ADAMS STATE UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2022 and 2021

Wall,
Smith,
Bateman Inc.
Certified Public Accountants

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REPORT NUMBER 2202F

Wall,
Smith,
Bateman Inc.

To the Members of the Legislative Audit Committee
and the 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, 2022. 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

November 30, 2022

Certified Public Accountants
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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 2022 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 2022.

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, 2022, including a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*. This included the identification of the University's key information technology systems, and determination of the extent of testing to be performed on those systems, in accordance with auditing standards.

- Perform a financial and compliance audit of the Statement of Appropriations, Expenditures, Transfers, and Reversions of the University's State-Funded Student Financial Assistance Programs, including a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards* for fiscal year 2022.

- 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 the University's exhibits required by the State Controller in support of the statewide financial statements. Also, review of all adjusting entries, posted or not, after the Colorado Operations Resource Engine's (CORE's) final year-end closing.

- Submit attestation memos to the Office of the State Auditor on the results of audit work performed.

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

Audit Results

Wall, Smith, Bateman Inc. expressed an unmodified opinion on the financial statements for the years ending June 30, 2022 and 2021.

ADAMS STATE UNIVERSITY
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
Fiscal Years Ended June 30, 2022 and 2021

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, 2022, relating to the appropriate program allocation of the scholarship allowance, presentation of financed lease purchase of equipment, 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, 2021 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 2022				
Rec. No.	**Page No.**	**Recommendation Summary**	**Agency Response**	**Implementation Date**
2022-001	9	Adams State University should strengthen its internal controls over financial reporting in order to ensure that its financial statements are prepared accurately and in accordance with all relevant accounting standards and that OSC-required exhibits are accurate and submitted by their due dates. This could include filling vacant positions, evaluating the duties and responsibilities of the accounting staff to determine if additional support by the University can be provided to help with continued implementation of Workday, and continuing to have accounting staff attend trainings on financial reporting.	Agree	July 2024

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:

	2020	2021	2022
Resident Students	1,482.0	1,519.3	1,526.5
Nonresident Students	778.8	821.7	805.6
Total Students	2,260.8	2,341.0	2,332.1
Faculty FTEs	174.1	194.6	173.2
Staff FTEs	140.1	131.6	134.3
Total Staff and Faculty FTEs	314.2	326.2	307.5

Accounting Reconciliation and Reporting Controls

Adams State University's (University) 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 accurate 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.

The University is required to prepare its financial statements in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) establishes GAAP for state and local government entities through the issuance of GASB statements, which the University must comply with when preparing its financial statements. For example, for the University's Fiscal Year 2022 financial statements, the University was required to implement a new GASB statement, GASB Statement No. 87, *Leases*, which required the University to evaluate all of its lease and financing agreements for proper financial statement reporting of the lease liabilities and related assets in accordance with this standard. Additionally, the National Association of College and University Business Officers (NACUBO) Accounting Principles Council issues advisory reports that represent preferred industry practice providing accounting technical guidance for all public schools, colleges, and universities.

In May 2021, the University and two other rural Colorado institutions of higher education were awarded State funding to replace their aging Banner software with Workday, a cloud-based software system that supports each institution's financial accounting, budgeting, purchasing, billing, and human resource management, as well as student information such as courses, enrollment, faculty assignments, and grades. The universities received the funding on the premise that all three institutions would collaborate and implement the project consistently and on the same timeline. The appropriations have a three-year implementation timeframe before expiration of funding.

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 financial reporting activities, and to determine whether the University complied with applicable accounting standards during Fiscal Year 2022. In addition, we reviewed the University's progress in implementing our Fiscal Year 2021 audit recommendation related to improving accounting controls. At that time, we specifically recommended that the University continue to improve its internal controls over financial activities by ensuring adequate review of the Governmental Accounting Standards Board (GASB) Statement No. 68 pension expense allocation computation and identifying and implementing back-up responsibilities to ensure the University submits complete and accurate financial statements and related exhibits in accordance with the timelines established by the OSC's Manual.

As part of our Fiscal Year 2022 audit testing, we reviewed the University's implementation of GASB Statement No. 87, *Leases;* its computation and allocation of its scholarship allowance for financial statement presentation; entries made by the University's accounting staff to record pension amounts as of June 30, 2022; and the University's exhibits and related supporting documentation that were prepared and submitted to the OSC for Fiscal Year 2022 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:

- GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principles that leases are financings of the right to use an underlying asset, known as a "right-to-use asset."
- GASB Statement No. 34, *Basic financial Statements–and Management's Discussion and Analysis – for State and Local Governments,* explains that capital assets include buildings and improvements that are used in operations and that have initial useful lives extending beyond a single reporting period.
- The OSC's Manual in Chapter 3: Section 6 explains that the OSC uses and relies on department- and university-prepared exhibits in the preparation of the State's Annual Comprehensive Financial Report. The Manual also notes August 16, 2022 as the date that most exhibits were due to the OSC.
- GASB Statement No. 35, Basic financial Statements–and Management's Discussion and Analysis– for Public Colleges and Universities-an Amendment of GASB Statement No. 34, requires that revenues be reported net of discounts and allowances. Therefore, the University is required to report tuition and fee revenues and sales of services of auxiliary enterprises at an amount that is net of scholarship allowances in its financial statements. Further, NACUBO Advisory Report 2000-05, *Accounting and Reporting Scholarship Discounts and Allowances to Tuition and Other Fee Revenues by Public Institutions of Higher Education* explains that "institutional resources provided in excess of amounts owed by the students to the institution and refunded to the students will be recorded as an institutional expense".
- 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)."

What problems did the audit work identify?

Overall, we determined that the University had not fully implemented our Fiscal Year 2021 audit recommendation to improve its accounting controls over financial activities. Although our Fiscal Year 2022 audit work determined that the University made progress in the implementation of adequate review of GASB Statement No. 68, we determined that the University did not implement sufficient back-up responsibilities to ensure the University submitted complete and accurate financial statements and related exhibits in accordance with the timelines established by the OSC's Manual. We specifically identified the following:

- The University did not fill its vacant Assistant Controller position in the accounting department during Fiscal Year 2022.
- The University incorrectly identified two financed purchase agreements totaling approximately $1.7 million as GASB Statement No. 87 leases. We reviewed the agreements the University identified as leases and determined that they were long-term liabilities outside of the provisions of GASB Statement No. 87. Based on this incorrect recognition, this caused the following errors:
    - The University's financial statements incorrectly reported $1.5 million as right-to-use assets and leases payable rather than capital assets and notes payable.
    - Exhibits C2, *Schedule of Changes in Long-Term Liabilities*, incorrectly reported leases payable rather than notes payable of $1.3 million.
    - Exhibit D2, *Schedule of Debt Service Requirements to Maturity*, excluded annual activity for the notes payable.
    - Exhibit F2, *Principal and Interest Requirements to Maturity for Leases and Subscription Based Information Technology Agreements (SBITA's)*, incorrectly included $1.5 million associated with the lease activity.
    - Exhibit F3, *State of Colorado as Lessee Leases and SBITA's – Other Disclosures*, incorrectly included information related to these agreements as leases.
    - Exhibit W2, *Schedule of Changes in Capital Assets*, excluded capital assets of $1.4 million.
    - Exhibit W4, *Changes in Right-to-Use Asset,* included right-to-use assets of $1.4 million.
- The University's allocation of the scholarship allowance to the tuition and fees revenue and the sales and services revenue was computed and recorded incorrectly; as a result, tuition and fee revenue was overstated by $483,140 and sales and services of auxiliary enterprises revenue was understated by $755,331 and the scholarship and fellowship expense was understated by $272,189.

After we brought the errors to the University staff's attention, staff corrected the University's financial statements and submitted corrected Exhibits C2, D2, F2, F3, W2, and W4, to the OSC on October 7, 2022, 52 days after the due date.

Why did these problems occur?

While the University worked to improve its internal controls over financial reporting during Fiscal Year 2022 by having its accounting staff attend training on GASB Statement No. 87 and timelines established by the OSC's Manual, the University did not have adequate internal controls in place to ensure its financial statements were prepared accurately, including that GASB standards were researched and implemented appropriately, and that it met the OSC's deadlines for statewide reporting. Additionally, the University's accounting department does not appear to be adequately staffed and had a vacant Assistant Controller position for the entirety of Fiscal Year 2022. The University reported that it advertised statewide to fill the Assistant Controller position during the year and searched for outside consultants to fulfill the position's responsibilities, but was ultimately unable to recruit and hire an Assistant Controller or outside consultants to provide back-up responsibilities for financial statement and exhibit preparation.

