

# **ADAMS STATE UNIVERSITY**

**FINANCIAL AND COMPLIANCE AUDIT  
Fiscal Years Ended June 30, 2021 and 2020**



**Wall,  
Smith,  
Bateman Inc.  
Certified Public Accountants**

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Wall,  
Smith,  
Bateman Inc.

The Members of the Legislative Audit Committee  
Adams State University Board of Trustees

We have completed the financial statement audit of Adams State University as of and for the year ended June 30, 2021. Our audit was conducted 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.

We were engaged to conduct our audit pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions and agencies of state government. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

January 11, 2022

Certified Public Accountants

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**ADAMS STATE UNIVERSITY**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**REPORT SUMMARY**  
**Fiscal Years Ended June 30, 2021 and 2020**

### **Authority, Purpose and Scope**

The audit of Adams State University (the University) was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all state agencies and educational institutions. The Fiscal Year 2021 audit was conducted under contract with Wall, Smith, Bateman Inc. The audit was conducted in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Audit work was performed during May through November 2021.

The purposes and scope of the audit were to:

- Perform an audit of the basic financial statements of the University for the year ended June 30, 2021, including a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*. This included the identification of the University's key information technology systems, and determination of the extent of testing to be performed on those systems, in accordance with auditing standards.
- Perform an audit of the University's federal grant programs under the federal Single Audit Act for the year ended June 30, 2021, as applicable.
- Review the University's compliance with state and federal laws and regulations, State Fiscal Rules, and bond covenants that could have a material effect on the University's financial statements.
- Perform audit work to evaluate the University's progress in implementing prior audit recommendations.
- Review exhibits required by the State Controller in support of the statewide financial statements. Also, review of all adjusting entries, posted or not, after the Colorado Operations Resource Engine's (CORE's) final year-end closing.
- Submit attestation memos to the Office of the State Auditor on the results of audit work performed.
- Report on the University's internal control over financial reporting and compliance and other matters based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.

The Schedule of Expenditures of Federal Awards for Adams State University and applicable audit opinions are included in the Fiscal Year 2021 Statewide Single Audit Report issued by the Office of the State Auditor under a separate cover.

**ADAMS STATE UNIVERSITY**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**REPORT SUMMARY**  
**Fiscal Years Ended June 30, 2021 and 2020**

**Audit Results**

Wall, Smith, Bateman Inc. expressed an unmodified opinion on the financial statements for the years ending June 30, 2021 and 2020.

**Required Auditor Communications to the Legislative Audit Committee**

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

**Summary of Findings and Recommendations**

There is one finding and recommendation resulting from the audit work completed for fiscal year ended June 30, 2021, relating to the appropriate program allocation of pension expense and the timeliness and accuracy of exhibit submission to the Office of the State Controller. A detailed description of the audit comment is contained in the findings and recommendations section of the report.

**Summary of Progress in Implementing Prior Audit Findings**

The audit report for the year ended June 30, 2020 included one finding and recommendation. The finding has been partially implemented. A detailed description of the progress on the audit comments and recommendations are contained in the findings and recommendations section of the report.

## **RECOMMENDATION LOCATOR**

**All recommendations are addressed to the Adams State University Fiscal Year 2021**

<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Response</b>	<b>Implementation Date</b>
2021-001	7	Adams State University (University) should continue to improve its internal controls over financial activities by ensuring adequate review of the Governmental Accounting Standards Board Statement No. 68 pension expense allocation computation and by identifying and implementing back-up responsibilities and training staff for those responsibilities to ensure the University submits complete and accurate financial statements and related exhibits in accordance with the timelines established by the Office of the State Controller's Fiscal Procedures Manual.	Agree	June 2022

## 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:

	2019	2020	2021
Resident Students	1,553.9	1,482.0	1,519.3
Nonresident Students	715.0	778.8	821.7
Total Students	<u>2,268.9</u>	<u>2,260.8</u>	<u>2,341.0</u>
Faculty FTEs	168.8	174.1	194.6
Staff FTEs	142.5	140.1	131.6
Total Staff and Faculty FTEs	<u>311.3</u>	<u>314.2</u>	<u>326.2</u>

**ADAMS STATE UNIVERSITY**  
**AUDITORS' FINDINGS AND RECOMMENDATIONS**  
**Fiscal year Ended June 30, 2021**

## **Accounting Reconciliation and Reporting Controls**

Adams State University's accounting department is responsible for all of the University's financial accounting and reporting, including the accurate entry and approval of financial transactions in the University's accounting system and preparation of its financial statements. The University's accounting department is also responsible for the timely submission of accurate fiscal year-end accounting information through exhibits to the Office of the State Controller (OSC) for inclusion in the State's financial statements. Annually, the OSC provides instructions on financial reporting and exhibits through its *Fiscal Procedures Manual* (Manual) and also provides due dates for exhibit submission in the OSC's open/close calendar.

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

The purpose of the audit work was to assess the adequacy and effectiveness of the University's internal controls over accounting and reporting activities, and to determine whether the University complied with applicable accounting standards during Fiscal Year 2021. In addition, we reviewed the University's progress in implementing our Fiscal Year 2020 audit recommendation related to improving accounting controls. At that time, we specifically recommended that the University continue to improve its internal controls over financial activities by enhancing its fiscal year-end reconciliation and exhibit preparation procedures and ensuring that effective overall supervisory reviews and approvals are in place.

As part of our audit testing, we reviewed the University's accounting entries that staff made to record their proportionate share of the collective pension amounts of the State Division Trust Fund of the Colorado Public Employee's Retirement Association at June 30, 2021. Additionally, we reviewed the University's exhibits and related supporting documentation that were prepared and submitted to the OSC for Fiscal Year 2021 in order to determine whether the University staff prepared this information accurately in accordance with the OSC's Manual and submitted the exhibits by the OSC's due dates.

### **How were the results of the audit work measured?**

We measured our audit work against the following criteria:

- Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The University is required to allocate and report pension expenses in accordance with the GASB requirements.
- State Fiscal Rule 1-2, *Internal Controls*, Rule 3.5, requires that institutions of higher education shall "implement internal accounting and administrative controls that reasonably ensure that financial transactions are accurate, reliable, conform to the Fiscal Rules, and reflect the underlying realities of the accounting transaction (substance rather than form)."

**ADAMS STATE UNIVERSITY**  
**AUDITORS' FINDINGS AND RECOMMENDATIONS**  
**Fiscal year Ended June 30, 2021**

- The OSC's Manual describes higher education institutions financial statement requirements in Chapter 3: Section 5- Financial Statements. Specifically, institutions must provide a draft of their financial statements to the OSC by September 15, 2021, the date specified in the open/close calendar, with their Exhibit J- *Financial Statement Reconciliation*, submission. The Exhibit J is used to reconcile the institution's account balances contained in Colorado Operations Resource Engine (CORE), the State's accounting system, to the institution's financial statements.
- The OSC's Manual contains specific instructions for completing exhibits and the open/close calendar specifies the due dates for each exhibit. Specifically:
  - Exhibit K1, *Schedule of Federal Assistance*, is used to report federal expenditure information to the OSC to aid the OSC in preparing the State's *Schedule of Expenditures of Federal Awards* (SEFA) and was due on October 1, 2021.
  - Exhibit V2, *Proprietary Fund Noncash Transactions*, provide information on noncash transactions of funds using proprietary fund-type accounting and was due on August 24, 2021.

**What problems did the audit work identify?**

Overall, we determined that the University had not fully implemented our Fiscal Year 2020 audit recommendation. Our Fiscal Year 2021 audit work determined that the University made progress in the implementation of supervisory review controls and approval procedures related to year-end financial activity during Fiscal Year 2021. However, we determined that the additional controls were ineffective in preventing and/or identifying and correcting a year-end GASB Statement No. 68 expense allocation error. Further, the additional internal controls did not ensure the accurate and timely submission of exhibits to the OSC.

We specifically identified the following issues:

- The GASB Statement No. 68 pension expenses amounting to \$1.18 million were not accurately allocated to the various operating expense categories in the University's financial statements in accordance with GASB requirements.
- The University's Exhibit J, *Financial Statement Reconciliation*, was not submitted to the OSC until October 21, 2021, or 36 days after the due date of September 15, 2021.
- The University's Exhibit K1, *Schedule of Federal Assistance*, inappropriately excluded \$9.1 million of the University's Coronavirus Aid, Relief, and Economic Security (CARES) Act federal expenditures and overstated the COVID Institutional Aid program expenditures by nearly \$1.7 million. In addition, the exhibit was not submitted to the OSC until October 12, 2021, or 11 days after the due date of October 1, 2021.
- The University's Exhibit V2, *Proprietary Fund Noncash Transactions*, incorrectly included \$2.1 million in unrealized gain/loss on investments that was attributed to the cash with State Treasury and did not require reporting.

**ADAMS STATE UNIVERSITY**  
**AUDITORS' FINDINGS AND RECOMMENDATIONS**  
**Fiscal year Ended June 30, 2021**

After we brought the errors to University staff's attention, staff corrected the University's financial statements and submitted a corrected Exhibit K1 to the OSC on October 28, 2021 and a corrected Exhibit V2 to the OSC on November 18, 2021.

**Why did these problems occur?**

While the University made progress in implementing supervisory reviews and contracted with independent, experienced accountants to review the exhibits and financial statements during Fiscal Year 2021, it failed to detect an error in the GASB 68 expense allocation. In addition, the University accounting department lacked backup responsibilities in cases of employee turnover to ensure continuity of effective internal control systems. Specifically, turnover in the Controller position and the Assistant Controller position within the accounting department required employees without proper training to complete the financial statement and exhibit submission process. These employees were not aware of timelines established in the OSC's Manual to prepare accurate and complete financial statements and exhibits.

**Why do these problems matter?**

Without adequate controls in place over financial activities, the University cannot ensure the accurate and timely completion of its reported financial information and, ultimately, the State's financial statements.

(Classification of Finding: Material Weakness)

This finding applies to prior year recommendation No. 1.

