WESTERN STATE COLORADO UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT

Fiscal Years Ended June 30, 2015 and 2014

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WESTERN STATE COLORADO UNIVERSITY

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WESTERN STATE COLORADO UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY

As of and For the Year Ended June 30, 2015

Authority, Purpose and Scope

The audit of Western State Colorado University (the University) was conducted pursuant to Section 2-3-103, of the Colorado Revised Statutes (C.R.S.), which authorizes the State Auditor to conduct audits of all State agencies. The Fiscal Year 2015 audit was conducted under contract with Dalby, Wendland & Co., P.C. (DWC). The audit was performed 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 November 2015.

The purposes and scope of the audit were to:

- Express an opinion on the financial statements of the University as of and for the year ended June 30, 2015. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.

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

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

The University's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, State of Colorado, are included in Fiscal Year 2015 Statewide Single Audit Report issued under separate cover.

Audit Opinion and Reports Summary

DWC expressed an unmodified opinion on the University's financial statements as of and for the year ended June 30, 2015.

No audit adjustments were proposed or made to the financial statements of the University.

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

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

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

In addition to issuing a report on the University's compliance with internal control over financial reporting, we also performed procedures in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, over major federal programs as determined by the Office of the State Auditor. The purpose of our procedures was not to issue an opinion over the University's compliance with the federal programs tested, but rather report any noncompliance and internal control deficiencies noted during our testing to the Office of the State Auditor for inclusion in the Statewide Single Audit report. We noted no instances of noncompliance or internal control deficiencies during these procedures that were required to be reported as a finding.

Summary of Findings and Recommendations

There were no reported findings or recommendations resulting from the audit of the University for the year ended June 30, 2015.

Summary of Progress in Implementing Prior Audit Findings

The University's audit report for the year ended June 30, 2014 did not include any findings or recommendations that were required to be implemented during the year ended June 30, 2015.

Description of Western State Colorado University

Founded in 1911 as Colorado State Normal School, Western State Colorado University (the University) is Colorado's oldest college west of the Continental Divide. Originally planned as a preparatory college for teachers, the University remained a Normal School until 1923 when it was renamed Western State College. Western State College 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, of the Colorado Revised Statutes (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. C.R.S. 23-56-102 established the composition of the Board of Trustees (Trustees) of the University to serve as the University's governing board. Nine of the eleven Trustees are members outside the University who are appointed by the Governor with the consent of the Senate. The remaining two members consist of a student, elected by the student body, and a faculty member, elected by tenure and tenure track faculty. Both of these members are nonvoting members.

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

	2013	2014	2015
Resident Students	1,335.7	1,341.3	1,473.1
Nonresident Students	456.1	481.7	517.9
Total Students	1,791.8	1,823.0	1,991.0
Faculty FTEs	126.5	135.3	140.2
Staff FTEs	169.5	175.0	180.3
Total Staff and Faculty FTEs	296.0	310.3	320.5

Description of Western State Colorado University Foundation

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

FINANCIAL STATEMENTS SECTION

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

Grand Junction
464 Main Street • P.O. Box 430 • Grand Junction, CO 81502
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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, 2015 and 2014 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Western 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, 2015 and 2014, 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 audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, an institution of higher education, State of Colorado, as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes A and H to the financial statements, during the year ended June 30, 2015, the University adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 was implemented prospectively and resulted in the beginning balance of net position being restated for the year ended June 30, 2015 to reflect the implementation of GASB 68. GASB 68 was not required to be implemented as of and for the year ended June 30, 2014. Accordingly, the University's financial statements as of and for the year ended June 30, 2014 do not reflect the effects of GASB 68. Our opinion is not modified with respect to this 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 the State of Colorado as of June 30, 2015 and, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 13 be presented to supplement the basic financial statements. Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions,* requires that the Schedule of the University's Proportionate Share of the Net Pension Liability of the State Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association and the Schedule of University Contributions to the State Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association on pages 43 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedules of 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 Revenue and Expense for Enterprise Revenue Bonds for the years ended June 30, 2015 and 2014 are the responsibility of the University's management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2016, 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
January 7, 2016

This section of Western State Colorado University's (the University) financial report presents management's discussion and analysis of the University's financial position and results of operations as of and for the years ended June 30, 2015 and 2014, with comparative information presented for the year ended June 30, 2013. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes.

Understanding the Financial Statements

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

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

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

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

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

Statements of Net Position

The statements of net position present the assets, deferred outflows, liabilities, and net position of the University at a point in time (June 30, 2015 and 2014). Their purpose is to present a financial snapshot of the University. They aid readers in determining the assets available to continue the University's operations; how much the University owes to employees, vendors, etc.; and a picture of net position and the availability of assets for expenditure by the University.

As discussed in Notes A and H to the financial statements, during the year ended June 30, 2015, the University adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 establishes accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for pensions that are provided to the employees of state and local governmental employers through pension plans. GASB 68 was implemented prospectively and resulted in the beginning balance of net position being restated for the year ended June 30, 2015 to reflect the implementation of GASB 68. GASB 68 was not required to be implemented as of and for the years ended June 30, 2014 and 2013. Accordingly, the University's financial statements as of and for the years ended June 30, 2014 and 2013 do not reflect the effects of GASB 68. This should be considered when comparing the University's fiscal year ended June 30, 2015 financial statements to prior years.

Statements of Revenues, Expenses, and Changes in Net Position
The statements of revenues, expenses, and changes in net position present the total revenues and expenses of the University for operating, nonoperating, and other capital related purposes during the fiscal years ended June 30, 2015 and 2014. Their purpose is to assess the University's operating and nonoperating activities.

Statements of Cash Flows
The statements of cash flows present cash receipts and payments of the University during the fiscal years ended June 30, 2015 and 2014. Their purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.

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

Required Supplementary Information (RSI)
The RSI presents additional information that differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes the management's discussion and analysis as well as certain RSI required by GASB 68 including the:

- Schedule of the University's Proportionate Share of the Net Pension Liability of the State Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association
- Schedule of University Contributions to the State Division Trust Fund – A Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Administered by the Colorado Public Employees' Retirement Association

The financial statements of the University include all of the integral parts of the University's operations. The University applied required criteria to determine whether any organization should be included in the University's reporting entity. Management of the University has considered the criteria described in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* paragraph 47, and management of the University has determined that the Western 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.

Financial Highlights
As previously mentioned, as of and for the year ended June 30, 2015, the University implemented GASB 68. GASB 68 establishes accounting and financial reporting standards for measuring and recognizing liabilities,

deferred outflows of resources, deferred inflows of resources, and expenses for pensions that are provided to the employees of state and local governmental employers through pension plans.

The University's financial position declined during the fiscal year ended June 30, 2015 as evidenced by a decrease in net position of $19.8 million, from $50.7 million at June 30, 2014 to $31.0 million. This is primarily due to the implementation of GASB 68, which impacted beginning net position for the fiscal year 2015 with a downward adjustment of $17.7 million. Additionally, the University incurred an operating loss since depreciation expense has not been funded. In fiscal year 2014, net position decreased by $3.5 million from $54.2 million at June 30, 2013.

The University's current assets of $16.6 million (2015), $15.5 million (2014) and $25.1 million (2013) were sufficient to cover current liabilities of $6.2 million (2015), $5.4 million (2014) and $6.4 million (2013). The current ratio of 2.69 (2015), 2.85 (2014) and 3.91 (2013) (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 $2.9 million (2015), $3.9 million (2014) and $4.8 million (2013) resulted partly from the University's dependence on state appropriations for controlled maintenance and Federal Pell grants for operations. The financial reporting model classifies certain grants and contracts and state appropriations as non-operating revenues. Additionally, depreciation is an expense for which Colorado higher education has not historically been funded.