In addition, the University began implementation of the financial and human capital management components of the Workday platform during Fiscal Year 2022. The design, implementation, and testing of the software put additional burden on limited staff resources, a process that is heavily dependent on the staff to design, implement, and test the application.

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 should strengthen its internal controls over financial reporting in order to ensure that its financial statements are prepared accurately and in accordance with all relevant accounting standards and that OSC-required exhibits are accurate and submitted by their due dates. This could include filling vacant positions, evaluating the duties and responsibilities of the accounting staff to determine if additional support by the University can be provided to help with continued implementation of Workday, and continuing to have accounting staff attend trainings on financial reporting.

Adams State University's Response:

Agree. Implementation date: July 2024

Adams State was able to hire an Assistant Controller in late October 2022. The University will continue to re-evaluate duties of all accounting staff, especially as duties change with the conversion to the Workday platform. There is another position in the accounting office that is mid-search, and we will continue to pursue the filling of the vacant position. The University has identified a consulting firm who will provide some staff augmentation in accounting during go live, and is also actively identifying vendor support for post-production. The full conversion to Workday is expected to be complete July 2024.

ADAMS STATE UNIVERSITY
FINANCIAL AND COMPLIANCE AUDIT
DISPOSITION OF PRIOR YEAR
AUDIT FINDINGS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2022

Summary of Progress in Implementing Prior Year Audit Recommendation

Fiscal Year 2021

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.	**Disposition –** Partially Implemented. See current year recommendation No. 1.

FINANCIAL STATEMENTS SECTION

INDEPENDENT AUDITOR'S REPORT

Wall,
Smith,
Bateman Inc.

To the Members of the Legislative Audit Committee
and Adams State University Board of Trustees

Report on the Audit of the Financial Statements

Opinions

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 to the financial statements, which represents 100 percent of the total assets, total revenues, and total net position of the discretely presented component unit, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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 the University, as of June 30, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

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forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, 2022 and 2021, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information and other post-employment benefit schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying Schedule of Pledged Revenues and Expenses for series 2012, 2015, 2017A, 2017B, and 2019 Auxiliary Facilities Revenue Bonds, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Pledged Revenues and Expenses for series 2012, 2015, 2017A, 2017B, and 2019 Auxiliary Facilities Revenue Bonds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's 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 University's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 30, 2022

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, 2022 and 2021, with selected comparative information for the year ended June 30, 2020. 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, 2022

The University's total net position increased by $18.2 million during fiscal year 2022 compared to a $17.7 million increase in net position during fiscal year 2021. The increase is primarily a result of an increase in fee for service revenues of $10.5 million, and an increase in State capital appropriations of $7.7 million. The cash and cash equivalents increased $13.5 million from fiscal year 2021 as a result of the $1.4 million Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding recognized in fiscal year 2022 on fiscal year 2021 lost revenue and $5 million spent July 2021 through June 2022. Unlike in fiscal year 2021, the State did not offset the University's fees for service support with the CARES funding and provided an additional support of $10.5 million in contract revenue.

The University had a ratio of current assets to current liabilities of 7.0 and 5.9 for fiscal years 2022 and 2021, 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 2021 to fiscal year 2022 is primarily a result of the increase in cash and the current liability in 2021 related to $1.4 million of CARES Act funding no longer being a liability as of 2022. CARES act funding was recorded as a current liability because the funds were unable to be recognized as of June 30, 2021 due to the Federal restrictions regarding the timing of revenue recognition and therefore deferred to be recognized in fiscal year 2022.

The University had an operating loss of $1.5 million. The University received no state operating appropriations, but received $16.8 million in fee for service contract revenue from the Colorado Department of Higher Education and $2.2 million in College Opportunity Fund stipends from College Assist during fiscal year 2022. The University also received $6.4 million in non-operating COVID funds and $9.0 million in State capital appropriations.

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 5.9 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.

STATEMENT OF NET POSITION

The Statement of Net Position includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when services are received, regardless of when cash is exchanged. Over time, increases and decreases in net position (the difference between assets and liabilities) is one indicator of the University's financial health when considered in conjunction with non-financial facts such as student enrollment and the condition of facilities.

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

	2022	2021	2020
		(in thousands)	
Assets			
Current Assets	$ 61,679	$ 53,140	$ 50,842
Noncurrent Assets	98,187	95,094	100,831
	159,866	148,234	151,673
Deferred outflows of resources	5,308	7,241	5,825
Liabilities			
Current Liabilities	8,861	9,083	15,662
Noncurrent Liabilities	90,683	99,010	103,283
	99,544	108,093	118,945
Deferred inflows of resources	9,331	9,303	18,140
Net Position			
Invested in Capital Assets, net of related debt	33,810	30,303	35,253
Restricted	10,221	6,949	5,677
Unrestricted	12,269	827	(20,516)
	$ 56,300	$ 38,079	$ 20,413

The University's total net position increased by $18.2 million during Fiscal Year 2022 compared to a $17.7 million increase in net position during Fiscal Year 2021. Both years' increases were partially related to a decrease in PERA pension and OPEB liabilities and expense decreases. Excluding the effects of PERA pension and OPEB expenses, the University's increase in total net position is $13.0 million due to the continued commitment to fiscal sustainability.

The effect of the PERA pension and OPEB expense on the University's total net position for Fiscal Year 2022 and 2021 is summarized below:

	Fiscal Year 2022	Fiscal Year 2021
	(in thousands)	
Net Position (GAAP Basis)	$ 56,300	$ 38,079
Effects of GASB 68 - Pension	29,988	35,050
Effects of GASB 75 - OPEB	1,407	1,597
Net Position excluding Pension and OPEB	$ 87,695	$ 74,726

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

	Fiscal Year 2022	Fiscal Year 2021
	(in thousands)	
Unrestricted Net Position (GAAP Basis)	$ 12,269	$ 827
Effects of GASB 68 - Pension	29,988	35,050
Effects of GASB 75 - OPEB	1,407	1,597
Net Position excluding Pension and OPEB	$ 43,664	$ 37,474

Year ended June 30, 2022

At June 30, 2022 the University's total assets were $159.9 million. The largest asset category is the $98 million in capital assets, net of accumulated depreciation of $121.4 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 2022, the University's current assets of $61.7 million were sufficient to cover current liabilities of $8.9 million (producing a current ratio of 7.0). Cash and cash equivalents (bank deposits, certificates of deposits, and pooled cash with the State Treasurer) comprised over $59.0 million in assets per the Statement of Net Position. Bonds payable of $64.2 million represent nearly 71% of the University's total noncurrent liabilities, while the Net Pension Liability represents 26% of the University's total noncurrent liabilities of $90.7 million. The current portion of the bonds payable liability is $1.7 million.

The University's net position increased $18.2 million (see the Statement of Revenues, Expenses and Changes in Net Position) to $56.3 million. Net Position is composed of $33.8 million net investment in capital assets, $10.2 million externally restricted for specific purposes, and $12.3 million unrestricted and available for any lawful purpose of the University.

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 $9.1 million (producing a current ratio of 5.9). 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 $65.9 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 nearly $1.5 million.

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.

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, 2022

Tuition and fee revenues accounted for $18.5 million of the $49.8 million in operating revenues for fiscal year 2022. The tuition and fee amount is net of scholarship allowances of $10 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 increased $11.4 million from the prior year, primarily related to the $10.6 million increase in the fee for service contract with the State of Colorado. The University received nonoperating federal grants of $6.4 million in Higher Education Emergency Funds (HEERF) in fiscal year 2022 a decrease of $5.4 million in Coronavirus Relief Funds and Higher Education Emergency Relief Funds (HEERF) received in fiscal year 2021.

Operating expenses, during Fiscal Year 2022, totaled $51.3 million. Of that total, $15.6 million was for instruction, $2.2 million for academic support, $9.6 million for student services, $5.3 million for institutional support, $3.1 million for operation of plant and $6.2 million for auxiliary enterprises. The Fiscal Year 2022 operating expenses are $13.7 million higher than the Fiscal Year 2021 expenses, due in part to $5.3 million in the PERA effect on expenses, $2.0 million in salary increases, $1.0 million in one-time grant expenditures, and $0.5 million increase in the athletic team travel.

