WESTERN COLORADO UNIVERSITY

FINANCIAL AND COMPLIANCE AUDIT

Fiscal Years Ended June 30, 2020 and 2019

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

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WESTERN COLORADO UNIVERSITY

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FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY

As of and for the Years Ended June 30, 2020 and 2019

Authority, Purpose and Scope

The Office of the State Auditor of the State of Colorado engaged Dalby, Wendland, & Co., P.C. (DWC) to conduct a financial and compliance audit of Western Colorado University (the University) for the year ended June 30, 2020. DWC performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States of America. We conducted our fieldwork from June through October 2020.

The purposes and scope of the audit were to:

- Express an opinion on the financial statements of the University as of and for the years ended June 30, 2020 and 2019. This includes a report on internal control over financial reporting and on compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.

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

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

Audit Opinion and Reports Summary

We expressed an unmodified opinion on the University's financial statements as of and for the years ended June 30, 2020 and 2019.

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

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

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

Summary of Findings and Recommendations

There is one finding and recommendation resulting from the audit of the University for the year ended June 30, 2020, relating to accounting controls. A detailed description of the audit comment is contained in the Auditor's Findings and Recommendations section of the report.

Summary of Progress in Implementing Prior Audit Findings

The University's audit report for the year ended June 30, 2019 did not include any findings or recommendations that were required to be implemented during the year ended June 30, 2020.

RECOMMENDATION LOCATOR				
Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1	5	The University should improve its internal controls over cash accounts by: a) Establishing a procedure that specifies a required timeframe for preparation and supervisory review of bank account reconciliations. b) Assigning back-up responsibility for preparation of bank account reconciliations in the event of staffing vacancies.	Agree	Implemented July 2020

Description of Western Colorado University

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

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

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

	2018	2019	2020
Resident Students	1,528.2	1,524.1	1,593.4
Nonresident Students	590.9	646.0	599.0
Total Students Eligible for State Support	2,119.1	2,170.1	2,192.4
Faculty FTEs	156.9	160.6	155.9
Staff FTEs	203.5	211.5	217.8
Total Staff and Faculty FTEs	360.4	372.1	373.7

Description of Western Colorado University Foundation

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

Timely Bank Account Reconciliations

Western Colorado University's (the University) accounting department is responsible for all of the University's financial accounting and reporting, including the accurate and timely reconciliation and review of bank statements. This requires the University to properly implement adequate internal controls over its cash receipts and disbursements process, including a strong bank reconciliation process.

What was the purpose of our audit work and what work was performed?

The purpose of the audit work was to assess the design and effectiveness of the University's internal controls over cash receipts and disbursements. As part of these audit procedures, we performed testing to determine whether monthly bank statement reconciliations were prepared and reviewed in a timely manner.

We reviewed a sample of 40 of 48 bank statements the University received for its 4 bank accounts during Fiscal Year 2020 – 10 from each account - and inspected the University's related documentation to determine if bank reconciliations were prepared and reviewed in a timely manner during the year.

How were the results of the audit work measured?

Bank account reconciliation is a key component of internal controls over cash. As stated in the University's Internal Control procedure memo, Division of Duties (last updated April 2020), the Asset Accountant should reconcile the revenue, clearing, accounts payable, and payroll bank account balances reported within its accounting software to the monthly bank statements for those accounts and these should be reviewed by the controller. This should be done in a timely manner to ensure that:

- All receipts and disbursements are recorded.
- Disbursements are clearing the bank in a reasonable time frame.
- Bank account statements are reviewed timely and reconciled to the University's accounting records.
- Reconciling items are appropriate and are being recorded.
- The reconciled cash balance agrees to the general ledger cash balance.

The bank reconciliation preparation and review should occur shortly after each month end to identify errors or potential fraud in a timely manner.

What problem did the audit work identify?

As a result of our audit test work, we found that bank account reconciliations were not completed for any of the University's 4 bank accounts for the months of January through May 2020 until July 2020. The five months of activity in the 4 accounts included a total of $82.3 million deposits and a total of $82.2 million withdrawals.

Why did this problem occur?

The University had a vacancy in its controller position within its accounting department from January through May 2020, but the University did not have a policy in place that specified an individual to serve as the backup reviewer for bank reconciliations in the event the controller was not available. Further, the University's bank reconciliation policy did not specify timeframe requirements for the completion and review of bank account reconciliations. As a result, the University's Asset Accountant did not prepare the bank reconciliations for the five-month period and a supervisor did not identify the issue until the University hired a new controller in June 2020.

Why does this problem matter?

By failing to perform and review bank reconciliations in a timely manner, the University increases its risk that misstatements related to cash transactions, whether due to errors or fraud, will occur and not be identified and addressed timely.

Classification of Finding: Significant Deficiency

Recommendation No. 1:

The University should improve its internal controls over cash accounts by:

a) Establishing a procedure that specifies a required timeframe for preparation and supervisory review of bank account reconciliations.

b) Assigning back-up responsibility for preparation of bank account reconciliations in the event of staffing vacancies.

Western Colorado University's Response:

Agree. Implementation Date: July 2020

We have implemented procedures to complete all bank reconciliations within five business days of the end of the month. The reconciliation will be signed off on by the Controller and the Asset Accountant preparing the bank reconciliation. The reconciling items will be researched by the appropriate departments (payroll, accounts payable, etc.) on a timely basis and cleared and if we do not know the status of the reconciling items they will be documented. This was implemented in July 2020.

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CPAs and Business Advisors

Grand Junction
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INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee:
Denver, Colorado

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Western Colorado University (the University), an institution of higher education, State of Colorado, as of and for the years ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Western Colorado University Foundation (the Foundation), a discretely presented component unit, discussed in Note A to the basic financial statements, which represents 100 percent of total assets, total revenues, and net assets of the aggregate discretely presented component units as of and for the years ended June 30, 2020 and 2019, respectively. Those financial statements were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundation, are based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions
In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, an institution of higher education, State of Colorado, as of June 30, 2020 and 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note A, the financial statements of the University, an institution of higher education, State of Colorado are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and the discretely presented component unit of the State that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2020 and 2019, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 21 be presented to supplement the basic financial statements. Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions,* requires that the Schedules of the University's Proportionate Share of the Net Pension Liability and the Schedules of University Contributions to the PERA Defined Benefit Pension Plan on pages 66 through 67 be presented to supplement the basic financial statements. Government Accounting Standards Board Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* requires that the Schedules of the University's Proportionate Share of the Net Other Post-Employment Benefits (OPEB) Liability and the Schedules of University Contributions to the PERA Defined OPEB Plan on pages 69 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedules of Revenues and Expenses for Enterprise Revenue Bonds for the years ended June 30, 2020 and 2019 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 for the years ended June 30, 2020 and 2019 are the responsibility of the University's management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado
January 21, 2021

This section of Western Colorado University's (the University) financial report presents management's discussion and analysis of the University's financial position and results of operations as of and for the years ended June 30, 2020 and 2019, with comparative information presented for the year ended June 30, 2018. This discussion focuses on current activities and known facts, and therefore should be read in conjunction with the accompanying financial statements and notes.

Understanding the Financial Statements

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

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

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

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

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

Statements of Net Position

The statements of net position present the assets, deferred outflows, liabilities, deferred inflows, and net position of the University at a point in time (June 30, 2020 and 2019). Their purpose is to present a financial snapshot of the University. They aid readers in determining the assets available to continue the University's operations; how much the University owes to employees, vendors, etc.; and a picture of net position and the availability of assets for expenditure by the University.

During the year ended June 30, 2018, the University adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* (GASB 75), related to the Health Care Trust Fund administered by the Colorado Public Employees' Retirement

Association, which provides post-retirement healthcare subsidies to eligible employees of the University. GASB 75 establishes accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for post-employment benefits other than pensions that are provided to the employees of state and local governmental employers. GASB 75 was implemented prospectively and resulted in the beginning balance of net position being restated for the year ended June 30, 2018 to reflect the implementation of GASB 75.

Statements of Revenues, Expenses, and Changes in Net Position
The statements of revenues, expenses, and changes in net position present the total revenues and expenses of the University for operating, nonoperating, and other capital related purposes during the fiscal years ended June 30, 2020 and 2019. Their purpose is to assess the University's operating and nonoperating activities.

Statements of Cash Flows
The statements of cash flows present cash receipts and payments of the University during the fiscal years ended June 30, 2020 and 2019. Their purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.

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

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

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

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

Financial Highlights

The University's financial net position increased by $10.4 million during the fiscal year ended June 30, 2020, from $42.2 million at June 30, 2019, to $52.6 million at June 30, 2020. The increase in financial net position is related primarily to an increase in state capital support plus *negative* non-cash pension expense due to changes in actuarial assumptions in the State Division Trust Fund of $5.1 million. The increase in liabilities is related primarily to $8.7 million recorded as unearned revenue. The unearned revenue is related to COVID-19 grant funds including Federal Indirect CARES Coronavirus Relief Funds (CRF) of $8.0 million and $0.7 million for Federal Direct CARES Higher Education Emergency Relief Funds (HEERF). The University received $1.3 million in HEERF funds with $0.6 million expended in fiscal year 2020. The CRF funds were not expended in fiscal year 2020. In fiscal year 2019, net position increased by $9.9 million from $32.3 million at June 30, 2018, primarily due to $6.8 million received in capital support and gifts, of which $5.2 million related to the transfer of building assets from the Foundation to the University.

The University's current assets of $36.7 million (2020), $25.1 million (2019), and $20.7 million (2018) were sufficient to cover current liabilities of $16.9 million (2020), $8.6 million (2019), and $7.3 million (2018). The current ratio of 2.17 (2020), 2.92 (2019), and 2.83 (2018) demonstrates the liquidity of University assets and the relative availability of working capital to fund current operations. The decrease in the current ratio is primarily due to including $8.7 million of CRF and HEERF Funds in current liabilities as unearned revenue. Current assets, excluding cash received for CRF and HEERF of $9.3 million, would be $27.4 million. Current liabilities, excluding $8.7 million of unearned revenue related to CRF and HEERF Funds, would be $8.2 million. This would result in a current ratio of 3.34 which indicates there is adequate working capital to fund current operations as well as an increase over the past three years.

Operating income of $5.9 million (2020), $3.6 million (2019) and an operating deficit of $8.5 million (2018) are heavily impacted by non-cash items recognized under GASB 68 (pension) & GASB 75 (OPEB). In fiscal year 2020 and fiscal year 2019, $5.1 million and $2.2 million of *negative* non-cash pension and OPEB expense, respectively, was recognized in contrast to the prior year with $7.8 million (2018) of non-cash pension and OPEB expense. Prior year operating deficits also result partly from the University's dependence on state appropriations for controlled maintenance and Federal Pell grants for operations. The financial reporting model classifies certain grants and contracts and state appropriations as non-operating revenues. Additionally, State Capital Support does not cover the costs of all assets or all corresponding depreciation as they are expensed.