Statements of Net Position

The table below illustrates the University's summary of net position. Over time, increases or decreases in net position (the difference between assets plus deferred outflows minus liabilities and deferred inflows) are one indicator of the University's financial health when considered in conjunction with non-financial facts such as student enrollment and the condition of facilities.

Condensed Statements of Net Position
June 30, 2015, 2014 and 2013
(in thousands)

	2015	2014	2013
Assets			
Current Assets	$ 16,573	$ 15,507	$ 25,115
Noncurrent Assets	125,202	127,891	123,370
Total Assets	141,775	143,398	148,485
Total Deferred Outflows	1,841	1,067	-
Liabilities			
Current Liabilities	6,156	5,439	6,425
Noncurrent Liabilities	106,380	88,281	88,756
Total Liabilities	112,536	93,720	95,407
Total Deferred Inflows	124	-	-
Net Position			
Net investment in capital assets	36,689	38,337	50,819
Restricted	5,006	4,745	4,999
Unrestricted	(10,739)	7,663	6,350
Total Net Position	$ 30,956	$ 50,745	$ 54,247

At June 30, the University's total assets were $141.8 million (2015), $143.4 million (2014) and $148.5 million (2013). The largest asset category, the $124.4 million (2015), $126.9 million (2014) and $122.3 million (2013) in capital assets, includes land, buildings, equipment, library holdings, and construction in process. Construction in progress increased $1.8 million in fiscal year 2015, due to the renovation in progress for Quigley Hall. The capital asset amount is net of accumulated depreciation of $67.5 million (2015), $62.0 million (2014) and $56.7 million (2013). 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 $14.9 million (2015), $13.9 million (2014) and $23.5 million (2013) of total assets. The decrease in cash and cash equivalents from 2013 to 2014 resulted from expenditures for bond-related capital projects. The increase in cash and cash equivalents from 2014 to 2015 is the result of improved operating performance.

The Governmental Accounting Standards Board issued GASB Statement No. 65 which defines certain elements of the financial statements previously reported as assets or liabilities as deferred outflows or deferred inflows of resources. Assets and liabilities are resources and obligations with present service capacities and present obligations, while deferred outflows and inflows of resources are acquisitions and uses of net assets that relate to a future period. See Note A to the financial statements for more detail. Deferred outflows of resources represent unamortized book losses on certain bond refinancing transactions and certain defined benefit pension related amounts recognized in accordance with GASB 68. See Notes E and H to the financial for detailed information on the composition of the University's deferred outflows and deferred inflows.

Bonds payable of $87.7 million (2015), $88.6 million (2014) and $89.4 million (2013) represent almost 77.9% (2015), 94.5% (2014) and 93.7% (2013) of the University's total liabilities of $112.5 million (2015), $93.7 million (2014) and $95.4 million (2013). 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 $925,000 (2015), $900,000 (2014) and $880,000 (2013).

Net Position, which has declined each year since fiscal year 2013, consisted of $36.7 million (2015), $38.3 million (2014) and $42.9 million (2013) in net investment in capital assets. In addition, $5.0 million (2015), $4.7 million (2014) and $5.0 million (2013) is externally restricted for specific purposes, and $(10.7) million) (2015), $7.7 million (2014) and $6.3 million (2013) is unrestricted and available for any lawful purpose of the University. Unrestricted net position decreased during fiscal year 2015 from fiscal year 2014 by approximately $18.4 million. This is primarily due to the implementation of GASB 68, which impacted beginning net position for the fiscal year 2015 with a downward adjustment of $17.7 million. Unrestricted net position increased during fiscal year 2014 from fiscal year 2013 by approximately $1.4 million which is the result of University's change in net position for fiscal year 2014 excluding depreciation, which reduces the net investment in capital assets component of net position.

Statements of Revenue, Expenses and Changes in Net Position

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

Gross tuition and fee revenue for fiscal year 2015 increased 11.5% from fiscal year 2014; in addition, scholarship allowances of $8.6 million (2015) were an increase from the two previous fiscal years of $7.8 million (2014) and $7.0 million (2013). 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. Net tuition and fee revenues for the year ending June 30, 2015 were $18.8 million, a $2.1 million increase from 2014 due to an approximate 5% increase in tuition rates and increases in enrollment. Net tuition and fee revenue in 2014 was $16.7 million, a $2.5 million increase from 2013 due to an approximate 14% increase in tuition rates.

An operating deficit of $2.9 million in fiscal year 2015, $3.9 million in fiscal year 2014 and $4.8 million in fiscal year 2013 was partially offset by capital contributions from the State of Colorado because the financial reporting model classifies these separately from operating revenues. The University's net position has decreased each of the past two fiscal years primarily due to the implementation of GASB 68 for fiscal year 2015 and unfunded depreciation expense for fiscal years 2015 and 2014.

Condensed Statements of Revenue, Expenses, and Changes in Net Position
June 30, 2015, 2014 and 2013
(in thousands)

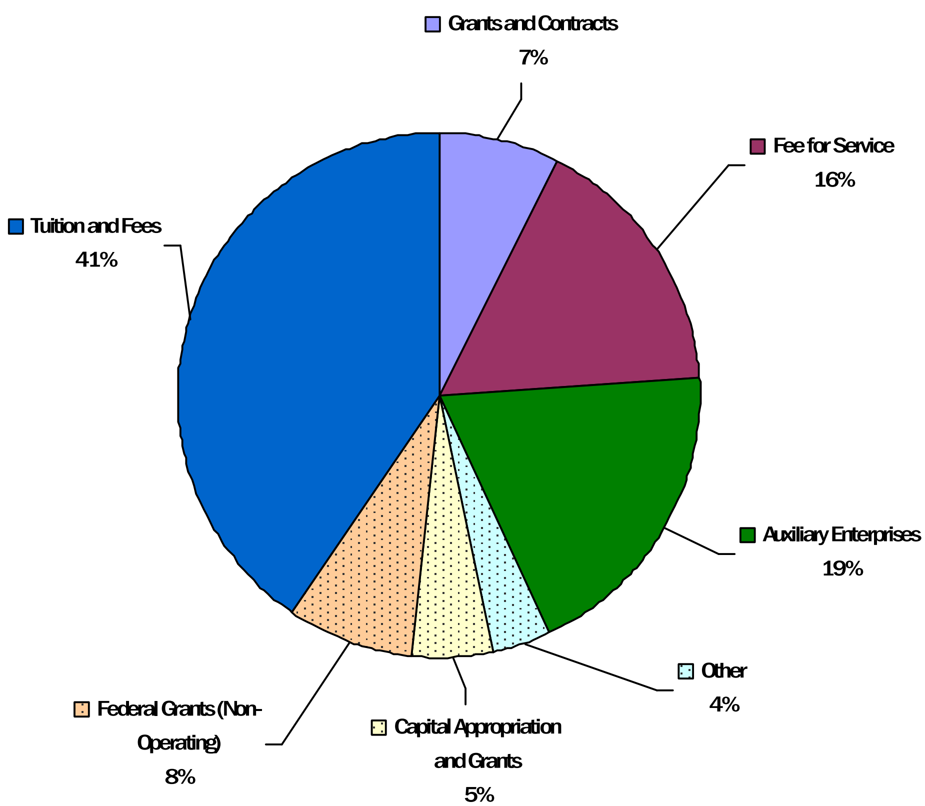
	2015	2014	2013
Operating Revenue			
Tuition and fees, net	$18,795	$16,717	$14,226
Federal, state, and private grants and contracts	3,442	2,843	2,750
Fee for service revenue	7,618	7,104	6,960
Sales and services of auxiliary enterprises, net	8,952	8,609	7,435
Other operating revenue	1,644	1,497	1,327
Total Operating Revenue	40,451	36,770	32,698
Operating Expenses			
Instruction	14,820	12,927	11,794
Academic support	2,014	1,854	1,808
Student services	4,255	4,250	3,729
Institutional support	4,149	3,763	3,437
Operation and maintenance of plant	2,332	2,322	2,152
Auxiliary enterprises	9,555	9,810	8,819
Depreciation	5,688	5,393	5,368
Other	518	322	393
Total Operating Expenses	43,331	40,641	37,500
Net Operating Loss	(2,880)	(3,871)	(4,802)
Nonoperating Revenue (Expenses)			
Federal Pell grants and interest subsidy	3,647	3,788	3,882
Investment and interest income	151	144	(448)
Interest expense on capital debt	(5,227)	(3,796)	(2,593)
Other nonoperating expenses	(107)	(121)	(81)
Net Nonoperating Revenue (Expense)	(1,536)	15	760
Loss Before Capital Contributions	(4,416)	(3,856)	(4,042)

