ADAMS STATE UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2017 and 2016

Wall,
Smith,
Bateman Inc.
Certified Public Accountants

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FINANCIAL AND COMPLIANCE AUDIT
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FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

Authority, Purpose and Scope

The audit of Adams State University (University) was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all state agencies and educational institutions. The Fiscal Year 2017 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 2017.

The purposes and scope of the audit were to:

- Perform an audit of the basic financial statements of the University for the years ended June 30, 2017 and 2016, and to express an opinion on the financial statements. This included a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*. This also included the identification and performance of appropriate information technology general control testing of the University's key information technology systems, in accordance with auditing standards. Perform appropriate testing including evaluating the design and operating effectiveness of the key information technology general controls within relevant systems, including any system interfaces, that are critical components of the financial reporting processes and which could significantly impact the financial statements.

- Perform an audit of the University's federal grant programs under the Single Audit Act as amended for the year ended June 30, 2017.

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

- Perform audit work to evaluate the University's progress in implementing prior audit recommendations.

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

The Schedule of Expenditures of Federal Awards for Adams State University and applicable audit opinions are included in the Fiscal Year 2017 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, 2017 and 2016.

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, 2017. The first finding is in regard to the trend of declining financial condition. The second finding is in regard to the accounting controls. A detailed description of the audit comments and recommendations are contained in the findings and recommendations section of the report.

Summary of Progress in Implementing Prior Audit Findings

The audit report for the year ended June 30, 2016 included two findings and recommendations which the University has implemented. The audit report for the year ended June 30, 2015 included one finding in regard to the trend of declining financial condition. A detailed description of the progress on the audit comment and recommendation is contained in the findings and recommendations section of the report.

RECOMMENDATION LOCATOR All recommendations are addressed to the Adams State University Fiscal Year 2017				
Rec. No.	**Page No.**	**Recommendation Summary**	**Agency Response**	**Implementation Date**
1	8	Adams State University should continue to identify opportunities for revenue growth by considering new strategies in its recruitment efforts and by considering alternative avenues of financing. In addition, the University should search for efficiencies in its operations to decrease expenses and to minimize future losses.	Agree	August 2019
2	10	Adams State University should improve the internal controls over financial activities by ensuring that the University's formal policies and procedures over all financial activities are put into practice and the proper segregation of duties is present at the transactional and reconciliation level, and a secondary review is conducted over all transactions and bank reconciliations, by providing adequate training over the effective implementation of policies and procedures, and following the procedures in accordance with the University's Financial Management Manual to assess the collectability of student accounts receivable and adjust the allowance for doubtful accounts based on the assessment.	Agree	February 2018

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:

	2015	2016	2017
Resident Students	1,776.1	1,825.7	1,798.3
Nonresident Students	609.4	657.3	720.6
Total Students	2,385.5	2,483.0	2,518.9
Faculty FTEs	180.4	184.7	181.7
Staff FTEs	139.2	136.1	142.1
Total Staff and Faculty FTEs	319.6	320.8	323.8

TREND OF DECLINING FINANCIAL CONDITION

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 Years 2011 through 2017 averaged 2,400 students, and 316 faculty and staff.

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

The purpose of our audit work was to analyze and identify the University's results of financial operations for Fiscal Year 2017 and financial trends over the last several years. Another purpose of our audit work was to review the University's progress in implementing our Fiscal Year 2015 audit recommendation related to considering strategies for attracting and retaining students to improve enrollment, to reevaluate the University's tuition and pricing policies, and to search for efficiencies in the University's operations to minimize future losses.

We analyzed the University's operating results, based on the audited financial statements, for Fiscal Years 2011 through 2017 as follows:

For Fiscal Year Ended June 30,	Increase/(decrease) in net position	State Appropriation, Capital Contribution	Increase/(decrease) in net position excluding State Appropriation, Capital Contribution	Increase/(decrease) in net position excluding State Appropriation, Capital Contribution and GASB 68 Adjustment
2017	$ (11,459,608)	$ 5,448,671	$ (16,908,279)	$ (4,971,859) **
2016	(2,280,351)	2,203,440	(4,483,791)	(3,400,297) **
2015	6,007,728	13,039,450	(7,031,722)	(6,098,066) **
2014	3,696,942	7,759,043	(4,062,101)	***
2013	(4,958,974)	321,140	(5,280,114)	***
2012	(3,799,589)	17,400	(3,816,989)	***
2011	681,191	16,515	664,676	***

** The decrease in net position includes the GASB No. 68- *Accounting and Financial Reporting for Pensions* adjustment for Fiscal Years 2017, 2016, and 2015 of $11,936,420, $1,083,494, and $933,656, respectively. Due to the significance of the GASB No. 68 adjustment, it is necessary to illustrate the net position without the effect of the adjustment for comparability to the prior years. The details of GASB No. 68 can be found in Note 11 to the financial statements.