Statements of Net Position

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

Condensed Statements of Net Position
June 30, 2020, 2019 and 2018
(in thousands)

	2020	2019	2018
Assets			
Current Assets	$ 36,724	$ 25,139	$ 20,672
Noncurrent Assets	141,499	141,861	135,066
Total Assets	178,223	167,000	155,738
Total Deferred Outflows	4,268	7,028	12,188
Liabilities			
Current Liabilities	16,920	8,611	7,312
Noncurrent Liabilities	104,658	111,533	126,563
Total Liabilities	121,578	120,144	133,875
Total Deferred Inflows	8,310	11,663	1,733
Net Position			
Net investment in capital assets	56,633	54,600	50,389
Restricted	9,400	8,381	6,580
Unrestricted			
General unrestricted	11,193	8,968	7,546
Effect of GASB 68 and GASB 75 on unrestricted net position (see Notes G & H)	(25,361)	(30,542)	(32,905)
Designated by the Board	738	814	708
Total Net Position	$ 52,603	$ 42,221	$ 32,318

At June 30, the University's total assets were $178.2 million (2020), $167.0 million (2019), and $155.7 million (2018). The largest asset category is the $141.3 million (2020), $141.6 million (2019), and $134.6 million (2018) in capital assets, net of depreciation, which includes land, buildings, equipment, library holdings, and construction in progress.

Cash and cash equivalents (bank deposits, pooled cash with the State Treasurer, and highly liquid investments) comprised $34.4 million (2020), $22.2 million (2019), and $18.0 million (2018) of total assets.

GASB Statement No. 65 defines certain elements of the financial statements previously reported as assets or liabilities as deferred outflows or deferred inflows of resources. Assets and liabilities are resources and obligations with present service capacities and present obligations, while deferred outflows and inflows of resources are acquisitions and uses of net assets that relate to a future period. Unamortized book losses on certain bond refinancing transactions of $3.0 million (2020), $3.2 million (2019), and $3.5 million (2018) are recognized as deferred outflows. The University also has both deferred outflows and inflows related to amounts recognized on its defined benefit pension plan and defined benefit other post-employment benefit plan in accordance with GASB 68 and GASB 75. Pension and other post-employment benefit related deferred outflows were $1.3 million (2020), $3.8 million (2019), and $8.7 million (2018). The reductions in fiscal years 2020, 2019 and 2018 primarily relate to the amortization of prior year deferred outflows. Pension and other post-employment benefit related deferred inflows were $8.3 million (2020), $11.7 million (2019), and $1.7 million (2018). In fiscal year 2020, the decrease of $3.4 million in deferred inflows is due to changes in actuarial assumptions related to pension and OPEB. In fiscal year 2019, new legislation enacted led to significant changes in the assumptions underlying the measurement of the net pension liability, which significantly increased deferred inflows. See Notes G and H to the financial statements for additional information on the composition of the University's deferred outflows and deferred inflows related to pension and OPEB.

Bonds and notes payable of \$87.7 million (2020), \$90.2 million (2019), and \$87.6 million (2018) represent 72.1 percent (2020), 75.0 percent (2019), and 65.5 percent (2018) of the University's total liabilities of \$121.6 million (2020), \$120.1 million (2019), and \$133.9 million (2018). The University's debt is discussed in detail in Note E. The decrease in bonds and notes payable in fiscal year 2020 primarily relates to the payment of bond principal during the year. The increase in bonds and notes payable in fiscal year 2019 is due to the issuance of \$4.5 million in private borrowing offset by principal payments. The current portion of bonds and notes payable is \$2.4 million (2020), \$2.3 million (2019), and \$1.9 million (2018).

The next largest component of liabilities relates to the University's recognition of its proportionate share of the unfunded pension and other post-employment benefit liabilities for the cost-sharing multiple-employer defined benefit plans administered by PERA, as discussed in Note G and H. The University's net pension and other post-employment liabilities of \$18.3 million (2020), \$22.7 million (2019), and \$39.9 million (2018) represents 15.1 percent (2020), 18.9 percent (2019), and 29.8 percent (2018) of the University's total liabilities. While the University is required to record this liability, the University is under no obligation to fund the liability. In fiscal year 2020, the University's liability decreased 19.2 percent from prior year. In fiscal year 2019, a change in legislation led to a significant reduction in the net pension liability.

Net position consisted of \$56.6 million (2020), \$54.6 million (2019), and \$50.4 million (2018) in net investment in capital assets. In addition, \$9.4 million (2020), \$8.4 million (2019), and \$6.6 million (2018) is externally restricted for specific purposes and (\$13.4) million (2020), (\$20.8) million (2019), and (\$24.7) million (2018) is unrestricted. Unrestricted net position is significantly impacted by recognition of the PERA unfunded pension and other post-employment benefit liabilities, with reductions to unrestricted net position of \$25.4 million (2020), \$30.5 million (2019), and \$32.9 million in (2018). Excluding that impact, unrestricted net position is \$12.0 million (2020), \$9.8 million (2019), \$8.2 million (2018). The following table reconciles total net position excluding the impact of GASB 68 and GASB 75.

Reconciliation of Net Position, excluding the impact of GASB 68 & GASB 75
June 30, 2020, 2019 and 2018
(in thousands)

	2020	2019	2018
Net Position (GAAP Basis)	\$ 52,603	\$ 42,221	\$ 32,318
Add back:			
GASB 68 Impact – Pension	24,552	29,714	32,094
GASB 75 Impact – OPEB	809	828	810
Net Position, excluding the impact of GASB 68 & GASB 75	\$ 77,964	\$ 72,763	\$ 65,222

Statements of Revenues, Expenses and Changes in Net Position

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

Gross tuition and fee revenue for fiscal year 2020 decreased 2.4 percent from fiscal year 2019. In fiscal year 2020, undergraduate tuition rates remained flat, while undergraduate FTE decreased by 1.4 percent. The Extended Studies programs also had a decrease in revenues due to COVID-19. In fiscal year 2019 gross tuition and fee revenue increased 6.7 percent from fiscal year 2018. Undergraduate tuition rates remained flat, but certain fees increased, while undergraduate FTE increased by 3 percent. The Extended Studies programs also had an increase in revenues. Tuition and fee related scholarship allowances of $11.7 (2020), $11.3 million (2019), and $10.6 million (2018) continue to increase each year. Scholarship allowances are defined as the financial aid awarded to students by the University that is used to pay University charges. The scholarship allowance is recognized as a direct reduction of revenue rather than an increase in financial aid expense. Net tuition and fee revenues for the year ending June 30, 2020 were $24.8 million, a $0.6 million decrease from 2019. Net tuition and fee revenue in 2019 was $25.4 million, a $1.6 million increase from 2018.

Net operating income of $5.9 million in fiscal year 2020 and $3.6 million in 2019 contrasts with an operating deficit of $8.5 million in fiscal year 2018. Net operating deficits are common in higher education since the financial reporting model classifies certain items, like Pell grant revenue, separately from operating revenues. Additionally, State Capital Support does not cover the costs of all assets or all corresponding depreciation as they are expensed. The University's net position increased by $10.4 million in fiscal year 2020 and $9.9 million in fiscal year 2019. In fiscal year 2020 this increase is reflective of improved operations, with a decrease in operating expenses and the recognition of $5.1 million of *negative* non-cash expense related to GASB 68 and GASB 75. For fiscal year 2019 it is due primarily to $6.8 million in capital grants and gifts, of which $5.2 million related to the transfer of building assets from the Foundation to the University, and the recognition of $2.2 million of *negative* non-cash expense related to GASB 68 and GASB 75.

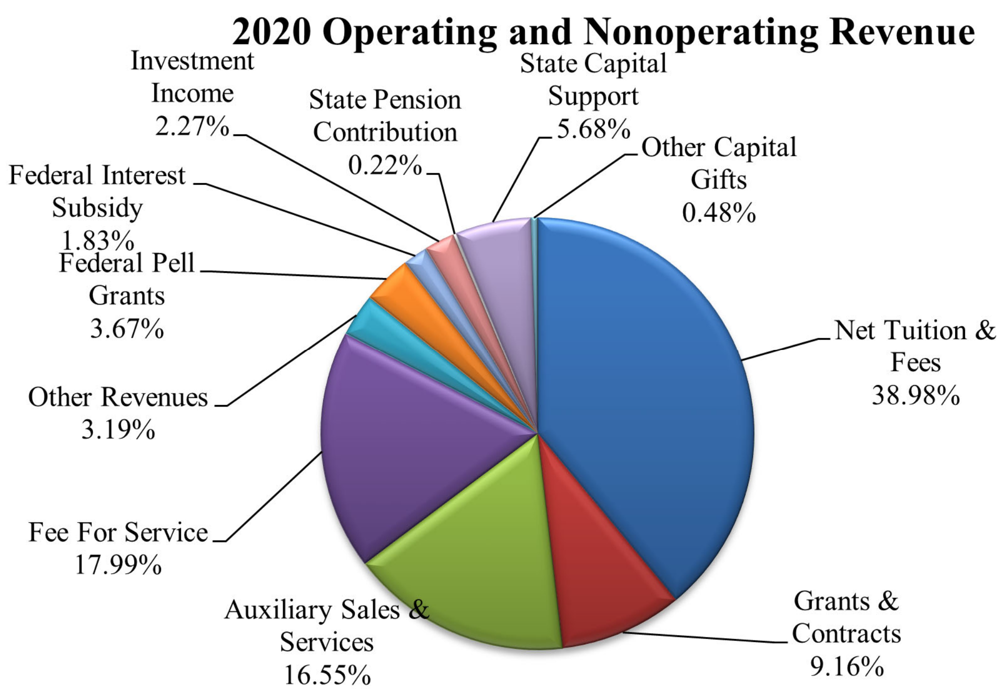
Condensed Statements of Revenue, Expenses, and Changes in Net Position
June 30, 2020, 2019 and 2018
(in thousands)

	2020	2019	2018
Operating Revenue			
Tuition and fees, net	$ 24,796	$ 25,363	$ 23,771
Federal, state, and private grants and contracts	5,826	7,369	5,643
Fee for service revenue	11,440	10,702	8,828
Sales and services of auxiliary enterprises, net	10,523	11,922	11,117
Other operating revenue	2,026	635	675
Total Operating Revenue	54,611	55,991	50,034
Operating Expenses			
Instruction	16,821	17,992	20,468
Academic support	3,016	2,829	3,316
Student services	5,544	5,616	5,334
Institutional support	4,906	5,658	5,977
Operation and maintenance of plant	1,707	2,681	5,467
Auxiliary enterprises	9,619	11,149	11,280
Depreciation	5,590	5,410	5,574
Other	1,455	1,069	1,141
Total Operating Expenses	48,658	52,404	58,557
Net Operating Income (Loss)	5,953	3,587	(8,523)