**Recommendation No. 1:**

Adams State University (University) should continue to improve its internal controls over financial activities by ensuring adequate review of the Governmental Accounting Standards Board Statement No. 68 pension expense allocation computation and identifying and implementing back-up responsibilities and training staff for those responsibilities to ensure the University submits complete and accurate financial statements and related exhibits in accordance with the timelines established by the Office of the State Controller's Fiscal Procedures Manual.

**ADAMS STATE UNIVERSITY**  
**AUDITORS' FINDINGS AND RECOMMENDATIONS**  
**Fiscal year Ended June 30, 2021**

**Adams State University's Response:**

Agree. Implementation date: June 2022

We have upgraded an accounting position to an Assistant Controller level to give more stability to higher level accounting functions such as financial statements and exhibits. Turnover in both the Controller Position and the Assistant Controller position has prevented us from having both positions filled as planned. We have had a vacancy in at least one of the positions since May 2021, and have been actively advertising and working to recruit applicants. However, we still have not filled the Assistant Controller position to date. We will continue to contract with experienced accountants to help fill this role when possible to ensure financial statements and exhibits including Governmental Accounting Standards Board Statement No. 68 pension expense allocation computation are accurate and submitted within the timelines established.

**ADAMS STATE UNIVERSITY**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**DISPOSITION OF PRIOR YEAR**  
**AUDIT FINDINGS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2021**

**Summary of Progress in Implementing Prior Year Audit Recommendation**

**Fiscal Year 2020**

**Recommendation No. 1** – Adams State University should continue to improve its internal controls over financial activities by:

- A. Enhancing its fiscal year-end reconciliation and exhibit preparation procedures to ensure the accurate preparation of financial statements and exhibits in accordance with the Office of the State Controller's Fiscal Procedures Manual.
- B. Ensuring effective overall supervisory reviews and approvals are in place for fiscal year-end accounting and reporting processes to identify and correct any errors in the financial statements.

**Disposition** – Partially Implemented.

See current year recommendation No. 1.

## **FINANCIAL STATEMENTS SECTION**

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## 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 of Adams State University (the University), an Institution of Higher Education, State of Colorado, and the Adams State University Foundation, a discretely presented component unit, discussed in Note 1 of the financial statements, which represents 100 percent of the total assets, total revenues, and total net position of the aggregate discretely presented component unit, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

Certified Public Accountants

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### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Adams State University, an Institution of Higher Education, State of Colorado, as of June 30, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### *Relationship to State of Colorado*

As discussed in Note 1 – Summary of Significant Accounting Policies, the financial statements of Adams State University are intended to present the net position and changes in net position for only that portion of the financial reporting entity, State of Colorado, attributable to the transactions of the University. They do not purport to, and do not present fairly the financial position of the State of Colorado as of June 30, 2021 and 2020, and the changes in its financial position, or, where applicable, its cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, and other post-employment benefit schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adams State University's basic financial statements. The Schedule of Pledged Revenues and Expenses for Series 2012, 2015, 2017A, 2017B, and 2019 Auxiliary Facilities Revenue Bonds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Pledged Revenues and Expenses for Series 2012, 2015, 2017A, 2017B, and 2019 Auxiliary Facilities Revenue Bonds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial

statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Pledged Revenues and Expenses for Series 2012, 2015, 2017A, 2017B, and 2019 Auxiliary Facilities Revenue Bonds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2022 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.

Alamosa, Colorado

January 11, 2022

**ADAMS STATE UNIVERSITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021 and 2020

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the financial report presents a discussion and analysis of the financial performance of Adams State University (the University) for the fiscal years ended June 30, 2021 and 2020, with selected comparative information for the year ended June 30, 2019. 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, 2021**

The University's total net position increased by \$17.7 million during fiscal year 2021 compared to a \$19.1 million increase in net position during fiscal year 2020. The increase is primarily a result of a decrease in pension expense associated with actuarial changes made by PERA. The cash and cash equivalents decreased \$600 thousand from fiscal year 2020 as a result of the \$9.1 million Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding received in May 2020 and spent July through December 2020. This decrease was offset by an \$8.5 million increase due to continued commitment to stabilizing revenues and decreasing expenses.

The University had a ratio of current assets to current liabilities of 6.0 and 3.2 for fiscal years 2021 and 2020, 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 2020 to fiscal year 2021 is primarily a result of the current liability in 2020 related to \$9.1 million of CARES Act funding no longer a liability as of 2021. CARES act funding was recorded as a current liability because the funds were unspent as of June 30, 2020 and therefore deferred to be spent in fiscal year 2021.

The University had an operating loss of \$1.4 million. The University received no state operating appropriations, but received \$6.2 million in fee for service contract revenue from the Colorado Department of Higher Education and \$1 million in College Opportunity Fund stipends from College Assist during fiscal year 2021. The University also received \$11.8 million in non-operating COVID funds.

### **Year ended June 30, 2020**

The University's total net position increased by \$19.1 million during fiscal year 2020 compared to a \$9.1 million increase in net position during fiscal year 2019. The increase is primarily a result of a decrease in pension expense associated with actuarial changes made by PERA and the State required annual direct distribution payments into PERA as specified in C.R.S. § 24-51-413. The cash and cash equivalents increased \$19.4 million from fiscal year 2019 as a result of the \$9.1 million federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding received in May 2020, in addition to a \$10.3 million increase due to continued commitment to the University's Financial Action Plan that focused on stabilizing revenues and decreasing expenses.

**ADAMS STATE UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2021 and 2020

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

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

**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.

**ADAMS STATE UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2021 and 2020

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A summarized comparison of the University's assets, liabilities and net position at June 30 follows:

	2021	2020 (in thousands)	2019
<b>Assets</b>			
Current Assets	\$ 53,140	\$ 50,842	\$ 31,091
Noncurrent Assets	<u>95,094</u>	<u>100,831</u>	<u>106,153</u>
	148,234	151,673	137,244
<b>Deferred outflows of resources</b>	7,241	5,825	10,237
<b>Liabilities</b>			
Current Liabilities	8,888	15,662	6,340
Noncurrent Liabilities	<u>99,206</u>	<u>103,283</u>	<u>113,782</u>
	108,094	118,945	120,122
<b>Deferred inflows of resources</b>	9,303	18,140	26,008
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	30,303	35,253	39,680
Restricted	6,949	5,677	4,470
Unrestricted	<u>827</u>	<u>(20,516)</u>	<u>(42,798)</u>
	<u>\$ 38,079</u>	<u>\$ 20,413</u>	<u>\$ 1,352</u>

The University's total net position increased by \$17.7 million during Fiscal Year 2021 compared to a \$19.1 million increase in net position during Fiscal Year 2020. The increase is partially related to a decrease in PERA pension and OPEB expenses of \$13 million during Fiscal Year 2021. Excluding the effects of PERA pension and OPEB expenses, the University's increase in total net position is \$4.7 million due to the continued commitment to the University's Financial Action Plan.

The effect of the PERA pension and OPEB expense on the University's total net position for Fiscal Year 2021 and 2020 is summarized below:

	Fiscal Year 2021	Fiscal Year 2020
	(in thousands)	
Net Position (GAAP Basis)	\$ 38,079	\$ 20,413
Effects of GASB 68 - Pension	35,050	47,848
Effects of GASB 75 - OPEB	1,597	1,750
Net Position excluding Pension and OPEB	<u>\$ 74,726</u>	<u>\$ 70,011</u>

**ADAMS STATE UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2021 and 2020

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

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>
	(in thousands)	
Unrestricted Net Position (GAAP Basis)	\$ 827	\$ (20,516)
Effects of GASB 68 - Pension	35,050	47,848
Effects of GASB 75 - OPEB	1,597	1,750
<b>Net Position excluding Pension and OPEB</b>	<b>\$ 37,474</b>	<b>\$ 29,082</b>

**Year ended June 30, 2021**

At June 30, 2021 the University's total assets were \$148.2 million. The largest asset category is the \$95 million in capital assets, net of accumulated depreciation of \$114.6 million. These assets include land, buildings, equipment, library holdings, and construction in progress. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

In fiscal year 2021, the University's current assets of \$53.1 million were sufficient to cover current liabilities of \$8.9 million (producing a current ratio of 6.0). Cash and cash equivalents (bank deposits, certificates of deposits, and pooled cash with the State Treasurer) comprised over \$47.5 million in assets per the Statement of Net Position. Bonds payable of \$66.1 million represent over 67% of the University's total noncurrent liabilities, while the Net Pension Liability represents 30% of the University's total noncurrent liabilities of \$99.2 million. The current portion of the bonds payable liability is \$1,280,000.

The University's net position increased \$17.7 million (see the Statement of Revenues, Expenses and Changes in Net Position) to \$38.1 million. Net Position is composed of \$30.3 million net investment in capital assets, \$6.9 million externally restricted for specific purposes, and \$0.8 million unrestricted and available for any lawful purpose of the University.

**Year ended June 30, 2020**

At June 30, 2020 the University's total assets were \$151.7 million. The largest asset category is the \$100.8 million in capital assets, net of accumulated depreciation of \$107.2 million. These assets include land, buildings, equipment, library holdings, and construction in progress. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

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

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

**ADAMS STATE UNIVERSITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021 and 2020

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## **STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

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

### **Year ended June 30, 2021**

Tuition and fee revenues accounted for \$17.2 million of the \$36.2 million in operating revenues for fiscal year 2021. The tuition and fee amount is net of scholarship allowances of \$10.7 million. Scholarship allowances are defined as the financial aid awarded to students by the University that is used to pay University charges. The scholarship allowance is recognized as a direct reduction of revenue rather than an increase in financial aid expense.

The grants and contracts included with operating revenues decreased \$8.8 million from the prior year, primarily related to the \$8.4 million decrease in the fee for service contract with the State of Colorado. In its place, the University received nonoperating federal grants of \$9.1 million in Coronavirus Relief Funds and \$1.6 million in Higher Education Emergency Relief Funds (HEERF).

