ADAMS STATE UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2016 and 2015

Wall,
Smith,
Bateman Inc.
Certified Public Accountants

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FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

Authority, Purpose and Scope

The audit of Adams State University was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all state agencies and educational institutions. The 2016 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 July through November 2016.

The purposes and scope of the audit were to:

- § Perform an audit of the basic financial statements of Adams State University for the years ended June 30, 2016 and 2015, and to express an opinion on the financial statements. This included a review of the related internal control structure as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

- § Perform an audit of the University's federal grant programs under the Single Audit Act as amended for the year ended June 30, 2016.

- § Perform a financial and compliance audit of the Statement of Appropriations, Expenditures, Transfers and Reversions of the University'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*.

- § Evaluate the University's compliance with appropriate state and federal laws and regulations, and bond covenants that could have a material effect on the University's financial statements.

- § Report on the University's compliance and internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.

- § Evaluate progress in implementing prior year audit recommendations.

The Schedule of Expenditures of Federal Awards for Adams State University and applicable audit opinions are included in the June 30, 2016 Statewide Single Audit Report issued by the Office of the State Auditor under a separate cover.

Audit Results

Wall, Smith, Bateman Inc. expressed an unmodified opinion on the financial statements for the years ending June 30, 2016 and 2015.

Required Auditor Communications to the Legislative Audit Committee

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

Summary of Findings and Recommendations

There are two findings and recommendations resulting from the audit work completed for fiscal year ended June 30, 2016. The first finding is in regard to an error in the computation of the scholarship allowance which resulted in a misstatement in the Statement of Revenues, Expenses and Changes in Net Position. The second finding is in regard to inaccurate reporting of federal receipts and expenditures to the Office of the State Controller. A detailed description of the audit comments and recommendations are contained in the findings and recommendations section of the report.

Summary of Progress in Implementing Prior Audit Findings

The prior audit recommendation implementation has been deferred. The University's implementation date is Fall of 2016.

FINDINGS AND RECOMMENDATIONS SECTION

RECOMMENDATION LOCATOR All recommendations are addressed to the Adams State University Fiscal Year 2016				
Rec. No.	**Page No.**	**Recommendation Summary**	**Agency Response**	**Implementation Date**
1	7	Adams State University should improve controls over financial reporting by implementing a reconciliation process between the GASB 34/35 Scholarship Allowance Schedule, Statements of Revenues, Expenses and Changes in Net Position and the Banner system to ensure that all revenues and scholarships are appropriately reported, and by implementing a review process to identify and correct errors in the University's financial statements.	Agree	November 15, 2016
2	9	Adams State University should improve controls over the preparation of Exhibit K1 by obtaining training on the Office of the State Controller's Office's Fiscal Procedures Manual regarding the Exhibit K1 and SEFA preparation as well as establishing procedures and a review process to ensure that the Exhibit K1 is prepared correctly.	Agree	December 15, 2016

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:

	2014	2015	2016
Resident Students	1,832.6	1,776.1	1,825.7
Nonresident Students	596.8	609.4	657.3
Total Students	2,429.4	2,385.5	2,483.0
Faculty FTEs	181.6	180.4	184.7
Staff FTEs	135.5	139.2	136.1
Total Staff and Faculty FTEs	317.1	319.6	320.8

ADAMS STATE UNIVERSITY
AUDITORS' FINDINGS AND RECOMMENDATIONS
Fiscal year Ended June 30, 2016

We have audited the financial statements of Adams State University (the University) as of and for the year ended June 30, 2016, and have issued our report thereon dated January 10, 2017. In planning and performing our audit of the financial statements, in accordance with auditing standards generally accepted in the United States of America, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures 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 University's internal control. In addition, in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we also have issued our report dated November 14, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grants. We have not considered internal control since the date of this report.

The maintenance of adequate internal control designed to fulfill control objectives is the responsibility of management. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Additionally, controls found to be functioning at a point in time may later be found deficient because of the performance of those responsible for applying them, and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in the organization.

A deficiency in internal control over financial reporting 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 significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider Recommendations No. 1 and No. 2 to be material weaknesses as defined above.

The University's responses to the findings have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

In addition to issuing a report on the University's compliance and internal control over financial reporting, we also performed procedures in accordance with requirements of *Office of Management and Budget (OMB) OMB Uniform Guidance, Cost Principles, Audit, and Administrative Requirements for Federal Awards* over major federal programs as determined by the Office of the State Auditor. The purpose of our procedures was not to issue an opinion over the University's compliance with the federal programs tested, but rather report any noncompliance and internal control deficiencies noted during our testing to the Office of the State Auditor for inclusion in the Statewide Single Audit report.

Controls over the Scholarship Allowance and Scholarship Expense Computation – Introduction

Adams State University is an institution of higher education of the State of Colorado, and is located in Alamosa, Colorado. The University's student full-time equivalent (FTE), for Fiscal Year 2016 averaged 2,420 students and 315 faculty and staff.

During Fiscal Year 2016, the University's tuition, fees, housing and meal gross revenue is $38.5 million and scholarship allowance is $12.4 million.

The scholarship allowance is the difference between the stated charge for goods and services provided by the University and the amount which is billed to students and/or third parties making payments on behalf of students. The scholarship allowance consists of Federal, state, private and institutional scholarships and grants awarded to students. The amount of aid awarded to a student may exceed the tuition, fees, housing and meal procured from the University. In such circumstances, the excess of aid over tuition, fees, housing and meals is paid to students and treated as scholarship expense. During Fiscal Year 2016 the University's scholarship expense is $798,027.

WHAT WAS THE PURPOSE OF OUR AUDIT WORK AND WHAT WORK WAS PERFORMED?

The purpose of the audit work was to determine whether tuition and fees revenue and sales of services of auxiliary enterprises, net of the scholarship allowance and scholarship expenses are fairly presented in the University's Statements of Revenues, Expenses and Changes in Net Position as of June 30, 2016.

We analyzed the University's Statements of Revenues, Expenses and Changes in Net Position for Fiscal Year 2016 and 2015 (Statements). Specifically, we reviewed the scholarship expense, which had a negative balance of $316,331 for Fiscal Year 2016 and a positive balance of $254,183 for Fiscal Year 2015. The natural account balance for the scholarship expense is a positive amount. Due to the Fiscal Year 2016 negative balance, we expanded our analysis. We also analyzed tuition and fees and sales and services of auxiliary enterprises revenue (revenues), net of scholarship allowance balances of $18.3 million and $6.9 million, respectively. In addition, we performed an analysis of the University's GASB 34/35 Scholarship Allowance Schedule (Schedule) used to compute and reconcile the revenues and scholarship allowance for Fiscal Year 2016. In order to test the accuracy of the Schedule, we selected a sample of students on the report and compared their University bill to the Schedule. We also compared the gross tuition and fee revenue to the related general ledger accounts.

HOW WERE THE RESULTS OF THE AUDIT WORK MEASURED?

In accordance with Governmental Accounting Standards Board Statement (GASBs No. 34 and 35) *Basic financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities,* revenues should be reported net of discounts and allowances. Therefore, tuition and fee revenues and sales of services of auxiliary enterprises are required to be reported net of scholarship allowances in the Statements of Revenues, Expenses and Changes in Net Position.

What problem did the audit work identify?

Through the audit work, we determined that the University's Schedule was not accurate and, as a result the Statements were incorrect. The Schedule was not reconciled to Banner, the University's accounting system, and did not include all of the revenues charged to the students or all of the scholarships awarded to the students.

Our audit work identified that the tuition and fees revenues were understated by $915,228, the sales and services revenues were understated by $199,130 and the scholarship expenses were understated by $1,114,358.

Why did the problem occur?

The University did not have a reconciliation process in place to ensure that the Schedule used to compute the scholarship allowance from Banner system and presented on the Statement was accurate and complete. In addition, the University did not have a review process in place to identify the errors in the financial statements.

Why does this problem matter?

The Statements of Revenues, Expenses and Changes in Net Position operating revenues and the operating expenses were materially understated. Strong financial accounting internal controls, including effective review processes and procedures, are necessary to ensure that the University is reporting financial information appropriately and accurately, in accordance with GASB requirements.

(Classification of Finding: Material weakness)

Recommendation No. 1:

Adams State University should improve controls over financial reporting by:

a. Implementing a reconciliation process between the GASB 34/35 Scholarship Allowance Schedule (Schedule), Statements of Revenues, Expenses and Changes in Net Position and the Banner system, to ensure that all revenues and scholarships are appropriately reported.
b. Implementing a review process to identify and correct errors in the University's financial statements.