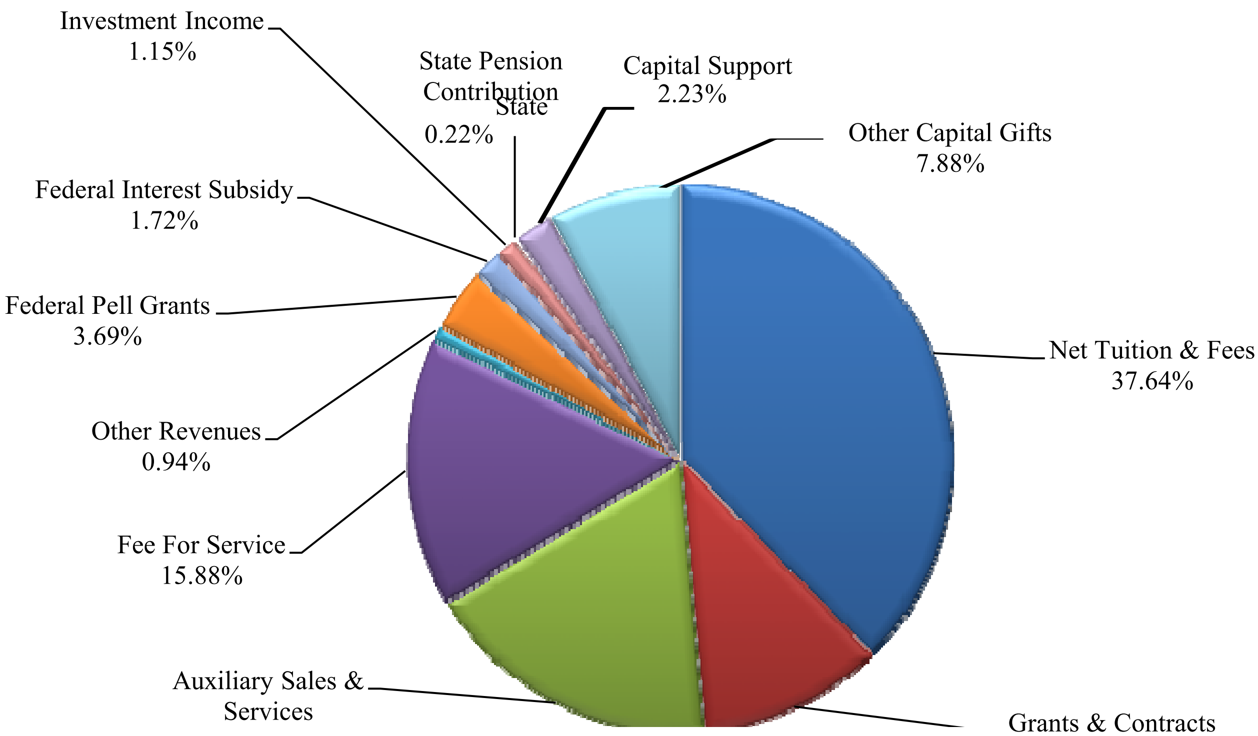
Nonoperating Revenue (Expenses)			
Federal Pell grants and interest subsidy	$ 3,495	$ 3,646	$ 3,675
Federal Direct CARES Act HEERF grants	627	-	-
Investment and interest income	1,444	778	148
Interest expense on capital debt	(4,992)	(4,965)	(4,931)
Other nonoperating revenues (expenses)	(57)	47	(106)
Net Nonoperating Expense	517	(494)	(1,214)
Income (Loss) before Capital Contributions	6,470	3,093	(9,737)
Capital Contributions and Gifts			
State capital support and other capital gifts	3,913	6,810	2,376
Increase (Decrease) in Net Position	10,383	9,903	(7,361)
Net Position:			
Net Position, beginning of year	42,220	32,318	40,469
Cumulative effect of adoption of new accounting standard	-	-	(790)
Net Position, beginning of year, as restated	42,220	32,318	39,679
Net Position, end of year	$ 52,603	$ 42,221	$ 32,318

Revenue by Source

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



2019 Operating and Nonoperating Revenue



Capital Assets

At June 30, 2020, the University had $141.3 million invested in capital assets, net of accumulated depreciation of $97.2 million. At June 30, 2019, the University had approximately $141.6 million invested in capital assets, net of accumulated depreciation of $91.6 million. The acquisition of two building MDA Tgs from the Foundation in fiscal year 2019 increased the net book value of Buildings and Improvements by $9.7 million. Depreciation charges were $5.4 million for the year ended June 30, 2019. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets. Details of capital asset balances are shown below.

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

	June 30, 2020	June 30, 2019	June 30, 2018
Land and Improvements	$ 4,408	$ 4,408	$ 4,408
Construction in Progress	2,439	1,465	1,810
Land Improvements, Net	250	293	336
Buildings and Improvements, Net	132,722	133,827	126,613
Furniture and Equipment, Net	1,303	1,334	1,205
Library Materials, Net	193	224	237
Total	$ 141,315	$ 141,551	$ 134,609

The following significant capital projects were in progress at June 30, 2020 (in thousands):

Campus Roof Repair / Replacement	$ 878
Savage Library Renovation	322
Storm Water Mitigation Project	509
Moffat Flood Project	730
	$ 2,439

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

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

Debt

At June 30, 2020, the University had $87.7 million in debt outstanding, a decrease of $2.5 million from the debt outstanding of $90.2 million as of June 30, 2019 related to principal paid during the fiscal year. At June 30, 2019, the University had $90.2 million in debt outstanding, an increase of $2.6 million from the debt outstanding of $87.6 million as of June 30, 2018. The increase primarily relates to the issuance of $4.5 million in new University debt in January 2019, which was used to acquire two buildings from the Foundation for $5.2 million, offset by principal payments made on borrowings during the fiscal year. The table below summarizes the amounts by type of debt.

Outstanding Debt at Year-End (in thousands)

	June 30, 2020	June 30, 2019	June 30, 2018
Auxiliary Revenue Bonds	$ 83,129	$ 85,533	$ 87,518
Direct Borrowing Bonds	4,535	4,535	-
Notes Payable	-	100	125
Total	$ 87,664	$ 90,168	$ 87,643

Economic Outlook

The University's ability to carry out its mission, maintain and improve academic offerings, meet operational costs, and maintain facilities is influenced by a variety of factors. The largest drivers are state funding, enrollment and tuition revenues/rates, compensation costs, and debt service. The COVID-19 global pandemic and its impacts on fiscal year 2020 will continue to be felt through fiscal year 2021 and, possibly beyond.

State Funding
State operating support comes in two forms: Fee for Service payments and Student Stipends funded by the College Opportunity Fund. In fiscal year 2021, the University was appropriated $6.4 million in state operating support, a decrease of 58 percent from fiscal year 2020. It will be critical that the State reinstate all or most of the 58 percent cut in state support in fiscal year 2022, particularly if additional Federal funds are not provided. While the legislative Joint Budget Committee has indicated re-instatement of the higher education funding as a top priority, economic conditions and constitutional limitations will ultimately shape funding levels for Colorado higher education institutions in fiscal year 2022. Encouraging was the September 2020 economic forecast which

showed marked improvement in revenue estimates for fiscal year 2022. Regarding constitutional limitations, in November 2020, Colorado voters will consider a measure (Amendment B) that will eliminate the Gallagher Amendment and allow the state to stabilize residential property assessment rates, providing more room in the state budget for higher education funding.

State capital funding plays an important role in the University's ability to maintain its facilities and the University has been successful in recent years in receiving support for major projects, including the construction of a new maintenance garage and various controlled maintenance projects (e.g., heating system improvements, roof upgrades, boiler replacements and storm water mitigation). Despite the severe challenges facing the state budget, the University did receive in fiscal year 2021 $1.3 million in state support to address accessible routes around campus. While the University does not have any major capital construction needs on the horizon, continued funding will be necessary to address on-going deferred maintenance needs. The expected challenges in state support over the next year or more will require the University to rely more on internal funds to address these needs.

COVID-19 Funding
The University received $8.0 million in Federal indirect CARES Act funding through the Governor's Office in May 2020 for allowable uses that include:

- Expenses to respond to the COVID-19 public health emergency.
- Expenses to meet mental health needs of students experiencing trauma or mental health challenges as a result of COVID-19.
- Expenses to prepare for school closures and re-openings resulting from COVID-19.
- Expenses to facilitate distance learning in connection with school closings.
- Personnel expenses necessary to respond to the COVID-19 public health emergency, including payroll costs for employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency, expenses to improve telework capabilities for employees to enable compliance with public health precautions and the cost of providing family and medical leave to employees to enable compliance with COVID-19 public heath precautions.
- Expenses to facilitate distance learning, including technological improvements, curriculum development, online learning materials, student outreach support, and payroll costs for faculty and support staff responsible for developing online instruction in response to the COVID-19 public health emergency.
- Expenses related to providing economic support to educate students affected by COVID-19 by maintaining enrollment, retention and credential completion.

The Federal indirect CARES Act funding from the Governor's Office will be expended in fiscal year 2021.

Enrollment and Tuition Revenues/Rates
Student FTE enrollment in fiscal year 2020 was 2,192, which represented a 1.0 percent increase over fiscal year 2019. Enrollment is a significant driver of University revenues and the University has enacted a number of initiatives to increase enrollment and retain students. After enjoying relatively stable enrollment for several years, like most institutions, COVID-19 has impacted fall 2020 enrollments. Based on preliminary fall enrollments, the University expects overall undergraduate student FTE to be down approximately 8.0 percent in fiscal year 2021. Graduate enrollment is projected to be slightly up for fiscal year 2021.

After consideration of the current pandemic and the impact it has had on state funding, the University implemented a modest increase (2 percent) in undergraduate tuition and fee rates for the current fiscal year. This is the first year in the last three that the University increased tuition rates. In the last decade, with the general decline in State operating support for higher education, there has been a shift in the cost burden to students, both at the University and other Colorado public IHEs. In spite of this, the University remains one of the best values in the State and the University will continue to control tuition increases and balance them with enhanced financial support for students.

Compensation Costs
Consistent with most institutions of higher education, the University spends over 60 percent of its education and general budget on salaries and benefits. Although the University spends the majority of its budget on personnel costs, University salaries lag peers in several categories. Unfortunately, due to the economic conditions brought on by COVID-19, the University was unable to provide for compensation increases for fiscal year 2021 and has had to enact temporary and limited furloughs, including ones for executive staff. These compensation decisions, along with operating budget cuts, allowed the University to balance the fiscal year 2021 budget and provide additional funding to address COVID-19 related needs which allowed students to return to campus in fall 2020. Salary and benefits will continue to be a significant driver of operating budgets as the University strives for salary competitiveness and as benefit costs continue to increase. The University continues to work actively with benefit providers to control costs while still providing quality, competitive benefit packages for employees.

