropriations, capital	321,140	17,400
Proceeds from capital debt	-	13,384,800
Student capital fees	1,820,318	1,471,284
Acquisition or construction of capital assets	(9,037,170)	(11,257,154)
Principal paid on capital debt	(1,056,449)	(1,829,764)
Interest paid on capital debt	(3,892,559)	(3,434,880)
<i>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</i>	<u>(11,844,720)</u>	<u>(1,648,314)</u>
<b>Cash Flows from Investing Activities:</b>		
Investment earnings	(78,003)	233,767
<i>Net Cash Provided (Used) by Investing Activities</i>	<u>(78,003)</u>	<u>233,767</u>
<b>Net Increase (Decrease) in Cash</b>	<u>(9,324,750)</u>	<u>(1,559,778)</u>
Beginning cash balance	30,859,838	32,419,616
Ending cash balance	<u>\$21,535,088</u>	<u>\$30,859,838</u>

The accompanying notes are an integral part of this statement.

**ADAMS STATE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
For the years ending June 30, 2013 and 2012

	<b>2013</b>	<b>2012</b>
<b>Reconciliation of Operating Loss to Net Cash (used) Provided</b>		
<b>by Operating Activities</b>		
Operating loss	(\$11,503,921)	(\$12,486,642)
Adjustments to reconcile:		
Depreciation expense	6,384,014	5,578,687
Decrease (increase) in assets:		
Receivables, net	(70,624)	144,811
Inventories & prepaids	163,378	60,164
Increase (decrease) in liabilities:		
Accounts payable	(21,473)	(2,511,470)
Accrued liabilities	72,984	200,377
Unearned revenues	64,784	(984)
Student deposits	(7,177)	(7,122)
Compensated absences	(4,307)	35,860
<i>Net Cash Used by Operating Activities</i>	<b><u>(\$4,922,342)</u></b>	<b><u>(\$8,986,319)</u></b>
<b>Noncash Investing, Capital, and Financing Activities:</b>		
State Capital Contributions	\$321,140	\$17,400
Amortization of capital premium/discount and capital loss	172,088	156,360

The accompanying notes are an integral part of this statement.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

---

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

**Institution Name Change**

With passage of House Bill 12-1080, Colorado Revised Statute (CRS) 23-51-101 was amended, effective August 7, 2012, to confer university status and re-name the institution formerly known as Adams State College to Adams State University. With the name change, formerly known as Adams State College Foundation has changed its name to Adams State University Foundation.

**Governance**

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

**Reporting Entity**

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

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

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

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

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

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

---

**Basis of Accounting**

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

**Cash and Cash Equivalents**

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

**Investments**

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

**Inventory**

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

**Capital Assets**

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

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

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized during the years ended June 30, was \$528,725 (2013) and \$1,685,823 (2012).

**Classification of Revenue**

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

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

**Application of Restricted and Unrestricted Resources**

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

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

---

**Unearned Revenue**

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

**Compensated Absence Liabilities**

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

**Net Position**

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

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

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

**Enterprise Designation**

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

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

---

**Reclassifications**

Certain reclassifications were made to the fiscal year 2012 financial statements presentation in order to conform to the fiscal year 2013 financial statements presentation.

**New Accounting Pronouncements**

During 2013, the University adopted the provisions of the following Governmental Accounting Standards Board (GASB) pronouncements:

Effective July 1, 2012 the University adopted GASB Statement No. 61 *The Financial Reporting Entity: Omnibus— an amendment of GASB Statements No. 14 and No. 34* requirements result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA pronouncements*, incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, *Elements of Financial Statements*, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement affects the format and reporting of the Statement of Net Position, formerly the Statement of Net Assets.

