

WESTERN STATE COLORADO UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT

Fiscal years ended June 30, 2013 and 2012

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WESTERN STATE COLORADO UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT REPORT SUMMARY

Fiscal years ended June 30, 2013 and 2012

Authority, Purpose and Scope

The audit of Western State Colorado University was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all State agencies. The 2013 audit was conducted under contract with Dalby, Wendland & Co., P.C. The audit was made in accordance with audit standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Audit work was performed during June through October 2013.

The purposes and scope of the audit were to:

- Perform a financial and compliance audit of Western State Colorado University for the year ended June 30, 2013 and to express an opinion on the financial statements. This included a review of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate compliance with laws and regulations governing the expenditures of federal and state funds.
- Express an opinion on the Statement of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal year ended June 30, 2013.

Audit Results and Summary of Major Audit Findings

Dalby, Wendland & Co., P.C. expressed unmodified opinions on the financial statements for the year ended June 30, 2013 and 2012.

Description of Western State Colorado University

Founded in 1911 as Colorado State Normal School, Western State Colorado University (the University) is Colorado's oldest college west of the Continental Divide. Originally planned as a preparatory college for teachers, the College remained a Normal School until 1923 when it was renamed Western State College. Western State College officially became Western State Colorado University on August 1, 2012. The University is an undergraduate university of liberal arts and sciences. Section 23-56-101, C.R.S. provides that the University be a general baccalaureate institution with moderately selective admission standards. Western State Colorado University shall offer undergraduate liberal arts and sciences, teacher preparation, and business degree programs and a limited number of graduate programs. Western State Colorado University shall also serve as a regional education provider.

Through June 30, 2003, the University was a member of the State Colleges in Colorado and, as such, was governed by the Board of Trustees of the Office of State Colleges. Effective July 1, 2003, the State Colleges in Colorado were dissolved in accordance with House Bill 03-1093 and each member became an independent entity. As a result of the dissolution of the State Colleges in Colorado, the University has a separate Board of Trustees comprised of 9 members appointed by the Governor, with consent of the Senate, for 4 year terms, one faculty member elected by the faculty and one student member elected by the student body.

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

	2011	2012	2013
Resident Students	1,396.6	1,336.3	1,335.7
Nonresident Students	457.8	456.8	456.1
Total Students	<u>1,854.4</u>	<u>1,793.1</u>	<u>1,791.8</u>
Faculty FTEs	112.0	125.7	126.5
Staff FTEs	174.8	173.1	169.5
Total Staff and Faculty FTEs	<u>286.8</u>	<u>298.8</u>	<u>296.0</u>

Description of Western State University Foundation

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

FINANCIAL STATEMENTS SECTION



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 of Western State Colorado University (the University), an institution of higher education, State of Colorado, as of and for the years ended June 30, 2013 and 2012, 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 1 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, 2013 and 2012, 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. The financial statements of the Western State College Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 1, 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 units of the State that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of Colorado as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were performed for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedules of Revenues and Expenses for Enterprise Revenue Bonds are presented for purposes of additional analysis and are not a required part of the basic financial statements of the University.

The Schedules of Revenues and Expenses for Enterprise Revenue Bonds are the responsibility of the University's management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013, 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.
Grand Junction, Colorado

December 4, 2013

WESTERN STATE COLORADO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
Years Ended June 30, 2013 and 2012

This section of Western State Colorado University's (the University) financial report presents management's discussion and analysis of the financial performance of the University during the years ended June 30, 2013 and 2012. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes. A comparative analysis is presented for the year ended June 30, 2011.

Using the Consolidated Financial Report

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

The financial statements prescribed by GASB Statement No. 35 as amended by GASB Statement No. 63 (the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows) present financial information in a format more comparable to that used by for-profit colleges and universities. The statements are prepared under the accrual basis of accounting. Revenues and assets are recognized when service is provided, and expenses and liabilities are recognized when others provide the goods or service, regardless of when cash is exchanged.

Financial Highlights

The University's financial position declined during the fiscal year ended June 30, 2013 as evidenced by a decrease in net position of \$3.7 million, from \$58.8 million at June 30, 2012 to \$55.1 million, because the University incurred an operating loss due primarily to a significant reduction in state support. In 2012, net position decreased by \$4.6 million from \$63.4 million at June 30, 2011.

The University's current assets of \$25.2 million (2013), \$49.2 million (2012) and \$69.2 million (2011) were sufficient to cover current liabilities of \$6.4 million (2013), \$8.8 million (2012) and \$5.2 million (2011). The current ratio of 3.92 (2013), 5.62 (2012) and 13.29 (2011) (current assets/current liabilities) demonstrates the liquidity of University assets and the relative availability of working capital to fund current operations.

Operating deficits of \$4.8 million (2013), \$8.2 million (2012) and \$3.2 million (2011) resulted partly from the University's dependence on state appropriations for controlled maintenance and Pell grants for operations. The financial reporting model classifies certain grants and contracts and state appropriations as non-operating revenues. Additionally, depreciation is an expense for which Colorado higher education has not historically been funded.

Statement of Net Position

The Statement of Net Position includes all assets and liabilities. Over time, increases or decreases in net position (the difference between assets and liabilities) are one indicator of the University's financial health when considered in conjunction with non-financial facts such as student enrollment and the condition of facilities.

Condensed Statements of Net Position
June 30, 2012, 2011 and 2010
(in thousands)

	2013	2012	2011
Assets			
Current Assets	\$ 25,160	\$ 49,240	\$ 69,213
Noncurrent Assets	124,144	107,111	90,697
<i>Total Assets</i>	<u>149,304</u>	<u>156,351</u>	<u>159,910</u>
Liabilities			
Current Liabilities	6,425	8,764	5,207
Noncurrent Liabilities	87,814	88,756	91,292
<i>Total Liabilities</i>	<u>94,239</u>	<u>97,520</u>	<u>96,499</u>
Net Position			
Invested in Capital Assets	44,067	50,819	49,170
Restricted	4,999	4,238	7,294
Unrestricted	5,999	3,774	6,947
<i>Total Net Position</i>	<u>\$ 55,065</u>	<u>\$ 58,831</u>	<u>\$ 63,411</u>

At June 30, the University's total assets were \$149.3 million (2013), \$156.4 million (2012) and \$159.9 million (2011). The largest asset category, the \$122.3 million (2013), \$105.2 million (2012) and \$87.0 million (2011) in capital assets, includes land, buildings, equipment, library holdings, and construction in process. Construction in progress increased \$1.8 million in fiscal year 2013, due to the continuation of a new field house project. The capital asset amount is net of accumulated depreciation of \$56.7 million (2013), \$51.4 million (2012) and \$48.0 million (2011). 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 \$23.5 million (2013), \$47.9 million (2012) and \$67.7 million (2011) of total assets. The decrease in cash and cash equivalents each year has resulted from expenditures for bond-related capital projects. As a result of those capital expenditures, the current ratio has decreased each fiscal year since 2011.