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.

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

	2022	2021	2020
		(in thousands)	
Operating Revenues			
Tuition and Fees, net	$ 18,518	$ 17,178	$ 17,921
Grants and Contracts	25,503	14,113	22,937
Auxiliary Enterprises	5,158	4,294	4,635
Other	643	648	841
Total Operating Revenues	49,822	36,233	46,334
Operating Expenses	51,286	37,635	37,024
Net Operating Income (Loss)	(1,464)	(1,402)	9,310
Nonoperating Revenue (Expense)			
Federal Pell Grants	3,271	3,630	4,006
Gifts and Donations	3,023	2,674	2,664
Federal Grants and Contracts - Non Operating	6,452	11,845	868
Interest Income	(2,203)	(509)	1,618
Other Nonoperating	(2,495)	(2,502)	(2,547)
Net Nonoperating Revenue (Expense)	8,048	15,138	6,609
Income (Loss) Before Other Revenue, Expenses, Gains or Losses	6,584	13,736	15,919
Student Capital Fees	2,431	2,638	2,884
State Appropriations, Capital	9,004	1,331	37
State Support for PERA	243	-	258
Other	(41)	(38)	(36)
Increase (Decrease) In Net Position	18,221	17,667	19,062
Net Position			
Net Position - Beginning of the Year	38,079	20,413	1,352
Net Position - End of the Year	$ 56,300	$ 38,079	$ 20,413

CAPITAL ASSETS

At June 30, 2022, the University had approximately $98.2 million invested in capital assets, net of accumulated depreciation of $121.4 million. Depreciation charges were $6.8 million for the current year compared to $7.4 million in 2021 and $5.6 million in 2020. Details of these assets for the three years are shown below.

	2022	2021	2020
Land	$ 445,249	$ 445,249	$ 445,249
Land Improvements	4,791,790	4,506,805	4,854,475
Buildings	90,289,509	87,327,211	93,070,157
Construction in Progress	1,217,245	1,249,050	543,039
Equipment	784,417	822,741	1,032,556
Library Materials	313,154	397,412	539,409
Art and Historic Treasures	317,417	317,417	317,417
Total	$ 98,158,781	$ 95,065,885	$ 100,802,302

DEBT

At June 30, 2022, the University had approximately $63.3 million in debt outstanding compared to $63.7 million at June 30, 2021 and $64.8 million at June 30, 2020. The table below summarizes these amounts by type of debt.

	2022	2021	2020
2012 Series Institutional Enterprise Revenue Bonds	$ 7,435,000	$ 7,775,000	$ 8,115,000
2015 Series Institutional Enterprise Revenue Refunding Bonds	16,345,000	17,085,000	17,805,000
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	30,635,000	30,835,000	30,835,000
Notes Payable	1,583,147	692,087	797,822
Total	$ 63,263,147	$ 63,652,087	$ 64,817,822

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 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, 2015, and 2022. The enterprise designation is reviewed at the end of each fiscal year. The increase in State revenues for these years is a result of State revenues received for capital construction projects. For fiscal year 2022, the majority of these funds were provided for a HVAC renovation in Plachy Hall and a Digital Transformation Project (Workday implementation). The university is expected to regain TABOR status for fiscal year ended June 30, 2023. The State of Colorado is funding the capital projects for the year through pass through Coronavirus State and Local Fiscal Recovery Funds (SLFRF).

Senate Bill 04-189 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 $2.7 million in College Opportunity Fund stipends for fiscal year 2023, based on the yearly stipend of $3,120, for a full-time public higher education student taking 30 credit hours of classes. For fiscal years 2022, 2021, and 2020, the yearly stipends were $3,120, $1,200, and $2,820, respectively. The University received $2.3 million, $1 million, and $2.6 million, in stipends in fiscal years 2022, 2021, and 2020, respectively.

In fiscal year 2023, $18.3 million will be billed through a fee for service contract with the Colorado Department of Higher Education (CDHE). The University received $16.8 million, $6.2 million, and $14.7 million, in fee for service revenue in fiscal years 2022, 2021, and 2020, respectively. Senate Bill 04-189 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 federal HEERF I, II, and III grants. The institutional portion of those funds helped to stabilize the University during the pandemic. The institutional portion of HEERF I, II, and III recognized in fiscal years 2022, 2021, and 2020 were $3.6, $2.3 million and $0.5 million, respectively. The University has fully spent the HEERF funds awarded and does not anticipate further support from this program.

The University is projecting enrollment consistent with fiscal year 2022 in fiscal year 2023. The State increased the base funding by 11.4% 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 10.2% in fiscal year 2023.

The majority of the construction in progress as of June 30, 2022 was the Digital Transformation Project to replace the aging Banner system with Workday, a cloud-based software system that will support the University's financial accounting, budgeting, billing, and human resource management, as well as student information such as courses, enrollment, faculty assignments, and grades. The funding for this project is from a State Capital Construction grant. The total project will be completed in two phases. Phase I encompasses human resources, finance, and accounting functions of the university. Phase I total project is $3,022,458. The majority of the project will occur in the fiscal year ended June 30, 2023. Phase II encompasses the student side of the university including but not limited to admissions, financial aid, records, advising, and course scheduling. Phase II total project is $5,240,400 and is funded by SLFRF federal funds passed through the State of Colorado. Phase II of the project will occur over the fiscal years ending June 30, 2023 and June 30, 2024.

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: the addition of an annual direct distribution of $250 million from the State General Fund, 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, 2022 and 2021

		2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 58,961,365**	$ 47,465,689
Student accounts receivable, net		**896,460**	1,083,191
Other accounts receivable		**1,373,099**	4,169,272
Inventories		**232,925**	200,686
Prepaid expenses and other assets		**215,613**	221,618
	Total current assets	**61,679,462**	53,140,456
Noncurrent Assets			
Restricted cash and cash equivalents		**28,250**	28,250
		28,250	28,250
Non-depreciable capital assets:			
Land		**445,249**	445,249
Art and historic treasures		**317,417**	317,417
Construction in progress		**1,217,245**	1,249,050
	Total non-depreciable capital assets	**1,979,911**	2,011,716
Depreciable capital assets, net:			
Buildings		**90,289,508**	87,327,211
Land improvements		**4,791,791**	4,506,805
Furniture & equipment		**784,416**	822,741
Library books		**313,154**	397,412
	Total depreciable capital assets, net	**96,178,869**	93,054,169
	Total noncurrent assets	**98,187,030**	95,094,135
	Total Assets	**159,866,492**	148,234,591
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized refunding loss		**3,135,187**	3,325,091
Pension contributions made after measurement date		**1,107,491**	1,053,927
Differences between expected and actual pension experience		**158,662**	746,726
Differences due to changes in assumptions of pension plan		**831,373**	2,051,727
Other post employment benefits contributions made after measurement date		**54,478**	52,486
Differences in expected vs actual experience - OPEB		**1,400**	2,771
Differences due to changes in assumptions - OPEB		**19,026**	7,801
Differences between employer contributions and proportionate share - OPEB		**343**	659
	Total Deferred Outflows of Resources	**5,307,960**	7,241,188

