WESTERN STATE COLORADO UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT

Fiscal years ended June 30, 2014 and 2013

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2014 MEMBERS

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WESTERN STATE COLORADO UNIVERSITY

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WESTERN STATE COLORADO UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY

Fiscal years ended June 30, 2014 and 2013

Authority, Purpose and Scope

The audit of Western State Colorado University was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all State agencies. The 2014 audit was conducted under contract with Dalby, Wendland & Co., P.C. The audit was made in accordance with audit 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. Audit work was performed during June through October 2014.

The purposes and scope of the audit were to:

- Perform a financial and compliance audit of Western State Colorado University for the year ended June 30, 2014 and to express an opinion on the financial statements. This included a review of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

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

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

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

Audit Results and Summary of Major Audit Findings

Dalby, Wendland & Co., P.C. expressed an unmodified opinion on the financial statements for the year ended June 30, 2014 and 2013.

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 College remained a Normal School until 1923 when it was renamed Western State College. Western State College officially became Western State Colorado University on August 1, 2012. The University is an undergraduate university of liberal arts and sciences. Section 23-56-101, C.R.S. provides that the University be a general baccalaureate institution with moderately selective admission standards. Western State Colorado University shall offer undergraduate liberal arts and sciences, teacher preparation, and business degree programs and a limited number of graduate programs. Western State Colorado 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. As a result of the dissolution of the State Colleges in Colorado, the University has a separate Board of Trustees comprised of 9 members appointed by the Governor, with consent of the Senate, for 4 year terms, one faculty member elected by the faculty and one student member elected by the student body.

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

	2012	2013	2014
Resident Students	1,336.3	1,335.7	1,341.3
Nonresident Students	456.8	456.1	481.7
Total Students	1,793.1	1,791.8	1,823.0
Faculty FTEs	125.7	126.5	135.3
Staff FTEs	173.1	169.5	175.0
Total Staff and Faculty FTEs	298.8	296.0	310.3

Description of Western State Colorado University Foundation

Western State 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 education 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, 2014 and 2013, 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 State 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, 2014 and 2013, 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 of material misstatement. The financial statements of the Western State College 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 audit 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, 2014 and 2013, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note A, the financial statements of the Western State Colorado 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 aggregate 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 Colorado as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedules of Revenues and Expenses for Enterprise Revenue Bonds are presented for purposes of additional analysis and are not a required part of the basic financial statements of the University.

The Schedules of Revenues and Expenses for Enterprise Revenue Bonds 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 December 4, 2014, 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 grants 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* 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

December 4, 2014

This section of Western State Colorado University's (the University) financial report presents management's discussion and analysis of the financial performance of the University during the years ended June 30, 2014 and 2013. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes. A comparative analysis is presented for the year ended June 30, 2012.

Using the Consolidated Financial Report

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". In November 1999, GASB issued Statement No. 35 "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities" which amended Statement No. 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.

The financial statements prescribed by GASB Statement No. 35 as amended by GASB Statement No. 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.

Financial Highlights

The University's financial position declined during the fiscal year ended June 30, 2014 as evidenced by a decrease in net position of $3.5 million, from $54.2 million at June 30, 2013 to $50.7 million, because the University incurred an operating loss since depreciation expense has not been funded. In fiscal year 2013, net position decreased by $4.6 million from $58.8 million at June 30, 2012.

The University's current assets of $15.5 million (2014), $25.1 million (2013) and $49.2 million (2012) were sufficient to cover current liabilities of $5.4 million (2014), $6.4 million (2013) and $8.8 million (2012). The current ratio of 2.85 (2014), 3.91 (2013) and 5.62 (2012) (current assets/current liabilities) demonstrates the liquidity of University assets and the relative availability of working capital to fund current operations.

An operating deficit of $3.9 million (2014), $4.8 million (2013) and $8.2 million (2012) resulted partly from the University's dependence on state appropriations for controlled maintenance and 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.

Statement of Net Position

The Statement of Net Position includes all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) 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, 2014, 2013 and 2012
(in thousands)

	2014	2013	2012
Assets			
Current Assets	$ 15,507	$ 25,115	$ 49,240
Noncurrent Assets	127,891	123,370	107,111
Total Assets	143,398	148,485	156,351
Total Deferred Outflows	1,067	1,169	-
Liabilities			
Current Liabilities	5,439	6,425	8,764
Noncurrent Liabilities	88,281	88,982	88,756
Total Liabilities	93,720	95,407	97,520
Net Position			
Net investment in capital assets	38,337	42,898	50,819
Restricted	4,745	4,999	4,238
Unrestricted	7,663	6,350	3,774
Total Net Position	$ 50,745	$ 54,247	$ 58,831

At June 30, the University's total assets were $143.4 million (2014), $148.5 million (2013) and $156.4 million (2012). The largest asset category, the $126.9 million (2014), $122.3 million (2013) and $105.2 million (2012) in capital assets, includes land, buildings, equipment, library holdings, and construction in process. Construction in progress decreased $29.8 million in fiscal year 2014, due to the completion of a new field house project. The capital asset amount is net of accumulated depreciation of $62.0 million (2014), $56.7 million (2013) and $51.4 million (2012). Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets.

Cash and cash equivalents (bank deposits, pooled cash with the State Treasurer, and highly liquid investments) comprised almost $13.9 million (2014), $23.5 million (2013) and $47.9 million (2012) of total assets. The decrease in cash and cash equivalents each year has resulted from expenditures for bond-related capital projects. As a result of those capital expenditures, the current ratio has decreased each fiscal year since 2012.

Deferred outflows of resources represent unamortized book losses on certain bond refinancing transactions. See Note F to the financial statements for detailed information. The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65 which define 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. See Note A to the financial statements for more detail.

Bonds payable of $88.6 million (2014), $89.4 million (2013) and $89.0 million (2012) represent 94.5% (2014), 93.7% (2013) and 91% (2012) of the University's total liabilities of $93.7 million (2014), $95.4 million (2013) and $97.5 million (2012). The University issued $58.8 million in revenue bonds in fiscal year 2010 to finance a new student apartment complex, new sports complex/field house and an energy conservation project as discussed in Note F. The current portion of the bonds payable is $900,000 (2014), $880,000 (2013) and $865,000 (2012). Net Position, which has declined each year since fiscal year 2012, consisted of $38.3 million (2014), $42.9 million (2013) and $50.8 million (2012) in net investment in capital assets. In addition, $4.7 million (2014), $5.0 million (2013) and $4.2 million (2012) is externally restricted for specific purposes, and $7.7 million (2014), $6.3 million (2013) and $3.8 million (2012) is unrestricted and available for any lawful purpose of the University. Unrestricted net assets increased during fiscal year 2014 from fiscal year 2013 by approximately $1.4 million.

Statement of Revenue, Expenses and Changes in Net Position

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

Net tuition and fee revenues for the year ending June 30, 2014 totaled $16.7 million, a $2.5 million increase from 2013 due to an approximate 14% increase in tuition rates. Net tuition and fee revenue in 2013 was $14.2 million, a $1.5 million increase from 2012. Tuition and fee revenue for fiscal 2014 increased 15% from fiscal year 2013; in addition, scholarship allowances of $7.8 million (2014) were an increase from the two previous fiscal years of $7.0 million (2013) and $4.7 million (2012). 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, as previously reported.