Capital Contributions			
State Appropriations, Capital	2,295	354	276
Decrease in Net Position	(2,121)	(3,502)	(3,766)
Net Assets:			
Net Position, beginning of year	50,745	54,247	58,831
Cumulative effect of adoption of new accounting standard	(17,668)	-	(818)
Net Position, beginning of year, as restated	33,077	52,247	58,031
Net Position, end of year	$30,956	$50,745	$54,247

The following is a graphic illustration of total revenue by source for the University for fiscal year 2015. Each major revenue component is displayed relative to its proportionate share of total revenues.

Revenue by Source – Fiscal Year 2015

Operating and Non-Operating Revenues



Capital Assets

At June 30, 2015, the University had approximately $124.4 million invested in capital assets, net of accumulated depreciation of $67.5 million. Depreciation charges were $5.7 million for the year ended June 30, 2015. At June 30, 2014, the University had $126.9 million invested in capital assets, net of accumulated depreciation of $62.0 million. Depreciation charges were $5.4 million for the years ended June 30, 2014. Details of capital asset balances are shown below.

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

	June 30, 2015	June 30, 2014	June 30, 2013
Land and Improvements	$ 2,599	$ 2,599	$ 2,599
Construction in Progress	2,595	793	30,578
Land Improvements, Net	317	347	377
Buildings and Improvements, Net	117,928	122,029	87,724
Furniture and Equipment, Net	577	714	591
Library Materials, Net	338	411	470
Total	$ 124,354	$ 126,893	$ 122,339

The following significant capital projects were in progress at June 30, 2015:

Quigley Hall renovation	$1,945
Electronic Door project	99
Ute Hall Bathroom remodel	551
	$2,595

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

Sewer distribution system project	$119
Paul Wright Gym HVAC project	235
Kelley Hall office renovation	51
Mears complex roof project	388
	$793

Debt

At June 30, 2015, the University had approximately $87.7 million in debt outstanding, a decrease of $891 thousand from the debt outstanding of approximately $88.6 million as of June 30, 2014. At June 30, 2014, the University had approximately $88.6 million in debt outstanding, a decrease of $871 thousand from the debt outstanding of approximately $89.4 million as of June 30, 2013. The table below summarizes the amounts by type of debt.

Outstanding Debt at Year-End (in thousands)

	June 30, 2015	June 30, 2014	June 30, 2013
Auxiliary Revenue Bonds	$ 87,665	$ 88,556	$ 89,427
Total	$ 87,665	$ 88,556	$ 89,427

Economic Outlook

In May 2014, House Bill 14-1319 was signed into law. This Act required the Colorado Commission on Higher Education (CCHE) to develop a new funding formula to allocate state general fund dollars among public institutions of higher education. The intent of this new funding model was, in part, to determine and implement a funding mechanism that is more transparent and understandable for Colorado taxpayers, to provide predictability of funding while ensuring higher education access and affordability for Colorado residents and to support the goals of the statewide master plan.

The new allocation model distributes money based on factors of enrollment, institutional role and mission and performance outcomes. Enrollment funding is provided primarily through College Opportunity Fund (COF) stipends, and role and mission and performance funding is provided through fee-for-service contracts. For fiscal year 2016, the University is projected to receive $2.8 million in funds from the College Opportunity Fund stipend program and $8.9 million in fee-for-service contracts, an increase of $1.1 million from fiscal year 2015.

The University has not made any assumptions about increased undergraduate enrollment for fiscal year 2016. However, tuition rate increases of $305 or 5.5% for full time Colorado resident students and $864 or 5.4% for full time nonresident students are projected to generate an additional $634 thousand in undergraduate tuition revenue beyond fiscal year 2015 levels.

In November 1992, the Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to all local governments and the State of Colorado, including the University. In Fiscal Year 2005, the Colorado State Legislature determined in Section 23-5-101.7 of the Colorado Revised Statutes that an institution of higher education may be designated as an "enterprise" for the purposes of TABOR so long as the institution's governing board retains authority to issue revenue bonds on its behalf and the institution receives less than 10 percent of its total annual revenue in grants as defined by TABOR. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any provisions of TABOR. During the Fiscal Years ended June 30, 2015 and 2014, the University believes it has met all requirements of TABOR enterprise status. The amount of State grants received by the University was 8.7 percent and 5.6 percent of the total revenues during the Fiscal Years ended June 30, 2015 and 2014, respectively. It is anticipated that the University will lose its enterprise status in fiscal year 2016 due to the State funding the renovation of Quigley Hall.

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, 2015 and 2014

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 14,858,897**	$ 13,937,946
Investments	**111,608**	104,120
Student accounts receivable, net	**662,879**	473,882
Other accounts receivable, net	**409,576**	536,501
Student loans receivable, net	**119,408**	92,345
Inventories	**405,072**	360,471
Prepaid expenses	**5,953**	1,220
Total Current Assets	**16,573,393**	15,506,485
Noncurrent Assets		
Noncapital Noncurrent Assets		
Student loans receivable, net	**847,794**	998,435
Total Noncapital Noncurrent Assets	**847,794**	998,435
Non-depreciable Capital Assets		
Land	**695,416**	695,416
Land improvements	**1,904,083**	1,904,083
Construction in progress	**2,594,746**	792,525
Total Non-Depreciable Capital Assets	**5,194,245**	3,392,024
Depreciable Capital Assets, Net		
Land improvements (less accumulated depreciation of $286,437 (2015) and $256,286 (2014)	**316,588**	346,739
Buildings and improvements, less accumulated depreciation of $59,601,202 (2015) and $54,259,169 (2014)	**117,927,912**	122,028,581
Furniture and equipment, less accumulated depreciation of $2,106,585 (2015) and $2,060,729 (2014)	**577,084**	713,854
Library materials, less accumulated depreciation of $5,541,290 (2015) and $5,437,689 (2014)	**338,177**	411,231
Total Depreciable Capital Assets, Net	**119,159,761**	123,500,405
Total Non-current Assets	**125,201,800**	127,890,864
Total Assets	**141,775,193**	143,397,349
DEFERRED OUTFLOWS		
Loss on bond refundings	**965,626**	1,067,271
Contributions to cost-sharing multiple-employer defined benefit pension plan subsequent to the measurement date (See Note H)	**488,907**	-
Net difference between projected and actual earnings on cost-sharing multiple-employer defined benefit pension plan investments (See Note H)	**386,589**	**-**
Total Deferred Outflows	**1,841,122**	1,067,271

See accompanying notes.