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

ADAMS STATE UNIVERSITY
STATEMENTS OF NET POSITION
As of June 30, 2022 and 2021

	2022	2021
LIABILITIES		
Current Liabilities		
Accounts payable	**1,110,031**	973,986
Accrued liabilities	**3,468,610**	2,983,396
Unearned revenue	**1,511,346**	2,878,651
Deposits held for others	**424,200**	419,454
Bonds payable, current	**1,725,278**	1,475,278
Notes payable, current	**300,005**	108,940
Compensated absences liability	**321,442**	243,484
Total current liabilities	**8,860,912**	9,083,189
Noncurrent Liabilities		
Compensated absences liability	**987,549**	1,246,255
Notes payable	**1,283,142**	583,146
Bonds payable	**64,175,394**	65,920,671
Net other post employment benefits liability	**918,953**	1,044,092
Net pension liability	**23,317,960**	30,216,116
Total noncurrent liabilities	**90,682,998**	99,010,280
Total Liabilities	**99,543,910**	108,093,469
DEFERRED INFLOWS OF RESOURCES		
Net differences between projected and actual pension plan investment earnings	**8,024,333**	6,184,433
Differences due to changes in proportionate share of pension plan	**702,520**	2,492,801
Differences due to expected and actual experience of pension plan	**32,439**	-
Differences between actual and proportionate share of contributions to pension plan	**8,219**	9,315
Differences in expected vs actual experience - OPEB	**217,895**	229,541
Net differences between projected and actual OPEB plan investment earnings	**56,884**	42,662
Differences due to changes in assumption of OPEB	**49,848**	64,023
Differences between employer contributions and proportionate share - OPEB	**1,090**	1,153
Differences due to changes in proportionate share - OPEB	**237,757**	279,116
Total Deferred Inflows of Resources	**9,330,985**	9,303,044
NET POSITION		
Net investment in capital assets	**33,810,148**	30,302,941
Restricted for non-expendable purposes:		
Endowments	**28,250**	28,250
Restricted for expendable purposes:		
Endowments	**33,281**	33,281
Other Purposes	**10,159,119**	6,887,591
Total Restricted	**10,220,650**	6,949,122
Unrestricted	**12,268,759**	827,203
Total Net Position	**$ 56,299,557**	$ 38,079,266

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

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash in Bank	$ 489,173	$ 241,774
Pooled Cash - Brokerage Accounts	875,137	746,097
Restricted Cash - Brokerage Accounts	156,560	166,502
Certificates of Deposit	300,000	300,000
Pooled Investments, at Fair Value	17,866,741	20,245,265
Restricted Investments, at Fair Value	7,981,863	9,330,233
Pledges Receivable, net of allowance	57,270	95,750
Inventories	7,240	7,240
Land	9,000	-
Art Collection	15,000	15,000
TOTAL ASSETS	$ 27,757,984	$ 31,147,861
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 51,247	$ 76,542
TOTAL LIABILITIES	51,247	76,542
NET ASSETS		
Without Donor Restriction:		
Unrestricted	1,784,760	1,546,205
Board Designated - Investment Reserves Fund	-	3,479,973
Board Designated - Endowments	651,040	706,173
Total Without Donor Restrictions	2,435,800	5,732,351
With Donor Restrictions:		
Purpose Restricted	2,692,517	5,369,144
Perpetual in Nature	22,578,420	19,969,824
Total With Donor Restrictions	25,270,937	25,338,968
TOTAL NET ASSETS	27,706,737	31,071,319
TOTAL LIABILITIES AND NET ASSETS	$ 27,757,984	$ 31,147,861

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, 2022 and 2021

	2022	2021
Operating Revenues:		
Tuition & fees (including $6,016,901 and $6,357,324, respectively of revenues pledged for bonds and net of scholarship allowances of $10,062,820 and $10,711,179, respectively)	**$ 18,518,313**	$ 17,177,836
Sales & services of auxiliary enterprises (including $5,972,930 and $5,448,948, respectively of revenues pledged for bonds and net of scholarship allowances of $1,035,263 and $1,208,121 respectively)	**5,157,728**	4,293,999
Fee for service contract revenue	**16,817,070**	6,234,394
Federal grants and contracts	**5,657,538**	5,123,583
State grants and contracts	**3,028,235**	2,755,040
Other operating revenues (including $19,397 and $163,849, respectively of revenues pledged for bonds)	**642,753**	647,720
Total Operating Revenues	**49,821,637**	36,232,572
Operating Expenses:		
Instruction	**15,568,329**	11,003,698
Public service	**1,763,697**	592,184
Academic support	**2,182,454**	1,439,194
Student services	**9,616,839**	6,404,599
Institutional support	**5,293,325**	3,963,948
Operation of plant	**3,093,865**	1,878,295
Scholarships and fellowships	**816,433**	131,895
Auxiliary enterprises expenditures	**6,168,559**	4,820,556
Depreciation	**6,782,270**	7,400,769
Total operating expenses	**51,285,771**	37,635,138
Operating Income (Loss)	**(1,464,134)**	(1,402,566)
Nonoperating Revenues (Expenses):		
Federal Pell Grants	**3,270,969**	3,629,969
Gifts and Donations	**3,023,518**	2,673,937
Federal Grants and Contracts - COVID 19	**6,451,515**	11,844,665
Investment & interest income (loss) (including $16,672 and $25,423, respectively of revenue pledged for bonds)	**(2,202,838)**	(509,094)
Limited gaming transfer	**5,506**	2,388
Interest on capital debt	**(2,500,103)**	(2,503,998)
Net nonoperating revenue	**8,048,567**	15,137,867
Income (Loss) before other revenues, expenses, gains, losses or transfers	**6,584,433**	13,735,301

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, 2022 and 2021

	2022	2021
Other Revenues, Expenses, Gains, Losses or Transfers:		
Student capital fees (all pledged for bonds)	**2,430,687**	2,637,808
State appropriation, capital	**9,003,716**	1,331,189
State pension contribution	**242,523**	-
Transfers to Other Institutions	**(41,068)**	(38,469)
Increase (Decrease) in Net Position	**18,220,291**	17,665,829
Net Position - beginning of the year	**38,079,266**	20,413,437
Net Position - end of the year	**$ 56,299,557**	$ 38,079,266

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

ADAMS STATE UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
NET ASSETS, BEGINNING OF YEAR	$ 5,732,351	$ 25,338,968	$ 31,071,319
REVENUES, GAINS, AND OTHER SUPPORT			
Donations - Cash	147,187	2,746,868	2,894,055
Donations - Land	9,000	-	9,000
Investment Income (Net)	171,154	991,544	1,162,698
Net Realized Gains (Losses) on long-term investments	150,198	78,937	229,135
Net Unrealized Gains (Losses) on long-term investments	(3,494,151)	(1,525,304)	(5,019,455)
Subtotal	(3,016,612)	2,292,045	(724,567)
Net Assets Released from Restriction	2,198,827	(2,198,827)	-
Total from Revenues, Gains, and Other Support	(817,785)	93,218	(724,567)
EXPENSES AND LOSSES			
Scholarships and Awards	1,578,550	-	1,578,550
Program Services	652,044	-	652,044
Management and General Activities	112,262	-	112,262
Fundraising	297,159	-	297,159
Total Expenses and Losses	2,640,015	-	2,640,015
Transfers:			
Transfers In/(Out)	161,249	(161,249)	-
Change in Net Assets for the Year	(3,296,551)	(68,031)	(3,364,582)
NET ASSETS AT END OF YEAR	$ 2,435,800	$ 25,270,937	$ 27,706,737

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

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
NET ASSETS, BEGINNING OF YEAR	$ 4,254,970	$ 20,292,152	$ 24,547,122
REVENUES, GAINS, AND OTHER SUPPORT			
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)	-
Total from Revenues, Gains, and Other Support	5,682,934	3,135,360	8,818,294
EXPENSES AND LOSSES			
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
Total Expenses and Losses	2,294,097	-	2,294,097
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
NET ASSETS AT END OF YEAR	$ 5,732,351	$ 25,338,968	$ 31,071,319

