ADAMS STATE UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2019 and 2018

Wall,
Smith,
Bateman Inc.
Certified Public Accountants

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ADAMS STATE UNIVERSITY
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
Fiscal Years Ended June 30, 2019 and 2018

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 2019 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 2019.

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, 2019, 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.
- 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*.

Audit Results

Wall, Smith, Bateman Inc. expressed an unmodified opinion on the financial statements for the years ending June 30, 2019 and 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 is one finding and recommendation resulting from the audit work completed for fiscal year ended June 30, 2019, relating to the accounting controls. A detailed description of the audit comment is 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, 2018 included three findings and recommendations. The first finding has been implemented, and the second and third findings have 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 2019

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
2019-001	8	Adams State University should continue to improve its internal controls over financial activities by ensuring effective supervisory review and approval procedures are in place for year-end accounting and reporting processes. In addition, the University should enhance fiscal year-end training for staff over the effective implementation and performance of internal control procedures to include the importance of properly designed controls over financial activities, and appropriate and timely completion of fiscal year-end exhibits to the Office of State Controller.	Agree	June 2020

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:

	2017	2018	2019
Resident Students	1,798.3	1,647.6	1,553.9
Nonresident Students	720.6	757.1	715.0
Total Students	2,518.9	2,404.7	2,268.9
Faculty FTEs	179.9	181.7	168.8
Staff FTEs	142.1	146.8	142.5
Total Staff and Faculty FTEs	322.0	328.5	311.3

Accounting Controls

Adams State University's accounting department is responsible for all of the University's financial reporting, including the accurate and timely entry and approval of financial transactions in the University's accounting system and submission of accurate and timely year-end information through exhibits to the Office of the State Controller (OSC) for inclusion in the State's financial statements.

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 internal controls over financial and reporting activities, and to determine whether the University complied with applicable accounting standards during Fiscal Year 2019. In addition, we reviewed the University's progress in implementing our Fiscal Year 2018 audit recommendation related to improving accounting controls. At that time, we specifically recommended that the University improve its internal controls over financial activities by providing training to staff over the effective implementation of policies, procedures, and internal controls and ensuring established internal controls, including segregation of duties and secondary review and approval processes are effective.

As part of our audit testing, we reviewed the University's Financial Management Manual (Guide) and inquired of accounting department staff as to the existence of internal controls related to year-end financial close activities. Additionally, we reviewed the University's exhibits and related supporting documentation that were prepared and submitted to the OSC for Fiscal Year 2019 in order to determine whether the University staff prepared this information timely and in accordance with the OSC's *Fiscal Procedures Manual* (Manual).

How were the results of the audit work measured?

We measured our audit work against the following criteria:

- The University's Guide, which follows the 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 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.

- The OSC's Manual contains specific instructions for completing and including required information for each exhibit. In addition, the Manual references the Fiscal Year 2019 Open/Close Calendar published by the OSC, which contains submission due dates for each Exhibit. Specifically:
  - Exhibit E1, *Schedule of Revenue Bond Coverage,* is used to report information about any revenues at the University that are pledged to meet debt service requirements in accordance with GASB Statement No. 48; the Exhibit E1 was due to the OSC on August 14, 2019.
  - Exhibit G, *Advance Refunding and Defeasance*, is used to report the balance of all previously in-substance defeased debt and to document any debt refunding or a debt extinguishment occurring during the fiscal year; the Exhibit G was due to the OSC on August 14, 2019.
  - Exhibit M, *Custodial Credit Risk Related to Cash on Hand or Deposited with Financial Institutions,* is used to report financial institution deposits by categories of risk; the Exhibit M was due to the OSC on August 14, 2019.
  - Exhibit U2, *Other disclosures,* is used to report on behalf payments of salary and fringe benefits, discretely presented component units, idle impaired assets, termination benefits, covered payroll for higher education institutions, and encumbrance disclosures; the Exhibit U2 was due to the OSC on August 14, 2019.
  - Exhibit V1, *Higher Education Cash Flow Statement – Supplemental Information,* is used to report information needed for the conversion of the statement of cash flows from the indirect method to the direct method and noncash transactions; the Exhibit V1 was due to the OSC on August 14, 2019.

What problems did the audit work identify?

Overall, we identified several internal control issues related to the University's fiscal year-end accounting and reporting and determined that the University had not fully implemented our Fiscal Year 2018 audit recommendation. Specifically, while our Fiscal Year 2019 audit work determined that the University had implemented controls including segregation of duties and secondary review and approval procedures related to routine financial activity during Fiscal Year 2019, we determined that the additional controls were ineffective in identifying and resolving and/or correcting non-routine and year-end calculation errors. Further, the additional internal controls did not ensure the timely and accurate submission of OSC exhibits.

As a result of our audit testwork, we identified the following specific differences and errors:

- The bonds payable, unamortized refunding loss, and the accrued interest payable accounts were understated by approximately $346,000, $90,000, and $111,000, respectively, as a result of the University's recording of its Series 2019 refunding bond issuance. Similarly, expenses were understated by approximately $367,000 for accrued interest and bond issuance costs related to the Series 2019 bond issuance.
- Compensated absence liability and expenses were overstated by approximately $119,000.

- Exhibit E1, *Schedule of Revenue Bond Coverage* – The exhibit did not adequately disclose the total of Pledged Revenue streams as required, and it was initially submitted two days after the established due date.
- Exhibit G, *Advance Refunding and Defeasance* – The exhibit did not correctly report various required information such as the face amount, carrying value, or reacquisition price of the old debt, nor the face amount, issuance costs, and type of defeasance of the new debt, and it was initially submitted two days after the established due date.
- Exhibit M, *Custodial Credit Risk Related to Cash on Hand or Deposited with Financial Institutions* - The exhibit incorrectly reported balances in risk category B- “deposits that are uninsured and uncollateralized and are not in compliance with the Colorado Public Deposit Protection Act”, and it was initially submitted two days after the established due date.
- Exhibit U2, *Other disclosures* – The exhibit omitted information on Adams State University Foundation, a discretely presented component unit, and it was initially submitted two days after the established due date.
- Exhibit V1, *Higher Education Cash Flow Statement – Supplemental Information* – The exhibit incorrectly reported the acquisition of capital assets and the amortization of debt valuation account balances, and it was initially submitted two days after the established due date.

After we brought the accounting errors to University staff’s attention, they made adjustments to correct the errors and submitted revised exhibits to the OSC.

Why did the problem occur?

The University has not implemented a supervisory review and approval over year-end accounting, exhibit preparation, and reporting requirements. Specifically, University staff did not adequately review fiscal year-end transactions, such as those required to record the 2019 refunding bond issuance; the compensated absences analysis; or exhibits submitted to the OSC for the State’s financial statement presentation. Additionally, University management did not sufficiently stress through fiscal year-end training provided to accounting staff the importance of properly designed controls over financial activities, and the need to effectively perform those controls. Therefore, the University’s policies were not effective in preventing and/or identifying and correcting errors in the financial statements and exhibits.

Why does this problem matter?

Without adequate controls in place over financial activities, the University cannot ensure the accuracy and completeness of its information and, ultimately the State’s financial statements. Performing an adequate review of transactions and stressing the importance of fiscal year-end accounting activities will aid in reducing errors and omissions, as well as timely detection and correction of errors.