Debt Service
In order to improve and maintain facilities, the University has increased its debt burden significantly over the last decade. Prior to application of the University's federal interest subsidy (approximately $1.1 million), in fiscal year 2020, the University paid $7.2 million in debt service and is scheduled to make $7.2 million in debt service payments in fiscal year 2021. In fiscal year 2020, included in the $7.2 million debt service payment, was the retirement of the Series 2010A bonds.

The University's current annual debt service schedule maintains at approximately $7.2 million over the next several years. The University uses a combination of student fees and auxiliary revenues to meet its debt service burden. The University also maintains a debt service reserve, which can be used to meet debt service needs in the case of an unanticipated decrease in operating income. The University added $0.5 million to that reserve in fiscal year 2020, bringing the reserve balance to $3.4 million.

Strategic Resource Allocation Study
In fiscal year 2020, the University engaged the campus community in a Strategic Resource Allocation (SRA) study. The purpose of this study was to assess all academic and non-academic departments/programs (127 in total) against a set of 8 criteria (e.g., demand, productivity, growth, innovation, etc.) to ensure department/program alignment with the University's mission and strategic plan. After each department/program was scored by teams of faculty and staff, departments/programs were categorized into five percentile tiers. An implementation team has been using the data, along with conversations with departments/programs, to develop recommendations for consideration by the Board of Trustees. These recommendations will include department/program eliminations, funding reductions and funding investments with the overall goal of maximizing the alignment of University's resources with our mission and strategic plan. It is anticipated that the Board will receive all recommendations and fiscal analysis by mid December 2020.

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

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

BASIC FINANCIAL STATEMENTS SECTION

WESTERN COLORADO UNIVERSITY

STATEMENTS OF NET POSITION

As of June 30, 2020 and 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 34,426,199**	$ 22,160,563
Investments	**146,388**	130,574
Student accounts receivable, net	**469,267**	849,692
Other accounts receivable, net	**1,052,870**	991,379
Student loans receivable, net	**25,641**	48,011
Inventories	**325,817**	381,380
Other current assets	**277,639**	577,481
Total Current Assets	**36,723,821**	25,139,080
Noncurrent Assets		
Student loans receivable, net	**184,886**	309,692
Total Noncapital Noncurrent Assets	**184,886**	309,692
Nondepreciable Capital Assets		
Land	**2,503,736**	2,503,736
Land improvements	**1,904,083**	1,904,083
Construction in progress	**2,438,633**	1,464,533
Total Nondepreciable Capital Assets	**6,846,452**	5,872,352
Depreciable Capital Assets, Net		
Land improvements, less accumulated depreciation of $482,529 (2020) and $439,425 (2019)	**250,027**	293,130
Buildings and improvements, less accumulated depreciation of $87,679,011 (2020) and $82,537,634 (2019)	**132,721,843**	133,827,292
Furniture, equipment and software, less accumulated depreciation of $3,108,807 (2020) and $2,762,456 (2019)	**1,302,715**	1,333,686
Library materials, less accumulated depreciation of $5,893,219 (2020) and $5,837,090 (2019)	**193,116**	224,486
Total Depreciable Capital Assets, Net	**134,467,701**	135,678,594
Total Noncurrent Assets	**141,499,039**	141,860,638
Total Assets	**178,222,860**	166,999,718
DEFERRED OUTFLOWS		
Loss on bond refundings	**2,982,237**	3,216,768
Pension related (See Note G)	**1,230,573**	3,741,136
Other post-employment benefit related (See Note H)	**55,230**	69,788
Total Deferred Outflows	**4,268,040**	7,027,692

See accompanying notes.

WESTERN COLORADO UNIVERSITY

STATEMENTS OF NET POSITION

As of June 30, 2020 and 2019

		2020	2019
LIABILITIES			
Current Liabilities			
Accounts payable		**673,927**	1,652,891
Accrued liabilities		**1,729,195**	1,992,033
Unearned revenue		**11,265,751**	1,594,622
Student deposits		**721,801**	944,715
Bonds and notes payable, current portion		**2,390,000**	2,290,000
Compensated absence liabilities, current portion		**138,943**	136,922
	Total Current Liabilities	**16,919,617**	8,611,183
Noncurrent Liabilities			
Bonds and notes payable		**85,273,572**	87,878,059
Compensated absence liabilities		**1,047,635**	964,508
Net pension liability (See Note G)		**17,667,532**	21,811,916
Net other post-employment benefit liability (See Note H)		**669,330**	878,480
	Total Noncurrent Liabilities	**104,658,069**	111,532,963
	Total Liabilities	**121,577,686**	120,144,146
DEFERRED INFLOWS			
Pension related (See Note G)		**8,114,837**	11,642,867
Other post-employment benefit related (See Note H)		**194,875**	19,949
	Total Deferred Inflows	**8,309,712**	11,662,816
NET POSITION			
Net investment in capital assets		**56,632,818**	54,599,655
Restricted for:			
Loans		**393,902**	542,862
Debt service		**9,006,084**	7,838,411
Unrestricted		**(13,429,302)**	(20,760,480)
	Total Net Position	**$ 52,603,502**	$ 42,220,448

See accompanying notes.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

		2020	2019
Assets			
Cash and cash equivalents		$ 464,725	$ 117,360
Accounts receivable		6,795	28,841
Promises to give, net		1,793,995	179,178
Marketable securities		21,371,025	21,394,396
Other assets		479,206	468,945
Property and equipment, net of accumulated depreciation		1,038,081	1,064,169
	Total Assets	$ 25,153,827	$ 23,252,889
Liabilities			
Accounts payable		$ 50,794	$ 71,632
Accrued compensated absences and additional compensation		49,356	45,382
Note payable- Paycheck Protection Program		99,784	-
Liabilities under charitable gift annuities		143,905	150,194
	Total Liabilities	343,839	267,208
Net Assets			
Without donor restrictions			
Undesignated		(2,508,824)	(2,868,632)
With donor restrictions			
Perpetual in nature		9,808,165	20,499,596
Purpose restrictions		16,515,381	7,229,061
Time-restricted for future period		1,793,995	179,178
Underwater endowments		(798,729)	(2,053,522)
		27,318,812	25,854,313
	Total Net Assets	24,809,988	22,985,681
	Total Liabilities and Net Assets	$ 25,153,827	$ 23,252,889

The accompanying notes are an integral part of these statements.

WESTERN COLORADO UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenue		
Tuition and fees, including $13,984,495 (2020) and $13,565,303 (2019) pledged for bonds	**$ 36,542,369**	$ 36,689,199
Less: scholarship allowances	**(11,746,842)**	(11,326,691)
Net Tuition and Fees	**24,795,527**	25,362,508
Federal, state, and private grants and contracts, including $217,832 (2020) and $200,518 (2019) pledged for bonds	**5,826,081**	7,369,264
Fee for service revenue	**11,439,715**	10,702,339
Sales and services of auxiliary enterprises, including $10,419,137 (2020) and $11,007,499 (2019) pledged for bonds	**10,828,326**	12,136,621
Less: scholarship allowances	**(305,013)**	(214,867)
Net Sales and Services of Auxiliary Enterprises	**10,523,313**	11,921,754
Other operating revenue, including $63,834 (2020) and $58,760 (2019) pledged for bonds	**2,026,053**	635,186
Total Operating Revenue	**54,610,689**	55,991,051
Operating Expenses		
Instruction	**16,821,027**	17,992,112
Research	**468,798**	390,720
Public service	**119,716**	420,829
Academic support	**3,015,663**	2,829,046
Student services	**5,544,162**	5,616,028
Institutional support	**4,906,463**	5,658,501
Operation and maintenance of plant	**1,706,642**	2,681,152
Scholarships and fellowships	**865,811**	257,327
Auxiliary enterprises	**9,619,498**	11,148,543
Depreciation	**5,589,801**	5,409,879
Total Operating Expenses	**48,657,581**	52,404,137
Operating Income	**5,953,108**	3,586,914
Nonoperating Revenue (Expenses)		
Federal Pell grants	**2,331,696**	2,487,158
Federal interest subsidy, including $1,163,178 (2020) and $1,159,233 (2019) pledged for bonds	**1,163,178**	1,159,233
Federal CARES Act Higher Education Emergency Relief Fund	**627,362**	-
Investment and interest income, including $256,554 (2020) and $237,718 (2019) pledged for bonds	**1,443,883**	778,147
State support for pensions	**140,354**	150,456
Interest expense on capital debt	**(4,992,237)**	(4,964,823)
Other nonoperating expenses	**(197,642)**	(103,830)
Net Nonoperating Revenue (Expenses)	**516,594**	(493,659)
Income Before Capital Contributions	**6,469,702**	3,093,255
Capital Contributions		
State capital support	**3,610,357**	1,502,697
Other capital gifts	**302,995**	5,307,097
Increase in Net Position	**10,383,054**	9,903,049
Net Position - beginning of year	**42,220,448**	32,317,399
Net Position - end of year	**$ 52,603,502**	$ 42,220,448

See accompanying notes.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 217,103	$ 4,048,600	$ 4,265,703
Fundraising Revenue	-	88,600	88,600
In-kind contributions	-	123,432	123,432
Net investment return	1,242	252,569	253,811
Service agreement income – Western Colorado University	270,000	-	270,000
Royalties	-	37,909	37,909
Reclassification of net assets	178,953	(178,953)	-
Net assets released from restrictions	2,907,658	(2,907,658)	-
TOTAL REVENUE AND SUPPORT	3,574,956	1,464,499	5,039,455
EXPENSES			
Program expenses	2,440,837	-	2,440,837
Management and general	342,256	-	342,256
Fundraising	432,055	-	432,055
TOTAL EXPENSES	3,215,148	-	3,215,148
CHANGES IN NET ASSETS	359,808	1,464,499	1,824,307
NET ASSETS BEGINNING OF YEAR	(2,868,632)	25,854,313	22,985,681
NET ASSETS – ENDING OF YEAR	**$ (2,508,824)**	**$ 27,318,812**	**$ 24,809,988**

The accompanying notes are an integral part of these statements.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