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

ADAMS STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

For the years ending June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Cash Received:		
Tuition and fees	**$ 18,453,846**	$ 17,100,532
Fee for service Contract Revenue	**16,342,626**	6,496,167
Sales of services	**4,974,394**	4,271,696
Grants and contracts	**11,782,816**	4,905,944
Student loans collected	**15,702**	17,560
Other receipts	**824,460**	477,520
Cash Payments:		
Payments to or for employees	**(34,661,777)**	(32,354,876)
Payments to suppliers	**(13,477,035)**	(10,211,553)
Scholarships disbursed	**(816,433)**	(131,895)
Student loans disbursed	**(14,638)**	(16,708)
Net Cash (Used) Provided by Operating Activities	**3,423,961**	(9,445,613)
Cash Flows from Noncapital Financing Activities:		
Federal grants and contracts, non-operating	**8,291,510**	8,010,793
Gifts/grants for other than capital purposes	**3,029,047**	2,679,634
Agency receipts	**19,758,195**	21,121,852
Agency payments	**(19,744,726)**	(21,134,513)
Transfers from (to) other institutions	**(41,068)**	(38,469)
Net Cash Provided by Noncapital Financing Activities	**11,292,958**	10,639,297
Cash Flows from Capital & Related Financing Activities:		
State appropriations, capital	**9,003,716**	1,331,189
Proceeds from note payable	**1,000,000**	-
Student capital fees	**2,455,561**	2,630,304
Acquisition or construction of capital assets	**(9,563,267)**	(1,547,794)
Principal paid on capital debt	**(1,604,216)**	(1,191,191)
Interest paid on capital debt	**(2,310,199)**	(2,503,998)
Net Cash Provided (Used) by Capital & Related Financing Activities	**(1,018,405)**	(1,281,490)
Cash Flows from Investing Activities:		
Investment earnings	**(2,202,838)**	(509,094)
Net Cash Provided (Used) by Investing Activities	**(2,202,838)**	(509,094)
Net Increase (Decrease) in Cash	**11,495,676**	(596,900)
Beginning cash balance	**47,493,939**	48,090,839
Ending cash balance	**$ 58,989,615**	$ 47,493,939
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	**$ 58,961,365**	$ 47,465,689
Restricted cash and cash equivalents	**28,250**	28,250
Total Cash and Cash Equivalents	**$ 58,989,615**	$ 47,493,939

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

ADAMS STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
For the years ending June 30, 2022 and 2021

	2022	2021
Reconciliation of Operating Loss to Net Cash (Used) Provided by Operating Activities		
Operating income (loss)	**$ (1,464,134)**	$ (1,402,566)
Adjustments to reconcile:		
Depreciation expense	**6,782,270**	7,400,769
Pension expense	**(5,062,340)**	(12,797,234)
State pension contribution	**242,523**	(153,553)
Other post retirement benefit expense	**(189,690)**	-
Other Non-operating expense	**-**	-
Decrease (increase) in assets:		
Receivables, net	**2,938,990**	(2,850,303)
Inventories & prepaids	**(26,234)**	(144,578)
Increase (decrease) in liabilities:		
Accounts payable	**136,045**	95,216
Accrued liabilities	**178,864**	348,041
Unearned revenues	**63,669**	47,933
Student deposits	**4,746**	(10,111)
Compensated absences	**(180,748)**	20,773
Net Cash Used by Operating Activities	**$ 3,423,961**	$ (9,445,613)
Noncash Investing, Capital, and Financing Activities:		
State Capital Contributions	**$9,003,716**	$1,331,189
Amortization of capital premium/discount and capital loss	**405,180**	405,095

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Governance

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

Reporting Entity

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

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.

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, 2015 and 2022. 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.

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.

New Accounting Pronouncements
During fiscal year 2022, the University adopted the provisions of GASB Statement No. 87, *Leases,* that establishes a single model for lease accounting base on the foundational principal that leases are financings of the right to use an underlying asset. The standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This standard does not have a material effect on the financial statements of the University.

Reclassifications
Certain amounts from fiscal year 2021 have been reclassified to conform to the fiscal year 2022 financial statement presentation.

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, 2022, the University had $46,162,383 including unrealized loss of $2,467,513 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	9,526,366
Certificates of deposit	3,296,421
	$ 12,827,232

The carrying amount of the University's cash on deposit was $12,822,787. The bank balance of these deposits was $13,827,029, of which $1,417,309 was covered by federal depository insurance and $12,405,275 was collateralized by securities held in single institution collateral pools as provided by the Colorado Public Deposit Protection Act.

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	3,285,103
	$ 10,797,742

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.

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. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2022, the University had cash on deposit with the State Treasurer of $46,166,459, which represented approximately 0.22 percent of the total $21,060.9 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2022, the Pool's resources included $47.2 million of cash and $21,013.7 million of investments.

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

Additional information on investments of the State Treasurer's Pool may be obtained in the State's Annual Comprehensive Financial Report for the year ended June 30, 2022.

ASU Foundation Investments and Concentration of Risk

The fair value of the Foundation's investments were $26,880,301 and $30,488,097, respectively. 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 $382,641 (2022) and $114,835 (2021).

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:

	2022	2021
Student Accounts Receivable	$ 1,952,842	$ 2,288,509
Less: Allowance for Doubtful Accounts	(1,056,382)	(1,205,318)
Student Accounts Receivable, net	896,460	1,083,191
Other Accounts Receivable		
Fee for Service Contract Revenue*	611,958	137,214
Other Accounts **	761,141	4,032,058
Total Other Accounts Receivable	1,373,099	4,169,272
Total Receivables	$ 2,269,559	$ 5,252,463

*June Colorado fee for service funds received in July
** Fiscal year 2021 includes $3.3 million in nonoperating federal grants receivable related to the Higher Education Emergency Relief Funds.

NOTE 4 - CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2022.

	Balance June 30, 2021	Additions	Retirements/ Transfers	Balance June 30, 2022
Nondepreciable Capital Assets				
Land	$ 445,249	$ -	$ -	$ 445,249
Art and Historic Treasures	317,417	-	-	317,417
Construction in Progress	1,249,050	8,694,604	8,726,409	1,217,245
Total Nondepreciable Capital Assets	$ 2,011,716	$ 8,694,604	$ 8,726,409	$ 1,979,911
Depreciable Capital Assets				
Land Improvements	$ 14,003,393	$ 809,166	$ -	$ 14,812,559
Buildings and Improvements	182,375,987	8,917,243	-	191,293,230
Equipment	5,799,759	176,664	-	5,976,423
Library Materials	5,493,360	3,898	241	5,497,017
Total Depreciable Capital Assets	207,672,499	9,906,971	241	217,579,229
Less: Accumulated Depreciation				
Land Improvements	9,496,588	524,180	-	10,020,768
Buildings and Improvements	95,048,776	5,954,946	-	101,003,722
Equipment	4,977,018	214,989	-	5,192,007
Library Materials	5,095,948	88,156	241	5,183,863
Total Accumulated Depreciation	114,618,330	6,782,271	241	121,400,360
Net Depreciable Capital Assets	$ 93,054,169	$ 3,124,700	$ -	$ 96,178,869

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

	Balance June 30, 2020	Additions	Retirements/ Transfers	Balance June 30, 2021
Nondepreciable Capital Assets				
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
Total Nondepreciable Capital Assets	$ 1,305,705	$ 1,586,723	$ 880,712	$ 2,011,716
Depreciable Capital Assets				
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
Total Depreciable Capital Assets	206,769,914	971,885	69,300	207,672,499
Less: Accumulated Depreciation				
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
Total Accumulated Depreciation	107,273,323	7,400,226	55,219	114,618,330
Net Depreciable Capital Assets	$ 99,496,591	$ (6,428,341)	$ 14,081	$ 93,054,169

NOTE 5 - NONCURRENT LIABILITIES

The University's noncurrent liability activity for the year ended June 30, 2022, was as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion
Bond and Leases Payable:					
Series 2012 Bonds	$ 7,775,000	$ -	$ 340,000	$ 7,435,000	$ 350,000
Series 2015 Bonds	17,085,000	-	740,000	16,345,000	760,000
Series 2017A Bonds	6,125,000	-	-	6,125,000	-
Series 2017B Bonds	1,140,000	-	-	1,140,000	-
Series 2019 Bonds	30,835,000	-	200,000	30,635,000	400,000
Unamortized Premium 2012	410,101	-	19,529	390,572	19,529
Unamortized Premium 2017A	5,588	-	260	5,328	260
Unamortized Discount 2017B	(9,800)	-	(786)	(9,015)	(786)
Unamortized Premium 2019	4,030,057	-	196,275	3,833,782	196,275
Notes Payable	692,087	1,000,000	108,940	1,583,147	300,005
Total Bonds and Notes Payable	68,088,033	1,000,000	1,604,218	67,483,814	2,025,283
Other Liabilities:					
Compensated Absences	1,489,739	-	180,748	1,308,991	321,442
Total Other Liabilities	1,489,739	-	180,748	1,308,991	321,442
Total Long-Term Liabilites	$ 69,577,772	$ 1,000,000	$ 1,784,966	$ 68,792,805	$2,346,725

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
Bond and Leases Payable:					
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
Notes Payable	797,822	-	105,735	692,087	108,940
Total Bonds and Notes Payable	69,469,046	-	1,381,013	68,088,033	1,584,218
Other Liabilities:					
Compensated Absences	1,468,966	20,773	-	1,489,739	243,484
Total Other Liabilities	1,468,966	20,773	-	1,489,739	243,484
Total Long-Term Liabilites	$ 70,938,012	$ 20,773	$ 1,381,013	$ 69,577,772	$1,827,702

NOTE 6 - NOTES PAYABLE

Adams State University has two financed purchase contracts. The first is for the Energy Conservation Measures equipment that was entered into July 7, 2011, in the amount of $1,414,680. It requires quarterly payments ranging between $30,026 and $37,855 for fifteen years at an interest rate of 4.375 percent. The principal balance at June 30, 2022 was $583,147. The second is for the replacement of lighting fixtures across campus with efficient LED lighting that was entered into August 26, 2021, in the amount of $1,000,000. It requires annual payments of $220,353 for five years at an interest rate of 3.32 percent. The principal balance at June 30, 2022 was $1,000,000.