*** GASB No. 68 does not apply to these years.

Exhibit A. ADAMS STATE UNIVERSITY'S TRENDS IN ACTUAL NET POSITION FISCAL YEARS 2011 THROUGH 2017

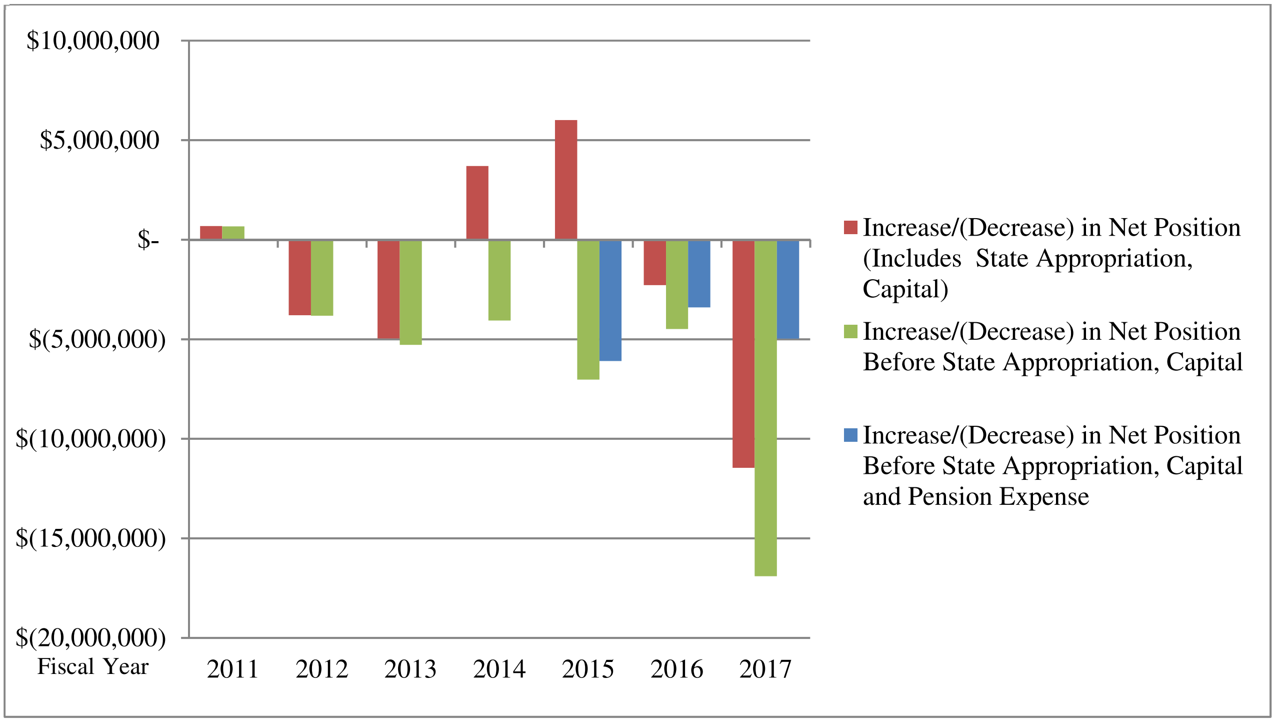
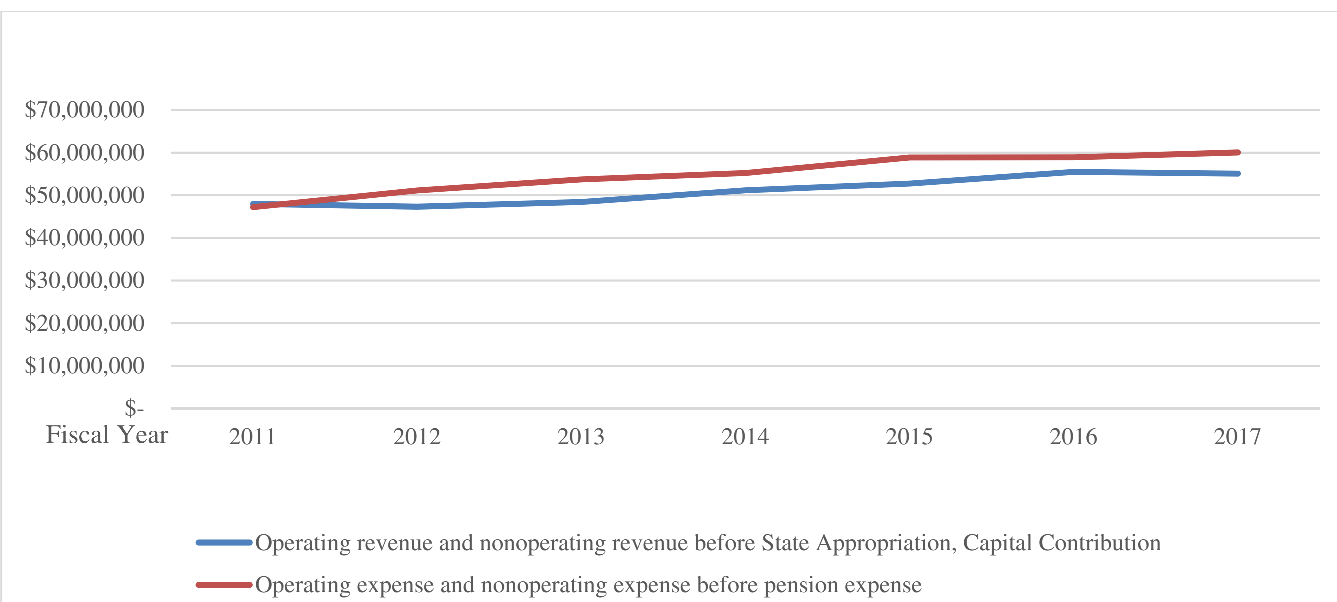


Exhibit B. COMPARISON OF REVENUE AND EXPENSES BEFORE STATE APPROPRIATION, CAPITAL CONTRIBUTIONS AND EXPENSE BEFORE PENSION EXPENSE FISCAL YEARS 2011 THROUGH 2017



Source: Adams State University audited financial statements

How were results of the audit work measured?

The results of the audit work were measured considering sound business practices, which require revenue generated to exceed expenses to build a net position that will sustain the University in the event of a change in the economy, legislation, and funding.

What problem did the audit work identify?

We determined that the University's results of operations have significantly declined from Fiscal Year 2011 to Fiscal Year 2017. Specifically, we noted that, although the University has developed new strategies such as budget reductions, a guaranteed tuition rate to retain students, revamped the student orientation process and restructured debt to improve the financial condition, the trend of financial decline has continued.

Financial trends: Our analysis of the net position for the period Fiscal Years 2011 through 2017 indicate negative trends in the University's financial position. Specifically, as shown in Exhibit A above, a decrease in net position occurred during Fiscal Years 2012, 2013, 2016, and 2017. During Fiscal Years 2014 and 2015, the University's net position increased; however without the appropriation for capital construction the net position would have significantly decreased. Also, as shown in Exhibit B above, the University's expenses have increased at a more rapid pace than its revenue over the last six fiscal years. The trend in the decrease in net position and increase in expenses accelerated during Fiscal Year 2017 due to an $11 million GASB No. 68 pension expense adjustment. However, without taking that adjustment into consideration, the University is still continuing to operate in a loss position.

More specifically, as shown in the table below, the tuition and fees, State of Colorado fee for service, and federal Pell grant revenue has not increased significantly and declined from Fiscal Year 2016 to Fiscal Year 2017.

Fiscal Year Ended	Tuition and Fees	State of Colorado Fee for Service	Federal Pell Revenue	Total
2017	$ 18,439,626	$ 11,545,522	$ 4,633,634	$ 34,618,782
2016	$ 19,210,454	$ 11,365,338	$ 4,636,811	$ 35,212,603
2015	$ 18,714,367	$ 9,946,663	$ 4,835,890	$ 33,496,920
2014	$ 18,463,301	$ 8,940,559	$ 5,126,682	$ 32,530,542
2013	$ 16,902,401	$ 8,375,066	$ 5,284,183	$ 30,561,650
2012	$ 15,523,672	$ 8,394,711	$ 6,215,410	$ 30,133,793
2011	$ 13,713,055	$ 10,262,730	$ 7,156,021	$ 31,131,806

Why did the problem occur?

Although the University has taken steps to consider strategies to improve enrollment, it hasn't fully evaluated recruitment strategies, operational efficiencies, expense reductions, or alternative financing options. Additionally, the University has experienced expenses that have increased at a faster pace than the revenue increases. For example, the University has experienced over $102 million of capital construction projects since 2011, resulting in significant increases in depreciation, interest, and operation of plant expenses. On the other hand, the University has experienced diminishing Colorado fee for service revenue and Federal Pell grant funding. The combination of declining revenue and increasing expenses has caused a negative trend in the University's financial condition.

Why does this problem matter?

If the University's current declining financial trend is not reversed, the University's financial condition will deteriorate and jeopardize the operations of the University.

(Classification of Finding: Other Matter)

This finding applies to prior year audit FY 2015, recommendation no. 1.

Recommendation No. 1:

Adams State University should continue to identify opportunities for revenue growth by considering new strategies in its recruitment efforts and by considering alternative avenues of financing. In addition, the University should search for efficiencies in its operations to decrease expenses and to minimize future losses.