Adams State University's Response:

a. Agree Implementation Date: November 15, 2016

Adams State Universities Controller's office worked with the ASU Computing Services department to create a new report used to correct this error, and the corrected numbers were included in the audited financial statements. The new report provides the Controller with the ability to update and maintain the data included in the report on an ongoing basis. The GASB 34/35 Scholarship Allowance schedule will be reconciled to the Banner system monthly to insure that all errors are corrected in a timely manner and that the revenues and scholarships are reported accurately.

b. Agree Implementation Date: November 15, 2016

ASU has implemented a review process to be used in the future.

EXHIBIT K1 - SCHEDULE OF FEDERAL ASSISTANCE

During Fiscal Year 2016, Adams State University administered more than 20 federal programs and expended approximately $30.4 million in federal funds, of which nearly $21.5 million was direct loan funding received through the U.S. Department of Education's Student Financial Aid Program. Each year, the University is required to prepare a report, or "exhibit," containing the University's federal expenditures and related reimbursements to aid the Colorado Office of the State Controller (OSC) in the preparation of the federal Schedule of Expenditures of Federal Awards (SEFA); this exhibit is referred to as the "Schedule of Federal Expenditures of Federal Awards Exhibit," or "Exhibit K1". The SEFA is to be presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) to show the State's expenditures for federal awards during the fiscal year. The OSC provides the University with instructions for the proper preparation of the Exhibit K1.

WHAT WAS THE PURPOSE OF OUR AUDIT WORK AND WHAT WORK WAS PERFORMED?

The purpose of the audit work was to determine whether the Exhibit K1 submitted by the University to the OSC in support of the statewide financial statements was free from material misstatements.

We audited the Exhibit K1 submitted by the University to the OSC to verify the accuracy of the information reported and assess compliance with OSC report preparation instructions. In addition, we audited the University's reconciliations between the Exhibit K1 and the University's Banner accounting system, and confirmed data included on the Exhibit K1 with the U.S. Department of Education grant management system (G5) – External Award History Report for the fiscal year ended June 30, 2016.

HOW WERE THE RESULTS OF THE AUDIT WORK MEASURED?

State Fiscal Rule 1-8 requires State agencies and institutions of higher education to implement internal accounting and administrative controls that reasonably ensure that financial transactions are accurate, reliable, and conform to State Fiscal Rules.

In addition, the Fiscal Procedures Manual (Manual) issued by the OSC provides specific guidance on preparing financial exhibits that are to be submitted to the OSC at year-end. For example, the Exhibit K1 is used for preparing the Statewide Schedule of Expenditures of Federal Awards (SEFA). The SEFA provides a listing of federal assistance by Catalog of Federal Domestic Assistance (CFDA) number or other identifying number.

What problem did the audit work identify?

The University inaccurately prepared the Exhibit K1 that it submitted to the OSC for Fiscal Year 2016, as noted below:

- The amount reported on the Exhibit K1 for the "Federal Perkins Loan Program-Federal Capital Contributions" grant was $10,398,942 of receipts and expenditures. However, based on our test work, we determined that the correct amount of receipts and expenditures is $740,856, thereby causing an overstatement of receipts and expenditures of $9,658,086. Additionally, we noted that, while the University reported $21,370,963 in Federal Direct Student Loan expenditures and receipts, the University actually expended $20,781,838, resulting in an overstatement of the receipts and expenditures by $589,125. The University's Exhibit K1 receipts and expenditures were overstated in total by $10,247,211.
- The Department failed to include the "other identifying number" for subrecipient awards as required by the OSC Exhibit K1 instructions.

Why did the problem occur?

The University does not have proper internal controls such as formal written procedures, an appropriate review process, and adequate training related to the Fiscal Procedures Manual to ensure that the Exhibit K1 is prepared accurately. Further, the University experienced staff turnover during the year due to a key accounting staff retirement, which contributed to the identified problems.

Why does this problem matter?

Because the Exhibit K1 is used by the OSC to prepare the Statewide Schedule of Expenditures of Federal Awards. Errors on the Exhibit K1 can lead to the SEFA being misstated. In addition, errors with the Exhibit K could potentially lead to federal sanctions being levied on the University or the State.

(Classification of Finding: Material weakness)

Recommendation No. 2:

Adams State University should improve internal controls over the preparation of Exhibit K1 by:

a. Obtaining training on the Office of the State Controller's Office's Fiscal Procedures Manual regarding the Exhibit K1 and SEFA preparation as well as establishing written procedures to ensure that the Exhibit K1 is prepared correctly.
b. Establishing a review process for the Exhibit K1, to ensure accuracy.

Adams State University's Response:

a. Agree Implementation Date: December 15, 2016

Exhibit K1 was corrected and re-submitted prior to issuance of the Audit Report as part of a collaboration between the ASU Perkins Loan officer and ASU's Controller of Sponsored Programs. Adams State University will explore the options for training offered by the Office of the State Controller. ASU will establish written procedures specific to the process used by ASU for preparing the Exhibit K1.

b. Agree Implementation Date: December 15, 2016

ASU has added a two level review to be used before submission of future Exhibit K1 reports.

Summary of Progress in Implementing Prior Year Audit Recommendation

Recommendation No. 1 – Adams State University should continue to consider strategies for attracting and retaining students to improve enrollment and also reevaluate the tuition and pricing policies. In addition, the University should search for efficiencies in its operations to minimize future losses.	**Disposition** – Deferred. Adams State University plans to fully implement this recommendation by the Fall 2016 implementation date.

FINANCIAL STATEMENTS SECTION

INDEPENDENT AUDITORS' REPORT

Wall,
Smith,
Bateman Inc.

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Adams State University (the University), an Institution of Higher Education, State of Colorado, the Adams State University Foundation, a discretely presented component unit, discussed in Note 1 of the financial statements, which represents 100 percent of the total assets, total revenues, and total net position of the aggregate discretely presented component unit, as of and for the years ended June 30, 2016 and 2015, 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.

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, 2016 and 2015, 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, that is attributable to the transactions of the University. They do not purport to, and do not present fairly the financial position of the State of Colorado as of June 30, 2016 and 2015, and the changes in its financial position, or, where applicable, its cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 1 – Summary of Significant Accounting Policies, in fiscal year 2016 the University adopted new accounting guidance, *GASB Statement No. 72, Fair Value Measurement and Application*. In fiscal year 2015, management adopted the provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27* and *GASB Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date,* which represents a change in accounting principle. As of July 1, 2014, the University's net position was restated to reflect the change in accounting principle. 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 on pages 12-18 and the Colorado PERA Pension Plan Schedules of the University's Proportionate Share of the Net Pension Liability and Contributions on pages 54 and 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Adams State University's basic financial statements. The Schedule of Pledged Revenues and Expenses for Series 2009A, 2009B, 2009C, 2012, and 2015 Auxiliary Facilities Revenue Bonds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Pledged Revenues and Expenses for Series 2009A, 2009B, 2009C, 2012, and 2015 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 2009A, 2009B, 2009C, 2012, and 2015 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 January 10, 2017 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.
January 10, 2017

STATE OF COLORADO
ADAMS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

MANAGEMENT 'S DISCUSSION AND ANALYSIS

This section of the financial report presents a discussion and analysis of the financial performance of Adams State University (the University), formerly known as Adams State College , for the fiscal years ended June 30, 2016 and 2015, with selected comparative information for the years ended June 30, 2014. On May 19, 2012, Governor Hickenlooper signed House Bill 12-1080, changing the name of Adams State College to Adams State University, effective August 7, 2012. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes for the reporting entity of the University that includes Adams State University and the Adams State University Foundation, a discretely presented component unit. (See Note 1 for additional information on the reporting entity.)

FINANCIAL HIGHLIGHTS

Year ended June 30, 2016

The University's total net position decreased by $2.3 million during fiscal year 2016 compared to a $6.0 million increase in net position during fiscal year 2015. The decrease is primarily a result of a decrease in State appropriations, capital of $10.8 million, net of an increase in fee for service contracts of $1.4 million and a increase in operating expenses of $392,000.

The University had a ratio of current assets to current liabilities of 2.2 and 2.1 for fiscal years 2016 and 2015, respectively. This current ratio demonstrates the liquidity of University assets and the relative availability of working capital to fund current operations. The in crease in the current ratio from fiscal year 2015 to fiscal year 2016 is primarily a result of an increase in current assets of $1.5 million from fiscal year 2015 to fiscal year 2016.

An operating deficit of $11.4 million is the result of the University 's dependence on Federal Pell Grants, gifts and donations and other non-operating revenue, which under the guidelines established by Governmental Accounting Standards Board (GASB) Statements 34 and 35 is shown as non-operating revenues. The University received no state operating appropriations, but received $11.4 million in fee for service contract revenue from the Colorado Department of Higher Education and $2.8 million in College Opportunity Fund stipends from College Assist during fiscal year 2016.

