

FINANCIAL AND COMPLIANCE AUDIT

WESTERN COLORADO UNIVERSITY

June 30, 2022 and 2021



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December 7, 2022

Members of the Legislative Audit Committee
Western Colorado University Board of Trustees
Denver, Colorado

We have completed the audit of the financial statements of Western Colorado University as of and for the year ended June 30, 2022. Our audit was conducted 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.

We were engaged to conduct our audit pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions and agencies of state government. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.

Very truly yours,

Tammy Erickson, Partner for
Moss Adams LLP

WESTERN COLORADO UNIVERSITY

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WESTERN COLORADO UNIVERSITY
FINANCIAL AUDIT REPORT SUMMARY
As of and for the Years Ended June 30, 2022 and 2021

Authority, Purpose and Scope

The Office of the State Auditor of the State of Colorado engaged Moss Adams LLP (MA) to conduct a financial audit of Western Colorado University (the University) for the year ended June 30, 2022. MA 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. MA conducted fieldwork from July through October 2022. The financial statements of the University as of June 30, 2021, and for the year then ended were audited by another auditor, who expressed an unmodified opinion on those statements in their report dated January 14, 2022.

The purposes and scope of the audit were to:

- Express an opinion on the financial statements of the University as of and for the year ended June 30, 2022. This includes a report on internal control over financial reporting and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Review of the internal control structure over financial reporting and compliance with laws and regulations as required by generally accepted standards and *Government Auditing Standards*.
- Evaluate the progress in implementing prior audit findings and recommendations, if any.

The University's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, State of Colorado, are included in the Fiscal Year 2022 Statewide Single Audit Report issued under separate cover.

Audit Opinion and Reports Summary

We expressed an unmodified opinion on the University's financial statements as of and for the year ended June 30, 2022.

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 University's internal control over financial reporting and its operation that we consider to be material weaknesses. We identified one deficiency in internal controls related to the information technology system that we consider to be a significant deficiency.

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, 2022, relating to Information Technology (IT) governance and access management controls in the Banner application. A detailed description of the audit comment is contained in the Auditor's Findings and Recommendations section of this report.

Summary of Progress in Implementing Prior Audit Findings

The University's audit report for the year ended June 30, 2021 included one finding and recommendation. The finding has been implemented. A detailed description of the progress on audit findings and recommendations is contained in the Disposition of Prior Year Audit Findings and Recommendations section of this report.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1	5	Western Colorado University (University) should improve its IT governance as well as access management controls related to the Banner application by implementing the recommendations noted in the confidential finding.	Agree	December 2022

WESTERN COLORADO UNIVERSITY
DESCRIPTION OF WESTERN COLORADO UNIVERSITY
For the Years Ended June 30, 2022 and 2021

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’s 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. The mission also states that the University shall offer undergraduate liberal arts and sciences and professional degree programs, basic skills courses, and a limited number of graduate programs. The University shall also serve as a regional education provider.

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

	2020	2021	2022
Resident Students	1,593.4	1,610.5	1,655.3
Nonresident Students	599.0	547.2	603.6
Total Students Eligible for State Support	2,192.4	2,157.7	2,258.9
Faculty FTEs	155.9	157.6	166.9
Staff FTEs	217.8	228.5	230.9
Total Staff and Faculty FTEs	373.7	386.1	397.8

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.

WESTERN COLORADO UNIVERSITY
AUDITOR’S FINDINGS AND RECOMMENDATIONS
For the Years Ended June 30, 2022 and 2021

Government Auditing Standards allow for information that is considered sensitive in nature, such as detailed information related to information technology system security, to be issued through a separate “classified or limited use” report because of the potential damage that could be caused by the misuse of this information. We consider the specific technical details of this finding, along with the response, to be sensitive in nature and not appropriate for public disclosure. Therefore, the details of the following finding and responses have been provided to Western Colorado University in a separate, confidential memorandum.

Banner Information Security

Western Colorado University (University) utilizes an enterprise resource planning system called Banner for various financial processes including, but not limited to, financial reporting, procurement, and payroll. The University’s Information Technology Services (ITS) department is responsible for managing IT general controls for Banner, including controls relevant to information security for Banner.

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

The purpose of the audit work was to determine whether the University’s ITS had effectively designed and implemented access management IT general controls related to financial reporting. The scope of the audit work performed included inquiries with ITS staff and reviewing supporting documentation related to Banner access management.

How were the results of the audit work measured?

We measured the results of our audit work against the following:

- The University’s access management procedure.
- The Governor’s Office of Information Technology has developed statewide Colorado Information Security Policies (CISP), which are based on a leading industry framework for governmental systems, the National Institutes of Standards and Technology (NIST), Special Publication 800-53.
- The Office of the State Controller’s policy, *Internal Control System*, which requires state agencies to use the *Standards for Internal Control in the Federal Government* (Green Book), published by the U.S. Government Accountability Office, as its framework for its system of internal controls.

What problems did the audit work identify?

We identified two areas needing improvement related to the University’s information security access management controls for Banner.

WESTERN COLORADO UNIVERSITY
AUDITOR'S FINDINGS AND RECOMMENDATIONS
For the Years Ended June 30, 2022 and 2021

Why did these problems occur?

Overall, the University lacks formalized information security policies related to access management for Banner that include the process objectives, related risks, as well as the design, implementation, and operating effectiveness of the control activities. University staff also provided the following reasons for the specific problems we identified:

1. ITS' staff focus has been on the implementation of a new enterprise resource planning (ERP), which resulted in an oversight in the operation of the control associated with the identified problem.
2. ITS staff indicated that its access management process did not consider certain procedures to be key to the review.

Why do these problems matter?

Without formalized policies and adequate access management controls in place, there is an increased risk that individuals could perform unauthorized changes within the system and negatively impact the confidentiality and integrity of the data processed and stored within the Banner application. Consequently, such risks could potentially result in the misappropriation of University assets and/or material misstatements to the University's financial statements.

Classification of Finding:
Significant Deficiency

Recommendation 2022-01

Western Colorado University (University) should improve its IT governance, as well as access management controls related to the Banner application, by:

- A. Implementing the recommendation noted in Part A of the confidential finding.
- B. Implementing the recommendation noted in Part B of the confidential finding.
- C. Implementing the recommendation noted in Part C of the confidential finding.

Western Colorado University Response

- A. Western Colorado University will implement the recommendation noted in Part A of the confidential finding.
- B. Western Colorado University will implement the recommendation noted in Part B of the confidential finding.
- C. Western Colorado University will implement the recommendation noted in Part C of the confidential finding.

WESTERN COLORADO UNIVERSITY
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
For the Years Ended June 30, 2022 and 2021

**Summary of Progress in Implementing Prior Year Audit Recommendation
Fiscal Year 2021**

Recommendation No. 1 – Western Colorado University (University) should improve its internal controls related to the fiscal year-end closing process to ensure that all financial transactions are properly recorded in its accounting system and to ensure that the University’s financial statements and exhibits are prepared, reviewed, and submitted to the Office of the State Controller by the applicable statutory deadlines by cross-training existing employees and establishing back-up responsibilities to allow for appropriate delegation when turnover occurs.

Disposition – Implemented.

Report of Independent Auditors

Members of the Legislative Audit Committee
Western Colorado University Board of Trustees
Denver, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities and its discretely presented component unit of Western Colorado University (the University), an institution of higher education, State of Colorado, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents. The financial statements of the Western Colorado University Foundation (the Foundation), a discretely presented component unit, were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instance of reportable noncompliance associated with the Foundation.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and its discretely presented component unit of the University as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Foundation, 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, 2022. 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audit contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note A, the financial statements of the University, an institution of higher education, State of Colorado (State), are intended to present the financial position, the changes in financial position, and, the 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, 2022, 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 American. Our opinion is not modified with respect to this matter.

Other Matter – Prior Year Financial Statements

The financial statements of the University as of June 30, 2021, and for the year then ended were audited by another auditor, who expressed an unmodified opinion on those statements in their report dated January 14, 2022.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedules of the University's proportionate share of the net pension liability, schedules of University's contributions to PERA defined benefit pension plan, schedules of the University's proportionate share of the net other post-employment benefit liability, and schedules of University contributions to PERA defined other post-employment benefit plan on pages 12 through 22, 68, 69 through 71, 72, and 73 through 74 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was 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 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2022 on our consideration of Western Colorado 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 solely 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 Western Colorado 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 Western Colorado University's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Denver, Colorado
December 7, 2022

WESTERN COLORADO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Years Ended June 30, 2022 and 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, 2022 and 2021, with comparative information presented for the year ended June 30, 2020. 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 Universities* (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 of resources, liabilities, deferred inflows of resources, and net position of the University at a point in time (June 30, 2022 and 2021). 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.

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, 2022 and 2021. Their purpose is to assess the University's operating and nonoperating activities.

WESTERN COLORADO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Years Ended June 30, 2022 and 2021

Statements of Cash Flows

The statements of cash flows present cash receipts and payments of the University during the fiscal years ended June 30, 2022 and 2021. Their purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.

Notes to Financial Statements

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

Required Supplementary Information (RSI)

The RSI presents additional information that differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes the management's discussion and analysis as well as certain RSI required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (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 Postemployment Benefit Liability
- Schedules of University Contributions to PERA Defined Other Postemployment 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 \$75.3 million during the fiscal year ended June 30, 2022, from \$61.5 million at June 30, 2021, to \$136.8 million at June 30, 2022. The increase in financial net position is related primarily to a significant capital gift, the Rady School of Computer Science and Engineering, valued at \$57.1 million and recognition of the remaining \$14.4 million of a donor gift related to the Rady School of Computer Science and Engineering. The University's financial net position increased by \$8.9 million during the fiscal year ended June 30, 2021, from \$52.6 million at June 30, 2020, to \$61.5 million at June 30, 2021. The increase in financial net position was related primarily to capital gifts and state capital support plus non-cash pension and OPEB income due to changes in actuarial assumptions in the State Division Trust Fund of \$5.7 million.

The University's current assets of \$32.9 million (2022), \$28.7 million (2021), and \$36.7 million (2020) were sufficient to cover current liabilities of \$7.9 million (2022), \$8.7 million (2021), and \$16.9 million (2020). The current ratio of 4.15 (2022), 3.30 (2021), and 2.17 (2020) demonstrates the liquidity of University assets and the relative availability of working capital to fund current operations.

WESTERN COLORADO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Years Ended June 30, 2022 and 2021

The operating loss of \$2.3 million (2022) primarily relates to the University's reliance on certain revenues classified as nonoperating for operations, including Federal COVID-19 grants during the current fiscal year. In general, operating income is affected by 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 capital state appropriations as nonoperating revenues. Additionally, State capital support does not cover the costs of all assets, nor the corresponding depreciation as those assets are expensed. The operating loss of \$4.2 million (2021) primarily relates to a reduction in State fee-for-service revenue of \$6.6 million during the year, which is offset by \$5.7 million of non-cash income recognized under GASB 68 (pension) & GASB 75 (OPEB). Non-cash income recognized under GASB 68 (pension) & GASB 75 (OPEB) was \$2.3 million in fiscal year 2022.