STATE OF COLORADO
WESTERN STATE COLORADO UNIVERSITY
STATEMENTS OF NET POSITION (continued)
As of June 30, 2015 and 2014

	2015	2014
LIABILITIES		
Current Liabilities		
Accounts payable	**1,299,488**	728,038
Accrued liabilities	**2,730,332**	2,695,311
Unearned revenue	**579,146**	549,284
Student deposits	**517,169**	501,211
Bonds payable, current portion	**925,000**	900,000
Compensated absence liabilities, current portion	**104,543**	64,890
Total Current Liabilities	**6,155,678**	5,438,734
Non-current Liabilities		
Bonds payable	**86,739,767**	87,655,919
Compensated absence liabilities	**681,144**	625,123
Net pension liability (See note H)	**18,959,603**	-
Total Non-current Liabilities	**106,380,514**	88,281,042
Total Liabilities	**112,536,192**	93,719,776
DEFERRED INFLOWS		
Change in University's proportion and differences between the University's contributions and the University's proportionate share of contributions to a cost-sharing multiple-employer defined benefit pension plan (See Note H)	**122,636**	-
Difference between expected and actual experience in the measurement of the total pension liability from cost-sharing multiple-employer defined benefit pension plan (See Note H)	**1,405**	-
Total Deferred Inflows	**124,041**	-
NET POSITION		
Net investment in capital assets	**36,689,239**	38,336,510
Restricted for:		
Loans	**1,200,651**	1,238,804
Debt service	**3,805,187**	3,506,800
Unrestricted comprised of:		
General unrestricted	**7,027,736**	7,311,750
Effect of GASB 68 on unrestricted net position (See Note A)	**(18,208,148)**	-
Designated by the Board	**441,417**	350,980
Total Net Position	**$ 30,956,082**	$ 50,744,844

See accompanying notes.

WESTERN STATE COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 201,343	$ 1,375,209
Investments	15,215,858	15,397,130
Contributions receivable, net of allowance of $53,473 (2015) and $10,749 (2014)	714,091	510,161
Other assets	370,593	332,095
Debt issuance costs, net	119,701	119,655
Property and equipment, net of accumulated depreciation	12,189,486	12,514,448
Total Assets	$ 28,811,072	$ 30,248,698
Liabilities		
Accounts payable	$ 48,714	$ 16,000
Accrued compensated absences	32,748	28,841
Accrued interest	5,304	71,632
Bonds payable	5,157,000	5,465,286
Total Liabilities	5,243,766	5,581,759
Net Assets		
Endowment asset deficiencies	(3,230,934)	(2,543,495)
Operating unrestricted	1,146,302	1,504,589
Net Unrestricted	(2,084,632)	(1,038,906)
Temporarily restricted	8,100,934	8,380,700
Permanently restricted	17,551,004	17,325,145
Total Net Assets	23,567,306	24,666,939
Total Liabilities and Net Assets	$ 28,811,072	$ 30,248,698

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, 2015 and 2014

	2015	2014
Operating Revenue		
Tuition and fees, including $8,632,785 (2015) and $7,101,692 (2014) pledged for bonds	$ **27,375,775**	$ 24,557,193
Less: scholarship allowances	**(8,581,521)**	(7,839,969)
Net Tuition and Fees	**18,794,254**	16,717,224
Federal, state, and private grants and contracts	**3,442,214**	2,842,652
Fee for service revenue	**7,618,171**	7,103,955
Sales and services of auxiliary enterprises, including $8,871,047 (2015) and $8,644,544 (2014) pledged for bonds	**9,069,815**	8,837,481
Less: scholarship allowances	**(117,756)**	(228,871)
Net Sales and Services of Auxiliary Enterprises	**8,952,059**	8,608,610
Other operating revenue, including $204,489 (2015) and $233,642 (2014) pledged for bonds	**1,644,199**	1,497,193
Total Operating Revenue	**40,450,897**	36,769,634
Operating Expenses		
Instruction	**14,820,246**	12,926,786
Research	**138,066**	84,259
Public service	**148,331**	164,530
Academic support	**2,014,545**	1,853,512
Student services	**4,254,830**	4,250,342
Institutional support	**4,148,595**	3,762,551
Operation and maintenance of plant	**2,331,672**	2,321,843
Scholarships and fellowships	**232,190**	74,682
Auxiliary enterprises	**9,554,661**	9,809,766
Depreciation	**5,687,737**	5,392,681
Total Operating Expenses	**43,330,873**	40,640,952
Operating Loss	**(2,879,976)**	(3,871,318)
Nonoperating Revenue (Expenses)		
Federal Pell grants	**2,499,903**	2,642,840
Federal interest subsidy, including $1,147,319 (2015) and $1,145,462 (2014) pledged for bonds	**1,147,319**	1,145,462
Investment and interest income, including $59,914 (2015) and $68,973 (2014) pledged for bonds	**151,137**	144,470
Loss on disposal of assets	**-**	(702)
Interest expense on capital debt	**(5,227,114)**	(3,796,334)
Other nonoperating expenses	**(107,387)**	(120,051)
Net Nonoperating Revenue (Expenses)	**(1,536,142)**	15,685
Loss Before Capital Contributions	**(4,416,118)**	(3,855,633)
Capital Contributions		
State appropriation, capital	**2,294,965**	353,478
Decrease in Net Position	**(2,121,153)**	(3,502,155)
Net Position - beginning of year	**50,744,844**	54,246,999
Cumulative effect of adoption of new accounting standard	**(17,667,609)**	-
Net Position - beginning of year, as restated	**33,077,235**	54,246,999
Net Position - end of year	$ **30,956,082**	$ 50,744,844

See accompanying notes.

WESTERN STATE COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2015 and 2014

	2015	2014
Changes in Unrestricted Net Assets		
Revenues, gains and other support:		
Contributions	$ 212,441	$ 441,427
In-kind mining claim contribution	20,000	--
Investment (loss) income	(30,638)	1,267,549
Rental Income	14,482	14,482
	216,285	1,723,458
Net assets released from restrictions:		
Satisfaction of program restrictions	3,847,558	2,444,042
Change in endowment asset deficiencies	(687,439)	--
Transfers	315	(15,975)
	3,376,719	4,151,525
Expenses:		
Programs	3,659,485	3,111,401
Management and general	368,779	333,336
Fund-raising	394,181	307,907
	4,422,445	3,752,644
(Decrease)/Increase in Unrestricted Net Assets	(1,045,726)	398,881
Changes in Temporarily Restricted Net Assets		
Revenues and gains:		
Contributions	2,056,098	1,697,920
Fundraising	533,494	467,412
In-kind contributions	127,002	176,891
Investment (loss) income	(4,301)	670,893
Royalties	72,105	80,173
	2,784,398	3,093,289
Net assets released from restrictions:		
Satisfaction of program restrictions	(3,847,558)	(2,444,042)
Change in endowment asset deficiencies	687,439	--
Transfers	95,955	(68,214)
(Decrease)/Increase in Temporarily Restricted Net Assets	(279,766)	581,033
Changes in Permanently Restricted Net Assets		
Revenues and gains:		
Contributions	322,129	1,643,880
Transfers	(96,270)	84,189
Increase in Permanently Restricted Net Assets	225,859	1,728,069
(Decrease)/Increase in Net Assets	(1,099,633)	2,707,983
Net Assets - July 1	24,666,939	21,958,956
Net Assets - June 30	$ 23,567,306	$ 24,666,939