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

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

At June 30, 2013 the University had \$17,037,528 including unrealized gains of \$28,043 on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. At year-end, cash on hand and in banks consisted of the following:

Cash on hand	\$ 7,840
Cash in checking accounts at bank	1,356,641
Certificate of Deposits	3,133,078
Total cash	<u>\$ 4,497,559</u>

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

The carrying amount of the University's cash on deposit was \$4,489,719. The bank balance of these deposits was \$4,538,555, of which \$918,969 was covered by federal depository insurance and \$3,619,586 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

At June 30, 2012 the University had \$25,987,196, including unrealized gains of \$353,128, on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. At year-end, cash on hand and in banks consisted of the following:

Cash on hand	\$	7,730
Cash in checking accounts at bank		1,758,891
Certificate of Deposits		3,106,021
Total cash		\$ 4,872,642

The carrying amount of the University's cash on deposit was \$4,864,912. The bank balance of these deposits was \$5,049,118, of which \$919,982 was covered by federal depository insurance and \$4,129,136 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

The University deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2013, the University had cash on deposit with the State Treasurer of \$17,037,528, which represented approximately 0.2 percent of the total \$7,260.8 million fair value of deposits in the State Treasurer's Pool (Pool).

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year end. On the basis of the University's participation in the Pool, the University reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2013, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2013, approximately 88.5 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for \$41,074,270 of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2013, the weighted average maturity of investments in the Treasurer's Pool is 0.037 years for Commercial Paper (1.0 percent of the Pool), 1.321 years for U.S. Government Securities (63.9 percent of the Pool), 3.371 years for Asset Backed Securities (16.0 percent of the Pool), and 3.100 years for Corporate Bonds (19.1 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2012-13.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Comprehensive Annual Financial Report for the year ended June 30, 2013.

Adams State University Foundation Investments and Concentration of Risk

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

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common Fund	<u>\$ 13,705,072</u>	<u>\$ 14,225,757</u>	<u>\$ 12,524,943</u>	<u>\$ 12,962,286</u>

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

As of June 30, the Foundation had bank deposits in two financial institutions that exceeded insurance coverage by a total of \$432,945 (2013) and \$250,215 (2012).

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

**NOTE 3 - ACCOUNTS AND LOANS RECEIVABLE**

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

	2013	2012
Student Accounts Receivable	\$ 2,501,221	\$ 2,158,120
Less: Allowance for Doubtful Accounts	(1,247,037)	(913,868)
Student Accounts Receivable, net	1,254,184	1,244,252
Other Accounts Receivable	781,593	667,420
Student Loans Receivable	977,166	1,025,728
Less: Allowance for Doubtful Accounts	(293,172)	(292,682)
Student Loans Receivable, net	683,994	733,046
Total Receivables	\$ 2,719,771	\$ 2,644,718

**NOTE 4 - CAPITAL ASSETS**

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2013.

	Balance June 30, 2012	Additions	Transfers/ Retirements	Balance June 30, 2013
<b>Nondepreciable Capital Assets</b>				
Land	\$ 445,249	\$ -	\$ -	\$ 445,249
Construction in Progress	5,468,850	8,806,051	10,081,079	4,193,822
Total Nondepreciable Capital Assets	\$ 5,914,099	\$ 8,806,051	\$ 10,081,079	\$ 4,639,071
<b>Depreciable Capital Assets</b>				
Land Improvements	\$ 12,536,445	\$ -	\$ -	\$ 12,536,445
Buildings and Improvements	136,262,363	10,081,079	-	146,343,442
Equipment	4,485,890	627,248	439,048	4,674,090
Library Materials	4,830,154	111,395	7,609	4,933,940
Total Depreciable Capital Assets	158,114,852	10,819,722	446,657	168,487,917
Less: Accumulated Depreciation				
Land Improvements	4,692,386	495,534	-	5,187,920
Buildings and Improvements	42,995,817	5,457,486	-	48,453,303
Equipment	2,902,109	276,492	439,048	2,739,553
Library Materials	4,054,064	154,502	7,609	4,200,957
Total Accumulated Depreciation	54,644,376	6,384,014	446,657	60,581,733
Net Depreciable Capital Assets	\$ 103,470,476	\$ 4,435,708	\$ -	\$ 107,906,184

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2012.