Year Ended June 30, 2015

The University's total net position increased by $6.0 million during fiscal year 2015 compared to a $3.7 million decrease in net position during fiscal year 2014. The increase is primarily a result of increases in State appropriations, capital of $5.3 million and fee for service contracts of $1.0 million, net of an increase in $4.4 million in operating expenses.

The University had a ratio of current assets to current liabilities of 2.1 and 2.3 for fiscal years 2015 and 2014, respective ly. 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 2014 to fiscal year 2015 is primarily a result of the spending of bond proceeds used for capital construction projects in fiscal year 2015.

An operating deficit of $13.2 million is the result of the University's dependence on Federal Pell Grants, gifts and donations and other non-operating revenue, which under the guidelines established by Governmental Accounting Standards Board (GASB) Statements 34 and 35 is shown as non-operating revenues. The University received no state operating appropriations, but received $9.9 million in fee for service contract revenue from the Colorado Department of Higher Education and $2.9 million in College Opportunity Fund stipends from College Assist during fiscal year 2015.

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:

	2016	2015	2014
		(in thousands)	
Assets			
Current Assets	$23,029	$21,560	$20,879
Noncurrent Assets	120,197	124,607	118,282
	143,226	146,167	139,161
Deferred outflows of resources	7,707	4,647	651
Liabilities			
Current Liabilities	10,614	10,404	8,890
Noncurrent Liabilities	114,479	113,291	71,757
	125,093	123,695	80,647
Deferred inflows of resources	1,751	749	-
Net Assets			
Invested in Capital Assets, net of related debt	51,729	54,590	47,583
Restricted	4,470	4,470	4,231
Unrestricted	(32,109)	(32,690)	7,351
	$24,090	$26,370	$59,165

Year ended June 30, 2016

At June 30, 2016 the University's total assets were $143.2 million. The largest asset category is the $119.7 million in capital assets, net of accumulated depreciation of $80.9 million. These assets include land, buildings, equipment, library holdings, and construction in progress. Construction in progress in creased by a net amount of $0.7 million in fiscal year 2016. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In fiscal year 2016, the University's current assets of $23.0 million were sufficient to cover current liabilities of $10.6 million (producing a current ratio of 2.2). Cash and cash equivalents (bank deposits, certificates of deposits, and pooled cash with the State Treasurer) comprised over $18.6 million in assets per the Statement of Net Position. Bonds payable of $68.2 million represent almost 60% of the University's total noncurrent liabilities, while the Net Pension Liability represents 39% of the University's total noncurrent liabilities of $114.5 million. The current portion of the bonds payable liability is $1.9 million.

The University's net position decreased $2.3 million (see the Statement of Revenues, Expenses and Changes in Net Position) to $24.1 million. Net Position is composed of $51.7 million net investment in capital assets, $4.5 million externally restricted for specific purposes, and ($32.1) million unrestricted and available for any lawful purpose of the University.

Year Ended June 30, 2015

At June 30, 2015 the University's total assets were $146.2 million. The largest asset category is the $124.6 million in capital assets, net of accumulated depreciation of $73.9 million. These assets include land, buildings, equipment, library holdings, and construction in progress. Construction in progress decreased by a net amount of $6.7 million in fiscal year 2015. The Richardson Hall Renovation Project increased construction in progress by $11.9 million in fiscal year 2015, was completed in fiscal year 2015 and transferred out of construction in progress in the amount of $18.7 million. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In fiscal year 2015, the University's current assets of $21.6 million were sufficient to cover current liabilities of $10.4 million (producing a current ratio of 2.1). Cash and cash equivalents (bank deposits, certificates of deposits, and pooled cash with the State Treasurer) comprised over $18.9 million in assets per the Statement of Net Position.

Bonds payable of $70.1 million represent over 57% of the University's total noncurrent liabilities, while the Net Pension Liability represents 33% of the University's total noncurrent liabilities of $113.3 million. The current portion of the bonds payable liability is $1.7 million.

The University's net position increased $6.0 million (see the Statement of Revenues, Expenses and Changes in Net Position) to $26.4 million. The increase in net position is mainly attributed to the $13 million of State appropriation, capital. Net Position was restated due to the implementation of GASB 68 and 71, which had the effect of decreasing Net Position by $38,802,228. Net Position is composed of $54.6 million net investment in capital assets, $4.5 million externally restricted for specific purposes, and ($32.7) million unrestricted and available for any lawful purpose of the University.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

Year ended June 30, 2016

Tuition and fee revenues accounted for $19.2 million of the $45 million in operating revenues for fiscal year 2016. The tuition and fee amount is net of scholarship allowances of $12.4 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 2016, totaled $56.4 million. Of that total, $20.2 million was for instruction, $2.9 million for academic support, $5.2 million for student services, $4.3 million for institutional support, $3.3 million for operation of plant and $12.3 million for auxiliary enterprises.

Year Ended June 30, 2015

Tuition and fee revenues accounted for $18.7 million of the $42.8 million in operating revenues for fiscal year 2015. The tuition and fee amount is net of scholarship allowances of $12.1 million. Scholarship allowances are defined as the financial aid awarded to students by the University that is used to pay University charges. The scholarship allowance is recognized as a direct reduction of revenue rather than an increase in financial aid expense. The tuition rate for resident undergraduate full-time tuition increased by 8.6% from fiscal year 2014 to 2015, causing an increase in gross tuition revenue.

Operating expenses, during Fiscal Year 2015, totaled $56.0 million. Of that total, $19.6 million was for instruction, $2.7 million for academic support, $5.2 million for student services, $3.9 million for institutional support, $3.7 million for operation of plant and $13.6 million for auxiliary enterprises.

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

	2016	2015	2014
		(in thousands)	
Operating Revenues			
Tuition and Fees, net	$19,210	$18,714	$18,463
Grants and Contracts	17,982	15,934	13,965
Auxiliary Enterprises	6,893	7,129	7,507
Other	919	981	1,166
Total Operating Revenues	45,004	42,758	41,101
Operating Expenses	56,414	56,022	51,604
Net Operating Income (Loss)	(11,410)	(13,264)	(10,503)
Nonoperating Revenue(Expense)			
Federal Pell Grants	4,637	4,836	5,127
Gifts and Donations	2,187	1,900	1,996
Interest Income	182	142	158
Other Nonoperating	(2,912)	(3,120)	(2,956)
Net Nonoperating Revenue	4,094	3,758	4,325
Income(Loss) Before Other Revenue, Expenses, Gains, or Losses	(7,316)	(9,506)	(6,178)
Student Capital Fees	2,877	2,535	2,187
State Appropriations, Capital	2,203	13,039	7,759
Other	(44)	(61)	(71)
Increase (Decrease) In Net Position	(2,280)	6,007	3,697
Net Assets			
Net Assets-Beginning of Year	26,370	59,165	55,468
Restatement, GASB 68	-	(38,802)	-
Net Assets-Beginning of Year, Restated	26,370	20,363	55,468
Net Assets-End of Year	$24,090	$26,370	$59,165

CAPITAL ASSETS

At June 30, 2016, the University had approximately $119.7 million invested in capital assets, net of accumulated depreciation of $80.9 million. Depreciation charges were $7.2 million for the current year compared to $7.0 million in 2015 and $6.7 million in 2014. Details of these assets for the three years are shown below.

Capital Assets, Net of Depreciation, at Year End

	2016	2015	2014
Land	$445,249	$445,249	$445,249
Land Improvements	6,942,981	7,496,336	8,028,317
Buildings	108,478,464	112,823,482	99,446,630
Construction in Progress	1,010,697	275,341	6,943,428
Equipment	1,961,474	2,153,654	1,955,073
Library Materials	535,671	655,833	662,485
Art and Historic Treasures	317,417	293,091	260,488
Total	$119,691,953	$124,142,986	$117,741,670

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

Upgrade Plachy Pool, State Funds	$976,419
Completion of Richardson Hall Renovation, State Funds	628,672
	$1,605,091

DEBT

On March 12, 2009, the University issued Auxiliary Facilities Revenue Improvement Bonds Series 2009A in the amount of $19.8 million for the purpose of funding various campus improvement projects, including the acquisition, construction, improvement and equipping of a new residence and recreational facility. In 2008, the University's students approved a student capital fee to be used to pay for these bonds.

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

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

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. In 2008, the University's students approved a student capital fee to be used to pay for these 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.

At June 30, 2016, the University had approximately $71.2 million in debt outstanding compared to $73.0 million at June 30, 2015 and $71.9 million at June 30, 2014. The table below summarizes these amounts by type of debt.