Bonds payable of \$88.3 million (2013), \$89.0 million (2012) and \$91.4 million (2011) represent almost 94% (2013), 91% (2012) and 95% (2011) of the University's total liabilities of \$94.2 million (2013), \$97.5 million (2012) and \$96.5 million (2011). 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 E. The current portion of the bonds payable is \$880,000 (2013), \$865,000 (2012) and \$775,000 (2011).

Net Position, which has decreased each year since fiscal year 2011, consisted of \$44.1 million (2013), \$50.8 million (2012) and \$49.2 million (2011) in net investment in capital assets. In addition, \$5.0 million (2013), \$4.2 million (2012) and \$7.3 million (2011) is externally restricted for specific purposes, and \$6.0 million (2013), \$3.8 million (2012) and \$6.9 million (2011) is unrestricted and available for any lawful purpose of the University. Unrestricted net assets increased during fiscal year 2013 from fiscal year 2012 by approximately \$2 million.

Statement of Revenue, Expenses and Changes in Net Position

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

investment income and expenses, interest expense on capital debt, state capital construction and controlled maintenance appropriations, and transfers.

Net tuition and fee revenues for the year ending June 30, 2013 was for \$14.2 million, a \$1.5 million increase from 2012 due to an approximate 18% increase in tuition rates. Net tuition and fee revenue in 2012 was \$12.7 million, the same amount as 2011. Tuition and fee revenue for fiscal year 2013 increased 22% from fiscal year 2012; in addition, scholarship allowances of \$7.0 million (2013) were a significant increase from the two previous fiscal years of \$4.7 million (2012) and \$4.3 million (2011). Scholarship allowances are defined as the financial aid awarded to students by the University that is used to pay University charges. The scholarship allowance is recognized as a direct reduction of revenue rather than an increase in financial aid expense, as previously reported.

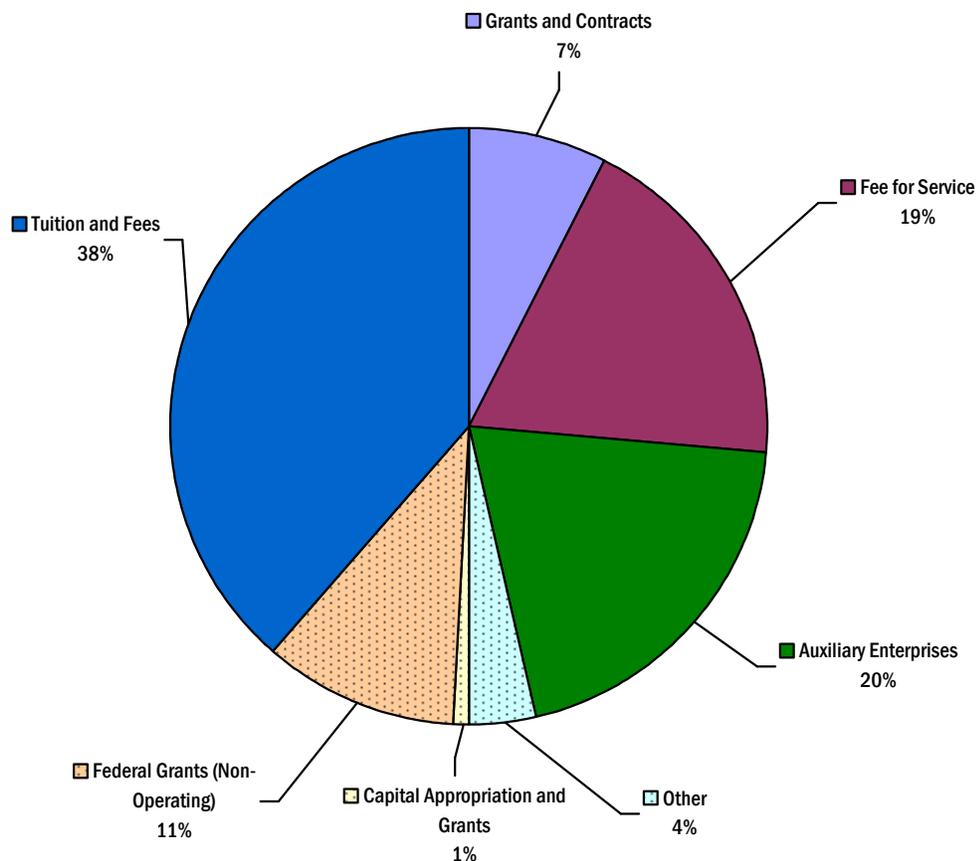
An operating deficit of \$4.8 million in fiscal year 2013, \$8.2 million in fiscal year 2012 and \$3.2 million in fiscal year 2011 was offset by state, federal and private grants because the financial reporting model classifies certain grants and contracts and state appropriations as non-operating revenues. As noted, the University's net position has decreased each of the past two fiscal years primarily because the University had a significant reduction in state support.

Condensed Statements of Revenue, Expenses, and Changes in Net Position
June 30, 2013, 2012 and 2011
(in thousands)

	2013	2012	2011
Operating Revenue			
Tuition and Fees, net	\$ 14,226	\$ 12,742	\$ 12,747
Grants and Contracts	2,750	2,598	2,874
Fee for Service	6,960	7,009	8,368
Auxiliary Enterprises	7,435	6,647	7,581
Other	1,327	1,209	1,133
Total Operating Revenue	32,698	30,205	32,703
Operating Expenses			
Instruction	11,794	11,540	11,105
Academic Support	1,808	1,782	1,549
Student Services	3,729	3,895	3,727
Institutional Support	3,437	3,013	3,187
Operation and Maintenance of Plant	2,152	4,028	2,131
Auxiliary Enterprises	8,819	8,620	8,916
Depreciation	5,368	5,107	4,580
Other	393	465	716
Total Operating Expenses	37,500	38,450	35,911
Net Operating Loss	(4,802)	(8,245)	(3,208)
Nonoperating Revenue (Expense)			
Grants and Contracts	3,882	3,747	4,097
Interest Loss	(448)	(89)	(69)
Other Nonoperating	(2,674)	(2,145)	(2,035)
Net Nonoperating Revenue	760	1,513	1,993
Gain (Loss) Before Other Revenue, Expenses, Gains, or Losses	(4,042)	(6,732)	(1,215)
State Appropriations, Capital	276	2,152	16,998
Increase (Decrease) in Net Position	(3,766)	(4,580)	15,783
Net Position:			
Net Position-Beginning of Year	58,831	63,411	47,628
Net Position-End of Year	\$ 55,065	\$ 58,831	\$ 63,411

The following is a graphic illustration of total revenue by source for the University for fiscal year 2013. Each major revenue component is displayed relative to its proportionate share of total revenues.

