WESTERN STATE COLORADO UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT

Fiscal Years Ended June 30, 2019 and 2018

DALBY, WENDLAND & CO., P.C.
CPAs and Business Advisors

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WESTERN STATE COLORADO UNIVERSITY

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FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY

As of and for the Years Ended June 30, 2019 and 2018

Authority, Purpose and Scope

The Office of the State Auditor of the State of Colorado engaged Dalby, Wendland, & Co., P.C. (DWC) to conduct a financial and compliance audit of Western State Colorado University (the University) for the year ended June 30, 2019. DWC performed this 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 of America. We conducted our fieldwork from June through October 2019.

The purposes and scope of the audit were to:

- Express an opinion on the financial statements of the University as of and for the years ended June 30, 2019 and 2018. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the financial statements performed in accordance with Government 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*.

- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.

- Evaluate the progress in implementing prior audit findings and recommendations, if any.

The University's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, State of Colorado, are included in the Fiscal Year 2019 Statewide Single Audit Report issued under separate cover.

Audit Opinion and Reports Summary

We expressed an unmodified opinion on the University's financial statements as of and for the years ended June 30, 2019 and 2018.

We issued a report on the University's compliance and internal control over financial reporting based on an audit of the basic financial statements performed in accordance with *Government Auditing Standards*. 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 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.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Summary of Findings and Recommendations

There were no reported findings or recommendations resulting from the audit of the University for the year ended June 30, 2019.

Summary of Progress in Implementing Prior Audit Findings

The University’s audit report for the year ended June 30, 2018 did not include any findings or recommendations that were required to be implemented during the year ended June 30, 2019.

WESTERN STATE COLORADO UNIVERSITY

DESCRIPTION OF WESTERN STATE COLORADO UNIVERSITY

For the Years Ended June 30, 2019 and 2018

Description of Western State Colorado University

Founded in 1911 as Colorado State Normal School, Western State Colorado University (the University) is Colorado's oldest college west of the Continental Divide. Originally planned as a preparatory college for teachers, the University remained a Normal School until 1923 when it was renamed Western State College. Western State College, became Western State Colorado University on August 1, 2012 and Western Colorado University on July 1, 2019. The University is an undergraduate university of liberal arts and sciences. The University also has a limited number of graduate programs. House Bill 16-1083, signed April 1, 2016, updated the University's statutory mission. The new statutory mission, contained in Section 23-56-101 of the Colorado Revised Statutes (C.R.S.), states that the University is a general baccalaureate institution with selective admission standards, revised from moderately selective. The mission also states that the University shall offer undergraduate liberal arts and sciences and professional degree programs, basic skills courses receiving resident credit, and a limited number of graduate programs. The University shall also serve as a regional education provider.

Through June 30, 2003, the University was a member of the State Colleges in Colorado and, as such, was governed by the Board of Trustees of the Office of State Colleges. Effective July 1, 2003, the State Colleges in Colorado were dissolved in accordance with House Bill 03-1093 and each member became an independent entity. C.R.S. 23-56-102 established the composition of the Board of Trustees (Trustees) of the University to serve as the University's governing board. Nine of the eleven Trustees are members outside the University who are appointed by the Governor with the consent of the Senate. The remaining two members consist of a student, elected by the student body, and a faculty member, elected by tenure and tenure track faculty. Both of these members are nonvoting members.

Full-time equivalent (FTE) state support eligible students, faculty, and staff reported by the University for the last three fiscal years were as follows:

	2017	2018	2019
Resident Students	1,630.3	1,528.2	1,524.1
Nonresident Students	566.1	590.9	646.0
Total Students Eligible for State Support	2,196.4	2,119.1	2,170.1
Faculty FTEs	154.3	156.9	160.6
Staff FTEs	190.5	203.5	211.5
Total Staff and Faculty FTEs	344.8	360.4	372.1

Description of Western Colorado University Foundation

Western Colorado University Foundation (the Foundation) was incorporated on August 22, 1975 under the laws of the State of Colorado. The purpose of the Foundation is to aid, directly and indirectly, Western State Colorado University in fulfilling its educational purposes. The Foundation is supported primarily through donor contributions.

FINANCIAL STATEMENTS SECTION

DALBY, WENDLAND & CO., P.C.
CPAs and Business Advisors

Grand Junction
464 Main Street • P.O. Box 430 • Grand Junction, CO 81502
Phone: (970) 243-1921 • Fax: (970) 243-9214

INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee:
Denver, Colorado

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Western State Colorado University (the University), an institution of higher education, State of Colorado, as of and for the years ended June 30, 2019 and 2018 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Western Colorado University Foundation (the Foundation), a discretely presented component unit, discussed in Note A to the basic financial statements, which represents 100 percent of total assets, total revenues, and net assets of the aggregate discretely presented component units as of and for the years ended June 30, 2019 and 2018, respectively. Those financial statements were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundation, are based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions
In our opinion, based on our audits and the reports of other auditors, 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, an institution of higher education, State of Colorado, as of June 30, 2019 and 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note A, the financial statements of the University, an institution of higher education, State of Colorado are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and the discretely presented component unit of the State that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2019 and 2018, 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.

As discussed in Note E to the financial statements, during the year ended June 30, 2019, the University adopted Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements* (GASB 88). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 17 be presented to supplement the basic financial statements. Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions,* requires that the Schedule of the University's Proportionate Share of the Net Pension Liability and the Schedule of University Contributions to the PERA Defined Benefit Pension Plan on pages 64 through 65 be presented to supplement the basic financial statements. Government Accounting Standards Board Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* requires that the Schedule of the University's Proportionate Share of the Net Other Post-Employment Benefits (OPEB) Liability and the Schedule of University Contributions to the PERA Defined OPEB Plan on pages 66 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedules of Revenue and Expenses for Enterprise Revenue Bonds for the years ended June 30, 2019 and 2018 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the University.

The Schedules of Revenue and Expenses for Enterprise Revenue Bonds for the years ended June 30, 2019 and 2018 are the responsibility of the University's management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 4, 2019, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 the University's internal control over financial reporting and compliance.

Dalby Wendland & Co. P.C.

DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado
November 4, 2019

This section of Western State Colorado University's (the University) financial report presents management's discussion and analysis of the University's financial position and results of operations as of and for the years ended June 30, 2019 and 2018, with comparative information presented for the year ended June 30, 2017. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes.

Certain amounts in the 2018 and 2017 financial statements have been reclassified for comparative purposes to conform to the current year financial statement presentation. These reclassifications had no effect on previously reported net position or change in net position.

Understanding the Financial Statements

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34). In November 1999, GASB issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universitie*s (GASB 35), which amended GASB 34 to include public colleges and universities. Several significant changes in accounting and financial reporting standards were required such as recording depreciation on capital assets, allocating summer session revenues and expenses between fiscal years, presenting financial statements from an entity-wide perspective (all funds in aggregate), and producing cash flow statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63). GASB 63 defines the five elements that make up a statement of financial position to include:

- Assets – resources with a present service capacity under University control.
- Deferred Outflows of Resources – consumption of net assets by the University that is applicable to a future reporting period.
- Liabilities – present obligations to sacrifice resources.
- Deferred Inflows of Resources – acquisition of net assets by the University that is applicable to a future reporting period.
- Net Position – residual of all other elements presented in a statement of financial position.

The financial statements prescribed by GASB 35 as amended by GASB 63 (the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows) present financial information in a format more comparable to that used by for-profit colleges and universities. The statements are prepared under the accrual basis of accounting. Revenues and assets are recognized when service is provided, and expenses and liabilities are recognized when others provide the goods or service, regardless of when cash is exchanged.

A brief description of each of the components of the University's financial statements is provided as follows:

Statements of Net Position

The statements of net position present the assets, deferred outflows, liabilities, deferred inflows, and net position of the University at a point in time (June 30, 2019 and 2018). Their purpose is to present a financial snapshot of the University. They aid readers in determining the assets available to continue the

University's operations; how much the University owes to employees, vendors, etc.; and a picture of net position and the availability of assets for expenditure by the University.

During the year ended June 30, 2018, the University adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* (GASB 75), related to the Health Care Trust Fund administered by the Colorado Public Employees' Retirement Association, which provides post-retirement healthcare subsidies to eligible employees of the University. GASB 75 establishes accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for post-employment benefits other than pensions that are provided to the employees of state and local governmental employers. GASB 75 was implemented prospectively and resulted in the beginning balance of net position being restated for the year ended June 30, 2018 to reflect the implementation of GASB 75. GASB 75 was not required to be implemented as of and for the years ended June 30, 2017 and therefore, the financial statements as of and for that year do not reflect the effects of GASB 75. This should be considered when comparing the University's fiscal years ended June 30, 2019 and 2018 financial statements to prior years.

Statements of Revenues, Expenses, and Changes in Net Position
The statements of revenues, expenses, and changes in net position present the total revenues and expenses of the University for operating, nonoperating, and other capital related purposes during the fiscal years ended June 30, 2019 and 2018. Their purpose is to assess the University's operating and nonoperating activities.

Statements of Cash Flows
The statements of cash flows present cash receipts and payments of the University during the fiscal years ended June 30, 2019 and 2018. Their purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.

Notes to Financial Statements
The notes to the University's aforementioned statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows present additional information to support these financial statements. The purpose of the notes is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of certain financial statement items may be found.

Required Supplementary Information (RSI)
The RSI presents additional information that differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes the management's discussion and analysis as well as certain RSI required by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and GASB 75 including the:

- Schedule of the University's Proportionate Share of the Net Pension Liability
- Schedule of University Contributions to PERA Defined Benefit Pension Plan
- Schedule of the University's Proportionate Share of the Net Other Post-employment Benefit Liability
- Schedule of University Contributions to PERA Defined Other Post-Employment Benefit Plan

The financial statements of the University include all of the integral parts of the University's operations. The University applied required criteria to determine whether any organization should be included in the University's reporting entity. Management of the University has considered the criteria described in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* paragraph 47, and management of the University has determined that the Western Colorado University Foundation (the Foundation) meets the criteria to be included in the University's financial statements as a discretely presented component unit. The Foundation was incorporated on August 22, 1975 under the laws of the State of Colorado. The purpose of the Foundation is to aid, directly or indirectly, the University in fulfilling its educational purposes. The Foundation is supported primarily through donor contributions. A full copy of the Foundation's financial statements may be obtained from the Western Colorado University Foundation, 909 East Escalante Drive, P.O. Box 1264, Gunnison, CO 81230.

Financial Highlights

The University's financial net position increased by $9.9 million during the fiscal year ended June 30, 2019, from $32.3 million at June 30, 2018, to $42.2 million at June 30, 2019. The increase in net position related primarily to $6.8 million received in capital support and gifts, of which $5.2 million related to the transfer of building assets from the Foundation to the University. In fiscal year 2018, net position decreased by $8.2 million from $40.5 million at June 30, 2017 primarily due to $7.8 million of non-cash expense recognized under GASB 68 and GASB 75.

The University's current assets of $25.1 million (2019), $20.7 million (2018) and $20.8 million (2017) were sufficient to cover current liabilities of $8.6 million (2019), $7.3 million (2018) and $6.9 million (2017). The current ratio of 2.92 (2019), 2.83 (2018) and 3.01 (2017) demonstrates the liquidity of University assets and the relative availability of working capital to fund current operations.

Operating income of $3.6 million (2019) and operating deficits of $8.5 million (2018) and $5.3 million (2017) are heavily impacted by non-cash items recognized under GASB 68 (pension) & GASB 75 (OPEB). In fiscal year 2019, $2.2 million of *negative* non-cash pension and OPEB expense was recognized in contrast to prior years with $7.8 million (2018) and $5.4 million (2017) of non-cash pension and OPEB expense. Prior year operating deficits also result partly from the University's dependence on state appropriations for controlled maintenance and Federal Pell grants for operations. The financial reporting model classifies certain grants and contracts and state appropriations as non-operating revenues. Additionally, depreciation is an expense for which Colorado higher education has not historically been funded.

Statements of Net Position

The table below illustrates the University's summary of net position. Over time, increases or decreases in net position (the difference between assets plus deferred outflows minus liabilities and deferred inflows) are 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.

Condensed Statements of Net Position
June 30, 2019, 2018 and 2017
(in thousands)

	2019	2018	2017
Assets			
Current Assets	$ 25,139	$ 20,672	$ 20,784
Noncurrent Assets	141,861	135,066	135,805
Total Assets	167,000	155,738	156,589
Total Deferred Outflows	7,028	12,188	14,397
Liabilities			
Current Liabilities	8,611	7,312	6,913
Noncurrent Liabilities	111,533	126,563	122,761
Total Liabilities	120,144	133,875	129,674
Total Deferred Inflows	11,663	1,733	843
Net Position			
Net investment in capital assets	54,600	50,389	49,923
Restricted	8,381	6,580	6,458
Unrestricted			
General unrestricted	8,968	7,546	7,757
Effect of GASB 68 and GASB 75 on unrestricted net position (see Notes G & H)	(30,542)	(32,905)	(24,289)
Designated by the Board	814	708	620
Total Net Position	$ 42,221	$ 32,318	$ 40,469

At June 30, the University's total assets were $167.0 million (2019), $155.7 million (2018) and $156.6 million (2017). The largest asset category is the $141.6 million (2019), $134.6 million (2018) and $135.3 million (2017) in capital assets, net of depreciation, which includes land, buildings, equipment, library holdings, and construction in progress.