(Classification of Finding: Significant deficiency)

This finding applies to prior year recommendation No. 1.

Recommendation No. 1:

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

A. Ensuring effective supervisory review and approval procedures are in place for year-end accounting and reporting processes.
B. Enhancing fiscal year-end training for staff over the effective implementation and performance of internal control procedures to include the importance of properly designed controls over financial activities, and appropriate and timely completion of fiscal year-end exhibits to the Office of State Controller.

Adams State University's Response:

A. Agree. Implementation date: June 2020.

   The University will improve and/or replace its financial reporting tools with more reliable and transparent systems that will allow for a more streamlined and effective supervisory review and verification of year-end accounting and reporting processes.

B. Agree. Implementation date: June 2020.

   Providing training to staff focused on implementation and performance of properly designed controls to ensure the appropriate and timely completion of fiscal year-end financial activities, including the preparation of and submission of exhibits to the Office of State Controller.

ADAMS STATE UNIVERSITY
FINANCIAL AND COMPLIANCE AUDIT
DISPOSITION OF PRIOR YEAR
AUDIT FINDINGS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2019

Summary of Progress in Implementing Prior Year Audit Recommendation

Fiscal Year 2017

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 –** Implemented.

Fiscal Year 2018

Recommendation No. 1 – Adams State University should 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.	**Disposition –** Partially Implemented. Current classification: Significant Deficiency. See current year recommendation number 1.
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.	**Disposition** – Partially Implemented. Adams State University plans to continue implementation of updated policies and procedures and continue staff training and review processes to fully implement the recommendation by May 2020. Current classification: Deficiency in Internal Control.

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, and 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, 2019 and 2018, 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
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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, 2019 and 2018, 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, 2019 and 2018, and the changes in its financial position, or, where applicable, its cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

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 2012, 2015, 2017A, 2017B, and 2019 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 2012, 2015, 2017A, 2017B, and 2019 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 2012, 2015, 2017A, 2017B, and 2019 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 12, 2019 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 12, 2019

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, 2019 and 2018, with selected comparative information for the year ended June 30, 2017. 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, 2019

The University's total net position increased by $9.1 million during fiscal year 2019 compared to an $18.6 million decrease in net position during fiscal year 2018. The increase is primarily a result of a decrease in pension expense associated with actuarial changes made by PERA and the State required annual direct distribution payments into PERA as specified in C.R.S. § 24-51-413.

The University had a ratio of current assets to current liabilities of 4.9 and 3.6 for fiscal years 2019 and 2018, 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 2018 to fiscal year 2019 is primarily a result of an increase in cash and cash equivalents of $9.1 million from fiscal year 2018 to fiscal year 2019.

An operating income of $0.75 million is the result of the $22.4 million decrease to current year pension expense as compared to 2018. The University received no state operating appropriations, but received $13.4 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 2019.

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.

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:

	2019	2018	2017
		(in thousands)	
Assets			
Current Assets	$31,091	$22,562	$25,073
Noncurrent Assets	106,153	112,876	118,911
	137,244	135,438	143,984
Deferred outflows of resources	10,237	19,045	26,305
Liabilities			
Current Liabilities	6,340	6,195	10,643
Noncurrent Liabilities	113,782	152,231	145,581
	120,122	158,426	156,224
Deferred inflows of resources	26,008	3,840	1,434
Net Position			
Invested in Capital Assets, net of related debt	39,680	45,624	51,065
Restricted	4,470	4,470	4,470
Unrestricted	(42,798)	(57,877)	(42,905)
	$1,352	$(7,783)	$12,630

The University's total net position increased by $9.1 million during Fiscal Year 2019 compared to an $18.6 million decrease in net position during Fiscal Year 2018. The increase is partially related to a decrease in

PERA pension and OPEB expenses of $7.3 million during Fiscal Year 2019. Excluding the effects of PERA pension and OPEB expenses, the increase is $2.1 million due to the implementation of The University's Financial Action Plan.

The effect of the PERA pension and OPEB expense on the University's total net position for Fiscal Year 2019 and 2018 is summarized below:

	Fiscal Year 2019	Fiscal Year 2018
Net Position (GAAP Basis)	$ 1,351,824	$ (7,783,014)
Effects of GASB 68 - Pension	60,526,351	67,809,960
Effects of GASB 75 - OPEB	1,840,550	1,840,295
Net Position excluding Pension and OPEB	$ 63,718,725	$ 61,867,241

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

	Fiscal Year 2019	Fiscal Year 2018
Unrestricted Net Position (GAAP Basis)	$ (42,798,112)	$ (57,876,859)
Effects of GASB 68 - Pension	60,526,351	67,809,960
Effects of GASB 75 - OPEB	1,840,550	1,840,295
Unrestricted Net Position excluding Pension and OPEB	$ 19,568,789	$ 11,773,396

Year ended June 30, 2019

At June 30, 2019 the University's total assets were $137.2 million. The largest asset category is the $106.1 million in capital assets, net of accumulated depreciation of $101.7 million. These assets include land, buildings, equipment, library holdings, and construction in progress. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In fiscal year 2019, the University's current assets of $31 million were sufficient to cover current liabilities of $6.3 million (producing a current ratio of 4.9). Cash and cash equivalents (bank deposits, certificates of deposits, and pooled cash with the State Treasurer) comprised over $28.6 million in assets per the Statement of Net Position. Bonds payable of $68.9 million represent over 60% of the University's total noncurrent liabilities, while the Net Pension Liability represents 36% of the University's total noncurrent liabilities of $114 million. The current portion of the bonds payable liability is $1,025,000.

The University's net position increased $9.1 million (see the Statement of Revenues, Expenses and Changes in Net Position) to $1.4 million. Net Position is composed of $39.7 million net investment in capital assets, $4.5 million externally restricted for specific purposes, and ($42.8) million unrestricted and available for any lawful purpose of the University.

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.

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, 2019

Tuition and fee revenues accounted for $17.7 million of the $46.3 million in operating revenues for fiscal year 2019. The tuition and fee amount is net of scholarship allowances of $11.2 million. Scholarship allowances are defined as the financial aid awarded to students by the University that is used to pay University charges. The scholarship allowance is recognized as a direct reduction of revenue rather than an increase in financial aid expense.

Operating expenses, during Fiscal Year 2019, totaled $45.6 million. Of that total, $14.2 million was for instruction, $1.8 million for academic support, $4.7 million for student services, $4.1 million for institutional support, $2.7 million for operation of plant and $10 million for auxiliary enterprises. The Fiscal Year 2019 operating expenses are $23 million lower than the Fiscal Year 2018 expenses, primarily as a result of the Financial Action Plan implementation and the decrease in pension expense associated with actuarial changes made by PERA.

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.