An operating deficit of $3.9 million in fiscal year 2014, $4.8 million in fiscal year 2013 and $8.2 million in fiscal year 2012 was offset by state, federal and private grants because the financial reporting model classifies certain grants and contracts and state appropriations as non-operating revenues. As noted the University’s net position has decreased each of the past two fiscal years primarily because the University had a significant reduction in state support.

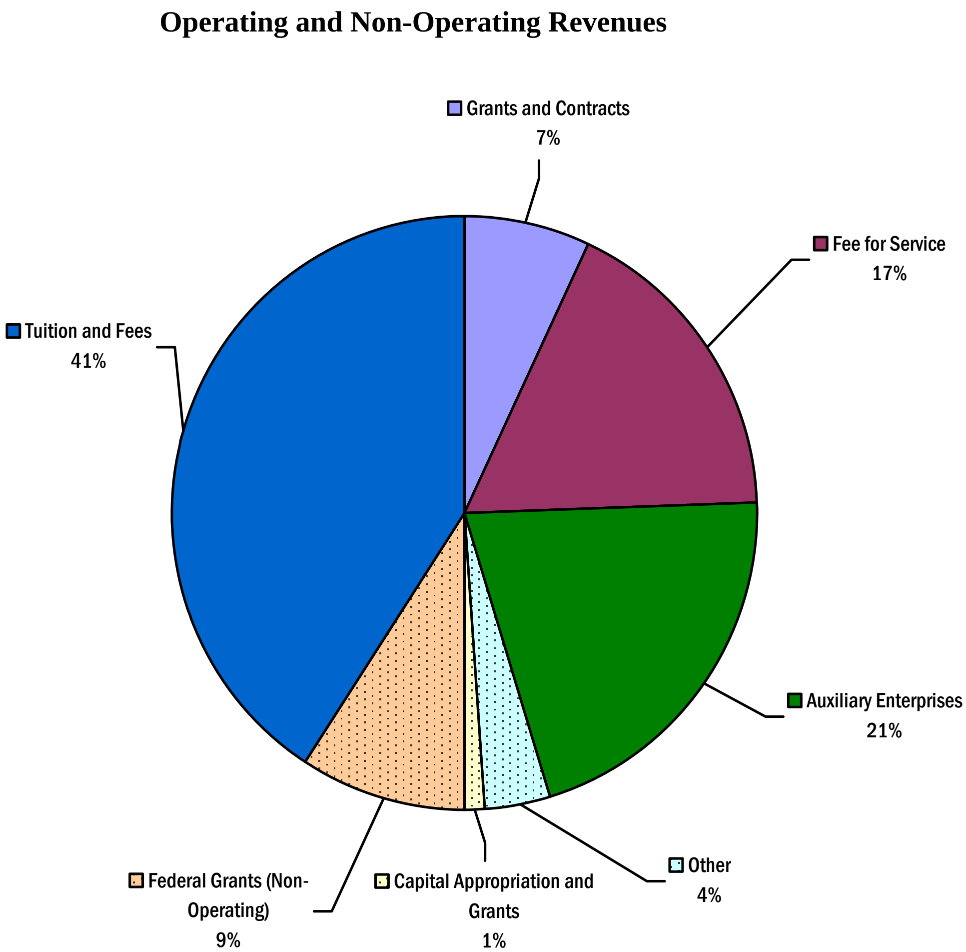
Condensed Statements of Revenue, Expenses, and Changes in Net Position
June 30, 2014, 2013 and 2012
(in thousands)

	2014	2013	2012
Operating Revenue			
Tuition and Fees, net	$ 16,717	$ 14,226	$ 12,742
Grants and Contracts	2,843	2,750	2,598
Fee for Service	7,104	6,960	7,009
Auxiliary Enterprises	8,609	7,435	6,647
Other	1,497	1,327	1,209
Total Operating Revenue	36,770	32,698	30,205
Operating Expenses			
Instruction	12,927	11,794	11,540
Academic Support	1,854	1,808	1,782
Student Services	4,250	3,729	3,895
Institutional Support	3,763	3,437	3,013
Operation and Maintenance of Plant	2,322	2,152	4,028
Auxiliary Enterprises	9,810	8,819	8,620
Depreciation	5,393	5,368	5,107
Other	322	393	465
Net Operating Loss	(3,871)	(4,802)	(8,245)

Nonoperating Revenue (Expense)			
Grants and Contracts	3,788	3,882	3,747
Interest Income	144	(448)	(89)
Other Nonoperating	(3,917)	(2,674)	(2,145)
Net Nonoperating Revenue	15	760	1,513
Gain (Loss) Before Other Revenue, Expenses, Gains, or Losses	(3,856)	(4,042)	(6,732)
State Appropriations, Capital	354	276	2,152
Increase (Decrease) in Net Position	(3,502)	(3,766)	(4,580)
Net Assets:			
Net Position - Beginning of Year	54,247	58,831	63,411
Adjustment for change in accounting principle	-	(818)	-
Net Position - End of Year	$ 50,745	$ 54,247	$ 58,831

The following is a graphic illustration of total revenue by source for the University for fiscal year 2014. Each major revenue component is displayed relative to its proportionate share of total revenues.

Revenue by Source – Fiscal Year 2014



Capital Assets
At June 30, 2014, the University had approximately $126.9 million invested in capital assets, net of accumulated depreciation of $62.0 million. Depreciation charges were $5.4 million for the year ended June 30, 2014. At June 30, 2013, the University had approximately $122.3 million invested in capital assets, net of accumulated depreciation of $56.7 million. Depreciation charges were $5.4 million for the year ended June 30, 2013. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	June 30, 2014	June 30, 2013	June 30, 2012
Land and Improvements	$ 2,599,499	$ 2,599,499	$ 2,599,499
Construction in Progress	792,525	30,577,807	28,791,365
Land Improvements, Net	346,739	376,890	407,041
Buildings and Improvements, Net	122,028,581	87,724,397	72,323,131
Furniture and Equipment, Net	713,854	591,236	555,564
Library Materials, Net	411,231	470,008	561,592
Total	$ 126,892,429	$ 122,339,837	$ 105,238,192

The following significant capital projects were in progress at June 30, 2014:

Sewer distribution system project	$ 118,805
Paul Wright Gym HVAC project	234,673
Kelley Hall office renovation	51,056
Mears complex roof project	387,991
	$ 792,525

The following significant capital projects were in progress at June 30, 2013:

Fieldhouse project	$ 30,577,807

Debt
At June 30, 2014, the University had approximately $88.6 million in debt outstanding, a decrease of $871 thousand from the prior year. The table below summarizes the amounts by type of debt.

Outstanding Debt at Year-End

	June 30, 2014	June 30, 2013	June 30, 2012
Auxiliary Revenue Bonds	$ 88,555,919	$ 89,427,072	$ 89,012,665
Total	$ 88,555,919	$ 89,427,072	$ 89,012,665

In fiscal year 2010, the University issued $58.8 million in revenue bonds to finance the construction of a new student apartment complex, new sports complex/field house and an energy conservation project.