Cash and cash equivalents (bank deposits, pooled cash with the State Treasurer, and highly liquid investments) comprised $22.2 million (2019), $18.0 million (2018) and $18.3 million (2017) of total assets.

GASB Statement No. 65 defines certain elements of the financial statements previously reported as assets or liabilities as deferred outflows or deferred inflows of resources. Assets and liabilities are resources and obligations with present service capacities and present obligations, while deferred outflows and inflows of resources are acquisitions and uses of net assets that relate to a future period. Unamortized book losses on certain bond refinancing transactions of $3.2 million (2019), $3.5 million (2018), and $3.7 million (2017) are recognized as deferred outflows. The University also has both deferred outflows and inflows related to amounts recognized on our defined benefit pension plan and defined benefit other post-employment benefit plan in accordance with GASB 68 and GASB 75. Pension and other post-employment benefit related deferred outflows were $3.8 million (2019), $8.7 million (2018), and $10.7 million (2017). The reductions in fiscal years 2019 and 2018 primarily relate to the amortization of prior year deferred outflows. Pension and other post-employment benefit related deferred inflows were $11.7 million (2019), $1.7 million (2018), and $0.8 million (2017). In fiscal year 2019, new legislation enacted led to significant changes in the assumptions underlying the measurement of the net pension liability, which significantly increased deferred inflows. See Notes G and H to the financial statements for additional information on the composition of the University's deferred outflows and deferred inflows related to pension and OPEB.

Bonds and notes payable of $90.2 million (2019), $87.6 million (2018) and $89.2 million (2017) represent 75.0 percent (2019), 65.5 percent (2018) and 68.8 percent (2017) of the University's total liabilities of $120.1 million (2019), $133.9 million (2018) and $129.7 million (2017). The University's debt is discussed in detail in Note E. The increase in bonds and notes payable in fiscal year 2019 is due to the issuance of $4.5 million in private borrowing offset by principal payments. The decrease in bonds and notes payable in fiscal year 2018 primarily relates to the payment of bond principal during the year. The current portion of bonds and notes payable is $2.3 million (2019), $1.9 million (2018), and $1.4 million (2017).

The next largest component of liabilities relates to the University's recognition of its proportionate share of the unfunded pension and other post-employment benefit liabilities for the cost-sharing multiple-employer defined benefit plans administered by PERA, as discussed in Note G and H. The University's net pension and other post-employment liabilities of $22.7 million (2019), $39.9 million (2018) and $34.2 million (2017) represents 18.9 percent (2019), 29.8 percent (2018) and 26.3 percent (2017) of the University's total liabilities. While the University is required to record this liability, the University is under no obligation to fund the liability. In fiscal year 2019, a change in legislation led to a significant reduction in the net pension liability. In fiscal year 2018, the University adopted GASB 75, which increased this liability by $0.9 million.

Net position consisted of $54.6 million (2019), $50.4 million (2018) and $49.9 million (2017) in net investment in capital assets. In addition, $8.4 million (2019), $6.6 million (2018) and $6.5 million (2017) is externally restricted for specific purposes and ($20.8) million (2019), ($24.7) million (2018) and ($15.9) million (2017) is unrestricted. Unrestricted net position is significantly impacted by recognition of the PERA unfunded pension and other post-employment benefit liabilities, with reductions to unrestricted net position of $30.5 million (2019), $32.9 million in (2018), and $24.3 million (2017). Excluding that impact, unrestricted net position is $9.8 million (2019), $8.2 million (2018), and $8.4 million (2017).

Reconciliation of Net Position, excluding the impact of GASB 68 & GASB 75
June 30, 2019, 2018 and 2017
(in thousands)

	2019	2018	2017
Net Position (GAAP Basis)	$ 42,221	$ 32,318	$ 40,469
Add back:			
GASB 68 Impact – Pension	29,714	32,094	24,290
GASB 75 Impact – OPEB	828	810	-
Net Position, excluding the impact of GASB 68 & GASB 75	$ 72,763	$ 65,222	$ 64,759

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position present the results of operations during the year. Revenues are distinguished between operating revenues, nonoperating revenues, and revenues from capital contributions. Operating revenues and expenses generally result from providing goods and services for instruction, research, public service and related support services to an individual or entity separate from the University. Nonoperating revenues and expenses are those other than operating and include, but are not limited to: funding received or receivable for Federal Pell grants awarded to students, Federal interest subsidies, investment income and expenses, and interest expense on capital debt. Revenues from capital contributions and gifts consist of capital construction and controlled maintenance support from the State of Colorado and gifts of capital funding or assets from other donors.

Gross tuition and fee revenue for fiscal year 2019 increased 6.7 percent from fiscal year 2018. Undergraduate tuition rates remained flat year over year, but certain fees increased. Also, undergraduate FTE increased by 3 percent. The increased revenue in fiscal year 2019 is attributable to these items coupled with increased revenue in our Extended Studies programs. Tuition and fee related scholarship allowances of $11.3 million (2019) were an increase from the two previous fiscal years of $10.6 million (2018) and $10.2 million (2017). 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. Net tuition and fee revenues for the year ending June 30, 2019 were $25.4 million, a $1.6 million increase from 2018. Net tuition and fee revenue in 2018 was $23.8 million, a $0.2 million increase from 2017.

Net operating income of $3.6 million in fiscal year 2019 contrasts with operating deficits of $8.5 million in fiscal year 2018 and $5.3 million in fiscal year 2017. Net operating deficits are common in higher education since the financial reporting model classifies certain items, like Pell grant revenue, separately from operating revenues. Additionally, depreciation is an expense for which Colorado higher education has not historically been funded. The University's net position increased by $9.9 million in fiscal year 2019. Although this increase was reflective of improved operations, it is due primarily to $6.8 million in capital grants and gifts, of which $5.2 million related to the transfer of building assets from the Foundation to the University, and the recognition of $2.2 million of negative non-cash expense related to GASB 68 and GASB 75. In fiscal year 2018 and 2017, non-cash pension expense was $7.8 million and $5.4 million. Net position decreased by $7.4 million in fiscal year 2018 due primarily to those non-cash expenses.

Condensed Statements of Revenue, Expenses, and Changes in Net Position
June 30, 2019, 2018 and 2017
(in thousands)

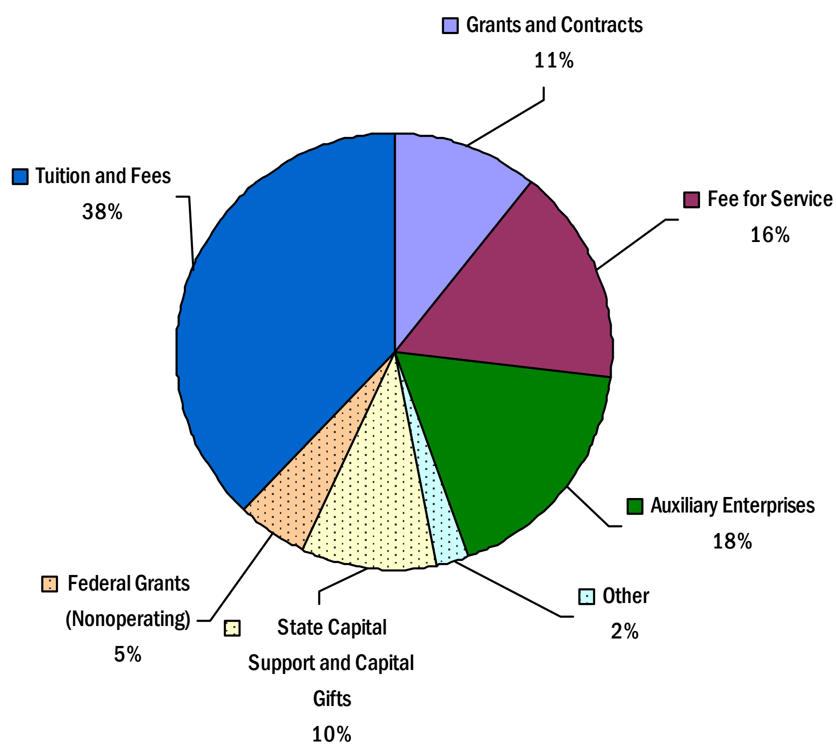
	2019	2018	2017
Operating Revenue			
Tuition and fees, net	$ 25,363	$ 23,771	$ 23,604
Federal, state, and private grants and contracts	7,369	5,643	5,230
Fee for service revenue	10,702	8,828	8,535
Sales and services of auxiliary enterprises, net	11,922	11,117	10,958
Other operating revenue	635	675	654
Total Operating Revenue	55,991	50,034	48,981
Operating Expenses			
Instruction	17,992	20,468	19,461
Academic support	2,829	3,316	3,094
Student services	5,616	5,334	5,347
Institutional support	5,658	5,977	4,983
Operation and maintenance of plant	2,681	5,467	4,131
Auxiliary enterprises	11,149	11,280	10,906
Depreciation	5,410	5,574	5,584
Other	1,069	1,141	765
Total Operating Expenses	52,404	58,557	54,271
Net Operating Income (Loss)	3,587	(8,523)	(5,290)

Nonoperating Revenue (Expenses)			
Federal Pell grants and interest subsidy	3,646	3,675	3,590
Investment and interest income	778	148	85
Interest expense on capital debt	(4,965)	(4,931)	(5,024)
Other nonoperating revenues (expenses)	47	(106)	(600)
Net Nonoperating Expense	(494)	(1,214)	(1,949)
Income (Loss) before Capital Contributions	3,093	(9,737)	(7,239)
Capital Contributions and Gifts			
State capital support and other capital gifts	6,810	2,376	8,022
Increase (Decrease) in Net Position	9,903	(7,361)	783
Net Position:			
Net Position, beginning of year	32,318	40,469	39,686
Cumulative effect of adoption of new accounting standard	-	(790)	-
Net Position, beginning of year, as restated	32,318	39,679	39,686
Net Position, end of year	$ 42,221	$ 32,318	$ 40,469

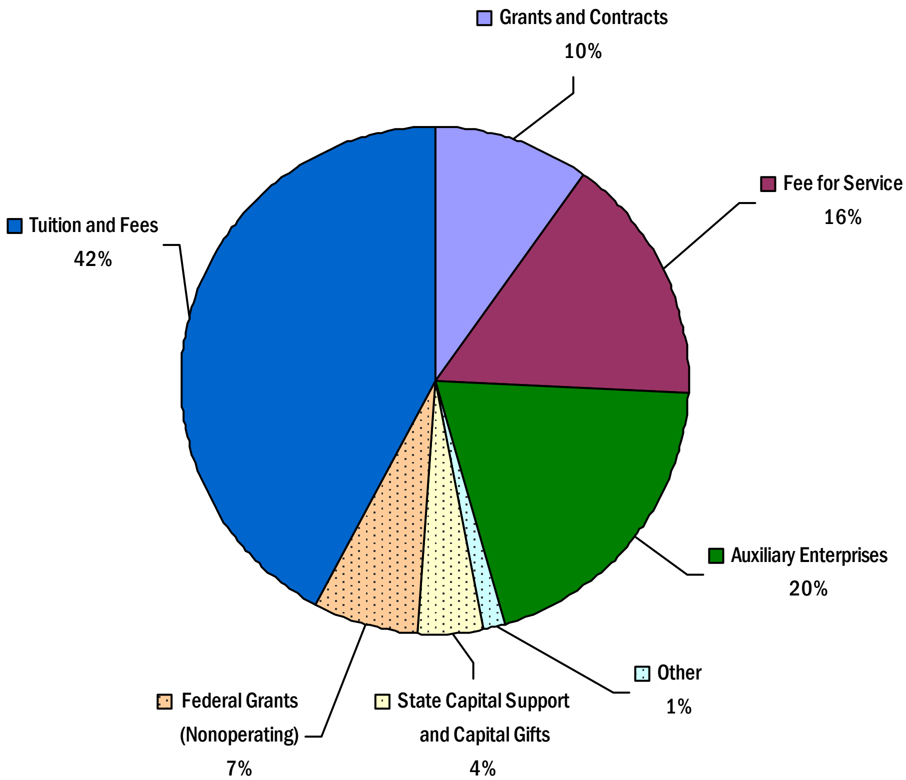
Revenue by Source

The following is a graphic illustration of total revenue by source for the University. Each major revenue component is displayed relative to its proportionate share of total revenues.

Operating and Nonoperating Revenues – Fiscal Year 2019



Operating and Nonoperating Revenues – Fiscal Year 2018



Capital Assets

At June 30, 2019, the University had approximately $141.6 million invested in capital assets, net of accumulated depreciation of $91.6 million. The acquisition of two buildings from the Foundation in fiscal year 2019 increased the net book value of Buildings and Improvements by $9.7 million. Depreciation charges were $5.4 million for the year ended June 30, 2019. At June 30, 2018, the University had approximately $134.6 million invested in capital assets, net of accumulated depreciation of $82.6 million. Depreciation charges were $5.6 million for the year ended June 30, 2018. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets. Details of capital asset balances are shown below.