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

	2019	2018	2017
Operating Revenues		(in thousands)	
Tuition and Fees, net	$17,735	$16,383	$18,440
Grants and Contracts	21,580	19,645	19,200
Auxiliary Enterprises	6,019	5,541	5,412
Other	978	683	933
Total Operating Revenues	46,312	42,252	43,985
Operating Expenses	45,559	69,139	68,400
Net Operating Income (Loss)	753	(26,887)	(24,415)
Nonoperating Revenue(Expense)			
Federal Pell Grants	4,237	4,525	4,634
Gifts and Donations	2,647	2,606	2,247
Interest Income	635	57	13
Other Nonoperating	(2,851)	(3,170)	(2,558)
Net Nonoperating Revenue	4,668	4,018	4,336
Income(Loss) Before Other Revenue, Expenses, Gains, or Losses	5,421	(22,869)	(20,079)
Student Capital Fees	3,268	3,464	3,209
State Appropriations, Capital	215	885	5,449
State Support for PERA	284	-	-
Other	(53)	(82)	(39)
Increase (Decrease) In Net Position	9,135	(18,602)	(11,460)
Net Position			
Net Position-Beginning of Year	(7,783)	12,630	24,090
Restatement, GASB 75	-	(1,811)	-
Net Position-Beginning of Year, Restated	(7,783)	10,819	24,090
Net Position-End of Year	$1,352	($7,783)	$12,630

CAPITAL ASSETS

At June 30, 2019, the University had approximately $106 million invested in capital assets, net of accumulated depreciation of $101.7 million. Depreciation charges were $6.8 million for the current year compared to $7.0 million in 2018 and $6.9 million in 2017. Details of these assets for the three years are shown below.

Capital Assets, Net of Depreciation, at Year End

	2019	2018	2017
Land	$445,249	$445,249	$445,249
Land Improvements	5,365,939	5,879,548	6,401,638
Buildings	97,817,684	103,674,001	102,565,867
Construction in Progress	506,284	290,959	6,529,679
Equipment	1,128,564	1,387,394	1,694,025
Library Materials	540,987	527,509	518,306
Art and Historic Treasures	317,417	317,417	317,417
Total	$106,122,124	$112,522,077	$118,472,181

DEBT

At June 30, 2019, the University had approximately $65.9 million in debt outstanding compared to $69.8 million at June 30, 2018 and $70.8 million at June 30, 2017. The table below summarizes these amounts by type of debt.

	2019	2018	2017
2009B Series Auxiliary Facilities Revenue Bonds	$ -	$ 6,455,000	$ 7,031,602
2009C Series Taxable Auxiliary Facilities Revenue Bonds	-	27,615,000	27,140,977
2012 Series Institutional Enterprise Revenue Bonds	8,435,000	8,745,000	9,376,306
2015 Series Institutional Enterprise Revenue Refunding Bonds	18,510,000	18,710,000	18,905,000
2017A Series Institutional Enterprise Rev Refunding Bonds	6,125,000	6,125,000	6,131,647
2017B Series Institutional Enterprise Rev Refunding Bonds	1,140,000	1,140,000	1,127,056
2019A Series Institutional Enterprise Rev Refunding Bonds	30,835,000		
Capital Lease	896,513	988,690	1,074,869
	$ 65,941,513	$ 69,778,690	$ 70,787,457

OTHER HIGHLIGHTS

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. On February 14, 2019 the Adams State University Board of Trustees removed "interim" and named Dr. Cheryl D. Lovell president of Adams State University with a five year contract.

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 that have resulted from declining enrollment in recent years 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. Over the course of two years, the development of the Plan included a campus-wide evaluation of all programs: academic, administrative, athletic, facilities, business, etc. In the first year, a senior leadership team developed recommendations to eliminate up to $2.7 million from the 2018-19 budget. The Board of Trustees approved a Reduction in Force plan at the March 15, 2018 meeting. Final recommendations totaling the $2.7 million were approved at the April 5 and 6, 2018 Board of Trustees meeting. During the 2018-19 year, additional recommendations to improve the bottom line by over $2 million were implemented. This included operating and personnel cuts of $700 thousand and $1.4 million in additional revenue, a result of increased support from the State of Colorado, program growth in specific graduate programs, and the implementation of new programs.

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.

In response to favorable interest rates, Adams State University refinanced approximately $30 million in bonds outstanding for a net present value savings of over $3 million, closing in May 2019. Over $1 million of debt service savings was realized in the year ended June 30, 2019.

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 in fiscal year 2006. The University met the criteria for designation as an enterprise in fiscal years 2006 through 2019, 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 $3.0 million in College Opportunity Fund stipends for fiscal year 2020, based on the increased yearly stipend of $2,820, for a full-time public higher education student taking 30 credit hours of classes. For fiscal years 2019, 2018, and 2017, the yearly stipends were $2,490, $2,310, and $2,250, respectively. The University received $2.4 million, $2.4 million, and $2.5 million stipends in fiscal years 2019, 2018, and 2017, respectively.

In fiscal year 2020, $14.9 million will be billed through a fee for service contract with the Colorado Department of Higher Education (CDHE). The University received $13.4 million, $11.8 million, and $11.5 million in fee for service revenue in fiscal years 2019, 2018, and 2017 respectively. The bill institutes fee-for-service contract arrangements between each institution and the CDHE to provide graduate education, rural education, and basic education services to the State. These fee-for-service contracts must be negotiated annually with the CDHE.

CONTACTING THE UNIVERSITY'S FINANCIAL MANAGEMENT

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

ADAMS STATE UNIVERSITY

STATEMENTS OF NET POSITION

As of June 30, 2019 and 2018

		2019		2018
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**28,627,143**	$	19,563,422
Student accounts receivable, net		**1,314,211**		1,237,477
Other accounts receivable		**990,642**		1,388,478
Student loans receivable, net		**4,186**		98,983
Inventories		**153,231**		155,201
Prepaid expenses and other assets		**1,330**		118,745
Total current assets		**31,090,743**		22,562,306
Noncurrent Assets				
Restricted cash and cash equivalents		**28,250**		28,250
Student loans receivable, net		**3,111**		325,463
		31,361		353,713
Non-depreciable capital assets:				
Land		**445,249**		445,249
Art and historic treasures		**317,417**		317,417
Construction in progress		**506,284**		290,959
Total non-depreciable capital assets		**1,268,950**		1,053,625
Depreciable capital assets, net:				
Buildings		**97,817,684**		103,674,002
Land improvements		**5,365,939**		5,879,548
Furniture & equipment		**1,128,564**		1,387,394
Library books		**540,987**		527,509
Total depreciable capital assets, net		**104,853,174**		111,468,453
Total noncurrent assets		**106,153,485**		112,875,791
Total Assets		**137,244,228**		135,438,097
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized refunding loss		**3,704,817**		2,705,249
Pension contributions made after measurement date		**1,027,097**		1,080,228
Differences between expected and actual pension experience		**1,176,810**		1,251,883
Differences due to changes in assumptions of pension plan		**2,166,863**		13,941,119
Net differences between projected and actual pension plan investment earnings		**2,078,643**		-
Other post employment benefits contributions made after measurement date		**53,344**		56,597
Differences in expected vs actual experience - OPEB		**6,314**		8,804
Net differences between projected and actual OPEB plan investment earnings		**10,004**		-
Differences due to changes in assumptions - OPEB		**12,203**		-
Differences between employer contributions and proportionate share - OPEB		**1,289**		1,604
Total Deferred Outflows of Resources		**10,237,384**		19,045,484