Principal and Interest requirements to maturity for these notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2023	$ 300,005	$ 56,900	$ 356,905
2024	315,401	45,601	361,002
2025	331,480	33,741	365,221
2026	348,444	21,123	369,567
2027	287,817	8,307	296,124
	$ 1,583,147	$ 165,672	$ 1,748,819

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 percent with an average rate of 4.07 percent. 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 percent. 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 percent. The bonds are collateralized by first lien on and pledge of all net revenues of continuing education and capital construction debt service fee and pledge of all net revenues of the Auxiliary Facilities System. In addition, ten percent of tuition revenues will be pledged as collateral if the University is designated as an institutional enterprise under Section 23-5-101.7, Colorado Revised Statutes, as amended.

Series 2019A Bonds
On May 13, 2019, the University issued Institutional Enterprise Revenue Refunding Bonds Series 2019A in the amount of $30,835,000 for the purpose of refunding $35,087,176 of Auxiliary Facilities Revenue Bonds, Series 2009B and Taxable Auxiliary Facilities Revenue Bonds Series 2009C. Proceeds in the amount of $35,240,078 were used to pay and cancel the portion of the Series 2009B maturing on May 15, 2019 and redeem on May 15, 2019 the Series 2009B and Series 2009C Bonds maturing on and after May 15, 2020, at a redemption price equal to the principal amount

thereof plus accrued interest to the Redemption Date. Interest rates are fixed at 4.312 percent. The bonds are payable solely from the Institutional Enterprise Pledged Revenues.

At June 30, 2022 and 2021, 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, 2022:

	Series 2012	Series 2015	Series 2017A	Series 2017B	Series 2019A	Total
Year Ending June 30,						
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	658,663	1,225,203	238,450	191,300	2,326,550	4,640,166
2028-2032	1,202,500	6,132,818	2,812,250	1,004,675	12,187,500	23,339,743
2033-2037	3,001,000	6,129,425	1,586,100	209,525	12,182,650	23,108,700
2038-2042	4,099,400	2,450,890	3,205,600	-	12,191,600	21,947,490
2043-2046	-	-	972,400	-	-	972,400
Total Bond Payments	11,588,863	20,849,000	9,768,600	1,610,700	46,994,500	90,811,663
Less Interest Included Above	(4,153,863)	(4,504,000)	(3,643,600)	(470,700)	(16,359,500)	(29,131,663)
Total Principal Outstanding	7,435,000	16,345,000	6,125,000	1,140,000	30,635,000	61,680,000
Less Current Portion	(350,000)	(760,000)	-	-	(400,000)	(1,510,000)
Net Long Term Principal	7,085,000	15,585,000	6,125,000	1,140,000	30,235,000	60,170,000
Less Unamortized Premium and Discount	371,043	-	5,068	(8,229)	3,637,512	4,005,394
Bonds Payable, Net	$ 7,456,043	$ 15,585,000	$ 6,130,068	$ 1,131,771	$33,872,512	$64,175,394

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, 2022.

NOTE 9 - ACCRUED LIABILITIES

The University's accrued liabilities as of June 30, 2022 and 2021, was as follows:

	2022	2021
Payroll Benefits	$ 2,232,617	$ 1,906,293
Accrued Interest	267,628	239,900
Other Accounts Payable	968,365	837,203
Total	$ 3,468,610	$ 2,983,396

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 $321,442 (2022) and $243,484 (2021). The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, are estimated as $987,549 (2022) and $1,246,255 (2021). Current expenses include a decrease of $180,748 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 2021. 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 $1,366,467 (2022), $1,086,018 (2021), and $1,325,152 (2020). These contributions were equal to the required contributions for each year. All ORP contributions are immediately vested in the employee's account. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and decisions made by participants for their individual investment accounts.

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

PERA Defined Benefit Pension Plan

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

Benefits provided as of December 31, 2021. 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.

Upon meeting certain criteria, 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. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00 percent unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00 percent AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned AI cap 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. For State Troopers whose disability is caused by an on- the-job injury, the five-year service requirement is waived and they are immediately eligible to apply for disability benefits. 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.

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, 2022 and 2021: 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 § 2-51-413. Employee contribution rates for the period of July 2020 through June 2022 are summarized in the table below:

	Fiscal Year 2021		Fiscal Year 2022	
	CY20	CY21		CY22
	7-1-20 to 12-31-20	1-1-21 to 6-30-21	7-1-21 to 12-31-21	1-1-22 to 6-30-22
Employee contribution rate**	10.00%	10.00%	10.50%	10.50%

Note: Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

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

	Fiscal Year 2021		Fiscal Year 2022	
	CY20	CY21		CY22
	7-1-20 to 12-31-20	1-1-21 to 6-30-21	7-1-21 to 12-31-21	1-1-22 to 6-30-22
Employer contribution rate	10.90%	10.90%	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	9.88%	9.88%	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	0.05%	0.05%	0.10%
Total employer contribution rate to the SDTF	19.88%	19.93%	19.93%	19.98%

Note: Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University were $2,143,947 and $2,055,843 for the years ended June 30, 2022 and 2021, respectively.

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

The net pension liability for the SDTF was measured as of December 31, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TPL to December 31, 2021. The University's proportion of the net pension liability was based on University's contributions to the SDTF for the calendar year 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

At June 30, 2022, the University reported a liability of $23,317,960 for its proportionate share of the net pension liability. At December 31, 2021, the University's proportion was 0.32 percent, which was a decrease 0.002 percent from its proportion measured as of December 31, 2020.

At June 30, 2021, the University reported a liability of $30,216,166 for its proportionate share of the net pension liability. At December 31, 2020, the University's proportion was 0.32 percent, which was a decrease 0.02 percent from its proportion measured as of December 31, 2019.

For the years ended June 30, 2022 and 2021, the University recognized pension expense of $(5,062,341) and $(12,797,234). At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Fiscal Year 2022		Fiscal Year 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 158,662	$ 32,439	$ 746,726	$ -
Changes of assumptions or other inputs	831,373	-	2,051,727	-
Net difference between projected and actual earnings on pension plan investments	-	8,024,333	-	6,184,433
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	710,739	-	2,502,116
Contributions subsequent to the measurement date	1,107,491	N/A	1,053,927	N/A
Total	$ 2,097,526	$ 8,767,511	$ 3,852,380	$ 8,686,549

The deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, of $1,107,491 and $1,053,927 for fiscal years 2022 and 2021, respectively, will be recognized as a reductions 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,	
2023	$ (1,738,452)
2024	(3,135,117)
2025	(1,932,902)
2026	(971,005)
2027	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30 percent
Real wage growth	0.70 percent
Wage inflation	3.00 percent
Salary increases, including wage inflation	3.30 - 10.90 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation Discount rate	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.00 percent
PERA benefit structure hired after 12/31/06[1]	Financed by the AIR

[1] 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.

The total pension liability as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. The mortality tables described below are generational mortality tables developed on a benefit-weighted basis. Pre-retirement mortality assumptions for members were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for members 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 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 actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

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.

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:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
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[1]	6.00%	4.70%
Total	**100.00%**	

[1] The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

Note: 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, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50 percent resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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, required adjustments resulting from the 2018

AAP assessment, and the additional 0.50 percent resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State, 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.

- 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.