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

The accompanying notes are an integral part of these statements.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Expenses	Management and General	Fundraising	Total
Personnel costs	$ 442,778	$ 257,492	$ 290,807	$ 991,077
Scholarships	826,681	-	-	826,681
Capital equipment and software	471,178	2,735	2,050	475,963
Supplies and equipment	152,037	-	-	152,037
In-kind expenses	123,432	-	-	123,432
Official functions	92,460	-	3,380	95,840
Biology research	92,719	-	-	92,719
Travel	74,527	-	-	74,527
Direct cost of fundraising	-	-	72,334	72,334
Professional fees	46,474	14,336	-	60,810
Dues and subscriptions	38,835	1,325	-	40,160
Bad debt expense	-	-	35,551	35,551
Honorariums/miscellaneous program expenses	31,765	-	-	31,765
Depreciation expense	-	28,111	-	28,111
Annuity disbursements	20,788	-	-	20,788
Insurance	2,194	15,399	-	17,593
Administrative fees	9,498	6,772	-	16,270
International studies	12,600	-	-	12,600
Publication costs	-	-	11,683	11,683
Other fundraising expenses	-	-	11,648	11,648
Office supplies	-	10,102	-	10,102
Board of directors' expenses	-	2,821	-	2,821
Capital campaign	-	-	2,563	2,563
Miscellaneous	-	2,552	-	2,552
Property taxes	2,505	-	-	2,505
Director's expense	-	-	2,039	2,039
Postage	-	611	-	611
Advertising	366	-	-	366
TOTAL	**$ 2,440,837**	**$ 342,256**	**$ 432,055**	**$ 3,215,148**

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

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

WESTERN COLORADO UNIVERSITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

		2020		2019
Cash Flows from Operating Activities				
Cash Received				
Tuition and fees	**$**	**24,600,789**	$	25,531,339
Sales of services		**20,528,683**		21,946,961
Sales of product		**1,834,615**		793,096
Grants, contracts and gifts		**6,468,729**		6,177,292
CARES CRF and HEERF Funding		**8,673,444**		-
Student loans collected		**94,161**		119,856
Other operating receipts		**1,879,408**		641,067
Cash Payments				
Payments to or for employees		**(30,361,749)**		(29,230,336)
Payments to suppliers		**(16,719,103)**		(18,034,739)
Scholarships disbursed		**(865,811)**		(257,327)
Net Cash Provided by Operating Activities		**16,133,166**		7,687,209
Cash Flows from Noncapital Financing Activities				
Federal, state, private grants & contracts		**3,985,944**		3,648,984
Other agency inflows (outflows)		**(260,514)**		147,202
Net Cash Provided by Noncapital Financing Activities		**3,725,430**		3,796,186
Cash Flows from Capital and Related Financing Activities				
State capital support		**3,610,357**		1,502,696
Capital gifts & grants		**453,666**		-
Acquisition or construction of capital assets		**(5,780,494)**		(2,843,639)
Principal paid on capital debt		**(2,265,000)**		(1,845,000)
Interest on capital debt		**(5,039,944)**		(4,798,232)
Cost of issuance		**-**		(59,768)
Net Cash Used for Capital and Related Financing Activities		**(9,021,415)**		(8,043,943)
Cash Flows from Investing Activities				
Investment earnings		**1,428,455**		765,477
Net Cash Provided by Investing Activities		**1,428,455**		765,477
Net Increase in Cash and Cash Equivalents		**12,265,636**		4,204,929
Cash and Cash Equivalents - beginning of year		**22,160,563**		17,955,634
Cash and Cash Equivalents - end of year	**$**	**34,426,199**	$	22,160,563

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities

Operating income	**$**	**5,953,108**	$	3,586,914
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation		**5,589,801**		5,409,879
Provision for uncollectable accounts		**200,030**		(44,382)
Compensated absences adjustment		**85,147**		101,975
Non-cash pension & OPEB expense (See Notes G & H)		**(5,041,162)**		(2,212,027)
Changes in assets and liabilities:				
Receivables		**310,076**		162,956
Inventories		**55,563**		67,142
Other assets		**249,987**		(408,515)
Student loans		**94,149**		117,006
Accounts payable		**(520,750)**		276,623
Accrued liabilities		**(204,933)**		155,518
Unearned revenue		**9,530,489**		291,784
Deposits held for others		**(168,339)**		182,336
Net Cash Provided by Operating Activities	**$**	**16,133,166**	$	7,687,209

Increase (decrease) in accounts payable and accrued liabilities related to capital assets	**$**	**(448,367)**	$	(205,598)
Unrealized (gain) loss on investments	**$**	**(15,814)**	$	(12,284)
Amortization of deferred bond refunding loss	**$**	**234,531**	$	234,531
Amortization of bond discount (premium)	**$**	**(214,487)**	$	(139,487)
Foundation capital gift, net of debt transfer	**$**	**-**	$	5,156,426

See accompanying notes.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 1,824,307	$ (4,277,623)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	28,111	360,594
Bad debt expense	35,551	-
Collections of contributions restricted to endowments	(134,819)	(437,944)
Realized gain on contribution of facilities	-	(4,3473,945)
Net realized and unrealized (gains) and losses on investments	(42,684)	(1,336,430)
Contribution of facilities	-	9,681,665
Increase in value of life insurance policy	(10,261)	(22,843)
Net change in split interest liabilities	(6,289)	(18,085)
Changes in operating assets and liabilities -		
(Increase) decrease in accounts receivable	22,046	(4,895)
(Increase) decrease in promises to give	(1,650,368)	85,887
(Decrease) increase in accounts payable	(20,838)	41,015
(Decrease) increase in accrued liabilities	3,974	(249,902)
NET CASH FROM OPERATING ACTIVITIES	48,730	(522,506)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of operating investments	(11,399,576)	(2,729,534)
Proceeds from sales and maturities of operating investments	11,465,631	2,183,607
Purchase of buildings and improvements	(2,023)	(14,947)
NET CASH USED FOR INVESTING ACTIVITIES	64,032	(560,874)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted to endowments	134,819	437,944
Proceeds from note payable – Paycheck Protection Program	99,784	-
Proceeds from charitable gift annuity agreements	-	40,000
Principal payments on bonds	-	(124,245)
NET CASH FROM FINANCING ACTIVITIES	234,603	353,699
NET CHANGE IN CASH AND CASH EQUIVALENTS	**347,365**	**(729,681)**
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	117,360	847,041
CASH AND CASH EQUIVALENTS – END OF YEAR	**$ 464,725**	**$ 117,360**
SUPPLEMENTAL INFORMATION		
Interest paid	$ -	$ 77,196

The accompanying notes are an integral part of these statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

Governance

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

Reporting Entity

The accompanying financial statements reflect the financial activities of the University for the fiscal years ended June 30, 2020 and 2019. The University is an institution of higher education of the State. Thus, for financial reporting purposes, the University is included as part of the State's primary government. A copy of the State's Comprehensive Annual Financial Report may be obtained from the Colorado Office of the State Controller (OSC), Department of Personnel and Administration (DPA), Denver, Colorado.

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

Basis of Accounting

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

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

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

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

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

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

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

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

Student Loans Receivable
Student loans receivable consists of amounts due from students related to loans awarded to students through the Federal Perkins Loan program. The Federal Perkins Loan program ended on September 30, 2017 with final disbursements through June 30, 2018. Student loans receivable includes existing Perkins Loans, but not new Perkins Loans. The University records the current portion of the receivable as the amount of principal their third-party service provider has collected in the current year and this approximates the amount estimated to be collected in the following year. Student loans receivable are reported net of estimated uncollectible amounts. The University assumes that loan receivables over two years past due are 100 percent uncollectible for reporting purposes.

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

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

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

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

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

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

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

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

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

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

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

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

Scholarship Allowances
Student tuition and fee revenue, and certain other revenue from students, are reported net of scholarship allowances in the statements of revenues, expenses and changes in net position. Scholarship allowances are the differences between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenue in the University's financial statements. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition, fees and housing for the years ended June 30, 2020 and 2019 were $12,051,855 and $11,541,558.

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

Net investment in capital assets – This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of the net investment in capital assets.

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

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

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

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

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

Income Taxes
As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code (IRC) and a similar provision of State law. However, the University is subject to income tax on any unrelated business taxable income. The University did not have any significant unrelated business taxable income in fiscal year 2020 or 2019.

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

NOTE B – CASH AND INVESTMENTS

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

	2020	2019
Cash on hand	$ 210,570	$ 26,421
Cash in local banks	1,826,735	1,367,555
	$ 2,037,305	$ 1,393,976

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

State Treasurer's Pooled Cash and Investments
The University deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-

601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2020 and 2019, the University had cash on deposit with the State Treasurer of $32,388,894 and $20,766,587 which represented approximately 0.35 percent and 0.23 percent of the total $9,358.1 million and $9,096.5 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2020, the Pool's resources included $16.0 million of cash on hand and $9,342.1 million of investments.

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

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Comprehensive Annual Financial Report for the year ended June 30, 2020.

Investments

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

NOTE C – RECEIVABLES AND PAYABLES

At June 30, receivable balances were as follows:

2020	Gross Receivable	Allowance for Uncollectible Amounts	Net Receivable
Student accounts receivable	$ 1,002,332	$ (533,065)	$ 469,267
Other accounts receivable	1,052,870	-	1,052,870
Student loans receivable	94,149	(68,508)	25,641
Noncurrent student loans receivable	678,861	(493,975)	184,886

2019	Gross Receivable	Allowance for Uncollectible Amounts	Net Receivable
Student accounts receivable	$ 1,230,710	$ (381,018)	$ 849,692
Other accounts receivable	991,379	-	991,379
Student loans receivable	117,006	(68,995)	48,011
Noncurrent student loans receivable	751,773	(442,081)	309,692

At June 30, accrued liabilities balances were as follows:

	2020	2019
Accrued payroll and benefits	$ 1,066,049	$ 1,270,982
Retainage payable	59,571	49,725
Accrued interest payable	603,575	671,326
Total Accrued Liabilities	$ 1,729,195	$ 1,992,033

NOTE D – CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the years ended June 30, 2020 and 2019.