Capital Assets, Net, at Year-End (in thousands)

	June 30, 2019	June 30, 2018	June 30, 2017
Land and Improvements	$ 4,408	$ 4,408	$ 4,408
Construction in Progress	1,465	1,810	464
Land Improvements, Net	293	336	379
Buildings and Improvements, Net	133,827	126,613	128,497
Furniture and Equipment, Net	1,334	1,205	1,241
Library Materials, Net	224	237	262
Total	$ 141,551	$ 134,609	$ 135,251

The following significant capital projects were in progress at June 30, 2019 (in thousands):

New Maintenance Garage	$ 1,408
Campus Roof Repair / Replacement	21
Savage Library Renovation	19
Kelley Boiler Replacement	15
E Sports Complex Renovation	2
	$ 1,465

The following significant capital projects were in progress at June 30, 2018 (in thousands):

Paul Wright Gym Heating System Improvements	$ 1,257
Escalante Hall Piping Improvements	434
Residence Hall Window Replacement	119
	$ 1,810

Debt

At June 30, 2019, the University had $90.2 million in debt outstanding, an increase of $2.6 million from the debt outstanding of $87.6 million as of June 30, 2018. The increase primarily relates to the issuance of $4.5 million in new University debt in January 2019, which was used to acquire two buildings from the Foundation, offset by principal payments made on borrowings during the fiscal year. At June 30, 2018, the University had $87.6 million in debt outstanding, a decrease of $1.5 million from the debt outstanding of $89.2 million as of June 30, 2017, which primarily related to principal paid during the fiscal year. The table below summarizes the amounts by type of debt.

Outstanding Debt at Year-End (in thousands)

	June 30, 2019	June 30, 2018	June 30, 2017
Auxiliary Revenue Bonds	$ 85,533	$ 87,518	$ 89,002
Direct Borrowing Bonds	4,535	-	-
Notes Payable	100	125	150
Total	$ 90,168	$ 87,643	$ 89,152

Economic Outlook

The University's ability to carry out its mission, maintain and improve academic offerings, meet operational costs, and maintain facilities is influenced by a variety of factors. The largest drivers are state funding, enrollment and tuition revenues/rates, compensation costs, and debt service.

State Funding
State operating support comes in two forms: Fee for Service payments and Student Stipends funded by the College Opportunity Fund. In fiscal year 2020, the University has been appropriated $15.2 million in state operating support, an increase of 8.8 percent over fiscal year 2019. The stability of state funding is uncertain in the long-term due to potential challenges in State finances and constitutional limitations

inherent in TABOR, the Colorado Taxpayer's Bill of Rights. In November 2019, Colorado voters will consider a measure (Proposition CC) that will allow for the state to retain excess collected tax revenues that will provide additional funding for K-12 education, transportation projects and higher education. If passed, the University is expected to receive additional operating appropriations over the next couple years, at a minimum.

State capital funding plays an important role in the University's ability to maintain its facilities. The University received capital funding in fiscal year 2018 to support heating system improvements in Hurst Hall and Paul Wright Gym and in 2019 to support the construction of a new maintenance garage and various controlled maintenance projects. In fiscal year 2020, the University received $1.3 million in capital appropriations to support campus storm water mitigation issues. In spite of recent State funding, the University has additional deferred maintenance needs and will look to meet those needs through future State funding, donations, and revenue generated by the student facility fee.

Enrollment and Tuition Revenues/Rates
FTE enrollment in fiscal year 2019 was 2,170, a 2.4 percent increase over fiscal year 2018. Enrollment is a significant driver of University revenues and the University has enacted a number of initiatives to increase enrollment and retain students. Initial fall 2019 enrollment data indicates a slight decline in FTE enrollment.

After consideration of increased state funding and the competitive higher education market in Colorado, the University did not increase undergraduate tuition rates for fiscal year 2020. Generally in the last decade, State operating support has declined shifting more of the tuition burden to students. In spite of this, the University remains one of the best values in the State and the University will continue to control tuition increases and balance them with enhanced financial support for students.

Based on the factors described above, the University anticipates flat tuition and fee revenues in fiscal year 2020 versus 2019.

Compensation Costs
Consistent with most institutions of higher education, the University spends over 60 percent of its education and general budget on salaries and benefits. Although the University spends the majority of its budget on personnel costs, Western salaries lag peers in several categories. The University has prioritized salary enhancement as a goal and provided a 2.0 percent salary increase pool to faculty and administrators for fiscal year 2020. Salary and benefits will continue to be a significant driver of operating costs as benefits costs are expected to continue to increase in the future. The University continues to work actively with benefit providers to control costs while still providing quality, competitive benefit packages for employees.

Debt Service
In order to improve and maintain facilities, the University has increased its debt burden significantly over the last decade. In fiscal year 2019, the University paid $6.6 million in debt service and anticipates $7.2 million in debt service in fiscal year 2020. The University uses a combination of student fees and auxiliary revenues to meet its debt service burden. The University also maintains a debt service reserve, which can be used to meet debt service needs in the case of an unanticipated decrease in operating income. The University added $0.6 million to that reserve in fiscal year 2019, bringing the reserve balance to $3.0 million.

New Paul M. Rady School of Computer Science and Engineering Supported by $80 Million Donation
On September 6, 2018, the University announced the creation of the Paul M. Rady School of Computer Science and Engineering. The new school is made possible by an $80 million gift from a private donor. The gift will fund a new 75,000 square foot building on the University's campus and also support future operational needs of the school. The University has partnered with the University of Colorado Boulder to deliver computer science and mechanical engineering instruction within the new school. The partnership will allow students to complete their first two years of coursework as Western State Colorado University students and the balance of their education as University of Colorado Boulder students, all while remaining on the University's campus in Gunnison. The partnership will allow the University to play a key role in addressing the shortage of technologically skilled workers in the State Colorado. The first cohort of students began in fall 2019 and the building is anticipated for completion in fall 2020.

Requests for Information
Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Controller's Office at Western State Colorado University, Taylor Hall, Room 328, Gunnison, CO 81231.

WESTERN STATE COLORADO UNIVERSITY

STATEMENTS OF NET POSITION

As of June 30, 2019 and 2018

		2019		2018
ASSETS				
Current Assets				
Cash and cash equivalents		**$**	**22,160,563**	$ 17,955,634
Investments			**130,574**	118,290
Student accounts receivable, net			**849,692**	776,238
Other accounts receivable, net			**991,379**	1,094,867
Student loans receivable, net			**48,011**	59,774
Inventories			**381,380**	448,522
Other current assets			**577,481**	218,821
	Total Current Assets		**25,139,080**	20,672,146
Noncurrent Assets				
Noncapital Noncurrent Assets				
Student loans receivable, net			**309,692**	456,298
	Total Noncapital Noncurrent Assets		**309,692**	456,298
Nondepreciable Capital Assets				
Land			**2,503,736**	2,503,736
Land improvements			**1,904,083**	1,904,083
Construction in progress			**1,464,533**	1,810,469
	Total Nondepreciable Capital Assets		**5,872,352**	6,218,288
Depreciable Capital Assets, Net				
Land improvements, less accumulated depreciation of $439,425 (2019) and $396,320 (2018)			**293,130**	336,235
Buildings and improvements, less accumulated depreciation of $82,537,634 (2019) and $73,947,798 (2018)			**133,827,292**	126,613,493
Furniture, equipment and software, less accumulated depreciation of $2,762,456 (2019) and $2,466,157 (2018)			**1,333,686**	1,204,609
Library materials, less accumulated depreciation of $5,837,090 (2019) and $5,782,200 (2018)			**224,486**	236,577
	Total Depreciable Capital Assets, Net		**135,678,594**	128,390,914
	Total Noncurrent Assets		**141,860,638**	135,065,500
	Total Assets		**166,999,718**	155,737,646
DEFERRED OUTFLOWS				
Loss on bond refundings			**3,216,768**	3,451,299
Pension related (See Note G)			**3,741,136**	8,671,647
Other post-employment benefit related (See Note H)			**69,788**	65,200
	Total Deferred Outflows		**7,027,692**	12,188,146

See accompanying notes.

WESTERN STATE COLORADO UNIVERSITY
STATEMENTS OF NET POSITION
As of June 30, 2019 and 2018

		2019	2018
LIABILITIES			
Current Liabilities			
Accounts payable		**1,652,891**	1,492,628
Accrued liabilities		**1,992,033**	1,854,206
Unearned revenue		**1,594,622**	1,302,838
Student deposits		**944,715**	675,102
Bonds and notes payable, current portion		**2,290,000**	1,870,000
Compensated absence liabilities, current portion		**136,922**	117,421
	Total Current Liabilities	**8,611,183**	7,312,195
Noncurrent Liabilities			
Bonds and notes payable		**87,878,059**	85,772,546
Compensated absence liabilities		**964,508**	882,034
Net pension liability (See Note G)		**21,811,916**	39,047,629
Net other post-employment benefit liability (See Note H)		**878,480**	860,775
	Total Noncurrent Liabilities	**111,532,963**	126,562,984
	Total Liabilities	**120,144,146**	133,875,179
DEFERRED INFLOWS			
Pension related (See Note G)		**11,642,867**	1,718,592
Other post-employment benefit related (See Note H)		**19,949**	14,622
	Total Deferred Inflows	**11,662,816**	1,733,214
NET POSITION			
Net investment in capital assets		**54,599,655**	50,388,855
Restricted for:			
Loans		**542,862**	564,171
Debt service		**7,838,411**	6,015,372
Unrestricted		**(20,760,480)**	(24,650,999)
	Total Net Position	**$ 42,220,448**	$ 32,317,399

See accompanying notes.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 117,360	$ 847,041
Accounts receivable	28,841	23,946
Promises to give, net	179,178	265,065
Marketable securities	21,394,396	19,512,039
Other assets	468,945	544,731
Property and equipment, net of accumulated depreciation	1,064,169	11,107,242
Total Assets	$ 23,252,889	$ 32,300,064
Liabilities		
Accounts payable	$ 71,632	$ 30,617
Accrued compensated absences and additional compensation	45,382	224,521
Accrued interest	-	70,763
Liabilities under charitable gift annuities	150,194	128,279
Bonds payable	-	4,582,580
Total Liabilities	267,208	5,036,760
Net Assets		
Without donor restrictions		
Undesignated	(2,868,632)	(2,316,967)
With donor restrictions		
Perpetual in nature	20,499,596	20,446,786
Purpose restrictions	7,229,061	11,837,817
Time-restricted for future period	179,178	265,065
Underwater endowments	(2,053,522)	(2,969,397)
	25,854,313	29,580,271
Total Net Assets	22,985,681	27,263,304
Total Liabilities and Net Assets	$ 23,252,889	$ 32,300,064

The accompanying notes are an integral part of these statements.

WESTERN STATE COLORADO UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenue		
Tuition and fees, including $13,565,303 (2019) and $12,036,087 (2018) pledged for bonds	$ 36,689,199	$ 34,378,925
Less: scholarship allowances	(11,326,691)	(10,608,089)
Net Tuition and Fees	25,362,508	23,770,836
Federal, state, and private grants and contracts, including $200,518 (2019) and $178,444 (2018) pledged for bonds	7,369,264	5,642,670
Fee for service revenue	10,702,339	8,828,341
Sales and services of auxiliary enterprises, including $11,007,499 (2019) and $10,485,265 (2018) pledged for bonds	12,136,621	11,310,583
Less: scholarship allowances	(214,867)	(193,092)
Net Sales and Services of Auxiliary Enterprises	11,921,754	11,117,491
Other operating revenue, including $58,760 (2019) and $45,047 (2018) pledged for bonds	635,186	674,724
Total Operating Revenue	55,991,051	50,034,062
Operating Expenses		
Instruction	17,992,112	20,467,718
Research	390,720	393,026
Public service	420,829	502,133
Academic support	2,829,046	3,315,640
Student services	5,616,028	5,334,406
Institutional support	5,658,501	5,976,572
Operation and maintenance of plant	2,681,152	5,466,960
Scholarships and fellowships	257,327	246,067
Auxiliary enterprises	11,148,543	11,280,521
Depreciation	5,409,879	5,574,031
Total Operating Expenses	52,404,137	58,557,074
Operating Income (Loss)	3,586,914	(8,523,012)
Nonoperating Revenue (Expenses)		
Federal Pell grants	2,487,158	2,520,605
Federal interest subsidy, including $1,159,233 (2019) and $1,153,972 (2018) pledged for bonds	1,159,233	1,153,972
Investment and interest income, including $237,718 (2019) and $154,804 (2018) pledged for bonds	778,147	148,166
State support for pensions	150,456	-
Interest expense on capital debt	(4,964,823)	(4,930,471)
Other nonoperating expenses	(103,830)	(105,842)
Net Nonoperating Expenses	(493,659)	(1,213,570)
Income (Loss) Before Capital Contributions	3,093,255	(9,736,582)
Capital Contributions		
State capital support	1,502,697	2,153,149
Other capital gifts	5,307,097	222,125
Increase (Decrease) in Net Position	9,903,049	(7,361,308)
Net Position - beginning of year	32,317,399	40,468,868
Cumulative effect of adoption of new accounting standard	-	(790,161)
Net Position - beginning of year, as restated	32,317,399	39,678,707
Net Position - end of year	$ 42,220,448	$ 32,317,399

See accompanying notes.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2019

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
REVENUE AND SUPPORT			
Contributions	$ 271,916	$ 2,798,208	$ 3,070,124
Gain on contribution of facilities – Western State Colorado University	-	4,343,945	4,343,945
Fundraising Revenue	-	329,309	329,309
In-kind contributions	-	164,581	164,581
Miscellaneous income	66,957	-	66,957
Net investment return	165,363	1,595,185	1,760,548
Service agreement income – Western State Colorado University	270,000	-	270,000
Royalties	-	40,143	40,143
Reclassification of net assets	(603,405)	603,405	-
Net assets released from restrictions	13,600,734	(13,600,734)	-
TOTAL REVENUE AND SUPPORT	13,771,565	(3,725,958)	10,045,607
EXPENSES			
Program expenses	13,556,710	-	13,556,710
Management and general	369,074	-	369,074
Fundraising	397,446	-	397,446
TOTAL EXPENSES	14,323,230	-	14,323,230
CHANGES IN NET ASSETS	(551,665)	(3,725,958)	(4,277,623)
NET ASSETS BEGINNING OF YEAR	(2,316,967)	29,580,271	27,263,304
NET ASSETS – ENDING OF YEAR	**$ (2,868,632)**	**$ 25,854,313**	**$ 22,985,681**