Adams State University's Response:

AGREE. IMPLEMENTATION DATE: AUGUST 2019

Strategies implemented to increase enrollment and retention have not paid off to the extent needed. In August 2017, the Adams State Board of Trustees authorized the administration to prepare a contingency plan to right size the campus. The Board appointed a committee to work with administration to provide guidelines as to how the plan will be created. Criteria by which to evaluate programs have been developed. Administration is working to identify ways to increase operating cash flow using both cost cutting and strategies for additional revenue generation. The goal is to increase cash flow by $1 million a year for the next three years.

Accounting Controls

The University's Accounting Department is responsible for all financial reporting, including the accurate and timely entry and approval of financial transactions in the University's accounting system.

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

The purpose of the audit work was to assess the adequacy and effectiveness of the University's Accounting Department's internal controls over financial activities during Fiscal Year 2017. We reviewed the University's Financial Management Manual (Guide), inquired of accounting department staff as to the existence of internal controls related to cash in bank, accounts receivable, revenue, capital assets, accounts payable, expenses, debt transactions and payroll financial activities. We performed a physical walkthrough of and tested internal controls over cash receipts, cash disbursements, tuition and fee billing, procurement cards, payroll and journal entries.

How were the results of the audit work measured?

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

What problems did the audit work identify?

Our Fiscal Year 2017 audit work identified the following issues:

The University's accounting department lacked appropriate segregation of duty controls, along with inadequate monitoring and review controls over various accounting functions and transactions.

- <u>Journal entries</u> - 15 out of 20 (75 percent) Fiscal Year 2017 journal entries reviewed were created, posted and approved by the same individual. During Fiscal Year 2017, this individual also prepared the bank reconciliations.
- <u>Bank account reconciliations</u> - Bank reconciliations completed during Fiscal Year 2017 were prepared by one individual and were not reviewed by any other staff or supervisor. During the audit, we identified an error in the bank reconciliation between the University's cash in banks and the cash with State Treasurer resulting in an adjusting entry totaling $638,779 to properly state the cash balances in the University's general ledger. Additionally, we identified a second error in the cash with State Treasurer reconciliation which did not take into consideration the prior year unrealized gain, causing the cash with State Treasurer and unrealized interest income accounts to be overstated in the University's general ledger by $100,554. Audit adjustments were proposed to correct the two errors however management determined they were not material to the financial statements and the adjustments were passed. Subsequent to year-end, correcting entries were recorded to correct the University's general ledger.
- <u>Allowance for doubtful accounts</u> –The University's net student accounts receivable balance was overstated by approximately $451,000. Subsequently, we proposed an audit adjustment and the Department recorded the entry to correct the overstatement.

Why did the problem occur?

The University has not ensured that basic internal controls, including documented formal policies and procedures over various financial activities, have been put into practice. Specifically, the University has not adequately trained staff regarding existing policies and procedures in the Guide, including the importance of properly designed controls such as proper segregation of duties at the transaction level and secondary reviews, to ensure staff are aware of their responsibilities and can adequately perform their duties, In addition, the University's accounting staff did not follow the Guide, which requires the accounting staff to review and re-calculate their collectability of students accounts receivable, and prepare a journal entry to record adjustments in bad debt expense and allowance for doubtful accounts.

Why does this problem matter?

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

(Classification of Finding: Material weakness)

This finding does not apply to a prior year recommendation.

Recommendation No. 2:

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

A. Ensuring that the University's formal policies and procedures over all financial activities are put into practice.
B. Ensuring proper segregation of duties is present at the transactional and reconciliation level, and a secondary review is conducted over all transactions and bank reconciliations.
C. Providing adequate training to staff over the effective implementation of policies and procedures.
D. Following the procedures in accordance with the University's Financial Management Manual to assess the collectability of student accounts receivable and adjust the allowance for doubtful accounts based on the assessment.

Adams State University's Response:

A. AGREE. IMPLEMENTATION DATE: FEBRUARY 2018.

Adams State University will improve its internal controls over financial activities by:

A. Focusing on the University's formal policies and procedures and providing the staff training to ensure the policies and procedures over all financial activities are put into practice.
B. Ensuring the appropriate segregation of duties is in place and a secondary review is conducted over all transactions and bank reconciliations. The University's accounting department is staffed with five positions, including the Controller position. The Controller has been with the University for thirteen months as of Fiscal Year Ended 2017. During those thirteen months, the university accounting department experienced position turnover of 80% and 100% of FTE. The significant turnover combined with the limited number of accounting positions resulted in certain positions having to do many duties temporarily and made it difficult to maintain a strong system of internal control. As the accounting department is now staffed, it will be possible to reinstate an appropriate segregation of duties and a secondary review during Fiscal Year 2018.
C. Training accounting department staff over the effective implementation of current policies and procedures.
D. Following the procedures in accordance with the University’s Financial Management Manual to assess the collectability of student accounts receivable and adjust the allowance for doubtful accounts based on the assessment.

Summary of Progress in Implementing Prior Year Audit Recommendation

Fiscal Year 2016

Recommendation No. 1 – 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.

Disposition - Implemented

Recommendation No. 2 – 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 the Exhibit K1 is prepared correctly.

Disposition - Implemented

Fiscal Year 2015

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 also search for efficiencies to minimize future losses.

Disposition–Not implemented. See current year Recommendation No 1.

FINANCIAL STATEMENTS SECTION

INDEPENDENT AUDITORS' REPORT

Wall,
Smith,
Bateman Inc.

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Adams State University (the University), an Institution of Higher Education, State of Colorado, 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, 2017 and 2016, 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, 2017 and 2016, 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.

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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, 2017 and 2016, 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*. 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 16-22 and the Colorado PERA Pension Plan Schedules of the University's Proportionate Share of the Net Pension Liability and Contributions on pages 57 and 58 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 2009B, 2009C, 2012, 2015, 2017A, and 2017B Auxiliary Facilities Revenue Bonds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Pledged Revenues and Expenses for Series 2009B, 2009C, 2012, 2015, 2017A, and 2017B Auxiliary Facilities Revenue Bonds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Pledged Revenues and Expenses for Series 2009B, 2009C, 2012, 2015, 2017A, and 2017B Auxiliary Facilities Revenue Bonds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 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.
November 17, 2017

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, 2017 and 2016, with selected comparative information for the year ended June 30, 2015. 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, 2017

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

The University had a ratio of current assets to current liabilities of 2.4 and 2.2 for fiscal years 2017 and 2016, respectively. This current ratio demonstrates the liquidity of University assets and the relative availability of working capital to fund current operations. The increase in the current ratio from fiscal year 2016 to fiscal year 2017 is primarily a result of an increase in current assets of $2.0 million from fiscal year 2016 to fiscal year 2017.

An operating deficit of $24.4 million is the result of the $11.9 million increase to current year pension expense along with the University's dependence on Federal Pell Grants, gifts and donations and other non-operating revenue, which under the guidelines established by Governmental Accounting Standards Board (GASB) Statements 34 and 35 is shown as non-operating revenues. The University received no state operating appropriations, but received $11.5 million in fee for service contract revenue from the Colorado Department of Higher Education and $2.5 million in College Opportunity Fund stipends from College Assist during fiscal year 2017.