	Balance <u>June 30, 2011</u>	<u>Additions</u>	Transfers/ <u>Retirements</u>	Balance <u>June 30, 2012</u>
<b>Nondepreciable Capital Assets</b>				
Land	\$ 445,249	\$ -	\$ -	\$ 445,249
Construction in Progress	24,545,737	11,756,845	30,833,732	5,468,850
Total Nondepreciable Capital Assets	<u>\$ 24,990,986</u>	<u>\$ 11,756,845</u>	<u>\$ 30,833,732</u>	<u>\$ 5,914,099</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	\$ 7,067,188	\$ 5,469,257	\$ -	\$ 12,536,445
Buildings and Improvements	109,178,200	27,084,163	-	136,262,363
Equipment	4,904,829	399,270	818,209	4,485,890
Library Materials	4,718,427	127,219	15,492	4,830,154
Total Depreciable Capital Assets	<u>125,868,644</u>	<u>33,079,909</u>	<u>833,701</u>	<u>158,114,852</u>
<b>Less: Accumulated Depreciation</b>				
Land Improvements	4,137,772	554,614	-	4,692,386
Buildings and Improvements	38,398,556	4,597,261	-	42,995,817
Equipment	3,444,304	266,378	808,573	2,902,109
Library Materials	3,909,122	160,434	15,492	4,054,064
Total Accumulated Depreciation	<u>49,889,754</u>	<u>5,578,687</u>	<u>824,065</u>	<u>54,644,376</u>
Net Depreciable Capital Assets	<u>\$ 75,978,890</u>	<u>\$ 27,501,222</u>	<u>\$ 9,636</u>	<u>\$ 103,470,476</u>

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

**NOTE 5 - NONCURRENT LIABILITIES**

The University's noncurrent liability activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
<b>Bond and Leases Payable:</b>					
Series 2009A Bonds	\$19,420,000	\$ -	\$ 400,000	\$ 19,020,000	\$ 400,000
Series 2009B Bonds	11,600,000	-	400,000	11,200,000	420,000
Series 2009C Bonds	27,615,000	-	-	27,615,000	-
Series 2012 Bonds	12,975,000	-	-	12,975,000	-
Unamortized Premium 2009A	331,197	-	12,401	318,796	-
Unamortized Premium 2009B	328,174	-	19,352	308,822	-
Unamortized Discount 2009C	(561,681)	-	(19,397)	(542,284)	-
Unamortized Premium 2012	563,055	-	18,873	544,182	-
Refunding Loss 2009B	(933,186)	-	(140,858)	(792,328)	-
Capital Lease Obligation	2,029,168	-	363,360	1,665,808	376,296
<i>Total Bonds and Leases Payable</i>	<u>73,366,727</u>	<u>-</u>	<u>1,053,731</u>	<u>72,312,996</u>	<u>1,196,296</u>
<b>Other Liabilities:</b>					
Compensated Absences	1,221,276	-	4,307	1,216,969	8,819
Other	38,980	-	2,718	36,262	9,551
<b>Total Other Liabilities</b>	<u>1,260,256</u>	<u>-</u>	<u>7,025</u>	<u>1,253,231</u>	<u>18,370</u>
<i>Total Long-Term Liabilities</i>	<u>\$74,626,983</u>	<u>\$ -</u>	<u>\$ 1,060,756</u>	<u>\$ 73,566,227</u>	<u>\$1,214,666</u>