Economic Outlook

The State of Colorado (the State) changed the process of funding higher education institutions as directed by Senate Bill 04-189. General fund monies are no longer directly appropriated to higher education governing boards. Instead, stipends for tuition assistance are provided to eligible undergraduate students through the College Opportunity Fund, and the Department of Higher Education purchases educational services in rural areas in which the cost of delivering the services is not sustained by the amount received in student tuition, through fee-for-service contracts. For fiscal year 2015, the University is projected to receive $2.8 million in funds from the College Opportunity Fund program and $7.8 million in fee-for-service contracts, an increase of $1 million from fiscal year 2014.

The University has not made any assumptions about increased enrollment for fiscal year 2015. However, total tuition rate increases of $264 or 5.0% for full time Colorado resident students and $768 or 5.0% for full time nonresident students are projected to generate an additional $1.4 million in tuition revenue beyond fiscal year 2014 levels.

To qualify for enterprise status, the University has to meet three criteria including, 1) receiving less than 10% of annual revenue from state or local grants, 2) qualifying as a government-owned business, and 3) having the authority to issue revenue bonds. Under current standards, capital appropriations are considered state grants. The University retained its enterprise status in fiscal year 2014 because its support from the State was less than 10%. State support to the University for fiscal year 2014 was 5.6%. It is anticipated that the University will retain its enterprise status in fiscal year 2015.

Economic Factors That Will Affect The Future

Effective July 1, 2014 (Fiscal Year 2015), the University is required to adopt the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions.* Statement No. 68 requires the University to record, as a liability, its “proportionate share” of the net pension liability of the Colorado Public Employees’ Retirement Association (PERA). PERA has not yet performed the calculations required to determine the net pension liability nor has it determined the University’s proportionate share of the net pension liability. Under existing accounting and actuarial standards, at December 31, 2013 PERA disclosed an unfunded actuarial accrued liability of $9,714,265,000. The net pension liability assigned to the University under the provisions of Statement No. 68 will directly offset unrestricted net position.

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

STATE OF COLORADO
WESTERN STATE COLORADO UNIVERSITY
STATEMENTS OF NET POSITION
As of June 30, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 13,937,946**	$ 23,471,810
Short-term investments	**104,120**	98,496
Student accounts receivable, net	**473,882**	339,827
Other accounts receivable, net	**536,501**	712,054
Student loans receivable, net	**92,345**	111,264
Inventories	**360,471**	365,954
Prepaid expenses	**1,220**	15,774
Total Current Assets	**15,506,485**	25,115,179
Non-current Assets		
Student loans receivable, net	**998,435**	1,030,399
Total Non-Current Assets	**998,435**	1,030,399
Non-depreciable Capital Assets		
Land	**695,416**	695,416
Land improvements	**1,904,083**	1,904,083
Construction in progress	**792,525**	30,577,807
Total Non-Depreciable Capital Assets	**3,392,024**	33,177,306
Depreciable Capital Assets, Net		
Land improvements, less accumulated depreciation of $256,286 (2014) and $226,134 (2013)	**346,739**	376,890
Buildings and improvements, less accumulated depreciation of $54,259,169 (2014) and $49,229,129 (2013)	**122,028,581**	87,724,397
Furniture and equipment, less accumulated depreciation of $2,060,729 (2014) and $1,967,709 (2013)	**713,854**	591,236
Library materials, less accumulated depreciation of $5,437,689 (2014) and $5,322,577 (2013)	**411,231**	470,008
Total Depreciable Capital Assets, Net	**123,500,405**	89,162,531
Total Non-current Assets	**127,890,864**	123,370,236
Total Assets	**143,397,349**	148,485,415
Deferred Ouflows of Resources		
Loss on Bond Refundings	**1,067,271**	1,168,916
Total Deferred Outflows of Resources	**1,067,271**	1,168,916
LIABILITIES		
Current Liabilities		
Accounts payable	**728,038**	2,036,691
Accrued liabilities	**2,695,311**	2,368,064
Unearned revenue	**549,284**	643,816
Student deposits	**501,211**	329,732
Bonds payable,current portion	**900,000**	880,000
Compensated absence liabilities, current portion	**64,890**	166,838
Total Current Liabilities	**5,438,734**	6,425,141
Non-current Liabilities		
Bonds payable	**87,655,919**	88,547,072
Compensated absence liabilities	**625,123**	435,119
Total Non-current Liabilities	**88,281,042**	88,982,191
Total Liabilities	**93,719,776**	95,407,332
NET POSITION		
Net investment in capital assets	**38,336,510**	42,897,807
Restricted for:		
Loans	**1,238,804**	1,260,880
Debt service	**3,506,800**	3,738,317
Unrestricted	**7,311,750**	6,087,442
Unrestricted designated by Board	**350,980**	262,553
Total Net Position	**$ 50,744,844**	$ 54,246,999

See accompanying notes.

WESTERN STATE COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	$ 1,375,209	$ 279,852
Investments	15,397,130	14,259,124
Contributions receivable, net of allowance of $10,749 (2014) and $9,800 (2013)	510,161	453,651
Other assets	332,095	261,336
Debt issuance costs, net	119,655	147,135
Property and equipment, net of accumulated depreciation	12,514,448	12,868,249
Total Assets	$ 30,248,698	$ 28,269,347
Liabilities		
Accounts payable	$ 16,000	$ 4,002
Accrued compensated absences	28,841	30,499
Accrued interest	71,632	77,518
Bonds payable	5,465,286	6,198,372
Total Liabilities	5,581,759	6,310,391
Net Assets		
Endowment deficit	(2,543,495)	(3,276,168)
Operating unrestricted	1,504,589	1,838,380
Net Unrestricted	(1,038,906)	(1,437,788)
Temporarily restricted	8,380,700	7,799,668
Permanently restricted	17,325,145	15,597,076
Total Net Assets	24,666,939	21,958,956
Total Liabilities and Net Assets	$ 30,248,698	$ 28,269,347

The accompanying notes are an integral part of these statements.