The accompanying notes are an integral part of these statements.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 324,803	$ 6,020,689	$ 3,345,492
In-kind contributions	-	133,498	133,498
Fundraising revenue	-	363,608	363,608
Net investment return	99,258	1,095,953	1,195,211
Royalties	-	38,727	38,727
Reclassification of net assets	205,418	(205,418)	-
Net assets released from restrictions	4,592,863	(4,592,863)	-
TOTAL REVENUE AND SUPPORT	5,222,342	2,854,194	8,076,536
EXPENSES			
Program expenses	4,242,749	-	4,242,749
Management and general	406,599	-	406,599
Fundraising	513,719	-	513,719
TOTAL EXPENSES	5,163,067	-	5,163,067
CHANGES IN NET ASSETS	59,275	2,854,194	2,913,469
NET ASSETS BEGINNING OF YEAR	(2,376,242)	26,726,077	24,349,835
NET ASSETS – ENDING OF YEAR	**$ (2,316,967)**	**$ 29,580,271**	**$ 27,263,304**

The accompanying notes are an integral part of these statements.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Years Ended June 30, 2019

	Program Expenses	Management and General	Fundraising	Total
Contribution of facilities to WSCU	$ 9,681,665	$ -	$ -	$ 9,681,665
Personnel costs	656,982	271,822	306,112	1,234,916
Scholarships	720,960	-	-	720,960
Depreciation expense	333,410	27,184	-	360,594
Professional fees	313,364	18,057	-	331,421
Advertising	271,143	-	-	271,143
Capital equipment and software	260,152	4,620	3,750	268,522
Supplies and equipment	238,525	-	-	238,525
Student recruitment and enrollment	200,000	-	-	200,000
Travel	194,900	-	-	194,900
In-kind expenses	164,581	-	-	164,581
Biology research	120,000	-	-	120,000
Dues, registrations, memberships	104,221	1,114	-	105,335
Official functions	105,207	-	-	105,207
Miscellaneous	97,201	-	-	97,201
Direct cost of fundraising	20,920	-	73,481	94,401
International studies	23,655	-	-	23,655
Annuity disbursements	18,810	-	-	18,810
Honorariums, professional development, etc.	15,680	-	-	15,680
Office supplies	-	15,270	-	15,270
Insurance	2,000	12,320	-	14,320
Board of directors’ expenses	-	14,248	-	14,248
Publication costs	-	-	11,425	11,425
Administrative fees	5,948	4,439	-	10,387
Interest costs	5,188	-	-	5,188
Director’s expense	-	-	2,678	2,678
Property taxes	2,198	-	-	2,198
TOTAL	**$ 13,556,710**	**$ 369,074**	**$ 397,446**	**$ 14,323,230**

The accompanying notes are an integral part of these statements.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Years Ended June 30, 2018

	Program Expenses	Management and General	Fundraising	Total
Personnel costs	$ 725,085	$ 336,750	$ 409,431	$ 1,471,266
Scholarships	631,379	-	-	631,379
Student recruitment and enrollment	500,000	-	-	500,000
Capital equipment and software	464,485	-	-	464,485
Fundraising and travel	287,493	-	74,436	361,929
Depreciation expense	347,079	13,669	-	360,748
Advertising	211,216	-	7,883	219,099
Professional fees	200,572	18,000	-	218,572
Supplies and equipment	204,136	-	6,603	210,739
Interest costs	165,112	-	-	165,112
In-kind expenses	133,498	-	-	133,498
International studies	119,596	-	-	119,596
Official functions	87,303	-	5,097	92,400
Dues and subscriptions	62,682	6,942	-	69,624
Biology research	62,300	-	-	62,300
Miscellaneous	14,660	2,844	-	17,504
Annuity disbursements	14,710	-	-	14,710
Insurance	-	12,382	-	12,382
Publication costs	-	-	11,062	11,062
Office supplies	-	9,828	-	9,828
Administrative fees	9,164	-	-	9,164
Board of directors' expenses	-	4,955	-	4,955
Property taxes	2,279	-	-	2,279
Capital campaign	-	-	2,173	2,173
Director's expense	-	-	1,876	1,876
Postage	-	1,229	-	1,229
Change in provision for bad debt	-	-	(4,842)	(4,842)
TOTAL	**$ 4,242,749**	**$ 406,599**	**$ 513,719**	**$ 5,163,067**

The accompanying notes are an integral part of these statements.

WESTERN STATE COLORADO UNIVERSITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Cash Received		
Tuition and fees	**$ 25,531,339**	$ 24,047,038
Sales of services	**21,946,961**	19,068,392
Sales of product	**793,096**	780,088
Grants, contracts and gifts	**6,177,292**	4,881,100
Student loans collected	**119,856**	115,767
Other operating receipts	**641,067**	683,758
Cash Payments		
Payments to or for employees	**(29,230,336)**	(29,948,759)
Payments to suppliers	**(18,034,739)**	(15,305,018)
Scholarships disbursed	**(257,327)**	(246,067)
Net Cash Provided by Operating Activities	**7,687,209**	4,076,299
Cash Flows from Noncapital Financing Activities		
Federal, state, private grants & contracts	**3,648,984**	3,664,093
Other agency outflows	**147,202**	(20,854)
Net Cash Provided by Noncapital Financing Activities	**3,796,186**	3,643,239
Cash Flows from Capital and Related Financing Activities		
State capital support	**1,502,696**	2,153,149
Capital gifts & grants	**-**	222,125
Acquisition or construction of capital assets	**(2,843,639)**	(4,438,430)
Principal paid on capital debt	**(1,845,000)**	(1,345,000)
Interest on capital debt	**(4,798,232)**	(4,840,741)
Cost of issuance	**(59,768)**	-
Net Cash Used for Capital and Related Financing Activities	**(8,043,943)**	(8,248,897)
Cash Flows from Investing Activities		
Investment earnings	**765,477**	150,219
Net Cash Provided by Investing Activities	**765,477**	150,219
Net Increase (Decrease) in Cash and Cash Equivalents	**4,204,929**	(379,140)
Cash and Cash Equivalents - beginning of year	**17,955,634**	18,334,774
Cash and Cash Equivalents - end of year	**$ 22,160,563**	$ 17,955,634

See accompanying notes.

WESTERN STATE COLORADO UNIVERSITY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

		2019		2018
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	**$**	**3,586,914**	$	(8,523,012)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation		**5,409,879**		5,574,031
Provision for uncollectable accounts		**(44,382)**		78,873
Compensated absences adjustment		**101,975**		61,135
Non-cash pension & OPEB expense (See Notes G & H)		**(2,212,027)**		7,824,777
Changes in assets and liabilities:				
Receivables		**162,956**		(205,162)
Inventories		**67,142**		(38,107)
Other assets		**(408,515)**		(83,966)
Student loans		**117,006**		113,936
Accounts payable		**276,623**		174,669
Accrued liabilities		**155,518**		(1,606,033)
Unearned revenue		**291,784**		477,603
Deposits held for others		**182,336**		227,555
Net Cash Provided by Operating Activities	**$**	**7,687,209**	$	4,076,299
Noncash Investing, Capital, and Financing Activities				
Increase (decrease) in accounts payable and accrued liabilities related to capital assets	**$**	**(205,598)**	$	573,885
Unrealized (gain) loss on investments	**$**	**(12,284)**	$	2,051
Amortization of deferred bond refunding loss	**$**	**234,531**	$	234,531
Amortization of bond discount (premium)	**$**	**(139,487)**	$	(139,487)
Foundation capital gift, net of debt transfer	**$**	**5,156,426**	$	-

See accompanying notes.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (4,277,623)	$ 2,913,469
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	360,594	360,748
Amortization of debt issue costs	-	7,024
Collections of contributions restricted to endowments	(437,944)	(1,868,431)
Realized gain on contribution of facilities	(4,3473,945)	-
Net realized and unrealized (gains) and losses on investments	(1,336,430)	(865,071)
Loss on disposal of jewelry	-	22,840
Contribution of facilities	9,681,665	-
Increase in value of life insurance policy	(22,843)	(29,600)
Net change in split interest liabilities	(18,085)	(58,127)
Recovery of bad debt allowance	-	(4,842)
Changes in operating assets and liabilities -		
(Increase) decrease in accounts receivable	(4,895)	(6,799)
(Increase) decrease in promises to give	85,887	232,830
(Decrease) increase in accounts payable	41,015	(5,229)
(Decrease) increase in accrued liabilities	(249,902)	190,088
NET CASH FROM OPERATING ACTIVITIES	(522,506)	888,920
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of operating investments	(2,729,534)	(5,736,650)
Proceeds from sales and maturities of operating investments	2,183,607	3,642,455
Proceeds from sales of other assets	-	7,560
Purchase of buildings and improvements	(14,947)	-
NET CASH USED FOR INVESTING ACTIVITIES	(560,874)	(2,086,635)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted to endowments	437,944	1,868,431
Proceeds from charitable gift annuity agreements	40,000	100,000
Principal payments on bonds	(124,245)	(241,102)
NET CASH FROM FINANCING ACTIVITIES	353,699	1,727,329
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(729,681)**	**529,614**
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	847,041	317,427
CASH AND CASH EQUIVALENTS – END OF YEAR	**$ 117,360**	**$ 847,041**
SUPPLEMENTAL INFORMATION		
Interest paid	$ 77,196	$ 74,455

The accompanying notes are an integral part of these statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Western State Colorado University (the University) is a public institution of higher education of the State of Colorado (the State). House Bill 19-1178, which simplified the University's name from Western State Colorado University to Western Colorado University, became effective on July 1, 2019. Operations are funded largely through student tuition and fees.

As an institution of the State, the University's operations and activities are funded partially through fee-for-service contracts with the State.

Governance

Effective July 1, 2003, Colorado Revised Statute (C.R.S.) 23-56-102 established the Board of Trustees (the Trustees) of the University to serve as the University's governing board. Nine of the eleven Trustees are members outside the University who are appointed by the Governor with the consent of the Senate. The remaining two members consist of a student, elected by the student body, and a faculty member, elected by tenure and tenure track faculty. Both of these members are nonvoting members. The Trustees have full authority and responsibility for the control and governance of the University, including such areas as role and mission, academic programs, curriculum, admissions, finance, and personnel policies. To exercise their authority appropriately, the Trustees regularly establish policies designed to enable the University to perform its statutory functions in a rational and systematic manner. To assist them in meeting their responsibilities, the Trustees delegate to the President the authority to interpret and administer their policies in all areas of operations.

Reporting Entity

The accompanying financial statements reflect the financial activities of the University for the fiscal years ended June 30, 2019 and 2018. The University is an institution of higher education of the State. Thus, for financial reporting purposes, the University is included as part of the State's primary government. A copy of the State's Comprehensive Annual Financial Report may be obtained from the Colorado Office of the State Controller (OSC), Department of Personnel and Administration (DPA), Denver, Colorado.

The financial statements of the University include all of the integral parts of the University's operations. The University applied required criteria to determine whether any organization should be included in the University's reporting entity. Management has determined that the Western Colorado University Foundation (the Foundation) meets the criteria to be included in the University's financial statements as a discretely presented component unit. The Foundation was incorporated on August 22, 1975 under the laws of the State. The purpose of the Foundation is to aid, directly or indirectly, the University in fulfilling its educational purposes. The Foundation is supported primarily through donor contributions. A full copy of the Foundation's financial statements may be obtained from the Western Colorado University Foundation, 909 East Escalante Drive, P.O. Box 1264, Gunnison, CO 81230.

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. Revenues are recognized when earned and expenses are recorded when an obligation is incurred. All significant intra-agency transactions have been eliminated.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus* (GASB 61) and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* paragraph 47, (GASB 39) the discrete presentation of the Foundation's financial statements appear on separate pages from the University. The Foundation warrants inclusion as part of the financial reporting entity because of the nature and significance of its relationship with the University. Please refer to Note K for additional discussion.

The financial statements of the Foundation are prepared on the accrual basis and follow the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

Because the Foundation uses a different GAAP reporting model and following the GASB 39 recommendation, its financial information is not presented on the same page as the University but is reported on separate pages after the University's financial statements. The separate financials include the statements of financial position, and the statements of activities.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows, and deferred inflows and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

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

Investments
Investments are carried at fair value. Fair value is determined using quoted market prices. Investment income consists of interest income and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable
Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal government, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are reported net of estimated uncollectible amounts.

Student Loans Receivable
Student loans receivable consists of amounts due from students related to loans awarded to students through the Federal Perkins Loan program. The University records the current portion of the receivable as the amount of principal their third party service provider has collected in the current year and this approximates the amount estimated to be collected in the following year. Student loans receivable are reported net of estimated uncollectible amounts. The University assumes that loan receivables over two years past due are 100% uncollectible for reporting purposes.