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

The University's noncurrent liability activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
<b>Bond and Leases Payable:</b>					
Series 2009A Bonds	\$19,805,000	\$ -	\$ 385,000	\$ 19,420,000	\$ 400,000
Series 2009B Bonds	11,995,000	-	395,000	11,600,000	400,000
Series 2009C Bonds	27,615,000	-	-	27,615,000	-
Series 2012 Bonds	-	12,975,000	-	12,975,000	-
Unamortized Premium 2009A	343,597	-	12,400	331,197	-
Unamortized Premium 2009B	347,526	-	19,352	328,174	-
Unamortized Discount 2009C	(581,077)	-	(19,396)	(561,681)	-
Unamortized Premium 2012	-	566,201	3,146	563,055	-
Refunding Loss 2009B	(1,074,044)	-	(140,858)	(933,186)	-
Capital Lease Obligation	63,371	3,134,368	1,168,571	2,029,168	363,360
<i>Total Bonds and Leases Payable</i>	<u>58,514,373</u>	<u>16,675,569</u>	<u>1,823,215</u>	<u>73,366,727</u>	<u>1,163,360</u>
<b>Other Liabilities:</b>					
Compensated Absences	1,185,416	35,860	-	1,221,276	27,120
Other	45,530	-	6,550	38,980	9,551
<i>Total Other Liabilities</i>	<u>1,230,946</u>	<u>35,860</u>	<u>6,550</u>	<u>1,260,256</u>	<u>36,671</u>
<i>Total Long-Term Liabilities</i>	<u>\$59,745,319</u>	<u>\$ 16,711,429</u>	<u>\$ 1,829,765</u>	<u>\$ 74,626,983</u>	<u>\$ 1,200,031</u>

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

---

**NOTE 6 - LEASE OBLIGATIONS**

A capital lease for a bus was entered into August 4, 2008 in the amount of \$99,868. The lease requires annual payments of \$23,711 for five years at an interest rate of 6.00%.

A capital lease for the Evans School, now known as the Adams State East Campus, was entered into October 28, 2011 in the amount of \$1,719,688 at an imputed interest rate of 3%. The lease requires an initial payment of \$850,000 and annual payments of \$300,000 for three years.

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

Principal and Interest requirements to maturity for all lease purchases are as follows:

<u>Year Ending June 30</u>	
2014	\$ 444,515
2015	121,648
2016	122,796
2017	127,128
2018	131,815
2019-2023	683,172
2024-2028	<u>510,438</u>
	2,141,512
Less amount representing interest	<u>(475,704)</u>
Principal outstanding	\$ <u>1,665,808</u>

**NOTE 7 - BONDS PAYABLE**

**Series 2009A Bonds**

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

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

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

---

**Series 2009B and 2009C Bonds**

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

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

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

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

**Series 2012 Bonds**

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

The Series 2012 Bonds have annual maturities through 2042. The bonds maturing between May 2023 and May 2042 are subject to optional redemption prior to their respective maturities at the option of the Board of Trustees. The bonds maturing between May 2032 thru May 2042 are subject to mandatory sinking fund requirements by lot, on the dates and in the designated principal amounts as specified in the bond resolution, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. Interest rates vary from 2.00% to 5.00% with an average rate of 4.07%. The bonds are collateralized by first lien on and pledge of all net revenues of continuing education and capital construction debt service fee and pledge of all net revenues of the Auxiliary Facilities System. In addition, ten percent of tuition revenues will be pledged as collateral if the University is designated as an institutional enterprise under Section 23-5-101.7, Colorado Revised Statutes, as amended. At June 30, 2013 and 2012, the University was in compliance with all covenants related to all bonds outstanding.

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

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

The following is a schedule of future minimum bond payments as of June 30, 2013:

Year Ending June 30,	2009A Series	2009B Series	2009C Series	2012 Series	Total
2014	\$ 1,358,511	\$ 863,700	\$ 1,767,752	\$ 527,645	\$ 4,517,608
2015	1,362,511	1,309,250	1,767,752	602,645	5,042,158
2016	1,360,061	1,310,500	1,767,752	701,145	5,139,458
2017	1,361,780	1,302,900	1,767,752	817,645	5,250,077
2018	1,356,380	1,305,300	1,767,752	816,745	5,246,177
2019-2023	6,815,600	4,331,175	10,977,705	4,110,325	26,234,805
2024-2028	6,807,785	3,786,313	11,227,711	4,096,588	25,918,397
2029-2033	6,800,875	757,625	13,602,457	4,118,250	25,279,207
2034-2038	6,806,900	-	13,346,996	4,180,000	24,333,896
2039-2043	1,360,950	-	5,282,454	3,278,400	9,921,804
Total Bond Payments	<u>35,391,353</u>	<u>14,966,763</u>	<u>63,276,083</u>	<u>23,249,388</u>	<u>136,883,587</u>
Less Interest Included Above	<u>(16,371,353)</u>	<u>(3,766,763)</u>	<u>(35,661,083)</u>	<u>(10,274,388)</u>	<u>(66,073,587)</u>
Total Principal Outstanding	19,020,000	11,200,000	27,615,000	12,975,000	70,810,000
Less Current Portion	<u>(400,000)</u>	<u>(420,000)</u>	<u>-</u>	<u>-</u>	<u>(820,000)</u>
Net Long Term Principal	18,620,000	10,780,000	27,615,000	12,975,000	69,990,000
Less Unamortized Premium, Discount, and Refunding Loss	<u>318,796</u>	<u>(483,506)</u>	<u>(542,284)</u>	<u>544,182</u>	<u>(162,812)</u>
Bonds Payable, Net	<u><u>\$18,938,796</u></u>	<u><u>\$ 10,296,494</u></u>	<u><u>\$27,072,716</u></u>	<u><u>\$13,519,182</u></u>	<u><u>\$ 69,827,188</u></u>

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

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

The University receives significant amounts from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed amounts resulting from such audits could become a liability of the University. However, University management believes that any such disallowed amounts will not have a material adverse effect on any of the financial statements or on the overall financial position of the University at June 30, 2013.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

---

**NOTE 9 - ACCRUED PAYROLL**

Prior to fiscal year 2003, salaries and wages earned through the end of the fiscal year were paid to employees on June 30. Senate Bill 03-197 requires that monthly salaries for June that were normally paid on June 30 are to be paid on July 1. This created an accrual for June 30, of \$2,257,590 (2013) and \$2,284,358 (2012), respectively.

**NOTE 10 - COMPENSATED ABSENCES**

Employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount, which will be paid upon termination. The estimated costs of current compensated absences for which employees are vested for the years ended June 30, are estimated as \$8,819 (2013) and \$27,120 (2012). The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, are estimated as \$1,208,150 (2013) and \$1,194,156 (2012). Current expenses include a decrease of \$4,307 for the estimated compensated absence liability. None of the liability relates to the current restricted fund.

**NOTE 11 - PENSION PLAN OBLIGATIONS**

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

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

The University's contributions to the ORP for the fiscal years ending June 30, were \$1,177,665 (2013), \$1,156,805 (2012) and \$1,103,281 (2011). These contributions were equal to the required contributions for each year. All ORP contributions are immediately vested in the employee's account. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and decisions made by participants for their individual investment accounts.

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

**PERA Plan Description**

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

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

---

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

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

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

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

- λ Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- λ Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any years of service.
- λ Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011, age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- λ Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, age 65 with 5 years of service.
- λ Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

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

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

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

---

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

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

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

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

### **Funding Policy**

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

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

From July 1, 2012, to December 31, 2012, the State contributed 15.65 percent of employee's salary. From January 1, 2013, through June 30, 2013, the state contributed 16.55 percent. During all of Fiscal Year 2012-13, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2012, the division of PERA in which the State participates has a funded ratio of 59.2 percent and a 53 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 60.2 percent.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

---

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

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

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

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

The University's contributions to PERA and/or the state defined contribution plan for the fiscal years ending June 30, were \$1,815,985 (2013), \$1,400,744 (2012), and \$1,258,111 (2011). These contributions met the contribution requirement for each year.

