ADAMS STATE UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2018 and 2017

Wall,
Smith,
Bateman Inc.
Certified Public Accountants

LEGISLATIVE AUDIT COMMITTEE

Senator Tim Neville – Chair	Senator Nancy Todd - Vice-Chair
Senator Rhonda Fields	Representative Kim Ransom
Representative Tracy Kraft-Tharp	Representative Lori Saine
Representative Dafna Michaelson Jenet	Senator Jim Smallwood

OFFICE OF THE STATE AUDITOR

Dianne E. Ray	State Auditor
Kerri Hunter	Deputy State Auditor
Pooja Tulsian	Contract Monitor
Wall, Smith, Bateman Inc.	Contractor

AN ELECTRONIC VERSION OF THIS REPORT IS AVAILABLE AT
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 REPORT NUMBER 1802F WHEN REQUESTING THIS REPORT

TABLE OF CONTENTS

ADAMS STATE UNIVERSITY
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
Fiscal Years Ended June 30, 2018 and 2017

Authority, Purpose and Scope

The audit of Adams State University (the 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 Fiscal Year 2018 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 May through November 2018.

The purposes and scope of the audit were to:

- Perform an audit of the basic financial statements of the University for the year ended June 30, 2018, and to express an opinion on the financial statements. This included a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*. This also included the identification and performance of appropriate information technology general control testing of the University's key information technology systems, in accordance with auditing standards.
- Perform an audit of the University's federal grant programs under the federal Single Audit Act for the year ended June 30, 2018.
- Perform a financial and compliance audit and express an opinion on the Statement of Appropriations, Expenditures, Transfers and Reversions of the University's State-Funded Student Financial Assistance Programs. This included a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*.
- Review the University's compliance with state and federal laws and regulations, State Fiscal Rules, and bond covenants that could have a material effect on the University's financial statements.
- Perform audit work to evaluate the University's progress in implementing prior audit recommendations.
- Review exhibits required by the State Controller in support of the statewide financial statements. Also, review of all adjusting entries, posted or not, after the Colorado Operations Resource Engine's (CORE's) final year-end closing.
- Submit attestation memos to the Office of the State Auditor on the results of audit work performed.
- Report on the University's internal control over financial reporting and compliance and other matters based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.

The Schedule of Expenditures of Federal Awards for Adams State University and applicable audit opinions are included in the Fiscal Year 2018 Statewide Single Audit Report issued by the Office of the State Auditor under a separate cover.

Audit Results

Wall, Smith, Bateman Inc. expressed an unmodified opinion on the financial statements for the years ending June 30, 2018 and 2017. Wall, Smith, Bateman Inc. also expressed an unmodified opinion on the Statements of Appropriations Expenditures, Transfers and Reversions of State-Funded Student Financial Assistance Programs for the fiscal year ended June 30, 2018.

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 are two findings and recommendations resulting from the audit work completed for fiscal year ended June 30, 2018. The first finding is in regard to the accounting controls. The second finding is in regard to the Student Financial Aid major program enrollment reporting compliance. A detailed description of the audit comments and recommendations are contained in the findings and recommendations section of the report.

Summary of Progress in Implementing Prior Audit Findings

The audit report for the year ended June 30, 2017 included two findings and recommendations. The implementation date for the first finding is August 2019, and the second finding has been partially implemented. A detailed description of the progress on the audit comments and recommendations are contained in the findings and recommendations section of the report.

RECOMMENDATION LOCATOR All recommendations are addressed to the Adams State University Fiscal Year 2018				
Rec. No.	**Page No.**	**Recommendation Summary**	**Agency Response**	**Implementation Date**
2018-001	7	Adams State University should continue to improve its internal controls over financial activities by providing training to staff over the effective implementation of policies, procedures, and internal controls related to specific account balances and transaction activity. In addition, the University should ensure established internal controls, including segregation of duties and secondary review and approval processes, are effective, demonstrated by eliminating the types of errors identified in this audit.	Agree	May 2019
2018-002	10	Adams State University should improve internal controls over Student Financial Aid (SFA) Pell and Direct Loan Program enrollment reporting to the National Student Loan Data System (NSLDS) by developing and implementing policies and procedures that clearly outline responsibilities, updating those policies and procedures for SFA regulatory alerts, training appropriate staff, and implementing a review process over enrollment changes reported to NSLDS.	Agree	March 2019

Description of Adams State University

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

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

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

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

	2016	2017	2018
Resident Students	1,825.7	1,798.3	1,647.6
Nonresident Students	657.3	720.6	757.1
Total Students	2,483.0	2,518.9	2,404.7
Faculty FTEs	184.7	179.9	181.7
Staff FTEs	136.1	142.1	146.8
Total Staff and Faculty FTEs	320.8	322.0	328.5

Accounting Controls

Adams State University's accounting department is responsible for all financial reporting, including the accurate and timely entry and approval of financial transactions in the University's accounting system.

What was the purpose of our audit work and what work was performed?

The purpose of the audit work was to assess the adequacy and effectiveness of the University's accounting department's internal controls over financial activities during Fiscal Year 2018, and to review the University's progress in implementing our Fiscal Year 2017 audit recommendation related to improving accounting controls. At that time, we specifically recommended that the University improve its internal controls over financial activities by implementing formal policies and procedures for all accounting processes, establishing proper segregation of duties including supervisory reviews over all transactions and reconciliations, providing staff training on the effective implementation of the aforementioned policies and procedures, and following existing student accounts receivable collection accounting policies.

We reviewed the University's Financial Management Manual (Guide), inquired of accounting department staff as to the existence of internal controls related to cash in bank, accounts receivable, unearned revenue, revenue, capital assets, accounts payable, expenses, debt transactions and payroll financial activities. We performed a physical walkthrough of and tested internal controls over cash receipts, cash disbursements, tuition and fee billing, procurement cards, payroll, and journal entry processes.

How were the results of the audit work measured?

The University's Financial Management Guide follows the Office of the State Controller's (OSC) State Fiscal Rule 1-8 (Pre-audit Responsibility for Accounting Documents and Financial Transactions). According to OSC's State Fiscal Rule 1-8, the State's institutions of higher education "shall implement internal accounting and administrative controls that reasonably ensure that financial transactions are accurate, reliable, and conform to state fiscal rules." The University's Financial Management Guide specifies procedures for administering financial processes to be designed so that the duties of one employee provide a crosscheck on the work of one or more other employees. Examples of these internal controls would be updated policies and procedures, performing an effective secondary review, proper segregation of duties, maintaining supporting documentation, and periodic staff training. We measured our results in relation to internal controls that should be designed to allow University's staff, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements in a timely manner.

What problems did the audit work identify?

Overall, we identified several internal control issues related to the University's financial accounting and reporting and determined that the University had not fully implemented our Fiscal Year 2017 audit recommendation. Specifically, while our Fiscal Year 2018 audit work determined that the University had implemented accounting department controls including segregation of duties and secondary review and approval procedures during Fiscal Year 2018 in response to the Fiscal Year 2017 finding, the additional controls were ineffective in identifying and resolving and/or correcting reconciliation differences and calculation errors.

As a result of our audit testwork, we identified and the University recorded proposed audit adjustments to correct the following differences and errors:

- Cash and cash equivalents and accrued liabilities were overstated by approximately $565,000 as a result of erroneous corrections made to prior year cash in bank and cash with State Treasurer balances.
- Tuition and fees deferred revenue was understated and revenue was overstated by approximately $71,000 due to University staff's calculation errors.
- Accounts payable and expenses were overstated by approximately $181,000 related to a prior year accrual that was not accurately reversed to reflect payments made in Fiscal Year 2018.
- Prior year bond premium and refunding gain/loss calculation errors detected in our Fiscal Year 2017 audit were not corrected, resulting in a Fiscal Year 2018 audit adjustment of nearly $322,000 to current year interest expense.

Why did the problem occur?

The University has not adequately trained staff regarding its policies and procedures. Specifically, the University implemented position-appropriate segregation of duties over all transactions and reconciliation performance, including specified secondary review responsibilities. However, staff members in these positions, including the supervisory positions, were not adequately trained regarding the specific transaction activity and account balances. Therefore, the University's policies were not effective in preventing and/or identifying and correcting errors.

Why does this problem matter?

Strong internal controls, such as the required utilization of written policies and procedures, effective segregation of duties, supervisory reviews, and ongoing staff training, aid in the reduction of errors and omissions as well as more timely detection and correction of errors. In addition, accurate financial information is crucial to the University's management and the Board of Trustees as well as outside users of the financial statements.

(Classification of Finding: Material weakness)

This finding applies to prior year recommendation No. 2.

Recommendation No. 1:

Adams State University should continue to improve its internal controls over financial activities by:

A. Providing training to staff over the effective implementation of policies, procedures, and internal controls related to specific account balances and transaction activity.
B. Ensuring established internal controls, including segregation of duties and secondary review and approval processes, are effective, demonstrated by eliminating the types of errors identified in this audit.

Adams State University's Response:

Agree. Implementation date May 2019.

The University will continue to improve its internal controls over financial activities by:

A. Providing training to staff over the effective implementation of policies, procedures, and internal controls related to specific account balances and activity. The university will make a concerted effort to insure that all accounting staff members engage in an ongoing training process as policies and procedures evolve over time. The training will focus on effective and efficient implementation of those updates.
B. Ensuring established internal controls, including segregation of duties and secondary review and approval processes, are effective. We will continue to analyze and update policies and procedures in order to match our changing environment and strengthen internal controls.

Internal Controls Over Student Financial Aid Cluster Compliance Enrollment Reporting

The federal Department of Education (USDE) requires institutions of higher education who are receiving Student Financial Aid (SFA) funds to report enrollment information to the USDE through its central database for student aid, the National Student Loan Data System, or NSLDS. Institutions of higher education are also required to make and report corrections to previously-reported enrollment information. Most institutions of higher education, including Adams State University, utilize the National Student Clearinghouse (Clearinghouse), a third-party service provider to assist with enrollment reporting. Enrollment reporting, including submission of "roster files" and enrollment status changes, assists the federal government in management of the Pell and Direct Loan programs, which are programs within the SFA Cluster.

At the request of an institution, the USDE creates an Enrollment Reporting Summary Report (SCHER1), which specifically summarizes the dates the enrollment reporting roster files were sent and returned by the institution during the year, as well as the number of errors and online updates with the associated date they occurred; and the number of late enrollment reporting notifications that were sent to the institution for overdue enrollment reporting rosters.