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 an 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 increase 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.

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:

	2017	2016	2015
		(in thousands)	
Assets			
Current Assets	$25,073	$23,029	$21,560
Noncurrent Assets	118,911	120,197	124,607
	143,984	143,226	146,167
Deferred outflows of resources	26,305	7,707	4,647
Liabilities			
Current Liabilities	10,643	10,614	10,404
Noncurrent Liabilities	145,581	114,479	113,291
	156,224	125,093	123,695
Deferred inflows of resources	1,434	1,751	749
Net Position			
Invested in Capital Assets, net of related debt	51,065	51,729	54,590
Restricted	4,470	4,470	4,470
Unrestricted	(42,905)	(32,109)	(32,690)
	$12,630	$24,090	$26,370

Year ended June 30, 2017

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

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

Pension Liability represents 51% of the University's total noncurrent liabilities of $145.6 million. The current portion of the bonds payable liability is $875,000.

The University's net position decreased $11.5 million (see the Statement of Revenues, Expenses and Changes in Net Position) to $12.6 million. The decrease in net position is mainly attributed to the $11.9 million Pension expense associated with actuarial changes made by PERA. Net Position is composed of $51.1 million net investment in capital assets, $4.5 million externally restricted for specific purposes, and ($42.9) million unrestricted and available for any lawful purpose of the University.

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 increased 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.

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, 2017

Tuition and fee revenues accounted for $18.4 million of the $44.0 million in operating revenues for fiscal year 2017. The tuition and fee amount is net of scholarship allowances of $12.9 million. Scholarship allowances are defined as the financial aid awarded to students by the University that is used to pay University charges. The scholarship allowance is recognized as a direct reduction of revenue rather than an increase in financial aid expense.

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

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.

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

	2017	2016	2015
		(in thousands)	
Operating Revenues			
Tuition and Fees, net	$18,440	$19,210	$18,714
Grants and Contracts	19,200	17,982	15,934
Auxiliary Enterprises	5,412	6,893	7,129
Other	933	919	981
Total Operating Revenues	43,985	45,004	42,758
Operating Expenses	68,400	56,414	56,022
Net Operating Income (Loss)	(24,415)	(11,410)	(13,264)
Nonoperating Revenue(Expense)			
Federal Pell Grants	4,634	4,637	4,836
Gifts and Donations	2,247	2,187	1,900
Interest Income	13	182	142
Other Nonoperating	(2,558)	(2,912)	(3,120)
Net Nonoperating Revenue	4,338	4,094	3,758
Income(Loss) Before Other Revenue, Expenses, Gains, or Losses	(20,079)	(7,316)	(9,506)
Student Capital Fees	3,209	2,877	2,535
State Appropriations, Capital	5,449	2,203	13,039
Other	(39)	(44)	(61)
Increase (Decrease) In Net Position	(11,460)	(2,280)	6,007
Net Assets			
Net Assets-Beginning of Year	24,090	26,370	59,165
Restatement, GASB 68	-	-	(38,802)
Net Assets-Beginning of Year, Restated	24,090	26,370	20,363
Net Assets-End of Year	$12,630	$24,090	$26,370

CAPITAL ASSETS

At June 30, 2017, the University had approximately $118.9 million invested in capital assets, net of accumulated depreciation of $87.8 million. Depreciation charges were $7.0 million for the current year compared to $7.2 million in 2016 and $7.0 million in 2015. Details of these assets for the three years are shown below.

Capital Assets, Net of Depreciation, at Year End

	2017	2016	2015
Land	$445,249	$445,249	$445,249
Land Improvements	6,401,638	6,942,981	7,496,336
Buildings	102,565,867	108,478,464	112,823,482
Construction in Progress	6,529,679	1,010,697	275,341
Equipment	1,694,025	1,961,474	2,153,654
Library Materials	518,306	535,671	655,833
Art and Historic Treasures	317,417	317,417	293,091
Total	$118,472,181	$119,691,953	$124,142,986

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.

On May 11, 2017, the University issued Institutional Enterprise Revenue Refunding Bonds Series 2017A and 2017B in the amount of $7,265,000 for the purpose of refunding $7,067,355 of Auxiliary Facilities Revenue Improvement Bonds Series 2009A; Auxiliary Facilities Revenue Bonds, Series 2009B and Institutional Enterprise Revenue Bonds, Series 2012. Proceeds in the amount of $7,348,192 were placed into an irrevocable escrow account and invested in non-callable direct obligations of the United States of America. Principal and interest on the government obligations will be used, together with any cash balance in the escrow account, to pay the regularly scheduled principal and interest on the refunded bonds maturing between May 2028 and May 2043. As a result, the portion of the Series 2009A, 2009B and 2012 Bonds refunded are considered defeased and the liability for those bonds has been removed from the University's Statement of Net Position. Interest rates are fixed at 3.98%. The bonds are collateralized by first lien on and pledge of all net revenues of continuing education and capital construction debt service fee and pledge of all net revenues of the Auxiliary Facilities System. In addition, ten percent of tuition revenues is pledged as collateral.

At June 30, 2017, the University had approximately $70.8 million in debt outstanding compared to $71.2 million at June 30, 2016 and $73.0 million at June 30, 2015. The table below summarizes these amounts by type of debt.

	2017	2016	2015
2009A Series Revenue Improvement Bonds	$ -	$1,389,880	$1,823,519
2009B Series Auxiliary Facilities Revenue Bonds	7,031,602	9,235,766	10,175,118
2009C Series Taxable Auxiliary Facilities Revenue Bonds	27,140,977	27,130,904	27,111,508
2012 Series Institutional Enterprise Revenue Bonds	9,376,306	13,212,562	13,406,435
2015 Series Institutional Enterprise Revenue Refunding Bonds	18,905,000	19,095,000	19,280,000
2017A Series Institutional Enterprise Rev Refunding Bonds	6,131,647	-	-
2017B Series Institutional Enterprise Rev Refunding Bonds	1,127,056	-	-
Capital Lease	1,074,869	1,152,789	1,223,208
Notes Payable	-	-	24,698
	$70,787,457	$71,216,901	$73,044,486

ECONOMIC OUTLOOK

The economic position of the University is closely tied to that of the State. For fiscal years 2017, 2016, and 2015, 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. The University met the criteria for designation as an enterprise in fiscal years 2006 through 2017, with the exception of 2009, 2014, and 2015. The enterprise designation is reviewed at the end of each fiscal year.

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 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 2017, 2016, and 2015 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 $2.8 million in College Opportunity Fund stipends for fiscal year 2018. The University received $2.5 million, $2.8 million, and $2.9 million stipends in fiscal years 2017, 2016, and 2015, respectively. In fiscal year 2018, $11.4 million will be billed through a fee for service contract with the Colorado Department of Higher Education (CDHE). The University received $11.5 million, $11.3 million, and $9.9 million in fee for service revenue in fiscal years 2017, 2016, and 2015 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 in the Fall 2016 semester, the University implemented a guaranteed tuition program in order to 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. Also, this strategy was implemented to attract students to the University.