Operating expenses, during Fiscal Year 2021, totaled \$37.6 million. Of that total, \$11 million was for instruction, \$1.4 million for academic support, \$6.4 million for student services, \$4 million for institutional support, \$1.9 million for operation of plant and \$4.8 million for auxiliary enterprises. The Fiscal Year 2021 operating expenses are \$0.6 million higher than the Fiscal Year 2020 expenses.

### **Year ended June 30, 2020**

Tuition and fee revenues accounted for \$17.9 million of the \$46.3 million in operating revenues for fiscal year 2020. The tuition and fee amount is net of scholarship allowances of \$11.5 million. Scholarship allowances are defined as the financial aid awarded to students by the University that is used to pay University charges. The scholarship allowance is recognized as a direct reduction of revenue rather than an increase in financial aid expense.

Operating expenses, during Fiscal Year 2020, totaled \$37.0 million. Of that total, \$11.3 million was for instruction, \$1.6 million for academic support, \$6.6 million for student services, \$3.8 million for institutional support, \$1.9 million for operation of plant and \$5.4 million for auxiliary enterprises. The Fiscal Year 2020 operating expenses are \$8.5 million lower than the Fiscal Year 2019 expenses, primarily as a result of the budget reductions in the Financial Action Plan and the decrease in pension expense associated with actuarial changes made by PERA.

**ADAMS STATE UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2021 and 2020

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

	2021	2020 (in thousands)	2019
<b>Operating Revenues</b>			
Tuition and Fees, net	\$ 17,178	\$ 17,921	\$ 17,735
Grants and Contracts	14,113	22,937	21,580
Auxiliary Enterprises	4,294	4,635	6,019
Other	648	841	978
 Total Operating Revenues	 36,233	 46,334	 46,312
 <b>Operating Expenses</b>			
Net Operating Income (Loss)	37,635	37,024	45,559
	(1,402)	9,310	753
 <b>Nonoperating Revenue (Expense)</b>			
Federal Pell Grants	3,630	4,006	4,237
Gifts and Donations	2,674	2,664	2,647
Federal Grants and Contracts - Non Operating	11,845	868	-
Interest Income	(509)	1,618	635
Other Nonoperating	(2,502)	(2,547)	(2,851)
 Net Nonoperating Revenue (Expense)	 15,138	 6,609	 4,668
 <b>Income (Loss) Before Other Revenue, Expenses, Gains or Losses</b>			
	13,736	15,919	5,421
Student Capital Fees	2,638	2,884	3,268
State Appropriations, Capital	1,331	37	215
State Support for PERA	-	258	284
Other	(38)	(36)	(53)
 <b>Increase (Decrease) In Net Position</b>	 17,667	 19,062	 9,135
 <b>Net Position</b>			
Net Position - Beginning of the Year	20,413	1,352	(7,783)
Net Position - End of the Year	<u>\$ 38,079</u>	<u>\$ 20,413</u>	<u>\$ 1,352</u>

## CAPITAL ASSETS

At June 30, 2021, the University had approximately \$95.1 million invested in capital assets, net of accumulated depreciation of \$114.6 million. Depreciation charges were \$7.4 million for the current year compared to \$5.6 million in 2020 and \$6.8 million in 2019. Details of these assets for the three years are shown below.

**ADAMS STATE UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2021 and 2020

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**Capital Assets, Net of Depreciation, at Year End**

	2021	2020	2019
Land	\$ 445,249	\$ 445,249	\$ 445,249
Land Improvements	4,506,805	4,854,475	5,365,939
Buildings	87,327,211	93,070,157	97,817,684
Construction in Progress	1,249,050	543,039	506,284
Equipment	822,741	1,032,556	1,128,564
Library Materials	397,412	539,409	540,987
Art and Historic Treasures	317,417	317,417	317,417
Total	<u>\$ 95,065,885</u>	<u>\$ 100,802,302</u>	<u>\$ 106,122,124</u>

## DEBT

At June 30, 2021, the University had approximately \$63.7 million in debt outstanding compared to \$64.8 million at June 30, 2020 and \$65.9 million at June 30, 2019. The table below summarizes these amounts by type of debt.

	2021	2020	2019
2012 Series Institutional Enterprise Revenue Bonds	\$ 7,775,000	\$ 8,115,000	\$ 8,435,000
2015 Series Institutional Enterprise Revenue Refunding Bonds	17,085,000	17,805,000	18,510,000
2017A Series Institutional Enterprise Rev Refunding Bonds	6,125,000	6,125,000	6,125,000
2017B Series Institutional Enterprise Rev Refunding Bonds	1,140,000	1,140,000	1,140,000
2019 Series Institutional Enterprise Rev Refunding Bonds	30,835,000	30,835,000	30,835,000
Capital Lease	692,087	797,822	896,513
Total	<u>\$ 63,652,087</u>	<u>\$ 64,817,822</u>	<u>\$ 65,941,513</u>

## ECONOMIC OUTLOOK

The economic position of the University is closely tied to that of the State. Since the passage of Senate Bill 04-189 in 2004, State of Colorado support comes to Colorado institutions in the form of College Opportunity Fund (COF) stipends and fee-for-service contracts between the State of Colorado and the institutions' governing boards. Using these mechanisms to fund higher education institutions provided the institutions the opportunity to become enterprises under TABOR. Because funding is provided to students through the stipends and to the institutions through fee-for-service arrangements, all qualifying public institutions are allowed to be designated as "enterprises" if approved by the Legislative Audit Committee. The Legislative Audit Committee approved the designation of the University as an enterprise for fiscal year 2006. The University met the criteria for designation as an enterprise in fiscal years 2006 through 2021 with the exception of 2009, 2014, and 2015. The enterprise designation is reviewed at the end of each fiscal year.

The bill provides a stipend, calculated on a per credit hour rate, to undergraduate resident students attending public and qualifying private higher education institutions. The University has budgeted \$2.4 million in College Opportunity Fund stipends for fiscal year 2022, based on the yearly stipend of \$2,820,

**ADAMS STATE UNIVERSITY**  
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for a full-time public higher education student taking 30 credit hours of classes. For fiscal years 2021, 2020, and 2019, the yearly stipends were \$1,200, \$2,820, and \$2,490, respectively. The University received \$1 million, \$2.6 million, and \$2.4 million, in stipends in fiscal years 2021, 2020, and 2019, respectively.

In fiscal year 2022, \$16.2 million will be billed through a fee for service contract with the Colorado Department of Higher Education (CDHE). The University received \$6.2 million, \$14.7 million, and \$13.4 million, in fee for service revenue in fiscal years 2021, 2020, and 2019, 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. The fiscal year 2021 decrease reflects a one-time funding cut to all public institutions of 58%. The University also received CARES Act economic stabilization funds of \$9.1 million in fiscal year 2020, which was recognized as revenue in fiscal year 2021.

The University received additional support during the COVID pandemic through HEERF I, II, and III. The institutional portion of those funds helped to stabilize the University during the pandemic. We anticipate spending the remaining funds in fiscal year 2022, which is approximately \$2.5 million. The institutional portion of HEERF I, II, and III recognized in fiscal years 2021 and 2020 were \$2.3 million and \$0.5 million, respectively.

The University is projecting enrollment consistent with fiscal year 2021 in fiscal year 2022. The State restored the onetime 58% to base funding, as well as increased the base funding by 9.6% to all public institutions of higher education. Overall funding from College Opportunity Fund stipends and the fee for service contract for the University increased by 10.7% in fiscal year 2022.

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

Colorado House Bill 20-1379 was passed in 2020 suspending the direct distribution to any division of the public employee's retirement association (PERA) and specifies that the state treasurer shall not issue the warrant to PERA for the 2020-2021 state fiscal year. The act reduces the figures included in the annual general appropriation act for the 2020-21 state fiscal year for informational purposes to the department of the treasury for the direct distribution.

## **CONTACTING THE UNIVERSITY'S FINANCIAL MANAGEMENT**

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

# ADAMS STATE UNIVERSITY

## STATEMENTS OF NET POSITION

As of June 30, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 47,465,689	\$ 48,062,589
Student accounts receivable, net	1,083,191	1,209,583
Other accounts receivable	4,169,272	1,292,285
Inventories	200,686	168,284
Prepaid expenses and other assets	<u>221,618</u>	<u>109,442</u>
	<i>Total current assets</i>	<i>53,140,456</i>
	<i></i>	<i>50,842,183</i>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	<u>28,250</u>	28,250
	<u>28,250</u>	<u>28,250</u>
Non-depreciable capital assets:		
Land	445,249	445,249
Art and historic treasures	317,417	317,417
Construction in progress	<u>1,249,050</u>	<u>543,039</u>
	<i>Total non-depreciable capital assets</i>	<i>2,011,716</i>
	<i></i>	<i>1,305,705</i>
Depreciable capital assets, net:		
Buildings	87,327,211	93,070,157
Land improvements	4,506,805	4,854,475
Furniture & equipment	822,741	1,032,556
Library books	<u>397,412</u>	<u>539,403</u>
	<i>Total depreciable capital assets, net</i>	<i>93,054,169</i>
	<i></i>	<i>99,496,591</i>
	<i>Total noncurrent assets</i>	<i>95,094,135</i>
	<i></i>	<i>100,830,546</i>
	<b><i>Total Assets</i></b>	<b><i>148,234,591</i></b>
	<i></i>	<i>151,672,729</i>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized refunding loss	3,325,091	3,514,910
Pension contributions made after measurement date	1,053,927	1,027,097
Differences between expected and actual pension experience	746,726	1,213,487
Differences due to changes in assumptions of pension plan	2,051,727	-
Other post employment benefits contributions made after measurement date	52,486	53,714
Differences in expected vs actual experience - OPEB	2,771	4,279
Differences due to changes in assumptions - OPEB	7,801	10,697
Differences between employer contributions and proportionate share - OPEB	<u>659</u>	<u>974</u>
	<i>Total Deferred Outflows of Resources</i>	<i>7,241,188</i>
	<i></i>	<i>5,825,158</i>