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

Capital Assets
Capital assets are stated at cost at date of acquisition or fair market value at date of donation. The University capitalizes only those assets with an initial cost or fair market value greater than or equal to $5,000 for equipment. For renovations and improvements, the University capitalizes only those projects with a value of $50,000 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 10 to 70 years for buildings and building improvements, 3 to 10 years for equipment and library materials, and 10 to 20 years for depreciable land improvements. State capital construction revenues are recognized only to the extent of current expenditures. Controlled maintenance (corrective repairs or replacements to existing facilities) funded by the State is recorded as state appropriated revenue and the assets are recorded to the extent that expenditures qualify for capitalization.

Donated Software
The University receives certain software used in its academic programs as donations from software providers. These software providers sell their products to for-profit entities operating in the petroleum geology and geospatial analytics industries, but provide the software to higher education institutions as no-cost grants for academic use only over specified time periods. The University does not recognize a donation value for these software grants in its financial statements because there is no estimated fair value due to the fact that the use of the software is restricted and non-transferable.

Unearned Revenue
Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences
Employees' compensated absences are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statements of net position and as a component of compensation and benefit expense in the statements of revenue, expenses and changes in net position.

Deferred Outflows of Resources and Deferred Inflows of Resources
GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63), defines the five elements that make up a statement of financial position to include:

- Assets – resources with a present service capacity under University control.
- Deferred Outflows of Resources – consumption of net assets by the University that is applicable to a future reporting period.
- Liabilities – present obligations to sacrifice resources.

- Deferred Inflows of Resources – acquisitions of net assets by the University that is applicable to a future reporting period.
- Net Position – residual of all other elements presented in a statement of financial position.

See Notes G and H for detail of the composition of the University's deferred outflows and deferred inflows related to pension and OPEB.

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

Operating Revenue – Operating revenue generally results from providing goods and services for instruction, public service or related support services to an individual or to an entity separate from the University such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, and (3) grant and contract revenues.

Nonoperating Revenue – Nonoperating revenue is that revenue which does not meet the definition of operating revenue. Nonoperating revenue includes Federal Pell grants, the Federal Build America Bond interest subsidy, and investment income.

Capital Contributions – Contributions to the University earmarked for capital asset acquisition are classified as capital contributions and are reported separately from operating and nonoperating revenues.

Scholarship Allowances
Student tuition and fee revenue, and certain other revenue from students, are reported net of scholarship allowances in the statements of revenues, expenses and changes in net position. Scholarship allowances are the differences between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenue in the University's financial statements. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition, fees and housing for the years ended June 30, 2019 and 2018 were $11,541,558 and $10,801,181.

Net Position
The University's net position is classified as follows:

Net investment in capital assets – This 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 the net investment in capital assets.

Restricted net position – expendable – Restricted expendable net position include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net position – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of auxiliary enterprises, unless otherwise pledged or restricted. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Certain net position is unrestricted but designated by the Trustees for specific purposes.

Net assets of the Foundation are classified based on the existence or absence of donor or grantor-imposed restrictions into two categories: net assets without donor restrictions and net assets with donor restrictions. Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by a donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Most of the Foundation's unconditional promises to give are due within the next five years.

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

Reconciliation to Other Reports
Any effort to reconcile this report with presentations made for other purposes, such as data submitted with the legislative budget request for the University, must take into consideration any differences in the basis of accounting and other requirements for the preparation of such other presentations.

Income Taxes
As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code (IRC) and a similar provision of State law. However, the University is subject to income tax on any unrelated business taxable income. The University did not have any significant unrelated business taxable income in fiscal year 2019 or 2018.

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the IRC and classified by the Internal Revenue Service (IRS) as other than a private foundation.

Reclassifications
Certain amounts in the 2018 financial statements have been reclassified for comparative purposes to conform to the current year financial statement presentation. These reclassifications had no effect on previously reported net position or change in net position.

Cumulative Effect of Adoption of New Accounting Standard
In fiscal year 2018, the University adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* (GASB 75). GASB 75 establishes accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for other post-employment benefit (OPEB) that are provided to the employees of state and local governmental employers (see Note H).

Certain employees of the University are covered by the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Colorado Public Employees' Retirement Association (PERA), as described in Note H. In accordance with GASB 75, as a result of the University having employees covered by the HCTF, beginning net position as of July 1, 2017 has been adjusted downward by $790,161 for the net effect of recording the University's proportionate share of the HCTF's net OPEB liability as of December 31, 2016 (the HCTF's measurement date) less contributions made by the University to the HCTF subsequent to the December 31, 2016 measurement date and prior to the beginning of the University's current fiscal year (the period of January 1, 2017 through June 30, 2017). The University's proportion of the net OPEB liability was based on the University's contributions to the HCTF for the calendar year 2016 relative to the total contributions made to the HCTF by participating employers for the calendar year 2016.

At December 31, 2016, the University's proportion of the HCTF's net OPEB liability was approximately 0.0631 percent. The HCTF's net OPEB liability as of December 31, 2016 was $1,296,534,000. The University's share of the HCTF's net OPEB liability calculated by applying the aforementioned proportion to the HCTF's net OPEB liability is $817,736. Contributions made by the University to the HCTF subsequent to the December 31, 2016 measurement date and prior to the beginning of the University's prior fiscal year (the period of January 1, 2017 through June 30, 2017) were $27,575. Therefore, the cumulative effect of the adoption of GASB 75 is comprised of the following:

University's proportionate share of HCTF's December 31, 2016 net OPEB liability	$ 817,736
Less: Contributions made by the University to the HCTF for the period January 1, 2017 through June 30, 2017 (Deferred Outflow)	(27,575)
Cumulative effect of adoption of new accounting standard	$ 790,161

The restatement affects the balance of beginning net position for the year ended June 30, 2018 as follows:

Net position – July 1, 2017 beginning balance	$ 40,468,868
Cumulative effect of adoption of new accounting standard	(790,161)
Net Position – July 1, 2017 beginning balance, as restated	$ 39,678,707

The effect of GASB 75 on ending net position as of June 30, 2019 and 2018 is shown as a component of unrestricted net position on the statement of net position and is comprised of the following defined benefit OPEB related balances:

	2019	2018
Deferred Outflows (See Note H)	$ 69,788	$ 65,200
Deferred Inflows (See Note H)	(19,949)	(14,622)
Net OPEB Liability (See Note H)	(878,480)	(860,775)
Effect of GASB 75 on Ending Unrestricted Net Position	$ (828,641)	$ (810,197)

NOTE B – CASH AND INVESTMENTS

Cash on Hand and in Local Banks

At June 30, cash on hand and in local banks consisted of the following:

	2019	2018
Cash on hand	$ 26,421	$ 64,359
Cash in local banks	1,367,555	1,770,965
	$ 1,393,976	$ 1,835,324

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. To manage custodial credit risk, deposits with U.S. and foreign financial institutions are made in accordance with University and State policy, including the Public Deposit Protection Act (PDPA). PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal depository insurance. Deposits collateralized under PDPA are considered to be collateralized with securities held by the pledging institution in the University's name.

State Treasurer's Pooled Cash and Investments

The University deposits most of its cash with the Treasurer as required by the C.R.S. The Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury (the Treasury) acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2019, the University had cash on deposit with the Treasurer of $20,766,587, which represented approximately 0.23 percent of the total $9,096.5 million fair value of deposits in the Treasurer's Pool (the Pool). As of June 30, 2018, the University had cash on deposit with the Treasurer of $16,120,310, which represented approximately 0.21 percent of the total $7,635.8 million fair value of deposits in the Pool.

On the basis of the University's participation in the Pool, the University reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The 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 the investments of the Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2019.

Investments

The University has an investment in U.S. Treasury STRIPS related to a bond sinking fund. This investment is carried at fair value based on quoted prices in active markets for identical assets.

NOTE C – RECEIVABLES AND PAYABLES

At June 30, receivable balances were as follows:

2019	Gross Receivable	Allowance for Uncollectible Amounts	Net Receivable
Student accounts receivable	$ 1,230,710	$ (381,018)	$ 849,692
Other accounts receivable	991,379	-	991,379
Student loans receivable	117,006	(68,995)	48,011
Noncurrent student loans receivable	751,773	(442,081)	309,692
2018			
Student accounts receivable	$ 1,195,821	$ (419,583)	$ 776,238
Other accounts receivable	1,094,867	-	1,094,867
Student loans receivable	113,936	(54,162)	59,774
Noncurrent student loans receivable	873,107	(416,809)	456,298

At June 30, accrued liabilities balances were as follows:

	2019	2018
Accrued payroll and benefits	$ 1,270,982	$ 1,115,464
Retainage payable	49,725	138,963
Accrued interest payable	671,326	599,779
Total Accrued Liabilities	$ 1,992,033	$ 1,854,206

NOTE D – CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the years ended June 30, 2019 and 2018.

	Balance June 30, 2018	Additions	Deletions/ Transfers	Balance June 30, 2019
Nondepreciable Capital Assets				
Land	$ 2,503,736	$ -	$ -	$ 2,503,736
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	1,810,469	2,121,299	(2,467,235)	1,464,533
Total Nondepreciable Capital Assets	$ 6,218,288	$ 2,121,299	$ (2,467,235)	$ 5,872,352
Depreciable Capital Assets				
Land improvements	$ 732,555	$ -	$ -	$ 732,555
Buildings and improvements	200,561,291	13,336,400	2,467,235	216,364,926
Furniture and equipment	3,670,766	498,799	(73,423)	4,096,142
Library materials	6,018,777	42,799	-	6,061,576
Total Depreciable Capital Assets	210,983,389	13,877,998	2,393,812	227,255,199

Less: Accumulated depreciation				
Land improvements	(396,320)	(43,105)	-	(439,425)
Buildings and improvements	(73,947,798)	(8,589,836)	-	(82,537,634)
Furniture and equipment	(2,466,157)	(367,022)	70,723	(2,762,456)
Library materials	(5,782,200)	(54,890)	-	(5,837,090)
Total Accumulated Depreciation	(82,592,475)	(9,054,853)	70,723	(91,576,605)
Net Depreciable Capital Assets	$ 128,390,914	$ 4,823,145	$ 2,464,535	$ 135,678,594

	Balance June 30, 2017	Additions	Deletions/ Transfers	Balance June 30, 2018
Nondepreciable Capital Assets				
Land	$ 2,503,736	$ -	$ -	$ 2,503,736
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	463,939	4,566,722	(3,220,192)	1,810,469
Total Nondepreciable Capital Assets	$ 4,871,758	$ 4,566,722	$ (3,220,192)	$ 6,218,288
Depreciable Capital Assets				
Land improvements	$ 732,555	$ -	$ -	$ 732,555
Buildings and improvements	197,341,099	-	3,220,192	200,561,291
Furniture and equipment	3,551,370	328,412	(209,016)	3,670,766
Library materials	5,976,451	42,326	-	6,018,777
Total Depreciable Capital Assets	207,601,475	370,738	3,011,176	210,983,389
Less: Accumulated depreciation				
Land improvements	(353,216)	(43,104)	-	(396,320)
Buildings and improvements	(68,844,433)	(5,103,365)	-	(73,947,798)
Furniture and equipment	(2,310,736)	(359,694)	204,273	(2,466,157)
Library materials	(5,714,332)	(67,868)	-	(5,782,200)
Total Accumulated Depreciation	(77,222,717)	(5,574,031)	204,273	(82,592,475)
Net Depreciable Capital Assets	$ 130,378,758	$ (5,203,293)	$ 3,215,449	$ 128,390,914

Property and equipment for the Foundation consists of the following as of June 30:

	2019	2018
Land	$ 813,225	$ 813,225
Buildings and improvements	1,106,559	14,437,834
Furniture and equipment	101,484	101,484
	2,021,268	15,352,543
Less: Accumulated depreciation	(957,099)	(4,245,301)
	$ 1,064,169	$ 11,107,242

Foundation Asset Transfer

On June 30, 2019, the Foundation transferred its ownership of the Borick Business Building and the University Center Condominium Unit Two to the University. The University recorded these assets at the Foundation's book value, including accumulated depreciation. In a related transaction, in January 2019 the University acquired $4.5 million of debt to payoff Foundation debt related to the University Center Condominium Unit Two. The financial impact of these transactions is summarized below.

	Borick Business Building	University Center Condominium Unit 2	Total
Building Asset	$ 7,328,858	$ 6,007,542	$ 13,336,400
Less Accumulated Depreciation	2,168,116	1,476,858	3,644,974
Net Book Value Transferred	5,160,742	4,530,684	9,691,426
Less: Related Debt Acquired	-	(4,535,000)	(4,535,000)
Capital Contribution	$ 5,160,742	$ (4,316)	$ 5,156,426

NOTE E – NONCURRENT LIABILITIES

In fiscal year 2019, the University adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 increased disclosure requirements related to debt, especially direct borrowings and placements. The disclosures presented here conform to these new requirements. The University's noncurrent liability activity for the years ended June 30, 2019 and 2018 was as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due within One Year
Debt					
Bonds	$ 84,535,000	$ -	$ 1,845,000	$ 82,690,000	$ 2,085,000
Bond Premium	2,982,546	-	139,487	2,843,059	-
Direct Borrowing	-	4,535,000	-	4,535,000	180,000
Notes Payable	125,000	-	25,000	100,000	25,000
	87,642,546	4,535,000	2,009,487	90,168,059	2,290,000
Other Liabilities					
Compensated Absences	999,455	238,897	136,922	1,101,430	136,922
OPEB Liability, net	860,775	17,705	-	878,480	-
Pension Liability, net	39,047,629	-	17,235,713	21,811,916	-
	40,907,859	256,602	17,372,635	23,791,826	136,922
Total Noncurrent Liabilities	$ 128,550,405	$ 4,791,602	$ 19,382,122	$ 113,959,885	$ 2,426,922

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due within One Year
Debt					
Bonds	$ 85,880,000	$ -	$ 1,345,000	$ 84,535,000	$ 1,845,000
Bond Premium	3,122,033	-	139,487	2,982,546	-
Notes Payable	150,000	-	25,000	125,000	25,000
	89,152,033	-	1,509,487	87,642,546	1,870,000
Other Liabilities					
Compensated Absences	938,320	178,556	117,421	999,455	117,421
OPEB Liability, net	-	860,775	-	860,775	-
Pension Liability, net	34,158,370	4,889,259	-	39,047,629	-
	35,096,690	5,928,590	117,421	40,907,859	117,421
Total Noncurrent Liabilities	$ 124,248,723	$ 5,928,590	$ 1,626,908	$ 128,550,405	$ 1,987,421

On May 28, 2009, the University issued $19,535,000 in Revenue Bonds, Series 2009 with an interest rate of 5.00%. The Series 2009 Revenue Bonds were advance refunded on September 29, 2016. The 2009 bonds were to begin maturing on May 15, 2025 in increasing amounts through May 15, 2039. The bonds were collateralized by a pledge of certain revenues of the auxiliary facilities system. The bonds were used to finance a portion of the new student center and to terminate the Wells Fargo Lease Purchase Agreement. The advanced refunded bonds were fully redeemed using funds in escrow on May 15, 2019.