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

ADAMS STATE UNIVERSITY
STATEMENTS OF NET POSITION
As of June 30, 2019 and 2018

	2019	2018
LIABILITIES		
Current Liabilities		
Accounts payable	**1,055,728**	1,094,028
Accrued liabilities	**2,423,993**	2,141,686
Unearned revenue	**1,160,185**	1,366,023
Deposits held for others	**428,324**	325,771
Bonds payable, current	**1,025,000**	915,000
Capital leases payable, current	**98,691**	92,177
Compensated absences liability	**147,957**	260,291
Total current liabilities	**6,339,878**	6,194,976
Noncurrent Liabilities		
Compensated absences liability	**1,206,118**	1,079,960
Capital leases payable	**797,822**	896,513
Bonds payable	**68,886,502**	68,104,656
Net other post employment benefits liability	**1,739,543**	1,861,728
Net pension liability	**41,152,012**	80,288,348
Total noncurrent liabilities	**113,781,997**	152,231,205
Total Liabilities	**120,121,875**	158,426,181
DEFERRED INFLOWS OF RESOURCES		
Net differences between projected and actual pension plan investment earnings	**-**	3,023,943
Differences due to changes in proportionate share of pension plan	**4,554,476**	760,888
Differences due to changes in assumptions of pension plan	**21,250,263**	-
Differences between actual and proportionate share of contributions to pension plan	**19,013**	10,011
Differences in expected vs actual experience - OPEB	**2,648**	-
Net differences between projected and actual OPEB plan investment earnings	**-**	31,146
Differences between employer contributions and proportionate share - OPEB	**944**	-
Differences due to changes in proportionate share - OPEB	**180,569**	14,426
Total Deferred Inflows of Resources	**26,007,913**	3,840,414
NET POSITION		
Net investment in capital assets	**39,679,525**	45,623,434
Restricted for non-expendable purposes:		
Endowments	**28,250**	28,250
Restricted for expendable purposes:		
Endowments	**33,281**	33,281
Loans	**19,984**	532,724
Other Purposes	**4,388,896**	3,876,156
Total Restricted	**4,470,411**	4,470,411
Unrestricted	**(42,798,112)**	(57,876,859)
Total Net Position	**$ 1,351,824**	$ (7,783,014)

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

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash in Bank	$ 96,621	$ 105,071
Pooled Cash - Brokerage Accounts	354,652	98,358
Segregated Cash - Brokerage Accounts	200,412	131,312
Certificates of Deposit	300,000	300,000
Pooled Investments, at Fair Value	14,771,894	14,074,954
Restricted Investments, at Fair Value	7,787,556	7,510,160
Pledges Receivable, net of allowance	13,700	15,525
Inventories	7,240	7,240
Art Collection	15,000	15,000
TOTAL ASSETS	$ 23,547,075	$ 22,257,620
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 52,646	$ 52,881
TOTAL LIABILITIES	52,646	52,881
NET ASSETS		
Without Donor Restriction:		
Unrestricted	920,876	730,213
Board Designated - Investment Reserves Fund	2,464,210	2,308,270
Board Designated - Endowments	658,137	656,971
Total Without Donor Restrictions	4,043,223	3,695,454
With Donor Restrictions:		
Purpose Restricted	2,610,268	2,321,965
Perpetual in Nature	16,840,938	16,187,320
Total With Donor Restrictions	19,451,206	18,509,285
TOTAL NET ASSETS	23,494,429	22,204,739
TOTAL LIABILITIES AND NET ASSETS	$ 23,547,075	$ 22,257,620

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, 2019 and 2018

	2019	2018
Operating Revenues:		
Tuition & fees (including $6,673,933 and $6,193,341, respectively of revenues pledged for bonds and net of scholarship allowances of $11,201,027 and $11,616,586, respectively)	**$ 17,735,071**	$ 16,382,915
Sales & services of auxiliary enterprises (including $6,499,952 and $5,861,431, respectively of revenues pledged for bonds and net of scholarship allowances of $962,478 and $805,877 respectively)	**6,019,351**	5,540,914
Fee for service contract revenue	**13,368,240**	11,834,120
Federal grants and contracts	**5,589,524**	5,499,106
State grants and contracts	**2,622,103**	2,311,609
Other operating revenues (including $67,732 and $15,138, respectively of revenues pledged for bonds)	**977,802**	683,248
Total Operating Revenues	**46,312,091**	42,251,912
Operating Expenses:		
Instruction	**14,205,723**	24,702,380
Public service	**759,513**	1,154,227
Academic support	**1,755,831**	2,964,914
Student services	**4,719,424**	7,372,092
Institutional support	**4,050,380**	6,104,992
Operation of plant	**2,724,747**	5,251,606
Scholarships and fellowships	**589,753**	742,895
Auxiliary enterprises expenditures	**9,943,866**	13,774,238
Depreciation	**6,809,457**	7,071,195
Total operating expenses	**45,558,694**	69,138,539
Operating Income (Loss)	**753,397**	(26,886,627)
Nonoperating Revenues (Expenses):		
Federal Pell Grants	**4,236,702**	4,524,674
Gifts and Donations	**2,646,882**	2,605,952
Federal Build America Bonds Subsidy	**504,893**	602,574
Investment & interest income (loss) (including $34,085 and $12,353, respectively of revenue pledged for bonds)	**635,361**	56,769
Limited gaming transfer	**15,667**	26,169
Other Expenses	**(1,093,897)**	(63,507)
Interest on capital debt	**(2,277,754)**	(3,735,012)
Net nonoperating revenue	**4,667,854**	4,017,619
Income (Loss) before other revenues, expenses, gains, losses or transfers	**5,421,251**	(22,869,008)
Other Revenues, Expenses, Gains, Losses or Transfers:		
Student capital fees (all pledged for bonds)	**3,267,787**	3,463,885
State appropriation, capital	**215,325**	884,523
State pension contribution	**283,861**	-
Transfers to Other Institutions	**(53,386)**	(82,021)
Increase (Decrease) in Net Position	**9,134,838**	(18,602,621)
Net Position - beginning of the year	**(7,783,014)**	12,630,691
Restatement GASB 75	**-**	(1,811,084)
Net Position - beginning of the year, restated	**(7,783,014)**	10,819,607
Net Position - end of the year	**$ 1,351,824**	$ (7,783,014)

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

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
NET ASSETS, BEGINNING OF YEAR	$ 3,695,454	$ 18,509,285	$ 22,204,739
REVENUES, GAINS, AND OTHER SUPPORT			
Donations - Cash	254,969	2,024,250	2,279,219
Donations - In-Kind	-	-	-
Investment Income (Net)	62,635	765,344	827,979
Net Realized Gains (Losses) on long-term investments	189,274	82,153	271,427
Net Unrealized Gains (Losses) on long-term investments	183,028	128,257	311,285
Subtotal	689,906	3,000,004	3,689,910
Net Assets Released from Restriction	2,060,274	(2,060,274)	-
Total from Revenues, Gains, and Other Support	2,750,180	939,730	3,689,910
EXPENSES AND LOSSES			
Scholarships and Awards	1,295,652	-	1,295,652
Program Services	807,319	-	807,319
Management and General Activities	100,827	-	100,827
Fundraising	196,422	-	196,422
Total Expenses and Losses	2,400,220	-	2,400,220
Transfers:			
Transfers In/(Out)	(2,191)	2,191	-
Change in Net Assets for the Year	347,769	941,921	1,289,690
NET ASSETS AT END OF YEAR	$ 4,043,223	$ 19,451,206	$ 23,494,429