Revenue by Source – Fiscal Year 2013



Capital Assets

At June 30, 2013, the University had approximately \$122.3 million invested in capital assets, net of accumulated depreciation of \$56.7 million. Depreciation charges were \$5.4 million for the year ended June 30, 2013. At June 30, 2012, the University had approximately \$105.2 million invested in capital assets, net of accumulated depreciation of \$51.4 million. Depreciation charges were \$5.1 million for the year ended June 30, 2012. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	June 30, 2013	June 30, 2012	June 30, 2011
Land and Improvements	\$ 2,599,499	\$ 2,599,499	\$ 2,599,499
Construction in Progress	30,577,807	28,791,365	6,789,603
Land Improvements, Net	376,890	407,041	437,193
Buildings and Improvements, Net	87,724,397	72,323,131	75,830,123
Furniture and Equipment, Net	591,236	555,564	664,579
Library Materials, Net	470,008	561,592	652,436
Total	<u>\$ 122,339,837</u>	<u>\$ 105,238,192</u>	<u>\$ 86,973,433</u>

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

Fieldhouse project	<u>\$ 30,577,807</u>
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The following significant capital projects were in progress at June 30, 2012:

Student Apartment Complex	\$ 19,039,598
Fieldhouse project	<u>9,751,767</u>
	<u>\$ 28,791,365</u>

Debt

At June 30, 2013, the University had approximately \$88.3 million in debt outstanding, decrease of \$755 thousand from the prior year. The table below summarizes the amounts by type of debt.

Outstanding Debt at Year-End

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Auxiliary Revenue Bonds	\$ 88,258,157	\$ 89,012,665	\$ 91,430,568
Total	<u>\$ 88,258,157</u>	<u>\$ 89,012,665</u>	<u>\$ 91,430,568</u>

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

Economic Outlook

The State changed the process of funding higher education institutions as directed by Senate Bill 04-189. General fund monies are no longer directly appropriated to higher education governing boards. Instead, stipends for tuition assistance are provided to eligible undergraduate students through the College Opportunity Fund, and the Department of Higher Education purchases educational services in rural areas in which the cost of delivering the services is not sustained by the amount received in student tuition, through fee-for-service contracts. For fiscal year 2014, the University is projected to receive \$2.4 million in funds from the College Opportunity Fund program and \$7.1 million in fee-for-service contracts, an increase of \$300 thousand from fiscal year 2013.

Enrollments for the University are projected to slightly increase in fiscal year 2014. However, tuition rate increases of \$648 per student or 14.0% for full-time Colorado resident students and \$720 or 5.0% for full-time nonresident students are projected to generate an additional \$1.2 million in tuition revenue beyond fiscal year 2013 levels.

To qualify for enterprise status, the University had to meet three criteria including, 1) receiving less than 10% of annual revenue from state or local grants, 2) qualifying as a government-owned business, and 3) having the authority to issue revenue bonds. Under current standards, capital appropriations are considered state grants. The University retained its enterprise status in fiscal year 2013 because its support from the State of Colorado was less than 10%. State support to the University for fiscal year 2013 was 5.7%. It is anticipated that the University will retain its enterprise status in fiscal year 2014.

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 23,471,810	\$ 47,911,952
Short-term investments	98,496	105,927
Student accounts receivable, net	339,827	232,143
Other accounts receivable, net	712,054	466,779
Student loans receivable, net	111,264	80,389
Inventories	365,954	373,074
Prepaid expenses	60,167	70,065
	<i>Total Current Assets</i>	<i>49,240,329</i>
	<u>25,159,572</u>	<u>49,240,329</u>
Non-current Assets		
Student loans receivable, net	1,030,399	1,044,131
Other long-term assets	773,877	828,744
	<i>Total Non-current Assets</i>	<i>1,872,875</i>
	<u>1,804,276</u>	<u>1,872,875</u>
Non-depreciable Capital Assets		
Land	695,416	695,416
Land improvements	1,904,083	1,904,083
Construction in progress	30,577,807	28,791,365
	<i>Total Non-depreciable Capital Assets</i>	<i>31,390,864</i>
	<u>33,177,306</u>	<u>31,390,864</u>
Depreciable Capital Assets, Net		
Land improvements, less accumulated depreciation of \$226,134 (2013) and \$195,983 (2012)	376,890	407,041
Buildings and improvements, less accumulated depreciation of \$49,229,129 (2013) and \$44,212,330 (2012)	87,724,397	72,323,131
Furniture and equipment, less accumulated depreciation of \$1,967,709 (2013) and \$1,816,208 (2012)	591,236	555,564
Library materials, less accumulated depreciation of \$5,322,577 (2013) and \$5,196,461 (2012)	470,008	561,592
	<i>Total Depreciable Capital Assets, Net</i>	<i>73,847,328</i>
	<u>89,162,531</u>	<u>73,847,328</u>
	<i>Total Non-current Assets</i>	<i>107,111,067</i>
	<u>124,144,113</u>	<u>107,111,067</u>
	Total Assets	156,351,396
	<u>149,303,685</u>	<u>156,351,396</u>
LIABILITIES		
Current Liabilities		
Accounts payable	2,036,691	4,776,116
Accrued liabilities	2,368,064	2,379,189
Unearned revenue	643,816	410,446
Student deposits	329,732	227,737
Bonds payable, current portion	880,000	865,000
Compensated absence liabilities, current portion	166,838	105,955
	<i>Total Current Liabilities</i>	<i>8,764,443</i>
	<u>6,425,141</u>	<u>8,764,443</u>
Non-current Liabilities		
Bonds payable	87,378,157	88,147,665
Compensated absence liabilities	435,119	608,228
	<i>Total Non-current Liabilities</i>	<i>88,755,893</i>
	<u>87,813,276</u>	<u>88,755,893</u>
	Total Liabilities	97,520,336
	<u>94,238,417</u>	<u>97,520,336</u>
NET POSITION		
Net investment in capital assets	44,066,723	50,819,205
Restricted for:		
Loans	1,260,880	1,296,270
Debt service	3,738,317	2,941,927
Unrestricted	5,736,795	3,585,644
Unrestricted designated by the Board	262,553	188,014
	<i>Total Net Position</i>	<i>\$ 58,831,060</i>
	<u>\$ 55,065,268</u>	<u>\$ 58,831,060</u>

See accompanying notes.