During 2016, the USDE recognized a problem nationally where currently available reports did not provide institutions with sufficient information to be able to clearly resolve the enrollment reporting errors identified by NSLDS. To help alleviate this issue, USDE worked with the Clearinghouse to develop an additional report for use by the institutions of higher education to provide clarification regarding enrollment errors, the *Enrollment Errors Report* (SCHER5).

During Fiscal Year 2018, ASU issued approximately $24.8 million in federal SFA, which included approximately $4.5 million and $19.8 million of Pell and Direct Loan funding, respectively, with the remaining $500,000 attributed to other federal SFA programs.

What was the purpose of our audit work and what work was performed?

The purpose of our audit work was to determine whether the University complied with enrollment reporting requirements regarding student attendance status changes for the federal Pell and Direct Loan programs during Fiscal Year 2018.

We reviewed a sample of 40 out of approximately 3,000 University students whose attendance information was reported to NSLDS during Fiscal Year 2018 for compliance with the SFA Cluster enrollment reporting requirements. For each student in our sample, we compared information within the University's Financial Aid system to information contained on the NSLDS website for the specific enrollment status change selected. In addition, we reviewed the SCHER1 reports provided by NSLDS to the University for Fiscal Year 2018 to determine whether the University addressed errors identified by the NSLDS and submitted roster files within the required timeframes during the year.

How were the results of the audit work measured?

Federal regulations and Dear Colleague Letters issued by the USDE [Section 34 Code of Federal Regulations (C.F.R) 690.83 (b)(2) and 34 C.F.R. 685.309 and "Dear Colleague Letter", GEN-14-07, dated April 14, 2014] require that schools respond to USDE's requests for enrollment information (1) within a timeframe specified by USDE (i.e. 15 business days of receipt of roster file) (2) in a manner specified by USDE, and (3) in a format specified by USDE. In addition, under the authority of those regulations, at least every 30 days, the NSLDS transmits a file containing student enrollment errors to each participating institution; each institution must correct student enrollment errors identified by the NSLDS and return this enrollment reporting roster file to the USDE within 10 business days of receipt. The USDE alerted schools to the availability of the SCHER5 report in its *NSLDS Newsletter #56* dated December 2016 and recommended that institutions use this report to help them monitor errors generated by the NSLDS enrollment reporting process, as well as utilize the information included in the SCHER5 report to help them correct and resubmit roster file errors.

What problems did the audit work identify?

We determined that the University did not accurately report attendance status to NSLDS for six of the 40 students (15 percent) tested. Specifically, we noted that five students were reported as withdrawn instead of graduated and one student status was not reported even though the student was enrolled full-time.

Why did the problem occur?

The University's financial aid policies and procedures did not clearly define responsibility for federal SFA enrollment reporting requirements. As a result, University financial aid and records office staff were unclear regarding each division's responsibility for enrollment reporting submissions. Further, the University did not provide training to staff on the policies and procedures and implement an adequate review process to ensure enrollment changes reported by the University to the Clearinghouse, and from the Clearinghouse to NSLDS were accurate.

In addition, the University's financial aid policies and procedures were not updated for regulatory alerts meant to assist in the enrollment reporting process. Specifically, University policies did not direct staff to obtain and review USDE-prepared reports, including the SCHER5, to assist in identifying and resolving errors.

Why does this problem matter?

Enrollment reporting assists lenders in the determination of whether a borrower should be moved into loan repayment status or if they are eligible for an in-school deferment. Thus, if the University fails to submit accurate information to NSLDS, the borrowers' repayment responsibilities may be reported incorrectly and result in either a lack of timely repayments by the borrower or the student being inappropriately moved into loan repayment status.

Overall, a lack of formalized follow-up or monitoring processes in place over enrollment reporting, including correction of errors, increases the risk that the University will not be in compliance with federal regulations and may result in federal sanctions.

(CFDA No. 84.063 and 84.268; Federal Pell Grant Program and Federal Direct Student Loans. Classification of Finding: Significant Deficiency and Other Instance of Noncompliance; Total known questioned costs of $0).

This finding did not apply to the prior year.

Recommendation No. 2:

Adams State University should improve internal controls over Student Financial Aid (SFA) Pell and Direct Loan Program enrollment reporting to the National Student Loan Data System (NSLDS) by:

A. Developing and implementing policies and procedures that clearly outline responsibilities of the records office and the financial aid office for enrollment reporting, to ensure participating students' information is accurately reported.
B. Updating policies and procedures to address available SFA regulatory alerts to assist with the accurate reporting of student enrollment. This should include clear direction for staff to utilize USDE-provided reports, such as the *Enrollment Errors Report* (SCHER5), to identify and resolve errors.
C. Training staff in the records office and financial aid office over the effective communication and implementation of these policies and procedures.
D. Implementing an adequate review process to ensure enrollment changes reported by the University to the Clearinghouse, and from the Clearinghouse to NSLDS are accurate.

Adams State University's Response:

Agree. Implementation date March 2019.

The University will improve internal controls over Student Financial Aid (SFA) Pell and Direct Loan Program enrollment reporting to the National Student Loan Data System (NSLDS) by:

A. Updating our policy and procedures to clarify roles and responsibilities of the registrar's office and the financial aid office with respect to reporting and verification of submitted data.
B. Updating our policies and procedures to address available SFA regulatory alerts and to assist with the accurate reporting of student enrollment. We will ensure all available reporting tools are utilized. We will submit an additional graduates only file to National Student Clearinghouse (NSC) to ensure that we have captured all graduate student status. National Student Loan Data System (NSLDS) data will be reviewed to institution data monthly to ensure all updates have been completed in NSLDS.
C. Training staff in the registrar's office and the financial aid office over the effective communication and implementation of these policies and procedures. We will conduct updated training sessions with all staff, and will provide continuous training, updated as needed.
D. Implementing an adequate review process to ensure enrollment changes reported by the University to the Clearinghouse, and from the Clearinghouse to NSLDS are accurate. National Student Loan Data System data will be reviewed to institution data monthly to ensure all updates have been completed in NSLDS.

ADAMS STATE UNIVERSITY
FINANCIAL AND COMPLIANCE AUDIT
DISPOSITION OF PRIOR YEAR
AUDIT FINDINGS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2018

Summary of Progress in Implementing Prior Year Audit Recommendation

Fiscal Year 2017

Recommendation	Disposition
Recommendation No. 1 – Adams State University should continue to identify opportunities for revenue growth by considering new strategies in its recruitment efforts and by considering alternative avenues of financing. In addition, the University should search for efficiencies in its operations to decrease expenses and to minimize future losses.	**Disposition** – Deferred. Adams State University plans to fully implement this recommendation by the August 2019 implementation date.
Recommendation No. 2 – Adams State University should improve its internal controls over financial activities by: A. Ensuring that the University's formal policies and procedures over all financial activities are put into practice. B. Ensuring proper segregation of duties is present at the transactional and reconciliation level, and a secondary review is conducted over all transactions and bank reconciliations. C. Providing adequate training to staff over the effective implementation of policies and procedures. D. Following the procedures in accordance with the University's Financial Management Manual to assess the collectability of student accounts receivable and adjust the allowance for doubtful accounts based on the assessment.	**Disposition** - Partially Implemented. See current year recommendation No. 2.

FINANCIAL STATEMENTS SECTION

Wall, Smith, Bateman Inc.

INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Adams State University (the University), an Institution of Higher Education, State of Colorado, the Adams State University Foundation, a discretely presented component unit, discussed in Note 1 of the financial statements, which represents 100 percent of the total assets, total revenues, and total net position of the aggregate discretely presented component unit, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Certified Public Accountants
700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund, and the discretely presented component unit of Adams State University, an Institution of Higher Education, State of Colorado, as of June 30, 2018 and 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Relationship to State of Colorado
As discussed in Note 1 – Summary of Significant Accounting Policies, the financial statements of Adams State University are intended to present the net position and changes in net position for only that portion of the financial reporting entity, State of Colorado, 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, 2018 and 2017, and the changes in its financial position, or, where applicable, its cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle
As discussed in Note 1 - Summary of Significant Accounting Policies, in fiscal year 2018 the University adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, and other post-employment benefit schedules as listed in the table of contents 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 Adams State University's basic financial statements. The Schedule of Pledged Revenues and Expenses for Series 2009B, 2009C, 2012, 2015, 2017A, and 2017B 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 2009B, 2009C, 2012, 2015, 2017A, and 2017B Auxiliary Facilities Revenue Bonds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Pledged Revenues and Expenses for Series 2009B, 2009C, 2012, 2015, 2017A, and 2017B Auxiliary Facilities Revenue Bonds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 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.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 30, 2018

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) for the fiscal years ended June 30, 2018 and 2017, with selected comparative information for the year ended June 30, 2016. 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, 2018

The University's total net position decreased by $18.6 million during fiscal year 2018 compared to an $11.5 million decrease in net position during fiscal year 2017. The decrease is primarily a result of an increase in pension expense associated with actuarial changes made by PERA and the implementation of GASB 75, other postemployment benefits.

The University had a ratio of current assets to current liabilities of 3.6 and 2.4 for fiscal years 2018 and 2017, 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 2017 to fiscal year 2018 is primarily a result of a decrease in current liabilities of $4.4 million from fiscal year 2017 to fiscal year 2018.

An operating deficit of $26.9 million is the result of the $3.2 million increase to current year pension expense along with 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 $11.8 million in fee for service contract revenue from the Colorado Department of Higher Education and $2.4 million in College Opportunity Fund stipends from College Assist during fiscal year 2018.

Year ended June 30, 2017

The University's total net position decreased by $11.5 million during fiscal year 2017 compared to a $2.3 million decrease in net position during fiscal year 2016. The decrease is primarily a result of an increase in pension expense associated with actuarial changes made by PERA.

The University had a ratio of current assets to current liabilities of 2.4 and 2.2 for fiscal years 2017 and 2016, 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 2016 to fiscal year 2017 is primarily a result of an increase in current assets of $2.0 million from fiscal year 2016 to fiscal year 2017.

An operating deficit of $24.4 million is the result of the $11.9 million increase to current year pension expense along with 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 $11.5 million in fee for service contract revenue from the Colorado Department of Higher Education and $2.5 million in College Opportunity Fund stipends from College Assist during fiscal year 2017.