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		
	Without Donor Restrictions	With Donor Restrictions	Total
NET ASSETS, BEGINNING OF YEAR	$ 3,302,179	$ 17,294,132	$ 20,596,311
REVENUES, GAINS, AND OTHER SUPPORT			
Donations - Cash	158,855	1,815,651	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	2,691,291	3,677,225
Net Assets Released from Restriction	1,708,740	(1,708,740)	-
Total from Revenues, Gains, and Other Support	2,694,674	982,551	3,677,225
EXPENSES AND LOSSES			
Scholarships and Awards	1,152,177	-	1,152,177
Program Services	567,885	-	567,885
Management and General Activities	147,182	-	147,182
Fundraising	201,553	-	201,553
Total Expenses and Losses	2,068,797	-	2,068,797
Transfers:			
Transfers In/(Out)	(232,602)	232,602	-
Change in Net Assets for the Year	393,275	1,215,153	1,608,428
NET ASSETS AT END OF YEAR	$ 3,695,454	$ 18,509,285	$ 22,204,739

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

ADAMS STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

For the years ending June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Cash Received:		
Tuition and fees	**$ 17,548,020**	$ 16,054,225
Fee for service Contract Revenue	**13,369,400**	11,790,589
Sales of services	**6,125,769**	5,694,509
Grants and contracts	**8,498,210**	7,873,164
Student loans collected	**71,122**	151,975
Other receipts	**1,052,365**	689,875
Cash Payments:		
Payments to or for employees	**(34,049,993)**	(37,921,616)
Payments to suppliers	**(11,073,410)**	(12,710,543)
Scholarships disbursed	**(589,753)**	(742,895)
Student loans disbursed	**(489,070)**	(91,366)
Net Cash (Used) Provided by Operating Activities	**462,660**	(9,212,083)
Cash Flows from Noncapital Financing Activities:		
Federal grants and contracts, non-operating	**4,905,630**	4,952,985
Gifts/grants for other than capital purposes	**2,662,549**	2,632,121
Agency receipts	**21,486,985**	21,624,776
Agency payments	**(21,469,691)**	(21,611,633)
Transfers from (to) other institutions	**(53,386)**	(82,021)
Net Cash Provided by Noncapital Financing Activities	**7,532,087**	7,516,228
Cash Flows from Capital & Related Financing Activities:		
State appropriations, capital	**215,307**	1,790,110
Student capital fees	**3,246,809**	3,460,575
Acquisition or construction of capital assets	**(405,457)**	(1,124,292)
Principal paid on capital debt	**(456,045)**	(508,312)
Interest paid on capital debt	**(2,167,001)**	(3,767,863)
Net Cash Provided (Used) by Capital & Related Financing Activities	**433,613**	(149,782)
Cash Flows from Investing Activities:		
Investment earnings	**635,361**	56,772
Net Cash Provided (Used) by Investing Activities	**635,361**	56,772
Net Increase (Decrease) in Cash	**9,063,721**	(1,788,865)
Beginning cash balance	**19,591,672**	21,380,537
Ending cash balance	**$ 28,655,393**	$ 19,591,672
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	**$ 28,627,143**	$ 19,563,422
Restricted cash and cash equivalents	**28,250**	28,250
Total Cash and Cash Equivalents	**$ 28,655,393**	$ 19,591,672

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

ADAMS STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

For the years ending June 30, 2019 and 2018

		2019		2018
Reconciliation of Operating Loss to Net Cash (Used) Provided by Operating Activities				
Operating income (loss)	**$**	**753,397**	$	(26,886,627)
Adjustments to reconcile:				
Depreciation expense		**6,809,457**		7,071,195
Pension expense		**(7,283,610)**		15,125,579
Other post retirement benefit expense		**257**		29,210
Other Non-operating expense		**-**		63,507
Decrease (increase) in assets:				
Receivables, net		**(96,047)**		(178,308)
Inventories & prepaids		**119,385**		127,280
Increase (decrease) in liabilities:				
Accounts payable		**(38,300)**		(1,934,913)
Accrued liabilities		**287,582**		(2,792,207)
Unearned revenues		**(205,838)**		157,396
Student deposits		**102,553**		(1,282)
Compensated absences		**13,824**		7,087
Net Cash Used by Operating Activities	**$**	**462,660**	$	(9,212,083)
Noncash Investing, Capital, and Financing Activities:				
State Capital Contributions		**$215,325**		$884,523
Amortization of capital premium/discount and capital loss		**151,343**		452,867

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 $0 (2019) and $32,851 (2018).

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 2019, 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 plan 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.

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*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates for the SDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. For Fiscal Year 2019, the portion of the direct distribution allocated to the University was $283,861.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases 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 certain new members of the State Division hired on or after January 1, 2019, who are classified State College and University employees. 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.

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.

Reclassifications
Certain amounts from fiscal year 2018 have been reclassified to conform to the fiscal year 2019 financial statement presentation.

Perkins Liquidation
The University liquidated the Perkins Loan Program in fiscal year 2019 and all outstanding loans were assigned to the U.S. Department of Education. A non-operating expense of $ 837,650 has been recorded to reflect the write off of the student loans receivable.

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, 2019, the University had $20,369,405 including unrealized gains of $94,800 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	5,046,272
Certificates of deposit	3,233,945
	$ 8,285,987

The carrying amount of the University's cash on deposit was $8,280,218. The bank balance of these deposits was $9,531,429, of which $1,413,061 was covered by federal depository insurance and $8,118,368 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

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 deposit	3,210,253
	$ 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.

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 institutions of higher educations who have opted out. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2019, the University had cash on deposit with the State Treasurer of $20,369,405, which represented approximately 0.23 percent of the total $9,096.5 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2019, the Pool's resources included $73.7 million of cash and $9,022.8 million of investments.

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, 2019.

ASU Foundation Investments and Concentration of Risk

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

	2019		2018	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Common Fund	$ 19,781,331	$ 23,114,514	$ 17,145,286	$ 21,814,784

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 $677,421 (2019) and $428,823 (2018).

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:

	2019	2018
Student Accounts Receivable	$ 2,455,366	$ 2,800,863
Less: Allowance for Doubtful Accounts	(1,141,155)	(1,563,386)
Student Accounts Receivable, net	1,314,211	1,237,477
Other Accounts Receivable		
Fee for Service Contract Revenue*	402,161	403,320
Other Accounts Receivable	588,481	985,158
Total Other Accounts Receivable	990,642	1,388,478
Student Loans Receivable	11,807	758,518
Less: Allowance for Doubtful Accounts	(4,510)	(334,072)
Student Loans Receivable, Net	7,297	424,446
Total Receivables	$ 2,312,150	$ 3,050,401

*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, 2019.