WESTERN STATE COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	2013	2012
Assets		
Cash and cash equivalents	\$ 279,852	\$ 415,423
Investments	14,259,124	14,619,709
Contributions receivable, net of allowance of \$9,800 (2013) and \$1,588,000 (2012)	453,651	666,876
Other assets	261,336	245,897
Debt issuance costs	147,135	192,663
Property and equipment, net of accumulated depreciation	12,868,249	12,441,156
Total Assets	\$ 28,269,347	\$ 28,581,724
Liabilities		
Accounts payable	\$ 4,002	\$ 22,209
Accrued compensated absences	30,499	7,504,113
Accrued interest	77,518	37,724
Bonds payable	6,198,372	7,504,113
Total Liabilities	6,310,391	7,564,046
Net Assets		
Unrestricted	1,838,380	308,818
Temporarily restricted	4,523,500	5,513,462
Permanently restricted	15,597,076	15,195,398
Total Net Assets	21,958,956	21,017,678
Total Liabilities and Net Assets	\$ 28,269,347	\$ 28,581,724

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUE		
Tuition and fees, including \$5,599,584 (2013) and \$4,817,118 (2012) pledged for bonds	\$ 21,262,476	\$ 17,430,385
Less: scholarship allowances	<u>(7,036,282)</u>	<u>(4,688,092)</u>
<i>Net Tuition and Fees</i>	<u>14,226,194</u>	<u>12,742,293</u>
Federal, state, private grants and contracts, including \$20,249 (2013) and \$0 (2012) pledged for bonds	2,749,923	2,598,299
Fee for service	6,959,838	7,008,490
Auxiliary sales and services, including \$7,472,581 (2013) and \$6,844,187 (2012) pledged for bonds	7,642,584	6,913,260
Less: scholarship allowances	<u>(206,986)</u>	<u>(265,962)</u>
<i>Net Auxiliary Sales and Services</i>	<u>7,435,598</u>	<u>6,647,298</u>
Other operating revenue, including \$244,014 (2013) and \$172,750 (2012) pledged for bonds	1,326,803	1,208,563
<i>Total Operating Revenue</i>	<u>32,698,356</u>	<u>30,204,943</u>
OPERATING EXPENSES		
Instruction	11,794,484	11,539,848
Research	19,416	26,507
Public service	152,473	191,984
Academic support	1,807,755	1,781,559
Student services	3,728,541	3,895,333
Institutional support	3,436,739	3,013,119
Operation and maintenance of plant	2,152,338	4,028,460
Scholarships and fellowships	220,820	245,348
Auxiliary enterprises	8,819,497	8,620,497
Depreciation	5,367,821	5,107,290
<i>Total Operating Expenses</i>	<u>37,499,884</u>	<u>38,449,945</u>
<i>Operating Loss</i>	<u>(4,801,528)</u>	<u>(8,245,002)</u>
NON-OPERATING REVENUE (EXPENSES)		
Pell grants	2,705,632	2,508,701
Federal interest subsidy, including \$1,176,098 (2013) and \$1,237,835 (2012) pledged for bonds	1,176,098	1,237,835
Investment and interest loss, including \$71,901 (2013) and \$154,279 (2012) pledged for bonds	(448,126)	(88,691)
Loss on disposal of assets	(1,022)	(518,900)
Interest expense on capital debt	(2,593,064)	(1,521,991)
Other non-operating expenses	<u>(79,437)</u>	<u>(104,350)</u>
<i>Net Non-operating Revenue</i>	<u>760,081</u>	<u>1,512,604</u>
<i>Loss Before Other Items</i>	<u>(4,041,447)</u>	<u>(6,732,398)</u>
Other Revenue, Expenses, Gains, Losses, or Transfers		
State appropriation, capital	275,655	2,152,176
<i>Decrease in Net Position</i>	<u>(3,765,792)</u>	<u>(4,580,222)</u>
Net Position - beginning of the year	<u>58,831,060</u>	<u>63,411,282</u>
Net Position - end of the year	<u>\$ 55,065,268</u>	<u>\$ 58,831,060</u>

See accompanying notes.

WESTERN STATE COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2013 and 2012

	2013	2012
Changes in Unrestricted Net Assets		
Revenues, gains and other support:		
Contributions	\$ 222,849	\$ 211,344
In-kind land contribution	775,000	-
Investment income (loss)	961,541	(185,019)
Rental Income	14,482	14,482
	1,973,872	40,807
Net assets released from restrictions:		
Satisfaction of program restrictions	3,003,755	8,414,600
	4,977,627	8,455,407
Expenses:		
Programs	2,727,690	6,681,886
Management and general	290,304	306,163
Fund-raising	412,770	1,719,564
	3,430,764	8,707,613
Transfers	(17,300)	(55,767)
Decrease (Increase) in Unrestricted Net Assets	1,529,563	(307,973)
Changes in Temporarily Restricted Net Assets		
Revenues and gains:		
Contributions	862,298	5,734,369
Fundraising	333,119	404,544
In-kind contributions	265,266	4,242,728
Investment income (loss)	463,405	(20,557)
Royalties	69,808	77,307
	1,993,896	5,791,119
Net assets released from restrictions:		
Satisfaction of program restrictions	(3,003,755)	(8,414,600)
Transfers	19,896	56,750
Decrease in Temporarily Restricted Net Assets	(989,963)	(2,566,731)
Changes in Permanently Restricted Net Assets		
Revenues and gains:		
Contributions	404,274	513,723
Transfers	(2,596)	(983)
Increase in Permanently Restricted Net Assets	401,678	512,740
(Decrease) Increase in Net Assets	941,278	(2,361,964)
Net Assets - July 1	21,017,678	23,379,642
Net Assets - June 30	\$ 21,958,956	\$ 21,017,678