	2016	2015	2014
2009A Series Revenue Improvement Bonds	$1,389,880	$1,823,519	$18,926,396
2009B Series Auxiliary Facilities Revenue Bonds	9,235,766	10,175,118	11,069,470
2009C Series Taxable Auxiliary Facilities Revenue Bonds	27,130,904	27,111,508	27,092,112
2012 Series Institutional Enterprise Revenue Bonds	13,212,562	13,406,435	13,500,307
2015 Series Institutional Enterprise Revenue Refunding Bonds	19,095,000	19,280,000	-
Capital Lease	1,152,789	1,223,208	1,289,512
Notes Payable	-	24,698	32,894
	$71,216,901	$73,044,486	$71,910,691

ECONOMIC OUTLOOK

The economic position of the University is closely tied to that of the State. For fiscal years 2016, 2015, and 2014, the University received no operating State appropriations.

In 2004, Governor Owens signed Senate Bill 04-189, which created the Colorado Opportunity Fund. This legislation created a first-in-the-nation funding mechanism for higher education. The bill provides a stipend, calculated on a per-hour credit rate, to undergraduate resident students attending public and qualifying private higher education institutions. In addition, the bill provides higher education institutions the opportunity to become enterprise status under TABOR. Because funding is provided to students through the stipends and to the institutions through fee-for-service arrangements, the bill allows all qualifying public institutions to be designated as "enterprises" if approved by the Legislative Audit Committee. The Legislative Audit Committee approved the designation of the University as an enterprise for fiscal years 2006 through 2016, with the exception of 2009, 2014, and 2015. The University must meet the requirements of a TABOR enterprise on an annual basis.

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

The bill provides a stipend, calculated on a per-hour credit rate, to undergraduate resident students attending public and qualifying private higher education institutions. For fiscal years 2016, 2015, and 2014 the yearly stipends were $2,250, $2,250, and $2,250, respectively, for a full-time public higher education student taking 30 credit hours of classes.

The University has budgeted $2.9 million in College Opportunity Fund stipends for fiscal year 2017. The University received $2.8 million, $2.9 million, and $2.6 million stipends in fiscal years 2016, 2015, and 2014, respectively. In fiscal year 2017, $10.6 million will be billed through a fee for service contract with the Colorado Department of Higher Education (CDHE). The University received $11.3 million, $9.9 million, and $8.9 million in fee for service revenue in fiscal years 2016, 2015, and 2014 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.

Beginning with the Fall 2016 semester, the University will implement a guaranteed tuition program that will ensure students pay a constant tuition rate for four academic years beginning with the fall term in the academic year of the undergraduate student's initial enrollment as an on-campus degree seeking student. The purpose of Guaranteed Tuition is to help make the costs of a college education more predictable for undergraduate students and their families. Guaranteed Tuition protects students and their families from sudden spikes in tuition and enables them to estimate and budget for college expenses more accurately.

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, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 18,640,773**	$ 18,948,128
Student accounts receivable, net	**1,509,372**	1,327,704
Other accounts receivable	**2,142,639**	668,444
Student loans receivable, net	**91,866**	140,749
Inventories	**357,549**	337,342
Prepaid expenses and other assets	**286,468**	137,891
Total current assets	**23,028,667**	21,560,258
Noncurrent Assets		
Restricted cash and cash equivalents	**28,250**	28,250
Student loans receivable, net	**477,107**	435,937
	505,357	464,187
Non-depreciable capital assets:		
Land	**445,249**	445,249
Art and historic treasures	**317,417**	293,091
Construction in progress	**1,010,697**	275,341
Total non-depreciable capital assets	**1,773,363**	1,013,681
Depreciable capital assets, net:		
Buildings	**108,478,464**	112,823,482
Land improvements	**6,942,981**	7,496,336
Furniture & equipment	**1,961,474**	2,153,654
Library books	**535,671**	655,833
Total depreciable capital assets, net	**117,918,590**	123,129,305
Total noncurrent assets	**120,197,310**	124,607,173
Total Assets	**143,225,977**	146,167,431
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized refunding loss	**2,554,317**	2,792,627
Pension contributions made after measurement date	**1,162,911**	1,022,949
Differences between expected and actual pension experience	**642,901**	831,285
Differences between expected and actual pension investments	**3,347,069**	-
Total Deferred Outflows of Resources	**7,707,198**	4,646,861

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

ADAMS STATE UNIVERSITY

STATEMENTS OF NET POSITION

As of June 30, 2016 and 2015

	2016	2015
LIABILITIES		
Current Liabilities		
Accounts payable	**1,332,329**	1,641,751
Accrued liabilities	**5,515,252**	5,461,944
Unearned revenue	**1,285,108**	1,044,749
Deposits held for others	**374,169**	357,349
Bonds payable, current	**1,865,000**	1,705,000
Notes payable, current	**-**	9,551
Capital leases payable, current	**77,920**	70,419
Compensated absences liability	**163,796**	112,856
Total current liabilities	**10,613,574**	10,403,619
Noncurrent Liabilities		
Compensated absences liability	**1,054,478**	1,262,665
Notes payable	**-**	15,147
Capital leases payable	**1,074,869**	1,152,789
Bonds payable	**68,199,112**	70,091,580
Net pension liability	**44,150,199**	40,769,013
Total noncurrent liabilities	**114,478,658**	113,291,194
Total Liabilities	**125,092,232**	123,694,813
DEFERRED INFLOWS OF RESOURCES		
Differences between projected and actual earnings on pension plan	**1,409**	3,021
Differences between proportionate share of pension plan	**1,226,623**	745,808
Differences due to changes in assumptions of pension plan	**522,612**	-
Total Deferred Inflows of Resources	**1,750,644**	748,829
NET POSITION		
Net investment in capital assets	**51,728,596**	54,590,355
Restricted for non-expendable purposes:		
Endowments	**28,250**	28,250
Restricted for expendable purposes:		
Endowments	**33,281**	33,281
Loans	**766,522**	822,097
Other Purposes	**3,642,358**	3,586,782
Total Restricted	**4,470,411**	4,470,410
Unrestricted	**(32,108,708)**	(32,690,115)
Total Net Position	**$ 24,090,299**	$ 26,370,650

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

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash in Bank	$ 329,323	$ 480,061
Pooled Cash - Brokerage Accounts	41,642	23,553
Segregated Cash - Brokerage Accounts	125,657	22,706
Certificates of Deposit	300,000	300,000
Pooled Investments, at Fair Value	11,007,603	10,193,696
Restricted Investments, at Fair Value	6,661,219	6,802,435
Pledges Receivable, net of allowance	36,250	93,833
Inventories	7,240	7,240
TOTAL ASSETS	$ 18,508,934	$ 17,923,524
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 92,301	$ 55,276
TOTAL LIABILITIES	92,301	55,276
NET ASSETS		
Unrestricted:		
Unreserved	1,666,289	2,572,515
Board Designated	622,250	21,250
Total Unrestricted	2,288,539	2,593,765
Temporarily Restricted Net Assets:		
Temporarily Restricted	2,075,429	2,025,532
Total Temporarily Restricted Net Assets	2,075,429	2,025,532
Permanently Restricted Net Assets	14,052,665	13,248,951
TOTAL NET ASSETS	18,416,633	17,868,248
TOTAL LIABILITIES AND NET ASSETS	$ 18,508,934	$ 17,923,524

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, 2016 and 2015

	2016	2015
Operating Revenues:		
Tuition & fees (including $11,286,513 and $10,803,561, respectively of revenues pledged for bonds and net of scholarship allowances of $11,732,137 and $12,079,528, respectively)	**$19,210,454**	$18,714,367
Sales & services of auxiliary enterprises (including $7,224,721 and $7,501,140, respectively of revenues pledged for bonds and net of scholarship allowances of $677,732 and $722,140, respectively)	**6,893,203**	7,129,158
Fee for service contract revenue	**11,365,338**	9,946,663
Federal grants and contracts	**4,367,021**	3,908,584
State grants and contracts	**2,248,935**	2,078,398
Other operating revenues (including $173,971 and $163,401, respectively of revenues pledged for bonds)	**919,165**	980,578
Total Operating Revenues	**45,004,116**	42,757,748
Operating Expenses:		
Instruction	**20,210,422**	19,613,393
Research	**76**	1,124
Public service	**231,698**	150,247
Academic support	**2,940,981**	2,712,394
Student services	**5,242,623**	5,175,642
Institutional support	**4,259,941**	3,888,749
Operation of plant	**3,252,428**	3,656,461
Scholarships and fellowships	**798,027**	254,183
Auxiliary enterprises expenditures	**12,300,799**	13,572,081
Depreciation	**7,176,994**	6,997,811
Total operating expenses	**56,413,989**	56,022,085
Operating Loss	**(11,409,873)**	(13,264,337)
Nonoperating Revenues (Expenses):		
Federal Pell Grants	**4,636,811**	4,835,890
Gifts and Donations	**2,186,663**	1,900,246
Federal Build America Bonds Subsidy	**575,822**	573,547
Investment & interest income (loss) (including $21,209 and $21,101, respectively of revenue pledged for bonds)	**181,686**	141,922
Limited gaming transfer	**21,568**	20,260
Interest on capital debt	**(3,509,751)**	(3,713,815)
Net nonoperating revenue	**4,092,799**	3,758,050
Income (Loss) before other revenues, expenses, gains, losses or transfers	**(7,317,074)**	(9,506,287)
Other Revenues, Expenses, Gains, Losses or Transfers:		
Student capital fees	**2,877,464**	2,534,782
State appropriation, capital	**2,203,440**	13,039,450
Transfers to Other Institutions	**(44,181)**	(60,217)
Increase (Decrease) in Net Position	**(2,280,351)**	6,007,728
Net Position - beginning of the year	**26,370,650**	59,165,150
Restatement GASB 68	**-**	(38,802,228)
Net Position - beginning of the year, restated	**26,370,650**	20,362,922
Net Position - end of the year	**$24,090,299**	$26,370,650