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

# ADAMS STATE UNIVERSITY

## STATEMENTS OF NET POSITION

As of June 30, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	973,986	878,770
Accrued liabilities	2,983,396	2,635,355
Unearned revenue	2,878,651	10,294,559
Deposits held for others	419,454	429,565
Bonds payable, current	1,280,000	1,060,000
Capital leases payable, current	108,940	105,735
Compensated absences liability	243,484	257,700
<i>Total current liabilities</i>	<b>8,887,911</b>	15,661,684
<b>Noncurrent Liabilities</b>		
Compensated absences liability	1,246,255	1,211,266
Capital leases payable	583,146	692,086
Bonds payable	66,115,949	67,611,224
Net other post employment benefits liability	1,044,092	1,289,365
Net pension liability	30,216,116	32,479,009
<i>Total noncurrent liabilities</i>	<b>99,205,558</b>	103,282,950
<b>Total Liabilities</b>	<b>108,093,469</b>	118,944,634
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Net differences between projected and actual pension plan investment earnings	6,184,433	3,499,229
Differences due to changes in proportionate share of pension plan	2,492,801	4,780,418
Differences due to changes in assumptions of pension plan	-	9,315,679
Differences between actual and proportionate share of contributions to pension plan	9,315	13,769
Differences in expected vs actual experience - OPEB	229,541	216,661
Net differences between projected and actual OPEB plan investment earnings	42,662	21,521
Differences due to changes in assumption of OPEB	64,023	-
Differences between employer contributions and proportionate share - OPEB	1,153	1,230
Differences due to changes in proportionate share - OPEB	279,116	291,309
<i>Total Deferred Inflows of Resources</i>	<b>9,303,044</b>	18,139,816
<b>NET POSITION</b>		
Net investment in capital assets	30,302,941	35,252,614
Restricted for non-expendable purposes:		
Endowments	28,250	28,250
Restricted for expendable purposes:		
Endowments	33,281	33,281
Loans	-	16,873
Other Purposes	6,887,591	5,598,460
<i>Total Restricted</i>	<b>6,949,122</b>	5,676,864
<i>Unrestricted</i>	<b>827,203</b>	(20,516,041)
<b>Total Net Position</b>	<b>\$ 38,079,266</b>	\$ 20,413,437

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

**ADAMS STATE UNIVERSITY FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash in Bank	\$ 241,774	\$ 70,002
Pooled Cash - Brokerage Accounts	746,097	1,187,932
Restricted Cash - Brokerage Accounts	166,502	150,996
Certificates of Deposit	300,000	300,000
Pooled Investments, at Fair Value	20,245,265	14,950,646
Restricted Investments, at Fair Value	9,330,233	7,890,447
Pledges Receivable, net of allowance	95,750	13,250
Inventories	7,240	7,240
Art Collection	15,000	15,000
<b>TOTAL ASSETS</b>	<b>\$ 31,147,861</b>	<b>\$ 24,585,513</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 76,542	\$ 38,391
<b>TOTAL LIABILITIES</b>	<b>76,542</b>	<b>38,391</b>
<b>NET ASSETS</b>		
Without Donor Restriction:		
Unrestricted	1,499,736	1,166,202
Board Designated - Investment Reserves Fund	3,479,973	2,449,415
Board Designated - Endowments	752,642	639,353
Total Without Donor Restrictions	5,732,351	4,254,970
With Donor Restrictions:		
Purpose Restricted	5,369,144	3,106,987
Perpetual in Nature	19,969,824	17,185,165
Total With Donor Restrictions	25,338,968	20,292,152
<b>TOTAL NET ASSETS</b>	<b>31,071,319</b>	<b>24,547,122</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 31,147,861</b>	<b>\$ 24,585,513</b>

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, 2021 and 2020

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	<b>2021</b>	<b>2020</b>
<b>Operating Revenues:</b>		
Tuition & fees (including \$6,357,324 and \$6,527,173, respectively of revenues pledged for bonds and net of scholarship allowances of \$10,711,179 and \$11,484,666, respectively)	\$ 17,177,836	\$ 17,921,112
Sales & services of auxiliary enterprises (including \$5,448,948 and \$5,763,382, respectively of revenues pledged for bonds and net of scholarship allowances of \$1,208,121 and \$959,373 respectively)	4,293,999	4,635,114
Fee for service contract revenue	6,234,394	14,717,826
Federal grants and contracts	5,123,583	5,252,330
State grants and contracts	2,755,040	2,965,908
Other operating revenues (including \$163,849 and \$107,633, respectively of revenues pledged for bonds)	647,720	840,519
<i>Total Operating Revenues</i>	<b>36,232,572</b>	46,332,809
<b>Operating Expenses:</b>		
Instruction	11,003,698	11,304,029
Public service	592,184	439,547
Academic support	1,439,194	1,589,207
Student services	6,404,599	6,583,612
Institutional support	3,963,948	3,779,933
Operation of plant	1,878,295	1,890,473
Scholarships and fellowships	131,895	443,072
Auxiliary enterprises expenditures	4,820,556	5,370,939
Depreciation	7,400,769	5,623,115
<i>Total operating expenses</i>	<b>37,635,138</b>	37,023,927
<i>Operating Income (Loss)</i>	<b>(1,402,566)</b>	9,308,882
<b>Nonoperating Revenues (Expenses):</b>		
Federal Pell Grants	3,629,969	4,006,205
Gifts and Donations	2,673,937	2,664,720
Federal Grants and Contracts - COVID 19	11,844,665	867,884
Investment & interest income (loss) (including \$25,423 and \$43,518, respectively of revenue pledged for bonds)	(509,094)	1,617,541
Limited gaming transfer	2,388	4,196
Interest on capital debt	(2,503,998)	(2,551,089)
<i>Net nonoperating revenue</i>	<b>15,137,867</b>	6,609,457
<i>Income (Loss) before other revenues, expenses, gains, losses or transfers</i>	<b>13,735,301</b>	15,918,339

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, 2021 and 2020

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	<b>2021</b>	2020
<b>Other Revenues, Expenses, Gains, Losses or Transfers:</b>		
Student capital fees (all pledged for bonds)	2,637,808	2,884,303
State appropriation, capital	1,331,189	36,755
State pension contribution	-	258,018
Transfers to Other Institutions	<u>(38,469)</u>	<u>(35,802)</u>
<i>Increase (Decrease) in Net Position</i>	<b>17,665,829</b>	19,061,613
Net Position - beginning of the year	<u>20,413,437</u>	<u>1,351,824</u>
Net Position - end of the year	<u><u>\$ 38,079,266</u></u>	<u><u>\$ 20,413,437</u></u>

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

**ADAMS STATE UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2021**

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	\$ 4,254,970	\$ 20,292,152	\$ 24,547,122
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Donations - Cash	262,101	2,761,680	3,023,781
Investment Income (Net)	20,996	638,176	659,172
Net Realized Gains (Losses)			
on long-term investments	1,385,311	594,821	1,980,132
Net Unrealized Gains (Losses)			
on long-term investments	2,244,472	910,737	3,155,209
Subtotal	3,912,880	4,905,414	8,818,294
Net Assets Released from Restriction	1,770,054	(1,770,054)	-
<b>Total from Revenues, Gains, and Other Support</b>	<b>5,682,934</b>	<b>3,135,360</b>	<b>8,818,294</b>
<b>EXPENSES AND LOSSES</b>			
Scholarships and Awards	1,333,175	-	1,333,175
Program Services	476,300	-	476,300
Management and General Activities	87,595	-	87,595
Fundraising	397,027	-	397,027
<b>Total Expenses and Losses</b>	<b>2,294,097</b>	<b>-</b>	<b>2,294,097</b>
Transfers:			
Transfers In/(Out)	(1,911,456)	1,911,456	-
Change in Net Assets for the Year	1,477,381	5,046,816	6,524,197
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 5,732,351</b>	<b>\$ 25,338,968</b>	<b>\$ 31,071,319</b>

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

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

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

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

**ADAMS STATE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
For the years ending June 30, 2021 and 2020

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	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities:</b>		
<u>Cash Received:</u>		
Tuition and fees	\$ 17,100,532	\$ 17,759,567
Fee for service Contract Revenue	6,496,167	14,721,000
Sales of services	4,271,696	4,667,664
Grants and contracts	4,905,944	7,870,226
Student loans collected	17,560	34,648
Other receipts	477,520	884,628
<u>Cash Payments:</u>		
Payments to or for employees	(32,354,876)	(33,130,802)
Payments to suppliers	(10,211,553)	(10,197,098)
Scholarships disbursed	(131,895)	(443,072)
Student loans disbursed	<u>(16,708)</u>	<u>(33,682)</u>
<i>Net Cash (Used) Provided by Operating Activities</i>	<u><b>(9,445,613)</b></u>	<u>2,133,079</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Federal grants and contracts, non-operating	8,010,793	14,013,533
Gifts/grants for other than capital purposes	2,679,634	2,668,929
Agency receipts	21,121,852	21,777,036
Agency payments	(21,134,513)	(21,682,789)
Transfers from (to) other institutions	<u>(38,469)</u>	<u>(35,802)</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u><b>10,639,297</b></u>	<u>16,740,907</u>
<b>Cash Flows from Capital &amp; Related Financing Activities:</b>		
State appropriations, capital	1,331,189	36,755
Student capital fees	2,630,304	2,904,897
Acquisition or construction of capital assets	(1,547,794)	(297,581)
Principal paid on capital debt	(1,191,191)	(1,149,063)
Interest paid on capital debt	<u>(2,503,998)</u>	<u>(2,551,089)</u>
<i>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</i>	<u><b>(1,281,490)</b></u>	<u>(1,056,081)</u>
<b>Cash Flows from Investing Activities:</b>		
Investment earnings	<u><b>(509,094)</b></u>	<u>1,617,541</u>
<i>Net Cash Provided (Used) by Investing Activities</i>	<u><b>(509,094)</b></u>	<u>1,617,541</u>
<b>Net Increase (Decrease) in Cash</b>	<b>(596,900)</b>	19,435,446
Beginning cash balance	<u><b>48,090,839</b></u>	<u>28,655,393</u>
Ending cash balance	<u><b>\$ 47,493,939</b></u>	<u>\$ 48,090,839</u>
<b>Reconciliation to the Statement of Net Position</b>		
Cash and cash equivalents	\$ 47,465,689	\$ 48,062,589
Restricted cash and cash equivalents	<u>28,250</u>	<u>28,250</u>
<i>Total Cash and Cash Equivalents</i>	<u><b>\$ 47,493,939</b></u>	<u>\$ 48,090,839</u>