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, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received		
Tuition and fees	\$ 14,314,657	\$ 12,924,010
Sales of services	13,525,616	12,669,019
Sales of product	971,815	1,078,407
Grants, contracts and gifts	2,504,648	2,598,299
Student loans collected	129,263	14,600
Other operating receipts	1,307,348	1,256,685
Cash Payments		
Payments to or for employees	(20,644,204)	(20,693,451)
Payments to suppliers	(11,203,985)	(12,466,732)
Scholarships disbursed	(220,821)	(245,348)
Student loans disbursed	(198,725)	(229,240)
<i>Net Cash Provided (Used) by Operating Activities</i>	485,612	(3,093,751)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal, state, private grants & contracts	3,881,730	3,642,186
Other agency outflows	(79,437)	(104,350)
<i>Net Cash Provided by Noncapital Financing Activities</i>	3,802,293	3,537,836
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State appropriations - capital	275,655	2,152,176
Acquisition or construction of capital assets	(25,206,006)	(21,871,111)
Principal paid on capital debt	(865,000)	(570,000)
Interest on capital debt	(2,484,571)	(1,496,696)
<i>Net Cash Used by Capital and Related Financing Activities</i>	(28,279,922)	(21,785,631)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings (interest/dividends)	(448,125)	(88,691)
Purchase of investments	-	(79,990)
<i>Net Cash Used by Investing Activities</i>	(448,125)	(168,681)
<i>Net Decrease in Cash and Cash Equivalents</i>	(24,440,142)	(21,510,227)
Cash and Cash Equivalents - beginning of the year	47,911,952	69,422,179
Cash and Cash Equivalents - end of the year	\$ 23,471,810	\$ 47,911,952
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (4,801,528)	\$ (8,245,002)
Adjustments to reconcile:		
Depreciation	5,367,821	5,107,290
Provision for uncollectable accounts	63,209	91,434
Decrease in assets	(416,293)	(59,143)
Increase in liabilities	381,401	11,670
Other reconciling items	(108,998)	-
<i>Net Cash Provided (Used) by Operating Activities</i>	\$ 485,612	\$ (3,093,751)

See accompanying notes.

STATE OF COLORADO
WESTERN STATE COLORADO UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

Years ended June 30, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Western State Colorado University (the University) is a public institution of higher education of the State of Colorado. Operations are funded largely through student tuition and fees.

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

Reporting Entity

The accompanying financial statements reflect the financial activities of the University for the fiscal year ended June 30, 2013. The University is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, the University is included as part of the State of Colorado's primary government. A copy of the state Comprehensive Annual Financial Report may be obtained from the Office of the State Controller, Department of Personnel and Administration, Denver, Colorado.

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

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation is incurred. All significant intra-agency transactions have been eliminated.

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

The University implemented GASB No. 63 *Financial Reporting on Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the year ended June 30, 2013. GASB No. 63 implements a new presentation of certain assets as deferred outflows, certain liabilities as deferred inflows, replaces the term "net assets" with the term "net position," and also replaces the term "invested in capital assets, net of related debt" with the term "net investment in capital assets." The effects of implementation on the University were replacing the term "net assets" with "net position" and replacing the term "invested in capital assets, net of related debt" with the term "net investment in capital assets."

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments

Investments are stated at fair market value which is determined based on quoted market prices at fiscal year-end.

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

Accounts Receivable

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

Inventories

Inventories consist primarily of bookstore inventory and consumable supplies and are stated at the lower of cost or market as determined by the 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.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include amounts restricted for project construction and bond debt service reserves.

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 40 years for buildings and building improvements and 3 to 10 years for equipment and library materials. State capital construction revenues are recognized only to the extent of current expenditures. Controlled maintenance (corrective repairs or replacements to existing

facilities) funded by the state is recorded as state appropriated revenue and the assets are recorded to the extent that expenditures qualify for capitalization.

Unearned Revenue

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

Compensated Absences

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

Classification of Revenue

The University has classified its revenues as either operating, non-operating, or other revenues 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 – Non-operating revenue is that revenue that does not meet the definition of operating revenue. Non-operating revenue includes state appropriations for operations, gifts, investment income and insurance reimbursement revenue.

Other Revenue – Other revenues include state capital and controlled maintenance appropriations, capital contributions, donations, gains and losses from the disposal of assets and transfers between governing boards and other institutions.

Scholarship Allowances

Student tuition and fee revenue, and certain other revenue from students, are reported net of scholarship allowances in the Statement of Revenue, Expenses and Changes in Net Assets. Scholarship allowances are the differences between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenue in the University's financial statements. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees and housing for the years ended June 30 were \$7,243,268 (2013) and \$4,954,054 (2012)

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, net of related debt.

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.

Restricted net position – nonexpendable – Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net position – Unrestricted net position represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. Certain net position is unrestricted but designated by the Board of Trustees for certain purposes.

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

Application of Restricted and Unrestricted Resources

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

Reconciliation to Other Reports

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

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Foundation's information returns for the years ended June 30, 2010, 2011, 2012, and 2013 remain subject to examination by taxing authorities.

NOTE B - CASH AND INVESTMENTS

Cash

At June 30, the University had \$22,995,706 (2013) and \$47,696,169 (2012) on deposit with the State Treasurer, including unrealized gains of \$37,850 (2013) and \$648,122 (2012). Detailed information on the State Treasurer's pooled cash and investments is available from that office.

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

	2013	2012
Cash on hand	\$ 55,769	\$ 84,671
Cash in checking accounts at bank	420,336	131,112
	<u>\$ 476,105</u>	<u>\$ 215,783</u>

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. The carrying amount of the University's cash on deposit was \$420,336 (2013) and \$131,112 (2012) and the bank balance was \$4,327,945 (2013) and \$1,879,853 (2012). Of this bank balance, \$4,327,945 (2013) and \$1,879,853 (2012) was covered by federal note depository insurance or by collateral held by the institution's agent in the institution's name.

Investments

The University deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The University reports its share of the treasurer’s unrealized gains/losses based on its participation in the State Treasurer’s pool. All of the treasurer’s investments are reported at fair value, which is determined based on quoted market prices at June 30, 2013. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. The unrealized gain included in “Investment Income” reflects only the change in fair value during the current fiscal year. Additional information on the treasurer’s pool may be obtained in the State of Colorado’s Comprehensive Annual Financial Report.

At June 30, the Foundation had investments with a cost of \$12,704,033 (2013) and \$13,518,356 (2012) and a market value of \$14,259,124 (2013) and \$14,619,709 (2012).

NOTE C - RECEIVABLES AND PAYABLES

At June 30, receivable balances were as follows:

	Gross Receivable	Allowance for Uncollectible Amounts	Net Receivable
<u>2013</u>			
Student accounts receivable	\$ 541,917	\$ (202,090)	\$ 339,827
Other accounts receivable	\$ 712,054	\$ -	\$ 712,054
Student loans receivable	\$ 152,938	\$ (41,674)	\$ 111,264
Non-current student loans receivable	\$ 1,418,353	\$ (387,954)	\$ 1,030,399
<u>2012</u>			
Student accounts receivable	\$ 397,010	\$ (164,867)	\$ 232,143
Other accounts receivable	\$ 466,779	\$ -	\$ 466,779
Student loans receivable	\$ 109,048	\$ (28,659)	\$ 80,389
Non-current student loans receivable	\$ 1,419,114	\$ (374,983)	\$ 1,044,131

At June 30, accrued liabilities balances were as follows:

	2013	2012
Accrued payroll	\$ 1,725,922	\$ 1,735,203
Accrued interest payable	642,142	643,986
<i>Total Accrued liabilities</i>	<u>\$ 2,368,064</u>	<u>\$ 2,379,189</u>

NOTE D - CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the years ended June 30, 2013 and 2012.