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, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Cash Received		
Tuition and fees	**$ 18,670,479**	$ 16,468,968
Sales of services	**15,588,139**	14,860,332
Sales of product	**998,049**	1,029,142
Grants, contracts and gifts	**3,569,138**	3,018,206
Student loans collected	**269,219**	184,478
Other operating receipts	**1,644,199**	1,479,622
Cash Payments		
Payments to or for employees	**(24,019,024)**	(21,919,060)
Payments to suppliers	**(13,386,179)**	(12,751,972)
Scholarships disbursed	**(232,190)**	(74,682)
Student loans disbursed	**(90,984)**	(95,770)
Net Cash Provided by Operating Activities	**3,010,846**	2,199,264
Cash Flows from Noncapital Financing Activities		
Federal, state, private grants & contracts	**3,442,214**	3,788,302
Other agency inflows (outflows)	**(75,075)**	(120,051)
Net Cash Provided by Noncapital Financing Activities	**3,367,139**	3,668,251
Cash Flows from Capital and Related Financing Activities		
State appropriations capital	**2,294,965**	353,478
Acquisition or construction of capital assets	**(1,884,006)**	(11,331,082)
Principal paid on capital debt	**(900,000)**	(880,000)
Interest on capital debt	**(5,119,129)**	(3,688,246)
Net Cash Used for Capital and Related Financing Activities	**(5,608,170)**	(15,545,850)
Cash Flows from Investing Activities		
Investment earnings	**151,136**	144,471
Net Cash Provided by Investing Activities	**151,136**	144,471
Net Increase (Decrease) in Cash and Cash Equivalents	**920,951**	(9,533,864)
Cash and Cash Equivalents - beginning of year	**13,937,946**	23,471,810
Cash and Cash Equivalents - end of year	**$ 14,858,897**	$ 13,937,946
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	**$ (2,879,976)**	$ (3,871,318)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	**5,687,737**	5,392,681
Provision for uncollectable accounts	**37,199**	48,568
Decrease (increase) in assets	**(25,027)**	108,243
Increase in liabilities	**411,667**	406,444
Other reconciling items	**(220,754)**	114,646
Net Cash Provided by Operating Activities	**$ 3,010,846**	$ 2,199,264

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 (the State). Operations are funded largely through student tuition and fees.

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

Governance

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

Reporting Entity

The accompanying financial statements reflect the financial activities of the University for the fiscal years ended June 30, 2015 and 2014. The University is an institution of higher education of the State. Thus, for financial reporting purposes, the University is included as part of the State's primary government. A copy of the State's Comprehensive Annual Financial Report may be obtained from the Colorado Office of the State Controller (OSC), Department of Personnel and Administration (DPA), Denver, Colorado.

The financial statements of the University include all of the integral parts of the University's operations. The University applied required criteria to determine whether any organization should be included in the University's reporting entity. Management has determined that the Western 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. 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.

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

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

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

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets 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 Colorado State Treasurer and all highly liquid investments with an original maturity of three months or less.

Investments
Investments are carried at fair value. Investment income consists of interest income and the net change for the year in the fair value of investments carried at fair value.

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

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

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

Capital Assets
Capital assets are stated at cost at date of acquisition or fair market value at date of donation. The University capitalizes only those assets with an initial cost or fair market value greater than or equal to $5,000. 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 statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statements of net position and as a component of compensation and benefit expense in the statements of revenue, expenses and changes in net position.

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

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

See Notes E and H for detail of the composition of the University's deferred outflows and deferred inflows.

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

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

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

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

Scholarship Allowances

Student tuition and fee revenue, and certain other revenue from students, are reported net of scholarship allowances in the statements of revenue, expenses and changes in net position. Scholarship allowances are the differences between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or 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 $8,699,277 (2015) and $8,068,840 (2014).

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 invested in capital assets.

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

Unrestricted net position – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of 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 a donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Substantially all of the Foundation's unconditional promises to give are due within the next five years.

Application of Restricted and Unrestricted Resources

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

Reconciliation to Other Reports

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

Income Taxes

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code (IRC) and a similar provision of State law. However, the University is subject to federal income tax on any unrelated business taxable income. The University did not have any significant unrelated business taxable income in fiscal year 2015 or 2014.

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.

Cumulative Effect of Adoption of New Accounting Standard

The University adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 establishes accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for pensions that are provided to the employees of state and local governmental employers through pension plans (see Note H).

Certain employees of the University are covered by the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association (PERA), as described in Note H. In accordance with GASB 68, as a result of the University having employees covered by the SDTF, beginning net position as of July 1, 2014 has been adjusted downward by $17,667,609 for the net effect of recording the University's proportionate share of the STDF's net pension liability as of December 31, 2013 (STDF's measurement date) less contributions made by the University to the SDTF subsequent to the December 31, 2013 measurement date and prior to the beginning of the University's current fiscal year (the period of January 1, 2014 through June 30, 2014). The University's proportion of the net pension liability was based on the University's contributions to the SDTF for the calendar year 2013 relative to the total contributions made to the SDTF by participating employers for the calendar year 2013.

At December 31, 2013, the University's proportion of the SDTF's net pension liability was approximately 0.2037 percent. The SDTF's net pension liability as of December 31, 2013 was $8,907,971,000. The University's share of the SDTF's net pension liability calculated by applying the aforementioned proportion to the SDTF's net pension liability is $18,142,966. Contributions made by the University to the SDTF subsequent to the December 31, 2013 measurement date and prior to the beginning of the

University's current fiscal year (the period of January 1, 2014 through June 30, 2014) were $475,357. Therefore, the cumulative effect of the adoption of GASB 68 is comprised of the following:

University's proportionate share of SDTF's December 31, 2013 net pension liability	$ 18,142,966
Less: Contributions made by the University to the SDTF for the period of January 1, 2014 through June 30, 2014 (Deferred outflow)	(475,357)
Cumulative effect of adoption of new accounting standard	17,667,609

The restatement affects the balance of beginning net position for the year ended June 30, 2015 as follows:

Net Position - July 1, 2014 beginning balance	$ 50,744,844
Cumulative effect of adoption of new accounting standard	(17,667,609)
Net Position - July 1, 2014 beginning balance, as restated	33,077,235

The financial statements as of and for the year ended June 30, 2014 have not been restated based on the fact that it is not practical for the University to determine the amounts of all deferred inflows and deferred outflows of resources related to the University's participation in the SDTF that would affect beginning net position for the year ended June 30, 2014. This should be considered when comparing the University's June 30, 2015 financial statements to the University's June 30, 2014 financial statements and the University's financial statements for all years prior to the year ended June 30, 2014.