In response to declining on-campus undergraduate enrollment, in August 2017, our Board of Trustees approved the following: *To authorize the administration of Adams State University to prepare a contingency plan to right-size the campus, in a manner which supports the board's long-term priorities as embodied in the ASU 2020 Plan, and which is complementary with other parallel strategies to ensure ASU's financial stability which may include a reduction in workforce, and directs the administration to communicate openly and deliberately with ASU faculty, administration and students to minimize concerns to this end.*

The Board also appointed a committee to work with administration to provide guidelines as to how the plan will be created. The committee suggested goal for "financial stability" includes increasing our operating cash flows by $3 million over the next three years. We will be using "parallel strategies," which means we will be working to find other revenue streams such as expanding our non-credit programming and increasing enrollment and retention to increase our revenue, as well as decreasing our expenses.

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.

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ADAMS STATE UNIVERSITY

STATEMENTS OF NET POSITION

As of June 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 21,352,287**	$ 18,640,773
Student accounts receivable, net	**1,035,303**	1,509,372
Other accounts receivable	**2,200,293**	2,142,639
Student loans receivable, net	**84,133**	91,866
Inventories	**146,574**	357,549
Prepaid expenses and other assets	**254,652**	286,468
Total current assets	**25,073,242**	23,028,667
Noncurrent Assets		
Restricted cash and cash equivalents	**28,250**	28,250
Student loans receivable, net	**410,327**	477,107
	438,577	505,357
Non-depreciable capital assets:		
Land	**445,249**	445,249
Art and historic treasures	**317,417**	317,417
Construction in progress	**6,529,679**	1,010,697
Total non-depreciable capital assets	**7,292,345**	1,773,363
Depreciable capital assets, net:		
Buildings	**102,565,867**	108,478,464
Land improvements	**6,401,638**	6,942,981
Furniture & equipment	**1,694,025**	1,961,474
Library books	**518,306**	535,671
Total depreciable capital assets, net	**111,179,836**	117,918,590
Total noncurrent assets	**118,910,758**	120,197,310
Total Assets	**143,984,000**	143,225,977
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized refunding loss	**2,976,048**	2,554,317
Pension contributions made after measurement date	**1,142,024**	1,162,911
Differences between expected and actual pension experience	**741,323**	642,901
Differences due to changes in assumptions of pension plan	**18,973,386**	-
Differences between expected and actual pension investments	**2,472,354**	3,347,069
Total Deferred Outflows of Resources	**26,305,135**	7,707,198

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

ADAMS STATE UNIVERSITY
STATEMENTS OF NET POSITION
As of June 30, 2017 and 2016

	2017	2016
LIABILITIES		
Current Liabilities		
Accounts payable	**2,465,245**	1,332,329
Accrued liabilities	**5,533,640**	5,515,252
Unearned revenue	**1,208,627**	1,285,108
Deposits held for others	**316,843**	374,169
Bonds payable, current	**875,000**	1,865,000
Capital leases payable, current	**86,179**	77,920
Compensated absences liability	**157,882**	163,796
Total current liabilities	**10,643,416**	10,613,574
Noncurrent Liabilities		
Compensated absences liability	**1,175,282**	1,054,478
Capital leases payable	**988,690**	1,074,869
Bonds payable	**68,837,588**	68,199,112
Net pension liability	**74,579,030**	44,150,199
Total noncurrent liabilities	**145,580,590**	114,478,658
Total Liabilities	**156,224,006**	125,092,232
DEFERRED INFLOWS OF RESOURCES		
Differences between projected and actual earnings on pension plan	**-**	1,409
Differences due to changes in proportionate share of pension plan	**1,204,880**	1,226,623
Differences due to changes in assumptions of pension plan	**229,558**	522,612
Total Deferred Inflows of Resources	**1,434,438**	1,750,644
NET POSITION		
Net investment in capital assets	**51,065,225**	51,728,596
Restricted for non-expendable purposes:		
Endowments	**28,250**	28,250
Restricted for expendable purposes:		
Endowments	**33,281**	33,281
Loans	**728,857**	766,522
Other Purposes	**3,680,023**	3,642,358
Total Restricted	**4,470,411**	4,470,411
Unrestricted	**(42,904,945)**	(32,108,708)
Total Net Position	**$ 12,630,691**	$ 24,090,299

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

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash in Bank	$ 176,625	$ 329,323
Pooled Cash - Brokerage Accounts	105,776	41,642
Segregated Cash - Brokerage Accounts	27,069	125,657
Certificates of Deposit	300,000	300,000
Pooled Investments, at Fair Value	12,669,461	11,007,603
Restricted Investments, at Fair Value	7,327,485	6,661,219
Pledges Receivable, net of allowance	24,000	36,250
Inventories	7,240	7,240
TOTAL ASSETS	$ 20,637,656	$ 18,508,934
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 41,345	$ 92,301
TOTAL LIABILITIES	41,345	92,301
NET ASSETS		
Unrestricted:		
Unreserved	2,647,429	1,666,289
Board Designated	654,750	622,250
Total Unrestricted	3,302,179	2,288,539
Temporarily Restricted Net Assets:		
Temporarily Restricted	2,063,641	2,075,429
Total Temporarily Restricted Net Assets	2,063,641	2,075,429
Permanently Restricted Net Assets	15,230,491	14,052,665
TOTAL NET ASSETS	20,596,311	18,416,633
TOTAL LIABILITIES AND NET ASSETS	$ 20,637,656	$ 18,508,934

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, 2017 and 2016

	2017	2016
Operating Revenues:		
Tuition & fees (including $10,276,393 - 2017 and $11,286,513-2016, of revenues pledged for bonds and net of scholarship allowances of $12,246,412-2017 and $11,732,137-2016)	**$18,439,626**	$19,210,454
Sales & services of auxiliary enterprises (including $6,141,213-2017 and $7,224,721-2016, of revenues pledged for bonds and net of scholarship allowances of $652,198-2017 and $677,732-2016)	**5,411,662**	6,893,203
Fee for service contract revenue	**11,545,522**	11,365,338
Federal grants and contracts	**5,435,355**	4,367,021
State grants and contracts	**2,219,595**	2,248,935
Other operating revenues (including $237,826-2017 and $173,971-2016 of revenues pledged for bonds)	**933,182**	919,165
Total Operating Revenues	**43,984,942**	45,004,116
Operating Expenses:		
Instruction	**25,462,483**	20,210,422
Research	**941**	76
Public service	**1,119,894**	231,698
Academic support	**3,150,591**	2,940,981
Student services	**6,911,019**	5,242,623
Institutional support	**5,416,541**	4,259,941
Operation of plant	**5,073,635**	3,252,428
Scholarships and fellowships	**818,731**	798,027
Auxiliary enterprises expenditures	**13,473,512**	12,300,799
Depreciation	**6,973,003**	7,176,994
Total operating expenses	**68,400,350**	56,413,989
Operating Loss	**(24,415,408)**	(11,409,873)
Nonoperating Revenues (Expenses):		
Federal Pell Grants	**4,633,634**	4,636,811
Gifts and Donations	**2,246,983**	2,186,663
Federal Build America Bonds Subsidy	**551,828**	575,822
Investment & interest income (loss) (including $18,346-2017 and $21,209 -2016 of revenue pledged for bonds)	**13,143**	181,686
Limited gaming transfer	**24,487**	21,568
Interest on capital debt	**(3,133,775)**	(3,509,751)
Net nonoperating revenue	**4,336,300**	4,092,799
Income (Loss) before other revenues, expenses, gains, losses or transfers	**(20,079,108)**	(7,317,074)
Other Revenues, Expenses, Gains, Losses or Transfers:		
Student capital fees	**3,209,220**	2,877,464
State appropriation, capital	**5,448,671**	2,203,440
Transfers to Other Institutions	**(38,391)**	(44,181)
Increase (Decrease) in Net Position	**(11,459,608)**	(2,280,351)
Net Position - beginning of the year	**24,090,299**	26,370,650
Net Position - end of the year	**$12,630,691**	$24,090,299