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019
Nondepreciable Capital Assets				
Land	$ 445,249	$ -	$ -	$ 445,249
Art and Historic Treasures	317,417	-	-	317,417
Construction in Progress	290,959	215,325	-	506,284
Total Nondepreciable Capital Assets	$ 1,053,625	$ 215,325	$ -	$ 1,268,950
Depreciable Capital Assets				
Land Improvements	$ 13,798,255	$ -	$ -	$ 13,798,255
Buildings and Improvements	181,700,956	-	-	181,700,956
Equipment	5,531,853	79,730	-	5,611,583
Library Materials	5,308,575	114,450	5,802	5,417,223
Total Depreciable Capital Assets	206,339,639	194,180	5,802	206,528,017
Less: Accumulated Depreciation				
Land Improvements	7,918,704	513,612	-	8,432,316
Buildings and Improvements	78,026,956	5,856,316	-	83,883,272
Equipment	4,144,461	338,558	-	4,483,019
Library Materials	4,781,066	100,972	5,802	4,876,236
Total Accumulated Depreciation	94,871,187	6,809,458	5,802	101,674,843
Net Depreciable Capital Assets	$ 111,468,452	$ (6,615,278)	$ -	$ 104,853,174

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

NOTE 5 - NONCURRENT LIABILITIES

The University's noncurrent liability activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Bond and Leases Payable:					
Series 2009B Bonds	$ 6,455,000	$ -	$ 6,455,000	$ -	$ -
Series 2009C Bonds	27,615,000	-	27,615,000	-	-
Series 2012 Bonds	8,745,000	-	310,000	8,435,000	320,000
Series 2015 Bonds	18,710,000	-	200,000	18,510,000	705,000
Series 2017A Bonds	6,125,000	-	-	6,125,000	-
Series 2017B Bonds	1,140,000	-	-	1,140,000	-
Series 2019 Bonds	-	30,835,000	-	30,835,000	
Unamortized Premium 2009B	212,063	-	212,063	-	-
Unamortized Discount 2009C	(445,304)	-	(445,304)	-	-
Unamortized Premium 2012	468,688	-	19,529	449,159	-
Unamortized Premium 2017A	6,368	-	260	6,108	-
Unamortized Discount 2017B	(12,158)	-	(786)	(11,372)	-
Unamortized Premium 2019	-	4,518,243	95,636	4,422,607	-
Capital Lease Obligation	988,690	-	92,177	896,513	98,691
Total Bonds and Leases Payable	70,008,347	35,353,243	34,553,575	70,808,015	1,123,691
Other Liabilities:					
Compensated Absences	1,340,251	13,824	-	1,354,075	147,957
Total Other Liabilities	1,340,251	13,824	-	1,354,075	147,957
Total Long-Term Liabilites	$ 71,348,598	$ 35,367,067	$ 34,553,575	$ 72,162,090	$ 1,271,648

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 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

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	
2020	$ 136,323
2021	138,936
2022	137,416
2023	136,552
2024	140,649
2025-2029	369,789
	1,059,665
Less: amount representing interest	(163,152)
Principal outstanding	$ 896,513

NOTE 7 - BONDS PAYABLE

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. See Series 2019 Bonds for additional information.

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.

Series 2019A Bonds
On May 13, 2019, the University issued Institutional Enterprise Revenue Refunding Bonds Series 2019A in the amount of $30,835,000 for the purpose of refunding $35,087,176 of Auxiliary Facilities Revenue Bonds, Series 2009B and Taxable Auxiliary Facilities Revenue Bonds Series 2009C. Proceeds in the amount of $35,240,078 were used to pay and cancel the portion of the Series 2009B maturing on May 15, 2019 and redeem on May 15, 2019 the Series 2009B and Series 2009C Bonds maturing on and after May 15, 2020, at a redemption price equal to the principal amount thereof plus accrued interest to the Redemption Date. Interest rates are fixed at 4.312%. The bonds are payable solely from the Institutional Enterprise Pledged Revenues.

As a result of the current refunding, the University decreased its total debt service requirements over the next 30 years by $1,556,406, which resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $3,240,917.

At June 30, 2019 and 2018, 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, 2019:

	2012	2015	2017A	2017B	2019A	Total
Year Ending June 30,						
2020	$ 659,250	$ 1,232,535	$ 238,450	$ 51,300	$ 1,384,198	$ 3,565,733
2021	669,650	1,227,443	238,450	51,300	1,376,550	3,563,393
2022	656,050	1,226,923	238,450	51,300	1,576,550	3,749,273
2023	655,850	1,225,833	238,450	51,300	1,766,550	3,937,983
2024	658,350	1,229,173	238,450	51,300	1,946,550	4,123,823
2025-2029	2,452,763	6,137,735	1,839,250	695,200	11,594,500	22,719,448
2030-2034	1,202,500	6,125,060	2,850,250	812,900	12,185,500	23,176,210
2035-2039	4,160,000	6,131,198	707,000	-	12,188,000	23,186,198
2039-2044	2,459,400	-	3,895,200	-	7,313,400	13,668,000
Total Bond Payments	13,573,813	24,535,898	10,483,950	1,764,600	51,331,798	101,690,058
Less Interest Included Above	(5,138,813)	(6,025,898)	(4,358,950)	(624,600)	(20,496,798)	(36,645,058)
Total Principal Outstanding	8,435,000	18,510,000	6,125,000	1,140,000	30,835,000	65,045,000
Less Current Portion	(320,000)	(705,000)	-	-	-	(1,025,000)
Net Long Term Principal	8,115,000	17,805,000	6,125,000	1,140,000	30,835,000	64,020,000
Less Unamortized Premium and Discount	449,159	-	6,108	(11,372)	4,422,607	4,866,502
Bonds Payable, Net	$ 8,564,159	$17,805,000	$ 6,131,108	$ 1,128,628	$35,257,607	$68,886,502

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, 2019.

NOTE 9 - ACCRUED LIABILITIES

	2019	2018
Payroll Benefits	$ 1,720,166	$ 1,465,234
Accrued Interest	248,942	321,956
Other Accounts Payable	454,885	354,496
Total	$ 2,423,993	$ 2,141,686

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 $147,957 (2019) and $260,291 (2018). The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, are estimated as $1,325,009 (2019) and $1,079,960 (2018). Current expenses include an increase of $132,715 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 $1,277,178 (2019), $1,290,650 (2018) and $1,298,331 (2017). 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, 2018. 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, 2018, 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. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 will receive an annual increase unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 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 will receive an annual increase of the lesser of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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

Contributions provisions as of June 30, 2019 and 2018: Eligible employees, the University and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee contribution rates for the period of July 2017 through June 2020 are summarized in the table below:

	Fiscal Year 2018		Fiscal Year 2019		Fiscal Year 2020	
	CY17	CY18		CY19		CY20
	7-1-17 to 12-31-17	1-1-18 to 6-30-18	7-1-18 to 12-31-18	1-1-19 to 6-30-19	7-1-19 to 12-31-19	1-1-20 to 6-30-20
Employee contribution rate	8.00%	8.00%	8.00%	8.00%	8.75%	8.75%

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

	Fiscal Year 2018		Fiscal Year 2019		Fiscal Year 2020	
	CY17	CY18		CY19		CY20
	7-1-17 to 12-31-17	1-1-18 to 6-30-18	7-1-18 to 12-31-18	1-1-19 to 6-30-19	7-1-19 to 12-31-19	1-1-20 to 6-30-20
Employer contribution rate	10.15%	10.15%	10.15%	10.15%	10.40%	10.40%
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%	9.38%	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Total employer contribution rate to the SDTF	19.13%	19.13%	19.13%	19.13%	19.38%	19.38%

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

As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. For Fiscal Year 2019, the portion of the direct distribution allocated to the University was $283,861.

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University were $2,320,514 and $2,175,110 for the years ended June 30, 2019 and 2018, respectively.

