

ADAMS STATE UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT

Fiscal Years Ended June 30, 2020 and 2019



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Smith,
Bateman Inc.
Certified Public Accountants

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ADAMS STATE UNIVERSITY
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
Fiscal Years Ended June 30, 2020 and 2019

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 2020 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 2020.

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, 2020, including a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*. This included the identification of the University's key information technology systems, and determination of the extent of testing to be performed on those systems, in accordance with auditing standards.
- Perform a financial and compliance audit of the Statement of Appropriations, Expenditures, Transfers and Reversions of the Audited Agency's State-Funded Student Financial Assistance Programs, including a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards* for 2019 and 2020.
- 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, 2020 and 2019.

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, 2020, relating to the accounting reconciliation and reporting 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, 2019 included one finding and recommendation. The finding has been partially implemented. A detailed description of the progress on the audit comments and recommendations are contained in the findings and recommendations section of the report.

RECOMMENDATION LOCATOR

All recommendations are addressed to the Adams State University Fiscal Year 2020

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
2020-001	8	Adams State University should continue to improve its internal controls over financial activities by enhancing its fiscal year-end reconciliation and exhibit preparation procedures to ensure the accurate preparation of financial statements and exhibits in accordance with the Office of the State Controller's Fiscal Procedures Manual and ensuring effective overall supervisory reviews and approvals are in place for fiscal year-end accounting and reporting processes to identify and correct any errors in the financial statements.	Agree	August 2021

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:

	2018	2019	2020
Resident Students	1,647.6	1,553.9	1,482.0
Nonresident Students	757.1	715.0	778.8
Total Students	<u>2,404.7</u>	<u>2,268.9</u>	<u>2,260.8</u>
Faculty FTEs	181.7	168.8	174.1
Staff FTEs	146.8	142.5	140.1
Total Staff and Faculty FTEs	<u>328.5</u>	<u>311.3</u>	<u>314.2</u>

ADAMS STATE UNIVERSITY
AUDITORS' FINDINGS AND RECOMMENDATIONS
Fiscal year Ended June 30, 2020

Accounting Reconciliation and Reporting Controls

Adams State University's accounting department is responsible for all of the University's financial accounting and reporting, including the accurate and timely entry, reconciliation, and approval of financial transactions in the University's accounting system and preparation of its financial statements. The University's accounting department is also responsible for submitting additional fiscal year-end accounting 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 2020. In addition, we reviewed the University's progress in implementing our Fiscal Year 2019 audit recommendation related to improving accounting controls. At that time, we specifically recommended that the University continue to improve its internal controls over financial activities by ensuring it has effective supervisory review and approval procedures in place as well as enhancing fiscal year-end training to staff over the implementation and performance of internal control procedures.

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 fiscal 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 2020 in order to determine whether the University staff prepared this information accurately 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 Financial Management Guide, which 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, including requirements for secondary reviews, proper segregation of duties, the maintenance of supporting documentation, and requirements for reconciliations of financial activity. In addition, the Guide aligns with 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."

ADAMS STATE UNIVERSITY
AUDITORS' FINDINGS AND RECOMMENDATIONS
Fiscal year Ended June 30, 2020

- The OSC's Manual contains specific instructions for completing exhibits. Specifically:
 - Exhibit D, *Schedule of Debt Service Requirements to Maturity*, is used to report the institution's principal and interest payments by year throughout the term of the debt. In addition, the total amount of the original obligation for each type of debt must be reported in order "to provide a frame of reference for the financial statement reader so that they can determine the State's process in paying down its borrowing obligations."
 - Exhibit J, *Financial Statement Reconciliation*, is used to:
 - Reconcile the institution's financial statements to the institution's trial balance recorded within the State of Colorado's accounting system (CORE).
 - Provide assurance to the State Controller that the institution's financial statements properly accumulate CORE accounts in the same format the OSC uses for the State's Comprehensive Annual Financial Report.
 - 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 to disclose noncash transactions.

What problems did the audit work identify?

Overall, we identified internal control issues related to the University's fiscal year-end accounting reconciliation and reporting and determined that the University had not fully implemented our Fiscal Year 2019 audit recommendation. Specifically, while our Fiscal Year 2020 audit work determined that the University made progress in the implementation of supervisory review controls and approval procedures related to year-end financial activity during Fiscal Year 2020, we determined that the additional controls were ineffective in preventing and/or identifying and correcting year-end reconciliation errors. Further, the additional internal controls did not ensure the accurate submission of OSC exhibits.

As a result of our audit testwork, we identified the following issues:

- The University's Exhibit D, *Schedule of Debt Service Requirements to Maturity*, overstated the total amount of the original obligation for each type of debt by \$22,080,000, because it incorrectly included debt issues refinanced in Fiscal Year 2019.
- The University's Exhibit J, *Financial Statement Reconciliation*, understated the University's "net position – restricted for other purposes" and overstated the "net position – unrestricted" line items, by \$1,200,000; the University's financial statements contained the same errors.
- The University's Exhibit V1, *Higher Education Cash Flow Statement – Supplemental Information*, incorrectly excluded \$20,700,000 of agency fund receipts and corresponding disbursements.
- The University's capital asset depreciation expense and accumulated depreciation reported on its financial statements were understated, and the "net investment in capital assets" was overstated by approximately \$858,000.

ADAMS STATE UNIVERSITY
AUDITORS' FINDINGS AND RECOMMENDATIONS
Fiscal year Ended June 30, 2020

- The general ledger balance for the University's student tuition receivable inaccurately exceeded the detailed student ledger balance by approximately \$123,000; as a result, the student tuition receivable and related revenue account were both overstated at fiscal year-end.

After we brought the errors to University staff's attention, University staff corrected the University's financial statements and submitted corrected exhibits to the OSC.

Why did the problem occur?

The University did not have adequate internal controls in place to ensure that fiscal year-end accounting and financial reporting errors were prevented or identified and corrected. Specifically, the University's reconciliation of fiscal year-end accounts receivable, capital asset, and net position-related accounts along with its processes for the preparation, review, and approval of the fiscal year-end financial statements and exhibits did not prevent or identify the errors found during the audit.

While the University made progress in implementing the delegation of reconciliation processes to allow for supervisory review and contracted with an independent, experienced accountant to review the exhibits during Fiscal Year 2020, it lacked a complete and effective overall review and comparison of its accounting reconciliations and exhibits to the financial statements presented for audit.

Why does this problem matter?

Without adequate controls in place over financial activities, the University cannot ensure the accuracy and completeness of its reported financial information and, ultimately, the State's financial statements. Performing an adequate reconciliation of accounting transactions and implementing an effective review of fiscal year-end reports will aid in reducing errors and omissions, as well as detecting and correcting 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. Enhancing its fiscal year-end reconciliation and exhibit preparation procedures to ensure the accurate preparation of financial statements and exhibits in accordance with the Office of the State Controller's Fiscal Procedures Manual.
- B. Ensuring effective overall supervisory reviews and approvals are in place for fiscal year-end accounting and reporting processes to identify and correct any errors in the financial statements.

ADAMS STATE UNIVERSITY
AUDITORS' FINDINGS AND RECOMMENDATIONS
Fiscal year Ended June 30, 2020

Adams State University's Response:

A. Agree. Implementation date: August 2021.

The University will enhance fiscal year end reconciliation and exhibit preparation procedures to ensure the accurate preparation of financial statements and exhibits in accordance with the office of the state controllers fiscal procedures manual.

B. Agree. Implementation date: August 2021.

The University will ensure effective overall supervisory reviews and approvals are in place for fiscal year end accounting and reporting processes.

**ADAMS STATE UNIVERSITY
FINANCIAL AND COMPLIANCE AUDIT
DISPOSITION OF PRIOR YEAR
AUDIT FINDINGS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2020**

Summary of Progress in Implementing Prior Year Audit Recommendation

Fiscal Year 2019

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.

Disposition – Partially Implemented.

See current year recommendation No. 1.