On June 29, 2010, the University issued $9,115,000 in Institutional Enterprise Revenue Bonds (Tax-Exempt), Series 2010A with an average interest rate of 4.017%. $7,055,000 of the Series 2010A Bonds were advance refunded on September 29, 2016. The remaining 2010A bonds began to mature on May 15, 2018 and continue to mature in increasing amounts through May 15, 2020. The bonds are to be paid from Institutional Enterprise Revenues.

Additionally, on June 29, 2010, the University issued $48,020,000 in Institutional Revenue Enterprise Bonds (Taxable Direct Payment Build America Bonds), Series 2010B with an interest rate of 7% offset by a Build America Bond Federal Direct Payment subsidy equal to 35% of the interest payable on the Series 2010B bonds. The 2010B bonds begin to mature on May 15, 2027 in increasing amounts through May 15, 2045. The bonds are to be paid from Institutional Enterprise Revenues.

Series 2010 A and B bonds were used to finance a new student apartment complex and a new sports complex/field house.

On June 29, 2010, the University issued $1,635,000 in Institutional Enterprise Bonds (Taxable Direct Payment Qualified Energy Conservation Bonds), Series 2010C with an interest rate of 6.448% offset by a Qualified Energy Conservation Bond Federal Direct Payment subsidy equal to the lesser of 100% of the corresponding interest payable on the Qualified Energy Conservation Bond on the interest payment date and 70% of the amount of the interest which would have been payable on such interest payment date if such rate were determined at the applicable credit rate set by the United States Treasury and in effect on the first day on which there was a binding written contract for the sale of the bonds. The 2010C bonds begin to mature on May 15, 2020 in increasing amounts through May 15, 2027. The bonds are to be paid from Institutional Enterprise Revenues.

On December 13, 2011, the University issued $6,180,000 in Institutional Enterprise Revenue Refunding Bonds (Tax Exempt) Series 2011A with an average interest rate of 3.228%. The 2011A bonds began to mature on May 15, 2019 and continue to mature in increasing amounts through May 15, 2025. The bonds are paid from Institutional Enterprise Revenues.

On December 13, 2011, the University issued $6,550,000 in Institutional Enterprise Revenue Refunding Bonds (Taxable) Series 2011B with an average interest rate of 2.764%. The 2011B bonds began to mature on May 15, 2012 and continued to mature in increasing amounts through May 15, 2019. The bonds were paid from Institutional Enterprise Revenues.

The proceeds of the Series 2011 bonds plus the Series 2003 bond debt service reserve fund were used to advance refund the Auxiliary Facilities System Refunding Bonds, Series 2003A and the Auxiliary Facilities System Improvement Bonds, Series 2003B.

The Series 2011 bonds resulted in a cash flow savings of $318,617 and an economic loss of $1,321,383.

On September 29, 2016, the University issued $26,995,000 in Auxiliary Facility Revenue Refunding Bonds (Tax-Exempt) Series 2016 with an average interest rate of 3.688%. The 2016 bonds began maturing on May 15, 2017 and continue to mature in increasing amounts through May 15, 2039. Interest rates range from 2.00% on bonds that matured May 15, 2017 to 5.00% on bonds maturing May 15, 2021 through May 15, 2027. The 2016 bonds are collateralized by a pledge of net Institutional Enterprise Revenues. The proceeds of the Series 2016 Bonds were deposited in an irrevocable escrow account to provide for all future debt service payments on the Series 2009 Bonds and a portion of the Series 2010A Bonds.

The 2016 advance refunding resulted in the recognition of a $3.0 million accounting loss, which will be recognized over the term of the debt, however, the University reduced its aggregate debt service payments by $4.7 million over the next 22 years and obtained an economic gain of $3.6 million.

On June 30, 2019, the Foundation transferred its ownership of the Borick Business Building and the University Center Condominium Unit Two to the University. The University recorded these assets at the Foundation's book value, including accumulated depreciation. In a related transaction, on January 11, 2019 the University issued $4,535,000 in Institutional Enterprise Revenue Refunding Bonds Series 2019 via a direct borrowing with an interest rate of 3.71%. The 2019 bonds begin maturing on May 15, 2020 and continue in increasing amounts through January 11, 2034. The 2019 bonds are collateralized by a pledge of net Institutional Enterprise Revenues. The proceeds of the 2019 bonds were used to refund higher cost debt of the Foundation related to the University Center Condominium Unit Two and to acquire certain buildings owned by the Foundation.

At June 30, 2019, debt principal and interest requirements to maturity are as follows:

	Bonds		Direct Borrowing	
Year Ending June 30	Principal	Interest	Principal	Interest
2020	$ 2,085,000	$ 4,738,744	$ 180,000	$ 226,201
2021	2,145,000	4,667,027	245,000	161,571
2022	2,235,000	4,575,426	250,000	152,481
2023	2,325,000	4,478,665	260,000	143,206
2024	2,415,000	4,376,669	270,000	133,560
2025-2029	13,185,000	19,990,377	1,510,000	509,939
2030-2034	15,665,000	16,008,700	1,820,000	202,898
2035-2039	19,120,000	11,369,500	-	-
2040-2044	19,145,000	5,668,250	-	-
2045	4,370,000	305,900	-	-
Total Debt Service	$ 82,690,000	$ 76,179,258	$ 4,535,000	$ 1,529,856

On January 3, 2017 the University incurred a $150,000, zero-interest note payable. The University is required to pay six annual installments of $25,000 beginning on January 3, 2018 with the final payment occurring on January 3, 2023. The proceeds of the note payable were used to finance a portion of the University's acquisition of a property near campus.

Additionally, the University has agreements for the rental of copiers all of which are for a period 24 to 48 months and are in effect through March 2022. Total future rental obligations total $99,091.

Foundation Long-Term Liabilities
On October 15, 2009, the University issued a Revenue Bond Series 2009 of $19,535,000 to finance the construction of a new University Center. The Foundation was included in this issue for a $6,000,000 bond issue (relating to its share of the project) at a 6.1% annual interest rate, due July 15, 2019. The Foundation refinanced the debt in 2012 and 2015, with a refinanced interest rate of 3.35% and final maturity of July 2032. As part of the Foundation's transfer of capital assets to the University on June 30, 2019, the University assumed the remaining debt via a direct borrowing.

NOTE F – COMPENSATED ABSENCE LIABILITY FOR ANNUAL AND SICK LEAVE

University employees may accrue annual and sick leave, based on length of service, and subject to certain limitations regarding the amount to be paid upon termination. Additionally, certain University employees are eligible for compensatory time off for overtime worked, subject to maximums after which the overtime is paid out. The estimated cost of compensated absences for which employees are vested for the year ended June 30, 2019 is $1,101,430. Fiscal year 2019 expenses include $101,975 for the increase in the estimated compensated absence liability. The estimated cost of compensated absences for which employees are vested for the year ended June 30, 2018 is $999,455. Fiscal year 2018 expenses include $61,135 for the increase in the estimated compensated absence liability. The recording of the liability for compensated absences may result in fund-balance deficits, which will be funded by state appropriation, self-supporting funds, or other sources available in future years when the liability is paid.

NOTE G – EMPLOYEE PENSION PLANS

A. Optional Retirement Plan
On September 10, 1993, the Trustees 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; on that date, eligible employees were offered the choice of remaining in PERA or participating in the ORP. New faculty and administrative staff members, with appointments of 0.5 FTE and greater, are required to enroll in the ORP unless they have one year or more service credit with PERA at the date of hire.

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 University's contribution to the ORP is 11.4 percent of covered payroll, and contributions by employees are 8 percent of covered payroll.

The University's contributions to the ORP for fiscal years ending June 30, 2019 and 2018 were $1,579,470 and $1,491,971. These contributions were equal to the required contributions for each year. All ORP contributions are immediately invested in the employee's account. Normal retirement for the ORP is age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

Some exempt employees of the University have elected to continue as members with PERA; the rest participate in the ORP.

B. Colorado Public Employees' Retirement Association

1. Summary of Significant Accounting Policies

The University participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by 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.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates for the SDTF by 0.25 percent on July 1, 2019.

- Increases employee contribution rates for the SDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).

- As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. In fiscal year 2019, the University's proportionate share of the direct distribution was $150,456, which was allocated to participating PERA employers and paid by the State of Colorado.

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

- Expands eligibility to participate in the PERA DC Plan to certain new members of the State Division hired on or after January 1, 2019, who are classified State College and University employees. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

2. Plan Description

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

Benefits provided as of December 31, 2018. 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 IRC.

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

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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

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. Eligible employees and the University are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	2019	2018
Employer Contribution Rate[1]	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f) [1]	-1.02%	-1.02%
Amount Apportioned to the SDTF[1]	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	5.00%	5.00%
Total Employer Contribution Rate to the SDTF[1]	19.13%	19.13%

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

As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund

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 to the SDTF from the University were $1,134,008 and $1,082,999 for the years ended June 30, 2019 and 2018.

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

At June 30, 2019 and 2018, the University reported liabilities of $21,811,916 and $39,047,629 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018 for fiscal year 2019 and as of December 31, 2017 for fiscal year 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation from the preceding December 31. Standard update procedures were used to roll forward the total pension liability to December 31, 2018 and 2017. The University's proportion of the net pension liability was based on the University's contributions to the SDTF for the calendar years 2018 (for fiscal 2019) and 2017 (for fiscal

2018) and in calendar year 2018, a portion of the direct distribution payment, relative to the total contributions of participating employers and the State as a nonemployer contributing entity. The amount of the direct distribution payment deemed as an employer contribution for the University was based on the ratio of contributions from the University to the total of all employer contributions to the SDTF

At December 31, 2018 and 2017, the University's proportion was 0.1917 percent and 0.1951 percent.

For the years ended June 30, 2019 and 2018, the University recognized non-cash pension expense of ($2,230,471) and $7,804,742. Additionally, in fiscal year 2019, the University recognized non-cash revenue of $150,456 related to its share of the mandatory direct distribution to PERA required in SB 18-200, which was allocated to participating PERA employers and paid by the State of Colorado.

At June 30, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2019	2018	2019	2018
Difference between expected and actual experience in the measurement of the total pension liability	$ 623,748	$ 608,843	$ -	$ -
Changes in assumptions or other inputs	1,148,508	6,780,157	11,263,337	-
Net difference between projected and actual earnings on pension plan investments	1,101,749	-	-	1,470,672
Changes in the employer's proportion and differences between the employer's contributions (other than those to separately finance specific liabilities of the individual employer to the plan) and the employer's proportionate share of contributions	308,898	745,116	379,530	247,920
Employer's contributions to the plan subsequent to the measurement date of the collective net pension liability	558,233	537,531	-	-
Total	$ 3,741,136	$ 8,671,647	$ 11,642,867	$ 1,718,592

The amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, are recognized as a reduction of the net pension liability in the following 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 ending June 30:	Amortization
2020	$ (3,865,838)
2021	(5,251,596)
2022	54,124
2023	603,346

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.72 percent
Post-retirement benefit increases:	
Hired prior to January 1, 2007 (automatic)	2.0 percent, compounded annually
Hired after December 31, 2006 (ad hoc, substantively automatic	Financed by the AIR

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
Hired prior to January 1, 2007 (automatic)	0.0 percent through 2019 and 1.5 percent, compounded annually, thereafter
Hired after December 31, 2006 (ad hoc, substantively automatic	Financed by the AIR

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

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

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

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

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

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

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

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

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 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 3.50 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including schedule increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.72 percent, 2.53 percent lower compared to the current 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 current discount rate (7.25 percent in fiscal year 2019 and 4.72 percent in fiscal year 2018), 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 or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Proportionate share of the net pension liability – 2019	27,115,966	21,811,916	17,324,206
Proportionate share of the net pension liability – 2018	48,578,054	39,047,629	31,223,733

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

C. PERA Voluntary Investment Program

Plan Description - Employees of the University that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an IRC 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 PERA's Board. PERA issues a publicly available comprehensive annual financial report 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 IRS, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions.