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 of resources minus liabilities and deferred inflows of resources) 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, 2022, 2021, and 2020			
(in thousands)			
	2022	2021	2020
Assets			
Current Assets	\$ 32,874	\$ 28,699	\$ 36,724
Noncurrent Assets	207,207	142,142	141,499
	<i>Total Assets</i>	170,841	178,223
	<i>Total Deferred Outflows</i>	4,834	4,268
Liabilities			
Current Liabilities	7,913	8,683	16,920
Noncurrent Liabilities	94,325	100,677	104,658
	<i>Total Liabilities</i>	109,360	121,578
	<i>Total Deferred Inflows</i>	4,773	8,310
Net Position			
Net investment in capital assets	115,911	59,633	56,633
Restricted	25,997	9,912	9,400
Unrestricted			
General unrestricted	11,536	11,024	11,193
Effect of GASB 68 and GASB 75 on unrestricted net position (see Notes G & H)	(17,196)	(19,660)	(25,361)
Designated by the Board	519	633	738
	<i>Total Net Position</i>	\$ 136,767	\$ 61,542
		\$ 52,603	

At June 30, the University's total assets were \$240.1 million (2022), \$170.8 million (2021), and \$178.2 million (2020). The largest asset category is the \$195.9 million (2022), \$142.0 million (2021), and \$141.3 million (2020) 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 \$26.8 million (2022), \$26.5 million (2021), and \$34.4 million (2020) of total assets.

WESTERN COLORADO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Years Ended June 30, 2022 and 2021

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 \$2.5 million (2022), \$2.7 million (2021), and \$3.0 million (2020) are recognized as deferred outflows. The University also has both deferred outflows and deferred inflows related to amounts recognized on its defined benefit pension plan and defined benefit other postemployment benefit plan in accordance with GASB 68 and GASB 75. Pension and other postemployment benefit related deferred outflows were \$1.5 million (2022), \$2.1 million (2021), and \$1.3 million (2020). Pension and other postemployment benefit related deferred inflows were \$5.1 million (2022), \$4.8 million (2021), and \$8.3 million (2020). 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 payable of \$82.5 million (2022), \$85.1 million (2021), and \$87.7 million (2020) represent 80.7 percent (2022), 77.8 percent (2021), and 72.1 percent (2020) of the University's total liabilities of \$102.2 million (2022), \$109.4 million (2021), and \$121.6 million (2020). The University's debt is discussed in detail in Note E. The decrease in bonds and notes payable in fiscal years 2022 and 2021 primarily relates to the payment of bond principal during the year. The current portion of bonds and notes payable is \$2.6 million (2022), \$2.5 million (2021), and \$2.4 million (2020).

The next largest component of liabilities relates to the University's recognition of its proportionate share of the unfunded pension and other postemployment 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 postemployment liabilities of \$13.6 million (2022), \$17.0 million (2021), and \$18.3 million (2020) represent 13.3 percent (2022), 15.5 percent (2021), and 15.1 percent (2020) of the University's total liabilities. Although the University is required to record this liability under GAAP, the University is under no obligation to fund the liability.

Net position consists of \$115.9 million (2022), \$59.6 million (2021), and \$56.6 million (2020) in net investment in capital assets. In addition, \$26.0 million (2022), \$9.9 million (2021), and \$9.4 million (2020) is externally restricted for specific purposes and (\$5.1) million (2022), (\$8.0) million (2021), and (\$13.4) million (2020) is unrestricted. Unrestricted net position is significantly reduced by the recognition of the PERA unfunded pension and other postemployment benefit liabilities, with reductions to unrestricted net position of \$17.2 million (2022), \$19.7 million (2021), and \$25.4 million (2020). Excluding that impact, unrestricted net position is \$12.1 million (2022), \$11.7 million (2021), and \$11.9 million (2020). 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, 2022, 2021, and 2020
(in thousands)

	2022	2021	2020
Net Position (GAAP Basis)	\$ 136,767	\$ 61,542	\$ 52,603
Add back:			
GASB 68 Impact – Pension	16,515	18,905	24,552
GASB 75 Impact – OPEB	680	755	809
Net Position, excluding the impact of GASB 68 & GASB 75	\$ 153,962	\$ 81,202	\$ 77,964

WESTERN COLORADO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Years Ended June 30, 2022 and 2021

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, grants received as a result of COVID-19 Federal relief funding, 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 2022 increased 12.6 percent from fiscal year 2021. Although student-share undergraduate tuition rates remained flat in 2022, the portion of tuition revenue related to College Opportunity Fund stipends increased by \$2.4 million in fiscal year 2022. In addition, state-supported student FTE increased by 4.7 percent in fiscal year 2022, which led to increased tuition revenue, particularly among nonresident students. Gross tuition and fee revenue for fiscal year 2021 decreased 9.6 percent from fiscal year 2020. Although overall state supported FTE increased, the gains in FTE were concentrated in concurrent enrollment while traditional undergraduate enrollment declined. Although tuition rates increased by 2 percent in fiscal year 2021, that increase was not significant enough to offset the decline in enrollment during the year. Tuition and fee related scholarship allowances of \$12.7 million (2022), \$11.4 million (2021), and \$11.7 (2020) were relatively stable over the last three years; the increase in fiscal year 2022 relates to an increase in institutional scholarships provided in a variety of programs. 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 revenue for the year ending June 30, 2022 was \$24.5 million, a \$2.9 million increase from 2021. Net tuition and fee revenue for the year ending June 30, 2021 was \$21.6 million, a \$3.2 million decrease from 2020.

The net operating loss of \$2.3 million in fiscal year 2022 compares to an operating loss of \$4.2 million in 2021 and operating income of \$5.9 million in fiscal year 2020. 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, nor the corresponding depreciation as those assets are expensed. In fiscal years 2022 and 2021, the University received \$4.1 million and \$3.0 million in Federal coronavirus relief funding from the Higher Education Emergency Relief Fund. In fiscal year 2021, there was a \$6.6 million reduction in State fee-for-service revenue when compared with 2020, which was offset by additional grant revenue from the State of Colorado in the amount of \$8.0 million that resulted from the Coronavirus Relief Fund; however, those coronavirus relief funds are reported as nonoperating. The University's net position increased by \$75.3 million in fiscal year 2022 and \$8.9 million in fiscal year 2021. In both of those years, the University had improved operations, but the increases can be primarily attributed to capital gifts and state capital support (\$59.9 million in 2022 and \$4.2 million in 2021) and significant non-cash income related to GASB 68 and GASB 75 (\$2.3 million in 2022 and \$5.7 million in 2021).

WESTERN COLORADO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Years Ended June 30, 2022 and 2021

Condensed Statements of Revenue, Expenses, and Changes in Net Position
June 30, 2022, 2021, and 2020

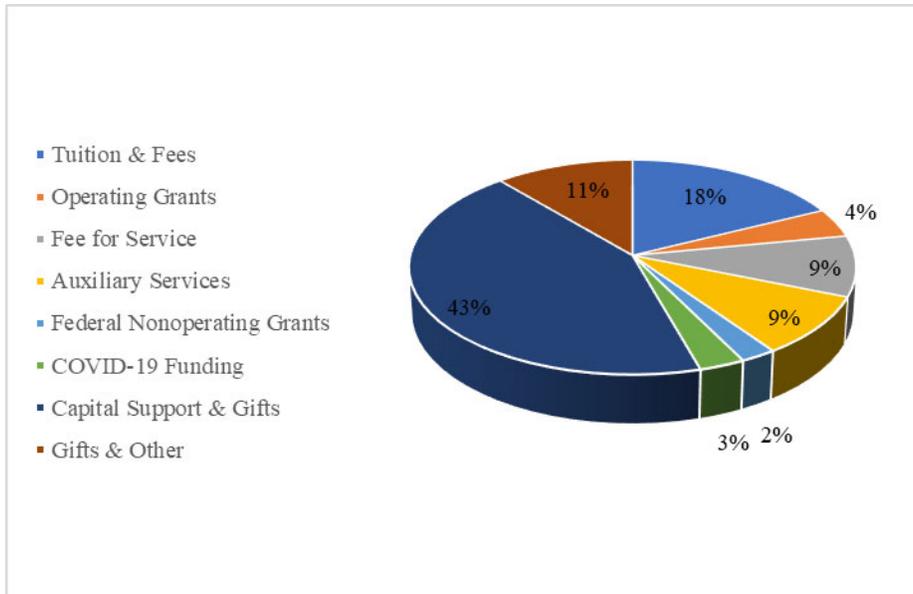
	(in thousands)		
	2022	2021	2020
Operating Revenue			
Tuition and fees, net	\$ 24,479	\$ 21,636	\$ 24,796
Federal, state, and private grants and contracts	6,019	6,606	5,826
Fee for service revenue	12,684	4,838	11,440
Sales and services of auxiliary enterprises, net	12,611	10,311	10,523
Other operating revenue	376	1,705	2,026
Total Operating Revenue	<u>56,169</u>	<u>45,096</u>	<u>54,611</u>
Operating Expenses			
Instruction	20,120	17,359	16,821
Academic support	3,262	2,866	3,016
Student services	5,725	4,911	5,544
Institutional support	5,540	4,883	4,906
Operation and maintenance of plant	3,333	1,860	1,707
Auxiliary enterprises	11,704	9,463	9,619
Depreciation	5,583	5,313	5,590
Other	3,156	2,681	1,455
Total Operating Expenses	<u>58,423</u>	<u>49,336</u>	<u>48,658</u>
Net Operating Income (Loss)	<u>(2,254)</u>	<u>(4,240)</u>	<u>5,953</u>
Nonoperating Revenue (Expenses)			
Federal Pell grants and interest subsidy	\$ 3,241	\$ 3,310	\$ 3,495
Federal coronavirus relief funding and higher education emergency relief funding	4,147	11,173	627
Other private gifts	15,972	-	-
Investment and interest income (loss)	(1,011)	(479)	1,444
Interest expense on capital debt	(4,808)	(4,910)	(4,992)
Other nonoperating revenues (expenses)	27	(71)	(57)
Net Nonoperating Income	<u>17,568</u>	<u>9,023</u>	<u>517</u>
Income before Capital Contributions	<u>15,314</u>	<u>4,783</u>	<u>6,470</u>
Capital Contributions and Gifts			
State capital support and other capital gifts	<u>59,911</u>	<u>4,156</u>	<u>3,913</u>
Increase in Net Position	<u>75,225</u>	<u>8,939</u>	<u>10,383</u>
Net Position:			
Net Position, beginning of year	<u>61,542</u>	<u>52,603</u>	<u>42,220</u>
Net Position, end of year	<u>\$ 136,767</u>	<u>\$ 61,542</u>	<u>\$ 52,603</u>