FINANCIAL STATEMENTS SECTION

INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Adams State University (the University), an Institution of Higher Education, State of Colorado, 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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 December 04, 2020 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

December 04, 2020

ADAMS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 and 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, 2020 and 2019, with selected comparative information for the year ended June 30, 2018. 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, 2020

The University's total net position increased by \$19.1 million during fiscal year 2020 compared to a \$9.1 million increase in net position during fiscal year 2019. 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 cash and cash equivalents increased \$19.4 million from fiscal year 2019 as a result of the \$9.1 million federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding received in May 2020, in addition to a \$10.3 million increase due to continued commitment to the University's Financial Action Plan that focused on stabilizing revenues and decreasing expenses.

The University had a ratio of current assets to current liabilities of 3.2 and 4.9 for fiscal years 2020 and 2019, respectively. This current ratio demonstrates the liquidity of University assets and the relative availability of working capital to fund current operations. The decrease in the current ratio from fiscal year 2019 to fiscal year 2020 is primarily a result of an increase in current liabilities related to \$9.1 million of CARES Act funding from fiscal year 2019 to fiscal year 2020. CARES act funding is recorded as a current liability because the funds were unspent as of June 30, 2020 and therefore deferred to be spent in fiscal year 2021.

An operating income of \$9.3 million is the result of the \$12.5 million decrease to current year pension expense as compared to 2019. The University received no state operating appropriations, but received \$14.7 million in fee for service contract revenue from the Colorado Department of Higher Education and \$2.6 million in College Opportunity Fund stipends from College Assist during fiscal year 2020.

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.

ADAMS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 and 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.

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:

	2020	2019	2018
		(in thousands)	
Assets			
Current Assets	\$50,842	\$31,091	\$22,562
Noncurrent Assets	100,831	106,153	112,876
	151,673	137,244	135,438
Deferred outflows of resources	5,825	10,237	19,045
Liabilities			
Current Liabilities	15,662	6,340	6,195
Noncurrent Liabilities	103,283	113,782	152,231
	118,945	120,122	158,426
Deferred inflows of resources	18,140	26,008	3,840
Net Position			
Invested in Capital Assets, net of related debt	35,253	39,680	45,624
Restricted	5,677	4,470	4,470
Unrestricted	(20,516)	(42,798)	(57,877)
	<u>\$20,413</u>	<u>\$1,352</u>	<u>\$(7,783)</u>

The University's total net position increased by \$19.1 million during Fiscal Year 2020 compared to a \$9.1 million increase in net position during Fiscal Year 2019. The increase is partially related to a decrease in

ADAMS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 and 2019

PERA pension and OPEB expenses of \$12.1 million during Fiscal Year 2020. Excluding the effects of PERA pension and OPEB expenses, the University's increase in total net position is \$6.3 million due to the continued commitment to 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 2020 and 2019 is summarized below:

	Fiscal Year 2020	Fiscal Year 2019
Net Position (GAAP Basis)	\$ 20,413,437	\$ 1,351,824
Effects of GASB 68 - Pension	47,847,519	60,526,351
Effects of GASB 75 - OPEB	1,750,424	1,840,550
Net Position excluding Pension and OPEB	<u>\$ 70,011,380</u>	<u>\$ 63,718,725</u>

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

	Fiscal Year 2020	Fiscal Year 2019
Unrestricted Net Position (GAAP Basis)	\$ (20,516,041)	\$ (42,798,112)
Effects of GASB 68 - Pension	47,847,519	60,526,351
Effects of GASB 75 - OPEB	1,750,424	1,840,550
Unrestricted Net Position excluding Pension and OPEB	<u>\$ 29,081,902</u>	<u>\$ 19,568,789</u>

Year ended June 30, 2020

At June 30, 2020 the University's total assets were \$151.7 million. The largest asset category is the \$100.8 million in capital assets, net of accumulated depreciation of \$107.2 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 2020, the University's current assets of \$50.8 million were sufficient to cover current liabilities of \$15.7 million (producing a current ratio of 3.2). Cash and cash equivalents (bank deposits, certificates of deposits, and pooled cash with the State Treasurer) comprised over \$48.1 million in assets per the Statement of Net Position. Bonds payable of \$67.6 million represent over 65% of the University's total noncurrent liabilities, while the Net Pension Liability represents 31% of the University's total noncurrent liabilities of \$103.3 million. The current portion of the bonds payable liability is \$1,060,000.

The University's net position increased \$19.1 million (see the Statement of Revenues, Expenses and Changes in Net Position) to \$20.4 million. Net Position is composed of \$35.2 million net investment in capital assets, \$5.7 million externally restricted for specific purposes, and (\$20.5) million unrestricted and available for any lawful purpose of the University.

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.

ADAMS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 and 2019

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 .

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, 2020

Tuition and fee revenues accounted for \$17.9 million of the \$46.3 million in operating revenues for fiscal year 2020. The tuition and fee amount is net of scholarship allowances of \$11.5 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 2020, totaled \$37.0 million. Of that total, \$11.3 million was for instruction, \$1.6 million for academic support, \$6.6 million for student services, \$3.8 million for institutional support, \$1.9 million for operation of plant and \$5.4 million for auxiliary enterprises. The Fiscal Year 2020 operating expenses are \$8.5 million lower than the Fiscal Year 2019 expenses, primarily as a result of the budget reductions in the Financial Action Plan and the decrease in pension expense associated with actuarial changes made by PERA.

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.

ADAMS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 and 2019

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.

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

	2020	2019	2018
Operating Revenues		(in thousands)	
Tuition and Fees, net	\$17,921	\$17,735	\$16,383
Grants and Contracts	22,937	21,580	19,645
Auxiliary Enterprises	4,635	6,019	5,541
Other	841	978	683
Total Operating Revenues	46,334	46,312	42,252
Operating Expenses	37,024	45,559	69,139
Net Operating Income (Loss)	9,310	753	(26,887)
Nonoperating Revenue(Expense)			
Federal Pell Grants	4,006	4,237	4,525
Gifts and Donations	2,664	2,647	2,606
Federal Grants and Contracts Nonoperating	868	-	-
Interest Income	1,618	635	57
Other Nonoperating	(2,547)	(2,851)	(3,170)
Net Nonoperating Revenue	6,609	4,668	4,018
Income(Loss) Before Other Revenue, Expenses, Gains, or Losses	15,918	5,421	(22,869)
Student Capital Fees	2,884	3,268	3,464
State Appropriations, Capital	37	215	885
State Support for PERA	258	284	-
Other	(36)	(53)	(82)
Increase (Decrease) In Net Position	19,062	9,135	(18,602)
Net Position			
Net Position-Beginning of Year	1,352	(7,783)	12,630
Restatement, GASB 75	-	-	(1,811)
Net Position-Beginning of Year, Restated	1,352	(7,783)	10,819
Net Position-End of Year	\$20,413	\$1,352	\$(7,783)

ADAMS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 and 2019

CAPITAL ASSETS

At June 30, 2020, the University had approximately \$100.8 million invested in capital assets, net of accumulated depreciation of \$107.2 million. Depreciation charges were \$5.6 million for the current year compared to \$6.8 million in 2019 and \$7.0 million in 2018. Details of these assets for the three years are shown below.

Capital Assets, Net of Depreciation, at Year End

	2020	2019	2018
Land	\$445,249	\$445,249	\$445,249
Land Improvements	4,854,475	5,365,939	5,879,548
Buildings	93,070,157	97,817,684	103,674,001
Construction in Progress	543,039	506,284	290,959
Equipment	1,032,556	1,128,564	1,387,394
Library Materials	539,409	540,987	527,509
Art and Historic Treasures	317,417	317,417	317,417
Total	<u>\$100,802,302</u>	<u>\$106,122,124</u>	<u>\$112,522,077</u>

DEBT

At June 30, 2020, the University had approximately \$64.8 million in debt outstanding compared to \$65.9 million at June 30, 2019 and \$69.8 million at June 30, 2018. The table below summarizes these amounts by type of debt.