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

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

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

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

ADAMS STATE UNIVERSITY 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
STATEMENTS OF CASH FLOWS
For the years ending June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Cash Received:		
Tuition and fees	**$18,775,929**	$19,410,407
Fee for service Contract Revenue	**12,370,318**	10,174,038
Sales of services	**5,452,656**	5,840,357
Sales of products	**12,207**	846,372
Grants and contracts	**7,465,351**	6,411,291
Student loans collected	**134,290**	184,642
Other receipts	**965,756**	924,583
Cash Payments:		
Payments to or for employees	**(36,686,166)**	(36,483,391)
Payments to suppliers	**(10,446,352)**	(11,299,508)
Scholarships disbursed	**(818,731)**	(798,027)
Student loans disbursed	**(94,413)**	(189,262)
Net Cash (Used) Provided by Operating Activities	**(2,869,155)**	(4,978,498)
Cash Flows from Noncapital Financing Activities:		
Federal grants and contracts, non-operating	**5,210,158**	5,212,633
Gifts/grants for other than capital purposes	**2,271,470**	2,208,231
Agency receipts	**23,380,722**	22,827,842
Agency payments	**(23,428,549)**	(22,795,283)
Transfers from (to) other institutions	**(38,391)**	(44,181)
Net Cash Provided by Noncapital Financing Activities	**7,395,410**	7,409,242
Cash Flows from Capital & Related Financing Activities:		
State appropriations, capital	**4,696,675**	2,049,867
Student capital fees	**3,203,099**	2,857,486
Acquisition or construction of capital assets	**(5,714,455)**	(2,683,549)
Principal paid on capital debt	**(851,175)**	(1,589,275)
Interest paid on capital debt	**(3,162,028)**	(3,554,314)
Net Cash Provided (Used) by Capital & Related Financing Activities	**(1,827,884)**	(2,919,785)
Cash Flows from Investing Activities:		
Investment earnings	**13,143**	181,686
Net Cash Provided (Used) by Investing Activities	**13,143**	181,686
Net Increase (Decrease) in Cash	**2,711,514**	(307,355)
Beginning cash balance	**18,669,023**	18,976,378
Ending cash balance	**$21,380,537**	$18,669,023

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

ADAMS STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

For the years ending June 30, 2017 and 2016

	2017	2016
Reconciliation of Operating Loss to Net Cash (used) Provided by Operating Activities		
Operating loss	**($24,415,408)**	($11,409,873)
Adjustments to reconcile:		
Depreciation expense	**6,973,003**	7,176,994
Pension expense	**11,936,420**	1,084,354
Decrease (increase) in assets:		
Receivables, net	**1,224,340**	(1,474,597)
Inventories & prepaids	**242,791**	(168,784)
Increase (decrease) in liabilities:		
Accounts payable	**1,132,916**	(309,422)
Accrued liabilities	**7,864**	55,458
Unearned revenues	**(76,481)**	240,359
Student deposits	**(9,490)**	(15,740)
Compensated absences	**114,890**	(157,247)
Net Cash Used by Operating Activities	**($2,869,155)**	($4,978,498)
Noncash Investing, Capital, and Financing Activities:		
State Capital Contributions	**$5,448,671**	$2,203,440
Amortization of capital premium/discount and capital loss	**83,770**	263,848

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Governance

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

Reporting Entity

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

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

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

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

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

Basis of Accounting

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

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

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

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

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

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

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized during the years ended June 30, was $28,252 (2017) and $44,563 (2016).

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

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

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

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

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

Compensated Absence Liabilities

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

Net Position

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

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

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

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

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

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

Enterprise Designation

Senate Bill 04-189, provides higher education institutions the opportunity to become designated enterprises under Section 20, Article X of the State Constitution (The Taxpayer's Bill of Rights) so long as the governing board of the institution has the authority to issue revenue bonds and the institution receives less than ten percent of its revenue from the State of Colorado and local governments. The Legislative Audit Committee and the Board of Trustees approved the designation of the University as an enterprise in fiscal year 2006. The University met the criteria for designation as an enterprise in fiscal years 2006 through 2017, with the exception of 2009, 2014 and 2015. The enterprise designation is reviewed at the end of each fiscal year to ensure that the criteria are still being met.

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

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.

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, 2017, the University had $15,672,802 including unrealized gains of $(6,872) on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. At year-end, cash on hand and in banks consisted of the following:

Cash on hand	$	5,770
Cash in checking accounts at bank		2,500,618
Certificates of deposits		3,201,347
Total cash	$	5,707,735

The carrying amount of the University's cash on deposit was $5,701,965. The bank balance of these deposits was $5,929,166, of which $1,163,483 was covered by federal depository insurance and $4,765,683 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

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.

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, 2017, the University had cash on deposit with the State Treasurer of $15,672,802, which represented approximately 0.2 percent of the total $6,770.2 million fair value of deposits in the State Treasurer's Pool (Pool).

On the basis of the University's participation in the Pool, the University reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Additional information on investments of the State Treasurer's Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2017.

ASU Foundation Investments and Concentration of Risk

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

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Common Fund	$ 17,299,418	$ 20,129,791	$ 16,561,103	$ 17,836,123

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 $129,888 (2017) and $251,219 (2016).

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:

	2017	2016
Student Accounts Receivable	$ 2,741,714	$ 2,735,998
Less: Allowance for Doubtful Accounts	(1,706,411)	(1,226,626)
Student Accounts Receivable, net	1,035,303	1,509,372
Other Accounts Receivable		
Fee for Service Contract Revenue*	359,788	1,184,586
Capital Construction Reimbursement	905,569	595,867
Other Accounts Receivable	934,936	362,186
Total Other Accounts Receivable	2,200,293	2,142,639
Student Loans Receivable	790,846	882,111
Less: Allowance for Doubtful Accounts	(296,386)	(313,138)
Student Loans Receivable, Net	494,460	568,973
Total Receivables	$ 3,730,056	$ 4,220,984

*June Colorado fee for service funds received in July.