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:

	2018	2017	2016
		(in thousands)	
Assets			
Current Assets	$22,562	$25,073	$23,209
Noncurrent Assets	112,876	118,911	120,197
	135,438	143,984	143,226
Deferred outflows of resources	19,045	26,305	7,707
Liabilities			
Current Liabilities	6,195	10,643	10,614
Noncurrent Liabilities	152,231	145,581	114,479
	158,426	156,224	125,093
Deferred inflows of resources	3,840	1,434	1,751
Net Position			
Invested in Capital Assets, net of related debt	45,624	51,065	51,729
Restricted	4,470	4,470	4,470
Unrestricted	(57,877)	(42,905)	(32,109)
	$(7,783)	$12,630	$24,090

The University's total net position decreased by $18.6 million during Fiscal Year 2018 compared to an $11.5 million decrease in net position during Fiscal Year 2017. The decrease is partially related to an increase in PERA pension and OPEB expenses of $3.2 million during Fiscal Year 2018. Excluding the effects of PERA pension and OPEB expenses, the decrease is $3.45 million due to a decrease in tuition and state appropriations for Fiscal Year 2018, and increase of $400,000 in Fiscal Year 2017.

The effect of the PERA pension and OPEB expense on the University's total net position for Fiscal Year 2018 and 2017 is summarized below:

	Fiscal Year 2018	Fiscal Year 2017
Net Position (GAAP Basis)	$ (7,783,014)	$ 12,630,691
GASB 68 - Pension	67,809,960	52,684,381
GASB 75 - OPEB	1,840,295	-
Net Position excluding Pension and OPEB	$ 61,867,241	$ 65,315,072

The effect of the PERA pension and OPEB expense on the University's unrestricted net position is summarized below:

	Fiscal Year 2018	Fiscal Year 2017
Unrestricted Net Position (GAAP Basis)	$ (57,876,859)	$ (42,904,947)
GASB 68 - Pension	67,809,960	52,684,381
GASB 75 - OPEB	1,840,295	-
Unrestricted Net Position excluding Pension and OPEB	$ 11,773,396	$ 9,779,434

Year ended June 30, 2018

At June 30, 2018 the University's total assets were $135.4 million. The largest asset category is the $112.8 million in capital assets, net of accumulated depreciation of $94.8 million. These assets include land, buildings, equipment, library holdings, and construction in progress. The East Campus and Music HVAC Upgrade projects were completed in fiscal year 2018 and transferred out of construction in progress in the amounts of $5.3 million and $1.5 million respectively. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In fiscal year 2018, the University's current assets of $22.56 million were sufficient to cover current liabilities of $6.2 million (producing a current ratio of 3.6). Cash and cash equivalents (bank deposits, certificates of deposits, and pooled cash with the State Treasurer) comprised over $19.5 million in assets per the Statement of Net Position.Bonds payable of $68.1 million represent over 44% of the University's total noncurrent liabilities, while the Net Pension Liability represents 53% of the University's total noncurrent liabilities of $152 million. The current portion of the bonds payable liability is $915,000.

The University's net position decreased $18.6 million (see the Statement of Revenues, Expenses and Changes in Net Position) to ($7.8) million. Net Position is composed of $45.6 million net investment in capital assets, $4.5 million externally restricted for specific purposes, and ($57.9) million unrestricted and available for any lawful purpose of the University.

Year ended June 30, 2017

At June 30, 2017 the University's total assets were $144.0 million. The largest asset category is the $118.9 million in capital assets, net of accumulated depreciation of $87.8 million. These assets include land, buildings, equipment, library holdings, and construction in progress. Construction in progress increased by a net amount of $5.5 million in fiscal year 2017, which $4.3 million of the increase is related to the East Campus renovation. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In fiscal year 2017, the University's current assets of $25.1 million were sufficient to cover current liabilities of $10.6 million (producing a current ratio of 2.4). Cash and cash equivalents (bank deposits, certificates of deposits, and pooled cash with the State Treasurer) comprised over $21.3 million in assets per the Statement of Net Position.Bonds payable of $68.8 million represent over 47% of the University's total noncurrent liabilities, while the Net Pension Liability represents 51% of the University's total noncurrent liabilities of $145.6 million. The current portion of the bonds payable liability is $875,000.

The University's net position decreased $11.5 million (see the Statement of Revenues, Expenses and Changes in Net Position) to $12.6 million. Net Position is composed of $51.1 million net investment in capital assets, $4.5 million externally restricted for specific purposes, and ($42.9) 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 student 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.

Year ended June 30, 2018

Tuition and fee revenues accounted for $16.4 million of the $42.3 million in operating revenues for fiscal year 2018. The tuition and fee amount is net of scholarship allowances of $11.6 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.

Operating expenses, during Fiscal Year 2018, totaled $69.1 million. Of that total, $24.7 million was for instruction, $3.0 million for academic support, $7.4 million for student services, $6.1 million for institutional support, $5.3 million for operation of plant and $13.8 million for auxiliary enterprises. The Fiscal Year 2018 operating expenses are $0.7 million higher than the Fiscal Year 2017 expenses, primarily as a result of the increase in pension expense associated with actuarial changes made by PERA.

Year ended June 30, 2017

Tuition and fee revenues accounted for $18.4 million of the $44.0 million in operating revenues for fiscal year 2017. The tuition and fee amount is net of scholarship allowances of $12.9 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.

Operating expenses, during Fiscal Year 2017, totaled $68.4 million. Of that total, $25.4 million was for instruction, $3.1 million for academic support, $6.9 million for student services, $5.4 million for institutional support, $5.1 million for operation of plant and $13.5 million for auxiliary enterprises. The Fiscal Year 2017 operating expenses are $12 million higher than the Fiscal Year 2016 expenses, primarily as a result of the increase in pension expense associated with actuarial changes made by PERA.

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

	2018	2017	2016
Operating Revenues		(in thousands)	
Tuition and Fees, net	$16,383	$18,440	$19,210
Grants and Contracts	19,645	19,200	17,982
Auxiliary Enterprises	5,541	5,412	6,893
Other	683	933	919
Total Operating Revenues	42,252	43,985	45,004
Operating Expenses	69,139	68,400	56,414
Net Operating Income (Loss)	(26,887)	(24,415)	(11,410)
Nonoperating Revenue(Expense)			
Federal Pell Grants	4,525	4,634	4,637
Gifts and Donations	2,606	2,247	2,187
Interest Income	57	13	182
Other Nonoperating	(3,170)	(2,558)	(2,912)
Net Nonoperating Revenue	4,018	4,336	4,094
Income(Loss) Before Other Revenue, Expenses, Gains, or Losses	(22,869)	(20,079)	(7,316)
Student Capital Fees	3,464	3,209	2,877
State Appropriations, Capital	885	5,449	2,203
Other	(82)	(39)	(44)
Increase (Decrease) In Net Position	(18,602)	(11,460)	(2,280)
Net Position			
Net Position-Beginning of Year	12,630	24,090	26,370
Restatement, GASB 75	(1,811)	-	-
Net Position-Beginning of Year, Restated	10,819	24,090	26,370
Net Position-End of Year	($7,783)	$12,630	$24,090

CAPITAL ASSETS

At June 30, 2018, the University had approximately $112.5 million invested in capital assets, net of accumulated depreciation of $94.8 million. Depreciation charges were $7.0 million for the current year compared to $6.9 million in 2017 and $7.2 million in 2016. Details of these assets for the three years are shown below.

Capital Assets, Net of Depreciation, at Year End

	2018	2017	2016
Land	$445,249	$445,249	$445,249
Land Improvements	5,879,548	6,401,638	6,942,981
Buildings	103,674,001	102,565,867	108,478,464
Construction in Progress	290,959	6,529,679	1,010,697
Equipment	1,387,394	1,694,025	1,961,474
Library Materials	527,509	518,306	535,671
Art and Historic Treasures	317,417	317,417	317,417
Total	$112,522,077	$118,472,181	$119,691,953

DEBT

At June 30, 2018, the University had approximately $69.8 million in debt outstanding compared to $70.8 million at June 30, 2017 and $71.2 million at June 30, 2016. The table below summarizes these amounts by type of debt.

	2018	2017	2016
2009A Series Revenue Improvement Bonds	$ -	$ -	$ 1,389,880
2009B Series Auxiliary Facilities Revenue Bonds	6,455,000	7,031,602	9,235,766
2009C Series Taxable Auxiliary Facilities Revenue Bonds	27,615,000	27,140,977	27,130,904
2012 Series Institutional Enterprise Revenue Bonds	8,745,000	9,376,306	13,212,562
2015 Series Institutional Enterprise Revenue Refunding Bonds	18,710,000	18,905,000	19,095,000
2017A Series Institutional Enterprise Rev Refunding Bonds	6,125,000	6,131,647	-
2017B Series Institutional Enterprise Rev Refunding Bonds	1,140,000	1,127,056	-
Capital Lease	988,690	1,074,869	1,152,789
	$ 69,778,690	$ 70,787,457	$ 71,216,901

OTHER HIGHLIGHTS

The University Board of Trustees conducted a search for a new President after the departure of Dr. Beverlee McClure in February 2018. The Board of Trustees appointed Dr. Cheryl D. Lovell as the interim president of Adams State University beginning July 1, 2018 for a 12-month term.

ECONOMIC OUTLOOK

The economic position of the University is closely tied to that of the State. Since the passage of Senate Bill 04-189 in 2004, State of Colorado support comes to Colorado institutions in the form of College Opportunity Fund (COF) stipends and fee-for-service contracts between the State of Colorado and the institutions' governing boards. Using these mechanisms to fund higher education institutions provided the institutions the opportunity to become enterprise status under TABOR. Because funding is provided to students through the stipends and to the institutions through fee-for-service arrangements, all qualifying public institutions are allowed 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 year 2006. The University met the criteria for designation as an enterprise in fiscal years 2006 through 2018, with the exception of 2009, 2014, and 2015. The enterprise designation is reviewed at the end of each fiscal year.

The bill provides a stipend, calculated on a per credit hour rate, to undergraduate resident students attending public and qualifying private higher education institutions. The University has budgeted $2.8 million in College Opportunity Fund stipends for fiscal year 2019, based on the increased yearly stipend of $2,550, for a full-time public higher education student taking 30 credit hours of classes. For fiscal years 2018, 2017, and 2016, the yearly stipends were $2,310, $2,250, and $2,250, respectively. The University received $2.4 million, $2.5 million, and $2.8 million stipends in fiscal years 2018, 2017, and 2016, respectively.

In fiscal year 2019, $12.5 million will be billed through a fee for service contract with the Colorado Department of Higher Education (CDHE). The University received $11.8 million, $11.5 million, and $11.3 million in fee for service revenue in fiscal years 2018, 2017, and 2016 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.

Colorado Senate Bill 18-200 was passed in 2018 to address Colorado PERA's large unfunded liability. The bill made several changes to the PERA plan in an effort to make the plan more financially stable. Changes were made including: changes to the calculations of the highest average salary, modifications to calculations of gross salary applicable to PERA, increases in rates to both members and employers, changes to service year requirements, and overall oversight of Colorado PERA. These changes are expected to reduce both the annual expense and total liability that the University will have to recognize in future years.