- The projected benefit payments reflect the lowered AI cap, from 1.25 to 1.00 percent, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

- 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	$ 32,889,147	$ 23,317,960	$ 15,271,688

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

NOTE 12 - OTHER RETIREMENT PLANS

Defined Contribution Retirement Plan (PERA DC Plan)

Plan Description – Employees of the State of Colorado hired on or after January 1, 2006, employees of certain community colleges hired on or after January 1, 2008, and certain classified employees of State Colleges and Universities hired on or after January 1, 2019, have the option to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, or the Defined Contribution Retirement Plan (PERA DC Plan).

The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's ACFR 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 participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 1, 2020 through June 30, 2022 are summarized in the tables below:

	Fiscal Year 2021		Fiscal Year 2022	
	CY20	CY21		CY22
	7-1-20 to 12-31-20	1-1-21 to 6-30-21	7-1-21 to 12-31-21	1-1-22 to 6-30-22
Employee Contribution Rate	10.00%	10.00%	10.50%	10.50%
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%

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

Additionally, the employers are required to contribute AED, SAED, and other statutory amounts, as follows:

	Fiscal Year 2021		Fiscal Year 2022	
	CY20	CY21		CY22
	7-1-20 to 12-31-20	1-1-21 to 6-30-21	7-1-21 to 12-31-21	1-1-22 to 6-30-22
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[1]	0.50%	0.50%	0.50%	0.50%
Defined Contribution statutory contribution as specified in C.R.S. § 24-51-1505[1]	0.25%	0.25%	0.25%	0.25%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	N/A	0.05%	0.05%	0.10%
Total Employer Contribution Rate to the SDTF	**10.75%**	**10.80%**	**10.80%**	**10.85%**

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed $1,085,194 and $992,107 and the University recognized pension expense and a liability of $2,250,647 and $2,159,915, respectively, for the PERA DC Plan.

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 ACFR which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. The University does not contribute to this Plan. For the years ended June 30, 2022 and 2021, program members contributed $75,732 and $97,100, 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 2021, 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, 2021, the Plan had 20,022 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 $77,000 and $61,937 for the years ended June 30, 2022 and 2021, respectively. Employee contributions were 7.5 percent of covered payroll.

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

PERA OPEB Plan

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

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

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

Enrollment in the PERACare health benefits program 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 maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the University were $106,094 and $102,511 for the years ended June 30, 2022 and 2021 respectively.

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

At June 30, 2022, the University reported a liability of $918,953 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TOL to December 31, 2021. The University's proportion of the net OPEB liability was based on Adams State University's contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the University's proportion was 0.1066 percent, which was a decrease of 0.0033 percent from its proportion measured as of December 31, 2020.

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.

For the year ended June 30, 2022 and 2021, the University recognized OPEB expense of $(189,691) and $(153,553), respectively. At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Fiscal Year 2022		Fiscal Year 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,400	$ 217,895	$ 2,771	$ 229,541
Changes of assumptions or other inputs	19,026	49,848	7,801	64,023
Net difference between projected and actual earnings on OPEB plan investments	-	56,884	-	42,662
Changes in proportion and differences between contributions recognized and proportionate share of contributions	343	238,847	659	280,269
Contributions subsequent to the measurement date	54,478	N/A	52,486	N/A
Total	$ 75,247	$ 563,474	$ 63,717	$ 616,495

The deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, of $54,478 and $52,486 for fiscal years 2022 and 2021, 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	$ (164,230)
2023	(169,540)
2024	(131,657)
2025	(59,300)
2026	(15,611)
Thereafter	(2,367)

Actuarial assumptions. The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30 percent
Real wage growth	0.70 percent
Wage inflation	3.00 percent
Salary increases, including wage inflation	3.30 – 10.90 percent
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	4.5 percent in 2021, 6.00 percent in 2022, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.57 percent for 2021, gradually increasing to 4.50 percent in 2029

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point

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, 2020, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2021 for the PERA Benefit Structure:

	Initial Costs for Members without Medicare Part A		
Medicare Plan	**Monthly Cost**	**Monthly Premium**	**Cost Adjusted to Age 65**
Medicare Advanatage/Self-Insured Rx	$ 663	$ 230	$ 591
Kaiser Permanente Medicare Advantage HMO	$ 596	$ 199	$ 562

The 2021 Medicare Part A premium is $471 (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 industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2020, 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:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2021	4.50%	3.75%
2022	6.00%	3.75%
2023	5.80%	4.00%
2024	5.60%	4.00%
2025	5.40%	4.00%
2026	5.10%	4.25%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2020, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

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 were based on 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.

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

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

- 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 2021 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.

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

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.

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.

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:

Asset Class	Target Allocation	30 Year Expected Geometric Real
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	6.00%	4.70%
Total	**100.00%**	

Note: 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.

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	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	$ 1,067,268	$ 918,953	$ 792,267

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, 2021, 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 percent.

- 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 HCTF'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 OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. 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 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	$ 1,067,268	$ 918,953	$ 792,267

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, 2022, there were 266 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.

NOTE 14 - SCHOLARSHIP ALLOWANCES

Tuition, fee and auxiliary revenue and the related scholarship allowances for the year ended June 30, 2022 and 2021, were as follows:

	Tuition & Fees	Auxilliary Revenue	2022 Total	2021 Total
Gross Revenue	$ 28,581,133	$ 6,192,991	$ 34,774,124	$ 33,391,133
Scholarship Allowances:				
Federal	2,909,329	299,312	3,208,641	3,458,826
State	2,044,916	210,381	2,255,297	2,058,526
Private	1,638,266	168,545	1,806,811	1,624,382
Institutional	3,470,309	357,025	3,827,334	4,777,564
Total Allowance	10,062,820	1,035,263	11,098,083	11,919,298
Net Revenue	$ 18,518,313	$ 5,157,728	$ 23,676,041	$ 21,471,835

NOTE 15 - UNIVERSITY FOUNDATION

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

During the year ended June 30, the University received funds totaling $2,187,319 (2022) and $1,933,709 (2021), 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 2021 are as follows:

Budget	$44,170,418
Actual Revenues	41,637,550
Actual Expenses	41,637,550

REQUIRED SUPPLEMENTARY INFORMATION

Pensions and Other Post Employment Benefits

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

ADAMS STATE UNIVERSITY
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,

	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
University's proportion of the net pension liability	0.316%	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	$ 23,317,960	$ 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	$ 10,768,627	$ 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	217%	282%	308%	370%	674%	636%	374%	346%	339%
Plan fiduciary net position as a percentage of the total pension liability	73.1%	65.3%	62.2%	55.1%	43.2%	42.6%	56.1%	59.8%	61.1%
PERA State Division Fiduciary Net Position (in thousands)	$ 19,985,566	$ 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)	$ 7,375,039	$ 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,

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 2,143,947	$ 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
Contributions in relation to the contractually required contribution	2,143,947	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
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	-	-	-	-	-
University's covered payroll	$ 11,054,093	$ 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
Contributions as a percentage of covered payroll	19.40%	19.38%	21.64%	21.35%	18.91%	18.41%	17.82%	17.73%	16.85%	16.18%

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,

	2022	2021	2020	2019	2018	2017
University's proportion of the net OPEB liability	0.107%	0.110%	0.115%	0.128%	0.143%	0.145%
University's proportionate share of the net OPEB liability	$ 918,953	$ 1,044,092	$ 1,289,365	$ 1,739,543	$ 1,861,728	$ 1,874,596
University's covered payroll	$ 10,200,650	$ 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	9%	10%	13%	16%	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	39.40%	32.78%	24.49%	17.03%	17.53%	16.72%
Health Care Trust Fund Fiduciary Net Position (in thousands)	$ 560,749	$ 463,301	$ 364,510	$ 279,192	$ 276,222	$ 260,228
PERA Health Care Trust Fund Net OPEB Liability (in thousands)	$ 862,305	$ 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 University presents information for those years for which information is available.

See Notes to the Required Supplementary Information

ADAMS STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

COLORADO PERA HEALTHCARE TRUST FUND

For the Fiscal Year Ended June 30,

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 106,094	$ 102,511	$ 105,466	$ 106,287	$ 115,064	$ 118,470	$ 116,200	$ 118,463	$ 117,784	$ 114,463
Contributions in relation to the contractually required contribution	106,094	102,511	105,466	106,287	115,064	118,470	116,200	118,463	117,784	114,463
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 10,401,373	$ 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
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

NOTE 1 NET PENSION LIABILITY

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

2021

- Required contribution increased from 10.00% to 10.50% for eligible employees.
- The annual increase cap decreased from 1.25% to 1.00%.