**Student Retirement Plan**

Beginning in fiscal year 1993, in accordance with the provision of Section 24-54.6-101, Colorado Revised Statute (C.R.S.), and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5 percent contribution on the employee's part with no employer contribution. Total current year payroll covered by the plan, for Adams State University was \$123,310. Employee contributions were 7.5 percent of covered payroll.

**NOTE 12 - VOLUNTARY TAX-DEFERRED RETIREMENT PLANS**

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2012, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of \$17,000. The reduction for the 8 percent PERA contribution reflects the expiration of the temporary contribution rate increase to 10.5 percent effective in Fiscal Years 2010-11 and 2011-12. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional \$5,500 contribution in 2012, for total contributions of \$22,500. Contributions and earnings are tax deferred. At December 31, 2012, the plan had 17,469 participants.

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

---

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer 403(b) or 401(a) plans.

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

**Health Care Program**

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

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

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 11. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The University contributed for the Fiscal Years \$114,463 (2013), \$111,920 (2012), \$108,456 (2011) as required by statute. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2012, there were 51,666 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2012, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.43 billion, a funded ratio of 16.5 percent, and a 66-year amortization period.

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

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

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

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

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

**NOTE 14 - SCHOLARSHIP ALLOWANCES**

Tuition, fee and auxiliary revenue and the related scholarship allowances for the year ended June 30, 2013 and 2012 were as follows:

	Tuition & Fees	Auxiliary Revenue	2013 Total	2012 Total
Gross Revenue	\$ 28,082,634	\$ 8,045,113	\$36,127,747	\$ 35,388,723
<u>Scholarship Allowances:</u>				
Federal	4,834,799	291,615	5,126,414	5,947,820
State	1,151,761	69,470	1,221,231	1,270,379
Private	1,181,445	71,260	1,252,705	1,244,376
Institutional	4,012,228	242,002	4,254,230	3,764,096
Total Allowances	11,180,233	674,347	11,854,580	12,226,671
Net Revenue	<u>\$ 16,902,401</u>	<u>\$ 7,370,766</u>	<u>\$24,273,167</u>	<u>\$ 23,162,052</u>

**NOTE 15 - UNIVERSITY FOUNDATION**

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

During the year ended June 30, the University received funds totaling \$1,068,328 (2013) and \$962,605 (2012), from the Foundation for scholarships, work study and grants-in-aid. These funds are appropriately accounted for and reported in the financial statements. In addition, the Foundation has expended funds for the purchase of an insignificant quantity of supplies and other services from the University.

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

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

**STATE OF COLORADO**  
**ADAMS STATE UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

---

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

The budget, actual revenue and actual expenses related to the amounts shown in the State of Colorado Long Bill for tuition, academic fees, stipends and fee for service contracts for fiscal year 2013 are as follows:

Budget	\$11,069,559
Actual Revenues	11,067,978
Actual Expenses	11,069,559

SUPPLEMENTAL INFORMATION

**ADAMS STATE UNIVERSITY**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**FOR SERIES 2009A, 2009B, 2009C AND 2012 AUXILIARY FACILITIES REVENUE BONDS**  
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Revenue</b>		
Tuition revenues	\$ 2,031,570	\$ 1,857,001
Extended Studies tuition and fees	4,297,991	4,476,085
Capital fees	1,824,748	1,482,493
College service fees	636,353	666,508
Traffic control fees	0	1
Rental income	4,302,702	4,434,775
Food service income	2,189,962	2,217,603
Sales/services auxiliaries	1,030,818	1,191,988
Interest income	31,316	35,671
Other income	347,511	294,648
<i>Total Revenue</i>	<u>16,692,971</u>	<u>16,656,773</u>
<b>Expenses</b>		
Salaries & benefits	4,774,620	4,699,454
Costs of goods	735,618	873,641
Utilities expense	550,668	514,054
Rental expense	189,242	197,660
Contract food services	1,294,957	1,261,487
Travel	85,003	83,939
Supplies	269,270	266,513
Other operating expenses	394,174	368,357
Purchased services-personal	217,325	174,997
Financial aid	683,749	607,230
Administrative cost allowance	1,139,795	1,612,631
Furniture & equipment	205,873	348,399
Other capital expenditures	150,000	575,000
Other expenses	372,957	357,664
<i>Total Expenses</i>	<u>11,063,251</u>	<u>11,941,026</u>
<b>Net Revenue before Transfers</b>	<b>5,629,720</b>	<b>4,715,747</b>
<b>Transfers</b>		
Mandatory transfers	3,105,326	2,497,838
Nonmandatory transfers	48,934	387,201
<i>Total Transfers</i>	<u>3,154,260</u>	<u>2,885,039</u>
<i>Net Revenue</i>	<u>\$ 2,475,460</u>	<u>\$ 1,830,708</u>
<b>Debt Service Coverage</b>		
Net Operating Revenue	\$ 5,629,720	\$ 4,715,747
Bond Principal and Interest	3,898,895	3,479,809
<b>Excess of Net Operating Revenue Over Debt Service</b>	<u>\$ 1,730,825</u>	<u>\$ 1,235,938</u>
<b>Debt Service Coverage Ratio</b>	<b>144%</b>	<b>136%</b>

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



Wall,  
Smith,  
Bateman Inc.

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the major fund of Adams State University (the University), an institution of Higher Education, State of Colorado, the Adams State University Foundation, a discretely presented component unit of the University, discussed in note 1 of the financial statements, which represents 100 percent of the total assets, total revenues, and total net assets of the aggregate discretely component unit, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 28, 2013. The financial statements of the discretely presented component unit, Adams State University Foundation, were not audited in accordance with *Government Auditing Standards*.

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

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

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

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

**Certified Public Accountants**

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 [www.wsbcpa.com](http://www.wsbcpa.com)

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wall, Smith, Bateman Inc.

October 28, 2013



Wall,  
Smith,  
Bateman Inc.

Members of the Legislative Audit Committee:

We have audited the financial statements of the business -type activities and the major fund of Adams State University (the University), an institution of Higher Education, State of Colorado, and the Adams State University Foundation, a discretely presented component unit of the University, discussed in note 1 of the financial statements, as of and for the years ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 23, 2013. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements. As described in Note 1, the University changed accounting policies by adopting Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34* and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, for the fiscal year ended June 30, 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the depreciation is based on the estimated useful life of the capital assets being depreciated at June 30, 2013. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the collectability of student accounts receivable and student loans is based on historical analysis. We evaluated the key factors and assumptions used to develop the allowance for bad debts in determining that it is reasonable in relation to the financial statements taken as a whole.

### **Certified Public Accountants**

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 [www.wsbcpa.com](http://www.wsbcpa.com)

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule titled "Passed Audit Adjusting Journal Entries" on page 47 summarizes the one uncorrected misstatement of the financial statements. Management has determined its effect to be immaterial to the financial statements taken as a whole.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 31 2013.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Members of the Legislative Audit Committee

Page 2

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

Very truly yours,

Wall, Smith, Bateman Inc.

October 28, 2013

**ADAMS STATE UNIVERSITY**  
**SCHEDULE OF PASSED AUDIT ADJUSTING JOURNAL ENTRIES**  
**For the period ended 6/30/2013**

Entry #	Status	Account/Code	Description	Debit	Credit	Effect on Income
PAJE 1	Not Posted	760000-1710	Collections	225,250.00		
		111000-3510	Equipment		225,250.00	0.00

To reclassify donated art collection from equipment, a depreciable asset, to a non-depreciable asset line item.

The electronic version of this report is available on the Web site of  
the Office of the State Auditor  
[www.state.co.us/auditor](http://www.state.co.us/auditor)

A bound report may be obtained by calling the  
Office of the State Auditor  
303-869-2800

Please refer to the Report Control Number below when requesting this report.

Report Control Number 1316F