	2020	2019	2018
2009B Series Auxiliary Facilities Revenue Bonds	\$ -	\$ -	\$ 6,455,000
2009C Series Taxable Auxiliary Facilities Revenue Bonds	-	-	27,615,000
2012 Series Institutional Enterprise Revenue Bonds	8,115,000	8,435,000	8,745,000
2015 Series Institutional Enterprise Revenue Refunding Bonds	17,805,000	18,510,000	18,710,000
2017A Series Institutional Enterprise Rev Refunding Bonds	6,125,000	6,125,000	6,125,000
2017B Series Institutional Enterprise Rev Refunding Bonds	1,140,000	1,140,000	1,140,000
2019A Series Institutional Enterprise Rev Refunding Bonds	30,835,000	30,835,000	-
Capital Lease	797,822	896,513	988,690
	<u>\$ 64,817,822</u>	<u>\$ 65,941,513</u>	<u>\$ 69,778,690</u>

ADAMS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 and 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 enterprises under TABOR. Because funding is provided to students through the stipends and to the institutions through fee-for-service arrangements, all qualifying public institutions are allowed to be designated as "enterprises" if approved by the Legislative Audit Committee. The Legislative Audit Committee approved the designation of the University as an enterprise for fiscal year 2006. The University met the criteria for designation as an enterprise in fiscal years 2006 through 2020 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 \$1.2 million in College Opportunity Fund stipends for fiscal year 2021, based on the yearly stipend of \$1,200, for a full-time public higher education student taking 30 credit hours of classes. For fiscal years 2020, 2019, and 2018, the yearly stipends were \$2,820, \$2,490, and \$2,310, respectively. The University received \$2.6 million, \$2.4 million, and \$2.4 million stipends in fiscal years 2020, 2019, and 2018, respectively.

In fiscal year 2021, \$6.1 million will be billed through a fee for service contract with the Colorado Department of Higher Education (CDHE). The University received \$14.7 million, \$13.4 million, and \$11.8 million in fee for service revenue in fiscal years 2020, 2019, and 2018 respectively. The bill institutes fee-for-service contract arrangements between each institution and the CDHE to provide graduate education, rural education, and basic education services to the State. These fee-for-service contracts must be negotiated annually with the CDHE.

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

In response to the federal CARES Act the University received \$9.1 million in Coronavirus Relief Funds that was provided through the State of Colorado's Governor's Office in May of 2020. These funds have been reported as unearned revenue and will be used in FY21. The University was also awarded \$1.6M of federal Education Stability Funds in fiscal year 2020 through the Higher Education Emergency Relief Fund. Fifty percent of the Education Stability Funds awarded go directly to students for emergency support. The remaining fifty percent is institutional support used to offset the impact of COVID19.

ADAMS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 and 2019

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, 2020 and 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 48,062,589	\$ 28,627,143
Student accounts receivable, net	1,209,583	1,314,211
Other accounts receivable	1,292,285	994,828
Inventories	168,284	153,231
Prepaid expenses and other assets	109,442	1,330
	50,842,183	31,090,743
<i>Total current assets</i>		
Noncurrent Assets		
Restricted cash and cash equivalents	28,250	28,250
Student loans receivable, net	-	3,111
	28,250	31,361
Non-depreciable capital assets:		
Land	445,249	445,249
Art and historic treasures	317,417	317,417
Construction in progress	543,039	506,284
	1,305,705	1,268,950
<i>Total non-depreciable capital assets</i>		
Depreciable capital assets, net:		
Buildings	93,070,157	97,817,684
Land improvements	4,854,475	5,365,939
Furniture & equipment	1,032,556	1,128,564
Library books	539,403	540,987
	99,496,591	104,853,174
<i>Total depreciable capital assets, net</i>		
	100,830,546	106,153,485
<i>Total noncurrent assets</i>		
Total Assets	151,672,729	137,244,228
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized refunding loss	3,514,910	3,704,817
Pension contributions made after measurement date	1,027,097	1,027,097
Differences between expected and actual pension experience	1,213,487	1,176,810
Differences due to changes in assumptions of pension plan	-	2,166,863
Net differences between projected and actual pension plan investment earnings	-	2,078,643
Other post employment benefits contributions made after measurement date	53,714	53,344
Differences in expected vs actual experience - OPEB	4,279	6,314
Net differences between projected and actual OPEB plan investment earnings	-	10,004
Differences due to changes in assumptions - OPEB	10,697	12,203
Differences between employer contributions and proportionate share - OPEB	974	1,289
	5,825,158	10,237,384
<i>Total Deferred Outflows of Resources</i>		

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

ADAMS STATE UNIVERSITY

STATEMENTS OF NET POSITION

As of June 30, 2020 and 2019

	2020	2019
LIABILITIES		
Current Liabilities		
Accounts payable	878,770	1,055,728
Accrued liabilities	2,635,355	2,423,993
Unearned revenue	10,294,559	1,160,185
Deposits held for others	429,565	428,324
Bonds payable, current	1,060,000	1,025,000
Capital leases payable, current	105,735	98,691
Compensated absences liability	257,700	147,957
<i>Total current liabilities</i>	15,661,684	6,339,878
Noncurrent Liabilities		
Compensated absences liability	1,211,266	1,206,118
Capital leases payable	692,086	797,822
Bonds payable	67,611,224	68,886,502
Net other post employment benefits liability	1,289,365	1,739,543
Net pension liability	32,479,009	41,152,012
<i>Total noncurrent liabilities</i>	103,282,950	113,781,997
Total Liabilities	118,944,634	120,121,875
DEFERRED INFLOWS OF RESOURCES		
Net differences between projected and actual pension plan investment earnings	3,499,229	-
Differences due to changes in proportionate share of pension plan	4,780,418	4,554,476
Differences due to changes in assumptions of pension plan	9,315,679	21,250,263
Differences between actual and proportionate share of contributions to pension plan	13,769	19,013
Differences in expected vs actual experience - OPEB	216,661	2,648
Net differences between projected and actual OPEB plan investment earnings	21,521	-
Differences between employer contributions and proportionate share - OPEB	1,230	944
Differences due to changes in proportionate share - OPEB	291,309	180,569
<i>Total Deferred Inflows of Resources</i>	18,139,816	26,007,913
NET POSITION		
Net investment in capital assets	35,252,614	39,679,525
Restricted for non-expendable purposes:		
Endowments	28,250	28,250
Restricted for expendable purposes:		
Endowments	33,281	33,281
Loans	16,873	19,984
Other Purposes	5,598,460	4,388,896
<i>Total Restricted</i>	5,676,864	4,470,411
<i>Unrestricted</i>	(20,516,041)	(42,798,112)
Total Net Position	\$ 20,413,437	\$ 1,351,824

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

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash in Bank	\$ 70,002	\$ 96,621
Pooled Cash - Brokerage Accounts	1,186,792	354,652
Restricted Cash - Brokerage Accounts	152,136	200,412
Certificates of Deposit	300,000	300,000
Pooled Investments, at Fair Value	14,122,984	14,771,894
Restricted Investments, at Fair Value	8,718,109	7,787,556
Pledges Receivable, net of allowance	13,250	13,700
Inventories	7,240	7,240
Art Collection	15,000	15,000
TOTAL ASSETS	<u><u>\$ 24,585,513</u></u>	<u><u>\$ 23,547,075</u></u>
LIABILITIES		
Accounts Payable and Accrued Expenses	<u>\$ 38,391</u>	<u>\$ 52,646</u>
TOTAL LIABILITIES	<u>38,391</u>	<u>52,646</u>
NET ASSETS		
Without Donor Restriction:		
Unrestricted	1,166,202	920,876
Board Designated - Investment Reserves Fund	2,449,415	2,464,210
Board Designated - Endowments	<u>639,353</u>	<u>658,137</u>
Total Without Donor Restrictions	<u>4,254,970</u>	<u>4,043,223</u>
With Donor Restrictions:		
Purpose Restricted	3,106,987	2,610,268
Perpetual in Nature	<u>17,185,165</u>	<u>16,840,938</u>
Total With Donor Restrictions	<u>20,292,152</u>	<u>19,451,206</u>
TOTAL NET ASSETS	<u>24,547,122</u>	<u>23,494,429</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 24,585,513</u></u>	<u><u>\$ 23,547,075</u></u>