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

**ADAMS STATE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
For the years ending June 30, 2021 and 2020

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	<b>2021</b>	<b>2020</b>
<b>Reconciliation of Operating Loss to Net Cash (Used) Provided by Operating Activities</b>		
Operating income (loss)	\$ (1,402,566)	\$ 9,308,882
Adjustments to reconcile:		
Depreciation expense	7,400,769	5,623,115
Pension expense	(12,797,234)	(12,420,715)
Other post retirement benefit expense	(153,553)	(90,128)
Other Non-operating expense	-	-
Decrease (increase) in assets:		
Receivables, net	(2,850,303)	(204,867)
Inventories & prepaids	(144,578)	(123,165)
Increase (decrease) in liabilities:		
Accounts payable	95,216	(176,958)
Accrued liabilities	348,041	197,517
Unearned revenues	47,933	(10,516)
Student deposits	(10,111)	(84,977)
Compensated absences	20,773	114,891
<i>Net Cash Used by Operating Activities</i>	<b><u>\$ (9,445,613)</u></b>	<b><u>\$ 2,133,079</u></b>

**Noncash Investing, Capital, and Financing Activities:**

State Capital Contributions	\$1,331,189	\$36,755
Amortization of capital premium/discount and capital loss	405,095	151,343

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

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Governance**

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

**Reporting Entity**

Adams State University is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, Adams State University is included as part of the State of Colorado's primary government. A copy of the State's Annual Comprehensive 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.

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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**Cash and Cash Equivalents**

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

**Investments**

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

**Inventory**

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

**Capital Assets**

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

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

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

**Classification of Revenue**

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

- Operating revenues – Operating revenues generally result from providing goods and services for instruction, public service or related support services to an individual or entity separate from the University.
- Nonoperating revenues – Nonoperating revenues are those revenues that do not meet the definition of operating revenues. Nonoperating revenues include state appropriations for operations, gifts, investment income and insurance reimbursement revenue.

**Application of Restricted and Unrestricted Resources**

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

**Unearned Revenue**

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

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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**Compensated Absence Liabilities**

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

**Net Position**

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

- *Net Investment in Capital Assets* – This category represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of this category.
- *Restricted Net Position, Nonexpendable* – This category consists of endowment funds that are required to be retained in perpetuity.
- *Restricted Net Position, Expendable* – This category includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Restricted expendable net position is classified as expendable for loans, debt service, capital projects and other purposes. For the University, restricted net position expendable for other purposes includes net assets of its bonded auxiliaries.
- *Unrestricted Net Position* – Unrestricted Net Position are those that do not meet the definition of "Restricted" or "Net Investment in Capital Assets" as described above. Generally, these resources will be derived from student tuition and fees, state appropriations, sales and services of educational activities, and sales and services of certain auxiliary and self-funded activities.

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

**Enterprise Designation**

Senate Bill 04-189, provides higher education institutions the opportunity to become designated enterprises under Section 20, Article X of the State Constitution (The Taxpayer's Bill of Rights) so long as the governing board of the institution has the authority to issue revenue bonds and the institution receives less than ten percent of its revenue from the State of Colorado and local governments. The Legislative Audit Committee and the Board of Trustees approved the designation of the University as an enterprise in fiscal year 2006. The University met the criteria for designation as an enterprise in fiscal years 2006 through 2021, with the exception of 2009, 2014 and 2015. The enterprise designation is reviewed at the end of each fiscal year to ensure that the criteria are still being met.

**Pensions**

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

**STATE OF COLORADO  
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**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2021.

**Other Post Employment Benefits (OPEB)**

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

**Reclassifications**

Certain amounts from fiscal year 2020 have been reclassified to conform to the fiscal year 2021 financial statement presentation.

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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**NOTE 2 - CASH WITH THE STATE TREASURER, CASH ON HAND AND IN BANK, AND INVESTMENTS**

For an investment, custodial credit risk is the risk that in the event of a bank failure, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a deposit policy for custodial credit risk.

At June 30, 2021, the University had \$36,696,193 including unrealized gains of \$221,873 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	\$ 4,445
Cash in checking accounts at bank	7,508,194
Certificates of deposit	<u>3,285,103</u>
	<u><u>\$ 10,797,742</u></u>

The carrying amount of the University's cash on deposit was \$10,793,297. The bank balance of these deposits was \$11,482,532, of which \$1,415,942 was covered by federal depository insurance and \$8,001,362 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

At June 30, 2020, the University had \$39,122,644 including unrealized gains of \$1,180,160 on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. At year-end, cash on hand and in banks consisted of the following:

Cash on hand	\$ 5,720
Cash in checking accounts at bank	5,696,244
Certificates of deposit	<u>3,266,231</u>
	<u><u>\$ 8,968,195</u></u>

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

The University deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the institutions of higher education who have opted out. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2021, the University had cash on deposit with the State Treasurer of \$36,696,193, which represented approximately 0.21 percent of the total \$17,699 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2021, the Pool's resources included \$36 million of cash and \$17,663.2 million of investments.

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

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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Additional information on investments of the State Treasurer's Pool may be obtained in the State's Annual Comprehensive Financial Report for the year ended June 30, 2021.

**ASU Foundation Investments and Concentration of Risk**

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

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Common Fund	\$ 25,642,169	\$ 30,488,097	\$ 19,314,826	\$ 24,180,019

Common Fund investments of the individual net asset classes are combined to form a pool of investments, which is managed by the Common Fund. Income earned on investments is allocated, based on cost, to the individual net asset classes with earnings of the endowment investments being included as an increase in net assets with donor restrictions or net assets without donor restrictions.

As of June 30, the Foundation had bank deposits in two financial institutions that exceeded insurance coverage by a total of \$114,835 (2021) and \$640,507 (2020).

**NOTE 3 - ACCOUNTS RECEIVABLE**

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

	2021	2020
Student Accounts Receivable	\$ 2,288,509	\$ 2,474,943
Less: Allowance for Doubtful Accounts	(1,205,318)	(1,265,360)
Student Accounts Receivable, net	1,083,191	1,209,583
Other Accounts Receivable		
Fee for Service Contract Revenue*	137,214	398,987
Other Accounts **	4,032,058	893,298
Total Other Accounts Receivable	4,169,272	1,292,285
Total Receivables	\$ 5,252,463	\$ 2,501,868

\*June Colorado fee for service funds received in July.

\*\*Includes \$3.3 million in nonoperating federal grants receivable related to the Higher Education Emergency Relief Funds.

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021 and 2020

**NOTE 4 - CAPITAL ASSETS**

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2021.

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021
<b>Nondepreciable Capital Assets</b>				
Land	\$ 445,249	\$ -	\$ -	\$ 445,249
Art and Historic Treasures	317,417	-	-	317,417
Construction in Progress	543,039	1,586,723	880,712	1,249,050
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 1,305,705</b>	<b>\$ 1,586,723</b>	<b>\$ 880,712</b>	<b>\$ 2,011,716</b>
 <b>Depreciable Capital Assets</b>				
Land Improvements	\$ 13,798,255	\$ 205,138	\$ -	\$ 14,003,393
Buildings and Improvements	181,700,956	675,031	-	182,375,987
Equipment	5,789,219	75,817	65,277	5,799,759
Library Materials	5,481,484	15,899	4,023	5,493,360
<b>Total Depreciable Capital Assets</b>	<b>206,769,914</b>	<b>971,885</b>	<b>69,300</b>	<b>207,672,499</b>
 <b>Less: Accumulated Depreciation</b>				
Land Improvements	8,943,779	552,809	-	9,496,588
Buildings and Improvements	88,630,800	6,417,976	-	95,048,776
Equipment	4,756,663	271,551	51,196	4,977,018
Library Materials	4,942,081	157,890	4,023	5,095,948
<b>Total Accumulated Depreciation</b>	<b>107,273,323</b>	<b>7,400,226</b>	<b>55,219</b>	<b>114,618,330</b>
<b>Net Depreciable Capital Assets</b>	<b>\$ 99,496,591</b>	<b>\$ (6,428,341)</b>	<b>\$ 14,081</b>	<b>\$ 93,054,169</b>

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021 and 2020

---

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

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

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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**NOTE 5 - NONCURRENT LIABILITIES**

The University's noncurrent liability activity for the year ended June 30, 2021, was as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
<b>Bond and Leases Payable:</b>					
Series 2012 Bonds	\$ 8,115,000	\$ -	\$ 340,000	\$ 7,775,000	\$ 340,000
Series 2015 Bonds	17,805,000	-	720,000	17,085,000	720,000
Series 2017A Bonds	6,125,000	-	-	6,125,000	-
Series 2017B Bonds	1,140,000	-	-	1,140,000	-
Series 2019 Bonds	30,835,000	-	-	30,835,000	200,000
Unamortized Premium 2012	429,630	-	19,529	410,101	19,529
Unamortized Premium 2017A	5,848	-	260	5,588	260
Unamortized Discount 2017B	(10,586)	-	(786)	(9,800)	(786)
Unamortized Premium 2019	4,226,332	-	196,275	4,030,057	196,275
Capital Lease Obligation	797,822	-	105,735	692,087	108,940
<i>Total Bonds and Leases Payable</i>	<i>69,469,046</i>	<i>-</i>	<i>1,381,013</i>	<i>68,088,033</i>	<i>1,584,218</i>
 <b>Other Liabilities:</b>					
Compensated Absences	1,468,966	20,773	-	1,489,739	243,484
<i>Total Other Liabilities</i>	<i>1,468,966</i>	<i>20,773</i>	<i>-</i>	<i>1,489,739</i>	<i>243,484</i>
 <i>Total Long-Term Liabilities</i>	 <i>\$ 70,938,012</i>	 <i>\$ 20,773</i>	 <i>\$ 1,381,013</i>	 <i>\$ 69,577,772</i>	 <i>\$ 1,827,702</i>