The effect of GASB 68 on ending net position as of June 30, 2015 is shown as a component of unrestricted net position on the statement of net position and is comprised of the following defined benefit pension related balances:

	2015
Deferred Outflows	
Contributions to cost-sharing multiple-employer defined benefit pension plan subsequent to the measurement date (See Note H)	$ 488,907
Net difference between projected and actual earnings on cost-sharing multiple-employer defined benefit pension plan investments (See Note H)	386,589
Liabilities	
Net pension liability (See Note H)	(18,959,603)
Deferred Inflows	
Change in University's proportion and differences between the University's contributions and the University's proportionate share of contributions to a cost-sharing multiple-employer defined benefit pension plan (See Note H)	(122,636)
Difference between expected and actual experience in the measurement of the total pension liability from cost-sharing multiple-employer defined benefit pension plan (See Note H)	(1,405)
Effect of GASB 68 on Ending Unrestricted Net Position	$ (18,208,148)

NOTE B – CASH AND INVESTMENTS

Cash

At June 30, the University had $13,712,202 (2015) and $7,762,133 (2014) on deposit with the Colorado State Treasurer (the Treasurer). Detailed information on the State Treasurer's pooled cash and investments is available from the Treasurer’s office.

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

	2015	2014
Cash on hand	$ 578,492	$ 258,069
Cash in checking accounts at bank	568,203	5,917,744
	$ 1,146,695	$ 6,175,813

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

Investments

The University deposits cash with the Treasurer as required by Colorado Revised Statutes (CRS). The 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 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, 2015. The 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 and interest income on the statements of revenue, expenses, and changes in net position 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:

2015	Gross Receivable	Allowance for Uncollectible Amounts	Net Receivable
Student accounts receivable	$ 904,392	$ (241,513)	$ 662,879
Other accounts receivable	$ 409,576	$ -	$ 409,576
Student loans receivable	$ 177,952	$ (58,544)	$ 119,408
Noncurrent student loans receivable	$ 1,265,220	$ (417,426)	$ 847,794

2014			
Student accounts receivable	$ 710,509	$ (236,628)	$ 473,881
Other accounts receivable	$ 536,501	$ -	$ 536,501
Student loans receivable	$ 130,056	$ (37,711)	$ 92,345
Noncurrent student loans receivable	$ 1,404,383	$ (405,948)	$ 998,435

At June 30, accrued liabilities balances were as follows:

	2015	2014
Accrued payroll	$ 2,092,948	$ 2,055,419
Accrued interest payable	637,384	639,892
Total Accrued liabilities	$ 2,730,332	$ 2,695,311

NOTE D – CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the years ended June 30, 2015 and 2014, respectively.

	Balance June 30, 2014	Additions	Deletions/ Transfers	Balance June 30, 2015
Nondepreciable Capital Assets				
Land	$ 695,416	$ -	$ -	$ 695,416
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	792,525	3,043,585	(1,241,364)	2,594,746
Total Nondepreciable Capital Assets	$ 3,392,024	$ 3,043,585	$ (1,241,364)	$ 5,194,245
Depreciable Capital Assets				
Land improvements	$ 603,025	$ -	$ -	$ 603,025
Buildings and improvements	176,287,750	1,241,364	-	177,529,114
Furniture and equipment	2,774,584	75,184	(166,099)	2,683,669
Library materials	5,848,920	30,547	-	5,879,467
Total Depreciable Capital Assets	185,514,279	1,347,095	(166,099)	186,695,275

	Balance June 30, 2014	Additions	Deletions/ Transfers	Balance June 30, 2015
Less: Accumulated depreciation				
Land improvements	(256,286)	(30,151)	-	(286,437)
Buildings and improvements	(54,259,169)	(5,342,033)	-	(59,601,202)
Furniture and equipment	(2,060,730)	(211,954)	166,099	(2,106,585)
Library materials	(5,437,689)	(103,601)	-	(5,541,290)
Total Accumulated Depreciation	(62,013,874)	(5,687,739)	166,099	(67,535,514)
Net Depreciable Capital Assets	$ 123,500,405	$ (4,340,644)	$ -	$ 119,159,761

	Balance June 30, 2013	Additions	Deletions/ Transfers	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)	124,356	(62,013,874)
Net Depreciable Capital Assets	$ 89,162,532	$ 34,338,576	$ (703)	$ 123,500,405

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

	2015	2014
Land	$ 813,225	$ 813,225
Buildings and improvements	14,434,011	14,397,511
Furniture and equipment	101,484	101,484
	15,348,720	15,312,220
Less: accumulated depreciation	(3,159,234)	(2,797,772)
	$ 12,189,486	$ 12,514,448

NOTE E – DEFERRED OUTFLOWS AND DEFERRED INFLOWS

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 $965,626 (2015) and $1,067,271 (2014) of unamortized accounting losses from refunding certain bonds, as deferred outflows. The University also recorded deferred outflows of $875,496 (2015) and $0 (2014) and deferred inflows of $124,041 (2015) and $0 (2014) related to defined benefit pension plan amounts the University is required to record under GASB 68 due to coverage of certain University employees by the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association (PERA), as described in Notes A and H of the financial statements.

NOTE F – LONG-TERM LIABILITIES

The University's long-term liability activity for the year ended June 30, 2015 was as follows:

	Balance 6/30/2014	Additions	Reductions	Balance 6/30/2015	Due within One Year
Bonds and Leases Payable:					
Bonds	$ 88,720,000	$ -	900,000	$ 87,820,000	925,000
Premium/Discount	(164,081)	-	(8,848)	(155,233)	-
Total Bonds Payable	88,555,920	-	891,152	87,664,767	925,000
Other Liabilities:					
Compensated Absences	690,013	200,218	104,544	785,687	104,543
Net Pension Liability	-	18,959,603	-	18,959,603	-
Total Other Liabilities	690,013	19,159,821	104,544	19,745,290	104,543
Total Long-Term Liabilities	$ 89,245,932	$ 19,159,821	$ 995,696	$ 107,410,057	$ 1,029,543

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

	Balance 6/30/2013	Additions	Reductions	Balance 6/30/2014	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	(1,168,916)	-	(1,168,916)	-	-
Total Bonds Payable	88,258,157	-	(297,762)	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	$ (154,813)	$ 89,245,932	$ 964,890

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 were 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 were used to finance a new student apartment complex and a new sports complex/field house.

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

On December 13, 2011, the University issued $6,180,000 in Institutional Enterprise Revenue Refunding Bonds (Tax Exempt) Series 2011A with an average interest rate of 3.228%. The 2011A bonds 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 12 to 48 months and are in effect through August 2018. Total future rental obligations total $120,437.

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 the 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, 2015 and 2014, interest revenue used to offset interest costs capitalized was $0 and $35,099, respectively. Total interest costs incurred for the years ended June 30, 2015 and 2014 was $5,227,114 and $5,245,376, respectively. Interest capitalized for the years ended June 30, 2015 and 2014 was $0 and $1,449,042, respectively. Gross interest costs incurred less interest costs capitalized for the years ended June 30, 2015 and 2014 were $5,227,114 and $3,796,334, 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 Series	2010 Series	2011 Series	Total
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	976,750	4,983,270	1,071,644	7,031,664
2021-2025	5,408,750	24,866,694	5,081,469	35,356,913
2026-2030	9,602,500	24,204,321	-	33,806,821
2031-2035	9,602,250	22,737,050	-	32,339,300
2036-2040	7,682,000	22,452,050	-	30,134,050
2041-2045	-	24,343,100	-	24,343,100
Total Principal and Interest	37,179,250	139,938,303	11,178,853	188,296,406
Less Interest	(17,644,250)	(81,168,303)	(1,663,853)	(100,476,406)
Total Principal	$ 19,535,000	$ 58,770,000	$ 9,515,000	$ 87,820,000