WESTERN COLORADO UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
 As of and for the Years Ended June 30, 2022 and 2021

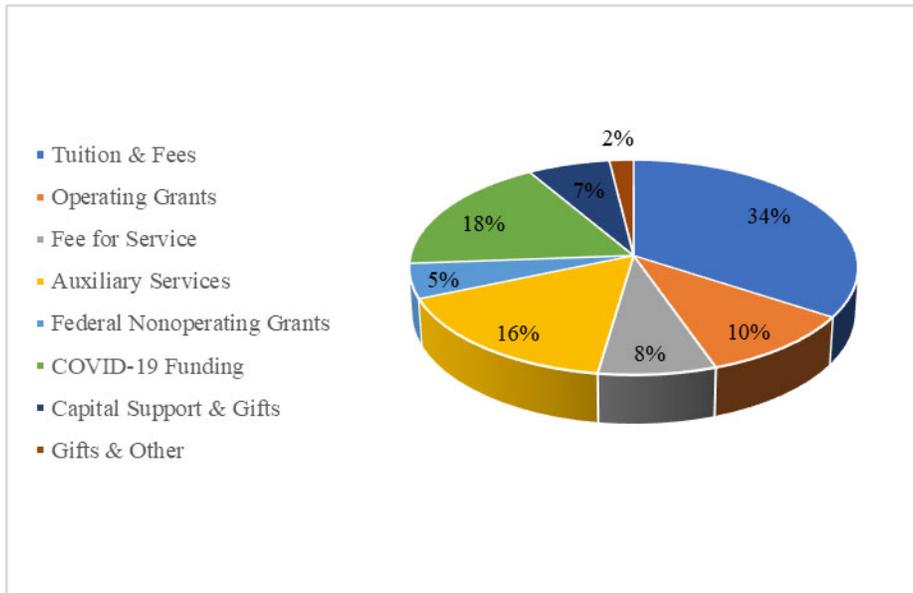
Revenue by Source

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

Operating, Nonoperating, and Capital Revenues – Fiscal Year 2022



Operating, Nonoperating, and Capital Revenues – Fiscal Year 2021



WESTERN COLORADO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Years Ended June 30, 2022 and 2021

Capital Assets

At June 30, 2022, the University had \$195.9 million invested in capital assets, net of accumulated depreciation of \$107.8 million. At June 30, 2021, the University had \$142.0 million invested in capital assets, net of accumulated depreciation of \$102.4 million. 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)

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Land and Improvements	\$ 4,408	\$ 4,408	\$ 4,408
Construction in Progress	2,431	3,382	2,439
Land Improvements, Net	6,355	2,788	250
Buildings and Improvements, Net	178,141	130,217	132,722
Furniture and Equipment, Net	4,403	1,073	1,303
Library Materials, Net	167	160	193
Total	<u>\$ 195,905</u>	<u>\$ 142,028</u>	<u>\$ 141,315</u>

The following significant capital projects were in progress at June 30, 2022 (in thousands):

Campus Accessibility Project	\$ 1,262
Digital Transformation Project	\$ 1,126
HVAC System Upgrade	\$ 43

The following significant capital projects were in progress at June 30, 2021 (in thousands):

Moffat Flood Project	\$ 2,188
Savage Library Renovation	\$ 617
Campus Accessibility Project	\$ 284

Debt

At June 30, 2022, the University had \$82.5 million in debt outstanding, a decrease of \$2.6 million from the debt outstanding of \$85.1 million as of June 30, 2021 related primarily to principal paid during the fiscal year. At June 30, 2021, the University had \$85.1 million in debt outstanding, a decrease of \$2.6 million from the debt outstanding of \$87.7 million as of June 30, 2020 related primarily to principal paid during the fiscal year. The table below summarizes the amounts by type of debt.

Outstanding Debt at Year-End (in thousands)

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Auxiliary Revenue Bonds	\$ 78,647	\$ 81,023	\$ 83,129
Direct Borrowing Bonds	3,860	4,110	4,535
Total	<u>\$ 82,507</u>	<u>\$ 85,133</u>	<u>\$ 87,664</u>

WESTERN COLORADO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Years Ended June 30, 2022 and 2021

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 will continue to be felt through fiscal year 2023 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. For fiscal year 2023, the University was appropriated \$18.4 million in state operating support, which represents a 10.1 percent increase from the prior year. A new funding model, first employed in 2022, allocates funding based on a variety of performance metrics and strategic priorities as identified by the State. Because performance is measured based on progress at the individual campus-level and because Western has seen growth or stability in key factors such as overall resident enrollment, graduation rates, and underrepresented student population growth, the University received a percentage increase consistent with the statewide average.

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 and various controlled maintenance projects (e.g., information technology projects, heating system improvements, roof upgrades, boiler replacements, and storm water mitigation). The University received two capital appropriations for fiscal year 2023: \$5.2 million in information technology capital support, which will be used to continue a digital transformation project to modernize the University's existing enterprise resource planning and student information system, and \$1.9 million for campus lighting upgrades that will improve security and increase efficiency. Although 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.

Enrollment and Tuition Revenues/Rates

Student FTE enrollment in fiscal year 2022 was 2,259, which represented a 4.7 percent increase over fiscal year 2021. Enrollment is a significant driver of University revenues and the University has enacted a number of initiatives to increase enrollment and retain students. Despite these efforts, the University expects undergraduate enrollment in fiscal year 2023 to decrease by approximately 2.5 percent (based on preliminary fall enrollments). Graduate enrollment is projected to be flat for fiscal year 2023.

In response to increased inflationary pressures, the University increased undergraduate tuition and fee rates by approximately 2 percent for fiscal year 2023. 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 institutions. 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.

WESTERN COLORADO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Years Ended June 30, 2022 and 2021

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 have historically lagged peers in several categories. The University has prioritized salary enhancement as a goal and provided a 3.0 percent salary increase pool to faculty and administrators for fiscal year 2023. In addition, the University provided certain equity and time in position salary adjustments beyond the base increase as a result of a comprehensive analysis completed by the University Salary Assessment Task Force. In the near term, the University plans to develop of a comprehensive compensation plan with the assistance of a third-party consultant. 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 increased its debt burden significantly roughly a decade ago. In fiscal year 2022, the University paid \$7.2 million in debt service (prior to application of the University's federal interest subsidy of approximately \$1.1 million) and has similar debt service requirements in fiscal year 2023. The University's current annual debt service requirements are expected to maintain at approximately \$7 million over the next several years (without factoring in the University's federal interest subsidy). 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 \$0.3 million to that reserve in fiscal year 2022, bringing the reserve balance to \$4.0 million.

Historically, the University's bonds have been secured by a pledge of certain auxiliary revenues and ten percent of general fund tuition revenues (with that limit established in State statute). A recent Senate Bill, SB 22-121, allows institutions of higher education to pledge up to 100 percent of tuition revenues as security for bonded debt, which is more consistent with industry norms. In July 2022, the Board of Trustees adopted a resolution increasing the University's pledge of tuition revenue on existing bonded debt from ten percent to 100 percent of general fund tuition revenues. The University believes the increased pledge of tuition will contribute to strengthening of its credit rating and position in the debt markets.

Strategic Planning

In fiscal year 2023, the University has embarked on the creation of a new strategic plan. The goals of the plan will include 1) enriching the Western experience and improving wellbeing for students, faculty, and staff; 2) improving student affordability and access; 3) enhancing the quality and value of a Western education and degree; 4) ensuring financial strength and supporting enrollment growth. The goals are in alignment with the vision of the Board of Trustees and the University's new administration and consistent with the projected goals of the emerging statewide strategic plan for public higher education. Initiatives and metrics for these goals will be developed during the remainder of fiscal year 2023 and the new plan will be launched no later than July 2023.

WESTERN COLORADO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Years Ended June 30, 2022 and 2021

Elevate Western Campaign

Fiscal year 2022 wrapped up the third year of the Elevate Western Campaign, a seven-year fundraising campaign for the University that will complement the \$80 million gift received for the creation of the Paul M. Rady School of Computer Science and Engineering. The goal of the campaign, based on a feasibility study, is \$60-\$80 million. To date Western has raised close to \$37 million. This has included major gifts to name the Clark Family School of Environment and Sustainability and the construction of the Mountaineer Bowl Events Complex. In addition, 66 scholarships have been created since the launch of the campaign. In fiscal year 2023, the University will continue to aggressively fundraise to support the pillars of the campaign (engineer Colorado's future, foster academic excellence, promote student access and success, and build our competitive edge) and align the campaign with the University's new strategic plan.

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, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 26,771,199	\$ 26,491,537
Investments	131,938	142,867
Student accounts receivable, net	1,014,842	646,119
Other accounts receivable	3,053,436	689,344
Pledge receivable	1,300,000	-
Student loans receivable, net	11,501	14,061
Inventories	308,143	300,339
Other current assets	283,010	414,291
<i>Total Current Assets</i>	32,874,069	28,698,558
Noncurrent Assets		
Pledge receivable	11,254,991	-
Student loans receivable, net	47,007	114,338
<i>Total Noncapital Noncurrent Assets</i>	11,301,998	114,338
Nondepreciable Capital Assets		
Land	2,503,736	2,503,736
Land improvements	1,904,083	1,904,083
Construction in progress	2,431,308	3,381,782
<i>Total Nondepreciable Capital Assets</i>	6,839,127	7,789,601
Depreciable Capital Assets, Net		
Land improvements, less accumulated depreciation of \$777,744 (2022) and \$580,405 (2021)	6,354,696	2,788,260
Buildings and improvements, less accumulated depreciation of \$97,344,282 (2022) and \$92,523,550 (2021)	178,140,747	130,216,777
Furniture, equipment and software, less accumulated depreciation of \$3,752,617 (2022) and \$3,379,772 (2021)	4,403,631	1,073,550
Library materials, less accumulated depreciation of \$5,964,863 (2022) and \$5,950,541 (2021)	167,106	159,669
<i>Total Depreciable Capital Assets, Net</i>	189,066,180	134,238,256
<i>Total Noncurrent Assets</i>	207,207,305	142,142,195
<i>Total Assets</i>	240,081,374	170,840,753
DEFERRED OUTFLOWS OF RESOURCES		
Loss on bond refundings	2,513,176	2,747,706
Pension related (See Note G)	1,444,051	2,042,972
Other postemployment benefit related (See Note H)	46,365	43,458
<i>Total Deferred Outflows</i>	\$ 4,003,592	\$ 4,834,136

See accompanying notes.