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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

	Balance		Balance		Current
	June 30, 2019	Additions	Reductions	June 30, 2020	Portion
<b>Bond and Leases Payable:</b>					
Series 2012 Bonds	\$ 8,435,000	\$ -	\$ 320,000	\$ 8,115,000	\$ 340,000
Series 2015 Bonds	18,510,000	-	705,000	17,805,000	720,000
Series 2017A Bonds	6,125,000	-	-	6,125,000	-
Series 2017B Bonds	1,140,000	-	-	1,140,000	-
Series 2019 Bonds	30,835,000	-	-	30,835,000	-
Unamortized Premium 2012	449,159	-	19,529	429,630	19,529
Unamortized Premium 2017A	6,108	-	260	5,848	260
Unamortized Discount 2017B	(11,372)	-	(786)	(10,586)	(786)
Unamortized Premium 2019	4,422,607	-	196,275	4,226,332	196,275
Capital Lease Obligation	896,513	-	98,691	797,822	105,735
<i>Total Bonds and Leases Payable</i>	<i>70,808,015</i>	<i>-</i>	<i>1,338,969</i>	<i>69,469,046</i>	<i>1,381,013</i>
 <b>Other Liabilities:</b>					
Compensated Absences	1,354,075	114,891	-	1,468,966	257,700
<i>Total Other Liabilities</i>	<i>1,354,075</i>	<i>114,891</i>	<i>-</i>	<i>1,468,966</i>	<i>257,700</i>
<i>Total Long-Term Liabilities</i>	<i>\$ 72,162,090</i>	<i>\$ 114,891</i>	<i>\$ 1,338,969</i>	<i>\$ 70,938,012</i>	<i>\$ 1,638,713</i>

**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	
2022	\$ 137,417	
2023	136,551	
2024	140,648	
2025	144,868	
2026	149,214	
2027	75,710	
	784,408	
Less: amount representing interest	(92,320)	
<b>Principal outstanding</b>	<b>\$ 692,088</b>	

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**NOTE 7 - BONDS PAYABLE**

**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.

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**Series 2019A Bonds**

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

At June 30, 2021 and 2020, 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, 2021:

Year Ending June 30,	2012	2015	2017A	2017B	2019A	Total
2022	\$ 656,050	\$ 1,226,923	\$ 238,450	\$ 51,300	\$ 1,576,550	\$ 3,749,273
2023	655,850	1,225,833	238,450	51,300	1,766,550	3,937,983
2024	658,350	1,229,173	238,450	51,300	1,946,550	4,123,823
2025	657,250	1,226,800	238,450	51,300	2,116,550	4,290,350
2026	655,850	1,228,858	238,450	51,300	2,276,550	4,451,008
2027-2031	1,620,663	6,131,210	2,487,250	997,125	12,075,250	23,311,498
2032-2036	2,402,500	6,127,055	2,008,150	408,375	12,185,250	23,131,330
2037-2041	4,116,800	3,680,070	2,373,600	-	12,189,000	22,359,470
2042-2046	821,600	-	1,945,800	-	2,438,800	5,206,200
Total Bond Payments	12,244,913	22,075,921	10,007,050	1,662,000	48,571,050	94,560,934
Less Interest Included Above	(4,469,913)	(4,990,921)	(3,882,050)	(522,000)	(17,736,050)	(31,600,934)
Total Principal Outstanding	7,775,000	17,085,000	6,125,000	1,140,000	30,835,000	62,960,000
Less Current Portion	(340,000)	(740,000)	-	-	(200,000)	(1,280,000)
Net Long Term Principal	7,435,000	16,345,000	6,125,000	1,140,000	30,635,000	61,680,000
Less Unamortized Premium and Discount	410,101	-	5,588	(9,800)	4,030,057	4,435,946
Bonds Payable, Net	<u>\$ 7,845,101</u>	<u>\$ 16,345,000</u>	<u>\$ 6,130,588</u>	<u>\$ 1,130,200</u>	<u>\$34,665,057</u>	<u>\$66,115,945</u>

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

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

The University receives significant amounts from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed amounts resulting from such audits could become a liability of the University. However, University management believes that any such disallowed amounts will not have a material adverse effect on any of the financial statements or on the overall financial position of the University at June 30, 2021.

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**NOTE 9 - ACCRUED LIABILITIES**

The University's accrued liabilities as of June 30, 2021 and 2020, was as follows:

	<b>2021</b>	<b>2020</b>
Payroll Benefits	\$ 1,906,293	\$ 2,025,227
Accrued Interest	239,900	247,040
Other Accounts Payable	837,203	363,068
<b>Total</b>	<b>\$ 2,983,396</b>	<b>\$ 2,635,335</b>

**NOTE 10 - COMPENSATED ABSENCES**

Employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount. Annual leave will be paid out upon separation from the University and sick leave will be paid out upon retirement. The estimated costs of current compensated absences for which employees are vested for the years ended June 30, are estimated as \$243,484 (2021) and \$257,700 (2020). The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, are estimated as \$1,246,255 (2021) and \$1,211,266 (2020). Current expenses include an increase of \$20,773 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 was 11.4 percent of covered payroll and contributions by employees is 8 percent of covered payroll through July 2020. Due to budget uncertainty, the Board of Trustees of Adams State University approved an amendment to the plan that would reduce the institution's contribution to the plan to 9.4 percent for two years, effective August 2020. In May 2021, the board voted to reinstate the institution's contribution rate to 11.4 percent effective July 2021.

The University's contributions to the ORP for the fiscal years ending June 30, were \$1,086,018 (2021), \$1,325,152 (2020) and \$1,227,178 (2019). These contributions were equal to the required contributions for each year. All ORP contributions are immediately vested in the employee's account. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and decisions made by participants for their individual investment accounts.

As of May 1, 1994, some exempt employees of the institution elected to continue as members with the Public Employee's Retirement Association of Colorado (PERA), the remainder participates in the ORP.

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**PERA Defined Benefit Pension Plan**

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

*Benefits provided as of December 31, 2020.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

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

*Contributions provisions as of June 30, 2021 and 2020:* Eligible employees, the University and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee contribution rates for the period of July 2019 through June 2021 are summarized in the table below:

	Fiscal Year 2020		Fiscal Year 2021	
	CY19	CY20	CY21	
	7-1-19 to 12-31-19	1-1-20 to 6-30-20	7-1-20 to 12-31-20	1-1-21 to 6-30-21
Employee contribution rate	8.75%	8.75%	10.00%	10.00%

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

	Fiscal Year 2020		Fiscal Year 2021	
	CY19	CY20	CY21	
	7-1-19 to 12-31-19	1-1-20 to 6-30-20	7-1-20 to 12-31-20	1-1-21 to 6-30-21
Employer contribution rate	10.15%	10.40%	10.90%	10.90%
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%
Amount apportioned to the SDTF	9.13%	9.38%	9.88%	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	5.00%	5.00%	5.00%	5.00%
Defined Contribution Supplement	N/A	N/A	N/A	0.05%
Total employer contribution rate to the SDTF	19.13%	19.38%	19.88%	19.93%

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

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

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Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University were \$2,055,843 and \$2,159,932 for the years ended June 30, 2021 and 2020, respectively.

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

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021, the University reported a liability of \$30,216,116 for its proportionate share of the net pension liability. The net pension liability for the SDTF was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The University's proportion of the net pension liability was based on the University's contributions to the SDTF for the calendar year 2020 relative to the total contributions of participating employers to the SDTF and the State as a nonemployer contributing entity. At December 31, 2020, the University proportion was 0.32 percent, which was a decrease of 0.02 from its proportion measured as of December 31, 2019.

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

For the years ended June 30, 2021 and 2020, the University recognized pension expense of \$(12,797,234) and \$(12,678,831), respectively. At June 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Fiscal Year 2021		Fiscal Year 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 746,726	\$ -	\$ 1,213,487	\$ -
Changes of assumptions or other inputs	2,051,727	-	-	9,315,679
Net difference between projected and actual earnings on pension plan investments	-	6,184,433	-	3,499,229
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	2,502,116	-	4,794,187
Contributions subsequent to the measurement date	1,053,927	N/A	1,027,097	N/A
Total	\$ 3,852,380	\$ 8,686,549	\$ 2,240,584	\$ 17,609,095

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The deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, of \$1,053,927 and \$1,027,097 for Fiscal Years 2021 and 2020, 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,	
2022	\$ (2,167,003)
2023	(649,260)
2024	(2,102,632)
2025	(969,202)
2026	-
Thereafter	-

*Actuarial assumptions.* The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06	
*	Financed by the AIR

\*Post-retirement benefit increases are provided by the AIR accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	
Members other than State Troopers	3.30%-10.90%
State Troopers	3.20%-12.40%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06 <sup>1</sup>	Financed by the AIR

<sup>1</sup> Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Pre-retirement mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

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Post-retirement non-disabled mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 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 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.

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The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives <sup>1</sup>	6.00%	4.70%
<b>Total</b>	<b>100.00%</b>	

<sup>1</sup> The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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 nominal rate of return assumption of 7.25 percent.

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

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- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 39,976,810	\$ 30,216,116	\$ 22,020,654

*Pension plan fiduciary net position.* Detailed information about the SDTF's fiduciary net position is available in PERA's Annual Report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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**NOTE 12 - OTHER RETIREMENT PLANS**

**PERA Defined Contribution Plan (DC Plan)**

*Plan Description.* Employees of the State of Colorado that were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008 which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). Pursuant to C.R.S. § 24-51-1501(4), the PERA DC Plan eligibility was extended to certain new classified employees at State Colleges and Universities beginning on January 1, 2019. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's Annual Report as referred to above.