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

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS, BEGINNING OF YEAR	$ 2,593,765	$ 2,025,532	$ 13,248,951	$ 17,868,248
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	186,101	1,409,748	782,973	2,378,822
Donations - Noncash	44,326	-	-	44,326
Investment Income	16,355	640,550	-	656,905
Net Realized Gains (Losses) on long-term investments	73,334	26,320	-	99,654
Net Unrealized Gains (Losses) on long-term investments	(410,807)	(175,334)	-	(586,141)
Subtotal	(90,691)	1,901,284	782,973	2,593,566
Net Assets Released from Restriction	1,754,876	(1,754,876)	-	-
Total from Revenues, Gains, and Other Support	1,664,185	146,408	782,973	2,593,566
EXPENSES AND LOSSES				
Scholarships and Awards	1,063,933	-	-	1,063,933
Program Services	730,270	-	-	730,270
Management and General Activities	219,224	-	-	219,224
Fundraising	21,754	-	-	21,754
Total Expenses and Losses	2,035,181	-	-	2,035,181
Loss on Disposal of Asset	(10,000)	-	-	(10,000)
Transfers:				
Transfers In/(Out)	75,770	(96,511)	20,741	-
Change in Net Assets for the Year	(305,226)	49,897	803,714	548,385
NET ASSETS AT END OF YEAR	$ 2,288,539	$ 2,075,429	$ 14,052,665	$ 18,416,633

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

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS, BEGINNING OF YEAR	$ 2,565,668	$ 1,877,772	$ 12,809,410	$ 17,252,850
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	128,605	1,339,903	409,093	1,877,601
Investment Income	70,507	708,825	-	779,332
Net Realized Gains (Losses) on long-term investments	24,235	(3,103)	-	21,132
Net Unrealized Gains (Losses) on long-term investments	(38,935)	(155,023)	-	(193,958)
Subtotal	184,412	1,890,602	409,093	2,484,107
Net Assets Released from Restriction	1,645,009	(1,645,009)	-	-
Total from Revenues, Gains, and Other Support	1,829,421	245,593	409,093	2,484,107
EXPENSES AND LOSSES				
Scholarships and Awards	945,725	-	-	945,725
Program Services	715,984	-	-	715,984
Management and General Activities	190,409	-	-	190,409
Fundraising	16,591	-	-	16,591
Total Expenses and Losses	1,868,709	-	-	1,868,709
Transfers:				
Transfers In/(Out)	67,385	(97,833)	30,448	-
Change in Net Assets for the Year	28,097	147,760	439,541	615,398
NET ASSETS AT END OF YEAR	$ 2,593,765	$ 2,025,532	$ 13,248,951	$ 17,868,248

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

ADAMS STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

For the Years Ending June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Cash Received:		
Tuition and fees	**$19,410,407**	$18,812,479
Fee for service Contract Revenue	**10,174,038**	9,946,663
Sales of services	**5,840,357**	6,121,725
Sales of products	**846,372**	879,494
Grants and contracts	**6,411,291**	6,117,222
Student loans collected	**184,642**	163,516
Other receipts	**924,583**	1,221,995
Cash Payments:		
Payments to or for employees	**(36,483,391)**	(35,968,255)
Payments to suppliers	**(11,299,508)**	(10,632,872)
Scholarships disbursed	**(798,027)**	(254,183)
Student loans disbursed	**(189,262)**	(124,062)
Net Cash (Used) Provided by Operating Activities	**(4,978,498)**	(3,716,278)
Cash Flows from Noncapital Financing Activities:		
Federal grants and contracts, non-operating	**5,212,633**	5,409,437
Gifts/grants for other than capital purposes	**2,208,231**	1,920,506
Agency receipts	**22,827,842**	21,561,040
Agency payments	**(22,795,283)**	(21,558,647)
Transfers from (to) other institutions	**(44,181)**	(60,217)
Net Cash Provided by Noncapital Financing Activities	**7,409,242**	7,272,119
Cash Flows from Capital & Related Financing Activities:		
State appropriations, capital	**2,049,867**	13,039,450
Proceeds from capital debt	**-**	19,158,755
Student capital fees	**2,857,486**	2,532,179
Acquisition or construction of capital assets	**(2,683,549)**	(13,371,292)
Principal paid on capital debt	**(1,589,275)**	(19,735,288)
Interest paid on capital debt	**(3,554,314)**	(4,189,379)
Net Cash Provided (Used) by Capital & Related Financing Activities	**(2,919,785)**	(2,565,575)
Cash Flows from Investing Activities:		
Investment earnings	**181,686**	143,069
Net Cash Provided (Used) by Investing Activities	**181,686**	143,069
Net Increase (Decrease) in Cash	**(307,355)**	1,133,335
Beginning cash balance	**18,976,378**	17,843,043
Ending cash balance	**$18,669,023**	$18,976,378

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

ADAMS STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

For the Years Ending June 30, 2016 and 2015

	2016	2015
Reconciliation of Operating Loss to Net Cash (used) Provided by Operating Activities		
Operating loss	**($11,409,873)**	($13,264,337)
Adjustments to reconcile:		
Depreciation expense	**7,176,994**	6,997,811
Pension expense	**1,084,354**	861,379
Decrease (increase) in assets:		
Receivables, net	**(1,474,597)**	461,181
Inventories & prepaids	**(168,784)**	69,758
Increase (decrease) in liabilities:		
Accounts payable	**(309,422)**	659,425
Accrued liabilities	**55,458**	334,013
Unearned revenues	**240,359**	82,314
Student deposits	**(15,740)**	6,860
Compensated absences	**(157,247)**	75,318
Net Cash Used by Operating Activities	**($4,978,498)**	($3,716,278)
Noncash Investing, Capital, and Financing Activities:		
State Capital Contributions	**$2,203,440**	$13,039,450
Amortization of capital premium/discount and capital loss	**263,848**	193,019

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized during the years ended June 30, was $44,563 (2016) and $43,587 (2015).

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 deferred revenues.

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

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

- *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 2016, 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.

Reclassifications
Certain reclassifications were made to the fiscal year 2015 financial statements presentation in order to conform to the fiscal year 2016 financial statements presentation.

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

New Accounting Pronouncements
During 2016, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurements and Applications* (GASB No. 72), which enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted techniques.

During 2015, the University adopted the provisions of the following Governmental Accounting Standards Board (GASB) pronouncement:

Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27,* (GASB No. 68) revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The University provides certain of its employees with pension benefits through the State's multiple employer cost-sharing Public Employees' Retirement Association (PERA) defined benefit retirement program.

GASB No. 68 requires cost-sharing employers participating in the PERA program, such as the University, to record their proportionate share, as defined in GASB No. 68, of PERA's unfunded pension liability. The University has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA or the General Assembly. The requirement of GASB No. 68 to record a portion of PERA's unfunded liability negatively impacted the University's beginning June 30, 2015 unrestricted net position. by $38,802,228. The net pension liability as of June 30, is $44,150,199 (2016) and $40,769,013 (2015).

Along with GASB No. 68, the University has implemented GASB No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, by recognizing contributions from the end of the calendar year to the end of the University's fiscal year, January 1 to June 30, as a deferred outflow of resources. The University's beginning net position was increased by $950,673 to reflect PERA contributions between January 1 and June 30, 2014.

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, 2016, the University had $13,660,023 including unrealized gains of $100,554 on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. At year-end, cash on hand and in banks consisted of the following:

Cash on hand	$	7,670
Cash in checking accounts at bank		1,814,282
Certificates of deposits		3,187,048
Total cash	$	5,009,000

The carrying amount of the University's cash on deposit was $5,001,330. The bank balance of these deposits was $5,916,287, of which $1,164,853 was covered by federal depository insurance and $4,751,434 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

At June 30, 2015, the University had $14,374,988 including unrealized gains of $46,771 on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. At year-end, cash on hand and in banks consisted of the following:

Cash on hand	$	7,670
Cash in checking accounts at bank		1,425,555
Certificates of deposits		3,168,165
Total cash	$	4,601,390

The carrying amount of the University's cash on deposit was $4,593,720. The bank balance of these deposits was $5,356,380, of which $1,166,225 was covered by federal depository insurance and $4,190,155 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

The University deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2016, the University had cash on deposit with the State Treasurer of $13,660,023, which represented approximately 0.2 percent of the total $7,408.5 million fair value of deposits in the State Treasurer's Pool (Pool).