WESTERN COLORADO UNIVERSITY
STATEMENTS OF NET POSITION
As of June 30, 2022 and 2021

	2022	2021
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 463,845	\$ 554,713
Accrued liabilities	2,020,128	1,616,942
Unearned revenue	1,641,604	3,054,695
Student deposits	842,588	806,161
Bonds payable, current portion	2,585,000	2,485,000
Compensated absence liabilities, current portion	359,917	165,928
<i>Total Current Liabilities</i>	7,913,082	8,683,439
Noncurrent Liabilities		
Bonds payable	79,922,432	82,648,002
Compensated absence liabilities	796,584	1,055,007
Net pension liability (See Note G)	13,125,559	16,444,652
Net other postemployment benefit liability (See Note H)	480,850	528,935
<i>Total Noncurrent Liabilities</i>	94,325,425	100,676,596
Total Liabilities	102,238,507	109,360,035
 DEFERRED INFLOWS OF RESOURCES		
Pension related (See Note G)	4,833,512	4,502,764
Other postemployment benefit related (See Note H)	246,054	269,662
<i>Total Deferred Inflows</i>	5,079,566	4,772,426
 NET POSITION		
Net investment in capital assets	115,911,051	59,632,746
Restricted for:		
Loans	214,288	249,597
Debt service	11,241,154	9,662,525
Other	14,541,051	-
Unrestricted	(5,140,651)	(8,002,440)
<i>Total Net Position</i>	\$ 136,766,893	\$ 61,542,428

See accompanying notes.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,182,064	\$ 609,889
Accounts receivable	14,348	29,451
Promises to give, net	1,923,102	1,604,882
Marketable securities	28,238,441	30,200,488
Other assets	492,021	574,482
Property and equipment, net	987,651	1,014,452
<i>Total Assets</i>	\$ 32,837,627	\$ 34,033,644
LIABILITIES		
Accounts payable	\$ 256,393	\$ 20,012
Accrued compensated absences and additional compensation	25,849	44,458
Liabilities under charitable gift annuities	184,246	183,382
<i>Total Liabilities</i>	466,488	247,852
NET ASSETS		
Without donor restrictions		
Undesignated	(1,093,557)	(1,180,085)
With donor restrictions		
Perpetual in nature	9,445,021	10,191,734
Purpose restrictions	22,519,758	23,169,261
Time-restricted for future period	1,923,102	1,604,882
Underwater endowments	(423,185)	-
	33,464,696	34,965,877
<i>Total Net Assets</i>	32,371,139	33,785,792
<i>Total Liabilities and Net Assets</i>	\$ 32,837,627	\$ 34,033,644

See accompanying notes.

WESTERN COLORADO UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenue		
Tuition and fees, including \$15,237,152 (2022) and \$14,144,482 (2021) pledged for bonds	\$ 37,224,226	\$ 33,046,323
Less: scholarship allowances	<u>(12,745,089)</u>	<u>(11,410,804)</u>
<i>Net Tuition and Fees</i>	24,479,137	21,635,519
Federal, state, and private grants and contracts, including \$137,208 (2022) and \$109,741 (2021) pledged for bonds	6,018,715	6,606,314
Fee for service revenue	12,683,583	4,837,921
Sales and services of auxiliary enterprises, including \$11,305,203 (2022) and \$9,850,909 (2021) pledged for bonds	13,020,413	10,755,313
Less: scholarship allowances	<u>(409,264)</u>	<u>(444,209)</u>
<i>Net Sales and Services of Auxiliary Enterprises</i>	<u>12,611,149</u>	<u>10,311,104</u>
Other operating revenue, including \$14,088 (2022) and \$5,890 (2021) pledged for bonds	376,474	1,704,854
<i>Total Operating Revenue</i>	<u>56,169,058</u>	<u>45,095,712</u>
Operating Expenses		
Instruction	20,120,357	17,358,926
Research	548,548	422,578
Public service	34,515	52,705
Academic support	3,262,244	2,866,477
Student services	5,724,813	4,911,133
Institutional support	5,539,761	4,882,975
Operation and maintenance of plant	3,333,271	1,859,655
Scholarships and fellowships	2,572,799	2,205,800
Auxiliary enterprises	11,703,581	9,462,896
Depreciation	<u>5,583,051</u>	<u>5,312,679</u>
<i>Total Operating Expenses</i>	<u>58,422,940</u>	<u>49,335,824</u>
<i>Operating Loss</i>	<u>(2,253,882)</u>	<u>(4,240,112)</u>
Nonoperating Revenue (Expenses)		
Federal Pell grants	2,095,731	2,135,606
Federal interest subsidy, including \$1,144,944 (2022) and \$1,173,918 (2021) pledged for bonds	1,144,944	1,173,918
Federal coronavirus relief funding and higher education emergency relief funding	4,147,293	11,173,337
Other private gifts	15,972,117	-
Investment and interest income (loss), including \$165,639 (2022) and \$155,196 (2021) pledged for bonds	(1,010,715)	(478,761)
State support for pensions	136,515	-
Interest expense on capital debt	(4,808,613)	(4,909,972)
Other nonoperating expenses	<u>(109,461)</u>	<u>(70,985)</u>
<i>Net Nonoperating Revenue</i>	<u>17,567,811</u>	<u>9,023,143</u>
<i>Income Before Capital Contributions</i>	<u>15,313,929</u>	<u>4,783,031</u>
Capital Contributions		
State capital support	2,814,518	1,094,601
Other capital gifts	<u>57,096,018</u>	<u>3,061,294</u>
<i>Increase in Net Position</i>	<u>75,224,465</u>	<u>8,938,926</u>
Net Position - beginning of year	<u>61,542,428</u>	<u>52,603,502</u>
Net Position - end of year	<u>\$ 136,766,893</u>	<u>\$ 61,542,428</u>

See accompanying notes.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contribution of cash and other financial assets	\$ 250,043	\$ 4,345,444	\$ 4,595,487
Fundraising revenue	-	131,874	131,874
Contribution of nonfinancial assets	-	129,691	129,691
Net investment return	(64,117)	(1,989,618)	(2,053,735)
Service agreement income - Western Colorado University	270,000	-	270,000
Royalties	-	43,425	43,425
Gain on sale of donated assets	2,350	-	2,350
Reclassification of net assets	82,587	(82,587)	-
Net assets released from restrictions	4,079,410	(4,079,410)	-
<i>Total Revenue and Support</i>	<u>4,620,273</u>	<u>(1,501,181)</u>	<u>3,119,092</u>
EXPENSES			
Program expenses	3,566,933	-	3,566,933
Management and general	376,721	-	376,721
Fundraising	590,091	-	590,091
<i>Total Expenses</i>	<u>4,533,745</u>	<u>-</u>	<u>4,533,745</u>
CHANGES IN NET ASSETS	86,528	(1,501,181)	(1,414,653)
NET ASSETS - BEGINNING OF YEAR	<u>(1,180,085)</u>	<u>34,965,877</u>	<u>33,785,792</u>
NET ASSETS - ENDING OF YEAR	<u><u>\$ (1,093,557)</u></u>	<u><u>\$ 33,464,696</u></u>	<u><u>\$ 32,371,139</u></u>

See accompanying notes.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contribution of cash and other financial assets	\$ 356,388	\$ 5,297,743	\$ 5,654,131
Fundraising revenue	-	31,839	31,839
Contribution of nonfinancial assets	-	579,352	579,352
Net investment return	-	3,407	6,265,322
Service agreement income - Western Colorado University	825,140	4,976,485	5,801,625
Royalties	270,000	-	270,000
Gain on sale of donated assets	-	25,363	25,363
Reclassification of net assets	211,128	(211,128)	-
Net assets released from restrictions	3,055,996	(3,055,996)	-
<i>Total Revenue and Support</i>	<u>4,718,652</u>	<u>7,647,065</u>	<u>12,365,717</u>
EXPENSES			
Program expenses	2,731,178	-	2,731,178
Management and general	283,001	-	283,001
Fundraising	375,734	-	375,734
<i>Total Expenses</i>	<u>3,389,913</u>	<u>-</u>	<u>3,389,913</u>
CHANGES IN NET ASSETS	1,328,739	7,647,065	8,975,804
NET ASSETS - BEGINNING OF YEAR	<u>(2,508,824)</u>	<u>27,318,812</u>	<u>24,809,988</u>
NET ASSETS - ENDING OF YEAR	<u><u>\$ (1,180,085)</u></u>	<u><u>\$ 34,965,877</u></u>	<u><u>\$ 33,785,792</u></u>

See accompanying notes.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program Expenses	Management and General	Fundraising	Total
Personnel costs	\$ 961,210	\$ 268,410	\$ 327,731	\$ 1,557,351
Scholarships	1,176,909	-	-	1,176,909
Supplies and equipment	312,242	-	-	312,242
Travel	260,043	-	-	260,043
Coldharbour project	152,303	-	-	152,303
In-kind expenses	129,691	-	-	129,691
Dues, registrations, memberships, subscriptions	127,555	100	-	127,655
Biology research	123,996	-	-	123,996
Honorariums	111,228	-	-	111,228
Official functions	108,612	-	-	108,612
Direct cost of fundraising	-	-	89,092	89,092
Capital equipment and software	46,237	23,133	17,451	86,821
Bad debt expense	-	-	82,588	82,588
Other fundraising expenses	-	-	61,558	61,558
Depreciation expense	-	29,201	-	29,201
Professional fees	12,180	16,000	-	28,180
Annuity disbursements	27,865	-	-	27,865
Insurance	2,793	15,678	-	18,471
Administrative fees	10,790	5,320	-	16,110
Publication costs	-	-	8,394	8,394
Board of directors' expenses	-	7,187	-	7,187
Office supplies	-	6,689	-	6,689
Miscellaneous	1,217	2,596	-	3,813
Director's expense	-	-	2,920	2,920
Postage	-	2,407	-	2,407
Property taxes	1,611	-	-	1,611
Advertising	451	-	-	451
Capital campaign	-	-	357	357
Total	\$ 3,566,933	\$ 376,721	\$ 590,091	\$ 4,533,745

See accompanying notes.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Program Expenses	Management and General	Fundraising	Total
Scholarships	\$ 1,085,040	\$ -	\$ -	\$ 1,085,040
Personnel costs	539,571	194,154	291,045	1,024,770
In-kind expenses	579,352	-	-	579,352
Biology research	120,331	-	-	120,331
Supplies and equipment	96,429	-	-	96,429
Travel	85,380	-	-	85,380
Direct cost of fundraising	-	-	68,009	68,009
Official functions	53,094	-	-	53,094
Dues, registrations, memberships	40,675	225	-	40,900
Capital equipment and software	32,946	3,254	2,455	38,655
Honorariums, professional development, etc.	36,975	-	-	36,975
Professional fees	17,769	14,000	-	31,769
Depreciation expenses	-	28,859	-	28,859
Annuity disbursements	24,834	-	-	24,834
Insurance	2,473	17,433	-	19,906
Administrative fees	5,644	4,744	-	10,388
Publication costs	-	-	8,566	8,566
Office supplies	-	7,860	-	7,860
Board of directors' expenses	-	7,464	-	7,464
Advertising	7,362	-	-	7,362
Miscellaneous	1,201	2,230	-	3,431
Postage	-	2,778	-	2,778
Other fundraising expenses	-	-	2,395	2,395
Director's expense	-	-	2,106	2,106
Property taxes	2,102	-	-	2,102
Capital campaign	-	-	1,158	1,158
Total	\$ 2,731,178	\$ 283,001	\$ 375,734	\$ 3,389,913

See accompanying notes.