*Funding Policy.* All participating employees in the PERA DC Plan and the University are required to contribute a percentage of the employee's PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 2019 through June 2021 are summarized in the tables below:

	Fiscal Year 2020		Fiscal Year 2021	
	CY19	CY20	CY21	
	7-1-19 to 12-31-19	1-1-20 to 6-30-20	7-1-20 to 12-31-20	1-1-21 to 6-30-21
Employee Contribution Rate	8.75%	8.75%	10.00%	10.00%
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%

Additionally the employers are required to contribute AED and SAED to the SDTF as follows:

	Fiscal Year 2020		Fiscal Year 2021	
	CY19	CY20	CY21	
	7-1-19 to 12-31-19	1-1-20 to 6-30-20	7-1-20 to 12-31-20	1-1-21 to 6-30-21
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	5.00%	5.00%	5.00%	5.00%
Automatic Adjustment Provision (AAP), as specified in C.R.S. § 24-51-413 <sup>1</sup>	N/A	N/A	0.50%	0.50%
Defined Contribution statutory contribution as specified in C.R.S. § 24-51-1505 <sup>1</sup>	0.25%	0.25%	0.25%	0.25%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	N/A	N/A	N/A	0.05%
<b>Total Employer Contribution Rate to the SDTF</b>	<b>10.25%</b>	<b>10.25%</b>	<b>10.75%</b>	<b>10.80%</b>

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

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Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed \$992,107 and \$871,624, and the University recognized pension expense for employer contributions of \$2,159,915 and \$2,160,939, respectively for the PERA DC Plan for the years ending June 30, 2021 and 2020, respectively.

**Voluntary Investment Program (PERAPlus 401(k) Plan)**

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

*Funding Policy.* The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. The University does not contribute to this Plan. For the years ended June 30, 2021 and 2020, program members contributed \$97,100 and \$112,469, respectively.

**PERAPlus 457 Plan**

The PERA Deferred Compensation Plan (457 Plan) was established July 1, 2009 as a continuation of the State's deferred compensation plan, which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 Plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2019, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by the percentage of their PERA contribution) to a maximum of \$19,500. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional \$6,500 contribution in 2021. Contributions and earnings are tax-deferred. At December 31, 2020, the Plan had 19,438 participants.

**Student Retirement Plan**

Beginning in fiscal year 1993, in accordance with the provision of Section 24-54.6-101, Colorado Revised Statute (C.R.S.), and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5 percent contribution on the employee's part with no employer contribution. Total payroll covered by the plan was \$61,937 and \$125,603 for the years ended June 30, 2021 and 2020, respectively. Employee contributions were 7.5 percent of covered payroll.

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

**PERA OPEB Plan**

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

*Benefits provided.* The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

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

*PERA Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the University were \$102,511 and \$105,350, for the years ended June 30, 2021 and 2020, respectively.

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

At June 30, 2021, the University reported a liability of \$1,044,092 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The University's proportion of the net OPEB liability was based on the University's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the University's proportion was 0.1099 percent, which was a decrease of 0.0048 percent from its proportion measured as of December 31, 2019.

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

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

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For the years ended June 30, 2021 and 2020, the University recognized OPEB expense of \$(153,553) and \$(90,128), respectively. At June 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Fiscal Year 2021		Fiscal Year 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,771	\$ 229,541	\$ 4,279	\$ 216,661
Changes of assumptions or other inputs	7,801	64,023	10,697	-
Net difference between projected and actual earnings on OPEB plan investments	-	42,662	-	21,521
Changes in proportion and differences between contributions recognized and proportionate share of contributions	659	280,269	974	292,539
Contributions subsequent to the measurement date	52,486	N/A	53,714	N/A
<b>Total</b>	<b>\$ 63,717</b>	<b>\$ 616,495</b>	<b>\$ 69,664</b>	<b>\$ 530,721</b>

The deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, of \$52,486 and \$53,714 for Fiscal Years 2021 and 2020, respectively, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,

2022	\$ (151,962)
2023	(145,994)
2024	(151,539)
2025	(113,492)
2026	(39,783)
Thereafter	(2,495)

*Actuarial assumptions.* The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	8.10 percent in 2020, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent for 2020, gradually increasing to 4.50 percent in 2029

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In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

<b>Medicare Plan</b>	<b>Initial Costs for Members without Medicare Part A</b>		
	<b>Monthly Cost</b>	<b>Monthly Premium</b>	<b>Adjusted to Age 65</b>
Medicare Advanatage/Self-Insured Rx	\$ 588	\$ 227	\$ 550
Kaiser Permanente Medicare Advantage HMO	\$ 621	\$ 232	\$ 586

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

<b>Year</b>	<b>PERACare Medicare Plans</b>	<b>Medicare Part A Premiums</b>
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

	<b>State Division Trust Fund</b>
Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	
Members other than State Troopers	3.30%-10.90%

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The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

The following health care costs assumptions were updated and used in the roll forward calculation for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

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

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real</b>
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives <sup>1</sup>	6.00%	4.70%
<b>Total</b>	<b>100.00%</b>	

<sup>1</sup> The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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%.

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 1,017,153	\$ 1,044,091	\$ 1,075,518

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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June 30, 2021 and 2020

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 1,196,026	\$ 1,044,091	\$ 914,276

*OPEB plan fiduciary net position.* Detailed information about the HCTF's fiduciary net position is available in PERA's Annual Report which can be obtained at <http://www.copera.org/investments/pera-financial-reports>.

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

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post-employment health coverage until the retiree is eligible for Medicare. As of June 30, 2021, there were 255 eligible members made up of exempt administrative staff and faculty.

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

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

**STATE OF COLORADO  
ADAMS STATE UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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**NOTE 14 - SCHOLARSHIP ALLOWANCES**

Tuition, fee and auxiliary revenue and the related scholarship allowances for the year ended June 30, 2021 and 2020, were as follows:

	Tuition & Fees	Auxiliary Revenue	2021 Total	2020 Total
Gross Revenue	\$ 27,889,013	\$ 5,502,120	\$ 33,391,133	\$ 35,000,265
<b>Scholarship Allowances:</b>				
Federal	3,108,245	350,581	3,458,826	3,909,568
State	1,849,877	208,649	2,058,526	2,202,075
Private	1,459,737	164,645	1,624,382	1,666,010
Institutional	4,293,318	484,246	4,777,564	4,666,386
Total Allowance	<u>10,711,177</u>	<u>1,208,121</u>	<u>11,919,298</u>	<u>12,444,039</u>
Net Revenue	<u><u>\$ 17,177,836</u></u>	<u><u>\$ 4,293,999</u></u>	<u><u>\$ 21,471,835</u></u>	<u><u>\$ 22,556,226</u></u>

**NOTE 15 - UNIVERSITY FOUNDATION**

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

During the year ended June 30, the University received funds totaling \$1,933,709 (2021) and \$2,134,763 (2020), from the Foundation for scholarships, work study and grants-in-aid. These funds are appropriately accounted for and reported in the financial statements. In addition, the Foundation has expended funds for the purchase of an insignificant quantity of supplies and other services from the University.

**NOTE 16 - RISK FINANCING AND INSURANCE-RELATED ACTIVITIES**

The University is subject to risks of loss from liability for accident property damage and personal injury. The University is required to obtain insurance, but no reduction occurred in coverage nor did any settlements exceed coverage. The University does not retain risk of loss except for damage incurred to property belonging to the State, limited to a \$10,000 deductible per incident.

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

The budget, actual revenue and actual expenses related to the amounts shown in the State of Colorado Long Bill for tuition, academic fees, stipends and fee for service contracts for fiscal year 2020 are as follows:

Budget	\$32,638,481
Actual Revenues	28,051,832
Actual Expenses	28,051,832

## **REQUIRED SUPPLEMENTARY INFORMATION**

### **Pensions and Other Post Employment Benefits**

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

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

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	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
University's proportion of the net pension liability	0.319%	0.335%	0.362%	0.401%	0.406%	0.419%	0.433%	0.446%
University's proportionate share of the net pension liability	\$ 30,216,116	\$ 32,479,009	\$ 41,152,012	\$ 80,288,346	\$ 74,579,030	\$ 44,150,199	\$ 40,769,013	\$ 39,752,901
University's covered payroll	\$ 10,728,338	\$ 10,560,546	\$ 11,117,518	\$ 11,915,659	\$ 11,719,350	\$ 11,799,057	\$ 11,774,730	\$ 11,717,998
University's proportionate share of the net pension liability as a percentage of its covered payroll	282%	308%	370%	674%	636%	374%	346%	339%
Plan fiduciary net position as a percentage of the total pension liability	65.3%	62.2%	55.1%	43.2%	42.6%	56.1%	59.8%	61.1%
PERA State Division Fiduciary Net Position (in thousands)	\$ 17,879,947	\$ 15,992,863	\$ 13,966,421	\$ 15,223,702	\$ 13,626,180	\$ 13,460,536	\$ 14,013,947	\$ 13,980,460
PERA State Division Net Pension Liability (in thousands)	\$ 9,484,793	\$ 9,703,804	\$ 11,378,673	\$ 20,017,982	\$ 18,368,131	\$ 10,531,033	\$ 9,406,514	\$ 8,907,971

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

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

**See Notes to the Required Supplementary Information**

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

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	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Contractually required contribution	\$ 2,055,339	\$ 2,294,971	\$ 2,320,814	\$ 2,187,412	\$ 2,185,232	\$ 2,019,691	\$ 2,109,916	\$ 1,974,531	\$ 1,815,985	\$ 1,400,744
Contributions in relation to the contractually required contribution	<u>2,055,339</u>	<u>2,294,971</u>	<u>2,320,814</u>	<u>2,187,412</u>	<u>2,185,232</u>	<u>2,019,691</u>	<u>2,109,916</u>	<u>1,974,531</u>	<u>1,815,985</u>	<u>1,400,744</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
University's covered payroll	\$ 10,605,060	\$ 10,606,753	\$ 10,870,614	\$ 11,569,633	\$ 11,872,697	\$ 11,334,672	\$ 11,898,898	\$ 11,717,998	\$ 11,221,830	\$ 11,096,675
Contributions as a percentage of covered payroll	19.38%	21.64%	21.35%	18.91%	18.41%	17.82%	17.73%	16.85%	16.18%	12.62%