STATE OF COLORADO
WESTERN STATE COLORADO UNIVERSITY
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUE		
Tuition and fees, including $7,101,692 (2014) and $5,599,584 (2013) pledged for bonds	**$ 24,557,193**	$ 21,262,476
Less: scholarship allowances	**(7,839,969)**	(7,036,282)
Net Tuition and Fees	**16,717,224**	14,226,194
Federal, state, private grants and contracts, including $ 0 (2014) and $20,249 (2013) pledged for bonds	**2,842,652**	2,749,923
Fee for service	**7,103,955**	6,959,838
Sales and services of auxiliary enterprises, including $8,644,544 (2014) and $7,472,581 (2013) pledged for bonds	**8,837,481**	7,642,584
Less: scholarship allowances	**(228,871)**	(206,986)
Net Auxiliary Sales and Services	**8,608,610**	7,435,598
Other operating revenue, including $233,642 (2014) and $244,014 (2013) pledged for bonds	**1,497,193**	1,326,803
Total Operating Revenue	**36,769,634**	32,698,356
OPERATING EXPENSES		
Instruction	**12,926,786**	11,794,484
Research	**84,259**	19,416
Public service	**164,530**	152,473
Academic support	**1,853,512**	1,807,755
Student services	**4,250,342**	3,728,541
Institutional support	**3,762,551**	3,436,739
Operation and maintenance of plant	**2,321,843**	2,152,338
Scholarships and fellowships	**74,682**	220,820
Auxiliary enterprises	**9,809,766**	8,819,497
Depreciation	**5,392,681**	5,367,821
Total Operating Expenses	**40,640,952**	37,499,884
Operating Loss	**(3,871,318)**	(4,801,528)
NON-OPERATING REVENUE (EXPENSES)		
Pell grants	**2,642,840**	2,705,632
Federal interest subsidy, including $1,145,462 (2014) and $1,176,098 (2013) pledged for bonds	**1,145,462**	1,176,098
Investment and interest income(loss), including $68,973 (2014) and $71,901 (2013) pledged for bonds	**144,470**	(448,126)
Loss on disposal of assets	**(702)**	(1,022)
Interest expense on capital debt	**(3,796,334)**	(2,593,064)
Other non-operating expenses	**(120,051)**	(79,437)
Net Non-operating Revenue	**15,685**	760,081
Loss Before Other Items	**(3,855,633)**	(4,041,447)
Other Revenue, Expenses, Gains, Losses, or Transfers		
State appropriation, capital	**353,478**	275,655
Decrease in Net Position	**(3,502,155)**	(3,765,792)
Net Position - Beginning of year	**54,246,999**	58,831,060
Adjustment for change in accounting principle (see Note I)	**-**	(818,269)
Net Assets - Beginning of Year, Restated	**54,246,999**	58,012,791
Net Position - End of year	**$ 50,744,844**	$ 54,246,999

See accompanying notes.

WESTERN STATE COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2014 and 2013

	2014	2013
Changes in Unrestricted Net Assets		
Revenues, gains and other support:		
Contributions	$ 441,427	$ 222,848
In-kind land contribution	--	775,000
Investment income	1,267,549	753,595
Rental Income	14,482	14,482
	1,723,458	1,765,925
Net assets released from restrictions:		
Satisfaction of program restrictions	2,444,042	2,855,356
	4,167,500	4,621,281
Expenses:		
Programs	3,111,401	2,727,690
Management and general	333,336	290,304
Fund-raising	307,907	412,770
	3,752,644	3,430,764
Transfers	(15,975)	(17,300)
Increase in Unrestricted Net Assets	398,881	1,173,217
Changes in Temporarily Restricted Net Assets		
Revenues and gains:		
Contributions	1,697,920	862,298
Fundraising	467,412	333,119
In-kind contributions	176,891	265,266
Investment income	670,893	671,352
Royalties	80,173	69,808
	3,093,289	2,201,843
Net assets released from restrictions:		
Satisfaction of program restrictions	(2,444,042)	(2,855,356)
Transfers	(68,214)	19,896
Increase/(Decrease) in Temporarily Restricted Net Assets	581,033	(633,617)
Changes in Permanently Restricted Net Assets		
Revenues and gains:		
Contributions	1,643,880	404,274
Transfers	84,189	(2,596)
Increase in Permanently Restricted Net Assets	1,728,069	401,678
Increase in Net Assets	2,707,983	941,278
Net Assets - July 1	21,958,956	21,017,678
Net Assets - June 30	$ 24,666,939	$ 21,958,956

The accompanying notes are an integral part of these statements.

STATE OF COLORADO
WESTERN STATE COLORADO UNIVERSITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received		
Tuition and fees	**$ 16,468,968**	$ 14,314,657
Sales of services	**14,860,332**	13,525,616
Sales of product	**1,029,142**	971,815
Grants, contracts and gifts	**3,018,206**	2,504,648
Student loans collected	**184,478**	129,263
Other operating receipts	**1,479,622**	1,307,348
Cash Payments		
Payments to or for employees	**(21,919,060)**	(20,644,204)
Payments to suppliers	**(12,751,972)**	(11,203,985)
Scholarships disbursed	**(74,682)**	(220,821)
Student loans disbursed	**(95,770)**	(198,725)
Net Cash Provided by Operating Activities	**2,199,264**	485,612
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal, state, private grants & contracts	**3,788,302**	3,881,730
Other agency inflows (outflows)	**(120,051)**	(79,437)
Net Cash Provided by Noncapital Financing Activities	**3,668,251**	3,802,293
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State appropriations - capital	**353,478**	275,655
Acquisition or construction of capital assets	**(11,331,082)**	(25,206,006)
Principal paid on capital debt	**(880,000)**	(865,000)
Interest on capital debt	**(3,688,246)**	(2,484,571)
Net Cash (Used) by Capital and Related Financing Activities	**(15,545,850)**	(28,279,922)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings (interest/dividends)	**144,471**	(448,125)
Net Cash (Used) Provided by Investing Activities	**144,471**	(448,125)
Net Increase (Decrease) in Cash and Cash Equivalents	**(9,533,864)**	(24,440,142)
Cash and cash equivalents - beginning of year	**23,471,810**	47,911,952
Cash and cash equivalents - end of year	**$ 13,937,946**	$ 23,471,810

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2014	2013
Operating loss	**$ (3,871,318)**	$ (4,801,528)
Adjustments to reconcile:		
Depreciation	**5,392,681**	5,367,821
Provision for uncollectable accounts	**48,568**	63,209
Decrease (increase) in operating assets	**108,243**	(416,293)
Increase (decrease) in operating liabilities	**406,444**	381,401
Other reconciling items	**114,646**	(108,998)
Net Cash Provided by Operating Activities	**$ 2,199,264**	$ 485,612

See accompanying notes.

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. Operations are funded largely through student tuition and fees.

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

Reporting Entity
The accompanying financial statements reflect the financial activities of the University for the fiscal year ended June 30, 2014. The University is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, the University is included as part of the State of Colorado's primary government. A copy of the state Comprehensive Annual Financial Report may be obtained from the State Controller's Office, Department of Personnel and Administration, 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 State 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 State 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.

Governmental Accounting Standards Board (GASB) Statement No. 39 requires the inclusion of certain organizations as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. If a separate entity is determined (by GASB Statement No. 39 criteria) to be a component unit, its financial information should be discretely presented within the financial statements of the reporting entity.

The University implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements* during the year ended June 30, 2013.

The Foundation's financial statements have been presented on the accrual basis and pronouncements of the FASB have been applied. Net assets of the Foundation are classified as unrestricted, temporarily restricted and permanently restricted. Contributions including unconditional promises to give are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. All unconditional promises to give are due within the next year.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets 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 state treasurer and all highly liquid investments with an original maturity of three months or less.

Investments
Investments are carried at market value (GASB 31). Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable
Accounts receivable consist 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 grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories
Inventories consist primarily of bookstore inventory and consumable supplies and are stated at the lower of cost or market as determined by the first-in, first-out (FIFO) 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. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 20 to 70 years for buildings and building improvements and 3 to 10 years for equipment and library materials. 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.

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 statements purposes. The liability and expense incurred are recorded at year-end as accrued compensated absence 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 issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred inflows of Resources and Net Position, effective for Fiscal Year 2013. GASB also issued Statement No. 65, Items Previously Reported as Assets and Liabilities and the University was required to implement the standard in Fiscal Year 2014.