Financial Action Plan

During the 2017-18 academic-year Adams State University embarked on the development and implementation of a Financial Action Plan (FAP), to address revenue shortfalls identified through internal processes, as well as confirmed by the Huron Group under contract with and at the direction of the Office of the State Auditor, that have resulted from declining enrollment in recent years. Development of the Plan included a campus-wide evaluation of all programs: academic, administrative, athletic, facilities, business, etc.

The development of the FAP was approved by the Board of Trustees in August 2017. The Board of Trustees subsequently clarified at their January 17, 2018 special meeting that the Financial Plan of Action had become a working plan rather than a contingency plan.

Evaluation criteria were developed through an inclusive and collaborative process for the four broad areas: academic programs, student services programs, athletic programs and administrative and operational programs. The President's Office was added as a unit up for review on the advice of the consultants. Each unit was asked to conduct an analysis relevant to the specific criteria. These reports were combined with other information/data to evaluate each program/unit so that the most critical programs to the success of Adams State would be retained and those with lower value or impact on students and the university could be considered for elimination or reductions. In an effort to ensure the process continued to remain open and transparent, information was posted to a web site for the campus community.

The quintile-rankings stage in the Financial Plan of Action was the process whereby programs within areas (e.g. academic, athletics, student services, etc.) were ranked relative to one another and grouped by quintiles (20% divisions). This stage was the result of an extensive amount of work on the part of the campus. Criteria for program evaluation were carefully developed and vetted with stakeholders, presented to the Trustees, revised as appropriate, and ultimately approved by the Trustees at their meeting in December 2017. Evaluation rubrics for each area were developed and distributed for consideration. Programs collected and examined quantitative and qualitative data, then wrote and submitted reports pertaining to the criteria. The reports were reviewed and evaluated according to the published rubrics, then arranged into quintiles. A senior leadership team developed recommendations to eliminate up to $2.7 million from the 2018-19 budget.

The Board of Trustees held a work session on March 15, 2018 to discuss the draft recommendations and provided guidance to campus administrators. The Board approved a Reduction in Force plan at the March 15th, 2018 meeting. Final recommendations were approved at the April 5th and 6th, 2018 Board meeting and were used to develop the 2018-19 budget.

Adams State University continues to identify and implement revenue-enhancement strategies through its 2016-2020 Strategic Enrollment Management (SEM) Plan which is monitored monthly by the recruitment and retention committee and aligns with the ASU 2020 Strategic Plan. Initiatives of the SEM plan are expected to increase enrollment, retention and graduation rates. Key initiatives of the ASU 2016-2020 SEM plan are to address student recruitment, academic excellence, student engagement, faculty and staff engagement, and academic department engagement.

CONTACTING THE UNIVERSITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide users of our financial statements with a general overview of the University's finances and to show the University's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Adams State University Controller's office at Richardson Hall, Room 3-300, Alamosa, Colorado 81101 or call (719) 587-8042.

ADAMS STATE UNIVERSITY
STATEMENTS OF NET POSITION
As of June 30, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 19,563,422**	$ 21,352,287
Student accounts receivable, net	**1,237,477**	1,035,303
Other accounts receivable	**1,388,478**	2,200,293
Student loans receivable, net	**98,983**	84,133
Inventories	**155,201**	146,574
Prepaid expenses and other assets	**118,745**	254,652
Total current assets	**22,562,306**	25,073,242
Noncurrent Assets		
Restricted cash and cash equivalents	**28,250**	28,250
Student loans receivable, net	**325,463**	410,327
	353,713	438,577
Non-depreciable capital assets:		
Land	**445,249**	445,249
Art and historic treasures	**317,417**	317,417
Construction in progress	**290,959**	6,529,679
Total non-depreciable capital assets	**1,053,625**	7,292,345
Depreciable capital assets, net:		
Buildings	**103,674,002**	102,565,867
Land improvements	**5,879,548**	6,401,638
Furniture & equipment	**1,387,394**	1,694,025
Library books	**527,509**	518,306
Total depreciable capital assets, net	**111,468,453**	111,179,836
Total noncurrent assets	**112,875,791**	118,910,758
Total Assets	**135,438,097**	143,984,000
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized refunding loss	**2,705,249**	2,976,048
Pension contributions made after measurement date	**1,080,228**	1,142,024
Differences between expected and actual pension experience	**1,251,883**	741,323
Differences due to changes in assumptions of pension plan	**13,941,119**	18,973,386
Differences between expected and actual pension earnings	**-**	2,472,354
Other post employment benefits contributions made after measurement date	**56,597**	-
Differences in expected vs actual experience - OPEB	**8,804**	-
Differences between employer contributions and proportionate share - OPEB	**1,604**	-
Total Deferred Outflows of Resources	**19,045,484**	26,305,135

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

ADAMS STATE UNIVERSITY
STATEMENTS OF NET POSITION
As of June 30, 2018 and 2017

	2018	2017
LIABILITIES		
Current Liabilities		
Accounts payable	**1,094,028**	2,465,245
Accrued liabilities	**2,141,686**	5,533,640
Unearned revenue	**1,366,023**	1,208,627
Deposits held for others	**325,771**	316,843
Bonds payable, current	**915,000**	875,000
Capital leases payable, current	**92,177**	86,179
Compensated absences liability	**260,291**	157,882
Total current liabilities	**6,194,976**	10,643,416
Noncurrent Liabilities		
Compensated absences liability	**1,079,960**	1,175,282
Capital leases payable	**896,513**	988,690
Bonds payable	**68,104,656**	68,837,588
Net other post employment benefits liability	**1,861,728**	-
Net pension liability	**80,288,348**	74,579,030
Total noncurrent liabilities	**152,231,205**	145,580,590
Total Liabilities	**158,426,181**	156,224,006
DEFERRED INFLOWS OF RESOURCES		
Differences between projected and actual earnings on pension plan	**3,023,943**	-
Differences due to changes in proportionate share of pension plan	**760,888**	1,204,880
Differences due to changes in assumptions of pension plan	**-**	229,558
Differences between contributions and proportionate share of contributions to pension plan	**10,011**	-
Differences between projected and actual earnings - OPEB	**31,146**	-
Differences due to changes in proportionate share - OPEB	**14,426**	-
Total Deferred Inflows of Resources	**3,840,414**	1,434,438
NET POSITION		
Net investment in capital assets	**45,623,434**	51,065,225
Restricted for non-expendable purposes:		
Endowments	**28,250**	28,250
Restricted for expendable purposes:		
Endowments	**33,281**	33,281
Loans	**532,724**	728,857
Other Purposes	**3,876,156**	3,680,023
Total Restricted	**4,470,411**	4,470,411
Unrestricted	**(57,876,859)**	(42,904,945)
Total Net Position	**$ (7,783,014)**	$ 12,630,691

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

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash in Bank	$ 105,071	$ 176,625
Pooled Cash - Brokerage Accounts	98,358	105,776
Segregated Cash - Brokerage Accounts	131,312	27,069
Certificates of Deposit	300,000	300,000
Pooled Investments, at Fair Value	14,074,954	12,669,461
Restricted Investments, at Fair Value	7,510,160	7,327,485
Pledges Receivable, net of allowance	15,525	24,000
Inventories	7,240	7,240
Art Collection	15,000	-
TOTAL ASSETS	$ 22,257,620	$ 20,637,656
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 52,881	$ 41,345
TOTAL LIABILITIES	52,881	41,345
NET ASSETS		
Unrestricted:		
Unreserved	730,213	597,906
Board Designated - Investment Reserves Fund	2,308,270	2,049,523
Board Designated - Endowments	656,971	654,750
Total Unrestricted	3,695,454	3,302,179
Temporarily Restricted Net Assets:		
Temporarily Restricted	2,321,965	2,063,641
Total Temporarily Restricted Net Assets	2,321,965	2,063,641
Permanently Restricted Net Assets	16,187,320	15,230,491
TOTAL NET ASSETS	22,204,739	20,596,311
TOTAL LIABILITIES AND NET ASSETS	$ 22,257,620	$ 20,637,656

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

ADAMS STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the years ending June 30, 2018 and 2017

	2018	2017
Operating Revenues:		
Tuition & fees (including $6,193,341 and $7,067,228, respectively of revenues pledged for bonds and net of scholarship allowances of $11,616,586 and $12,246,412, respectively)	**$ 16,382,915**	$ 18,439,626
Sales & services of auxiliary enterprises (including $5,861,431 and $6,141,213, respectively of revenues pledged for bonds and net of scholarship allowances of $805,877 and $652,198 respectively)	**5,540,914**	5,411,662
Fee for service contract revenue	**11,834,120**	11,545,522
Federal grants and contracts	**5,499,106**	5,435,355
State grants and contracts	**2,311,609**	2,219,595
Other operating revenues (including $15,138 and $209,146, respectively of revenues pledged for bonds)	**683,248**	933,182
Total Operating Revenues	**42,251,912**	43,984,942
Operating Expenses:		
Instruction	**24,702,380**	25,462,483
Research	**-**	941
Public service	**1,154,227**	1,119,894
Academic support	**2,964,914**	3,150,591
Student services	**7,372,092**	6,911,019
Institutional support	**6,104,992**	5,416,541
Operation of plant	**5,251,606**	5,073,635
Scholarships and fellowships	**742,895**	818,731
Auxiliary enterprises expenditures	**13,774,238**	13,473,512
Depreciation	**7,071,195**	6,973,003
Total operating expenses	**69,138,539**	68,400,350
Operating Loss	**(26,886,627)**	(24,415,408)
Nonoperating Revenues (Expenses):		
Federal Pell Grants	**4,524,674**	4,633,634
Gifts and Donations	**2,605,952**	2,246,983
Federal Build America Bonds Subsidy	**602,574**	551,828
Investment & interest income (loss) (including $12,353 and $18,346, respectively of revenue pledged for bonds)	**56,769**	13,143
Limited gaming transfer	**26,169**	24,487
Other Expenses	**(63,507)**	-
Interest on capital debt	**(3,735,012)**	(3,133,775)
Net nonoperating revenue	**4,017,619**	4,336,300
Income (Loss) before other revenues, expenses, gains, losses or transfers	**(22,869,008)**	(20,079,108)
Other Revenues, Expenses, Gains, Losses or Transfers:		
Student capital fees (all pledged for bonds)	**3,463,885**	3,209,220
State appropriation, capital	**884,523**	5,448,671
Transfers to Other Institutions	**(82,021)**	(38,391)
Increase (Decrease) in Net Position	**(18,602,621)**	(11,459,608)
Net Position - beginning of the year	**12,630,691**	24,090,299
Restatement GASB 75	(1,811,084)	-
Net Position - beginning of the year, restated	**10,819,607**	24,090,299
Net Position - end of the year	**$ (7,783,014)**	$ 12,630,691