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 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.

2014 There were no changes in assumptions or other inputs effective this measurement period.

2013
- The investment return assumption was lowered from 8.00% to 7.50%.
- The price inflation assumption was lowered from 3.50% to 2.80%.
- The wage inflation assumption was lowered from 4.25% to 3.90%.

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS LIABILITY

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

2021
- Medicare Part A premium increased from $458 to $471 per month
- 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.

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.
- 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, 2022 and 2021

		2022		2021
Revenue				
Tuition revenues	$	2,342,452	$	2,220,669
Extended Studies tuition and fees		3,268,849		3,701,855
Capital fees		2,430,687		2,637,806
University service fees		405,600		434,970
Traffic control fees		0		0
Rental income		3,905,657		3,706,972
Food service income		1,900,791		1,673,845
Sales/services auxiliaries		11,604		4,251
Interest income		16,672		25,423
Other income		174,277		227,729
Total Revenue		14,456,589		14,633,520
Expenses				
Salaries & benefits		3,060,838		2,916,027
Costs of goods		-		28
Utilities expense		609,976		487,789
Rental expense		138,934		142,774
Contract food services		1,410,254		1,344,450
Travel		37,689		3,938
Supplies		189,387		174,484
Other operating expenses		362,622		375,695
Purchased services-personal		442,567		505,499
Financial aid		470,650		457,233
Administrative cost allowance		1,198,455		1,066,801
Furniture & equipment		44,494		44,327
Other expenses		394,487		273,073
Total Expenses		8,360,353		7,792,118
Net Revenue before Transfers		6,096,236		6,841,402
Transfers				
Mandatory transfers		3,847,614		3,195,290
Nonmandatory transfers		(1,728,094)		(2,288,912)
Total Transfers		2,119,520		906,378
Net Revenue	$	3,976,716	$	5,935,024
Debt Service Coverage				
Net Operating Revenue	$	6,096,236	$	6,841,402
Bond Principal and Interest		3,937,982		3,749,273
Excess of Net Operating Revenue Over Debt Service	$	2,158,254	$	3,092,129
Debt Service Coverage Ratio		155%		182%

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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*

To the Members of the Legislative Audit Committee
and Adams State University Board of Trustees

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 30, 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)

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

November 30, 2022

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Wall,
Smith,
Bateman Inc.

November 30, 2022

To the Members of the Legislative Audit Committee
and Adams State University Board of Trustees

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, 2022 and 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated June 24, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the University adopted the provisions of GASB Statement No. 87, *Leases* for Fiscal Year 2022. This standard did not have a material effect on the financial statements of the University. 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, 2022 and total expense recognized during FY2022 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, 2021 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, 2021 and the University's fiscal year end of June 30, 2022.
>
> Management's estimate of depreciation expense is based on the estimated useful life of the capital assets being depreciated at June 30, 2022. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the collectability of student accounts receivable and student loans is based on historical analysis. We evaluated the key factors and assumptions used to develop the allowance for bad debts in determining that it is reasonable in relation to the financial statements taken as a whole.

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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 77 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 November 30, 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, 2022

Account Description	Debit	Credit
Buildings	$ 1,784,406.00	
Accumulated depreciation - buildings		$ 290,217.16
Depreciation expense - building	$ 226,373.83	
Right-to-use asset		$ 1,720,562.67
Accumulated depreciation - right-to-use asset	$ 296,093.72	
Amortization expense - right-to-use asset		$ 296,093.72
Capital leases payable, current portion	$ 300,005.00	
Capital leases payable, non-current portion	$ 1,283,142.00	
Notes payable, current portion		$ 300,005.00
Notes payable, non-current portion		$ 1,283,142.00
To reverse the effects of the incorrect implementation of GASB 87, *Leases* .		
Tuition and fees - scholarship allowance	$ 483,142.00	
Sales and services of auxiliary enterprises - scholarship allowance		$ 755,331.00
Scholarships and fellowships - scholarship expenses	$ 272,189.00	
To correct the allocation of the scholarship allowance.		

Schedule of Passed Audit Adjusting Journal Entries
June 30, 2022

Account Description	Debit	Credit
Academic support - pension expense	$ 22,581.00	
Student services - pension expense		$ 22,581.00
Academic support - OPEB expense	$ 12,759.00	
Student services - OPEB expense		$ 12,759.00
To correct GASB 68 and 75 pension and OPEB expense allocation between functions.		
Instruction - payroll expense	$ 149,665.60	
Student services - payroll expense	$ 3,054.39	
Accrued liabilities - payroll		$ 152,719.99
To correct the accrued payroll liability at June 30, 2022.		
Right To Use - Leased Furniture, Equipment Other	$ 155,494.69	
Lease Payable		$ 155,494.69
To pass on recording right to use asset and lease liability in accordance with GASB Statement 87, *Leases* .		

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION

INTRODUCTION

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

The financial and compliance examination of the various state-funded student assistance programs at the University for the year ended June 30, 2022, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees.

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

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

The state-funded student assistance awards made by the University were approximately $2,800,000 for the fiscal year ending June 30, 2022.

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

During the audit period, Adams State University obtained authorizations to award federal student financial aid funds of $6,098,506 in the Pell Grant Program, $145,580 in the Supplemental Educational Opportunity Grant Program, and $289,320 in the University Work-Study Program.

During the fiscal year ended June 30, 2022, Adams State University obtained authorizations to award Colorado student financial aid funds of $2,401,434 in the Colorado Need-based Grant Program, and $409,569 in the Colorado Work Study Program.

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

Wall,
Smith,
Bateman Inc.

To the Members of the Legislative Audit Committee
and Adams State University Board of Trustees

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs (the Statement) for Adams State University (the University), an Institution of Higher Education, State of Colorado, for the year ended June 30, 2022, and the related notes to the statement.

In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance programs of the University for the year ended June 30, 2022, in accordance with the format as set forth in the *Colorado-Funded Student Aid 2021-22 Audit Guide for State and Private Non-Profit Institutions of Higher Education*, issued by the Colorado Department of Higher Education (CDHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University described in Note 1 to the Statement.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statement section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the Statement, which describes the basis of accounting. As described in Note 1 to the Statement, the Statement prepared by the University was prepared in accordance with the *Colorado-Funded Student Aid 2021-22 Audit Guide for State and Private Non-Profit Institutions of Higher Education*, issued by CDHE, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the statement of state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. Accordingly, the accompanying Statement is not intended to, and does not present the financial position, changes in financial position, or cash flows of the University in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Statement

Management is responsible for the preparation and fair presentation of the statement in accordance with the financial format as set forth in the *Colorado-Funded Student Aid 2021-22 Audit Guide for State and Private Non-Profit Institutions of Higher Education*, issued by the Colorado Department of Higher Education (CDHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University as described in Notes to the Statement. Management is also responsible and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statement.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statement.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statement.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other-Matter Paragraph – Restriction on Use

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated November 30, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's 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 University's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 30, 2022

ADAMS STATE UNIVERSITY
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS
For the Fiscal Year Ended June 30, 2022

	Total State-Funded Student Assistance	Colorado Student Grant	Colorado Work Study	Colorado Merit Aid Program
Appropriations:				
Original	$ 2,756,702	$ 2,301,625	$ 455,077	$ -
Supplementals	54,301	99,809	(45,508)	-
Returned to CDHE	-	-	-	-
Totals	2,811,003	2,401,434	409,569	-
Expenditures	(2,811,003)	(2,401,434)	(409,569)	-
Reversions to State	$ -	$ -	$ -	$ -

Basis of Accounting

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

The accompanying statement of appropriations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *Colorado-Funded Student Aid 2021-2022 Audit Guide for State and Private Non-Profit Institutions of Higher Education,* issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of Adams State University. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the University for the year ended June 30, 2022.

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

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

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

Wall,
Smith,
Bateman Inc.

To the Members of the Legislative Audit Committee
and Adams State University Board of Trustees

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs (the Statement) of Adams State University (the University), an institution of higher education of the State of Colorado, for the years ended June 30, 2022 and 2021, and the related notes to the Statement, and have issued our report thereon dated November 30, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 30, 2022