	Balance June 30, 2019	Additions	Deletions/ Transfers	Balance June 30, 2020
Nondepreciable Capital Assets				
Land	$ 2,503,736	$ -	$ -	$ 2,503,736
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	1,464,532	2,399,127	(1,425,026)	2,438,633
Total Nondepreciable Capital Assets	$ 5,872,351	$ 2,399,127	$ (1,425,026)	$ 6,846,452
Depreciable Capital Assets				
Land improvements	$ 732,555	$ -	$ -	$ 732,555
Buildings and improvements	216,364,926	2,610,902	1,425,026	220,400,854
Furniture and equipment	4,096,142	322,194	(6,814)	4,411,522
Library materials	6,061,576	24,759	-	6,086,335
Total Depreciable Capital Assets	227,255,199	2,957,855	1,418,212	231,631,266

	Balance June 30, 2019	Additions	Deletions/ Transfers	Balance June 30, 2020
Less: Accumulated depreciation				
Land improvements	(439,425)	(43,105)	-	(482,529)
Buildings and improvements	(82,537,634)	(5,141,377)	-	(87,679,011)
Furniture and equipment	(2,762,456)	(349,190)	2,839	(3,108,807)
Library materials	(5,837,090)	(56,129)	-	(5,893,219)
Total Accumulated Depreciation	(91,576,605)	(5,589,801)	2,839	(97,163,566)
Net Depreciable Capital Assets	$ 135,678,595	$ (2,631,946)	$ 1,421,051	$ 134,467,701

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

Less: Accumulated depreciation				
Land improvements	(396,320)	(43,105)	-	(439,425)
Buildings and improvements	(73,947,798)	(8,589,836)	-	(82,537,634)
Furniture and equipment	(2,466,157)	(367,022)	70,273	(2,762,456)
Library materials	(5,782,200)	(54,890)	-	(5,837,090)
Total Accumulated Depreciation	(82,592,475)	(9,054,853)	70,273	(91,576,605)
Net Depreciable Capital Assets	$ 128,390,914	$ 4,823,145	$ 2,464,535	$ 135,678,594

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

	2020	2019
Land	$ 813,225	$ 813,225
Buildings and improvements	1,108,583	1,106,559
Furniture and equipment	101,484	101,484
	2,023,292	2,021,268
Less: Accumulated depreciation	(985,211)	(957,099)
	$ 1,038,081	$ 1,064,169

Foundation Asset Transfer

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

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

NOTE E – NONCURRENT LIABILITIES

In fiscal year 2019, the University adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 increased disclosure requirements related to debt, especially direct borrowings and placements. The disclosures presented here conform to these new requirements. The University's noncurrent liability activity for the years ended June 30, 2020 and 2019 was as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due within One Year
Debt					
Bonds	$ 82,690,000	$ -	$ 2,085,000	$ 80,605,000	$ 2,145,000
Bond Premium	2,843,059	-	139,487	2,703,572	-
Direct Borrowing	4,535,000	-	180,000	4,355,000	245,000
Notes Payable	100,000	-	100,000	-	-
	90,168,059	-	2,504,487	87,663,572	2,390,000
Other Liabilities					
Compensated Absences	1,101,430	224,091	138,943	1,186,578	138,943
OPEB Liability, net	878,480	-	209,150	669,330	-
Pension Liability, net	21,811,916	-	4,144,384	17,667,532	-
	23,791,826	224,091	4,492,477	19,523,440	138,943
Total Noncurrent Liabilities	$ 113,959,885	$ 224,091	$ 6,996,964	$ 107,187,012	$ 2,528,943

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

On May 28, 2009, the University issued $19,535,000 in Revenue Bonds, Series 2009 with an interest rate of 5.0 percent. The Series 2009 Revenue Bonds were advance refunded on September 29, 2016. The 2009 bonds were to begin maturing on May 15, 2025 in increasing amounts through May 15, 2039. The bonds were collateralized by a pledge of certain revenues of the auxiliary facilities system. The bonds were used to finance a portion of the new student center and to terminate the Wells Fargo Lease Purchase Agreement. The advanced refunded bonds were fully redeemed using funds in escrow on May 15, 2019.

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

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 7.0 percent offset by a Build America Bond Federal Direct Payment subsidy equal to 35.0 percent of the interest payable on the Series 2010B bonds. The 2010B bonds begin to mature on May 15, 2027 in increasing amounts through May 15, 2045. The bonds are to be paid from Institutional Enterprise Revenues.

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

On June 29, 2010, the University issued $1,635,000 in Institutional Enterprise Bonds (Taxable Direct Payment Qualified Energy Conservation Bonds), Series 2010C with an interest rate of 6.448 percent offset by a Qualified Energy Conservation Bond Federal Direct Payment subsidy equal to the lesser of 100.0 percent of the corresponding interest payable on the Qualified Energy Conservation Bond on the interest payment date and 70.0 percent 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 percent. The 2011A bonds began to mature on May 15, 2019 and continue to mature in increasing amounts through May 15, 2025. The bonds are paid from Institutional Enterprise Revenues.

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

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

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

On September 29, 2016, the University issued $26,995,000 in Auxiliary Facility Revenue Refunding Bonds (Tax-Exempt) Series 2016 with an average interest rate of 3.688 percent. The 2016 bonds began maturing on May 15, 2017 and continue to mature in increasing amounts through May 15, 2039. Interest rates range from 2.0 percent on bonds that matured May 15, 2017 to 5.0 percent on bonds maturing May 15, 2021 through May 15, 2027. The 2016 bonds are collateralized by a pledge of net Institutional Enterprise Revenues. The proceeds of the Series 2016 Bonds were deposited in an irrevocable escrow account to provide for all future debt service payments on the Series 2009 Bonds and a portion of the Series 2010A Bonds.

The 2016 advance refunding resulted in the recognition of a $3.0 million accounting loss, which will be recognized over the term of the debt, however, the University reduced its aggregate debt service payments by $4.7 million over the next 20 years and obtained an economic gain of $3.6 million.

On June 30, 2019, the Foundation transferred its ownership of the Borick Business Building and the University Center Condominium Unit Two to the University. The University recorded these assets at the Foundation's book value, including accumulated depreciation. In a related transaction, on January 11, 2019 the University issued $4,535,000 in Institutional Enterprise Revenue Refunding Bonds Series 2019 via a direct borrowing with an interest rate of 3.7 percent. The 2019 bonds begin maturing on May 15, 2020 and continue in increasing amounts through January 11, 2034. The 2019 bonds are collateralized by a pledge of net Institutional Enterprise Revenues. The proceeds of the 2019 bonds were used to refund higher cost debt of the Foundation related to the University Center Condominium Unit Two and to acquire certain buildings owned by the Foundation.

At June 30, 2020, debt principal and interest requirements to maturity are as follows:

	Bonds		Direct Borrowing	
Year Ending June 30	Principal	Interest	Principal	Interest
2021	2,145,000	4,667,027	245,000	161,571
2022	2,235,000	4,575,426	250,000	152,481
2023	2,325,000	4,478,665	260,000	143,206
2024	2,415,000	4,376,669	270,000	133,560
2025-2029	13,185,000	19,990,377	1,510,000	509,939
2030-2034	15,665,000	16,008,700	1,820,000	202,898
2035-2039	19,120,000	11,369,500	-	-
2040-2044	19,145,000	5,668,250	-	-
2045	4,370,000	305,900	-	-
Total Debt Service	$ 80,605,000	$ 71,440,514	$ 4,355,000	$ 1,303,655

On January 3, 2017 the University incurred a $150,000, zero-interest note payable. The University was required to pay six annual installments of $25,000 beginning on January 3, 2018 with the final payment to occur on January 3, 2023. The proceeds of the note payable were used to finance a portion of the University's acquisition of a property near campus. This note was paid in full as of June 30, 2020 prior to the original maturity date.

Additionally, the University has agreements for the rental of copiers all of which are for a period 24 to 48 months and are in effect through August 2023. Total future rental obligations total $125,131.

Foundation Long-Term Liabilities

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

NOTE F – COMPENSATED ABSENCE LIABILITY FOR ANNUAL AND SICK LEAVE

University employees may accrue annual and sick leave, based on length of service, and subject to certain limitations regarding the amount to be paid upon termination. Additionally, certain University employees are eligible for compensatory time off for overtime worked, subject to maximums after which the overtime is paid out. The estimated cost of compensated absences for which employees are vested for the year ended June 30, 2020 is $1,186,578. Fiscal year 2020 expenses include $85,148 for the increase in the estimated compensated absence liability. The estimated cost of compensated absences for which employees are vested for the year ended June 30, 2019 was $1,101,430. Fiscal year 2019 expenses include $101,975 for the increase in the estimated compensated absence liability. The recording of the liability for compensated absences may result in fund-balance deficits, which will be funded by state appropriation, self-supporting funds, or other sources available in future years when the liability is paid.

NOTE G – EMPLOYEE PENSION PLANS

A. Optional Retirement Plan

On September 10, 1993, the Trustees adopted an Optional Retirement Plan (ORP) for faculty and exempt-administrative staff under the authority of Senate Bill 92-127. The implementation date was May 1, 1994; on that date, eligible employees were offered the choice of remaining in PERA or participating in the ORP. New faculty and administrative staff members, with appointments of 0.5 FTE and greater, are required to enroll in the ORP unless they have one year or more service credit with PERA at the date of hire.

The ORP is a defined contribution pension plan with three vendors, Fidelity Investments, TIAA-CREF, and VALIC, providing a range of investment accounts for participants. The University's contribution to the ORP is 11.4 percent of covered payroll, and contributions by employees are 8 percent of covered payroll.

The University's contributions to the ORP for fiscal years ending June 30, 2020 and 2019 were $1,699,242 and $1,579,470. These contributions were equal to the required contributions for each year. All ORP contributions are immediately invested in the employee's account. Normal retirement for the ORP is age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

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

B. Colorado Public Employees' Retirement Association

<u>1. Defined Benefit Pension Plan</u>

Summary of Significant Accounting Policies

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

General Information about the Pension Plan

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

Benefits provided as of December 31, 2019. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban

Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

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

Contributions provisions as of June 30, 2020: Eligible employees of the University and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee and employer contribution rates for the period of July 1, 2018 through June 30, 2020 are summarized in the table below:

	July 1, 2019 Through June 30, 2020	July 1, 2018 Through June 30, 2019
Employee Contribution Rate	8.75%	8.00%
Employer Contribution Rate	10.40%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the SDTF[1]	9.38%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Total employer contribution rate to the SDTF	**19.38%**	**19.13%**

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

As specified in C.R.S. § 24-51-414, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SDTF is considered a non-employer contribution for financial reporting purposes.

Subsequent to the SDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, $225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University were $1,107,587 for the year ended June 30, 2020 and $1,134,008 for the year ended June 30, 2019.

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

At June 30, 2020 and 2019, the University reported a liability of $17,667,532 and $21,811,916 for its proportionate share of the net pension liability. The net pension liability for the SDTF was measured as of December 31, 2019, for fiscal year 2020 and as of December 31, 2018 for fiscal year 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation from the preceding December 31. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019 and 2018. The University's proportion of the net pension liability was based on the University's contributions to the SDTF for the calendar years 2019 (for fiscal year 2020) and 2018 (for fiscal year 2019) relative to the total contributions of participating employers and the State as a non-employer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

At December 31, 2019, the University's proportion was 0.1821 percent, which was a decrease of 0.0096 percent from its proportion measured as of December 31, 2018 of 0.1917 percent.