WESTERN COLORADO UNIVERSITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Cash Received		
Tuition and fees	\$ 24,302,596	\$ 21,993,171
Sales of services	24,774,833	14,338,738
Sales of product	675,757	580,893
Grants, contracts, and gifts	4,944,410	6,145,921
Student loans collected	114,425	81,197
Other operating receipts	363,152	1,726,895
Cash Payments		
Payments to or for employees	(32,300,687)	(30,931,174)
Payments to suppliers	(18,491,737)	(15,660,337)
Scholarships disbursed	(2,572,799)	(2,205,800)
<i>Net Cash Provided by (Used for) Operating Activities</i>	1,809,950	(3,930,496)
Cash Flows from Noncapital Financing Activities		
Grants, gifts, and contracts	6,836,082	5,867,098
Other agency inflows (outflows)	(87,224)	9,920
<i>Net Cash Provided by Noncapital Financing Activities</i>	6,748,858	5,877,018
Cash Flows from Capital and Related Financing Activities		
State capital support	2,814,518	1,142,564
Capital gifts and grants	24,712	97,382
Acquisition or construction of capital assets	(2,905,683)	(3,427,303)
Principal paid on capital debt	(2,485,000)	(2,390,000)
Interest on capital debt	(4,727,907)	(4,828,598)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(7,279,360)	(9,405,955)
Cash Flows from Investing Activities		
Investment earnings (loss)	(999,786)	(475,229)
<i>Net Cash Used for Investing Activities</i>	(999,786)	(475,229)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	279,662	(7,934,662)
Cash and Cash Equivalents - beginning of year	26,491,537	34,426,199
Cash and Cash Equivalents - end of year	\$ 26,771,199	\$ 26,491,537
 Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating loss	\$ (2,253,882)	\$ (4,240,112)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	5,583,051	5,312,679
Provision for uncollectable accounts	(32,782)	18,684
Compensated absences adjustment	(64,434)	34,357
Non-cash pension & OPEB expense (See Notes G & H)	(2,327,509)	(5,701,189)
Changes in assets and liabilities:		
Receivables	(592,647)	(82,075)
Inventories	(7,804)	25,478
Other assets	131,281	(136,652)
Student loans	114,871	76,452
Accounts payable	(88,005)	6,530
Accrued liabilities	390,942	(57,949)
Unearned revenue	504,443	644,455
Deposits held for others	(16,859)	168,846
Other reconciling items	469,284	-
<i>Net Cash Provided by Operating Activities</i>	\$ 1,809,950	\$ (3,930,496)
 Noncash Investing, Capital, and Financing Activities		
Unrealized (gain) loss on investments	\$ 10,929	\$ 3,522
Amortization of deferred bond refunding loss	234,531	234,531
Amortization of bond discount (premium)	(140,570)	(140,570)
Capital gifts	57,095,370	2,766,543
Loss on disposal of capital assets	93,905	-
State support for pensions	136,515	-

See accompanying notes.

WESTERN COLORADO UNIVERSITY FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Changes in Net Assets	\$ (1,414,653)	\$ 8,975,804
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	29,201	28,859
Bad debt expense (recovery)	82,588	(3,407)
Collections of contributions restricted to endowments	(66,139)	(510,254)
Net realized and unrealized (gains) and losses on investments	2,400,417	(5,491,832)
Realized gain on sale of donated assets	(2,350)	-
(Increase) decrease in value of life insurance policy	76,461	(95,276)
Net change in split interest liabilities	864	(60,523)
PPP loan forgiven	-	(99,784)
Changes in operating assets and liabilities -		
(Increase) decrease in accounts receivable	15,103	(22,656)
(Increase) decrease in promises to give	(400,808)	192,520
(Decrease) increase in accounts payable	236,381	(30,782)
(Decrease) increase in accrued liabilities	(18,609)	(4,898)
<i>Net Cash from Operating Activities</i>	<u>938,456</u>	<u>2,877,771</u>
Cash Flows from Investing Activities		
Purchase of operating investments	(7,416,589)	(9,958,045)
Proceeds from sales and maturities of marketable investments	6,978,219	6,620,414
Proceeds from sale of donated assets	8,350	-
Purchase of buildings, improvements and equipment	(2,400)	(5,230)
<i>Net Cash Used for Investing Activities</i>	<u>(432,420)</u>	<u>(3,342,861)</u>
Cash Flows from Financing Activities		
Collections of contributions restricted to endowments	66,139	510,254
Proceeds from charitable gift annuity agreements	-	100,000
<i>Net Cash from Financing Activities</i>	<u>66,139</u>	<u>610,254</u>
Net Change in Cash and Cash Equivalents	572,175	145,164
Cash and Cash Equivalents - beginning of year	<u>609,889</u>	<u>464,725</u>
Cash and Cash Equivalents - end of year	<u>\$ 1,182,064</u>	<u>\$ 609,889</u>

See accompanying notes.

WESTERN COLORADO UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2022 and 2021

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). 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 full-time 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, 2022 and 2021. 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 Annual Comprehensive 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.

WESTERN COLORADO UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2022 and 2021

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 of resources, and deferred inflows of resources 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 is reported net of any estimated uncollectible amounts.

Pledge Receivable

Pledge receivable includes amounts due from a private donor. The University does not report pledges at a discounted value.

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.

WESTERN COLORADO UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2022 and 2021

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 100 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.

WESTERN COLORADO UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2022 and 2021

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, grants received as a result of COVID-19 federal relief funding, and investment income.

Capital Contributions – Donations of capital assets and 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, 2022 and 2021 were \$13,154,353 and \$11,855,013.

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 includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted Net Position – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of 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.

WESTERN COLORADO UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2022 and 2021

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 2022 or 2021.

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:

	2022	2021
Cash on hand	\$ 77,986	\$ 11,680
Cash in local banks	2,777,773	1,815,646
	\$ 2,855,759	\$ 1,827,326

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.

WESTERN COLORADO UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2022 and 2021

As of June 30, 2022 and 2021, the University had cash on deposit with the State Treasurer of \$23,915,440 and \$24,664,211 which represented approximately 0.11 percent and 0.14 percent of the total \$21,060.9 million and \$17,699.3 million fair value of deposits in the State Treasurer’s Pool (Pool). As of June 30, 2022, the Pool’s resources included \$47.2 million of cash on hand and \$21,013.7 million of investments. As of June 30, 2021, the Pool’s resources included \$36.1 million of cash on hand and \$17,663.2 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 Annual Comprehensive Financial Report for the year ended June 30, 2022.

Investments

At June 30, 2022 and 2021, the University has an investment of \$131,938 and \$142,867 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 ACCRUED LIABILITIES

At June 30, receivable balances were as follows:

	Gross	Allowance for	Net
	Receivable	Uncollectible	Receivable
<u>2022</u>	<u> </u>	<u> </u>	<u> </u>
Student accounts receivable	\$ 1,529,055	\$ (514,213)	\$ 1,014,842
Other accounts receivable	3,053,436	-	3,053,436
Pledge receivable	1,300,000	-	1,300,000
Student loans receivable	114,871	(103,370)	11,501
Noncurrent pledge receivable	11,254,991	-	11,254,991
Noncurrent student loans receivable	465,707	(418,700)	47,007
<u>2021</u>	<u> </u>	<u> </u>	<u> </u>
Student accounts receivable	\$ 1,193,114	\$ (546,995)	\$ 646,119
Other accounts receivable	689,344	-	689,344
Student loans receivable	76,452	(62,391)	14,061
Noncurrent student loans receivable	621,688	(507,350)	114,338

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At June 30, accrued liabilities balances were as follows:

	2022	2021
Accrued payroll and benefits	\$ 1,397,820	\$ 1,008,100
Retainage payable	43,352	17,854
Accrued interest payable	577,734	590,988
Other	1,222	-
<i>Total Accrued Liabilities</i>	\$ 2,020,128	\$ 1,616,942

NOTE D – CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the years ended June 30, 2022 and 2021.

	Balance June 30, 2021	Additions	Deletions/ Transfers	Balance June 30, 2022
Nondepreciable Capital Assets				
Land	\$ 2,503,736	\$ -	\$ -	\$ 2,503,736
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	3,381,782	2,738,011	(3,688,485)	2,431,308
<i>Total Nondepreciable Capital Assets</i>	\$ 7,789,601	\$ 2,738,011	\$ (3,688,485)	\$ 6,839,127
Depreciable Capital Assets				
Land improvements	\$ 3,368,665	\$ 2,414,862	\$ 1,348,913	\$ 7,132,440
Buildings and improvements	222,740,327	51,045,149	1,699,553	275,485,029
Furniture and equipment	4,453,322	3,803,908	(100,982)	8,156,248
Library materials	6,110,210	21,759	-	6,131,969
<i>Total Depreciable Capital Assets</i>	236,672,524	57,285,678	2,947,484	296,905,686
Less: Accumulated depreciation				
Land improvements	(580,405)	(197,339)	-	(777,744)
Buildings and improvements	(92,523,550)	(4,897,563)	76,831	(97,344,282)
Furniture and equipment	(3,379,772)	(473,827)	100,982	(3,752,617)
Library materials	(5,950,541)	(14,322)	-	(5,964,863)
<i>Total Accumulated Depreciation</i>	(102,434,268)	(5,583,051)	177,813	(107,839,506)
<i>Net Depreciable Capital Assets</i>	\$ 134,238,256	\$ 51,702,627	\$ 3,125,297	\$ 189,066,180

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	Balance June 30, 2020	Additions	Deletions/ Transfers	Balance June 30, 2021
Nondepreciable Capital Assets				
Land	\$ 2,503,736	\$ -	\$ -	\$ 2,503,736
Land improvements	1,904,083	-	-	1,904,083
Construction in progress	2,438,633	3,152,189	(2,209,040)	3,381,782
<i>Total Nondepreciable Capital Assets</i>	<u>\$ 6,846,452</u>	<u>\$ 3,152,189</u>	<u>\$ (2,209,040)</u>	<u>\$ 7,789,601</u>
Depreciable Capital Assets				
Land improvements	\$ 732,555	\$ 2,636,110	\$ -	\$ 3,368,665
Buildings and improvements	220,400,854	130,433	2,209,040	222,740,327
Furniture and equipment	4,411,522	83,776	(41,976)	4,453,322
Library materials	6,086,335	23,875	-	6,110,210
<i>Total Depreciable Capital Assets</i>	<u>231,631,266</u>	<u>2,874,194</u>	<u>2,167,064</u>	<u>236,672,524</u>
Less: Accumulated depreciation				
Land improvements	(482,528)	(97,877)	-	(580,405)
Buildings and improvements	(87,679,011)	(4,844,539)	-	(92,523,550)
Furniture and equipment	(3,108,807)	(312,941)	41,976	(3,379,772)
Library materials	(5,893,219)	(57,322)	-	(5,950,541)
<i>Total Accumulated Depreciation</i>	<u>(97,163,565)</u>	<u>(5,312,679)</u>	<u>41,976</u>	<u>(102,434,268)</u>
<i>Net Depreciable Capital Assets</i>	<u>\$ 134,467,701</u>	<u>\$ (2,438,485)</u>	<u>\$ 2,209,040</u>	<u>\$ 134,238,256</u>