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Non-depreciable Capital Assets				
Land	\$ 695,416	\$ -	\$ -	\$ 695,416
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	28,791,365	22,100,345	(20,313,903)	30,577,807
<i>Total Non-depreciable Capital Assets</i>	<u>\$ 31,390,864</u>	<u>\$ 22,100,345</u>	<u>\$ (20,313,903)</u>	<u>\$ 33,177,306</u>
Depreciable Capital Assets				
Land improvements	\$ 603,025	\$ -	\$ -	\$ 603,025
Buildings and improvements	116,535,460	20,422,152	(4,086)	136,953,526
Furniture and equipment	2,371,771	227,362	(40,187)	2,558,946
Library materials	5,758,053	34,531	-	5,792,584
<i>Total Depreciable Capital Assets</i>	<u>125,268,309</u>	<u>20,684,045</u>	<u>(44,273)</u>	<u>145,908,081</u>
Less: accumulated depreciation				
Land Improvements	(195,983)	(30,151)	-	(226,134)
Buildings and improvements	(44,212,330)	(5,019,864)	3,065	(49,229,129)
Furniture and equipment	(1,816,208)	(191,690)	40,189	(1,967,709)
Library materials	(5,196,461)	(126,116)	-	(5,322,577)
<i>Total Accumulated Depreciation</i>	<u>(51,420,982)</u>	<u>(5,367,821)</u>	<u>43,254</u>	<u>(56,745,549)</u>
<i>Net Depreciable Capital Assets</i>	<u>\$ 73,847,327</u>	<u>\$ 15,316,224</u>	<u>\$ (1,019)</u>	<u>\$ 89,162,532</u>
	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Non-depreciable Capital Assets				
Land	\$ 695,416	\$ -	\$ -	\$ 695,416
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	6,789,603	23,760,290	(1,758,528)	28,791,365
<i>Total Non-depreciable Capital Assets</i>	<u>\$ 9,389,102</u>	<u>\$ 23,760,290</u>	<u>\$ (1,758,228)</u>	<u>\$ 31,390,864</u>
Depreciable Capital Assets				
Land Improvements	\$ 603,025	\$ -	\$ -	\$ 603,025
Buildings and improvements	116,852,534	1,758,528	(2,075,602)	116,535,460
Furniture and equipment	2,371,952	86,150	(86,331)	2,371,771
Library materials	5,713,543	44,510	-	5,758,053
<i>Total Depreciable Capital Assets</i>	<u>125,541,054</u>	<u>1,889,188</u>	<u>(2,161,933)</u>	<u>125,268,309</u>
Less: accumulated depreciation				
Land Improvements	(165,832)	(30,151)	-	(195,983)
Buildings and improvements	(41,022,411)	(4,746,620)	1,556,701	(44,212,330)
Furniture and equipment	(1,707,372)	(195,167)	86,331	(1,816,208)
Library materials	(5,061,108)	(135,353)	-	(5,196,461)
<i>Total Accumulated Depreciation</i>	<u>(47,956,723)</u>	<u>(5,107,291)</u>	<u>1,643,032</u>	<u>(51,420,982)</u>
<i>Net Depreciable Capital Assets</i>	<u>\$ 77,584,331</u>	<u>\$ (3,218,103)</u>	<u>\$ (518,901)</u>	<u>\$ 73,847,327</u>

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

	<u>2013</u>	<u>2012</u>
Land	\$ 813,225	\$ 38,225
Buildings and improvements	14,393,500	14,382,888
Furniture and equipment	<u>101,484</u>	<u>104,116</u>
	15,308,209	14,525,229
Less: accumulated depreciation	<u>(2,439,960)</u>	<u>(2,084,073)</u>
	<u>\$ 12,868,249</u>	<u>\$ 12,441,156</u>

NOTE E - LONG-TERM LIABILITIES

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

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Due within One Year</u>
Bonds and Leases Payable:					
Bonds	\$ 90,465,000	\$ -	\$ 865,000	\$ 89,600,000	\$ 880,000
Premium/Discount	(181,774)	-	(8,847)	(172,927)	-
Gain/Loss on refunding	<u>(1,270,561)</u>	-	<u>(101,645)</u>	<u>(1,168,916)</u>	-
Total Bonds Payable	89,012,665	-	754,508	88,258,157	880,000
Other Liabilities:					
Compensated Absences	<u>714,183</u>	-	<u>112,226</u>	<u>601,957</u>	<u>166,838</u>
Total Other Liabilities	<u>714,183</u>	-	<u>112,226</u>	<u>601,957</u>	<u>166,838</u>
Total Long-Term Liabilities	<u>\$ 89,726,848</u>	<u>\$ -</u>	<u>\$ 866,734</u>	<u>\$ 88,860,114</u>	<u>\$ 1,046,838</u>

The University's long-term liability activity for the year ended June 30, 2012 was as follows:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Due within One Year</u>
Bonds and Leases Payable:					
Bonds	\$ 91,705,000	\$ 12,730,000	\$ 13,970,000	\$ 90,465,000	\$ 865,000
Premium/Discount	(92,725)	(29,353)	59,696	(181,774)	-
Gain/Loss on refunding	<u>(181,707)</u>	<u>(1,321,384)</u>	<u>(232,530)</u>	<u>(1,270,561)</u>	-
Total Bonds Payable	91,430,568	11,379,263	13,797,166	89,012,665	865,000
Other Liabilities:					
Compensated Absences	<u>718,517</u>	-	<u>4,334</u>	<u>714,183</u>	<u>105,955</u>
Total Other Liabilities	<u>718,517</u>	-	<u>4,334</u>	<u>714,183</u>	<u>105,955</u>
Total Long-Term Liabilities	<u>\$ 92,149,085</u>	<u>\$ 11,379,263</u>	<u>\$ 13,801,500</u>	<u>\$ 89,726,848</u>	<u>\$ 970,955</u>

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

On June 29, 2010, the University issued \$9,115,000 in Institutional Enterprise Revenue Bonds (Tax-Exempt), Series 2010A with an average interest rate of 4.017%. The 2010A bonds begin to mature on May 15, 2018 in increasing amounts through May 15, 2026. The bonds are to be paid from Institutional Enterprise Revenues.