For the year ended June 30, 2020 and 2019, the University recognized pension expense of ($5,021,496) and ($2,230,471). Additionally, in fiscal year 2020, the University recognized non-cash revenue of $140,354 for support from the State as a non-employer contributing entity. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2020	2019	2020	2019
Difference between expected and actual experience in the measurement of the total pension liability	$ 660,098	$ 623,748	$ -	$ -
Changes in assumptions or other inputs	-	1,148,508	5,067,429	11,263,337
Net difference between projected and actual earnings on pension plan investments	-	1,101,749	1,903,467	-
Changes in the employer's proportion and differences between the employer's contributions (other than those to separately finance specific liabilities of the individual employer to the plan) and the employer's proportionate share of contributions	12,242	308,898	1,143,941	379,530
Employer's contributions to the plan subsequent to the measurement date of the collective net pension liability	558,233	558,233	-	-
Total	$ 1,230,573	$ 3,741,136	$ 8,114,837	$ 11,642,867

$558,233 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	5,918,398
2022	801,621
2023	74,710
2024	647,769
2025	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)[1]	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)[1]	Financed by the Annual Increase Reserve

[1] For 2019, the annual increase was 0.00 percent.

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

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

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

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

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

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of $225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent (for both 2020 and 2019), as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability 2020	22,728,737	17,667,532	13,384,508
Proportionate share of the net pension liability 2019	27,115,966	21,811,916	17,324,206

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

Payables to the pension plan

The University recognized a liability for the PERA DB Plan of $118,715 as of June 30, 2020 and $136,664 as of June 30, 2019. This payable is for legally required contributions to the pension plan for June payroll deductions and was paid within five business days following the pay date of June 30, 2020 and June 30, 2019.

2. Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description. Employees of the University that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available CAFR which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the University has agreed to match employee contributions up to 0.00 percent of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2020, program members contributed $41,416 and the University's recognized pension expense and a liability of $0 and $3,371, respectively, for the Voluntary Investment Program. For the year ended June 30, 2019, program members contributed $63,644 and the University's recognized pension expense and a liability of $0 and $3,604, respectively, for the Voluntary Investment Program.

Defined Contribution Retirement Plan (PERA DC Plan)

Plan Description. Employees of the State of Colorado that were hired on or after January 1, 2006, and employees of certain community colleges that were hired on or after January 1, 2008, which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). Pursuant to C.R.S. § 24-51-1501(4), the PERA DC Plan eligibility was extended to certain new classified employees at State Colleges and Universities beginning on January 1, 2019. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's CAFR as referred to above.

Funding Policy. All participating employees in the PERA DC Plan and the University are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 1, 2018 through June 30, 2020 are summarized in the tables below:

	July 1, 2019 Through June 30, 2020	January 1, 2019 Through June 30, 2019
Employee Contribution Rates:		
Employee contribution	8.75%	8.00%
Employer Contribution Rates:		
On behalf of all employees	10.40%	10.15%

Additionally the employers are required to contribute AED and SAED to the SDTF as follows:

	As of June 30, 2020
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	5.00%
Total employer contribution rate to the SDTF[1]	**10.00%**

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed $156 and the University recognized pension expense and a liability of $181 and $0, respectively, for the PERA DC Plan.

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 7.50 percent employee contribution and no employer contribution. For the fiscal year ended June 30, 2020 and 2019, total payroll upon which the plan contributions were based was $494,923 and $532,564.

NOTE H – POST EMPLOYMENT HEALTH CARE BENEFITS

1. Defined Benefit Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

OPEB. The University participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

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

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

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

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

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

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

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

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum $230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from University were $53,419 and $56,692 for the years ended June 30, 2020 and 2019.

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

At June 30, 2020 and 2019, the University reported liabilities of $669,330 and $878,480 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019 for fiscal year 2020 and December 31 2018 for fiscal year 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation from the preceding December 31.. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019 and 2018. The University's proportion of the net OPEB liability was based on the University's contributions to the HCTF for the calendar years 2019 (for fiscal year 2020) and 2018 (for fiscal year 2019) relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the University's proportion was .0595 percent, which was a decrease of .0051 percent from its proportion measured as of December 31, 2018 O.0646.

For the year ended June 30, 2020 and 2019, the University recognized OPEB expense of $19,665 and $18,444. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2020	2019	2020	2019
Difference between expected and actual experience in the measurement of the total OPEB liability	$ 2,221	$ 3,188	$ 112,472	$ 1,337
Changes in assumptions or other inputs	5,553	6,163	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	5,052	11,172	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	20,807	27,541	71,232	18,612
Employer's contributions to the plan subsequent to the measurement date of the collective OPEB liability	26,649	27,844	-	-
Total	$ 55,230	$ 69,788	$ 194,876	$ 19,949

$26,649 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2020:	
2021	31,844
2022	31,843
2023	28,608
2024	38,944
2025	33,078
2026	1,977
Thereafter	-

Actuarial assumptions. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	$601	$240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is $437 per month.

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

Medicare Plan	**Cost for Members Without Medicare Part A**
Medicare Advantage/Self-Insured Prescription	$562
Kaiser Permanente Medicare Advantage HMO	571

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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

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

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Post-retirement non-disabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	653,430	669,330	687,703

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability - 2020	756,812	669,330	594,514
Proportionate share of the net OPEB liability - 2019	982,942	878,480	789,174

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

NOTE I – RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

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

NOTE J – SCHOLARSHIP ALLOWANCE

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

2020	Tuition and Fees	Sales and Services of Auxiliary Enterprises	Total
Gross revenue	$ 36,542,369	$ 10,828,326	$ 47,370,695
Scholarship allowances:			
Federal	(2,797,254)	(72,632)	(2,869,886)
State	(1,278,596)	(33,199)	(1,311,795)
Private	(1,147,091)	(29,785)	(1,176,876)
Institutional	(6,523,901)	(169,397)	(6,693,298)
Total Scholarship Allowances	(11,746,842)	(305,013)	(12,051,855)
Net Revenue	$ 24,795,527	$ 10,523,313	$ 35,318,840

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

NOTE K - WESTERN COLORADO UNIVERSITY FOUNDATION

Foundation Investments

The Foundation's short-term investments are stated at fair value. At June 30, the Foundation had investments with a cost of $18,501,349 (2020) and $17,887,723 (2019) and a fair value of $21,371,025 (2020) and $21,394,396 (2019).

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

	2020	2019
Interest and dividend income	$ 495,082	$ 503,699
Net realized gains	479,680	23,448
Net unrealized gains	(636,997)	1,312,981
Investment expenses	(83,954)	(79,580)
Net investment earnings	$ 253,811	$ 1,760,548

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

	2020	2019
Without donor restrictions	$ 1,242	$ 165,363
With donor restrictions	252,569	1,595,185
Net investment earnings	$ 253,811	$ 1,760,548

Fair value measurements for the Foundation's assets reported at fair value on a recurring basis as of June 30, 2020 were determined based on:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-Term Investments				
Cash & Cash Equivalents	$ 843,680	$ 843,680	$ -	$ -
Fixed Income	3,870,169	3,870,169	-	-
Equities	15,270,061	15,270,061	-	-
Other	1,387,115	1,387,115	-	-
Total Long-Term Investments	$ 21,371,025	$ 21,371,025	$ -	$ -

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

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

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

	2020	2019
Beginning balance	$ 1,102	$ 34,239
Sales proceeds	(1,102)	(34,239)
Change in market value	-	1,102
Ending balance	$ -	$ 1,102

Foundation Endowment

At June 30, 2020 the endowment consists of approximately 120 individual funds established by donors to provide annual funding for a variety of purposes. During the year ended June 30, 2020, donors agreed to move approximately 55 funds from endowments to quasi-endowments, thereby eliminating the need to track the corpus of those funds. The quasi-endowment funds will fluctuate with actual earnings, additional contributions, and expenses. Those funds will not be included in the endowments. At June 30, 2020 and 2019 the endowment is made up of projects with donor restrictions.

The Board of Directors of the Foundation (the Foundation Board) has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of the initial and subsequent gifts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable gift instrument at the time the accumulations is added. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a decision to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

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

(3) General economic conditions

(4) The possible effect of inflation and deflation

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

(6) Other resources of the Foundation

(7) The investment policies of the Foundation

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

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

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

This rate shall be applied to the market value of the endowed account (three year trailing average) not including gifts made in the current fiscal year (to allow these gifts to accrue earnings). The corridor (or parameters) of the distribution from year to year will be between 3.5 percent and 6.5 percent, with the caveat that the Foundation Board's distribution committee may, with all available information, have the discretion to adjust slightly the distribution rate for a given year depending on short/long term needs of the University and the anticipated near-term trends in anticipated inflation and investment returns, consistent with the Foundation's Investment/Distribution Goal Statement. The only exception to this policy shall be for endowment distributions tied directly to a faculty member's salary, such as an endowed chair. In this case, every effort will be made to hold these distributions at 5.0 percent. The spending allocation rate was 3.0 percent and 3.25 percent for the years ended June 30, 2020 and 2019 for endowed funds supporting scholarships and programs and 5.0 percent for endowed funds associated with salaries as mentioned above.

The total endowment spending allocation distributed for the years ended June 30, 2020 and 2019 was $471,669 and $538,012.

Endowment net asset composition as of June 30, 2020 is as follows:

	Endowment Net Assets – with donor restrictions
Endowment Net Assets - Beginning	$ 18,446,074
Contributions	187,995
Investment Income, net of fees	40,021
Net Asset Reclassification	10,774
Net Assets Released from Restrictions:	
Amounts Appropriated for Expenditure	(471,669)
Change in Designation by Donor to Quasi-endowment	(9,203,759)
Endowment Net Assets - Ending	**$ 9,009,436**

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

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

Due to past stock market fluctuations and continued funding to the University, the fair value of assets associated with individual donor-restricted endowment funds have fallen below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The continued appropriations for certain programs that were deemed prudent by the Foundation Board and in accordance with UPMIFA, caused deficiencies of $798,729 and $2,053,522 as of June 30, 2020 and 2019.

Promises to Give

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

	2020	2019
Restricted for the University Center Project	$ 33,000	$ 39,000
Restricted for scholarships or other purposes	1,937,501	153,950
Less: allowance for uncollectible contributions receivable	(39,410)	(3,859)
Gross unconditional promises to give	1,931,091	189,091
Less: unamortized discount	(137,096)	(9,913)
Net unconditional promises to give	**$ 1,793,995**	**$ 179,178**
Receivable in less than one year	$ 301,251	$ 72,950
Receivable in one to five years	1,030,542	74,610
Receivable after five years	462,202	31,618
Total	**$ 1,793,995**	**$ 179,178**

NOTE L – RELATED PARTY LEASE AGREEMENTS

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

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

NOTE M – LEGISLATIVE APPROPRIATION

Appropriated Funds
The Colorado Legislature establishes spending authority for the University in its annual Long Appropriations Bill. Appropriated funds include an amount from the State's General Fund, as well as certain cash funds. Cash funds include tuition, certain fees, and certain other revenue sources. For the years ended June 30, funds newly appropriated to the University for the College Opportunity Fund (COF) and Fee for Service were $15,235,379 (2020) and $14,043,348 (2019). Actual appropriated revenue earned and expended for COF and Fee for Service in those years matches the University's appropriation

The University also receives appropriations for capital construction and controlled maintenance. In the years ended June 30, the University was newly appropriated $3,588,423 (2020) and $4,816,894 (2019) in capital appropriations and certificates of participation funding. Additionally, for the fiscal years ended June 30, the University carried over $1,321,204 (2020) and $90,365 (2019) in capital appropriations from prior fiscal years. Actual appropriated capital revenue earned totaled $3,801,726 (2020) and $1,502,697 (2019). Actual appropriated expenditures and transfers totaled $3,801,726 (2020) and $1,502,697 (2019).