GASB Statement No. 63 defined the five elements that make up a statement or 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 in a future reporting period.
- Liabilities – present obligations to sacrifice resources.
- Deferred Inflows of Resources – acquisitions of net assets by the University applicable to a future reporting period.
- Net Position – residual of all other elements presented in a statement of financial position.

GASB Statement No. 65 defines which items previously reported as assets and liabilities are now required to be reported as either deferred outflows or deferred inflows of resources. Under this statement, the University is reporting $1,067,271 (2014) and $1,168,916 (2013) of unamortized accounting losses from refunding certain bonds, as described in Note E of the financial statements, as deferred outflows of resources. Under GASB Statement No. 65, the University also reported unamortized bond issue costs of $773,877 and prepaid expenses related to bond issuance of $44,392 as of June 30, 2012 as a reduction of beginning net position totaling $818,269 for Fiscal Year 2013.

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

<u>Operating Revenue</u> – 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) interest on student loans.

<u>Non-operating Revenue</u> – Non-operating revenue is that revenue that does not meet the definition of operating revenue. Non-operating revenue includes state appropriations for operations, gifts, investment income and insurance reimbursement revenue.

Scholarship Allowances
Student tuition and fee revenue, and certain other revenue from students, are reported net of scholarship allowances in the Statement of Revenue, Expenses and Changes in Net Assets. 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 non-operating 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 and fees and housing for the years ended June 30 were $8,068,840 (2014) and $7,243,268 (2013).

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 net investment in capital assets.

Restricted net position – expendable – Restricted expendable net position includes 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 educational departments and auxiliary enterprises. 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. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Certain net position is unrestricted but designated by the Board of Trustees for certain purposes.

Net assets of the Foundation are classified as unrestricted, temporarily restricted and permanently restricted. Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are due within the next year.

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

Reclassifications
Certain 2013 amounts have been reclassified to conform to the 2014 presentation.

NOTE B - CASH AND INVESTMENTS

Cash
At June 30, the University had $7,762,133 (2014) and $22,995,706 (2013) on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

At year-end, cash on hand and in banks consisted of the following:

	2014	2013
Cash on hand	$ 258,069	$ 55,769
Cash in checking accounts at bank	5,917,744	420,336
	$ 6,175,813	$ 476,105

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. The carrying amount of the University's cash on deposit was $5,917,744 (2014) and $420,336 (2013) and the bank balance was $6,048,670 (2014) and $4,327,945 (2013). Of this bank balance, $6,048,670 (2014) and $4,327,945 (2013) was covered by federal note depository insurance or by collateral held by the institution's agent in the institution's name.

Investments
Western State Colorado University deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The University reports its share of the treasurer's unrealized gains/losses based on its participation in the State Treasurer's pool. All of the treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2014. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. The unrealized gain included in "Investment Income" reflects only the change in fair value during the current fiscal year. Additional information on the treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

NOTE C - RECEIVABLES AND PAYABLES

At June 30, receivable balances were as follows:

2014	Gross Receivable	Allowance for Uncollectible Amounts	Net Receivable
Student accounts receivable	$ 710,509	$ (236,628)	$ 473,882
Other accounts receivable	$ 536,501	$ -	$ 536,501
Student loans receivable	$ 130,056	$ (37,711)	$ 92,345
Non-current student loans receivable	$ 1,404,383	$ (405,948)	$ 998,435
2013			
Student accounts receivable	$ 541,917	$ (202,090)	$ 339,827
Other accounts receivable	$ 712,054	$ -	$ 712,054
Student loans receivable	$ 152,938	$ (41,674)	$ 111,264
Non-current student loans receivable	$ 1,418,353	$ (387,954)	$ 1,030,399

At June 30, accrued liabilities balances were as follows:

	2014	2013
Accrued payroll	$ 2,055,420	$ 1,725,922
Accrued interest payable	639,891	642,142
Total Accrued liabilities	$ 2,695,311	$ 2,368,064

NOTE D - CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the years ended June 30, 2014 and 2013 respectively.

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Non-depreciable Capital Assets				
Land	$ 695,416	$ -	$ -	$ 695,416
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	30,577,807	9,548,942	(39,334,224)	792,525
Total Non-depreciable Capital Assets	$ 33,177,306	$ 9,548,942	$ (39,334,224)	$ 3,392,024
Depreciable Capital Assets				
Land Improvements	$ 603,025	$ -	$ -	$ 603,025
Buildings and improvements	136,953,526	39,334,224	-	176,287,750
Furniture and equipment	2,558,946	340,697	(125,059)	2,774,584
Library materials	5,792,584	56,336	-	5,848,920
Total Depreciable Capital Assets	145,908,081	39,731,257	(125,059)	185,514,279
Less: accumulated depreciation				
Land Improvements	(226,134)	(30,152)	-	(256,286)
Buildings and improvements	(49,229,129)	(5,030,040)	-	(54,259,169)
Furniture and equipment	(1,967,709)	(217,377)	124,356	(2,060,730)
Library materials	(5,322,577)	(115,112)	-	(5,437,689)
Total Accumulated Depreciation	(56,745,549)	(5,392,681)	124,357	(62,013,874)
Net Depreciable Capital Assets	$ 89,162,532	$ 34,338,576	$ (702)	$ 123,500,405

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Non-depreciable Capital Assets				
Land	$ 695,416	$ -	$ -	$ 695,416
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	28,791,365	22,100,345	(20,313,903)	30,577,807
Total Non-depreciable Capital Assets	$ 31,390,864	$ 22,100,345	$ (20,313,903)	$ 33,177,306
Depreciable Capital Assets				
Land Improvements	$ 603,025	$ -	$ -	$ 603,025
Buildings and improvements	116,535,460	20,422,152	(4,086)	136,953,526
Furniture and equipment	2,371,771	227,362	(40,187)	2,558,946
Library materials	5,758,053	34,531	-	5,792,584
Total Depreciable Capital Assets	125,268,309	20,684,045	(44,273)	145,908,081
Less: accumulated depreciation				
Land Improvements	(195,983)	(30,151)	-	(226,134)
Buildings and improvements	(44,212,330)	(5,019,864)	3,064	(49,229,130)
Furniture and equipment	(1,816,208)	(191,690)	40,189	(1,967,709)
Library materials	(5,196,461)	(126,116)	-	(5,322,577)
Total Accumulated Depreciation	(51,420,982)	(5,367,821)	43,254	(56,745,550
Net Depreciable Capital Assets	$ 73,847,327	$ 15,316,224	$ (1,019)	$ 89,162,531

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

	2014	2013
Land	$ 813,225	$ 813,225
Buildings and improvements	14,397,511	14,393,500
Furniture and equipment	101,484	101,484
	15,312,210	15,308,209
Less: accumulated depreciation	(2,797,772)	(2,439,960)
	$ 12,514,448	$ 12,868,249

NOTE E - DEFERRED OUTFLOWS

GASB Statement No. 65 defines which items previously reported as assets and liabilities are now required to be reported as either deferred outflows or deferred inflows of resources. Under this statement, the University is reporting $1,067,271 and (2014) and $1,168,916 (2013) of unamortized accounting losses from refunding of the 2003 bond as deferred outflows of resources.