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

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

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

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

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

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

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

Additionally, the University has agreements for the rental of copiers all of which are for a period 36 or 48 months and are in effect through April 2017. Total future rental obligations total \$92,114.

Principal and interest requirements to maturity are as follows:

Years ending June 30	2009	2010	2011	Total
2014	\$ 976,750	\$ 3,827,095	\$ 1,213,290	\$ 6,017,135
2015	976,750	3,827,095	1,215,285	\$ 6,019,130
2016	976,750	3,827,095	1,220,224	\$ 6,024,069
2017	976,750	3,827,095	1,211,831	\$ 6,015,676
2018	976,750	4,197,095	1,219,816	\$ 6,393,661
2019-2023	4,883,750	24,396,624	5,666,719	\$ 34,947,093
2024-2028	8,242,000	24,767,694	1,860,262	\$ 34,869,956
2029-2033	9,598,000	23,166,450		\$ 32,764,450
2034-2038	9,603,750	22,026,300		\$ 31,630,050
2039-2043	1,921,500	24,280,900		\$ 26,202,400
2044-2048		9,449,050		\$ 9,449,050
<i>Total Principal and Interest</i>	39,132,750	147,592,493	13,607,427	200,332,670
Less interest	19,597,750	88,822,493	2,312,427	110,732,670
<i>Total Principal</i>	<u>\$ 19,535,000</u>	<u>\$ 58,770,000</u>	<u>\$ 11,295,000</u>	<u>\$ 89,600,000</u>

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

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

The future maturities of the bonds are as follows:

Years ending June 30	Borick Building	College Center	Total
2014	\$ 495,171	\$ 237,879	\$ 733,050
2015	-	244,713	\$ 244,713
2016	-	251,761	\$ 251,761
2017	-	259,011	\$ 259,011
2018	-	266,471	\$ 266,471
Thereafter	-	4,443,366	\$ 4,443,366
	<u>\$ 495,171</u>	<u>\$ 5,703,201</u>	<u>\$ 6,198,372</u>

NOTE F - EXTINGUISHMENT OF DEBT

In fiscal year 1994, the University defeased 1992 series bonds by placing the proceeds of the 1994 series plus a portion of the 1992 series debt service reserve funds in an irrevocable trust to provide for all future debt service payments on the 1992 bonds. Accordingly, the trust-account assets and liabilities for the defeased bonds are not included in the University's financial statements. On June 30, 2012, the remaining \$2,210,000 of 1992 bonds outstanding was considered defeased.

In fiscal year 2003, the University defeased 1994 series bonds by placing the proceeds of the 2003A series in an irrevocable trust to provide for all future debt service payments on the 1994 bonds. Accordingly, the trust-account assets and liabilities are not included in the University's financial statements. On June 30, 2012, the remaining \$2,235,000 of 1994 bonds outstanding was considered defeased.

In fiscal year 2012, the University defeased 2003 series A and B bonds by placing the proceeds of the 2011 series A and B bonds plus the 2003 series debt series reserve funds in an irrevocable trust to provide for all future debt service payments on the 2003 bonds. Accordingly, the trust-account assets and liabilities are not included in the University's financial statements. On June 30, 2012, the remaining \$11,825,000 of the 2003 bonds outstanding was considered defeased.

NOTE G - COMPENSATED ABSENCE LIABILITY FOR ANNUAL AND SICK LEAVE

University employees may accrue annual and sick leave, based on length of service, and subject to certain limitations regarding the amount to be paid upon termination. The estimated cost of compensated absences for which employees are vested for the year ended June 30, 2013 is \$601,957. Expenses for the year ended June 30, 2013 were reduced by \$112,226 for the decrease in the estimated compensated absence liability from June 30, 2012 to June 30, 2013. 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 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, 2013, 2012, and 2011 were \$1,032,946, \$1,046,730, and \$972,519, respectively. These contributions were equal to the required contributions for each year. All ORP contributions are immediately invested in the employee's account. Normal retirement for the ORP is age 65, with early retirement permitted at age 55. Benefits available to

the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

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

B. Public Employees Retirement Association

1. Plan Description

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

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

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

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

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service

requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.

- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with any years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

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

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

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

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

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

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

Members who are disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be

permanently disabled. If a member dies before retirement, their spouse or their eligible children under the age of 18 (23 if a full-time student) may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse, financially dependent parents, beneficiaries or the member's estate may be entitled to a survivor's benefit.

2. Funding Policy

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

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

From July 1, 2012, to December 31, 2012, the State contributed 15.65 percent (18.35 percent for State troopers and 17.36 percent for the Judicial Branch) of the employee's salary. From January 1, 2013, through June 30, 2013, the State contributed 16.55 percent (19.25 percent for State troopers and 17.36 percent for the Judicial Branch). During all of Fiscal Year 2012-13, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2012, the division of PERA in which the State participates has a funded ratio of 59.2 percent and a 53 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly lower at 60.2 percent.

In the 2004 and 2010 legislative sessions, the general assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of .4 percent of salary through 2017, to a maximum of 5 percent (except for the Judicial Division whose AED contribution was frozen at the 2010 level).

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

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

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

The University's contributions to the Defined Benefit Plan for the fiscal years ending June 30, 2013, 2012, and 2011 were \$795,002, \$602,994, and \$572,384, respectively. These contributions were equal to the required contributions for each year.

C. 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 \$254,283 (2013) and \$344,373 (2012).

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

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

Employees are not required to contribute to the Employees Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note H-B2. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The University contributed \$52,458, \$51,386, and \$53,134 as required by statute for the fiscal years ended June 30, 2013, 2012 and 2011, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2012, there were 51,666 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2012, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.43 billion, a funded ratio of 16.5 percent, and a 66-year amortization period.