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, 2020 and 2019

	2020	2019
Operating Revenues:		
Tuition & fees (including \$6,527,173 and \$6,673,933, respectively of revenues pledged for bonds and net of scholarship allowances of \$11,484,666 and \$11,201,027, respectively)	\$ 17,921,112	\$ 17,735,071
Sales & services of auxiliary enterprises (including \$5,763,382 and \$6,499,952, respectively of revenues pledged for bonds and net of scholarship allowances of \$959,373 and \$962,478 respectively)	4,635,114	6,019,351
Fee for service contract revenue	14,717,826	13,368,240
Federal grants and contracts	5,252,330	5,589,524
State grants and contracts	2,965,908	2,622,103
Other operating revenues (including \$107,633 and \$67,732, respectively of revenues pledged for bonds)	840,519	977,802
<i>Total Operating Revenues</i>	46,332,809	46,312,091
Operating Expenses:		
Instruction	11,304,029	14,205,723
Public service	439,547	759,513
Academic support	1,589,207	1,755,831
Student services	6,583,612	8,135,861
Institutional support	3,779,933	4,050,380
Operation of plant	1,890,473	2,724,747
Scholarships and fellowships	443,072	589,753
Auxiliary enterprises expenditures	5,370,939	6,527,429
Depreciation	5,623,115	6,809,457
<i>Total operating expenses</i>	37,023,927	45,558,694
<i>Operating Income (Loss)</i>	9,308,882	753,397
Nonoperating Revenues (Expenses):		
Federal Pell Grants	4,006,205	4,236,702
Gifts and Donations	2,664,720	2,646,882
Federal Build America Bonds Subsidy	-	504,893
Federal Grants and Contracts - COVID 19	867,884	-
Investment & interest income (loss) (including \$43,518 and \$34,085, respectively of revenue pledged for bonds)	1,617,541	635,361
Limited gaming transfer	4,196	15,667
Other Expenses	-	(1,093,897)
Interest on capital debt	(2,551,089)	(2,277,754)
<i>Net nonoperating revenue</i>	6,609,457	4,667,854
<i>Income (Loss) before other revenues, expenses, gains, losses or transfers</i>	15,918,339	5,421,251

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Other Revenues, Expenses, Gains, Losses or Transfers:		
Student capital fees (all pledged for bonds)	2,884,303	3,267,787
State appropriation, capital	36,755	215,325
State pension contribution	258,018	283,861
Transfers to Other Institutions	<u>(35,802)</u>	<u>(53,386)</u>
<i>Increase (Decrease) in Net Position</i>	19,061,613	9,134,838
Net Position - beginning of the year	<u>1,351,824</u>	<u>(7,783,014)</u>
Net Position - end of the year	<u>\$ 20,413,437</u>	<u>\$ 1,351,824</u>

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

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
NET ASSETS, BEGINNING OF YEAR	<u>\$ 4,043,223</u>	<u>\$ 19,451,206</u>	<u>\$ 23,494,429</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Donations - Cash	304,422	2,003,412	2,307,834
Donations - In-Kind	-	-	-
Investment Income (Net)	50,304	701,967	752,271
Net Realized Gains (Losses) on long-term investments	409,766	(48,567)	361,199
Net Unrealized Gains (Losses) on long-term investments	<u>174,681</u>	<u>40,941</u>	<u>215,622</u>
Subtotal	939,173	2,697,753	3,636,926
Net Assets Released from Restriction	<u>2,132,261</u>	<u>(2,132,261)</u>	<u>-</u>
Total from Revenues, Gains, and Other Support	<u>3,071,434</u>	<u>565,492</u>	<u>3,636,926</u>
EXPENSES AND LOSSES			
Scholarships and Awards	1,363,205	-	1,363,205
Program Services	820,136	-	820,136
Management and General Activities	108,517	-	108,517
Fundraising	<u>292,375</u>	<u>-</u>	<u>292,375</u>
Total Expenses and Losses	<u>2,584,233</u>	<u>-</u>	<u>2,584,233</u>
Transfers:			
Transfers In/(Out)	<u>(275,454)</u>	<u>275,454</u>	<u>-</u>
Change in Net Assets for the Year	<u>211,747</u>	<u>840,946</u>	<u>1,052,693</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 4,254,970</u></u>	<u><u>\$ 20,292,152</u></u>	<u><u>\$ 24,547,122</u></u>

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

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

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
NET ASSETS, BEGINNING OF YEAR	<u>\$ 3,695,454</u>	<u>\$ 18,509,285</u>	<u>\$ 22,204,739</u>
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	<u>183,028</u>	<u>128,257</u>	<u>311,285</u>
Subtotal	689,906	3,000,004	3,689,910
Net Assets Released from Restriction	<u>2,060,274</u>	<u>(2,060,274)</u>	<u>-</u>
Total from Revenues, Gains, and Other Support	<u>2,750,180</u>	<u>939,730</u>	<u>3,689,910</u>
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	<u>196,422</u>	<u>-</u>	<u>196,422</u>
Total Expenses and Losses	<u>2,400,220</u>	<u>-</u>	<u>2,400,220</u>
Transfers:			
Transfers In/(Out)	<u>(2,191)</u>	<u>2,191</u>	<u>-</u>
Change in Net Assets for the Year	<u>347,769</u>	<u>941,921</u>	<u>1,289,690</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 4,043,223</u></u>	<u><u>\$ 19,451,206</u></u>	<u><u>\$ 23,494,429</u></u>

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

ADAMS STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
For the years ending June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Cash Received:		
Tuition and fees	\$ 17,759,567	\$ 17,548,020
Fee for service Contract Revenue	14,721,000	13,369,400
Sales of services	4,667,664	6,125,769
Grants and contracts	7,870,226	8,498,210
Student loans collected	34,648	71,122
Other receipts	884,628	1,052,365
Cash Payments:		
Payments to or for employees	(33,130,802)	(34,049,993)
Payments to suppliers	(10,197,098)	(11,073,410)
Scholarships disbursed	(443,072)	(589,753)
Student loans disbursed	(33,682)	(489,070)
<i>Net Cash (Used) Provided by Operating Activities</i>	<u>2,133,079</u>	<u>462,660</u>
Cash Flows from Noncapital Financing Activities:		
Federal grants and contracts, non-operating	14,013,533	4,905,630
Gifts/grants for other than capital purposes	2,668,929	2,662,549
Agency receipts	21,777,036	21,486,985
Agency payments	(21,682,789)	(21,469,691)
Transfers from (to) other institutions	(35,802)	(53,386)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>16,740,907</u>	<u>7,532,087</u>
Cash Flows from Capital & Related Financing Activities:		
State appropriations, capital	36,755	215,307
Student capital fees	2,904,897	3,246,809
Acquisition or construction of capital assets	(297,581)	(405,457)
Principal paid on capital debt	(1,149,063)	(456,045)
Interest paid on capital debt	(2,551,089)	(2,167,001)
<i>Net Cash Provided (Used) by Capital & Related Financing Activities</i>	<u>(1,056,081)</u>	<u>433,613</u>
Cash Flows from Investing Activities:		
Investment earnings	1,617,541	635,361
<i>Net Cash Provided (Used) by Investing Activities</i>	<u>1,617,541</u>	<u>635,361</u>
Net Increase (Decrease) in Cash	19,435,446	9,063,721
Beginning cash balance	28,655,393	19,591,672
Ending cash balance	<u>\$ 48,090,839</u>	<u>\$ 28,655,393</u>
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 48,062,589	\$ 28,627,143
Restricted cash and cash equivalents	28,250	28,250
<i>Total Cash and Cash Equivalents</i>	<u>\$ 48,090,839</u>	<u>\$ 28,655,393</u>

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

ADAMS STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
For the years ending June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Loss to Net Cash (Used) Provided by Operating Activities		
Operating income (loss)	\$ 9,308,882	\$ 753,397
Adjustments to reconcile:		
Depreciation expense	5,623,115	6,809,457
Pension expense	(12,420,715)	(7,283,610)
Other post retirement benefit expense	(90,128)	257
Other Non-operating expense	-	-
Decrease (increase) in assets:		
Receivables, net	(204,867)	(96,047)
Inventories & prepaids	(123,165)	119,385
Increase (decrease) in liabilities:		
Accounts payable	(176,958)	(38,300)
Accrued liabilities	197,517	287,582
Unearned revenues	(10,516)	(205,838)
Student deposits	(84,977)	102,553
Compensated absences	114,891	13,824
	<u>114,891</u>	<u>13,824</u>
<i>Net Cash Used by Operating Activities</i>	<u><u>\$ 2,133,079</u></u>	<u><u>\$ 462,660</u></u>
Noncash Investing, Capital, and Financing Activities:		
State Capital Contributions	\$36,755	\$215,325
Amortization of capital premium/discount and capital loss	151,343	151,343

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

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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.