NOTE F - LONG-TERM LIABILITIES

The University's long-term liability activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Balance Reductions	June 30, 2014	Due Within One Year
Bonds and Leases Payable:					
Bonds	$ 89,600,000	$ -	$ 880,000	$ 88,720,000	$ 900,000
Premium/Discount	(172,927)	-	8,846	(164,081)	-
Gain/(Loss) on refunding (see Note E)	(1,168,916)	-	1,168,916	-	-
Total Bonds Payable	88,258,157	-	(297,763)	88,555,919	900,000
Other Liabilities:					
Compensated Absences	601,957	231,005	(142,949)	690,013	64,890
Total Other Liabilities	601,957	231,005	(142,949)	690,013	64,890
Total Long-Term Liabilities	$ 88,860,114	$ 231,005	$ (440,712)	$ 88,650,407	$ 964,890

The University's long-term liability activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Balance Reductions	June 30, 2013	Due Within One Year
Bonds and Leases Payable:					
Bonds	$ 90,465,000	$ -	$ (865,000)	$ 89,600,000	$ 880,000
Premium/Discount	(181,774)	-	8,847	(172,927)	-
Gain/Loss on refunding	(1,270,561)	-	101,645	(1,168,916)	-
Total Bonds Payable	89,012,665	-	(754,508)	88,258,157	880,000
Other Liabilities:					
Compensated Absences	714,183	96,346	(208,572)	601,957	166,838
Total Other Liabilities	714,183	96,346	(208,572)	601,957	166,838
Total Long-Term Liabilities	$ 89,726,848	$ 96,346	$ (963,080)	$ 88,860,114	$ 1,046,838

On May 28, 2009, the University issued $19,535,000 in Revenue Bonds, Series 2009 with an interest rate of 5.00%. The 2009 bonds begin to mature on May 15, 2025 in increasing amounts through May 15, 2039. The bonds are collateralized by a pledge of certain revenues of the auxiliary facilities system. The bonds are being used to finance a portion of the new student center and to terminate the Wells Fargo Lease Purchase Agreement.

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%. The 2010A bonds begin to mature on May 15, 2018 in increasing amounts through May 15, 2026. 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 are being 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 begin to mature on May 15, 2019 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 in increasing amounts through May 15, 2019. The bonds are 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.

Additionally, the University has agreements for the rental of copiers all of which are for a period 36 or 48 months and are in effect through April 2017. Total future rental obligations total $137,462.

Capitalization of Interest

Interest costs are capitalized as part of historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. Interest earned on proceeds of the University's tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs capitalized in determining the amount to be capitalized. During the years ended June 30, 2014 and 2013, interest revenue used to offset interest costs capitalized was $35,099 and $218,137, respectively. Total interest costs incurred for the years ended June 30, 2014 and 2013 was $5,245,376 and 5,164,535, respectively. Interest capitalized for the years ended June 30, 2014 and 2013 was $1,449,042 and $2,571,471, respectively. Gross interest costs incurred less interest costs capitalized for the years ended June 30, 2014 and 2013 were $3,796,334 and $2,593,064, respectively, as reported on the Statements of Revenue, Expenses, and Changes in Net Position.

Principal and interest requirements to maturity are as follows:

Year ending June 30	2009	2010	2011	Total
2015	$ 976,750	$ 3,827,095	$ 1,215,285	$ 6,019,130
2016	976,750	3,827,095	1,220,224	6,024,069
2017	976,750	3,827,095	1,211,831	6,015,676
2018	976,750	4,197,095	1,219,816	6,393,661
2019	976,750	4,500,533	1,373,869	6,851,152
2020-2024	4,883,750	24,843,637	5,370,744	35,098,131
2025-2029	9,182,750	24,537,498	782,369	34,502,617
2030-2034	9,603,000	22,950,050	-	32,553,050
2035-2039	9,602,750	21,766,150	-	31,368,900
2040-2044	-	24,813,250	-	24,813,250
2045-2049	-	4,675,900	-	4,675,900
Total Principal and Interest	38,156,000	143,765,398	12,394,138	194,315,536
Less Interest	(18,621,000)	(84,995,398)	(1,979,138)	(105,595,536)
Total Principal	$ 19,535,000	$ 58,770,000	$ 10,415,000	$ 88,720,000

Long-term liabilities for the Foundation consist of the following as of June 30:

On August 30, 2006, the City of Gunnison issued its Revenue Bond (Western State College Foundation Project) Series 2006 to finance the construction of the Borick Business Building to be owned and operated by the Foundation and utilized by the University. The proceeds of the bond will be loaned by the city to the Foundation. The bond was issued in the aggregate principal amount of $6,000,000 at a 4.50% annual interest rate. On October 15, 2009, the University issued a Revenue Bond (Series 2009) of $19,535,000 to finance the construction of a new College Center (Note 13). The Foundation was included in the issue for a $6,000,000 bond issue (relating to its share of the project) at 6.1% annual interest rate, due July 15, 2019. On April 30, 2012, two series of bonds were issued designated as the "Gunnison County, Colorado Revenue Refunding Bond (Western State College Foundation Project) Series 2012A" in the aggregate principal amount of $6,023,043 which refunded the Series 2009 Bond (the "Series 2012A Bond") and the "Gunnison County, Colorado Revenue Refunding Bond (Western State College Foundation Project) Series 2012B" in the aggregate principal amount of $1,481,069, which refunded the Series 2006 Bond (the "Series 2012B Bond" and together with the "Series 2012A Bond", the "Series 2012 Bonds"). The initial maturity dates on the Series 2006 and Series 2009 remain the same with the "Series 2012 Bonds". Interest was reduced to 2.86% per annum on the 2012A Bond and to 1.49% per annum on the 2012B Bond.
The future maturities of the bonds are as follows:

Year ended	College Center	Total
2015	$ 244,713	$ 244,713
2016	251,761	251,761
2017	259,011	259,011
Thereafter	4,709,801	4,709,801

NOTE G - 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. The estimated cost of compensated absences for which employees are vested for the year ended June 30, 2014 is $690,013. Current expenses include $88,056 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 H - CHANGE IN ACCOUNTING ESTIMATE

During Fiscal Year 2014, the University changed its estimate of the useful lives of two buildings already placed into service. The useful lives changed from 50 years to 70 years based on recommendations from the architect who designed the buildings. The change in useful lives for these assets caused depreciation expense to decrease by roughly $454,000 per year as compared to 2013.

NOTE I - CHANGES IN ACCOUNTING PRINCIPLES

The University adopted Governmental Accounting Standards Board Statement No. 65, *Items previously Reported as Assets and Liabilities* (GASB 65). GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This standard expands on the financial reporting guidance provided in GASB 63 and concepts introduced and defined in GASB Statement 4, *Elements of Financial Statements.*

In accordance with the implementation of GASB 65 issuance costs associated with bonds have been expensed in the period incurred rather than amortized over the term of the bond. The restatement affects the Statement of Net Position as follows:

July 1, 2012 beginning balance	$ 58,831,060
2003 bond issuance costs	(818,269)
July 1, 2012 restated balance	58,012,791

NOTE J - EMPLOYEE PENSION PLANS

A. Optional Retirement Plan

On September 10, 1993, the Board of 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 Public Employees' Retirement Association (PERA) or participating in the ORP. New faculty and administrative staff members are required to enroll in the ORP unless they have one year or more service credit with PERA at the date of hire.