See Notes to the Required Supplementary Information

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

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	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
University's proportion of the net OPEB liability	0.110%	0.115%	0.128%	0.143%	0.145%
University's proportionate share of the net OPEB liability	\$ 1,044,092	\$ 1,289,365	\$ 1,739,543	\$ 1,861,728	\$ 1,874,596
University's covered payroll	\$ 10,160,959	\$ 10,314,462	\$ 10,813,703	\$ 11,630,024	\$ 11,416,440
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	10%	13%	16%	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	32.78%	24.49%	17.03%	17.53%	16.72%
Health Care Trust Fund Fiduciary Net Position (in thousands)	\$ 463,301	\$ 364,510	\$ 279,192	\$ 276,222	\$ 260,228
PERA Health Care Trust Fund Net OPEB Liability (in thousands)	\$ 950,225	\$ 1,123,998	\$ 1,360,542	\$ 1,299,600	\$ 1,296,534

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

\*\*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled the

**See Notes to the Required Supplementary Information**

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

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	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Contractually required contribution	\$ 102,511	\$ 105,466	\$ 106,287	\$ 115,064	\$ 118,470	\$ 116,200	\$ 118,463	\$ 117,784	\$ 114,463	\$ 111,920
Contributions in relation to the contractually required contribution	<u>102,511</u>	<u>105,466</u>	<u>106,287</u>	<u>115,064</u>	<u>118,470</u>	<u>116,200</u>	<u>118,463</u>	<u>117,784</u>	<u>114,463</u>	<u>111,920</u>
Contribution deficiency (excess)	<u>\$ -</u>									
University's covered payroll	\$ 10,050,098	\$ 10,339,804	\$ 10,420,294	\$ 11,280,776	\$ 11,614,722	\$ 11,392,193	\$ 11,614,041	\$ 11,547,451	\$ 11,221,863	\$ 10,972,549
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

**See Notes to the Required Supplementary Information**

**ADAMS STATE UNIVERSITY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS**  
**June 30, 2021 and 2020**

**NOTE 1 NET PENSION LIABILITY**

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

2020

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.
- Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumptions were changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- Post-retirement non-disabled mortality assumptions were changed to the PubG-2010 Healthy Retiree Table, adjusted as follows:
  - Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
  - Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Post-retirement non-disabled beneficiary mortality assumptions were changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
  - Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
  - Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- Disabled mortality assumptions were changed to the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

2019 The post-retirement benefit increases to the PERA benefit structure for those hired prior to 1/1/07 was changed from 0% through 2019 and 1.5% compounded annually thereafter, to the lesser of 1.25%.

2018

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%.
- The post-retirement benefit increases to the PERA benefit structure for those hired prior to 1/1/07 was changed from 2.00% to 0.00% through 2019 and 1.5% compounded annually thereafter.

2017 The discount rate was lowered from 5.26% to 4.72%.

2016

- The investment return was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expense, to 4.85% per year, net of investment expense.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020

**ADAMS STATE UNIVERSITY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS**  
**June 30, 2021 and 2020**

to RP-2014 White Collar Employee Mortality for active employees, RP-2014 Health Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.

- The discount rate was lowered from 7.50% to 5.26%.

**2015** There were no changes in assumptions or other inputs effective this measurement period.

**NOTE 2 OTHER POSTEMPLOYMENT BENEFITS LIABILITY**

Changes in assumptions or other inputs effective for the December 31 measurement period for the following years ended:

**2020**

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real wage growth assumption decreased from 1.10 percent per year to 0.70 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.
- Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumptions for the School Division were changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- Post-retirement non-disabled mortality assumptions for the School Division were changed to the PubT-2010 Healthy Retiree Table, adjusted as follows:
  - Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
  - Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Post-retirement non-disabled beneficiary mortality assumptions were changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
  - Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
  - Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- Disabled mortality assumptions were changed to the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

**2019**

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.

**ADAMS STATE UNIVERSITY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS**  
**June 30, 2021 and 2020**

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- 2018 There were no changes in assumptions or other inputs effective this measurement period compared to the prior year.
- 2017 The Medicare Part A premiums were raised from 3.00% to 3.25%, as well as the gradual percentage rose from 4.25% in 2023 to 5.00% in 2025.

## **SUPPLEMENTARY INFORMATION**

**ADAMS STATE UNIVERSITY**  
**SCHEDULE OF PLEDGED REVENUES AND EXPENSES**  
**FOR SERIES 2012, 2015, 2017A, 2017B, AND 2019 AUXILIARY FACILITIES REVENUE BONDS**  
**For the years ended June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Revenue</b>		
Tuition revenues	\$ 2,220,669	\$ 2,336,588
Extended Studies tuition and fees	3,701,855	3,820,592
Capital fees	2,637,806	2,884,302
University service fees	434,970	467,691
Traffic control fees	0	(95,793)
Rental income	3,706,972	3,712,647
Food service income	1,673,845	1,949,946
Sales/services auxiliaries	4,251	10,650
Interest income	25,423	43,518
Other income	227,729	197,772
<i>Total Revenue</i>	<b>14,633,520</b>	<b>15,327,913</b>
<b>Expenses</b>		
Salaries & benefits	2,916,027	2,810,211
Costs of goods	28	-
Utilities expense	487,789	442,772
Rental expense	142,774	148,135
Contract food services	1,344,450	1,070,035
Travel	3,938	68,132
Supplies	174,484	218,720
Other operating expenses	375,695	376,523
Purchased services-personal	505,499	496,153
Financial aid	457,233	548,051
Administrative cost allowance	1,066,801	1,217,162
Furniture & equipment	44,327	61,498
Other expenses	273,073	182,202
<i>Total Expenses</i>	<b>7,792,118</b>	<b>7,639,594</b>
<b>Net Revenue before Transfers</b>	<b>6,841,402</b>	<b>7,688,319</b>
<b>Transfers</b>		
Mandatory transfers	3,195,290	3,854,649
Nonmandatory transfers	(2,288,912)	(189,634)
<i>Total Transfers</i>	<b>906,378</b>	<b>3,665,015</b>
<i>Net Revenue</i>	<b>\$ 5,935,024</b>	<b>\$ 4,023,304</b>
<b>Debt Service Coverage</b>		
Net Operating Revenue	\$ 6,841,402	\$ 7,688,319
Bond Principal and Interest	3,749,273	3,563,393
<b>Excess of Net Operating Revenue Over Debt Service</b>	<b>\$ 3,092,129</b>	<b>\$ 4,124,926</b>
<b>Debt Service Coverage Ratio</b>	<b>182%</b>	<b>216%</b>



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

Wall,  
Smith,  
Bateman Inc.

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the major fund of Adams State University (the University), an Institution of Higher Education, State of Colorado, the Adams State University Foundation, a discretely presented component unit, discussed in Note 1 of the financial statements, which represents 100 percent of the total assets, total revenues, and total net assets of the aggregate discretely presented component unit, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 11, 2022. The financial statements of the discretely presented component unit, Adams State University Foundation, were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

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

**Certified Public Accountants**

## **Compliance and Other Matters**

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

## **Adams State University's Responses to the Findings**

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

## **Purpose of this Report**

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

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.

Alamosa, Colorado

January 11, 2022



## Communication with Those Charged with Governance

January 11, 2022

Wall,  
Smith,  
Bateman Inc.

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities and the major fund of Adams State University (the University), an Institution of Higher Education, State of Colorado, and the Adams State University Foundation, a discretely presented component unit of the University, discussed in Note 1 of the financial statements, as of and for the years ended June 30, 2021 and 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated August 30, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during Fiscal Year 2021. We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the net pension liability, net OPEB liability, deferred outflows of resources, and deferred inflows of resources at June 30, 2021 and total expense recognized during FY2021 are based upon the University's proportionate share of the collective net pension liability, net OPEB liability, deferred outflows of resources, and deferred inflows of resources reported by the Public Employee's Retirement Association of Colorado (PERA) at December 31, 2020 and the collective pension and OPEB expenses for the year then ended. The University's proportion has been adjusted for contributions between PERA's reporting date of December 31, 2020 and the University's fiscal year end of June 30, 2021.

Management's estimate of depreciation expense is based on the estimated useful life of the capital assets being depreciated at June 30, 2021. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certified Public Accountants

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

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

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

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

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The schedules on page 80 titled "Audit Adjusting Journal Entries" and "Passed Audit Adjusting Journal Entries" summarize corrected and uncorrected misstatements of the financial statements. Audit adjusting entries are material misstatements detected as a result of audit procedures that have been corrected by management. Management has determined the effects of the passed audit adjusting entries to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 11, 2022.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Other Matters

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

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

Restriction on Use

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

Very truly yours,

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.

Alamosa, Colorado

**ADAMS STATE UNIVERSITY**  
**Schedule of Audit Adjusting Journal Entries**  
**June 30, 2021**

Account Description	Debit	Credit
Instruction expense		\$ 462,740.43
Public service expense	\$ 38,372.37	
Academic support expense	\$ 178,717.39	
Student services expense	\$ 396,200.48	
Institutional support expense	\$ 287,410.02	
Operation of plant expense	\$ 291,445.71	
Auxiliary enterprises expense		\$ 729,405.54

To correct the GASB 68 and GASB 75 expense allocation.

**Schedule of Passed Audit Adjusting Journal Entries**  
**June 30, 2021**

Account Description	Debit	Credit
Deferred income	\$ 90,302.00	
Accounts receivable		\$ 90,302.00
Transfer in	\$ 90,302.00	
Transfer out		\$ 90,302.00

To correct federal program activity.