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

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	2018			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
NET ASSETS, BEGINNING OF YEAR	$ 3,302,179	$ 2,063,641	$ 15,230,491	$ 20,596,311
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	158,855	1,193,867	621,784	1,974,506
Donations - In-Kind	15,000	-	-	15,000
Investment Income (Net)	84,355	712,307	-	796,662
Net Realized Gains (Losses) on long-term investments	121,792	75,394	-	197,186
Net Unrealized Gains (Losses) on long-term investments	605,932	87,939	-	693,871
Subtotal	985,934	2,069,507	621,784	3,677,225
Net Assets Released from Restriction	1,708,740	(1,708,740)	-	-
Total from Revenues, Gains, and Other Support	2,694,674	360,767	621,784	3,677,225
EXPENSES AND LOSSES				
Scholarships and Awards	1,071,210	-	-	1,071,210
Program Services	726,348	-	-	726,348
Management and General Activities	236,173	-	-	236,173
Fundraising	35,066	-	-	35,066
Total Expenses and Losses	2,068,797	-	-	2,068,797
Loss on Disposal of Asset	-	-	-	-
Transfers:				
Transfers In/(Out)	(232,602)	(102,443)	335,045	-
Change in Net Assets for the Year	393,275	258,324	956,829	1,608,428
NET ASSETS AT END OF YEAR	$ 3,695,454	$ 2,321,965	$ 16,187,320	$ 22,204,739

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

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS, BEGINNING OF YEAR	$ 2,288,539	$ 2,075,429	$ 14,052,665	$ 18,416,633
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	75,200	1,220,050	654,060	1,949,310
Investment Income	(73,103)	565,535	-	492,432
Net Realized Gains (Losses) on long-term investments	16,482	111,347	-	127,829
Net Unrealized Gains (Losses) on long-term investments	1,123,675	436,368	-	1,560,043
Subtotal	1,142,254	2,333,300	654,060	4,129,614
Net Assets Released from Restriction	1,720,801	(1,720,801)	-	-
Total from Revenues, Gains, and Other Support	2,863,055	612,499	654,060	4,129,614
EXPENSES AND LOSSES				
Scholarships and Awards	1,119,707	-	-	1,119,707
Program Services	616,094	-	-	616,094
Management and General Activities	187,947	-	-	187,947
Fundraising	26,188	-	-	26,188
Total Expenses and Losses	1,949,936	-	-	1,949,936
Transfers:				
Transfers In/(Out)	100,521	(624,287)	523,766	-
Change in Net Assets for the Year	1,013,640	(11,788)	1,177,826	2,179,678
NET ASSETS AT END OF YEAR	$ 3,302,179	$ 2,063,641	$ 15,230,491	$ 20,596,311

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

ADAMS STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
For the years ending June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Cash Received:		
Tuition and fees	**$ 16,054,225**	$ 18,775,929
Fee for service Contract Revenue	**11,790,589**	12,370,318
Sales of services	**5,694,509**	5,452,656
Sales of products	**-**	12,207
Grants and contracts	**7,873,164**	7,465,351
Student loans collected	**151,975**	134,290
Other receipts	**689,875**	965,756
Cash Payments:		
Payments to or for employees	**(37,921,616)**	(36,686,166)
Payments to suppliers	**(12,710,543)**	(10,446,352)
Scholarships disbursed	**(742,895)**	(818,731)
Student loans disbursed	**(91,366)**	(94,413)
Net Cash (Used) Provided by Operating Activities	**(9,212,083)**	(2,869,155)
Cash Flows from Noncapital Financing Activities:		
Federal grants and contracts, non-operating	**4,952,985**	5,210,158
Gifts/grants for other than capital purposes	**2,632,121**	2,271,470
Agency receipts	**21,624,776**	23,380,722
Agency payments	**(21,611,633)**	(23,428,549)
Transfers from (to) other institutions	**(82,021)**	(38,391)
Net Cash Provided by Noncapital Financing Activities	**7,516,228**	7,395,410
Cash Flows from Capital & Related Financing Activities:		
State appropriations, capital	**1,790,110**	4,696,675
Student capital fees	**3,460,575**	3,203,099
Acquisition or construction of capital assets	**(1,124,292)**	(5,714,455)
Principal paid on capital debt	**(508,312)**	(851,175)
Interest paid on capital debt	**(3,767,863)**	(3,162,028)
Net Cash Provided (Used) by Capital & Related Financing Activities	**(149,782)**	(1,827,884)
Cash Flows from Investing Activities:		
Investment earnings	**56,772**	13,143
Net Cash Provided (Used) by Investing Activities	**56,772**	13,143
Net Increase (Decrease) in Cash	**(1,788,865)**	2,711,514
Beginning cash balance	**21,380,537**	18,669,023
Ending cash balance	**$ 19,591,672**	$ 21,380,537

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

ADAMS STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
For the years ending June 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net Cash (used) Provided by Operating Activities		
Operating loss	**$ (26,886,627)**	$ (24,415,408)
Adjustments to reconcile:		
Depreciation expense	**7,071,195**	6,973,003
Pension expense	**15,125,579**	11,936,420
Other post retirement benefit expense	**29,210**	-
Other Non-operating expense	**63,507**	-
Decrease (increase) in assets:		
Receivables, net	**(178,308)**	1,224,340
Inventories & prepaids	**127,280**	242,791
Increase (decrease) in liabilities:		
Accounts payable	**(1,934,913)**	1,132,916
Accrued liabilities	**(2,792,207)**	7,864
Unearned revenues	**157,396**	(76,481)
Student deposits	**(1,282)**	(9,490)
Compensated absences	**7,087**	114,890
Net Cash Used by Operating Activities	**$ (9,212,083)**	$ (2,869,155)
Noncash Investing, Capital, and Financing Activities:		
State Capital Contributions	**$884,523**	$5,448,671
Amortization of capital premium/discount and capital loss	**452,867**	83,770

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Governance

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

Reporting Entity

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

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

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

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

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

Basis of Accounting

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

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 consumable supplies and are stated at the lower of cost or market as determined by the FIFO (first in, first out) method.

Capital Assets
Physical plant and equipment are stated at cost at date of acquisition, or fair market value at date of donation. A physical inventory of all plant assets is 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 $32,851 (2018) and $28,252 (2017).

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

- Operating revenues – Operating revenues generally result from providing goods and services for instruction, public service or related support services to an individual or entity separate from the University.

- Nonoperating revenues – Nonoperating revenues are those revenues that do not meet the definition of operating revenues. Nonoperating revenues include state appropriations for operations, gifts, investment income and insurance reimbursement revenue.

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

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

- *Net Investment in Capital Assets* – This category represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of this category.

- *Restricted Net Position, Nonexpendable* – This category consists of endowment funds that are required to be retained in perpetuity.

- *Restricted Net Position, Expendable* – This category includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Restricted expendable net position is classified as expendable for loans, debt service, capital projects and other purposes. For the University, restricted net position expendable for other purposes includes net assets of its bonded auxiliaries.

- *Unrestricted Net Position* – Unrestricted Net Position are those that do not meet the definition of "Restricted" or "Net Investment in Capital Assets" as described above. Generally, these resources will be derived from student tuition and fees, state appropriations, sales and services of educational activities, and sales and services of certain auxiliary and self-funded activities.

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

Enterprise Designation

Senate Bill 04-189, provides higher education institutions the opportunity to become designated enterprises under Section 20, Article X of the State Constitution (The Taxpayer's Bill of Rights) so long as the governing board of the institution has the authority to issue revenue bonds and the institution receives less than ten percent of its revenue from the State of Colorado and local governments. The Legislative Audit Committee and the Board of Trustees approved the designation of the University as an enterprise in fiscal year 2006. The University met the criteria for designation as an enterprise in fiscal years 2006 through 2018, with the exception of 2009, 2014 and 2015. The enterprise designation is reviewed at the end of each fiscal year to ensure that the criteria are still being met.

Pensions

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* Governmental accounting standards require the net pension liability and related amounts of the SDTF for financial reporting purposes be measured using the plan provisions in effect as of the SDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and June 30, 2018.*

Other Post Employment Benefits (OPEB)
The University participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

New Accounting Pronouncements
During 2018, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB No. 75), which revises and establishes new financial reporting requirements for most governments that provide their employees with postemployment benefits other than pensions. These benefits are referred to as other postemployment benefits (OPEB).

GASB No. 75 requires cost-sharing employers participating in the PERA program, such as the University to record their proportionate share, as defined in GASB No. 75, of PERA's unfunded OPEB, specifically the Health Care Trust Fund (HCTF). The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. The University has no legal obligation to fund this HCTF shortfall nor does it have any ability to affect funding, benefit or annual required contribution decisions made by PERA or the General Assembly. The requirement of GASB No. 75 to record a portion of PERA's unfunded liability negatively impacted the University's beginning net position by $1,811,084. The OPEB Liability recorded as of June 30, 2018 was $1,861,728. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

Reclassifications
Certain amounts from Fiscal Year 2017 have been reclassified to conform to the Fiscal Year 2018 financial statement presentation.

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, 2018, the University had $14,505,029 including unrealized gains/(losses) of $(176,936) 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	$ 5,770
Cash in checking accounts at bank	1,870,565
Certificates of deposits	3,210,253
Total cash	$ 5,086,588

The carrying amount of the University's cash on deposit was $5,644,514. The bank balance of these deposits was $6,318,623, of which $1,412,586 was covered by federal depository insurance and $4,096,223 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

At June 30, 2017, the University had $15,672,802 including unrealized gains of $(6,872) 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	$ 5,770
Cash in checking accounts at bank	2,500,618
Certificates of deposits	3,201,347
Total cash	$ 5,707,735

The carrying amount of the University's cash on deposit was $5,701,965. The bank balance of these deposits was $5,929,166, of which $1,163,483 was covered by federal depository insurance and $4,765,683 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, 2018, the University had cash on deposit with the State Treasurer of $14,505,029, which represented approximately 0.2 percent of the total $7,635.8 million fair value of investments in the State Treasurer’s Pool (Pool).

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.

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, 2018.

ASU Foundation Investments and Concentration of Risk

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

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Common Fund	$ 17,145,286	$ 21,814,784	$ 17,299,418	$ 20,129,791

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 $428,823 (2018) and $129,888 (2017).