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

	2022	2021
Land	\$ 813,225	\$ 813,225
Buildings and improvements	1,108,583	1,108,583
Furniture and equipment	109,113	106,713
	2,030,921	2,028,521
Less: Accumulated depreciation	<u>(1,043,270)</u>	<u>(1,014,069)</u>
	<u>\$ 987,651</u>	<u>\$ 1,014,452</u>

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NOTE E – NONCURRENT LIABILITIES

The University's noncurrent liability activity for the years ended June 30, 2022 and 2021 was as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due within One Year
Debt					
Bonds	\$ 78,460,000	\$ -	\$ 2,235,000	\$ 76,225,000	\$ 2,325,000
Bond Premium	2,563,002	-	140,570	2,422,432	-
Direct Borrowing	4,110,000	-	250,000	3,860,000	260,000
	<u>85,133,002</u>	<u>-</u>	<u>2,625,570</u>	<u>82,507,432</u>	<u>2,585,000</u>
Other Liabilities					
Compensated Absences	\$ 1,220,935	\$ 295,483	\$ 359,917	\$ 1,156,501	\$ 359,917
OPEB Liability, net	528,935	-	48,085	480,850	-
Pension Liability, net	16,444,652	-	3,319,093	13,125,559	-
	<u>18,194,522</u>	<u>295,483</u>	<u>3,727,095</u>	<u>14,762,910</u>	<u>359,917</u>
<i>Total Noncurrent Liabilities</i>	<u>\$ 103,327,524</u>	<u>\$ 295,483</u>	<u>\$ 6,352,665</u>	<u>\$ 97,270,342</u>	<u>\$ 2,944,917</u>
	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due within One Year
Debt					
Bonds	\$ 80,605,000	\$ -	\$ 2,145,000	\$ 78,460,000	\$ 2,235,000
Bond Premium	2,703,572	-	140,570	2,563,002	-
Direct Borrowing	4,355,000	-	245,000	4,110,000	250,000
	<u>87,663,572</u>	<u>-</u>	<u>2,530,570</u>	<u>85,133,002</u>	<u>2,485,000</u>
Other Liabilities					
Compensated Absences	1,186,578	200,285	165,928	1,220,935	165,928
OPEB Liability, net	669,330	-	140,395	528,935	-
Pension Liability, net	17,667,532	-	1,222,880	16,444,652	-
	<u>19,523,440</u>	<u>200,285</u>	<u>1,529,203</u>	<u>18,194,522</u>	<u>165,928</u>
<i>Total Noncurrent Liabilities</i>	<u>\$ 107,187,012</u>	<u>\$ 200,285</u>	<u>\$ 4,059,773</u>	<u>\$ 103,327,524</u>	<u>\$ 2,650,928</u>

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 2010B bonds along with Series 2010A bonds (fully matured in 2020) were used to finance a new student apartment complex and a new sports complex/field house. At June 30, 2022 and 2021, the outstanding principal on the 2010B bonds was \$48,020,000.

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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 began to mature on May 15, 2020 and continue to mature in increasing amounts through May 15, 2027. The bonds are to be paid from Institutional Enterprise Revenues. The Series 2010C bonds were used to finance energy improvements on campus. At June 30, 2022 and 2021, the outstanding principal on the 2010C bonds was \$1,065,000 and \$1,260,000.

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 and interest rates ranging from 2.75 percent to 3.625 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. The proceeds of the Series 2011A bonds plus the proceeds of the Series 2011B bonds (fully matured in 2019) and 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. At June 30, 2022 and 2021, the outstanding principal on the 2011A bonds was \$2,750,000 and \$3,700,000.

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 (fully matured in 2019) 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. At June 30, 2022 and 2021, the outstanding principal on the 2016 bonds was \$24,390,000 and \$25,480,000.

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 began 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, 2022 and 2021, the outstanding principal on the 2019 bonds was \$3,860,000 and \$4,110,000.

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At June 30, 2022, debt principal and interest requirements to maturity are as follows:

Year Ending June 30	Bonds		Direct Borrowing	
	Principal	Interest	Principal	Interest
2023	\$ 2,325,000	\$ 4,478,665	\$ 260,000	\$ 143,206
2024	2,415,000	4,376,669	270,000	133,560
2025	2,530,000	4,268,175	280,000	123,543
2026	2,500,000	4,148,944	290,000	102,396
2027	2,750,000	4,020,758	300,000	113,155
2028-2032	14,400,000	17,685,600	1,690,000	335,569
2033-2037	17,700,000	13,299,700	770,000	38,174
2038-2042	19,065,000	8,137,700	-	-
2043-2045	12,540,000	1,781,850	-	-
<i>Total Debt Service</i>	<u>\$ 76,225,000</u>	<u>\$ 62,198,061</u>	<u>\$ 3,860,000</u>	<u>\$ 989,603</u>

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, 2022 is \$1,156,501. In fiscal year 2022, expenses were reduced by \$64,434 related to the decrease in the estimated compensated absence liability. The estimated cost of compensated absences for which employees are vested for the year ended June 30, 2021 is \$1,220,935. Fiscal year 2021 expenses include \$34,357 for the increase in the estimated compensated absence liability.

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 the pension plan administered the Public Employees' Retirement Association of Colorado (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, 2022 and 2021 were \$1,865,205 and \$1,717,633. 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.

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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 – Defined Benefit Pension Plan

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 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.

General Information about the PERA 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 annual comprehensive financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2021. 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 lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance 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.

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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.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure, will receive the maximum annual increase (AI) or AI cap of 1.00 percent unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007 will receive the lesser of an annual increase of the 1.00 percent AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned AI cap 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.

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Contributions Provisions: 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, 2020 through June 30, 2022 are summarized in the table below:

	January 1, 2022 to June 30, 2022	July 1, 2021 to December 31, 2021	January 1, 2021 to June 30, 2021	July 1, 2020 to December 31, 2020
Employee Contribution Rate ¹	<u>10.50%</u>	<u>10.50%</u>	<u>10.00%</u>	<u>10.00%</u>
Employer Contribution Rate ¹	10.90%	10.90%	10.90%	10.90%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f) ¹	<u>-1.02%</u>	<u>-1.02%</u>	<u>-1.02%</u>	<u>-1.02%</u>
Amount Apportioned to the SDTF ¹	9.88%	9.88%	9.88%	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411 ¹	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411 ¹	5.00%	5.00%	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S., Section 24-51-415 ¹	<u>0.10%</u>	<u>0.05%</u>	<u>0.05%</u>	<u>-</u>
Total Employer Contribution Rate to the SDTF ¹	<u><u>19.98%</u></u>	<u><u>19.93%</u></u>	<u><u>19.93%</u></u>	<u><u>19.88%</u></u>

¹ Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University were \$1,241,573 and \$1,079,161 for the years ended June 30, 2022 and 2021.

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

At June 30, 2022 and 2021, the University reported a liability of \$13,125,559 and \$16,444,652 for its proportionate share of the net pension liability. The net pension liability for the SDTF was measured as of December 31, 2021 for fiscal year 2022 and as of December 31, 2020 for fiscal year 2021, 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, 2021 and 2020. The University's proportion of the net pension liability was based on the University's contributions to the SDTF for the calendar years 2021 (for fiscal year 2022) and 2020 (for fiscal year 2021) relative to the total contributions of participating employers and the State as a nonemployer contributing entity. At December 31, 2021 and 2020, the University's proportion was 0.1780 percent and 0.1734 percent.

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For the years ended June 30, 2022 and 2021, the University recognized non-cash pension income of \$2,389,425 and \$5,647,352. Additionally, in fiscal year 2022, the University recognized non-cash revenue of \$136,515 for support from the State as a nonemployer contributing entity.

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

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Difference between expected and actual experience in the measurement of the total pension liability	\$ 89,310	\$ 406,394	\$ 18,260	\$ -
Changes in assumptions or other inputs	467,976	1,116,621	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	4,516,856	3,365,781
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	301,681	-	298,396	1,136,983
Employer's contributions to the plan subsequent to the measurement date of the collective net pension liability	<u>585,084</u>	<u>519,957</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,444,051</u>	<u>\$ 2,042,972</u>	<u>\$ 4,833,512</u>	<u>\$ 4,502,764</u>

The amounts reported as deferred outflows related to pensions resulting from contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Amortization</u>
2023	\$ (728,954)
2024	(1,610,996)
2025	(1,088,021)
2026	(546,574)

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Actuarial assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30 percent
Real wage growth	0.70 percent
Wage inflation	3.00 percent
Salary increases, including wage inflation	3.30 – 10.90 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 (compounded annually)	1.00 percent
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

The total pension liability as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

Pre-retirement mortality assumptions for members other than State Troopers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

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Disabled mortality assumptions for members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board during the November 20, 2020 Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019 meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation, and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	54.00%	5.60%
Fixed Income	23.00	1.30
Private Equity	8.50	7.10
Real Estate	8.50	4.40
Alternatives	6.00	4.70
<i>Total</i>	<u>100.00%</u>	

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 nominal 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 3.00 percent.

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- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50 percent resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50 percent resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the 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.

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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 2022 and 2021), as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Proportionate share of the net pension liability – 2022	\$ 18,513,131	\$ 13,125,559	\$ 8,596,354
Proportionate share of the net pension liability – 2021	\$ 21,756,758	\$ 16,444,652	\$ 11,984,399

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

C. PERA Voluntary Investment Program

Plan Description. Employees of the University that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an 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 Annual Report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings.

D. PERA Defined Contribution Retirement Plan (PERA DC Plan)

Plan Description. Employees of the State of Colorado hired on or after January 1, 2006, employees of certain community colleges hired on or after January 1, 2008, and certain classified employees of State Colleges and Universities hired on or after January 1, 2019, 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). 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 Annual Report as referred to above.