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

At June 30, 2019, the University reported a liability of $41,152,012 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018. The University proportion of the net pension liability was based on the University contributions to the SDTF for the calendar year 2018 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity. At December 31, 2018, the University proportion was 0.36 percent, which was a decrease of 0.04 from its proportion measured as of December 31, 2017.

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.

For the years ended June 30, 2019 and 2018, the University recognized pension expense of $(7,283,610) and $15,125,579, respectively. At June 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Fiscal Year 2019		Fiscal Year 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,176,810	$ -	$ 1,251,883	$ -
Changes of assumptions or other inputs	2,166,863	21,250,263	13,941,119	-
Net difference between projected and actual earnings on pension plan investments	2,078,643	-	-	3,023,943
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	4,573,489	-	770,899
Contributions subsequent to the measurement date	1,027,097	N/A	1,080,228	N/A
Total	$ 6,449,413	$ 25,823,752	$ 16,273,230	$ 3,794,842

The deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, of $1,027,097 and $1,080,228 for Fiscal Years 2019 and 2018, 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, 2019	
2020	$ (9,987,994)
2021	(11,653,875)
2022	102,114
2023	1,138,319
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2017 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	4.72 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Healthy mortality assumptions for active members reflect 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 based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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.

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 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%.

Discount rate. The discount rate used to measure the total pension 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:

- 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 member contribution rates in effect for each year, including scheduled increases in SB 18-200. 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 for each year, including the scheduled increase in SB 18-200. Employer contributions also include 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.

- As specified in law, the State will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- Employer contributions and the amount of total service costs for future plan members were based upon a process 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. 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 middle of the year.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 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 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.72 percent, 2.53 percent lower 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 7.25 percent, as well as 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 pension liability	$ 51,159,034	$ 41,152,012	$ 32,685,159

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.

NOTE 12 - OTHER RETIREMENT PLANS

PERA Defined Contribution Plan (DC Plan)

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

Funding Policy. All participating employees in the PERA DC Plan, are required to contribute a percentage of their PERA-includable salary. The employee and employer contribution rates for the period July 2017 through June 2020 are summarized in the tables below:

	Fiscal Year 2018		**Fiscal Year 2019**		**Fiscal Year 2020**	
	CY17	**CY18**		**CY19**		**CY20**
	7-1-17 to 12-31-17	1-1-18 to 6-30-18	7-1-18 to 12-31-18	1-1-19 to 6-30-19	7-1-19 to 12-31-19	1-1-20 to 6-30-20
Employee Contribution Rate	8.00%	8.00%	8.00%	8.00%	8.75%	8.75%
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%	10.40%	10.40%

Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows:

	Fiscal Year 2018		**Fiscal Year 2019**		**Fiscal Year 2020**	
	CY17	**CY18**		**CY19**		**CY20**
	7-1-17 to 12-31-17	1-1-18 to 6-30-18	7-1-18 to 12-31-18	1-1-19 to 6-30-19	7-1-19 to 12-31-19	1-1-20 to 6-30-20
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Total Employer Contribution Rate to the SDTF	10.00%	10.00%	10.00%	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 16.80 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 $803,428 and $854,180, and the University recognized contributions of $2,521,010 and $2,808,158, respectively for the PERA DC Plan for the years ending June 30, 2019 and 2018, respectively.

Voluntary Investment Program (PERAPlus 401(k) Plan)

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

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.

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 $194,524. Employee contributions were 7.5 percent of covered payroll.

NOTE 13 - DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

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 (CAFR) 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 health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). 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 and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

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 the University were $106,287 and $114,154, for the years ended June 30, 2019 and 2018, respectively.

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

At June 30, 2019, the University reported a liability of $1,739,543 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The University’s proportion of the net OPEB liability was based on the University’s contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the University’s proportion was 0.128 percent, which was a decrease of 0.015 percent from its proportion measured as of December 31, 2017.

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’s proportion of the net OPEB liability was based on the University’s 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 percent from its proportion measured as of December 31, 2016.

For the years ended June 30, 2019 and 2018, the University recognized OPEB expense of $257 and $29,210, respectively. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Fiscal Year 2019		Fiscal Year 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 6,314	$ -	$ 8,804	$ -
Changes of assumptions or other inputs	12,203	-	-	-
Net difference between projected and actual earnings on OPEB plan investments	10,004	2,648	-	31,146
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,289	181,513	1,604	14,426
Contributions subsequent to the measurement date	53,344	N/A	56,597	N/A
Total	$ 83,154	$ 184,161	$ 67,005	$ 45,572

The deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, of $53,344 and $56,597 for Fiscal Years 2019 and 2018, respectively, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. 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, 2019	
2020	$ (32,030)
2021	(32,030)
2022	(32,030)
2023	(25,082)
Thereafter	(33,184)

Actuarial assumptions. The total OPEB liability in the December 31, 2017 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	3.25 percent for 2018, gradually rising to 5.00 percent in 2025

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.

The actuarial assumptions used in the December 31, 2017, 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 discussed below.

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	**Cost for Members Without Medicare Part A**	**Premiums for Members Without Medicare Part A**
Self-Funded Medicare Supplement Plans	$ 736	$ 367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is $422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	**Cost for Members Without Medicare Part A**
Self-Funded Medicare Supplement Plans	$ 289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

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, 2017, 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
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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 health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- 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 2018 plan year.

- 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 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
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	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	$ 1,691,507	$ 1,739,543	$ 1,794,793

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, 2018, 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process 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 middle of the year.

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	$ 1,946,397	$ 1,739,543	$ 1,562,702

OPEB plan fiduciary net position. Detailed information about the HCTF's fiduciary net position is available in PERA's CAFR which can be obtained at http://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, 2019, there were 261 actively participating members made up of exempt administrative staff and faculty.

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, 2019 and 2018, were as follows:

	Tuition & Fees	Auxilliary Revenue	2019 Total	2018 Total
Gross Revenue	$ 28,936,098	$ 6,981,829	$ 35,917,927	$ 34,346,293
Scholarship Allowances:				
Federal	3,864,427	332,060	4,196,487	4,427,951
State	1,799,198	154,601	1,953,799	1,772,703
Private	1,598,665	137,370	1,736,035	1,520,983
Institutional	3,938,737	338,447	4,277,184	4,700,826
Total Allowance	11,201,027	962,478	12,163,505	12,422,463
Net Revenue	$ 17,735,071	$ 6,019,351	$ 23,754,422	$ 21,923,830

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 $1,992,349 (2019) and $1,622,203 (2018), 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 2019 are as follows:

Budget	$41,675,151
Actual Revenues	41,622,312
Actual Expenses	41,622,312

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,

	2019	2018	2017	2016	2015	2014
University's proportion of the net pension liability	0.362%	0.401%	0.406%	0.419%	0.433%	0.446%
University's proportionate share of the net pension liability	$ 41,152,012	$ 80,288,346	$ 74,579,030	$ 44,150,199	$ 40,769,013	$ 39,752,901
University's covered payroll	$ 11,117,518	$ 11,915,659	$ 11,719,350	$ 11,799,057	$ 11,774,730	$ 11,717,998
University's proportionate share of the net pension liability as a percentage of its covered payroll	370%	674%	636%	374%	346%	339%
Plan fiduciary net position as a percentage of the total pension liability	55.1%	43.2%	42.6%	56.1%	59.8%	61.1%
PERA State Division Fiduciary Net Position (thousands)	$ 13,966,421	$ 15,223,702	$ 13,626,180	$ 13,460,536	$ 14,013,947	$ 13,980,460
PERA State Division Net Pension Liability (thousands)	$ 11,378,673	$ 20,017,982	$ 18,368,131	$ 10,531,033	$ 9,406,514	$ 8,907,971

Notes to the Required Supplementary Information:

*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 Required Supplementary Information (Net Pension Liability) – Fiscal Year 2019 Changes in benefit terms and actuarial assumptions

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follow:

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2017 measurement period are as follows:

- The discount rate was lowered from 5.26% to 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2016 measurement period are as follows:

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

There were no changes in terms or assumptions for the December 31, 2015 measurement period for pension compared to the prior year.