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:

	2018	2017
Student Accounts Receivable	$ 2,800,863	$ 2,741,714
Less: Allowance for Doubtful Accounts	(1,563,386)	(1,706,411)
Student Accounts Receivable, net	1,237,477	1,035,303
Other Accounts Receivable		
Fee for Service Contract Revenue*	403,320	359,788
Capital Construction Reimbursement	-	905,569
Other Accounts Receivable	985,158	934,936
Total Other Accounts Receivable	1,388,478	2,200,293
Student Loans Receivable	758,518	790,846
Less: Allowance for Doubtful Accounts	(334,072)	(296,386)
Student Loans Receivable, net	424,446	494,460
Total Receivables	$ 3,050,401	$ 3,730,056

*June Colorado fee for service funds received in July.

NOTE 4 - CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2018.

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Nondepreciable Capital Assets				
Land	$ 445,249	$ -	$ -	$ 445,249
Art and Historic Treasures	317,417	-	-	317,417
Construction in Progress	6,529,679	917,559	7,156,279	290,959
Total Nondepreciable Capital Assets	$ 7,292,345	$ 917,559	$ 7,156,279	$ 1,053,625
Depreciable Capital Assets				
Land Improvements	$ 13,798,255	$ -	$ -	$ 13,798,255
Buildings and Improvements	174,544,677	7,156,279	-	181,700,956
Equipment	5,449,129	82,724	-	5,531,853
Library Materials	5,195,381	120,808	7,614	5,308,575
Total Depreciable Capital Assets	198,987,442	7,359,811	7,614	206,339,639
Less: Accumulated Depreciation				
Land Improvements	7,396,617	522,087	-	7,918,704
Buildings and Improvements	71,978,810	6,048,146	-	78,026,956
Equipment	3,755,104	389,357	-	4,144,461
Library Materials	4,677,075	111,605	7,614	4,781,066
Total Accumulated Depreciation	87,807,606	7,071,195	7,614	94,871,187
Net Depreciable Capital Assets	$ 111,179,836	$ 288,616	$ -	$ 111,468,452

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2017.

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Nondepreciable Capital Assets				
Land	$ 445,249	$ -	$ -	$ 445,249
Art and Historic Treasures	317,417	-	-	317,417
Construction in Progress	1,010,697	5,518,982	-	6,529,679
Total Nondepreciable Capital Assets	$ 1,773,363	$ 5,518,982	$ -	$ 7,292,345
Depreciable Capital Assets				
Land Improvements	$ 13,798,255	$ -	$ -	$ 13,798,255
Buildings and Improvements	174,544,677	-	-	174,544,677
Equipment	5,328,348	120,781	-	5,449,129
Library Materials	5,101,384	99,967	5,970	5,195,381
Total Depreciable Capital Assets	198,772,664	220,748	5,970	198,987,442
Less: Accumulated Depreciation				
Land Improvements	6,855,274	541,343	-	7,396,617
Buildings and Improvements	66,066,213	5,912,597	-	71,978,810
Equipment	3,366,874	401,731	13,501	3,755,104
Library Materials	4,565,713	117,332	5,970	4,677,075
Total Accumulated Depreciation	80,854,074	6,973,003	19,471	87,807,606
Net Depreciable Capital Assets	$ 117,918,590	$ (6,752,255)	$ (13,501)	$ 111,179,836

NOTE 5 - NONCURRENT LIABILITIES

The University's noncurrent liability activity for the year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Bond and Leases Payable:					
Series 2009B Bonds	$ 6,835,000	$ -	$ 380,000	$ 6,455,000	$ 405,000
Series 2009C Bonds	27,615,000	-	-	27,615,000	-
Series 2012 Bonds	9,045,000	-	300,000	8,745,000	310,000
Series 2015 Bonds	18,905,000	-	195,000	18,710,000	200,000
Series 2017A Bonds	6,125,000	-	-	6,125,000	-
Series 2017B Bonds	1,140,000	-	-	1,140,000	-
Unamortized Premium 2009A	-	-	-	-	-
Unamortized Premium 2009B	196,602	15,461	-	212,063	-
Unamortized Discount 2009C	(474,023)	-	(28,719)	(445,304)	-
Unamortized Premium 2012	331,306	137,382	-	468,688	-
Unamortized Premium 2017A	6,647	-	279	6,368	
Unamortized Discount 2017B	(12,944)	-	(786)	(12,158)	
Capital Lease Obligation	1,074,869	-	86,179	988,690	92,177
Total Bonds and Leases Payable	70,787,457	152,843	931,953	70,008,347	1,007,177
Other Liabilities:					
Compensated Absences	1,333,164	-	(7,087)	1,340,251	260,291
Total Other Liabilities	1,333,164	-	(7,087)	1,340,251	260,291
Total Long-Term Liabilites	$ 72,120,621	$ 152,843	$ 924,866	$ 71,348,598	$ 1,267,468

The University's noncurrent liability activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Bond and Leases Payable:					
Series 2009A Bonds	$ 1,365,000	$ -	$ 1,365,000	$ -	$ -
Series 2009B Bonds	8,985,000	-	2,150,000	6,835,000	380,000
Series 2009C Bonds	27,615,000	-	-	27,615,000	-
Series 2012 Bonds	12,725,000	-	3,680,000	9,045,000	300,000
Series 2015 Bonds	19,095,000	-	190,000	18,905,000	195,000
Series 2017A Bonds	-	6,125,000		6,125,000	-
Series 2017B Bonds	-	1,140,000		1,140,000	-
Unamortized Premium 2009A	24,880	-	24,880	-	-
Unamortized Premium 2009B	250,766	-	54,164	196,602	-
Unamortized Premium 2009C	(484,096)	-	(10,073)	(474,023)	-
Unamortized Premium 2012	487,562	-	156,256	331,306	-
Unamortized Premium 2017A	-	6,757	110	6,647	-
Unamortized Discount 2017B	-	(13,361)	(417)	(12,944)	-
Capital Lease Obligation	1,152,789	-	77,920	1,074,869	86,179
Total Bonds and Leases Payable	71,216,901	7,258,396	7,687,840	70,787,457	961,179
Other Liabilities:					
Compensated Absences	1,218,274	114,890	-	1,333,164	157,882
Total Other Liabilities	1,218,274	114,890	-	1,333,164	157,882
Total Long-Term Liabilites	$ 72,435,175	$ 7,373,286	$ 7,687,840	$ 72,120,621	$ 1,119,061

NOTE 6 - LEASE OBLIGATIONS

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

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

Year Ending June 30	
2019	$ 133,946
2020	136,323
2021	138,936
2022	137,417
2023	136,551
2024-2027	510,438
	1,193,611
Less amount representing interest	(204,921)
Principal outstanding	$ 988,690

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. See Series 2017A and 2017B Bonds for additional information.

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.

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

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

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

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

The Series 2012 Bonds have annual maturities through 2042. The bonds maturing between May 2023 and May 2042 are subject to optional redemption prior to their respective maturities at the option of the Board of Trustees. The bonds maturing between May 2032 and May 2042 are subject to mandatory sinking fund requirements by lot, on the dates and in the designated principal amounts as specified in the bond resolution, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. Interest rates vary from 2.00% to 5.00% with an average rate of 4.07%. The bonds are collateralized by first lien on and pledge of all net revenues of continuing education and capital construction debt service fee and pledge of all net revenues of the Auxiliary Facilities System.

In addition, ten percent of tuition revenues will be pledged as collateral if the University is designated as an institutional enterprise under Section 23-5-101.7, Colorado Revised Statutes, as amended.

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

Series 2017A and 2017B Bonds
On May 11, 2017, the University issued Institutional Enterprise Revenue Refunding Bonds Series 2017A and 2017B in the amount of $7,265,000 for the purpose of refunding $7,067,355 of Auxiliary Facilities Revenue Improvement Bonds, Series 2009A, Auxiliary Facilities Revenue Bonds, Series 2009B and Institutional Enterprise Revenue Bonds, Series 2012. Proceeds in the amount of $7,348,192 were placed into an irrevocable escrow account and invested in non-callable direct obligations of the United States of America. Principal and interest on the government obligations will be used, together with any cash balance in the escrow account, to pay the regularly scheduled principal and interest on the refunded bonds maturing between May 2028 and May 2043. As a result, the portion of the Series 2009A, 2009B and 2012 Bonds refunded are considered defeased and the liability for those bonds has been removed from the University's Statement of Net Position. Interest rates are fixed at 3.98%. 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.

As a result of the advance refunding, the University increased its total debt service requirements over the next 30 years by $3,847,639, which resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) of $481,147.

At June 30, 2018 and 2017, 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.

The following is a schedule of future minimum bond payments as of June 30, 2018:

	2009B Series	2009C Series	2012 Series	2015 Series	2017A Series	2017B Series	Total
Year Ending June 30,							
2019	$ 671,600	$ 1,767,752	$ 658,550	$ 733,235	$ 238,450	$ 51,300	$ 4,120,887
2020	755,400	2,317,752	659,250	1,232,535	238,450	51,300	5,254,687
2021	755,200	2,308,905	669,650	1,227,443	238,450	51,300	5,250,948
2022	756,825	2,298,153	656,050	1,226,923	238,450	51,300	5,227,701
2023	757,750	2,285,143	655,850	1,225,833	238,450	51,300	5,214,326
2024-2028	3,786,313	11,227,712	2,870,613	6,141,010	1,517,250	396,500	25,939,397
2029-2033	757,625	13,602,457	1,202,500	6,125,720	2,829,425	969,575	25,487,302
2034-2038	-	13,346,996	3,581,500	6,132,520	1,146,875	193,325	24,401,216
2039-2043	-	5,282,454	3,278,400	1,223,915	4,036,600	-	13,821,369
Total Bond Payments	8,240,713	54,437,324	14,232,363	25,269,134	10,722,400	1,815,900	114,717,833
Less Interest Included Above	(1,785,713)	(26,822,324)	(5,487,363)	(6,559,134)	(4,597,400)	(675,900)	(45,927,834)
Total Principal Outstanding	6,455,000	27,615,000	8,745,000	18,710,000	6,125,000	1,140,000	68,789,999
Less Current Portion	(405,000)	-	(310,000)	(200,000)	-	-	(915,000)
Net Long Term Principal	6,050,000	27,615,000	8,435,000	18,510,000	6,125,000	1,140,000	67,874,999
Less Unamortized Premium and Discount	212,063	(445,304)	468,688	-	6,368	(12,158)	229,657
Bonds Payable, Net	$ 6,262,063	$ 27,169,696	$ 8,903,688	$ 18,510,000	$ 6,131,368	$ 1,127,842	$ 68,104,656

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, 2018.