The Long Appropriations Bill also includes an appropriation related to undergraduate tuition. In fiscal year 2020, the University had $18,502,162 in appropriations related to undergraduate tuition. The University recognized $17,787,728 in appropriated revenue and $17,634,989 in appropriated expenses. In fiscal year 2019, the University had $18,859,870 in appropriations related to undergraduate tuition. The University recognized $18,812,371 in appropriated revenue and $17,709,077 in appropriated expenses.

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

NOTE N – COVID-19 AND CARES ACT FUNDING

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted on March 27, 2020. This is a $2 trillion package of federal assistance that includes direct payments to families, loans for small businesses, support for businesses and funding for education. In fiscal year 2020, the University was awarded the following support:

- Direct CARES Act Higher Education Emergency Relief Fund (HEERF) funding of $677 thousand to be used to provide emergency financial aid grants to students for their expenses related to the disruption of campus operations due to COVID-19. The HEERF funding was expended in fiscal year 2020. In the Statements of Revenues, Expenses, and Changes in Net Position, the CARES Act grant revenue was recorded in the Nonoperating Federal CARES Act Higher Education Emergency Relief Fund line item and the awards to students were recorded in the Scholarships and Fellowships operating expense line item. Direct CARES Act HEERF funding of $677 thousand to be spent on those costs for which there is a "clear nexus to significant changes to the delivery in instruction" due to COVID-19. This could include refunds made to students, technology costs, programming customizations for courses and delivery.

- Indirect CARES Act funding of $7.5 million was allocated to the University in May 2020 by Governor Polis to be used for health and safety precautions; student mental health services; school closure and re-opening costs; to facilitate distance learning with closings; expenses to recover lost learning time; personnel expenses; and economic support to educate students by maintaining enrollment, retention and credential completion. The University did not spend any of this money in fiscal year 2020 and it is recorded in the Statements of Net Position in line items Cash and Cash Equivalents and Unearned Revenue. The University anticipates it will expend all indirect CARES Act money in fiscal year 2021 for eligible purposes.

REQUIRED SUPPLEMENTARY INFORMATION

WESTERN COLORADO UNIVERSITY

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

For the Years Ended June 30, *

	2020	2019	2018	2017	2016	2015
University's proportion of the net pension liability	0.1821%	0.1917%	0.1951%	0.1860%	0.1950%	0.2016%
University's proportionate share of the net pension liability	$ 17,667,532	$ 21,811,916	$ 39,047,629	$ 34,158,370	$ 20,538,558	$ 18,959,603
University's covered payroll	$ 6,137,241	$ 6,139,091	$ 6,037,120	$ 5,573,306	$ 5,692,536	$ 5,625,076
University's proportionate share of the net pension liability as a percentage of its covered payroll	287.87%	355.30%	646.79%	612.89%	360.80%	337.06%
Plan fiduciary net position as a percentage of the total pension liability	62.24%	55.11%	43.20%	42.60%	56.10%	56.84%

* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2019, 2018, 2017, 2016, 2015 and 2014 (the Plan's measurement period) occurring within the University's fiscal years ended June 30, 2020, 2019, 2018, 2017, 2016 and 2015 in accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* .

WESTERN COLORADO UNIVERSITY

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

For the Years Ended June 30, *

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,107,587	$ 1,133,491	$ 1,082,140	$ 1,030,617	$ 947,246	$ 901,931
Contributions in relation to the contractually required contribution	$ (1,107,587)	$ (1,133,491)	$ (1,082,140)	$ (1,030,617)	$ (947,246)	$ (901,931)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 6,166,613	$ 6,262,882	$ 5,978,573	$ 5,835,267	$ 5,657,695	$ 5,589,953
Contributions as a percentage of covered payroll	17.96%	18.10%	18.10%	17.66%	16.74%	16.13%

Changes in benefit terms and actuarial assumptions – Net Pension Liability

Changes in assumptions or other inputs effective for the December 31, 2019 measurement period are as follows:

- The assumption used to value the annual increase (AI) cap benefit provision was changed from 1.50% to 1.25%.

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

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

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

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

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

- The investment return assumption was lowered from 7.5% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

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

WESTERN COLORADO UNIVERSITY

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFIT LIABILITY

For the Years Ended June 30, *

	2020	2019	2018
University's proportion of the net other post-employment benefit liability	0.0595%	0.0646%	0.0662%
University's proportionate share of the net other post-employment benefit liability	$ 669,330	$ 878,480	$ 860,775
University's covered payroll	$ 5,354,398	$ 5,460,327	$ 5,374,897
University's proportionate share of the net other post-employment benefit liability as a percentage of its covered payroll	12.50%	16.09%	16.01%
Plan fiduciary net position as a percentage of the total other post-employment benefit liability	24.49%	17.03%	17.53%

* The amounts presented for the years shown above were determined as of and for the calendar years ended December 31, 2019, 2018, and 2017 (the Plan's measurement period) occurring within the University's fiscal years ended June 30, 2020, 2019, and 2018 in accordance with Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* .

WESTERN COLORADO UNIVERSITY

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

For the Years Ended June 30, *

	2020	2019	2018
Contractually required contribution	$ 53,419	$ 56,664	$ 54,104
Contributions in relation to the contractually required contribution	$ (53,419)	$ (56,664)	$ (54,104)
Contribution deficiency (excess)	$ -	$ -	$ -
University's covered payroll	$ 5,239,321	$ 5,555,341	$ 5,304,305
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

Changes in benefit terms and actuarial assumptions – Net OPEB Liability

There were no changes in assumptions or other inputs effective for the December 31, 2019 measurement period for OPEB.

There were no changes in assumptions or other inputs effective for the December 31, 2018 measurement period for OPEB compared to the prior year.

There were no changes in assumptions or other inputs effective for the December 31, 2017 measurement period for OPEB.

SUPPLEMENTAL INFORMATION

STATE OF COLORADO
WESTERN COLORADO UNIVERSITY
SUPPLEMENTAL INFORMATION
SCHEDULES OF REVENUES AND EXPENSES
FOR ENTERPRISE REVENUE BONDS
For Years Ended June 30, 2020 and 2019

		2020	2019
REVENUE			
University Service Fees		$ 3,941,193	$ 3,823,312
Extended Studies & Graduate Programs Tuition and Fees		8,166,629	7,551,002
10% of Education and General Fund Tuition		2,158,339	2,215,338
Federal Interest Subsidy		1,163,178	1,159,233
Bookstore Sales		633,501	793,317
Rental Income		5,561,404	5,708,032
Food Service Income		3,437,002	3,462,849
Sales/Service Auxiliaries		787,230	1,278,230
Interest Income		256,554	237,718
	Total Revenues	26,105,030	26,229,031
EXPENSES			
Employee Compensation		4,862,668	4,278,913
Costs of Goods Sold		446,420	552,458
Utilities		585,958	663,711
Rental		21,998	14,866
Contract Food		1,778,695	2,026,214
Travel		222,977	265,065
Supplies		627,942	657,194
Purchased Services		3,152,293	3,341,859
Financial Aid		957,651	855,486
Administrative Cost Allowance		2,590,034	2,518,646
Furniture & Equipment		157,148	29,419
Other Operating Expenses		74,298	111,025
	Total Expenses	15,478,082	15,314,856
	Net Operating Revenue	10,626,948	10,914,175
TRANSFERS			
Mandatory Transfers		125,007	125,007
Non-mandatory Transfers		(271,174)	(154,663)
	Total Transfers	(146,167)	(29,656)
	Net Revenue	$ 10,480,781	$ 10,884,519
DEBT SERVICE CHARGE			
Net Operating Revenue		10,626,948	10,914,175
Bond Principal and Interest		(7,229,944)	(6,643,232)
	Excess of Net Operating Revenue Over Debt Service	3,397,004	4,270,943
	Debt Service Coverage Ratio	1.47	1.64

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

Members of the Legislative Audit Committee:
Denver, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Western Colorado University (the University), an institution of higher education of the State of Colorado, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon January 21, 2021. Our report includes a reference to other auditors who audited the financial statements of the Western Colorado University Foundation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the discretely presented component unit, Western Colorado University Foundation, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Auditor's Findings and Recommendations, that we consider to be a significant deficiency (Recommendation No. 1).

Compliance and Other Matters

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

Western Colorado University's Responses to the Findings

The University's response to the finding identified in our audit is described in the accompanying Auditor's Findings and Recommendations section. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Dalby Wendland & Co. P.C.

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

January 21, 2021

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

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LEGISLATIVE AUDIT COMMITTEE REQUIRED COMMUNICATIONS

Members of the Legislative Audit Committee:
Denver, Colorado

We have audited the financial statements of the business-type activities of Western Colorado University (the University) an institution of higher education of the State of Colorado, for the year ended June 30, 2020, and have issued our report thereon dated January 21, 2021. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the Western Colorado University Foundation (the Foundation), a discretely presented component unit of the University, and the Foundation's financial statements were not audited in accordance with *Government Auditing Standards*. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated April 27, 2020. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

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 fiscal year 2020. Noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the net pension liability is based on the estimate of the University's proportionate share of the net pension liability as of December 31, 2019 and 2018 of the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association (PERA), as described in Note G to the University's financial statements. The University's proportion of the SDTF's net pension liability was based on the University's contributions to the SDTF for the calendar year 2019 and 2018 relative to the total contributions made to the SDTF by participating employers for the calendar year 2019 and 2018.

- Management's estimate of the net other post-employment benefits (OPEB) liability is based on the estimate of the University's proportionate share of the OPEB liability as of

December 31, 2019 and 2018 of the Health Care Trust Fund (HCTF) as described in Note H to the University's financial statements. The University's proportion of the HCTF's net OPEB liability was based on the University's contributions to the HCTF for the calendar year 2019 and 2018 relative to the total contributions made to the HCTF by participating employers for the calendar year 2019 and 2018.

- Management's estimate of the collectability of student accounts receivable and student loans is based on historical analysis. We evaluated the key factors and assumptions used to develop the allowance for bad debts in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 21, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

This information is intended solely for the use of the Legislative Audit Committee, Office of the State Auditor of the State of Colorado, and Board of Trustees and management of Western Colorado University and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record upon release by the Legislative Audit Committee.

Sincerely,

Dalby Wendland & Co. P.C.

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

January 21, 2021