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted prices in active markets for identical assets ($230 million) and significant other observable inputs ($7,178.5 million) at the fiscal year end. On the basis of the University's participation in the Pool, the University reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2016, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2016, approximately 83.8 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for $77,761,610 of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2016, the weighted average maturity of investments in the Treasurer's Pool is as follows:

Investment Type	**Weighted Average Maturity**	**Fair Value Amount**	**Percent of Pool**
Asset Backed Securities	2.585	$1,030,324,633	13.9
Corporate Bonds	1.985	1,668,441,771	22.5
U.S. Government Securities	1.343	3,633,084,620	49.0
Commercial Paper	0.094	846,606,464	11.5
Money Market Mutual Funds	0.000	230,000,000	3.1
TOTAL		**$7,408,457,488**	**100.0**

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2015-16.

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, 2016.

ASU Foundation Investments and Concentration of Risk

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

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Common Fund	$ 16,561,103	$ 17,836,123	$ 15,332,201	$ 17,042,389

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

As of June 30, the Foundation had bank deposits in two financial institutions that exceeded insurance coverage by a total of $251,219 (2016) and $428,730 (2015).

NOTE 3 - ACCOUNTS AND LOANS RECEIVABLE

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

	2016	2015
Student Accounts Receivable	$ 2,735,998	$ 2,455,175
Less: Allowance for Doubtful Accounts	(1,226,626)	(1,127,471)
Student Accounts Receivable, net	1,509,372	1,327,704
Other Accounts Receivable		
Fee for Service Contract Revenue*	1,184,586	-
Capital Construction Reimbursement	595,867	-
Other Accounts Receivable	362,186	668,444
Total Other Accounts Receivable	2,142,639	668,444
Student Loans Receivable	882,111	906,416
Less: Allowance for Doubtful Accounts	(313,138)	(329,730)
Student Loans Receivable, Net	568,973	576,686
Total Receivables	$ 4,220,984	$ 2,572,834

*June Colorado fee for service funds received in July.

NOTE 4 - CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciat ion for the year ended June 30, 2016.

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Nondepreciable Capital Assets				
Land	$ 445,249	$ -	$ -	$ 445,249
Art and Historic Treasures	293,091	24,326	-	317,417
Construction in Progress	275,341	2,472,398	1,737,042	1,010,697
Total Nondepreciable Capital Assets	$ 1,013,681	$ 2,496,724	$ 1,737,042	$ 1,773,363
Depreciable Capital Assets				
Land Improvements	$ 13,798,255	$ -	$ -	$ 13,798,255
Buildings and Improvements	172,807,094	1,737,583	-	174,544,677
Equipment	5,327,909	222,781	222,342	5,328,348
Library Materials	5,090,256	13,710	2,582	5,101,384
Total Depreciable Capital Assets	197,023,514	1,974,074	224,924	198,772,664
Less: Accumulated Depreciation				
Land Improvements	6,301,918	553,356	-	6,855,274
Buildings and Improvements	59,983,612	6,082,601	-	66,066,213
Equipment	3,174,256	415,630	223,012	3,366,874
Library Materials	4,434,423	133,872	2,582	4,565,713
Total Accumulated Depreciation	73,894,209	7,185,459	225,594	80,854,074
Net Depreciable Capital Assets	$ 123,129,305	$ (5,211,385)	$ (670)	$ 117,918,590

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2015.

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Nondepreciable Capital Assets				
Land	$ 445,249	$ -	$ -	$ 445,249
Art and Historic Treasures	260,488	32,603	-	293,091
Construction in Progress	6,943,428	12,603,498	19,271,585	275,341
Total Nondepreciable Capital Assets	$ 7,649,165	$ 12,636,101	$ 19,271,585	$ 1,013,681
Depreciable Capital Assets				
Land Improvements	$ 13,773,630	$ 24,625	$ -	$ 13,798,255
Buildings and Improvements	153,560,134	19,246,960	-	172,807,094
Equipment	4,739,792	626,314	38,197	5,327,909
Library Materials	4,968,502	136,402	14,648	5,090,256
Total Depreciable Capital Assets	177,042,058	20,034,301	52,845	197,023,514
Less: Accumulated Depreciation				
Land Improvements	5,745,313	556,605	-	6,301,918
Buildings and Improvements	54,113,504	5,870,108	-	59,983,612
Equipment	2,784,719	428,043	38,506	3,174,256
Library Materials	4,306,017	143,054	14,648	4,434,423
Total Accumulated Depreciation	66,949,553	6,997,810	53,154	73,894,209
Net Depreciable Capital Assets	$ 110,092,505	$ 13,036,491	$ (309)	$ 123,129,305

NOTE 5 - NONCURRENT LIABILITIES

The University's noncurrent liability activity for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Bond and Leases Payable:					
Series 2009A Bonds	$ 1,790,000	$ -	$ 425,000	$ 1,365,000	$ 440,000
Series 2009B Bonds	9,905,000	-	920,000	8,985,000	940,000
Series 2009C Bonds	27,615,000	-	-	27,615,000	-
Series 2012 Bonds	12,900,000	-	175,000	12,725,000	295,000
Series 2015 Bonds	19,280,000	-	185,000	19,095,000	190,000
Unamortized Premium 2009A	33,519	-	8,639	24,880	-
Unamortized Premium 2009B	270,118	-	19,352	250,766	-
Unamortized Premium 2009C	(503,492)	-	(19,396)	(484,096)	-
Unamortized Premium 2012	506,435	-	18,873	487,562	-
Capital Lease Obligation	1,223,208	-	70,419	1,152,789	77,920
Total Bonds and Leases Payable	73,019,788	-	1,802,887	71,216,901	1,942,920
Other Liabilities:					
Compensated Absences	1,375,521	-	157,247	1,218,274	163,796
Other	24,698	-	24,698	-	-
Total Other Liabilities	1,400,219	-	181,945	1,218,274	163,796
Total Long-Term Liabilites	$ 74,420,007	$ -	$ 1,984,832	$ 72,435,175	$ 2,106,716

The University's noncurrent liability activity for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
Bond and Leases Payable:					
Series 2009A Bonds	$ 18,620,000	$ -	$ 16,830,000	$ 1,790,000	$ 425,000
Series 2009B Bonds	10,780,000	-	875,000	9,905,000	920,000
Series 2009C Bonds	27,615,000	-	-	27,615,000	-
Series 2012 Bonds	12,975,000	-	75,000	12,900,000	175,000
Series 2015 Bonds	-	19,330,000	50,000	19,280,000	185,000
Unamortized Premium 2009A	306,396	-	272,877	33,519	-
Unamortized Premium 2009B	289,470	-	19,352	270,118	-
Unamortized Premium 2009C	(522,889)	-	(19,397)	(503,492)	-
Unamortized Premium 2012	525,307	-	18,872	506,435	-
Capital Lease Obligation	1,289,512	-	66,304	1,223,208	70,419
Total Bonds and Leases Payable	71,877,796	19,330,000	18,188,008	73,019,788	1,775,419
Other Liabilities:					
Compensated Absences	1,300,203	75,318	-	1,375,521	112,856
Other	32,894	-	8,196	24,698	9,551
Total Other Liabilities	1,333,097	75,318	8,196	1,400,219	122,407
Total Long-Term Liabilites	$ 73,210,893	$ 19,405,318	$ 18,196,204	$ 74,420,007	$ 1,897,826

NOTE 6 - LEASE OBLIGATIONS

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

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

Year Ending June 30	
2017	$ 127,128
2018	131,815
2019	133,946
2020	136,323
2021	138,936
2022-2026	708,696
2027	75,709
	1,452,553
Less amount representing interest	(229,764)
Principal outstanding	$ 1,222,789

NOTE 7 - BONDS PAYABLE

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

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

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

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

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

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

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

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

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

At June 30, 2016 and 2015, the University was in compliance with all covenants related to all bonds outstanding.