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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 does not capitalize interest costs as a component of construction in progress, as the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, have been adopted.

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.

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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 2020, 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.

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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. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

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 2019 have been reclassified to conform to the fiscal year 2020 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 in other expenses to reflect the write off of the student loans receivable as of December 31, 2019.

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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, 2020, the University had \$39,122,644 including unrealized gains of \$1,180,160 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	\$ 5,720
Cash in checking accounts at bank	5,696,244
Certificates of deposit	3,266,231
	<u>\$ 8,968,195</u>

The carrying amount of the University's cash on deposit was \$8,962,475. The bank balance of these deposits was \$9,417,304, of which \$1,415,942 was covered by federal depository insurance and \$8,001,362 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

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
	<u>\$ 8,285,987</u>

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.

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 education who have opted out. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2020, the University had cash on deposit with the State Treasurer of \$39,122,645, which represented approximately 0.42 percent of the total \$9,633.8 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2020, the Pool's resources included \$16 million of cash and \$9,617.8 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.

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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, 2020.

ASU Foundation Investments and Concentration of Risk

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

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Common Fund	\$ 18,744,945	\$ 24,180,019	\$ 19,781,331	\$ 23,114,514

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 in net assets with donor restrictions or net assets without donor restrictions.

As of June 30, the Foundation had bank deposits in two financial institutions that exceeded insurance coverage by a total of \$640,507 (2020) and \$677,421 (2019).

NOTE 3 - ACCOUNTS 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:

	2020	2019
Student Accounts Receivable	\$ 2,474,943	\$ 2,455,366
Less: Allowance for Doubtful Accounts	(1,265,360)	(1,141,155)
Student Accounts Receivable, net	1,209,583	1,314,211
Other Accounts Receivable		
Fee for Service Contract Revenue*	398,987	402,161
Other Accounts Receivable	893,298	592,667
Total Other Accounts Receivable	1,292,285	994,828
Total Receivables	\$ 2,501,868	\$ 2,309,039

*June Colorado fee for service funds received in July.

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NOTE 4 - CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2020.

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
Nondepreciable Capital Assets				
Land	\$ 445,249	\$ -	\$ -	\$ 445,249
Art and Historic Treasures	317,417	-	-	317,417
Construction in Progress	506,284	36,755	-	543,039
Total Nondepreciable Capital Assets	<u>\$ 1,268,950</u>	<u>\$ 36,755</u>	<u>\$ -</u>	<u>\$ 1,305,705</u>
Depreciable Capital Assets				
Land Improvements	\$ 13,798,255	\$ -	\$ -	\$ 13,798,255
Buildings and Improvements	181,700,956	-	-	181,700,956
Equipment	5,611,583	177,636	-	5,789,219
Library Materials	5,417,223	88,895	24,634	5,481,484
Total Depreciable Capital Assets	<u>206,528,017</u>	<u>266,531</u>	<u>24,634</u>	<u>206,769,914</u>
Less: Accumulated Depreciation				
Land Improvements	8,432,316	511,463	-	8,943,779
Buildings and Improvements	83,883,272	4,747,528	-	88,630,800
Equipment	4,483,019	273,644	-	4,756,663
Library Materials	4,876,236	90,479	24,634	4,942,081
Total Accumulated Depreciation	<u>101,674,843</u>	<u>5,623,114</u>	<u>24,634</u>	<u>107,273,323</u>
Net Depreciable Capital Assets	<u>\$ 104,853,174</u>	<u>\$ (5,356,583)</u>	<u>\$ -</u>	<u>\$ 99,496,591</u>

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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	<u>\$ 1,053,625</u>	<u>\$ 215,325</u>	<u>\$ -</u>	<u>\$ 1,268,950</u>
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	<u>206,339,639</u>	<u>194,180</u>	<u>5,802</u>	<u>206,528,017</u>
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	<u>94,871,187</u>	<u>6,809,458</u>	<u>5,802</u>	<u>101,674,843</u>
Net Depreciable Capital Assets	<u>\$ 111,468,452</u>	<u>\$ (6,615,278)</u>	<u>\$ -</u>	<u>\$ 104,853,174</u>

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NOTE 5 - NONCURRENT LIABILITIES

The University's noncurrent liability activity for the year ended June 30, 2020, was as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Bond and Leases Payable:					
Series 2012 Bonds	\$ 8,435,000	\$ -	\$ 320,000	\$ 8,115,000	\$ 340,000
Series 2015 Bonds	18,510,000	-	705,000	17,805,000	720,000
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 2012	449,159	-	19,529	429,630	19,529
Unamortized Premium 2017A	6,108	-	260	5,848	260
Unamortized Discount 2017B	(11,372)	-	(786)	(10,586)	(786)
Unamortized Premium 2019	4,422,607	-	196,275	4,226,332	196,275
Capital Lease Obligation	896,513	-	98,691	797,822	105,735
<i>Total Bonds and Leases Payable</i>	<u>70,808,015</u>	<u>-</u>	<u>1,338,969</u>	<u>69,469,046</u>	<u>1,381,013</u>
Other Liabilities:					
Compensated Absences	<u>1,354,075</u>	<u>114,891</u>	<u>-</u>	<u>1,468,966</u>	<u>257,700</u>
Total Other Liabilities	<u>1,354,075</u>	<u>114,891</u>	<u>-</u>	<u>1,468,966</u>	<u>257,700</u>
<i>Total Long-Term Liabilities</i>	<u>\$ 72,162,090</u>	<u>\$ 114,891</u>	<u>\$ 1,338,969</u>	<u>\$ 70,938,012</u>	<u>\$1,638,713</u>

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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	19,529
Unamortized Premium 2017A	6,368	-	260	6,108	260
Unamortized Discount 2017B	(12,158)	-	(786)	(11,372)	(786)
Unamortized Premium 2019	-	4,518,243	95,636	4,422,607	196,275
Capital Lease Obligation	988,690	-	92,177	896,513	98,691
<i>Total Bonds and Leases Payable</i>	<u>70,008,347</u>	<u>35,353,243</u>	<u>34,553,575</u>	<u>70,808,015</u>	<u>1,338,969</u>
Other Liabilities:					
Compensated Absences	1,340,251	13,824	-	1,354,075	147,957
Total Other Liabilities	<u>1,340,251</u>	<u>13,824</u>	<u>-</u>	<u>1,354,075</u>	<u>147,957</u>
<i>Total Long-Term Liabilities</i>	<u>\$ 71,348,598</u>	<u>\$ 35,367,067</u>	<u>\$ 34,553,575</u>	<u>\$ 72,162,090</u>	<u>\$ 1,486,926</u>

NOTE 6 - LEASE OBLIGATIONS

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

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

Year Ending June 30	
2021	\$ 138,936
2022	137,417
2023	136,551
2024	140,648
2025	144,868
2026-2027	224,923
	<u>923,343</u>
Less: amount representing interest	(125,521)
Principal outstanding	<u><u>\$ 797,822</u></u>

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

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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.

At June 30, 2020 and 2019, 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.