D. PERA Defined Contribution Retirement Plan (DC Plan)

Plan Description – Employees of the State of Colorado that were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008 which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). SB 18-200 expanded eligibility to participate in the PERA DC Plan to certain new employees hired on or after January 1, 2019, who are classified State College and University employees. 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 CAFR 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. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution rates for the period January 1, 2019 through June 30, 2019 are summarized in the table below:

	Fiscal Year 2019
	January 1, 2019 to June 30, 2019
Employer Contribution Rate[1]	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f) [1]	-1.02%
Amount Apportioned to the PERA DC Plan[1]	9.13%

Additionally, employers are required to contribute to the SDTF as follows:

	Fiscal Year 2019
	January 1, 2019 to June 30, 2019
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	5.00%
Total Employer Contribution Rate to the SDTF[1]	10.00%

[1]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. In fiscal year 2019, the University did not have any employees participating in the PERA DC Plan.

E. Student-Employees Defined Contribution Plan
Beginning in fiscal year 1993, in accordance with the provisions of CRS 24-54.6-101 through 106 and as provided in IRC 403(b), the State of Colorado Department of Higher Education established the Colorado Student-Employees Defined Contribution Pension Plan administered by TIAA-CREF. Student-employees not currently attending classes are required to participate. The plan requires a 7.5 percent employee contribution and no employer contribution. For the fiscal year ended June 30, 2019 and 2018, total payroll upon which the plan contributions were based was $532,564 and $442,138.

NOTE H – POST-EMPLOYMENT HEALTH CARE BENEFITS

Health Care Trust Fund Program

Summary of Significant Accounting Policies
The University participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit Other Post-Employment Benefit ("OPEB") fund administered by 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.

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 C.R.S., as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report 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.

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 are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

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

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

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF 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 $56,692 and $54,104 for the years ended June 30, 2019 and 2018.

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

At June 30, 2019 and 2018, the University reported liabilities of $878,480 and $860,775 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018 for fiscal year 2019 and December 31, 2017 for fiscal year 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation from the preceding December 31. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018 and 2017. The University's proportion of the net OPEB liability was based on the University's contributions to the HCTF for the calendar years 2018 (for fiscal year 2019) and 2017 (for fiscal year 2018) relative to the total contributions of participating employers to the HCTF.

At December 31, 2018 and 2017, the University's proportion was 0.0646 percent and 0.0662 percent.

For the years ended June 30, 2019 and 2018, the University recognized non-cash OPEB expense of $18,444 and $20,035.

At June 30, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2019	2018	2019	2018
Difference between expected and actual experience in the measurement of the total OPEB liability	$ 3,188	$ 4,071	$ 1,337	$ -
Changes in assumptions or other inputs	6,163	-	-	-
Net difference between projected and actual earnings on OPEB plan investments	5,052	-	-	14,401
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	27,541	34,274	18,612	221
Employer's contributions to the plan subsequent to the measurement date of the collective OPEB liability	27,844	26,855	-	-
Total	$ 69,788	$ 65,200	$ 19,949	$ 14,622

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date, are recognized as a reduction of the net OPEB liability in the following fiscal year. 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 ending June 30:	Amortization
2020	$ 5,156
2021	5,156
2022	5,157
2023	8,664
2024	(2,029)
Thereafter	(109)

Actuarial assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Healthcare cost trend rates:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025

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

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016 actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members without Medicare Part A	Premiums for Members without Medicare Part A
Self-Funded Medicare Supplement Plans	$736	$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is $422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members without Medicare Part A
Self-Funded Medicare Supplement Plans	$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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

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

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

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

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

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

The following health care cost assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 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.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

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

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

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 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
Proportionate share of the net OPEB liability – 2019	854,221	878,480	906,381
Proportionate share of the net OPEB liability – 2018	837,092	860,775	889,300

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, 2018, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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 (for both 2019 and 2018), 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 or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Proportionate share of the net OPEB liability – 2019	982,942	878,480	789,174
Proportionate share of the net OPEB liability – 2018	967,782	860,775	769,442

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

NOTE I – RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

The University is subject to risks of loss to property ($10,000 deductible) and from liability from accidents or acts of nature ($1,000 deductible). Such risks are managed through a policy with Hanover Insurance Company. Worker's compensation insurance is provided by Pinnacol Assurance ($500 deductible).

NOTE J – SCHOLARSHIP ALLOWANCE

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

	Tuition and Fees	Sales and Services of Auxiliary Enterprises	Total
2019			
Gross revenue	$ 36,689,199	$ 12,136,621	$ 48,825,820
Scholarship allowances:			
Federal	(2,474,018)	(46,932)	(2,520,950)
State	(1,131,711)	(21,468)	(1,153,179)
Private	(734,561)	(13,935)	(748,496)
Institutional	(6,986,401)	(132,532)	(7,118,933)
Total Scholarship Allowances	(11,326,691)	(214,867)	(11,541,558)
Net Revenue	$ 25,362,508	$ 11,921,754	$ 37,284,262

	Tuition and Fees	Sales and Services of Auxiliary Enterprises	Total
2018			
Gross revenue	$ 34,378,925	$ 11,310,583	$ 45,689,508
Scholarship allowances:			
Federal	(2,516,244)	(45,801)	(2,562,045)
State	(1,078,364)	(19,629)	(1,097,993)
Private	(565,235)	(10,289)	(575,524)
Institutional	(6,448,246)	(117,373)	(6,565,619)
Total Scholarship Allowances	(10,608,089)	(193,092)	(10,801,181)
Net Revenue	$ 23,770,836	$ 11,117,491	$ 34,888,327

NOTE K - WESTERN COLORADO UNIVERSITY FOUNDATION

Foundation Investments

The Foundation's short-term investments are stated at fair value. At June 30, the Foundation had investments with a cost of $17,887,723 (2019) and $17,318,346 (2018) and a fair value of $21,394,396 (2019) and $19,512,039 (2018).

Investment returns are as follows for the years ended June 30:

	2019	2018
Interest and dividend income	$ 503,699	$ 421,308
Net realized gains	23,448	376,900
Net unrealized gains	1,312,981	465,330
Investment expenses	(79,580)	(68,327)
Net investment earnings	$ 1,760,548	$ 1,195,211

Investment earnings are reported as follows in the Statements of Activities for the years ended June 30:

	2019	2018
Without donor restrictions	$ 165,363	$ 99,258
With donor restrictions	1,595,185	1,095,953
Net investment earnings	$ 1,760,548	$ 1,195,211

Fair value measurements for the Foundation's assets reported at fair value on a recurring basis as of June 30, 2019 were determined based on:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-Term Investments				
Cash & Cash Equivalents	$ 353,313	$ 353,313	$ -	$ -
Fixed Income	4,637,189	4,637,189	-	-
Equities	16,069,574	16,069,574	-	-
Other	334,320	333,218	-	1,102
Total Long-Term Investments	$ 21,394,396	$ 21,393,294	$ -	$ 1,102

Fair value measurements for the Foundation's assets reported at fair value on a recurring basis as of June 30, 2018 were determined based on:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-Term Investments				
Cash & Cash Equivalents	$ 1,835,570	$ 1,835,570	$ -	$ -
Fixed Income	3,832,642	3,832,642	-	-
Equities	13,468,842	13,468,842	-	-
Other	374,985	340,746	-	34,239
Total Long-Term Investments	$ 19,512,039	$ 19,477,800	$ -	$ 34,239

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets, which are comprised of private debt funds, for the years ended June 30:

	2019	2018
Beginning balance	$ 34,239	$ 47,634
Sales proceeds	(34,239)	(14,553)
Change in market value	1,102	1,158
Ending balance	$ 1,102	$ 34,239

Foundation Endowment

The Foundation's endowment consists of approximately 170 individual funds established by donors to provide annual funding for a variety of purposes. At June 30, 2019 and 2018 the Foundation's endowment is made up of projects with donor restrictions.

The Board of Directors of the Foundation (the Foundation Board) has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of the initial and subsequent gifts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable gift instrument at the time the accumulations is added. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a decision to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the Foundation and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Foundation

(7) The investment policies of the Foundation

According to the spending policy, the Foundation is not obliged to allocate for spending a stated percentage of its endowment assets in any given year. However, in order to achieve both reasonable stability in budgeting and a reasonable balance between near-term and distant programmatic priorities, the Foundation Board has adopted the following spending policy:

The allocation for spending in any given fiscal year shall equal:

- 70% of the inflation rate (three year trailing average), plus,
- 30% of the endowment's investment returns (three year trailing average).

This rate shall be applied to the market value of the endowed account (three year trailing average) not including gifts made in the current fiscal year (to allow these gifts to accrue earnings). The corridor (or parameters) of the distribution from year to year will be between 3.5% and 6.5%, with the caveat that the Foundation Board's distribution committee may, with all available information, have the discretion to adjust slightly the distribution rate for a given year depending on short/long term needs of the University and the anticipated near-term trends in anticipated inflation and investment returns, consistent with the Foundation's Investment/Distribution Goal Statement. The only exception to this policy shall be for endowment distributions tied directly to a faculty member's salary, such as an endowed chair. In this case, every effort will be made to hold these distributions at 5%. The spending allocation rate was 3.25% and 3.50% for the years ended June 30, 2019 and 2018 for endowed funds supporting scholarships and programs and 5% for endowed funds associated with salaries as mentioned above.

The total endowment spending allocation distributed for the years ended June 30, 2019 and 2018 was $538,012 and $518,324.

Endowment net asset composition as of June 30, 2019 is as follows:

	Endowment Net Assets – with donor restrictions
Endowment Net Assets - Beginning	$ 17,477,389
Contributions	437,944
Investment Income, net of fees	1,207,737
Net Asset Reclassification	(138,984)
Net Assets Released from Restrictions:	
Amounts Appropriated for Expenditure	(538,012)
Endowment Net Assets - Ending	**$ 18,446,074**

Endowment net asset composition as of June 30, 2018 is as follows:

	Endowment Net Assets – with donor restrictions
Endowment Net Assets - Beginning	$ 15,418,623
Contributions	1,868,431
Investment Income, net of fees	668,527
Net Asset Reclassification	40,132
Net Assets Released from Restrictions:	
Amounts Appropriated for Expenditure	(518,324)
Endowment Net Assets - Ending	**$ 17,477,389**

Due to past stock market fluctuations and continued funding to the University, the fair value of assets associated with individual donor-restricted endowment funds have fallen below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The continued appropriations for certain programs that were deemed prudent by the Foundation Board and in accordance with UPMIFA, caused deficiencies of $2,053,522 and $2,969,397 as of June 30, 2019 and 2018.

Promises to Give

Unconditional promises to give at June 30 consisted of the following:

	2019	2018
Restricted for the University Center Project	$ 39,000	$ 45,000
Restricted for scholarships or other purposes	153,950	243,714
Less: allowance for uncollectible contributions receivable	(3,859)	(5,774)
Gross unconditional promises to give	189,091	282,940
Less: unamortized discount	(9,913)	(17,875)
Net unconditional promises to give	**$ 179,178**	**$ 265,065**
Receivable in less than one year	$ 72,950	$ 141,940
Receivable in one to five years	74,610	73,008
Receivable after five years	31,618	50,117
Total	**$ 179,178**	**$ 265,065**

NOTE L – RELATED PARTY LEASE AGREEMENTS

The State, acting by and through the Trustees, entered into a ground lease on April 1, 2006 with the Foundation. The lease term was through April 1, 2056 and provided for one dollar ($1.00) annual rent to be paid by the Foundation. The Foundation agreed to use the land for the purpose of construction and operating an academic building for the University's business related academic programs. Construction of the building was completed in August 2007 and was financed by approximately six million dollars of donations from outside sources. On June 30, 2019, the ground lease was terminated with the Foundation transfer of assets to the University in which this academic building was transferred from the Foundation to the University.

The University leases certain building space owned by the Foundation in the University Center, the Borick Business Building, and the Aspinall-Wilson Center. The Foundation charges the University a de minimus amount for this use. Effective June 30, 2019, the leases for the University Center and Borick Business Building were terminated with the transfer of those assets from the Foundation to the University.

NOTE M – LEGISLATIVE APPROPRIATION

Appropriated Funds

The Colorado Legislature establishes spending authority for the University in its annual Long Appropriations Bill. Appropriated funds include an amount from the State's General Fund, as well as certain cash funds. Cash funds include tuition, certain fees, and certain other revenue sources. For the years ended June 30, funds newly appropriated to the University for the College Opportunity Fund (COF) and Fee for Service were $14,043,348 (2019) and $11,821,897 (2018). Actual appropriated revenue earned and expended for COF and Fee for Service in those years matches the University's appropriation

The University also receives appropriations for capital construction and controlled maintenance. In the years ended June 30, the University was newly appropriated $4,816,894 (2019) and $1,000,000 (2018) in capital appropriations and certificates of participation funding. Additionally, for the fiscal years ended June 30, the University carried over $90,365 (2019) and $1,243,514 (2018) in capital appropriations from prior fiscal years. Actual appropriated capital revenue earned totaled $1,502,697 (2019) and $2,153,149 (2018). Actual appropriated expenditures and transfers totaled $1,502,697 (2019) and $2,153,149 (2018).

The Long Appropriations Bill also includes an appropriation related to undergraduate tuition. In fiscal year 2019, the University had $18,859,870 in appropriations related to undergraduate tuition. The University recognized $18,812,371 in appropriated revenue and $17,709,077 in appropriated expenses. In fiscal year 2018, the University had $18,643,748 in appropriations related to undergraduate tuition. The University recognized $18,619,071 in appropriated revenue and $18,468,528 in appropriated expenses.