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

The following is a schedule of future minimum bond payments as of June 30, 2016:

	2009A Series	2009B Series	2009C Series	2012 Series	2015 Series	Total
Year Ending June 30,						
2017	$ 494,775	$ 1,302,900	$ 1,767,752	$ 817,645	$ 734,208	$ 5,117,280
2018	489,375	1,305,300	1,767,752	816,745	733,793	5,112,965
2019	496,375	1,306,000	1,767,752	820,745	733,235	5,124,107
2020	-	755,400	2,317,752	821,445	1,232,535	5,127,132
2021	-	755,200	2,308,905	831,845	1,227,443	5,123,393
2022-2026	-	3,783,163	11,366,015	4,094,325	6,137,585	25,381,088
2027-2031	-	2,275,350	12,418,837	4,099,803	6,131,210	24,925,200
2032-2036	-	-	13,767,652	4,177,000	6,127,055	24,071,707
2037-2041	-	-	10,490,410	4,116,800	3,680,070	18,287,280
2042-2046	-	-	-	821,600	-	821,600
Total Bond Payments	1,480,525	11,483,313	57,972,827	21,417,953	26,737,134	119,091,752
Less Interest Included Above	(115,525)	(2,498,313)	(30,357,827)	(8,692,953)	(7,642,134)	(49,306,752)
Total Principal Outstanding	1,365,000	8,985,000	27,615,000	12,725,000	19,095,000	69,785,000
Less Current Portion	(440,000)	(940,000)	-	(295,000)	(190,000)	(1,865,000)
Net Long Term Principal	925,000	8,045,000	27,615,000	12,430,000	18,905,000	67,920,000
Less Unamortized Premium and Discount	24,880	250,766	(484,096)	487,562	-	279,112
Bonds Payable, Net	$ 949,880	$ 8,295,766	$ 27,130,904	$ 12,917,562	$ 18,905,000	$ 68,199,112

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, 2016.

NOTE 9 - ACCRUED PAYROLL

Prior to fiscal year 2003, salaries and wages earned through the end of the fiscal year were paid to employees on June 30. Senate Bill 03-197 requires that monthly salaries for June that were normally paid on June 30 are to be paid on July 1. This created an accrual for June 30, of $2,584,899 (2016) and $2,632,011 (2015), respectively.

NOTE 10 - COMPENSATED ABSENCES

Employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount, which will be paid upon termination. The estimated costs of current compensated absences for which employees are vested for the years ended June 30, are estimated as $163,796 (2016) and $112,856 (2015). The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, are estimated as $1,054,478 (2016) and $1,262,665 (2015). Current expenses include a decrease of $157,247 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 $1,301,919 (2016), $1,285,920 (2015) and $1,197,766 (2014). 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.

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. 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.

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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

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

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

	Fiscal Year 2014		Fiscal Year 2015		Fiscal Year 2016	
	CY13	CY14		CY15		CY16
	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.40%	3.80%	3.80%	4.20%	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	3.00%	3.50%	3.50%	4.00%	4.00%	4.50%
Total Employer Contribution Rate to the SDTF	15.53%	16.43%	16.43%	17.33%	17.33%	18.23%

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from University were $2,160,470 and $2,105,844 for the years ended June 30, 2016 and 2015, respectively.

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

At June 30, 2016, the University reported a liability of $44,150,199 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The University proportion of the net pension liability was based on University contributions to the SDTF for the calendar year 2015 relative to the total contributions of participating employers to the SDTF. At December 31, 2015, the University proportion was 0.42 percent, which was a decrease of 0.01 from its proportion measured as of December 31, 2014.

At June 30, 2015, the University reported a liability of $40,769,013 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The University proportion of the net pension liability was based on University contributions to the SDTF for the calendar year 2014 relative to the total contributions of participating employers to the SDTF. At December 31, 2014, the University proportion was 0.43 percent, which was a decrease of 0.02 from its proportion measured as of December 31, 2013.

For the years ended June 30, 2016 and 2015, the University recognized pension expense of $1,083,494 and $933,656, respectively. At June 30, 2016 and 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Fiscal Year 2016		Fiscal Year 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 642,901	$ 1,409	$ -	$ 3,021
Changes of assumptions or other inputs	-	522,612	-	-
Net difference between projected and actual earnings on pension plan investments	3,347,069	-	831,285	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	1,226,623	-	745,808
Contributions subsequent to the measurment date	1,162,911	N/A	1,022,949	N/A
Total	$ 5,152,881	$ 1,750,644	$ 1,854,234	$ 748,829

The deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, of $1,162,911 and $1,022,949 for Fiscal Years 2016 and 2015, 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, 2016	
2017	$125,396
2018	544,316
2019	888,723
2020	680,901
Thereafter	

PERA actuarial assumptions.
The total pension liability in the December 31, 2014 and 2013 actuarial valuations were determined using the following actuarial assumptions and other inputs:

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

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

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

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

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

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

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

Asset Class	**Target Allocation**	**10 Year Expected Geometric Real Rate of Return**
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
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 7.50%.

Discount rate for Fiscal Year 2016. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.

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

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

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

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

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

Discount rate for Fiscal Year 2015. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and 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. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

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

Sensitivity of 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 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$55,777,571	$44,150,199	$34,424,290

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

Student Retirement Plan
Beginning in fiscal year 1993, in accordance with the provision of Section 24-54.6-101, Colorado Revised Statute (C.R.S.), and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5 percent contribution on the employee's part with no employer contribution. Total current year payroll covered by the plan, for Adams State University was $124,915. Employee contributions were 7.5 percent of covered payroll.

NOTE 12 - OTHER RETIREMENT PLANS

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

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

	Fiscal Year 2014		**Fiscal Year 2015**		**Fiscal Year 2016**	
	CY13	**CY14**		**CY15**		**CY16**
	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.40%	3.80%	3.80%	4.20%	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	3.00%	3.50%	3.50%	4.00%	4.00%	4.50%
Total Employer Contribution Rate to the SDTF	6.40%	7.30%	7.30%	8.20%	8.20%	9.10%

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

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

401(k) Defined Contribution 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.

457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2015, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $18,000. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $6,000 contribution in 2015, for total contributions of $24,000. Contributions and earnings are tax deferred. In calendar year 2014, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2014, for total contributions of $23,000. Contributions and earnings are tax deferred. The number of plan participants at December 31, 2015 and 2014 was 17,814 and 17,738, respectively.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS & LIFE INSURANCE

Health Care Trust Fund

Plan Description – The University contributes to the Health Care Trust Fund ("HCTF"), a cost sharing multiple employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and 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 health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The University is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the University are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015 and 2014, the University contributions to the HCTF were $118,637, $119,128 and $117,784, respectively, equal to their required contributions for each year.

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, 2016, there were 298 actively participating members.

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

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

NOTE 14 - SCHOLARSHIP ALLOWANCES

Tuition, fee and auxiliary revenue and the related scholarship allowances for the year ended June 30, 2016 and 2015, were as follows:

	Tuition & Fees	Auxiliary Revenue	2016 Total	2015 Total
Gross Revenue	$ 30,942,591	$ 7,570,935	$ 38,513,526	$ 38,645,193
Scholarship Allowances:				
Federal	4,578,649	264,496	4,843,145	4,718,780
State	1,570,467	90,721	1,661,188	1,233,965
Private	1,333,768	245,467	1,579,235	1,285,669
Institutional	4,249,253	77,048	4,326,301	5,563,254
Total Allowances	11,732,137	677,732	12,409,869	12,801,668
Net Revenue	$ 19,210,454	$ 6,893,203	$ 26,103,657	$ 25,843,525

NOTE 15 - UNIVERSITY FOUNDATION

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

During the year ended June 30, the University received funds totaling $1,407,730 (2016) and $1,293,313 (2015), from the Foundation for scholarships, work study and grants-in-aid. These funds are appropriately accounted for and reported in the financial statements. In addition, the Foundation has expended funds for the purchase of an insignificant quantity of supplies and other services from the University.

NOTE 16 - RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

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

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

The budget, actual revenue and actual expenses related to the amounts shown in the State of Colorado Long Bill for tuition, academic fees, stipends and fee for service contracts for fiscal year 2016 are as follows:

Budget	$39,296,127
Actual Revenues	35,407,038
Actual Expenses	35,407,038

REQUIRED SUPPLEMENTAL INFORMATION

Pensions

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

Adams State University

Schedule of the University's Proportionate Share of the Net Pension Liability
Colorado PERA Pension Plan
For Fiscal Year Ended June 30,

	2016	2015	2014
University's proportion of the net pension liability	0.419%	0.433%	0.446%
University's proportionate share of the net pension liability	$ 44,150,199	$ 40,769,013	$ 39,752,901
University's covered employee payroll	$ 11,334,672	$ 11,898,898	$ 11,717,998
University's proportionate share of the net pension liability as a percentage of its covered employee payroll	390%	343%	339%
Plan fiduciary net position as a percentage of the total pension liability	56.1%	59.8%	61.1%
PERA State Division Fiduciary Net Position (thousands)	$ 13,460,536	$ 14,013,947	$ 13,980,460
PERA State Division Total Pension Liability (thousands)	$ 23,991,569	$ 23,420,000	$ 22,888,000

Notes to the Required Supplementary Information:
See note 11 in the accompanying notes to the financial statements for changes to assumptions and other inputs used.