ADAMS STATE UNIVERSITY

SCHEDULE OF CONTRIBUTIONS

COLORADO PERA PENSION PLAN

For the Fiscal Year Ended June 30,

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 2,320,814	$ 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
Contributions in relation to the contractually required contribution	2,320,814	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
Contribution deficiency (excess)	$ -	$ -	-	-	-	-	-	-	-	-
University's covered payroll	$ 10,870,614	$ 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
Contributions as a percentage of covered payroll	21.35%	18.91%	18.41%	17.82%	17.73%	16.85%	16.18%	12.62%	12.07%	13.15%

Notes to the Required Supplementary Information:

See Notes on page 60.

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,

	2019	**2018**	**2017**
University's proportion of the net OPEB liability	0.128%	0.143%	0.145%
University's proportionate share of the net OPEB liability	$ 1,739,543	$ 1,861,728	$ 1,874,596
University's covered payroll	$ 10,813,703	$ 11,630,024	$ 11,416,440
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	16%	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	17.03%	17.53%	16.72%
Health Care Trust Fund Fiduciary Net Position (thousands)	$ 279,192	$ 276,222	$ 260,228
PERA Health Care Trust Fund Net OPEB Liability (thousands)	$ 1,360,542	$ 1,299,600	$ 1,296,534

Notes to the Required Supplementary Information:

*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 Required Supplementary Information (Other Post-Employment Benefits) – Fiscal Year 2019
Changes in benefit terms and actuarial assumptions

There were no changes in assumptions or other inputs effective for the December 31, 2018 measurement period for OPEB compared to the prior year.

There were no changes in assumptions or other inputs effective for the December 31, 2017 measurement period for OPEB.

ADAMS STATE UNIVERSITY

SCHEDULE OF CONTRIBUTIONS

COLORADO PERA HEALTHCARE TRUST FUND

For the Fiscal Year Ended June 30,

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 106,287	$ 115,064	$ 118,470	$ 116,200	$ 118,463	$ 117,784	$ 114,463	$ 111,920	$ 108,456	$ 99,276
Contributions in relation to the contractually required contribution	106,287	115,064	118,470	116,200	118,463	117,784	114,463	111,920	108,456	99,276
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 10,420,294	$ 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
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:

See Notes on page 62.

SUPPLEMENTARY INFORMATION

ADAMS STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES
FOR SERIES 2012, 2015, 2017A, 2017B, AND 2019 AUXILIARY FACILITIES REVENUE BONDS
For the years ended June 30, 2019 and 2018

		2019	2018
Revenue			
Tuition revenues		**$ 2,258,566**	$ 2,198,374
Extended Studies tuition and fees		**3,886,825**	3,428,891
Capital fees		**3,267,787**	3,463,884
University service fees		**528,544**	560,481
Traffic control fees		**1**	(102)
Rental income		**4,115,652**	3,855,101
Food service income		**2,242,043**	1,895,282
Sales/services auxiliaries		**13,799**	13,175
Interest income		**34,086**	12,354
Other income		**190,697**	143,187
	Total Revenue	**16,538,000**	15,570,627
Expenses			
Salaries & benefits		**3,576,326**	4,026,087
Costs of goods		**(391)**	(239)
Utilities expense		**512,235**	450,468
Rental expense		**148,126**	147,822
Contract food services		**1,350,461**	1,222,252
Travel		**79,553**	78,393
Supplies		**274,185**	206,195
Other operating expenses		**379,165**	382,112
Purchased services-personal		**501,365**	515,411
Financial aid		**595,604**	534,592
Administrative cost allowance		**1,030,657**	956,805
Furniture & equipment		**86,931**	48,132
Other expenses		**270,926**	249,101
	Total Expenses	**8,805,143**	8,817,131
Net Revenue before Transfers		**7,732,857**	6,753,496
Transfers			
Mandatory transfers		**3,597,803**	3,951,993
Nonmandatory transfers		**112,748**	24,511
	Total Transfers	**3,710,551**	3,976,504
	Net Revenue	**$ 4,022,306**	$ 2,776,992
Debt Service Coverage			
Net Operating Revenue		**$ 7,732,857**	$ 6,753,496
Bond Principal and Interest		**3,565,733**	4,120,887
Excess of Net Operating Revenue Over Debt Service		**$ 4,167,124**	$ 2,632,609
Debt Service Coverage Ratio		**217%**	164%

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, 2019 and 2018, 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 12, 2019. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Auditors' Findings and Recommendations, that we consider to be a significant deficiency. (Recommendation No. 1)

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Auditors' Findings and Recommendations. (Recommendation No. 1)

Adams State University's Responses to the Findings

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

Purpose of this Report

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 12, 2019

Communication with Those Charged with Governance

Wall,
Smith,
Bateman Inc.

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities and the major fund of Adams State University (the University), an Institution of Higher Education, State of Colorado, and the Adams State University Foundation, a discretely presented component unit of the University, discussed in Note 1 of the financial statements, as of and for the years ended June 30, 2019 and 2018. 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 3, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during Fiscal Year 2019. 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, 2019 and total expense recognized during FY2019 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, 2018 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, 2018 and the University's fiscal year end of June 30, 2019.
>
> Management's estimate of depreciation expense is based on the estimated useful life of the capital assets being depreciated at June 30, 2019. 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.

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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 schedule on page 70 titled "Audit Adjusting Journal Entries" is a summary of material misstatements detected as a result of audit procedures that were corrected by management.

The schedule on page 70 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 12, 2019.

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, 2019

Account Description	Debit	Credit
Federal grants and contracts	$ 18,099.00	
Other operating revenues	113,523.00	
Other expenses	683,033.00	
Institutional support expense		$ 814,655.00
To reclassify Perkins Loan Program liquidation activity to non-operating expense.		
Unamortized refunding loss	$ 90,259.00	
Other expense	256,146.00	
Interest expense	110,753.00	
Bonds payable		$ 346,405.00
Accrued interest payable		110,753.00
To correct 2019 bond refunding accounting.		
Compensated absences liability	$ 118,891.00	
Instruction expense	516.00	
Academic support expense		$ 1,574.00
Student service expense		19,950.00
Institutional support expense		14,237.00
Auxilliary expense		83,646.00
To correct compensated absence liability.		

ADAMS STATE UNIVERSITY
Schedule of Passed Audit Adjusting Journal Entries
June 30, 2019

Account Description	Debit	Credit
Tuition and fees revenue - bad debt expense	$ 209,010.00	
Student accounts receivable		$ 49,010.00
Allowance for doubtful accounts - students		160,000.00
To pass on correction of student accounts receivable and increase allowance for doubtful accounts estimate.		