Non-Appropriated Funds

All other revenues and expenditures reported by the University represent non-appropriated funds and are excluded from the Long Appropriations Bill. Non-appropriated funds include certain grants and contracts, gifts, graduate programs, indirect cost recoveries, certain auxiliary revenues and other revenue sources.

REQUIRED SUPPLEMENTARY INFORMATION

WESTERN STATE COLORADO UNIVERSITY

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the Years Ended June 30, *

	2019	2018	2017	2016	2015
University's proportion of the net pension liability	0.1917%	0.1951%	0.1860%	0.1950%	0.2016%
University's proportionate share of the net pension liability	$ 21,811,916	$ 39,047,629	$ 34,158,370	$ 20,538,558	$ 18,959,603
University's covered payroll	$ 6,139,091	$ 6,037,120	$ 5,573,306	$ 5,692,536	$ 5,625,076
University's proportionate share of the net pension liability as a percentage of its covered payroll	355.30%	646.79%	612.89%	360.80%	337.06%
Plan fiduciary net position as a percentage of the total pension liability	55.11%	43.20%	42.60%	56.10%	56.84%

* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2018, 2017, 2016, 2015 and 2014 (the Plan's measurement period) occurring within the University's fiscal years ended June 30, 2019, 2018, 2017, 2016 and 2015 in accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

WESTERN STATE COLORADO UNIVERSITY

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF UNIVERSITY CONTRIBUTIONS TO PERA DEFINED BENEFIT PENSION PLAN

For the Years Ended June 30,

	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,133,491	$ 1,082,140	$ 1,030,617	$ 947,246	$ 901,931
Contributions in relation to the contractually required contribution	$ (1,133,491)	$ (1,082,140)	$ (1,030,617)	$ (947,246)	$ (901,931)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 6,262,882	$ 5,978,573	$ 5,835,267	$ 5,657,695	$ 5,589,953
Contributions as a percentage of covered payroll	18.10%	18.10%	17.66%	16.74%	16.13%

Changes in benefit terms and actuarial assumptions – Net Pension Liability

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follows:

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2017 measurement period are as follows:

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

Changes in assumptions or other inputs effective for the December 31, 2016 measurement period are as follows:

- The investment return assumption was lowered from 7.5% 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 expenses, to 4.85% per year, net of investment expenses.
- 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, RP2014 Healthy 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%.

There were no changes in terms or assumptions for the December 31, 2015 measurement period for the pension plan compared to the prior year.

WESTERN STATE COLORADO UNIVERSITY

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFIT LIABILITY

For the Years Ended June 30, *

	2019	2018
University's proportion of the net other post-employment benefit liability	0.0646%	0.0662%
University's proportionate share of the net other post-employment benefit liability	$ 878,480	$ 860,775
University's covered payroll	$ 5,460,327	$ 5,374,897
University's proportionate share of the net other post-employment benefit liability as a percentage of its covered payroll	16.09%	16.01%
Plan fiduciary net position as a percentage of the total other post-employment benefit liability	17.03%	17.53%

* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2018 and 2017 (the Plan's measurement period) occurring within the University's fiscal years ended June 30, 2019 and 2018 in accordance with Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*.

WESTERN STATE COLORADO UNIVERSITY

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF UNIVERSITY CONTRIBUTIONS TO PERA DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

For the Years Ended June 30,

	2019	2018
Contractually required contribution	$ 56,664	$ 54,104
Contributions in relation to the contractually required contribution	$ (56,664)	$ (54,104)
Contribution deficiency (excess)	$ -	$ -
University's covered payroll	$ 5,555,341	$ 5,304,305
Contributions as a percentage of covered payroll	1.02%	1.02%

Changes in benefit terms and actuarial assumptions – Net OPEB Liability

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follows:

- The Healthcare cost trend rate for Medicare Part A premiums increased from 3.00% to 3.25%.
- Benefit payments and contributions were assumed to be made at the middle of the year instead of the end of the month.

There were no changes in terms or assumptions for the December 31, 2017 measurement period for the pension plan compared to the prior year.

SUPPLEMENTAL INFORMATION

STATE OF COLORADO
WESTERN STATE COLORADO UNIVERSITY
SCHEDULES OF REVENUE AND EXPENSES
FOR ENTERPRISE REVENUE BONDS
For the Years Ended June 30, 2019 and 2018

	2019	2018
REVENUE		
University Service Fees	**$ 3,823,312**	$ 3,439,557
Extended Studies & Graduate Programs Tuition and Fees	**7,551,002**	6,457,238
10% of Education and General Fund Tuition	**2,215,338**	2,161,263
Federal Interest Subsidy	**1,159,233**	1,153,972
Bookstore Sales	**793,317**	778,511
Rental Income	**5,708,032**	5,412,890
Food Service Income	**3,462,849**	3,247,019
Sales/Service Auxiliaries	**1,278,230**	1,248,365
Interest Income	**237,718**	154,804
Total Revenues	**26,229,031**	24,053,619
EXPENSES		
Employee Compensation	**4,278,913**	4,189,540
Costs of Goods Sold	**552,458**	568,661
Utilities	**663,711**	554,318
Rental	**14,866**	9,549
Contract Food	**2,026,214**	1,962,380
Travel	**265,065**	218,199
Supplies	**657,194**	357,922
Purchased Services	**3,341,859**	2,654,500
Financial Aid	**855,486**	679,935
Administrative Cost Allowance	**2,518,646**	2,314,902
Furniture & Equipment	**29,419**	202,765
Other Operating Expenses	**111,025**	116,257
Total Expenses	**15,314,856**	13,828,928
Net Operating Revenue	**10,914,175**	10,224,691
TRANSFERS		
Mandatory Transfers	**125,007**	125,007
Non-mandatory Transfers	**(154,663)**	(1,672,907)
Total Transfers	**(29,656)**	(1,547,900)
Net Revenue	**$ 10,884,519**	$ 8,676,791
DEBT SERVICE CHARGE		
Net Operating Revenue	**10,914,175**	10,224,691
Bond Principal and Interest	**(6,643,232)**	(6,185,741)
Excess of Net Operating Revenue Over Debt Service	**4,270,943**	4,038,950
Debt Service Coverage Ratio	**1.64**	1.65

DALBY, WENDLAND & CO., P.C.
CPAs and Business Advisors

Grand Junction
464 Main Street • P.O. Box 430 • Grand Junction, CO 81502
Phone: (970) 243-1921 • Fax: (970) 243-9214

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

Members of the Legislative Audit Committee:
Denver, Colorado

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 of Western State Colorado University (the University), an institution of higher education of the State of Colorado, as of and for the years ended June 30, 2019 and 2018, 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 4, 2019. Our report includes a reference to other auditors who audited the financial statements of the Western Colorado University Foundation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the discretely presented component unit, Western Colorado University Foundation, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

Dalby Wendland & Co. P.C.

DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado

November 4, 2019

DALBY, WENDLAND & CO., P.C.
CPAs and Business Advisors

Grand Junction
464 Main Street • P.O. Box 430 • Grand Junction, CO 81502
Phone: (970) 243-1921 • Fax: (970) 243-9214

LEGISLATIVE AUDIT COMMITTEE COMMUNICATIONS

Members of the Legislative Audit Committee:
Denver, Colorado

We have audited the financial statements of the business-type activities of Western State Colorado University (the University) an institution of higher education of the State of Colorado, for the year ended June 30, 2019, and have issued our report thereon dated November 4, 2019. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the Western Colorado University Foundation (the Foundation), a discretely presented component unit of the University, and the Foundation's financial statements were not audited in accordance with *Government Auditing Standards*. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 3, 2019. 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 A to the financial statements. As described in Note E to the financial statements, the University adopted new accounting policies related to adopting Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, in 2019. 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 financial statements were:

- Management's estimate of the net pension liability is based on the estimate of the University's proportionate share of the net pension liability as of December 31, 2018 and 2017 of the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association (PERA), as described in Note G to the University's financial statements. The University's proportion of the SDTF's net pension liability was based on the University's contributions to the SDTF for the calendar year 2018 and 2017 relative to the total contributions made to the SDTF by participating employers for the calendar year 2018 and 2017.

- Management’s estimate of the net other post-employment benefits (OPEB) liability is based on the estimate of the University’s proportionate share of the OPEB liability as of December 31, 2018 and 2017 of the Health Care Trust Fund (HCTF) as described in Note H to the University’s financial statements. The University’s proportion of the HCTF’s net OPEB liability was based on the University’s contributions to the HCTF for the calendar year 2018 and 2017 relative to the total contributions made to the HCTF by participating employers for the calendar year 2018 and 2017.

- 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.

- Management’s estimate of depreciation expense is based on their evaluation of the useful lives of property and equipment. We evaluated the key factors and assumptions used to determine the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no 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. There were no such misstatements identified during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s 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 4, 2019.

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 auditor’s 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 of the Health Care Trust Fund – a cost-sharing multiple-employer defined benefit OPEB plan administered by the Colorado Public Employees' Retirement Association (PERA), the schedule of University contributions to the Health Care Trust Fund, the schedule of the University's proportionate share of the net pension liability of the State Division Trust Fund – a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association and the schedule of University contributions to the State Division Trust Fund, 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 the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedules of revenue and expenses for enterprise revenue bonds, which accompany the financial statements but are not RSI. 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 Legislative Audit Committee, Office of the State Auditor of the State of Colorado, and Board of Trustees and management of Western State Colorado 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.

Sincerely,

Dalby Wendland & Co. P.C.

DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado

November 4, 2019

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION

Introduction

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

The financial and compliance examination of the various state-funded student assistance programs at the University for the year ended June 30, 2019, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Department on Higher Education (CDHE). The State-Funded Student Assistance Programs policies are approved by the Colorado Commission on Higher Education (CCHE).

State-Funded Student Assistance Programs

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

The State-funded student assistance awards made by the University totaled approximately $1,460,000 for the fiscal year ended 2019.

The Director of Financial Aid is responsible for 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, Western State Colorado University obtained authorizations to award Colorado student financial aid funds of approximately $1,125,000 under the Colorado Need Based Grant Program, $49,000 under the Colorado Merit Aid program, and $281,000 under the Colorado Work Study Program.

DALBY, WENDLAND & CO., P.C.
CPAs and Business Advisors

Grand Junction
464 Main Street • P.O. Box 430 • Grand Junction, CO 81502
Phone: (970) 243-1921 • Fax: (970) 243-9214

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

Members of the Legislative Audit Committee:

Report on the Statement
We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State–Funded Student Financial Assistance Programs (the Statement) for Western State Colorado University (the University), an institution of higher education of the State of Colorado, for the year ended June 30, 2019, and the notes related to the Statement. The Statement is the responsibility of the University's management. Our responsibility is to express an opinion on this Statement based on our audit.

Management's Responsibility for the Statement
Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial format as set forth in the *2018-19 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* 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 Note A to the Statement. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance programs of the University for the year ended June 30, 2019, in accordance with the format as set forth in the *2018-19 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education (DHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University described in Note A to the Statement.

Basis of Accounting
We draw attention to Note A to the Statement, which describes the basis of accounting. As described in Note A to the Statement, the Statement prepared by the University was prepared in accordance with the *2018-2019 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education, 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.

Report on Other Legal and Regulatory Requirements
In accordance with *Government Auditing Standards*, we have issued our report dated November 4, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Restriction on Use
This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the University's Board of Trustees, and management of the University, the Colorado Department of 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, upon release by the Legislative Audit Committee this report is a public document.

Dalby Wendland & Co. P.C.

DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado

November 4, 2019

WESTERN STATE COLORADO UNIVERSITY

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS

Year ended June 30, 2019

	TOTAL STATE-FUNDED STUDENT ASSISTANCE	COLORADO NEED-BASED GRANT	COLORADO GRADUATE GRANT	COLORADO WORK-STUDY PROGRAM	COLORADO MERIT AID
APPROPRIATIONS:					
ORIGINAL	$ 1,460,052	$ 1,124,547	$ 4,913	$ 281,161	$ 49,431
SUPPLEMENTAL	-	-	-	-	-
TRANSFERS	-	-	-	-	-
RETURNED TO CCHE	-	-	-	-	-
TOTAL	1,460,052	1,124,547	4,913	281,161	49,431
EXPENDITURES	(1,460,052)	(1,124,547)	(4,913)	(281,161)	(49,431)
REVERSIONS TO STATE GENERAL FUND	$ -	$ -	$ -	$ -	$ -

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
Western State Colorado University (the University) is governed by the University's Board of Trustees.

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 *2018-2019 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado Funded Student Aid* 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 the 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, 2019. 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.

Basis of Accounting
The University's accounting system is structured and administered in accordance with the accounting principles promulgated by the National Association of College and University Business Officers in its revised publication *Financial Accounting and Reporting Manual*.

All student aid is expensed on a cash basis except for the Colorado Work Study (CWS) Program. The CWS is on the accrual basis in that the expense is recognized when students earn their wages from employment positions funded by CWS.

DALBY, WENDLAND & CO., P.C.
CPAs and Business Advisors

Grand Junction
464 Main Street • P.O. Box 430 • Grand Junction, CO 81502
Phone: (970) 243-1921 • Fax: (970) 243-9214

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*

Members of the Legislative Audit Committee:
Denver, Colorado

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 Western State Colorado University (the University), an institution of higher education of the State of Colorado, as of and for the year ended June 30, 2019, and the related notes to the Statement, and have issued our report thereon dated November 4, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado

November 4, 2019