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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, 2020 through June 30, 2022 are summarized in the tables below:

	January 1, 2022 to June 30, 2022	July 1, 2021 to December 31, 2021	January 1, 2021 to June 30, 2021	July 1, 2020 to December 31, 2020
Employee Contribution Rate ¹	<u>10.50%</u>	<u>10.50%</u>	<u>10.00%</u>	<u>10.00%</u>
Employer Contribution Rate ¹	10.15%	10.15%	10.15%	10.15%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411 ¹	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411 ¹	5.00%	5.00%	5.00%	5.00%
Automatic Adjustment Provision (AAP), as specified in C.R.S. § 24-51-413	0.50%	0.50%	0.50%	0.50%
Defined Contribution statutory contribution as specified in C.R.S. § 24-51-1505	0.25%	0.25%	0.25%	0.25%
Defined Contribution Supplement as specified in C.R.S., Section 24-51- 415 ¹	<u>0.10%</u>	<u>0.05%</u>	<u>0.05%</u>	<u>-</u>
Total Employer Contribution Rate to the SDTF ¹	<u>21.00%</u>	<u>20.95%</u>	<u>20.95%</u>	<u>20.90%</u>

¹ Contribution 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.

E. Student-Employees Defined Contribution Plan

Beginning in fiscal year 1993, in accordance with the provisions of CRS 24-54.6-101 through 106 and as provided in IRC 403(b), the State of Colorado Department of Higher Education established the Colorado Student-Employees Defined Contribution Pension Plan administered by TIAA-CREF. Student-employees not currently attending classes are required to participate. The plan requires a 7.50 percent employee contribution and no employer contribution. For the fiscal years ended June 30, 2022 and 2021, total payroll upon which the plan contributions were based was \$571,854 and \$458,943.

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NOTE H – POSTEMPLOYMENT HEALTH CARE BENEFITS

Defined Benefit Other Postemployment 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 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 C.R.S., as amended, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. 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 health benefits program 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.

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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 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 maximum service-based 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 \$57,714 and \$49,885 for the years ended June 30, 2022 and 2021.

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

At June 30, 2022 and 2021, the University reported liabilities of \$480,850 and \$528,935 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021 for fiscal year 2022 and December 31, 2020 for fiscal year 2021, 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, 2021 and 2020. The University's proportion of the net OPEB liability was based on the University's contributions to the HCTF for the calendar years 2021 (for fiscal year 2022) and 2020 (for fiscal year 2021) relative to the total contributions of participating employers to the HCTF. At December 31, 2021 and 2020, the University's proportion was 0.0558 percent and 0.0557 percent.

For the years ended June 30, 2022 and 2021, the University recognized non-cash OPEB income of \$74,599 and \$53,837.

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

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Difference between expected and actual experience in the measurement of the total OPEB liability	\$ 733	\$ 1,404	\$ 114,016	\$ 116,285
Changes in assumptions or other inputs	9,955	3,952	26,083	32,434
Net difference between projected and actual earnings on OPEB plan investments	-	-	29,765	21,613
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	8,376	14,073	76,190	99,330
Employer's contributions to the plan subsequent to the measurement date of the collective OPEB liability	<u>27,301</u>	<u>24,029</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 46,365</u>	<u>\$ 43,458</u>	<u>\$ 246,054</u>	<u>\$ 269,662</u>

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The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date are recognized as a reduction of the net OPEB liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	Amortization
2023	\$ (59,077)
2024	(69,142)
2025	(63,465)
2026	(30,045)
2027	(4,687)
Thereafter	(574)

Actuarial assumptions. The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30 percent
Real wage growth	0.70 percent
Wage inflation	3.00 percent
Salary increases, including wage inflation	3.30 to 10.90 percent
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	4.50 percent in 2021, 6.00 percent in 2022, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.75 percent in 2021, 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.

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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 initial monthly costs/premiums (actual dollars) are assumed for 2021 in the December 31, 2020 valuation for the PERA Benefit Structure:

Medicare Plan	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured Rx	\$633	\$230	\$591
Kaiser Permanente Medicare Advantage HMO	596	199	562

The 2021 Medicare Part A premium is \$471 (actual dollars) per month.

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, 2020, 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
2021	4.50%	3.75%
2022	6.00%	3.75%
2023	5.80%	4.00%
2024	5.60%	4.00%
2025	5.40%	4.00%
2026	5.10%	4.25%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2020 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below reflect generational mortality and were applied, as applicable, in the determination of the total OPEB liability for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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Pre-retirement mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubC-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

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The following health care costs assumptions were updated and used in the roll-forward calculation for the Trust Fund:

- 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 2021 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by PERA Board’s actuary, as discussed above.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of the 2020 experience analysis for the period January 1, 2016 through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020 meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, 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 reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00	1.30
Private Equity	8.50	7.10
Real Estate	8.50	4.40
Alternatives	6.00	4.70
<i>Total</i>	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 nominal rate of return assumption of 7.25 percent.

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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:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Proportionate share of the net OPEB liability – 2022	\$ 467,042	\$ 480,850	\$ 496,847
Proportionate share of the net OPEB liability – 2021	\$ 515,264	\$ 528,935	\$ 544,850

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, 2021 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 3.00 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.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF'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 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. There was no change in the discount rate from the prior measurement date.

WESTERN COLORADO UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
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Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent (for both 2022 and 2021), as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Proportionate share of the net OPEB liability – 2022	\$ 558,457	\$ 480,850	\$ 414,560
Proportionate share of the net OPEB liability – 2021	\$ 605,905	\$ 528,935	\$ 463,170

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

NOTE I – RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

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

WESTERN COLORADO UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2022 and 2021

NOTE J – SCHOLARSHIP ALLOWANCE

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

<u>2022</u>	<u>Tuition and Fees</u>	<u>Sales and Services of Auxiliary Enterprises</u>	<u>Total</u>
Gross revenue	\$ 37,224,226	\$ 13,020,413	\$ 50,244,639
Scholarship allowances:			
Federal	(2,115,370)	(67,928)	(2,183,298)
State	(1,395,512)	(44,812)	(1,440,324)
Private	(1,887,726)	(60,618)	(1,948,344)
Institutional	(7,346,481)	(235,906)	(7,582,387)
<i>Total Scholarship Allowances</i>	<u>(12,745,089)</u>	<u>(409,264)</u>	<u>(13,154,353)</u>
<i>Net Revenue</i>	<u>\$ 24,479,137</u>	<u>\$ 12,611,149</u>	<u>\$ 37,090,286</u>
<u>2021</u>	<u>Tuition and Fees</u>	<u>Sales and Services of Auxiliary Enterprises</u>	<u>Total</u>
Gross revenue	\$ 33,046,323	\$ 10,755,313	\$ 43,801,636
Scholarship allowances:			
Federal	(2,100,707)	(81,778)	(2,182,485)
State	(1,315,479)	(51,210)	(1,366,689)
Private	(1,602,292)	(62,375)	(1,664,667)
Institutional	(6,392,326)	(248,846)	(6,641,172)
<i>Total Scholarship Allowances</i>	<u>(11,410,804)</u>	<u>(444,209)</u>	<u>(11,855,013)</u>
<i>Net Revenue</i>	<u>\$ 21,635,519</u>	<u>\$ 10,311,104</u>	<u>\$ 31,946,623</u>

NOTE K – WESTERN COLORADO UNIVERSITY FOUNDATION

Foundation Investments

The Foundation's short-term investments are stated at fair value. At June 30, 2022 and 2021, the Foundation had investments with a cost of \$23,791,790 and \$22,160,875 and a fair value of \$28,238,441 and \$30,200,488.

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

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 466,716	\$ 400,510
Net realized gains	1,192,545	321,895
Net unrealized gains (losses)	(3,592,962)	5,169,937
Investment expenses	<u>(120,034)</u>	<u>(90,717)</u>
Net investment earnings (loss)	<u>\$ (2,053,735)</u>	<u>\$ 5,801,625</u>

WESTERN COLORADO UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2022 and 2021

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

	2022	2021
Without donor restrictions	\$ (64,117)	\$ 825,140
With donor restrictions	(1,989,618)	4,976,485
Net investment earnings	\$ (2,053,735)	\$ 5,801,625

All fair value measurements for the Foundation's assets were determined based on quoted prices in active markets for identical assets (Level 1) as of June 30, 2022 and June 30, 2021:

	Fair Value as of June 30, 2022	Fair Value as of June 30, 2021
Cash & Cash Equivalents	\$ 1,116,222	\$ 1,827,864
Fixed Income	3,294,776	2,930,579
Equities	20,992,093	23,119,891
Other	2,835,350	2,322,154
Total Investments	\$ 28,238,441	\$ 30,200,488

Foundation Endowment

At June 30, 2022, the Foundation's endowment consists of approximately 105 individual funds established by donors to provide annual funding for a variety of purposes. During the years ended June 30, 2022 and June 30, 2021, donors agreed to move one and 15 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, 2022 and 2021 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, 2022 and 2021, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of 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 accumulation 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

WESTERN COLORADO UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
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Due to past stock market fluctuations and continued funding to the University, the fair value of assets associated with certain individual donor-restricted endowment funds has fallen below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. At June 30, 2022, there were approximately 50 funds underwater with that deficit totaling \$959,287. The overall deficit for the endowment funds at June 30, 2022 is \$423,185. At June 30, 2021, the overall deficiency had been eliminated; however, there were still approximately 30 funds that were underwater.

According to the spending policy, the Foundation is not obligated 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 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 maintain these distributions at 5 percent. The spending allocation rate was 3.5 percent for “above water” endowment funds and 3 percent for “underwater” endowment funds for the years ended June 30, 2022 and 2021 for endowed funds supporting scholarships and programs and 5 percent for endowed funds associated with salaries as mentioned above.

The total endowment spending allocation distributed for the years ended June 30, 2022 and 2021 was \$436,361 and \$396,218.

Endowment net asset composition as of June 30, 2022 and 2021 is as follows:

	2022	2021
Endowment Net Assets - Beginning	\$ 10,191,734	\$ 9,009,436
Contributions	66,139	510,254
Investment Income, net of fees	(901,201)	1,666,415
Net Assets Released from Restrictions:		
Amounts Appropriated for Expenditure	(246,806)	(212,001)
Change in Designation by Donor to Quasi-endowment	(88,030)	(782,370)
Endowment Net Assets - Ending	\$ 9,021,836	\$ 10,191,734

WESTERN COLORADO UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2022 and 2021

Promises to Give

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

	2022	2021
Restricted for the University Center Project	\$ 18,000	\$ 27,000
Restricted for the Mountaineer Bowl Events Center	550,000	-
Restricted for School of Business Career Advancement	800,135	-
Restricted for scholarships or other purposes	793,675	1,723,167
Less: allowance for uncollectible contributions receivable	(108,091)	(35,003)
Gross unconditional promises to give	2,053,719	1,715,164
Less: unamortized discount	(130,617)	(110,282)
Net unconditional promises to give	\$ 1,923,102	\$ 1,604,882
Receivable in less than one year	\$ 596,948	\$ 312,829
Receivable in one to five years	1,060,075	1,003,328
Receivable after five years	266,079	288,725
Total	\$ 1,923,102	\$ 1,604,882

NOTE L – 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, 2022 and 2021, funds newly appropriated to the University for the College Opportunity Fund (COF) and Fee for Service were \$16,694,441 and \$6,436,427. Actual appropriated revenue earned and expended for COF and Fee for Service in those years matches the University’s appropriation. Additionally, in the fiscal year ended June 30, 2022, the University was appropriated \$780,269 of indirect ARP Act funding by the State and expended \$77,534 of those funds. The remaining appropriation will be carried over to future fiscal years. In the fiscal year ended June 30, 2020, the University was appropriated \$7,956,877 of indirect CARES Act funding by the State. Those funds were carried over to the fiscal year ended June 30, 2021 and revenue earned and expended for indirect CARES Act funding in the fiscal year ended June 30, 2021 was \$7,956,877.