Adams State University
Schedule of Contributions
Colorado PERA Pension Plan
For Fiscal Year Ended June 30,

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 2,019,691	$ 2,109,916	$ 1,974,531	$ 1,815,985	$ 1,400,744	$ 1,258,111	$ 1,305,123	$ 1,242,414	$ 1,147,826	$ 1,025,181
Contributions in relation to the contractually required contribution	2,019,691	2,109,916	1,974,531	1,815,985	1,400,744	1,258,111	1,305,123	1,242,414	1,147,826	1,025,181
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
University's covered employee payroll	$ 11,334,672	$ 11,898,898	$ 11,717,998	$ 11,221,830	$ 11,096,675	$ 10,423,854	$ 9,928,171	$ 9,943,293	$ 9,890,487	$ 9,402,305
Contributions as a percentage of covered employee payroll	17.82%	17.73%	16.85%	16.18%	12.62%	12.07%	13.15%	12.49%	11.61%	10.90%

Notes to the Required Supplementary Information:
See note 11 in the accompanying notes to the financial statements
for changes to assumptions and other inputs used.

SUPPLEMENTAL INFORMATION

ADAMS STATE UNIVERSITY

SCHEDULE OF REVENUES AND EXPENSES

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

For the Years Ended June 30, 2016 and 2015

		2016	2015
Revenue			
Tuition revenues		**$ 2,246,484**	$ 2,228,579
Extended Studies tuition and fees		**5,512,057**	5,361,846
Capital fees		**2,877,464**	2,534,783
College service fees		**609,657**	635,362
Traffic control fees		**40,851**	42,990
Rental income		**4,132,710**	4,237,290
Food service income		**2,080,722**	2,240,528
Sales/services auxiliaries		**868,358**	917,465
Interest income		**21,209**	21,102
Other income		**316,902**	269,262
	Total Revenue	**18,706,414**	18,489,207
Expenses			
Salaries & benefits		**5,366,392**	5,410,562
Costs of goods		**720,899**	668,465
Utilities expense		**478,286**	541,864
Rental expense		**196,652**	184,059
Contract food services		**1,281,152**	1,332,160
Travel		**178,018**	156,075
Supplies		**217,998**	194,591
Other operating expenses		**463,910**	453,945
Purchased services-personal		**936,079**	763,561
Financial aid		**605,380**	656,464
Administrative cost allowance		**1,266,423**	1,275,398
Furniture & equipment		**176,924**	85,893
Other capital expenditures		**5,520**	7,950
Other expenses		**275,006**	281,475
	Total Expenses	**12,168,639**	12,012,462
Net Revenue before Transfers		**6,537,775**	6,476,745
Transfers			
Mandatory transfers		**4,079,527**	3,817,538
Nonmandatory transfers		**348,768**	45,708
	Total Transfers	**4,428,295**	3,863,246
	Net Revenue	**$ 2,109,480**	$ 2,613,499
Debt Service Coverage			
Net Operating Revenue		**$ 6,537,775**	$ 6,476,745
Bond Principal and Interest		**4,498,567**	4,433,386
Excess of Net Operating Revenue Over Debt Service		**$ 2,039,208**	$ 2,043,359
Debt Service Coverage Ratio		**145%**	146%

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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 10, 2017. The financial statements of the discretely presented component unit, Adams State University Foundation, were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Auditors' Findings and Recommendations, that we consider to be material weaknesses. (Recommendations No. 1 and 2)

Compliance and Other Matters

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

Adams State University's Responses to the Findings

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

Purpose of this Report

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

January 10, 2017

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, 2016 and 2015. 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 engagement letter dated June 20, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements. As described in Note 1, the University changed accounting policies by adopting Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* during Fiscal Year 2016. Additional disclosures have been included in the notes to the financial statements as required by this standard. In addition, the University adopted Statement No. 68, *Accounting and Financial Reporting for Pensions and amendment of GASB Statement No. 27*, during Fiscal Year 2015. The requirement to record a portion of PERA's unfunded liability negatively impacted the University's beginning net position as of June 30, 2015 by $38,802,228 as reported in the Statement of Revenues, Expenses and changes in Net position. Along with GASB No. 68 the University has implemented GASB No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, by recognizing contributions from the end of the calendar year to the end of the University's fiscal year, January to June, as a deferred outflow of resources. The University's beginning net position was increased by $950,673 to reflect PERA contributions between January 1 and June 30, 2014. 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, deferred outflows of resources, and deferred inflows of resources at June 30, 2016 and 2015, and total pension expense recognized during FY 2016-15 are based upon the University's proportionate share of the collective net pension liability, deferred outflows of resources, and deferred inflows of resources reported by the Public Employee's Retirement Association of Colorado (PERA) at December 31, 2015 and 2014 and the collective pension expense for the years then ended. The University's proportion has been adjusted for pension contributions between PERA's reporting date of December 31, 2015 and 2014 and the University's fiscal year end of June 30, 2016 and 2015.

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Management's estimate of the depreciation expense is based on the estimated useful life of the capital assets being depreciated at June 30, 2016 and 2015. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

The disclosure of the defined benefit pension plan in Note 11 to the financial statements describes the College'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 financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule titled "Audit Adjusting Journal Entries" is a summary of material misstatements detected as a result of audit procedures that were corrected by management.

The attached schedule titled "Passed Audit Adjusting Journal Entries" summarizes uncorrected misstatements of the financial statements. Management has determined their effects to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 10, 2017.

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.
January 10, 2017

Adams State University
Schedule of Audit Adjusting Journal Entries
June 30, 2016

	Debit	Credit
Scholarship expense	$ 1,114,358.30	
Tuition and fees, net of scholarship allowance		$ 915,229.09
Sales and services of auxiliary enterprises, net of scholarship allowance		199,129.21

Entry to correct the net tuition and scholarship expense
on the Statements of Revenue, Expense and Changes
in Net Position per the GASB 34/35 Schedule.

Adams State University
Schedule of Passed Audit Adjusting Journal Entries
June 30, 2016

Scholarship Expense	$ 233,185.94	
Sales and services of auxiliary enterprises, net of scholarship allowance	4,174.45	
Tuition and fees, net of scholarship allowance		$ 237,360.39

Pass on entry to correct the net tuition and scholarship
on the Statements of Revenue, Expense and Changes
in Net Position to the actual amounts per the corrected
GASB 34/35 Schedule.

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION

ADAMS STATE UNIVERSITY
STATE OF COLORADO
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
For the Year Ended June 30, 2016

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, 2016, was directed toward the objectives and criteria set forth in the Colorado handbook for State-Funded Student Assistance Programs, issued by the Colorado Department on Higher Education (CDHE). The state student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2016.

STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS

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

The state-funded student financial assistance awards made by the University were approximately $2,202,782 for the fiscal year ending on June 30, 2016.

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 $4,647,462 in the Pell Grant Program, $145,580 in the Supplemental Educational Opportunity Grant Program, $289,320 in the University Work-Study Program, and $0 in the Perkins Student Loan Program.

During the audit period, Adams State University was authorized to award Colorado student financial aid funds of $1,699,393 in the Colorado Need-based Grant Program, $442,265 in the Colorado Work Study Program, and $61,124 in the Colorado Merit Aid Program.

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

Members of the Legislative Audit Committee:

Report on Financial Statement

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs (the Statement) of Adams State University (the University), an institution of higher education of the State of Colorado, for the year ended June 30, 2016, and the related notes to the Statement.

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 *2015-2016 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education (DHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University; this includes 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 *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.

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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, 2016, in accordance with the format as set forth in the *2015-16 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the DHE, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University described in the notes to the Statement.

Basis of Accounting

As described in the notes to the Statement, the Statement prepared by the University was prepared in accordance with the *2015-2016 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the DHE, 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 Financial 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 accordance 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 also issued our report dated January 10, 2017 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.

Restriction on Use

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

Very truly yours,

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

January 10, 2017

STATE OF COLORADO
ADAMS STATE UNIVERSITY
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS
Year Ended June 30, 2016

	TOTAL STATE-FUNDED STUDENT FINANCIAL ASSISTANCE	COLORADO NEED-BASED GRANT PROGRAM	COLORADO WORK STUDY PROGRAM	COLORADO MERIT AID PROGRAM
APPROPRIATIONS:				
ORIGINAL	$ 2,122,782	$ 1,629,393	$ 432,265	$ 61,124
SUPPLEMENTAL	80,000	70,000	10,000	-
TOTAL	2,202,782	1,699,393	442,265	61,124
EXPENDITURES	(2,202,782)	(1,699,393)	(442,265)	(61,124)
REVERSIONS TO STATE	$ -	$ -	$ -	$ -

ADAMS STATE UNIVERSITY
NOTES TO THE STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS
FOR THE YEAR ENDED JUNE 30, 2016

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.

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