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 is 8 percent of covered payroll.

The University's contributions to the ORP for fiscal years ending June 30, 2014, 2013, and 2012 were $1,076,756, $1,032,946, and $1,046,730, respectively. 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 65, with early retirement permitted at 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. Public Employees Retirement Association

1. Plan Description

The rest of the University's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost-sharing multiple-employer plan administered by PERA. PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with PERA Board of Trustees. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at PO Box 5800, Denver CO 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting www.copera.org.

Non-higher education employees hired by the State after January 1, 2006 are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the State Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2010, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior twelve months. In that case, they are required to remain in the PERA plan in which they participated previously.

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined contribution plans are the same as contributions to the PERA defined benefit plan.

Defined benefit plan member (except state troopers) vest after five years of service, and are eligible for full retirement based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on the original hire date, as follows:

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

State troopers and judges comprise a small percentage of plan members but have higher contribution rates, and state troopers are eligible for retirement benefits at different ages and years of service.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated at 2.5 percent times the number of years of services times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which the contribution were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between period. For retirements after January 1, 2009, or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.

- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)
- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

Members who are disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their spouse or their eligible children under the age of 18 (23 if a full-time student) may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse, financially dependent parents, beneficiaries or the member's estate may be entitled to a survivor's benefit.

2. Funding Policy

The contribution requirements of plan members and their employers are established, and may be amended by the General Assembly. Salary subject to PERA contribution is gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

Most Employees contribute 8.0 percent (10.0 percent for state troopers) of their salary, as defined in CRS 24-51-101(42) to an individual account in the plan. Effective July 1, 2012, the temporary contribution rate increase of 2.5 percent for members in the State and Judicial Divisions to replace the 2.5 percent reduction in employer contributions effective for Fiscal Years 2010-11 and 2011-12 expired.

From July 1, 2013, to December 31, 2013, the State contributed 16.55 percent (19.25 percent for State troopers and 17.36 percent for the Judicial Branch) of the employee's salary. From January 1, 2014, through June 30, 2014, the state contributed 17.45 percent (20.15 percent for State troopers and 17.36 percent for the Judicial Branch). During all of Fiscal Year 2013-14, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2013, the division of PERA in which the State participates has a funded ratio of 57.5 percent and a 60 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0 percent.

In the 2004 and 2010 legislative sessions, the general assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent (except for the Judicial Division whose AED contribution was frozen at the 2010 level).

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries, for calendar years 2008 through 2017, to a maximum of 5 percent (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent and subsequently declines, the AED and SAED will be increased by one-half percentage point.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The University's contributions to the Defined Benefit Plan for the fiscal years ending June 30, 2014, 2013, and 2012 were $867,241, $795,002, and $602,994, respectively. These contributions were equal to the required contributions for each year.

C. Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2013, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $17,500. The reduction for the 8 percent PERA contribution reflects the expiration of the temporary contribution rate increase to 10.5 percent effective in Fiscal Years 2010-11 and 2011-12. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2013, for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2013, the plan had 17,462 participants.

D. 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, total payroll upon which the plan contributions were based was $383,402 (2014) and $254,283 (2013).

NOTE K - VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer 403(b) or 401(a) plans. The University offers each of these plans to employees.

NOTE L - POST-RETIREMENT HEALTH CARE BENEFITS

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Employees Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note H-B2. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The University contributed $53,846, $52,458, and $51,386 as required by statute for the fiscal years ended June 30, 2014, 2013 and 2012, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2013, there were 53,041 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2013, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.26 billion, a funded ratio of 18.8 percent, and a 30-year amortization period.

NOTE M - 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 N - SCHOLARSHIP ALLOWANCE

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

	Tuition and Fees	Auxiliary Revenue	Total
2014			
Gross revenue	$ 24,557,193	$ 8,837,481	$ 33,394,674
Scholarship allowances:			
Federal	(2,689,109)	(78,503)	(2,767,612)
State	(517,438)	(15,105)	(532,543)
Private	(391,998)	(11,444)	(403,442)
Institutional	(4,241,424)	(123,819)	(4,365,243)
Total Allowances	(7,839,969)	(228,871)	(8,068,840)
Net Revenue	$ 16,717,224	$ 8,608,610	$ 25,325,834
2013			
Gross revenue	$ 21,262,476	$ 7,642,584	$ 28,905,060
Scholarship allowances:			
Federal	(2,659,715)	(78,241)	(2,737,956)
State	(478,467)	(14,075)	(492,542)
Private	(450,322)	(13,247)	(463,569)
Institutional	(3,447,778)	(101,423)	(3,549,201)
Total Allowances	(7,036,282)	(206,986)	(7,243,268)
Net Revenue	$ 14,226,194	$ 7,435,598	$ 21,661,792

NOTE O - WESTERN STATE COLORADO UNIVERSITY FOUNDATION

Foundation Investments

Investments are stated at fair value from quoted market prices. At June 30, the Foundation had investments with a cost of $12,918,177 (2014) and $12,704,033 (2013) and a market value of $15,397,130 (2014) and $14,259,124 (2013).

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

	2014	2013
Interest income	$ 312,438	$ 340,233
Net realized gains	806,994	735,606
Unrealized gains	923,862	453,739
Fees	(104,852)	(104,637)
Net investment earnings	$ 1,938,442	$ 1,424,947

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

	2014	2013
Unrestricted	$ 1,267,549	$ 753,595
Temporarily restricted	670,893	671,352
Net investment earnings	$ 1,938,442	$ 1,424,947

Fair value measurements for assets reported at fair value on a recurring basis as of June 30, 2014 were determined based on:

Description	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	$ 2,550,369	$ 2,550,369	$ -	$ -
Fixed Income	615,924	529,108	-	86,816
Equities	11,105,653	11,105,653	-	-
Other	1,125,184	1,125,185	-	-
Total Long-Term Investments	**$ 15,397,130**	**$ 15,310,314**	**$ -**	**$ 86,816**

Fair value measurements for assets reported at fair value on a recurring basis as of June 30, 2013 were determined based on:

Description	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 & Money Markets	$ 3,007,619	$ 3, 007,619	$ -	$ -
Fixed Income	914,939	814,913	-	100,026
Equities	9,317,053	9,317,053	-	-
Other	1,019,513	1,019,513	-	-
Total Long-Term Investments	**$ 14,259,124**	**$ 14,159,098**	**$ -**	**$ 100,026**

The Foundation recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels for the years ended June 30, 2014 and 2013.

All long-term investments, except real estate, are reported at fair value on a recurring basis determined by reference to yield curves and quoted prices for similar assets. Real estate is determined using the market approach, based primarily on current appraised values and other information for similar property.

Foundation Endowment

The Foundation's endowment consists of approximately 170 individual funds established for providing a future income stream for scholarships for Western State Colorado University students, research, & other uses for certain Western State Colorado University departments. Its endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation, in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination 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

The Foundation has adopted investment and spending policies by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds, if possible.