NOTE 4 - CAPITAL ASSETS

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

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

The following presents changes in capital assets and accumulated depreciation 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

NOTE 5 - NONCURRENT LIABILITIES

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

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

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

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	
2018	$ 131,815
2019	133,946
2020	136,323
2021	138,936
2022	137,417
2023-2027	646,989
	1,325,426
Less amount representing interest	(250,557)
Principal outstanding	$ 1,074,869

NOTE 7 - BONDS PAYABLE

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

The Series 2009A Bonds have annual maturities through 2039. The bonds maturing between May 2020 and May 2039 are subject to optional redemption prior to their respective maturities at the option of the Board of Trustees. The bonds maturing between May 2025 thru May 2039 are subject to mandatory sinking fund requirements by lot, on the dates and in the designated principal amounts as specified in the bond resolution, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. Interest rates vary from 2.50% to 5.50% with an average rate of 5.18%. The bonds are collateralized by first lien on and pledge of all net revenues of continuing education and capital construction debt service fee and pledge of all net revenues of the Auxiliary Facilities System. In addition, ten percent of tuition revenues will be pledged as collateral if the University is designated as an institutional enterprise under Section 23-5-101.7, Colorado Revised Statutes, as amended. See Series 2017A and 2017B Bonds for additional information.

Series 2009B and 2009C Bonds
On December 15, 2009, the University issued Auxiliary Facilities Revenue Bonds Series 2009B in the amount of $12,760,000 for the purpose of refunding $9,380,000 of Series 2004A Enterprise Revenue Bonds and to obtain additional funds in the amount of $2,621,740 for improvement projects. 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.

Series 2017A and 2017B Bonds
On May 11, 2017, the University issued Institutional Enterprise Revenue Refunding Bonds Series 2017A and 2017B in the amount of $7,265,000 for the purpose of refunding $7,067,355 of Auxiliary Facilities Revenue Improvement Bonds, Series 2009A, Auxiliary Facilities Revenue Bonds, Series 2009B and Institutional Enterprise Revenue Bonds, Series 2012. Proceeds in the amount of $7,348,192 were placed into an irrevocable escrow account and invested in non-callable direct obligations of the United States of America. Principal and interest on the government obligations will be used, together with any cash balance in the escrow account, to pay the regularly scheduled principal and interest on the refunded bonds maturing between May 2028 and May 2043. As a result, the portion of the Series 2009A, 2009B and 2012 Bonds refunded are considered defeased and the liability for those bonds has been removed from the University's Statement of Net Position. Interest rates are fixed at 3.98%. The bonds are collateralized by first lien on and pledge of all net revenues of continuing education and capital construction debt service fee and pledge of all net revenues of the Auxiliary Facilities System. In addition, ten percent of tuition revenues will be pledged as collateral if the University is designated as an institutional enterprise under Section 23-5-101.7, Colorado Revised Statutes, as amended.

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

At June 30, 2017 and 2016, 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, 2017:

	2009B Series	2009C Series	2012 Series	2015 Series	2017A Series	2017B Series	Total
Year Ending June 30,							
2018	$ 659,900	$ 1,767,752	$ 654,550	$ 733,793	$ 241,099	$ 51,870	$ 4,108,964
2019	671,600	1,767,752	658,550	733,235	238,450	51,300	4,120,887
2020	755,400	2,317,752	659,250	1,232,535	238,450	51,300	5,254,687
2021	755,200	2,308,905	669,650	1,227,443	238,450	51,300	5,250,948
2022	756,825	2,298,153	656,050	1,226,923	238,450	51,300	5,227,701
2023-2027	3,785,163	11,298,492	3,285,963	6,135,865	1,192,250	396,500	26,094,233
2028-2032	1,516,525	13,021,376	1,202,500	6,132,818	2,812,250	1,004,675	25,690,144
2033-2037	-	13,562,117	3,001,000	6,129,425	1,586,101	209,525	24,488,168
2038-2042	-	7,862,776	4,099,400	2,450,890	3,205,600	-	17,618,666
2043-2047	-	-	-	-	972,400	-	972,400
Total Bond Payments	8,900,613	56,205,075	14,886,913	26,002,927	10,963,500	1,867,770	118,826,798
Less Interest Included Above	(2,065,613)	(28,590,075)	(5,841,913)	(7,097,927)	(4,838,500)	(727,770)	(49,161,798)
Total Principal Outstanding	6,835,000	27,615,000	9,045,000	18,905,000	6,125,000	1,140,000	69,665,000
Less Current Portion	(380,000)	-	(300,000)	(195,000)	-	-	(875,000)
Net Long Term Principal	6,455,000	27,615,000	8,745,000	18,710,000	6,125,000	1,140,000	68,790,000
Less Unamortized Premium and Discount	196,602	(474,023)	331,306	-	6,647	(12,944)	47,588
Bonds Payable, Net	$ 6,651,602	$ 27,140,977	$ 9,076,306	$ 18,710,000	$ 6,131,647	$ 1,127,056	$ 68,837,588

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, 2017.

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 $2,543,096 (2017) and $2,584,899 (2016), 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 $157,882 (2017) and $163,796 (2016). The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, are estimated as $1,175,282 (2017) and $1,054,478 (2016). Current expenses include a decrease of $114,890 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 $1,298,331 (2017), $1,301,919 (2016) and $1,285,920 (2015). 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 2015		Fiscal Year 2016		Fiscal Year 2017	
	CY14	CY15		CY16		CY17
	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	7-1-16 to 12-31-16	1-1-17 to 6-30-17
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	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate to the SDTF	16.43%	17.33%	17.33%	18.23%	18.23%	19.13%

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from University were $2,185,232 and $2,160,470 for the years ended June 30, 2017 and 2016, respectively.

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

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

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.

For the years ended June 30, 2017 and 2016, the University recognized pension expense of $11,936,420 and $1,083,494, respectively. At June 30, 2017 and 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Fiscal Year 2017		Fiscal Year 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 741,323	$ -	$ 642,901	$ 1,409
Changes of assumptions or other inputs	18,973,386	229,558	-	522,612
Net difference between projected and actual earnings on pension plan investments	2,472,354	-	3,347,069	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	1,204,880	-	1,226,623
Contributions subsequent to the measurment date	1,142,024	N/A	1,162,911	N/A
Total	$ 23,329,087	$ 1,434,438	$ 5,152,881	$ 1,750,644

The deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, of $1,142,024 and $1,162,911 for Fiscal Years 2017 and 2016, 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, 2017	
2018	$11,064,129
2019	8,976,727
2020	685,596
2021	26,173
Thereafter	-

PERA actuarial assumptions.
Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, 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
Discount rate	7.50 percent
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

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 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 used in the December 31, 2015 valuation 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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation 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.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

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

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

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

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

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.

- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.

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

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

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

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

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

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

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2039 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2039 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2039 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

Sensitivity of the University proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 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 (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	$92,370,745	$74,579,030	$59,961,767

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

NOTE 12 - OTHER RETIREMENT PLANS

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

Funding Policy – All participating employees in the PERA DC Plan, 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 2015		**Fiscal Year 2016**		**Fiscal Year 2017**	
	CY14	**CY15**		**CY16**		**CY17**
	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	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate to the SDTF	7.30%	8.20%	8.20%	9.10%	9.10%	10.00%

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed $13,060,000 and the State of Colorado recognized pension contributions of $10,382,000 for the PERA DC Plan.