NOTE 9 - ACCRUED LIABILITIES

	2018	2017
Payroll Benefits	$ 1,465,234	$ 4,788,117
Accrued Interest	321,956	304,070
Contractor Retainage	-	32,429
Other Accounts Payable	354,496	408,778
Total	2,141,686	5,533,394

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, 2017 of $2,543,096. On November 30, 2017 the Office of the State Controller issued Alert #210 stating “Effective July 1, 2017, the one-day pay date shift in 24-50-104(8), C.R.S. no longer applies to Institutions of Higher Education (IHEs), therefore the accrued payroll at June 30, 2018 was $0.

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 $260,291 (2018) and $157,882 (2017). The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, are estimated as $1,079,960 (2018) and $1,175,282 (2017). Current expenses include a decrease of $7,087 for the estimated compensated absence liability.

NOTE 11 - PENSION PLAN OBLIGATIONS

Defined Contribution Pension Plan

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 $1,290,650 (2018), $1,298,331 (2017) and $1,301,919 (2016). 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 Defined Benefit Pension Plan

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

Benefits provided as of December 31, 2017. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF.

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

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

Contribution provisions: Eligible employees and University are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary.

The employer contribution requirements for all employees are summarized in the table below:

	Fiscal Year 2016		Fiscal Year 2017		Fiscal Year 2018	
	CY15	CY16		CY17		CY18
	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17	7-1-17 to 12-31-17	1-1-18 to 6-30-18
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	4.20%	4.60%	4.60%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	4.00%	4.50%	4.50%	5.00%	5.00%	5.00%
Total Employer Contribution Rate to the SDTF	17.33%	18.23%	18.23%	19.13%	19.13%	19.13%

Rates in the table above are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from University were $2,175,110 and $2,185,232 for the years ended June 30, 2018 and 2017, respectively.

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

At June 30, 2018, the University reported a liability of $80,288,348 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The University proportion of the net pension liability was based on University contributions to the SDTF for the calendar year 2017 relative to the total contributions of participating employers to the SDTF. At December 31, 2017, the University proportion was 0.40 percent, which was a decrease of 0.01 from its proportion measured as of December 31, 2016.

At June 30, 2017, the University reported a liability of $74,579,030 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The University proportion of the net pension liability was based on University contributions to the SDTF for the calendar year 2016 relative to the total contributions of participating employers to the SDTF. At December 31, 2016, the University proportion was 0.41 percent, which was a decrease of 0.01 from its proportion measured as of December 31, 2015.

For the years ended June 30, 2018 and 2017, the University recognized pension expense of $15,125,579 and $11,936,420, respectively. At June 30, 2018 and 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Fiscal Year 2018		Fiscal Year 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,251,883	$ -	$ 741,323	$ -
Changes of assumptions or other inputs	13,941,119	-	18,973,386	229,558
Net difference between projected and actual earnings on pension plan investments	-	3,023,943	2,472,354	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	770,899	-	1,204,880
Contributions subsequent to the measurment date	1,080,228	N/A	1,142,024	N/A
Total	$ 16,273,230	$ 3,794,842	$ 23,329,087	$ 1,434,438

The deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, of $1,080,228 and $1,142,024 for Fiscal Years 2018 and 2017, respectively, will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2018	
2019	$11,472,699
2020	2,198,406
2021	(1,123,304)
2022	(1,149,150)
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07;	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

A discount rate of 4.72 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as the October 28, 2016 actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016 Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	**100.00%**	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

Discount rate. The discount rate used to measure the total pension liability was 4.72 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2038 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2038 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2038 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.72 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent , 0.54 percent higher compared to the current measurement date.

Sensitivity of the University proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.72 percent, as well as if it were calculated using a discount rate that is 1-percentage point lower (3.72 percent) or 1-percentage point higher (5.72 percent):

	1% Decrease (3.72%)	Current Discount Rate (4.72%)	1% Increase (5.72%)
Proportionate share of the net pension liability	$99,884,471	$80,288,348	$64,201,133

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

Changes between the measurement date of the net pension liability and June 30, 2018.
During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, who are classified college and university employees in the State Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At June 30, 2018, the University reported a liability of $80,288,348 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.72%. For comparative purposes, the following schedule presents an estimate of what the University's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$ 38,072,181

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately $35,828,152 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTE 12 - OTHER RETIREMENT PLANS

PERA Defined Contribution Plan (DC Plan)

Plan Description – Employees of the University that were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008 which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). SB 18-200 expands eligibility to participate in the PERA DC Plan to new employees hired on or after January 1, 2019, who are classified college and university employees in the State Division. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's comprehensive annual financial report as referred to above.

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

	Fiscal Year 2016		Fiscal Year 2017		Fiscal Year 2018	
	CY15	CY16		CY17		CY18
	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17	7-1-17 to 12-31-17	1-1-18 to 6-30-18
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	4.20%	4.60%	4.60%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	4.00%	4.50%	4.50%	5.00%	5.00%	5.00%
Total Employer Contribution Rate to the SDTF	8.20%	9.10%	9.10%	10.00%	10.00%	10.00%

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed $11,411,000 and the State of Colorado recognized pension contributions of $14,309,000 for the PERA DC Plan.

Voluntary Investment Program

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

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

457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2017, 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 $18,500. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional $6,000 contribution in 2017. Special 457(b) catch-up contributions allow a participant for 3 years prior to the normal retirement age to contribute the lesser of (1) Twice the annual limit ($37,000 in 2015, 2016, and 2017), or (2) The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions). Contributions and earnings are tax deferred. At December 31, 2017, the plan had 18,211 participants.

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 $160,845. Employee contributions were 7.5 percent of covered payroll.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS & LIFE INSURANCE

PERA OPEB Plan

Plan description. Eligible employees of the University are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure. The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $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 basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from University were $114,154 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the University reported a liability of $1,861,728 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The University proportion of the net OPEB liability was based on University contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the University's proportion was 0.143 percent, which was a decrease of 0.001 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the University recognized OPEB expense of $29,210. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 8,804	$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	31,146
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,604	14,426
Contributions subsequent to the measurement date	56,597	N/A
Total	$ 67,005	$ 45,572

$56,597 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2018:	
2019	$ (8,576)
2020	(8,576)
2021	(8,576)
2022	(8,576)
2023	(789)
Thereafter	(75)

Actuarial assumptions. The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.

- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.

- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.

- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience.

- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, were revised to more closely reflect actual experience.

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.

- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	**Target Allocation**	**30 Year Expected Geometric Real Rate of Return**
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	**100.00%**	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	$ 1,810,505	$ 1,861,728	$ 1,923,423

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 2,093,168	$ 1,861,728	$ 1,664,188

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

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

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post-employment health coverage until the retiree is eligible for Medicare. As of June 30, 2018, there were 273 actively participating members.

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

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

NOTE 14 - SCHOLARSHIP ALLOWANCES

Tuition, fee and auxiliary revenue and the related scholarship allowances for the year ended June 30, 2018 and 2017, were as follows:

	Tuition & Fees	Auxiliary Revenue	2018 Total	2017 Total
Gross Revenue	$27,999,502	$6,346,791	$34,346,293	$36,749,898
Scholarship Allowances:				
Federal	4,140,699	287,252	4,427,951	5,181,053
State	1,657,703	115,000	1,772,703	1,764,130
Private	1,422,313	98,670	1,520,983	1,565,118
Institutional	4,395,872	304,954	4,700,826	4,388,309
Total Allowances	11,616,587	805,876	12,422,463	12,898,610
Net Revenue	$16,382,915	$5,540,915	$21,923,830	$23,851,288

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 $1,622,203 (2018) and $1,514,078 (2017), 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.

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 2018 are as follows:

Budget	$41,644,400
Actual Revenues	39,900,382
Actual Expenses	39,900,382

REQUIRED SUPPLEMENTARY INFORMATION

Pensions and Other Post Employment Benefits

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

ADAMS STATE UNIVERSITY

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
COLORADO PERA PENSION PLAN
For the Fiscal Year Ended June 30,

	2018	**2017**	**2016**	**2015**	**2014**
University's proportion of the net pension liability	0.401%	0.406%	0.419%	0.433%	0.446%
University's proportionate share of the net pension liability	$ 80,288,346	$ 74,579,030	$ 44,150,199	$ 40,769,013	$ 39,752,901
University's covered payroll	$ 11,915,659	$ 11,872,697	$ 11,334,672	$ 11,898,898	$ 11,717,998
University's proportionate share of the net pension liability as a percentage of its covered payroll	674%	628%	390%	343%	339%
Plan fiduciary net position as a percentage of the total pension liability	43.2%	42.6%	56.1%	59.8%	61.1%
PERA State Division Fiduciary Net Position (thousands)	$ 15,223,702	$ 13,626,180	$ 13,460,536	$ 14,013,947	$ 13,980,460
PERA State Division Net Pension Liability (thousands)	$ 20,017,982	$ 31,994,311	$ 23,991,569	$ 23,420,000	$ 22,888,000

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**This schedule is presented to illustrate the requirements to show

Notes to the Required Supplementary Information:
See Note 11 in the accompanying Notes to the Financial Statements for changes to assumptions or other inputs used.

ADAMS STATE UNIVERSITY
SCHEDULE OF CONTRIBUTIONS
COLORADO PERA PENSION PLAN
For the Fiscal Year Ended June 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 2,187,412	$ 2,185,232	$ 2,019,691	$ 2,109,916	$ 1,974,531	$ 1,815,985	$ 1,400,744	$ 1,258,111	$ 1,305,123	$ 1,242,414
Contributions in relation to the contractually required contribution	2,187,412	2,185,232	2,019,691	2,109,916	1,974,531	1,815,985	1,400,744	1,258,111	1,305,123	1,242,414
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
University's covered payroll	$ 11,569,633	$ 11,872,697	$ 11,334,672	$ 11,898,898	$ 11,717,998	$ 11,221,830	$ 11,096,675	$ 10,423,854	$ 9,928,171	$ 9,943,293
Contributions as a percentage of covered payroll	18.91%	18.41%	17.82%	17.73%	16.85%	16.18%	12.62%	12.07%	13.15%	12.49%

Notes to the Required Supplementary Information:

See Note 11 in the accompanying Notes to the Financial Statements for changes to assumptions or other inputs used.

ADAMS STATE UNIVERSITY
SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
COLORADO PERA HEALTH CARE TRUST FUND
For the Fiscal Year Ended June 30,

	2018	2017
University's proportion of the net OPEB liability	0.143%	0.145%
University's proportionate share of the net OPEB liability	$ 1,861,728	$ 1,874,596
University's covered payroll	$ 11,630,024	$ 11,416,440
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%
Health Care Trust Fund Fiduciary Net Position (thousands)	$ 276,222	$ 260,228
PERA Health Care Trust Fund Net OPEB Liability (thousands)	$ 1,299,600	$ 1,296,534

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled the University presents information for those years for which information is available.