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 Western State College. The proceeds of the bond were loaned by the city to the Foundation. The bond was issued in the aggregate principal amount of $6,000,000 at a 4.5% annual interest rate. On October 15, 2009, Western State College issued a Revenue Bond (Series 2009) of $19,535,000 to finance the construction of a new College Center (Note M). The Foundation was included in this issue for a $6,000,000 bond issue (relating to its share of the project) at a 6.1% annual interest rate, due July 15, 2019. 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	University Center
June 30, 2016	100,664
2017	232,654
2018	241,102
2019	249,361
2020	257,902
Thereafter	4,075,317

NOTE G – COMPENSATED ABSENCE LIABLITY 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, 2015 is $785,687. Current expenses include $95,675 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 – 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 the Colorado 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, 2015, 2014, and 2013 were $1,211,012, $1,076,756, and $1,032,946, 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. Colorado Public Employees' Retirement Association

1. Summary of Significant Accounting Policies

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

2. Plan Description

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

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

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve for the SDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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

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

	Fiscal Year 2013		**Fiscal Year 2014**		**Fiscal Year 2015**	
	CY12	**CY13**		**CY14**		**CY15**
	7-1-12 to 12-31-12	1-1-13 to 6-30-13	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total Employer Contribution Rate to the SDTF	14.63%	15.53%	15.53%	16.43%	16.43%	17.33%

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University were $954,326 for the year ended June 30, 2015.

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

At June 30, 2015, the University reported a liability of $18,959,603 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The University's proportion of the net pension liability was based on the University's contributions to the SDTF for the calendar year 2014 relative to the total contributions of participating employers to the SDTF.

At December 31, 2014, the University's proportion was 0.2016 percent, which was a decrease of 0.0021 percent from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the University recognized pension expense of $554,090. At June 30, 2015 the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience in the measurement of the total pension liability	-	1,405
Net difference between projected and actual earnings on pension plan investments	386,589	-
Changes in the employer's proportion and differences between the employer's contributions (other than those to separately finance specific liabilities of the individual employer to the plan) and the employer's proportionate share of contributions	-	122,636
The employer's contributions to the plan subsequent to the measurement date of the collective net pension liability	488,907	N/A
Total	875,496	124,041

The deferred outflows and deferred inflows related to pensions are included with total deferred outflows and total deferred inflows on the statement of net position.

The $488,907 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2015:	
2016	30,316
2017	38,937
2018	96,647
2019	96,648
2020	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 9.57 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The SDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	24,310,797	18,959,603	14,458,534

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

C. 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 2014, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2014, for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2014, the plan had 17,738 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 $393,604 (2015) and $383,402 (2014).

NOTE I – 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 J – POST-RETIREMENT HEALTH CARE BENEFITS

Health Care Program

The University contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

The University is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the University are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015, 2014 and 2013 contributions to the HCTF were $52,395, $53,846 and $52,458 respectively, equal to their required contributions for each year.

NOTE K – 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 L – SCHOLARSHIP ALLOWANCE

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

	Tuition and Fees	Sales and Services of Auxiliary Enterprises	Total
2015			
Gross revenue	$ 27,375,775	$ 9,069,815	$ 36,445,590
Scholarship allowances:			
Federal	(2,514,386)	(34,503)	(2,548,889)
State	(866,734)	(11,893)	(878,627)
Private	(471,984)	(6,477)	(478,461)
Institutional	(4,728,417)	(64,883)	(4,793,300)
Total Scholarship Allowances	(8,581,521)	(117,756)	(8,699,277)
Net Revenue	$ 18,794,254	$ 8,952,059	$ 27,746,313
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 Scholarship Allowances	(7,839,969)	(228,871)	(8,068,840)
Net Revenue	$ 16,717,224	$ 8,608,610	$ 25,325,834

NOTE M - WESTERN STATE COLORADO UNIVERSITY FOUNDATION

Foundation Investments

Investments are stated at fair value based on quoted market prices. At June 30, the Foundation had investments with a cost of $13,798,948 (2015) and $12,918,177 (2014) and a fair value of $15,215,858 (2015) and $15,397,130 (2014).

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

	2015	2014
Interest income	$ 336,547	$ 312,438
Net realized gains	803,059	806,994
Unrealized gain (loss)	(1,062,042)	923,862
Fees	(112,503)	(104,852)
Net investment earnings (loss)	$ (34,939)	$ 1,938,442

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

	2015	2014
Unrestricted	$ (30,638)	$ 1,267,549
Temporarily restricted	(4,301)	670,893
Net investment earnings (loss)	$ (34,939)	$ 1,938,442

Fair value measurements for assets reported at fair value on a recurring basis as of June 30, 2015 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	$ 2,738,844	$ 2,738,844	$ -	$ -
Fixed Income	1,296,829	1,219,640	-	77,189
Equities	10,199,234	10,199,234	-	-
Other	980,951	980,951	-	-
Total Long-Term Investments	$ 15,215,858	$ 15,138,669	$ -	$ 77,189

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 & Money Markets	$ 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	1,125,184	-	-
Total Long-Term Investments	$ 15,397,130	$ 15,310,314	$ -	$ 86,816

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, 2015 and 2014.

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 175 individual funds established for providing a future income stream for scholarships for the University students, research, & other uses for certain 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 the 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, 2015 and 2014 was $385,264 and $428,185, respectively.

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Endowment Net Assets - Beginning	$ (2,543,495)	$ 186,604	$ 17,325,145	$ 14,968,254
Contributions	-	318,375	322,129	640,504
Investment Income (Loss)	-	(409,983)	-	(409,983)
Net Asset Reclassification	(687,439)	365,310	(96,270)	(418,399)
Net Assets Released from Restrictions:				
Amounts Appropriated for Expenditure	-	(385,264)	-	(385,264)
Endowment Net Assets - Ending	**$ (3,230,934)**	**$ 75,042**	**$ 17,551,004**	**$ 14,395,112**

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**

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 $3,230,934 and $2,543,495 as of June 30, 2015 and 2014, 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, 2015 consisted of the following:

Restricted for the University Center Project	$ 164,500
Restricted for scholarships or other purposes	634,150
Less allowance for uncollectible contributions receivable	(53,473)
Gross unconditional promises to give	745,177
Less unamortized discount	(31,086)
Net unconditional promises to give	**$ 714,091**
Receivable in less than one year	$ 312,177
Receivable in one to five years	391,578
Receivables after five years	10,336
Total	**$ 714,091**

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**

NOTE N – 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 Western State Colorado University Foundation (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 O – 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 $37,054,746 (2015) and $10,051,222 (2014). Actual appropriated revenue earned, including capital appropriations, totaled $12,715,836 (2015) and $9,886,387 (2014). Actual appropriated expenditures and transfers totaled $12,715,836 (2015) and $9,886,387 (2014).

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.