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	Auxiliary Revenue	Total
<u>2013</u>			
Gross revenue	\$ 21,262,476	\$ 7,642,584	\$ 28,905,060
Scholarship allowances:			
Federal	(2,659,715)	(78,241)	(2,737,956)
State	(478,467)	(14,075)	(492,542)
Private	(450,322)	(13,247)	(463,569)
Institutional	(3,447,778)	(101,423)	(3,549,201)
<i>Total Allowances</i>	<u>(7,036,282)</u>	<u>(206,986)</u>	<u>(7,243,268)</u>
<i>Net Revenue</i>	<u>\$ 14,226,194</u>	<u>\$ 7,435,598</u>	<u>\$ 21,661,792</u>
<u>2012</u>			
Gross revenue	\$ 17,430,385	\$ 6,913,260	\$ 24,343,645
Scholarship allowances:			
Federal	(2,367,486)	(134,311)	(2,501,797)
State	(464,121)	(26,330)	(490,451)
Private	(346,919)	(19,681)	(366,600)
Institutional	(1,509,566)	(85,640)	(1,595,206)
<i>Total Allowances</i>	<u>(4,688,092)</u>	<u>(265,962)</u>	<u>(4,954,054)</u>
<i>Net Revenue</i>	<u>\$ 12,742,293</u>	<u>\$ 6,647,298</u>	<u>\$ 19,389,591</u>

NOTE M - RELATED PARTY LEASE AGREEMENT

The State of Colorado, acting by and through the Trustees of the University, entered into a ground lease on April 1, 2006 with the Foundation. The lease term is through April 1, 2056 and provides for one dollar (\$1.00) annual rent to be paid by the Foundation. The Foundation agrees to use the land for the purpose of construction and operating an academic building for the University's business related academic programs.

Construction of the building was completed in August 2007 and was financed by approximately six million dollars of donations from outside sources.

NOTE N - 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 \$9,343,778 (2013) and \$9,404,112 (2012). Actual appropriated revenue earned, including capital appropriations, totaled \$9,333,473 (2013) and \$9,393,807 (2012). Actual appropriated expenditures and transfers totaled \$9,333,473 (2013) and \$9,393,807 (2012).

Non-Appropriated Funds

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

SUPPLEMENTAL INFORMATION

STATE OF COLORADO
WESTERN STATE COLLEGE OF COLORADO
SCHEDULES OF REVENUE AND EXPENSES
FOR ENTERPRISE REVENUE BONDS
For Years Ended June 30, 2013 and 2012

	2013	2012
REVENUE		
College Service Fees	\$ 1,900,984	\$ 1,649,277
Extended Studies Tuition	2,190,811	1,988,618
10% of Education and General Fund Tuition	1,583,102	1,256,015
Federal Interest Subsidy	1,176,098	1,237,835
Bookstore Sales	971,815	1,078,407
Rental Income	3,547,133	3,094,191
Food Service Income	2,236,601	2,009,956
Sales/Service Auxiliaries	918,758	757,591
Interest Income	71,901	154,279
<i>Total Revenues</i>	14,597,203	13,226,169
EXPENSES		
Employee Compensation	2,172,815	2,523,106
Costs of Goods	811,285	827,089
Utilities	445,122	500,231
Rental	24,964	21,547
Contract Food	1,616,023	1,517,100
Travel	205,053	89,484
Supplies	191,966	186,977
Purchased Services-Personal	925,807	885,635
Financial Aid	154,426	32,377
Administrative Cost Allowance	2,064,060	2,028,096
Furniture & Equipment	9,816	1,836
Other Operating Expenses	104,311	76,650
<i>Total Expenses</i>	8,725,648	8,690,128
<i>Net Revenues before Transfers</i>	5,871,555	4,536,041
TRANSFERS		
Mandatory Transfers	(2,539,968)	(1,857,523)
Non-mandatory Transfers	(91,772)	(93,532)
<i>Total Transfers</i>	(2,631,740)	(1,951,055)
<i>Net Revenue (Loss)</i>	\$ 3,239,815	\$ 2,584,986



**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, 2013 and 2012, and have issued our report thereon dated December 4, 2013. 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, 2013 and 2012 were audited by other auditors. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that reported on separately by those auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit, Western State Colorado University Foundation, were not audited in accordance with the *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and 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. Accordingly we do not express an opinion on the effectiveness of the University's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dalby, Wendland & Co., P.C.

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

December 4, 2013



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, 2013 and 2012, and have issued our report thereon dated Date. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 15, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2013. 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 estimate affecting the financial statements was:

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.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements identified during the audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2013.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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.
Grand Junction, Colorado

December 4, 2013

**STATE-FUNDED STUDENT
ASSISTANCE PROGRAMS SECTION**

WESTERN STATE COLORADO UNIVERSITY
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
For the year ended June 30, 2013

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, 2013, 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, 2013.

State-Funded Student Assistance Programs

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

The State-funded student assistance awards made by the University totaled approximately \$737,000 for the fiscal year ended 2013.

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 College 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 \$2,700,000 in the Pell Grant Program, \$114,000 in the Supplemental Educational Opportunity Grant Program and \$250,000 in the Federal College Work-Study Program.

During the audit period, Western State Colorado University obtained authorizations to award Colorado student financial aid funds of \$506,000 in the Student Grant Program and \$231,000 in the Colorado Work Study Program.



**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:

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, 2013. 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 *2012-13 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. 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, 2013, in accordance with the format as set forth in the *2012-13 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 *2012-2013 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 Restriction

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 Department of 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.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have issued our report dated December 4, 2013 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.



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

December 4, 2013

WESTERN STATE COLORADO UNIVERSITY
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS
Year Ended June 30, 2013

	<u>TOTAL STATE- FUNDED STUDENT ASSISTANCE</u>	<u>CLEAP PROGRAM</u>	<u>SLEAP PROGRAM</u>	<u>STUDENT GRANT PROGRAM</u>	<u>WORK STUDY PROGRAM</u>	<u>COLORADO MERIT SCHOLARSHIP</u>	<u>SCHOLARSHIP FOR PRECOLLEGIATE PROGRAMS</u>	<u>GOVERNOR'S OPPORTUNITY SCHOLARSHIP</u>
APPROPRIATIONS:								
ORIGINAL	\$ 728,096	\$ -	\$ -	\$ 505,788	\$ 222,308	\$ -	\$ -	\$ -
SUPPLEMENTAL	8,525	-	-	-	8,525	-	-	-
TRANSFERS	-	-	-	-	-	-	-	-
RETURNED TO CCHE	-	-	-	-	-	-	-	-
TOTAL	736,621	-	-	505,788	230,833	-	-	-
EXPENDITURES	(736,621)	-	-	(505,788)	(230,833)	-	-	-
REVERSIONS TO STATE	-	-	-	-	-	-	-	-
GENERAL FUND	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WESTERN STATE COLORADO UNIVERSITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND NOTES TO STATEMENTS OF APPROPRIATIONS,
EXPENDITURES, TRANSFERS, AND REVERSIONS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Western State Colorado 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 College Work Study Program (CWS). The CWS is on the accrual basis in that the expense is recognized when the services are performed.

The electronic version of this report is available on the Web site of the Office of the State Auditor

www.state.co.us/auditor

A bound report may be obtained by calling the
Office of the State Auditor
303-869-2800

Please refer to the Report Control Number below when requesting this report.

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