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The following is a schedule of future minimum bond payments as of June 30, 2019:

Year Ending June 30,	2012	2015	2017A	2017B	2019A	Total
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	657,250	1,226,800	238,450	51,300	2,116,550	4,290,350
2026-2030	2,036,013	6,136,183	2,167,850	847,150	11,914,750	23,101,946
2031-2035	1,802,500	6,125,553	2,424,600	609,650	12,185,000	23,147,303
2036-2040	4,140,500	4,905,459	1,542,000	-	12,187,300	22,775,259
2040-2044	1,638,400	-	2,918,800	-	4,877,800	9,435,000
Total Bond Payments	12,914,563	23,303,365	10,245,500	1,713,300	49,947,600	98,124,328
Less Interest Included Above	(4,799,563)	(5,498,365)	(4,120,500)	(573,300)	(19,112,600)	(34,104,328)
Total Principal Outstanding	8,115,000	17,805,000	6,125,000	1,140,000	30,835,000	64,020,000
Less Current Portion	(340,000)	(720,000)	-	-	-	(1,060,000)
Net Long Term Principal	7,775,000	17,085,000	6,125,000	1,140,000	30,835,000	62,960,000
Less Unamortized Premium and Discount	429,630	-	5,848	(10,586)	4,226,332	4,651,224
Bonds Payable, Net	<u>\$ 8,204,630</u>	<u>\$ 17,085,000</u>	<u>\$ 6,130,848</u>	<u>\$ 1,129,414</u>	<u>\$35,061,332</u>	<u>\$67,611,224</u>

NOTE 8 - COMMITMENTS AND CONTINGENCIES

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

The University receives significant amounts from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed amounts resulting from such audits could become a liability of the University. However, University management believes that any such disallowed amounts will not have a material adverse effect on any of the financial statements or on the overall financial position of the University at June 30, 2020.

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NOTE 9 - ACCRUED LIABILITIES

	2020	2019
Payroll Benefits	\$ 2,025,227	\$ 1,720,166
Accrued Interest	247,040	248,942
Other Accounts Payable	363,068	454,885
Total	<u>\$ 2,635,335</u>	<u>\$ 2,423,993</u>

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. Annual leave will be paid out upon separation from the University and sick leave will be paid out upon retirement. The estimated costs of current compensated absences for which employees are vested for the years ended June 30, are estimated as \$257,700 (2020) and \$147,957 (2019). The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, are estimated as \$1,211,266 (2020) and \$1,325,009 (2019). Current expenses include an increase of \$114,891 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 \$1,325,152 (2020), \$1,277,178 (2019) and \$1,290,650 (2018). 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.

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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, 2019. 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, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent 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 of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

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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, 2020 and 2019: 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 2018 through June 2021 are summarized in the table below:

	Fiscal Year 2019		Fiscal Year 2020		Fiscal Year 2021	
	CY18	CY19	CY20	CY21		
	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	7-1-20 to 12-31-20	1-1-21 to 6-30-21
Employee contribution rate	8.00%	8.00%	8.75%	8.75%	10.00%	10.00%

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

	Fiscal Year 2019		Fiscal Year 2020		Fiscal Year 2021	
	CY18	CY19	CY20	CY21		
	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	7-1-20 to 12-31-20	1-1-21 to 6-30-21
Employer contribution rate	10.15%	10.15%	10.40%	10.40%	10.90%	10.90%
Amount of employer contribution apportioned to the Health 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%	9.38%	9.38%	9.88%	9.88%
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%
Defined Contribution Supplement	N/A	N/A	N/A	N/A	N/A	0.05%
Total employer contribution rate to the SDTF	19.13%	19.13%	19.38%	19.38%	19.88%	19.93%

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. § 24-51-414, 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 2020 and 2019, the portion of the direct distribution allocated to the University was \$258,018 and \$283,861, respectively.

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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 \$2,159,932 and \$2,320,514 for the years ended June 30, 2020 and 2019, respectively.

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

At June 30, 2020, the University reported a liability of \$32,479,009 for its proportionate share of the net pension liability. The net pension liability for the SDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The University's proportion of the net pension liability was based on the University's contributions to the SDTF for the calendar year 2019 relative to the total contributions of participating employers to the SDTF. At December 31, 2019, the University proportion was 0.33 percent, which was a decrease of 0.03 from its proportion measured as of December 31, 2018.

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 to 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.

For the years ended June 30, 2020 and 2019, the University recognized pension expense of \$(12,678,831) and \$(7,283,610), respectively. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Fiscal Year 2020		Fiscal Year 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,213,487	\$ -	\$ 1,176,810	\$ -
Changes of assumptions or other inputs	-	9,315,679	2,166,863	21,250,263
Net difference between projected and actual earnings on pension plan investments	-	3,499,229	2,078,643	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	4,794,187	-	4,573,489
Contributions subsequent to the measurement date	1,027,097	N/A	1,027,097	N/A
Total	\$ 2,240,584	\$ 17,609,095	\$ 6,449,413	\$ 25,823,752

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The deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, of \$1,027,097 and \$1,027,097 for Fiscal Years 2020 and 2019, 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,	
2021	\$ (13,182,677)
2022	(1,884,767)
2023	(137,342)
2024	(1,190,823)
2025	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2018 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	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06	
(ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The actuarial assumptions used in the December 31, 2018, 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.

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.

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.

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

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%.

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- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200 and the addition 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. 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 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect 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.
- The projected benefit payments reflect the lowered AI cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- 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. There was no change in the discount rate from the prior measurement date.

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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 what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 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	\$ 41,783,245	\$ 32,479,009	\$ 24,605,335

Pension plan fiduciary net position. Detailed information about the SDTF's fiduciary net position is available in PERA's CAFR 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). Pursuant to C.R.S. § 24-51-1501(4), the PERA DC Plan eligibility was extended to certain new classified employees at State Colleges and Universities beginning on January 1, 2019. 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 and the University are required to contribute a percentage of the employee's PERA-includable salary. The employee and employer contribution rates for the period July 2018 through June 2021 are summarized in the tables below:

	Fiscal Year 2019		Fiscal Year 2020		Fiscal Year 2021	
	CY18	CY19	CY20	CY21		
	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	7-1-20 to 12-31-20	1-1-21 to 6-30-21
Employee Contribution Rate	8.00%	8.00%	8.75%	8.75%	10.00%	10.00%
Employer Contribution Rate	10.15%	10.15%	10.40%	10.40%	10.90%	10.90%

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

	Fiscal Year 2019		Fiscal Year 2020	
	CY18	CY19	CY20	
	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%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	5.00%	5.00%	5.00%	5.00%
Total Employer Contribution Rate to the SDTF	10.00%	10.00%	10.00%	10.00%

Ret

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 \$871,624 and \$803,428, and the University recognized contributions of \$2,160,939 and \$2,521,010, respectively for the PERA DC Plan for the years ending June 30, 2020 and 2019, 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. The University does not contribute to this Plan. For the years ended June 30, 2020 and 2019, program members contributed \$112,469 and \$110,664, respectively.

PERAPlus 457 Plan

The PERA Deferred Compensation Plan (457 Plan) was established July 1, 2009 as a continuation of the State's deferred compensation plan, which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 Plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2019, participants were allowed to make contributions

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of up to 100 percent of their annual gross salary (reduced by the percentage of their PERA contribution) to a maximum of \$19,000. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional \$6,000 contribution in 2019. Contributions and earnings are tax-deferred. At December 31, 2019, the Plan had 18,919 participants.

Student Retirement Plan

Beginning in fiscal year 1993, in accordance with the provision of Section 24-54.6-101, Colorado Revised Statute (C.R.S.), and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5 percent contribution on the employee's part with no employer contribution. Total payroll covered by the plan was \$125,603 and \$194,524 for the years ended June 30, 2020 and 2019, respectively. 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.

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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.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

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 \$105,350 and \$106,287, for the years ended June 30, 2020 and 2019, respectively.

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

At June 30, 2020, the University reported a liability of \$1,289,365 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The University's proportion of the net OPEB liability was based on the University's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the University's proportion was 0.1147 percent, which was a decrease of 0.013 percent from its proportion measured as of December 31, 2018.

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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.