REQUIRED SUPPLEMENTARY INFORMATION

WESTERN STATE COLORADO UNIVERSITY

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF THE STATE DIVISION TRUST FUND - A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN ADMINISTERED BY THE COLORADO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION (THE PLAN)

For the Year Ended June 30, 2015 *

	2014
University's proportion of the net pension liability	0.2016%
University's proportionate share of the net pension liability	$ 18,959,603
University's covered-employee payroll	$ 5,976,704
University's proportionate share of the net pension liability as a percentage of its covered employee payroll	317.23%
Plan fiduciary net position as a percentage of the total pension liability	56.84%

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

WESTERN STATE COLORADO UNIVERSITY

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF UNIVERSITY CONTRIBUTIONS TO THE STATE DIVISON TRUST FUND - A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN ADMINISTERED BY THE COLORADO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION

For the Year Ended June 30, 2015

	2015
Contractually required contribution	$ 954,326
Contributions in relation to the contractually required contribution	$ (954,326)
Contribution deficiency (excess)	$ -
University's covered-employee payroll	$ 5,884,119
Contributions as a percentage of covered-employee payroll	16.22%

SUPPLEMENTAL INFORMATION SECTION

STATE OF COLORADO
WESTERN STATE COLORADO UNIVERSITY
SCHEDULES OF REVENUE AND EXPENSES
FOR ENTERPRISE REVENUE BONDS
For Years Ended June 30, 2015 and 2014

	2015	2014
Revenue		
College Service Fees	**$ 2,513,854**	$ 2,206,161
Extended Studies Tuition	**4,242,951**	3,146,201
10% of Education and General Fund Tuition	**1,875,980**	1,749,330
Federal Interest Subsidy	**1,147,318**	1,145,462
Bookstore Sales	**998,049**	1,029,142
Rental Income	**4,388,102**	4,297,646
Food Service Income	**2,810,527**	2,543,528
Sales/Service Auxiliaries	**913,053**	1,008,821
Interest Income	**59,914**	68,973
Total Revenues	**18,949,748**	17,195,264
Expenses		
Employee Compensation	**2,781,062**	2,470,666
Costs of Goods	**682,535**	807,742
Utilities	**504,307**	504,107
Rental	**18,745**	20,509
Contract Food	**1,823,216**	1,715,830
Travel	**141,902**	149,430
Supplies	**272,752**	195,278
Purchased Services	**2,227,919**	1,718,729
Financial Aid	**194,691**	175,130
Administrative Cost Allowance	**2,082,759**	2,105,340
Furniture & Equipment	**67,429**	27,636
Other Operating Expenses	**94,453**	88,275
Total Expenses	**10,891,770**	9,978,672
Net Revenues Before Transfers	**8,057,978**	7,216,592
Transfers		
Mandatory Transfers	**(4,215,215)**	(3,823,455)
Non-mandatory Transfers	**(251,401)**	(229,959)
Total Transfers	**(4,466,616)**	(4,053,414)
Net Revenue	**$ 3,591,362**	$ 3,163,178
Debt Service Charge		
Net Operating Revenue	**$ 8,057,978**	$ 7,216,592
Bond Principal and Interest	**(6,019,130)**	(6,017,135)
Bond Principal and Interest Paid from Debt Service Reserve	**656,383**	1,000,850
Excess of Net Operating Revenue Over Debt Service	**$ 2,695,231**	$ 2,200,307

STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS SECTION

DALBY, WENDLAND & CO., P.C.

CPAs and Business Advisors

Grand Junction

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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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 7, 2016. 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, 2015 and 2014 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*.

<u>Internal Control Over Financial Reporting</u>

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

<u>Compliance and Other Matters</u>

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.*

<u>Purpose of this Report</u>

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

January 7, 2016

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

Grand Junction
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Phone: (970) 243-1921 • Fax: (970) 243-9214

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, 2015 and 2014, and have issued our report thereon dated January 7, 2016. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the Western State Colorado University Foundation (the Foundation), a discretely presented component unit of the University, and the Foundation's financial statements were not audited in accordance with *Government Auditing Standards*. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated April 27, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note A to the financial statements. As described in Note A to the financial statements, the University adopted new accounting policies related to adopting Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statements of revenue, expenses and changes in net position as described in Note A to the financial statements. We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of the net pension liability is based on the estimate of the University's proportionate share of the net pension liability as of December 31, 2014 of the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association (PERA), as described in Note H to the University's financial statements. The University's proportion of the SDTF's net pension liability was based on the University's contributions to the SDTF for the calendar year 2014 relative to the total contributions made to the SDTF by participating employers for the calendar year 2014.

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 January 7, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the schedule of the University's proportionate share of the net pension liability of the State Division Trust Fund – a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association and the schedules of University contributions to the State Division Trust Fund – a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

This information is intended solely for the use of the Legislative Audit Committee, 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

January 7, 2016

Introduction

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

The financial and compliance examination of the various state-funded student assistance programs at the University for the year ended June 30, 2015, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Department on Higher Education (CDHE). The State-Funded Student Assistance Programs policies are approved by the Colorado Commission on Higher Education (CCHE). The State student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2015.

State-Funded Student Assistance Programs

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

The State-funded student assistance awards made by the University totaled approximately $1,200,000 for the fiscal year ended 2015.

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

During the audit period, Western State Colorado University obtained authorizations to award federal student financial aid funds of $2,500,000 under the Pell Grant Program, $86,000 under the Supplemental Educational Opportunity Grant Program and $250,000 under the Federal College Work-Study Program.

During the audit period, Western State Colorado University obtained authorizations to award Colorado student financial aid funds of approximately $861,000 under the Colorado Student Grant Program, $44,000 under the Colorado Merit Scholarship program, and $295,000 under the Colorado Work Study Program.

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

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

Members of the Legislative Audit Committee:

Report on the Statement
We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State–Funded Student Financial Assistance Programs (the Statement) for Western State Colorado University (the University) for the year ended June 30, 2015. The Statement is the responsibility of the University's management. Our responsibility is to express an opinion on this Statement based on our audit.

Management's Responsibility for the Statement
Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial format as set forth in the *2014-15 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

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

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

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

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance programs of the University for the year ended June 30, 2015, in accordance with the format as set forth in the *2014-15 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education (DHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University described in Note A to the Statement.

Basis of Accounting

We draw attention to Note A to the Statement, which describes the basis of accounting. As described in Note A to the Statement, the Statement prepared by the University was prepared in accordance with the 2014-2015 *Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the University. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the statement of state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. Accordingly, the accompanying Statement is not intended to, and does not present the financial position, changes in financial position, or cash flows of the University in conformity with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have issued our report dated January 7, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Restriction on Use

This report is intended solely for the information and use of the Legislative Audit Committee, the University's Board of Trustees, and management of the University, the Colorado Department of Higher Education, and the Colorado Commission on Higher Education and is not intended to be, and should not be used by anyone other than these specified parties.

Dalby, Wendland & Co, P.C.

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

January 7, 2016

WESTERN STATE COLORADO UNIVERSITY

STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS

Year Ended June 30, 2015

	TOTAL STATE-FUNDED STUDENT ASSISTANCE	CLEAP PROGRAM	SLEAP PROGRAM	STUDENT GRANT PROGRAM	WORK STUDY PROGRAM	COLORADO MERIT SCHOLARSHIP	SCHOLARSHIP FOR PRECOLLEGIATE PROGRAMS	GOVERNOR'S OPPORTUNITY SCHOLARSHIP
APPROPRIATIONS:								
ORIGINAL	$ 1,119,768	$ -	$ -	$ 810,506	$ 265,475	$ 43,787	$ -	$ -
SUPPLEMENTAL	80,000	-	-	50,000	30,000	-	-	-
TRANSFERS	-	-	-	-	-	-	-	-
RETURNED TO CCHE	-	-	-	-	-	-	-	-
TOTAL	1,199,768	-	-	860,506	295,475	43,787	-	-
EXPENDITURES	(1,199,768)	-	-	(860,506)	(295,475)	(43,787)	-	-
REVERSIONS TO STATE	-	-	-	-	-	-	-	-
GENERAL FUND	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying statement of appropriations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *2014-2015 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of the University. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the University for the year ended June 30, 2015. Because the Statement presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position or changes in financial position of the University in conformity with U.S. generally accepted accounting principles.

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

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