The spending policy is to distribute 3.5% to 6.5% of the fair market value of the endowment accounts each year, with the caveat that the Foundation's Board shall have the discretion to adjust the distribution rate for a given year depending on short/long term needs of Western State Colorado University and the anticipated near-term trends in inflation and investment returns, consistent with the Foundation's investment policy.

Total endowment spending allocation distributed for the years ended June 30, 2014 and 20 13 was $428,185 and $392,857, respectively.

Endowment net asset composition by type of fund as of June 30, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Endowment Net Assets - Beginning	$ (3,276,168)	$ 16,545	$ 15,597,076	$ 12,337,453
Contributions	-	-	1,643,880	1,643,880
Investment Income	1,059,676	269,991	-	1,329,667
Net Asset Reclassification	62,756	(61,506)	84,189	85,439
Net Assets Released from Restrictions:				
Amounts Appropriated for Expenditure	(389,759)	(38,426)	-	(428,185)
Endowment Net Assets - Ending	**$ (2,543,495)**	**$ 186,604**	**$ 17,325,145**	**$ 14,968,254**

Endowment net asset composition by type of fund as of June 30, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Endowment Net Assets - Beginning	$ (3,418,018)	$ 5,996	$ 15,195,398	$ 11,783,376
Contributions	-	-	404,274	404,274
Investment Income	519,091	22,055	-	541,146
Net Asset Reclassification	10,691	(6,581)	(2,596)	1,514
Net Assets Released from Restrictions:				
Amounts Appropriated for Expenditure	(387,932)	(4,925)	-	(392,857)
Endowment Net Assets - Ending	**$ (3,276,168)**	**$ 16,545**	**$ 15,597,076**	**$ 12,337,453**

Due to past stock market fluctuations, the fair value of assets associated with individual donor-restricted endowment funds have fallen below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In addition, the ongoing appropriations for certain programs that were deemed prudent by the Board of Directors and in accordance with SPMIFA, have caused temporary deficiencies of $2,543,495 and $3,276,168 as of June 30, 2014 and 2013, respectively. For financial statement purposes, these deficiencies are reported as part of unrestricted net assets in accordance with generally accepted accounting principles.

Promises to Give

Unconditional promises to give at June 30, 2014 consisted of the following:

Restricted for the University Center Project	$ 236,400
Restricted for scholarships or other purposes	301,050
Less allowance for uncollectible contributions receivable	(10,749)
Gross unconditional promises to give	526,701
Less unamortized discount	(16,540)
Net unconditional promises to give	**$ 510,161**
Receivable in less than one year	$ 252,101
Receivable in one to five years	242,951
Receivables after five years	15,109
Total	**$ 510,161**

Unconditional promises to give at June 30, 2013 consisted of the following:

Restricted for the University Center Project	$ 206,600
Restricted for scholarships or other purposes	282,367
Less allowance for uncollectible contributions receivable	(9,800)
Gross unconditional promises to give	479,167
Less unamortized discount	(25,516)
Net unconditional promises to give	**$ 453,651**
Receivable in less than one year	$ 226,568
Receivable in one to five years	202,571
Receivables after five years	24,512
Total	**$ 453,651**

NOTE P - RELATED PARTY LEASE AGREEMENT

The State of Colorado, acting by and through the Trustees of the University entered into a ground lease on April 1, 2006 with the Foundation. The lease term is through April 1, 2056 and provides for one dollar ($1.00) annual rent to be paid by the Foundation. The Foundation agrees 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.

NOTE Q - 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 of Colorado'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 appropriated to the University were $10,051,222 (2014) and $9,343,778 (2013). Actual appropriated revenue earned, including capital appropriations, totaled $9,886,387 (2014) and $9,333,473 (2013). Actual appropriated expenditures and transfers totaled $9,886,387 (2014) and $9,333,473 (2013).

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, indirect cost recoveries, certain auxiliary revenues and other revenue sources.

SUPPLEMENTAL INFORMATION SECTION

STATE OF COLORADO
WESTERN STATE COLORADO UNIVERSITY
SCHEDULES OF REVENUE AND EXPENSES
FOR ENTERPRISE REVENUE BONDS
For Years Ended June 30, 2014 and 2013

	2014	2013
REVENUE		
College Service Fees	**$ 2,206,161**	$ 1,900,984
Extended Studies Tuition	**3,146,201**	2,190,811
10% of Education and General Fund Tuition	**1,749,330**	1,583,102
Federal Interest Subsidy	**1,145,462**	1,176,098
Bookstore Sales	**1,029,142**	971,815
Rental Income	**4,297,646**	3,547,133
Food Service Income	**2,543,528**	2,236,601
Sales/Service Auxiliaries	**1,008,821**	918,758
Interest Income	**68,973**	71,901
Total Revenues	**17,195,264**	14,597,203
EXPENSES		
Employee Compensation	**2,470,666**	2,172,815
Costs of Goods	**807,742**	811,285
Utilities	**504,107**	445,122
Rental	**20,509**	24,964
Contract Food	**1,715,830**	1,616,023
Travel	**149,430**	205,053
Supplies	**195,278**	191,966
Purchased Services	**1,718,729**	925,807
Financial Aid	**175,130**	154,426
Administrative Cost Allowance	**2,105,340**	2,064,060
Furniture & Equipment	**27,636**	9,816
Other Operating Expenses	**88,275**	104,311
Total Expenses	**9,978,672**	8,725,648
Net Revenues Before Transfers	**7,216,592**	5,871,555
TRANSFERS		
Mandatory Transfers	**(3,823,455)**	(2,539,968)
Non-mandatory Transfers	**(229,959)**	(91,772)
Total Transfers	**(4,053,414)**	(2,631,740)
Net Revenue	**$ 3,163,178**	$ 3,239,815
DEBT SERVICE CHARGE		
Net Operating Revenue	**$ 7,216,592**	$ 5,871,555
Bond Principal and Interest	**(6,017,135)**	(6,016,892)
Bond Principal and Interest Paid from Debt Service Reserve	**1,000,850**	2,248,792
Excess of Net Operating Revenue Over Debt Service	**$ 2,200,307**	$ 2,103,455
DEBT SERVICE COVERAGE RATIO, NET OF DEBT SERVICE RESERVE	**144%**	156%

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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 the basic financial statements of Western State Colorado University (the University); a part of the State of Colorado, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 4, 2014. The financial statements of Western State Colorado University Foundation, a discretely presented component unit of the University, as of and for the years ended June 30, 2014 and 2013 were audited by other auditors. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that reported on separately by those auditors. 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. The financial statements of the discretely presented component unit, Western State Colorado University Foundation, were not audited in accordance with the *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and preforming 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 over financial reporting.

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 of 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 instance 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dalby, Wendland & Co, P.C.

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

December 4, 2014

DALBY, WENDLAND & CO., P.C.
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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) a part of the State of Colorado for the years ended June 30, 2014 and 2013, and have issued our report thereon dated December 4, 2014. 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 April 24, 2014. 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. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> 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 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 December 4, 2014.

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 governmental unit'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

With respect to the supplementary information accompanying the financial statements, 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, 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

December 4, 2014

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