For the years ended June 30, 2020 and 2019, the University recognized OPEB expense of \$(90,128) and \$257, respectively. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Fiscal Year 2020		Fiscal Year 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,279	\$ 216,661	\$ 6,314	\$ 2,648
Changes of assumptions or other inputs	10,697	-	12,203	-
Net difference between projected and actual earnings on OPEB plan investments	-	21,521	10,004	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	974	292,539	1,289	181,513
Contributions subsequent to the measurement date	53,714	N/A	53,344	N/A
Total	\$ 69,664	\$ 530,721	\$ 83,154	\$ 184,161

The deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, of \$53,714 and \$53,344 for Fiscal Years 2020 and 2019, 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,	
2021	\$ (111,142)
2022	(111,140)
2023	(104,909)
2024	(110,799)
2025	(72,510)
Thereafter	(4,271)

Actuarial assumptions. The total OPEB liability in the December 31, 2018 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

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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	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent for 2019, gradually increasing to 4.50 percent in 2029

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, 2018, 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 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advanatage/Self-Insured Prescription	\$ 601	\$ 240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2018 Medicare Part A premium is \$437 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
Medicare Advanatage/Self-Insured Prescription	\$ 562
Kaiser Permanente Medicare Advantage HMO	571

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

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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, 2018, 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
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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.

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.

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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 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- 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%	

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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
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 1,258,737	\$ 1,289,365	\$ 1,324,759

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, 2019, 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.
- 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.

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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	\$ 1,457,887	\$ 1,289,365	\$ 1,145,244

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, 2020, there were 262 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.

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NOTE 14 - SCHOLARSHIP ALLOWANCES

Tuition, fee and auxiliary revenue and the related scholarship allowances for the year ended June 30, 2020 and 2019, were as follows:

	Tuition & Fees	Auxilliary Revenue	2020 Total	2019 Total
Gross Revenue	\$ 29,405,778	\$ 5,594,487	\$ 35,000,265	\$ 35,917,927
Scholarship Allowances:				
Federal	3,608,160	301,408	3,909,568	4,196,487
State	2,032,306	169,769	2,202,075	1,953,799
Private	1,537,569	128,441	1,666,010	1,736,035
Institutional	4,306,631	359,755	4,666,386	4,277,184
Total Allowance	<u>11,484,666</u>	<u>959,373</u>	<u>12,444,039</u>	<u>12,163,505</u>
Net Revenue	<u>\$ 17,921,112</u>	<u>\$ 4,635,114</u>	<u>\$ 22,556,226</u>	<u>\$ 23,754,422</u>

NOTE 15 - UNIVERSITY FOUNDATION

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

During the year ended June 30, the University received funds totaling \$2,134,763 (2020) and \$2,024,522 (2019), 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 \$10,000 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 2020 are as follows:

Budget	\$43,567,145
Actual Revenues	43,206,309
Actual Expenses	43,206,309

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.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
University's proportion of the net pension liability	0.335%	0.362%	0.401%	0.406%	0.419%	0.433%	0.446%
University's proportionate share of the net pension liability	\$ 32,479,009	\$ 41,152,012	\$ 80,288,346	\$ 74,579,030	\$ 44,150,199	\$ 40,769,013	\$ 39,752,901
University's covered payroll	\$ 10,560,546	\$ 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	308%	370%	674%	636%	374%	346%	339%
Plan fiduciary net position as a percentage of the total pension liability	62.2%	55.1%	43.2%	42.6%	56.1%	59.8%	61.1%
PERA State Division Fiduciary Net Position (in thousands)	\$ 15,992,863	\$ 13,966,421	\$ 15,223,702	\$ 13,626,180	\$ 13,460,536	\$ 14,013,947	\$ 13,980,460
PERA State Division Net Pension Liability (in thousands)	\$ 9,703,804	\$ 11,378,673	\$ 20,017,982	\$ 18,368,131	\$ 10,531,033	\$ 9,406,514	\$ 8,907,971

*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.

See Notes to the Required Supplementary Information

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 2,294,971	\$ 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
Contributions in relation to the contractually required contribution	<u>2,294,971</u>	<u>2,320,814</u>	<u>2,187,412</u>	<u>2,185,232</u>	<u>2,019,691</u>	<u>2,109,916</u>	<u>1,974,531</u>	<u>1,815,985</u>	<u>1,400,744</u>	<u>1,258,111</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
University's covered payroll	\$ 10,606,753	\$ 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
Contributions as a percentage of covered payroll	21.64%	21.35%	18.91%	18.41%	17.82%	17.73%	16.85%	16.18%	12.62%	12.07%

See Notes to the Required Supplementary Information

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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,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
University's proportion of the net OPEB liability	0.115%	0.128%	0.143%	0.145%
University's proportionate share of the net OPEB liability	\$ 1,123,998	\$ 1,739,543	\$ 1,861,728	\$ 1,874,596
University's covered payroll	\$ 10,314,462	\$ 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	11%	16%	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	24.49%	17.03%	17.53%	16.72%
Health Care Trust Fund Fiduciary Net Position (in thousands)	\$ 364,510	\$ 279,192	\$ 276,222	\$ 260,228
PERA Health Care Trust Fund Net OPEB Liability (in thousands)	\$ 1,123,998	\$ 1,360,542	\$ 1,299,600	\$ 1,296,534

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

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

See Notes to the Required Supplementary Information

ADAMS STATE UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
COLORADO PERA HEALTHCARE TRUST FUND
For the Fiscal Year Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 105,466	\$ 106,287	\$ 115,064	\$ 118,470	\$ 116,200	\$ 118,463	\$ 117,784	\$ 114,463	\$ 111,920	\$ 108,456
Contributions in relation to the contractually required contribution	<u>105,466</u>	<u>106,287</u>	<u>115,064</u>	<u>118,470</u>	<u>116,200</u>	<u>118,463</u>	<u>117,784</u>	<u>114,463</u>	<u>111,920</u>	<u>108,456</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 10,339,804	\$ 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
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%

See Notes to the Required Supplementary Information

ADAMS STATE UNIVERSITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
June 30, 2020 and 2019

NOTE 1 NET PENSION LIABILITY

Changes effective for the December 31 measurement period for the following years ended:

- 2019 The post-retirement benefit increases to the PERA benefit structure for those hired prior to 1/1/07 was changed from 0% through 2019 and 1.5% compounded annually thereafter, to 1.25%.
- 2018
- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%.
 - The post-retirement benefit increases to the PERA benefit structure for those hired prior to 1/1/07 was changed from 2.00% to 0.00% through 2019 and 1.5% compounded annually thereafter.
- 2017 The discount rate was lowered from 5.26% to 4.72%.
- 2016
- The investment return 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 expense, to 4.85% per year, net of investment expense.
 - 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, RP-2014 Health 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%.
- 2015 There were no changes in assumptions or other inputs effective this measurement period.

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Changes effective for the December 31 measurement period for the following years ended:

- 2019
- The PERA benefit structure for PERACare Medicare plans was revised from 5.00 percent to 5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029.
 - The PERA benefit structure for Medicare Part A premiums was revised from 3.25 percent for 2018, gradually rising to 5.00 percent in 2025 to 3.50 percent in 2019, gradually increasing to 4.50 percent in 2029.
 - The monthly cost/premiums assumed for the PERA benefit structure were revised from the following in 2018:

ADAMS STATE UNIVERSITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
June 30, 2020 and 2019

<u>Medicare Plan</u>	<u>Cost for Members without Medicare Part A</u>	<u>Premiums for Members without Medicare Part A</u>
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

to the following in 2019:

<u>Medicare Plan</u>	<u>Cost for Members without Medicare Part A</u>	<u>Premiums for Members without Medicare Part A</u>
Medicare Advantage/Self-Insured Prescription	\$ 601	\$ 240
Kaiser Permanente Medicare Advantage HMO	605	237

- The Medicare Part A premium was increased from \$422 to \$437 per month.
- The initial expected value of Medicare Part A benefits were revised from the following in 2018:

<u>Medicare Plan</u>	<u>Cost for Members without Medicare Part A</u>
Self-funded Medicare Supplement Plans	\$ 289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

to the following in 2019:

<u>Medicare Plan</u>	<u>Cost for Members without Medicare Part A</u>
Medicare Advantage/Self-Insured Prescription	\$ 562
Kaiser Permanente Medicare Advantage HMO	571

2018 There were no changes in assumptions or other inputs effective this measurement period compared to the prior year.

2017 There were no changes in assumptions or other inputs effective this measurement period.

SUPPLEMENTARY INFORMATION

ADAMS STATE UNIVERSITY
SCHEDULE OF PLEDGED REVENUES AND EXPENSES
FOR SERIES 2012, 2015, 2017A, 2017B, AND 2019 AUXILIARY FACILITIES REVENUE BONDS
For the years ended June 30, 2020 and 2019

	2020	2019
Revenue		
Tuition revenues	\$ 2,336,588	\$ 2,258,566
Extended Studies tuition and fees	3,820,592	3,886,825
Capital fees	2,884,302	3,267,787
University service fees	467,691	528,544
Traffic control fees	(95,793)	1
Rental income	3,712,647	4,115,652
Food service income	1,949,946	2,242,043
Sales/services auxiliaries	10,650	13,799
Interest income	43,518	34,086
Other income	197,772	190,697
<i>Total Revenue</i>	15,327,913	16,538,000
Expenses		
Salaries & benefits	2,810,211	3,576,326
Costs of goods	-	(391)
Utilities expense	442,772	512,235
Rental expense	148,135	148,126
Contract food services	1,070,035	1,350,461
Travel	68,132	79,553
Supplies	218,720	274,185
Other operating expenses	376,523	379,165
Purchased services-personal	496,153	501,365
Financial aid	548,051	595,604
Administrative cost allowance	1,217,162	1,030,657
Furniture & equipment	61,498	86,931
Other expenses	182,202	270,926
<i>Total Expenses</i>	7,639,594	8,805,143
Net Revenue before Transfers	7,688,319	7,732,857
Transfers		
Mandatory transfers	3,854,649	3,597,803
Nonmandatory transfers	(189,634)	112,748
<i>Total Transfers</i>	3,665,015	3,710,551
<i>Net Revenue</i>	\$ 4,023,304	\$ 4,022,306
Debt Service Coverage		
Net Operating Revenue	\$ 7,688,319	\$ 7,732,857
Bond Principal and Interest	3,563,393	3,565,733
Excess of Net Operating Revenue Over Debt Service	\$ 4,124,926	\$ 4,167,124
Debt Service Coverage Ratio	216%	217%

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



Wall,
Smith,
Bateman Inc.

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the major fund of Adams State University (the University), an Institution of Higher Education, State of Colorado, the Adams State University Foundation, a discretely presented component unit, 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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 04, 2020. 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) as a basis for designing 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)

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Compliance and Other Matters

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

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

December 04, 2020



Wall,
Smith,
Bateman Inc.

Communication with Those Charged with Governance

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities and the major fund of Adams State University (the University), an Institution of Higher Education, State of Colorado, and the Adams State University Foundation, a discretely presented component unit of the University, discussed in Note 1 of the financial statements, as of and for the years ended June 30, 2020 and 2019. 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 June 15, 2020. 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 2020. 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, 2020 and total expense recognized during FY2020 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, 2019 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, 2019 and the University's fiscal year end of June 30, 2020.

Management's estimate of depreciation expense is based on the estimated useful life of the capital assets being depreciated at June 30, 2020. 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.

Certified Public Accountants

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 76 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 December 04, 2020.

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 Passed Audit Adjusting Journal Entries
June 30, 2020

Account Description	Debit	Credit
Tuition and fees revenue	\$ 122,747.00	
Student accounts receivable		\$ 122,747.00
To pass on correction of student accounts receivable.		
Depreciation Expense	\$ 858,249.00	
Accumulated Depreciation - Buildings		\$ 858,249.00
To pass on correction of depreciation expense and accumulated depreciation.		

**STATE-FUNDED STUDENT ASSISTANCE
PROGRAMS SECTION**

ADAMS STATE UNIVERSITY
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
For the Year Ended June 30, 2020

INTRODUCTION

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

The financial and compliance examination of the various state-funded student assistance programs at the University for the year ended June 30, 2020, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees.

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

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

The state-funded student assistance awards made by the University were approximately \$2,772,000 for the fiscal year ending June 30, 2020.

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

During the audit period, Adams State University obtained authorizations to award federal student financial aid funds of \$4,000,330 in the Pell Grant Program, \$138,648 in the Supplemental Educational Opportunity Grant Program, and \$289,320 in the University Work-Study Program.

During the fiscal year ended June 30, 2020, Adams State University obtained authorizations to award Colorado student financial aid funds of \$2,277,818 in the Colorado Need-based Grant Program, \$60,687 in Colorado Merit Aid, and \$433,522 in the Colorado Work Study Program.

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



Wall,
Smith,
Bateman Inc.

Members of the Legislative Audit Committee:

Report on Statement

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs (the Statement) for Adams State University (the University), an Institution of Higher Education, State of Colorado, for the year ended June 30, 2020, and the notes related to the Statement. The Statement is the responsibility of the University's management. Our responsibility is to express an opinion on the Statement based on our audit.

Management's Responsibility for the Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial format as set forth in the *Colorado-Funded Student Aid 2019-2020 Audit Guide for State and Private Non-Profit Institutions of Higher Education*, issued by the Colorado Department of Higher Education (CDHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University as described in Notes to the Statement. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance programs of the University for the year ended June 30, 2020, in accordance with the format as set forth in the *Colorado-Funded Student Aid 2019-20 Audit Guide for State and Private Non-Profit Institutions of Higher Education*, issued by the CDHE, and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University described in Note 1 to the Statement.

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Basis of Accounting

We draw attention to Note 1 to the Statement, which describes the basis of accounting. As described in Note 1 to the Statement, the Statement prepared by the University was prepared in accordance with the *Colorado-Funded Student Aid 2019-2020 Audit Guide for State and Private Non-Profit Institutions of Higher Education*, issued by CDHE, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the statement of state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. Accordingly, the accompanying Statement is not intended to, and does not present the financial position, changes in financial position, or cash flows of the University in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 04, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Report Restriction

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

Very truly yours,

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

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 04, 2020

ADAMS STATE UNIVERSITY
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS
For the Fiscal Year Ended June 30, 2020

	Total State-Funded Student Assistance	Colorado Student Grant	Colorado Work Study	Colorado Merit Aid Program
Appropriations:				
Original	\$ 2,772,027	\$ 2,259,818	\$ 451,522	\$ 60,687
Supplementals	-	18,000	(18,000)	-
Returned to CDHE	-	-	-	-
Totals	<u>2,772,027</u>	<u>2,277,818</u>	<u>433,522</u>	<u>60,687</u>
Expenditures	<u>(2,772,027)</u>	<u>(2,277,818)</u>	<u>(433,522)</u>	<u>(60,687)</u>
Reversions to State	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ADAMS STATE UNIVERSITY
NOTES TO THE STATEMENT OF APPROPRIATIONS, EXPENDITURES,
TRANSFERS AND REVERSIONS
FOR THE YEAR ENDED JUNE 30, 2020

Basis of Accounting

Adams State University's accounting system is structured and administered in accordance with the accounting principles promulgated by the Governmental Accounting Standards Board.

The accompanying statement of appropriations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *Colorado-Funded Student Aid 2019-2020 Audit Guide for State and Private Non-Profit Institutions of Higher Education*, issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of Adams State University. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the University for the year ended June 30, 2020.

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

All student aid is expensed on a cash basis, except for the College Work-Study Program (CWS). CWS is on the accrual basis in that the expense is recognized when the services are performed.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF THE STATEMENT OF
APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS
OF THE STATE OF COLORADO STATE-FUNDED STUDENT
ASSISTANCE PROGRAMS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



Wall,
Smith,
Bateman Inc.

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs (the Statement) of Adams State University (the University), an institution of higher education of the State of Colorado, for the years ended June 30, 2020 and 2019, and the related notes to the Statement, and have issued our report thereon dated December 04, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Certified Public Accountants

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Purpose of this Report

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 04, 2020