Notes to the Required Supplementary Information:
There have not been any changes to benefit terms.
There have not been any changes in assumptions.

ADAMS STATE UNIVERSITY

SCHEDULE OF CONTRIBUTIONS

COLORADO PERA HEALTHCARE TRUST FUND

For the Fiscal Year Ended June 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 115,064	$ 118,470	$ 116,200	$ 118,463	$ 117,784	$ 114,463	$ 111,920	$ 108,456	$ 99,276	$ 101,422
Contributions in relation to the contractually required contribution	115,064	118,470	116,200	118,463	117,784	114,463	111,920	108,456	99,276	101,422
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 11,280,776	$ 11,614,722	$ 11,392,193	$ 11,614,041	$ 11,547,451	$ 11,221,863	$ 10,972,549	$ 10,632,941	$ 9,732,941	$ 9,943,333
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

Notes to the Required Supplementary Information:

There have not been any changes to benefit terms.

There have not been any changes in assumptions.

SUPPLEMENTARY INFORMATION

ADAMS STATE UNIVERSITY

SCHEDULE OF REVENUES AND EXPENSES

FOR SERIES 2009B, 2009C, 2012, 2015, 2017A, AND 2017B AUXILIARY FACILITIES REVENUE BONDS

For the years ended June 30, 2018 and 2017

		2018	2017
Revenue			
Tuition revenues		**$ 2,198,374**	$ 2,370,307
Extended Studies tuition and fees		**3,428,891**	4,065,702
Capital fees		**3,463,884**	3,209,220
University service fees		**560,481**	591,835
Traffic control fees		**(102)**	39,329
Rental income		**3,855,101**	4,001,412
Food service income		**1,895,282**	1,999,754
Sales/services auxiliaries		**13,175**	30,525
Interest income		**12,354**	18,346
Other income		**143,187**	347,348
	Total Revenue	**15,570,627**	16,673,778
Expenses			
Salaries & benefits		**4,026,087**	5,627,328
Costs of goods		**(239)**	80,156
Utilities expense		**450,468**	534,179
Rental expense		**147,822**	145,794
Contract food services		**1,222,252**	1,268,984
Travel		**78,393**	129,286
Supplies		**206,195**	266,812
Other operating expenses		**382,112**	350,897
Purchased services-personal		**515,411**	647,938
Financial aid		**534,592**	525,902
Administrative cost allowance		**956,805**	1,303,780
Furniture & equipment		**48,132**	74,114.00
Other expenses		**249,101**	230,861
	Total Expenses	**8,817,131**	11,186,031
Net Revenue before Transfers		**6,753,496**	5,487,747
Transfers			
Mandatory transfers		**3,951,993**	4,508,667
Nonmandatory transfers		**24,511**	142,476
	Total Transfers	**3,976,504**	4,651,143
	Net Revenue	**$ 2,776,992**	$ 836,604
Debt Service Coverage			
Net Operating Revenue		**$ 6,753,496**	$ 5,487,747
Bond Principal and Interest		**4,120,887**	4,108,964
Excess of Net Operating Revenue Over Debt Service		**$ 2,632,609**	$ 1,378,783
Debt Service Coverage Ratio		**164%**	134%

Wall,
Smith,
Bateman Inc.

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

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the major fund of Adams State University (the University), an Institution of Higher Education, State of Colorado, the Adams State University Foundation, a discretely presented component unit, discussed in Note 1 of the financial statements, which represents 100 percent of the total assets, total revenues, and total net assets of the aggregate discretely presented component unit, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 30, 2018. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Auditors' Findings and Recommendations, that we consider to be a material weakness. (Recommendation No. 1)

Certified Public Accountants
700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Auditors' Findings and Recommendations. (Recommendation No. 2)

Adams State University's Responses to the Findings

The University's responses to the findings identified in our audit is described in the accompanying Findings and Recommendations section. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 30, 2018

Wall,
Smith,
Bateman Inc.

Communication with Those Charged with Governance

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, 2018 and 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated July 2, 2018. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

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. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB) during Fiscal Year 2018. The requirement to record a portion of PERA's unfunded OPEB liability and related deferred outflows of resources, negatively affected the University's beginning net position by $1,811,084. Additional disclosures have been included in the notes to the financial statements as required by this standard. We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of the net pension liability, net OPEB liability, deferred outflows of resources, and deferred inflows of resources at June 30, 2018 and total expense recognized during FY2018 are based upon the University's proportionate share of the collective net pension liability, net OPEB liability, deferred outflows of resources, and deferred inflows of resources reported by the Public Employee's Retirement Association of Colorado (PERA) at December 31, 2017 and the collective pension and OPEB expenses for the year then ended. The University's proportion has been adjusted for contributions between PERA's reporting date of December 31, 2017 and the University's fiscal year end of June 30, 2018.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 www.wsbcpa.com

Management's estimate of depreciation expense is based on the estimated useful life of the capital assets being depreciated at June 30, 2018. 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.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the defined benefit pension plan in Note 11 to the financial statements describes the University's participation in the State Division Trust Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee's Retirement Association of Colorado (PERA).

The disclosure of the other post employment benefits in Note 13 to the financial statements describes the University's participation in the Health Care Trust Fund, a cost-sharing multiple-employer defined benefit OPEB plan administered by the Public Employee's Retirement Association of Colorado (PERA).

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 "Audit Adjusting Journal Entries" is a summary of material misstatements detected as a result of audit procedures that were corrected by management.

The attached schedule titled "Passed Audit Adjusting Journal Entries" summarizes uncorrected misstatements of the financial statements. Management has determined their effects to be immaterial, both individually and in the aggregate, 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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 30, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the schedule of the University's proportionate share of the net pension liability, and the schedule of the University's contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction On Use

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

Very truly yours,

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

ADAMS STATE UNIVERSITY
Schedule of Audit Adjusting Journal Entries
June 30, 2018

Account Description	Debit	Credit
Accrued liabilities	$ 563,696.32	
Cash and cash equivalents		$ 563,696.32
To correctly state account balances.		
Tuition and fees	$ 71,370.78	
Unearned revenue		$ 71,370.78
To correct unearned revenue balance.		
Accounts payable	$ 181,530.00	
Instruction expense		$ 181,530.00
To reverse payable for contracts paid in FY18.		
Interest on capital debt	$ 322,063.59	
Unamortized refunding loss		$ 129,725.69
Bonds payable		$ 192,337.90
To correctly state debt related balance sheet accounts.		

ADAMS STATE UNIVERSITY
Schedule of Passed Audit Adjusting Journal Entries
June 30, 2018

Account Description	Debit	Credit
Unrestricted net position	$ 181,498.90	
Interest on capital debt		$ 181,498.90
Pass on entry to reflect prior year effect of passed adjustment.		
Bad debt expense	$ 102,977.70	
Other accounts receivable		$ 102,977.70
Pass on entry to write-off Perkin's receivable that is not collectible.		

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION

INTRODUCTION

Adams State University is a state-supported institution of higher education located in Alamosa, Colorado.

The financial and compliance examination of the various state-funded student assistance programs at the University for the year ended June 30, 2018, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees. The state student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2018.

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

The various state-funded student assistance programs at the University include the Colorado Student Grant Program, Colorado Work Study Program, and the Supplemental Educational Opportunity Grant Program.

The state-funded student assistance awards made by the University were approximately $2,286,746 for the fiscal year ending June 30, 2018.

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

During the audit period, Adams State University obtained authorizations to award federal student financial aid funds of $4,519,429 in the Pell Grant Program, $145,580 in the Supplemental Educational Opportunity Grant Program, $295,668 in the University Work-Study Program, and $61,700 in the Perkins Student Loan Program.

During the fiscal year ended June 30, 2018, Adams State University obtained authorizations to award Colorado student financial aid funds of $1,811,994 in the Student Grant Program, $57,713 in Colorado Merit Aid, and $417,039 in the Colorado Work Study Program.

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

Wall,
Smith,
Bateman Inc.

Members of the Legislative Audit Committee:

Report on Statement

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs (the Statement) for Adams State University (the University), an Institution of Higher Education, State of Colorado, for the year ended June 30, 2018, and the notes related to the Statement. The Statement is the responsibility of the University's management. Our responsibility is to express an opinion on the Statement based on our audit.

Management's Responsibility for the Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial format as set forth in the *2017-2018 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance programs of the University for the year ended June 30, 2018, in accordance with the format as set forth in the *2017-18 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the CDHE, and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University described in Note 1 to the Statement.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 www.wsbcpa.com

Basis of Accounting

We draw attention to Note 1 to the Statement, which describes the basis of accounting. As described in Note 1 to the Statement, the Statement prepared by the University was prepared in accordance with the *2017-2018 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by CDHE, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the statement of state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. Accordingly, the accompanying Statement is not intended to, and does not present the financial position, changes in financial position, or cash flows of the University in conformity with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have issued our report dated November 30, 2018 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Report Restriction

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

Very truly yours,

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 30, 2018

ADAMS STATE UNIVERSITY
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS
For the Fiscal Year Ended June 30, 2018

	Total State-Funded Student Assistance	Colorado Need-based Grant	Colorado Work Study	Colorado Merit Aid Program
Appropriations:				
Original	$ 2,206,746	$ 1,716,768	$ 432,265	$ 57,713
Supplementals	125,226	95,226	30,000	-
Returned to CDHE	(45,226)	-	(45,226)	-
Totals	2,286,746	1,811,994	417,039	57,713
Expenditures	(2,286,746)	(1,811,994)	(417,039)	(57,713)
Reversions to State	$ -	$ -	$ -	$ -

ADAMS STATE UNIVERSITY
NOTES TO THE STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS
FOR THE YEAR ENDED JUNE 30, 2018

Basis of Accounting

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

The accompanying statement of appropriations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *2017-2018 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of Adams State University. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the University for the year ended June 30, 2018.

Because the Statement presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position or changes in financial position of the University in conformity with U.S. generally accepted accounting principles.

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS OF THE STATE OF COLORADO STATE-FUNDED STUDENT ASSISTANCE PROGRAMS 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 statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs (the Statement) of Adams State University (the University), an institution of higher education of the State of Colorado, for the years ended June 30, 2018 and 2017, and the related notes to the Statement, and have issued our report thereon dated November 30, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the Statement, 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 Statement, 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 University's Statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's Statement is 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 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 University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 30, 2018