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, 2016 and 2015 was 17,921 and 17,814, respectively.

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 $125,249. Employee contributions were 7.5 percent of covered payroll.

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, 2017, 2016 and 2015, the University contributions to the HCTF were $122,623, $118,637 and $119,128, 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, 2017, there were 284 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, 2017 and 2016, were as follows:

	Tuition & Fees	Auxiliary Revenue	2017 Total	2016 Total
Gross Revenue	$ 30,686,038	$ 6,063,860	$ 36,749,898	$ 38,513,526
Scholarship Allowances:				
Federal	4,919,081	261,972	5,181,053	4,843,145
State	1,674,930	89,200	1,764,130	1,661,188
Private	1,485,980	79,138	1,565,118	1,579,235
Institutional	4,166,421	221,888	4,388,309	4,326,301
Total Allowances	12,246,412	652,198	12,898,610	12,409,869
Net Revenue	$ 18,439,626	$ 5,411,662	$ 23,851,288	$ 26,103,657

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 $1,514,078 (2017) and $1,407,730 (2016), 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 2017 are as follows:

Budget	$35,248,591
Actual Revenues	35,248,591
Actual Expenses	35,248,591

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,

	2017	2016	2015	2014
University's proportion of the net pension liability	0.406%	0.419%	0.433%	0.446%
University's proportionate share of the net pension liability	$ 74,579,030	$ 44,150,199	$ 40,769,013	$ 39,752,901
University's covered payroll	$ 11,872,697	$ 11,334,672	$ 11,898,898	$ 11,717,998
University's proportionate share of the net pension liability as a percentage of its covered payroll	628%	390%	343%	339%
Plan fiduciary net position as a percentage of the total pension liability	42.6%	56.1%	59.8%	61.1%
PERA State Division Fiduciary Net Position (thousands)	$ 13,626,180	$ 13,460,536	$ 14,013,947	$ 13,980,460
PERA State Division Total Pension Liability (thousands)	$ 31,994,311	$ 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,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 2,185,232	$ 2,019,691	$ 2,109,916	$ 1,974,531	$ 1,815,985	$ 1,400,744	$ 1,258,111	$ 1,305,123	$ 1,242,414	$ 1,147,826
Contributions in relation to the contractually required contribution	2,185,232	2,019,691	2,109,916	1,974,531	1,815,985	1,400,744	1,258,111	1,305,123	1,242,414	1,147,826
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
University's covered payroll	$ 11,872,697	$ 11,334,672	$ 11,898,898	$ 11,717,998	$ 11,221,830	$ 11,096,675	$ 10,423,854	$ 9,928,171	$ 9,943,293	$ 9,890,487
Contributions as a percentage of covered payroll	18.41%	17.82%	17.73%	16.85%	16.18%	12.62%	12.07%	13.15%	12.49%	11.61%

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

For the years ended June 30, 2017 and 2016

		2017	2016
Revenue			
Tuition revenues		**$ 2,370,307**	$ 2,246,484
Extended Studies tuition and fees		**4,065,702**	5,512,057
Capital fees		**3,209,220**	2,877,464
College service fees		**591,835**	609,657
Traffic control fees		**39,329**	40,851
Rental income		**4,001,412**	4,132,710
Food service income		**1,999,754**	2,080,722
Sales/services auxiliaries		**30,525**	868,358
Interest income		**18,346**	21,209
Other income		**347,348**	316,902
	Total Revenue	**16,673,778**	18,706,414
Expenses			
Salaries & benefits		**5,627,328**	5,366,392
Costs of goods		**80,156**	720,899
Utilities expense		**534,179**	478,286
Rental expense		**145,794**	196,652
Contract food services		**1,268,984**	1,281,152
Travel		**129,286**	178,018
Supplies		**266,812**	217,998
Other operating expenses		**350,897**	463,910
Purchased services-personal		**647,938**	936,079
Financial aid		**525,902**	605,380
Administrative cost allowance		**1,303,780**	1,266,423
Furniture & equipment		**74,114**	
Other capital expenditures		**0**	5,520
Other expenses		**230,861**	275,006
	Total Expenses	**11,186,031**	12,168,639
Net Revenue before Transfers		**5,487,747**	6,537,775
Transfers			
Mandatory transfers		**4,508,667**	4,079,527
Nonmandatory transfers		**142,476**	348,768
	Total Transfers	**4,651,143**	4,428,295
	Net Revenue	**$ 836,604**	$ 2,109,480
Debt Service Coverage			
Net Operating Revenue		**$ 5,487,747**	$ 6,537,775
Bond Principal and Interest		**4,108,964**	4,498,567
Excess of Net Operating Revenue Over Debt Service		**$ 1,378,783**	$ 2,039,208
Debt Service Coverage Ratio		**134%**	145%

Wall, Smith, Bateman Inc.

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

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the major fund of Adams State University (the University), an Institution of Higher Education, State of Colorado, the Adams State University Foundation, a discretely presented component unit, discussed in Note 1 of the financial statements, which represents 100 percent of the total assets, total revenues, and total net assets of the aggregate discretely presented component unit, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 17, 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 a material weakness. (Recommendation No. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Auditors' Findings and Recommendations. (Recommendation No. 1)

Adams State University's Responses to the Findings

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

Purpose of this Report

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 17, 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, 2017 and 2016. 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, 2017. 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. 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, 2017 and 2016, and total pension expense recognized during FY 2017-16 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, 2016 and 2015 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, 2016 and 2015 and the University's fiscal year end of June 30, 2017 and 2016.
>
> Management's estimate of the depreciation expense is based on the estimated useful life of the capital assets being depreciated at June 30, 2017 and 2016. 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

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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 November 17, 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.
November 17, 2017

Adams State University
Schedule of Audit Adjusting Journal Entries
June 30, 2017

	Debit	Credit
Bad Debt Expense	$ 451,371.00	
A/R Allowance for Doubtful Accounts		$ 451,371.00

Entry to correct the A/R allowance for doubtful accounts account balance.

Adams State University
Schedule of Passed Audit Adjusting Journal Entries
June 30, 2017

	Debit	Credit
Unamortized bond premium/discount		$ 181,498.53
Unamortized refunding gain/loss	$ 3,723.01	
Refunding gain/loss amortization	$ 198,377.83	
Bond premium/discount amortization		$ 20,602.31

Pass on entry to correct the amortization expense on the refunding gain/loss and the bond premium/discount as well as the unamortized bond premium/discount.

	Debit	Credit
Unrealized Interest Income	$ 100,553.85	
Cash State Treasurer		$ 100,553.85

Pass on entry to correctly state the unrealized loss and cash with State Treasurer.

	Debit	Credit
ES Instructor Fees Payable	$ 55,014.00	
Salaries - Outreach Faculty		$ 55,014.00

Pass on entry to correctly state the fees payable account balance.

	Debit	Credit
Cash in Banks	$ 638,779.00	
Cash with State Treasurer		$ 638,779.00

Pass on entry to correct the University's general ledger as there is no effect to the FY 2017 financial statements.