The University also receives appropriations for capital construction and controlled maintenance. In the years ended June 30, 2022 and 2021, the University was newly appropriated \$3,827,974 and \$1,378,075 in capital appropriations and certificates of participation funding. Additionally, for the fiscal years ended June 30, 2022 and 2021, the University carried over \$1,278,932 and \$1,095,724 in capital appropriations from prior fiscal years. Actual appropriated capital revenue earned totaled \$2,814,518 (2022) and \$1,094,601 (2021), which was equal to actual appropriated expenditures.

The Long Appropriations Bill also includes an appropriation related to undergraduate tuition. In fiscal year 2022, the University had \$17,186,282 in appropriations related to undergraduate tuition. The University recognized \$17,166,203 in appropriated revenue and \$15,459,324 in appropriated expenses. In fiscal year 2021, the University had \$16,563,599 in appropriations related to undergraduate tuition. The University recognized \$16,503,812 in appropriated revenue and \$16,220,125 in appropriated expenses.

WESTERN COLORADO UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2022 and 2021

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 M – COVID-19

The COVID-19 pandemic had a significant impact on the University’s operations starting in the spring of 2020 and into the fiscal years ended June 30, 2022 and 2021, including the following:

- All course instruction was moved online in March 2020 and completed virtually, and all non-essential staff began working remotely. Pro-rated refunds for some services were given for the Spring 2020 term, including refunds for housing, meals, and some mandatory fees.
- The schedule for Fall 2020 was adjusted so that all courses would be online after Thanksgiving, providing mitigation against potential COVID-19 spread due to students traveling during the holiday. Courses were offered utilizing the highest flexibility in delivery possible. This flexible modality of courses continued through the Spring 2021 semester.
- Although there was less disruption to in-person instruction for fiscal year 2022, the University continued allowing flexibility in the delivery of courses, including increases in hybrid delivery.

A total of three financial relief packages were passed by the federal government which included assistance for higher education. Funds were provided for emergency financial aid grants to students and to the University to help alleviate the impacts of expenses related to COVID-19 mitigation and lost revenue due to the pandemic. Funding was provided via the following legislation:

- Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act)
- Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSA Act)
- American Rescue Plan Act of 2021 (ARP Act).

The following table shows the total funds awarded to the University for emergency student grants and institutional support as a result of the three emergency relief acts:

	Student Grants	Institutional Support
CARES Act	\$ 676,670	\$ 676,669
CRRSA Act	676,670	1,813,183
ARP Act	2,090,931	2,057,742
	\$ 3,444,271	\$ 4,547,594

WESTERN COLORADO UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2022 and 2021

In fiscal year 2022, the University recognized \$4.1 million related to this emergency relief, which is recognized in the nonoperating federal coronavirus relief funding line in the statements of revenues, expenses, and changes in net position. Of that, \$2.1 million was provided as student grants, which are recognized in the scholarships and fellowships operating expense line in the statements of revenues, expenses, and changes in net position. In fiscal year 2021, the University recognized \$3.2 million related to this emergency relief, which is recognized in the nonoperating federal coronavirus relief funding line in the statements of revenues, expenses, and changes in net position. Of that, \$1.4 million was provided as student grants, which are recognized in the scholarships and fellowships operating expense line in the statements of revenues, expenses, and changes in net position.

In addition, indirect CARES Act funding of \$8.0 million was allocated to the University by the State of Colorado. The University expended all of these funds in the fiscal year ended June 30, 2021 on economic support to educate students by maintaining enrollment, retention and credential completion. That revenue is recognized in the nonoperating federal coronavirus relief funding line in the statements of revenues, expenses, and changes in net position.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

WESTERN COLORADO UNIVERSITY
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
For the Years Ended June 30*

	2022	2021	2020	2019	2018	2017	2016	2015
University's proportion of the net pension liability	0.1780%	0.1734%	0.1821%	0.1917%	0.1951%	0.1860%	0.1950%	0.2016%
University's proportionate share of the net pension liability	\$ 13,125,559	\$ 16,444,652	\$ 17,667,532	\$ 21,811,916	\$ 39,047,629	\$ 34,158,370	\$ 20,538,558	\$ 18,959,603
University's covered payroll	\$ 6,459,485	\$ 6,220,039	\$ 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	203.20%	264.38%	287.87%	355.30%	646.79%	612.89%	360.80%	337.06%
Plan fiduciary net position as a percentage of the total pension liability	73.05%	65.34%	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, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 (the Plan's measurement period) occurring within the University's fiscal years ended June 30, 2022, 2021, 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 (UNAUDITED)
For the Years Ended June 30*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,241,573	\$ 1,079,161	\$ 1,107,587	\$ 1,133,491	\$ 1,082,140	\$ 1,030,617	\$ 947,246	\$ 901,931
Contributions in relation to the contractually required contribution	\$ (1,241,573)	\$ (1,079,161)	\$ (1,107,587)	\$ (1,133,491)	\$ (1,082,140)	\$ (1,030,617)	\$ (947,246)	\$ (901,931)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 6,423,103	\$ 5,959,315	\$ 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	19.33%	18.11%	17.96%	18.10%	18.10%	17.66%	16.74%	16.13%

WESTERN COLORADO UNIVERSITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
As of and for the Year Ended June 30, 2022

Changes in benefit terms and actuarial assumptions – Net Pension Liability

Changes in assumptions or other inputs effective for the December 31, 2020 measurement period are as follows:

- The assumption used to value the automatic increase cap benefit provision was changed from 1.25 percent to 1.00 percent.

Changes in assumptions or other inputs effective for the December 31, 2020 measurement period are as follows:

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent, and the wage inflation assumption was lowered from 3.50 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for the Judicial Division was changed to the PubG-2010(A) Above Median Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
 - Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The disability mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

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%.

WESTERN COLORADO UNIVERSITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
As of and for the Year Ended June 30, 2022

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.

There were no changes in terms or assumptions for the December 31, 2014 measurement period for the pension plan compared to the prior year.

Changes in assumptions or other input effective for the December 31, 2013 measurement period are as follows:

- The investment return assumption was lowered from 8.00% to 7.50%.
- The price inflation assumption was lowered from 3.50% to 2.80%.
- The wage inflation assumption was lowered from 4.25% to 3.90%.

WESTERN COLORADO UNIVERSITY
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE
NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY (UNAUDITED)
For the Years Ended June 30,*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
University's proportion of the net other postemployment benefit liability	0.0558%	0.0557%	0.0595%	0.0646%	0.0662%
University's proportionate share of the net other postemployment benefit liability	\$ 480,850	\$ 528,935	\$ 669,330	\$ 878,480	\$ 860,775
University's covered payroll	\$ 5,337,579	\$ 5,147,523	\$ 5,354,398	\$ 5,460,327	\$ 5,374,897
University's proportionate share of the net other postemployment benefit liability as a percentage of its covered payroll	9.01%	10.28%	12.50%	16.09%	16.01%
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	39.40%	32.78%	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, 2021, 2020, 2019, 2018, and 2017 (the Plan's measurement period) occurring within the University's fiscal years ended June 30, 2022, 2021, 2020, 2019, and 2018 in accordance with Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

WESTERN COLORADO UNIVERSITY
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF UNIVERSITY CONTRIBUTIONS TO PERA DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN
(UNAUDITED)
For the Years Ended June 30,*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 57,714	\$ 49,885	\$ 53,419	\$ 56,664	\$ 54,104
Contributions in relation to the contractually required contribution	\$ (57,714)	\$ (49,885)	\$ (53,419)	\$ (56,664)	\$ (54,104)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 5,669,183	\$ 4,890,679	\$ 5,239,321	\$ 5,555,341	\$ 5,304,305
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%

WESTERN COLORADO UNIVERSITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
As of and for the Year Ended June 30, 2022

Changes in benefit terms and actuarial assumptions – Net OPEB Liability

There were no changes in assumptions or other inputs effective for the December 31, 2021 measurement period for OPEB.

Changes in assumptions or other inputs effective for the December 31, 2020 measurement period are as follows:

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent, and the wage inflation assumption was lowered from 3.50 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for the Judicial Division was changed to the PubG-2010(A) Above Median Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
 - Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the Judicial Division was changed to the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019. The post-retirement non-disability beneficiary mortality assumption for the Division Trust Funds was changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
 - Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
 - Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The disability mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

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

WESTERN COLORADO UNIVERSITY
SUPPLEMENTAL INFORMATION
SCHEDULES OF REVENUE AND EXPENSES
FOR ENTERPRISE REVENUE BONDS
For Year Ended June 30, 2022 and 2021

	2022	2021
REVENUE		
University Service Fees	\$ 3,736,699	\$ 3,617,111
Extended Studies and Graduate Programs Tuition and Fees	9,391,397	8,717,389
10% of Education and General Fund Tuition	2,117,706	1,810,232
Federal Interest Subsidy	1,144,944	1,173,918
Bookstore Sales	667,891	580,317
Rental Income	5,860,200	5,472,330
Food Service Income	3,530,665	3,099,272
Sales/Service Auxiliaries	1,389,093	814,371
Interest Income	165,639	155,196
<i>Total Revenues</i>	28,004,234	25,440,136
EXPENSES		
Employee Compensation	5,670,861	5,267,775
Costs of Goods Sold	379,504	382,457
Utilities	723,042	647,870
Rental	10,127	7,800
Contract Food	2,026,416	1,974,092
Travel	124,590	47,201
Supplies	282,333	266,489
Purchased Services	3,936,689	3,011,692
Financial Aid	1,204,717	1,316,143
Administrative Cost Allowance	2,764,669	2,764,612
Furniture and Equipment	79,056	26,839
Other Operating Expenses	80,399	121,423
<i>Total Expenses</i>	17,282,403	15,834,393
<i>Net Operating Revenue</i>	\$ 10,721,831	\$ 9,605,743
TRANSFERS		
Mandatory Transfers	114,897	125,007
Non-mandatory Transfers	(76,710)	(21,935)
<i>Total Transfers</i>	38,187	103,072
<i>Net Revenue</i>	\$ 10,760,018	\$ 9,708,815
DEBT SERVICE CHARGE		
Net Operating Revenue	10,721,831	9,605,743
Bond Principal and Interest	(7,212,907)	(7,218,598)
<i>Excess of Net Operating Revenue Over Debt Service</i>	3,508,924	2,387,145
<i>Debt Service Coverage Ratio</i>	1.49	1.33

Report of Independent Auditors 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
Western Colorado University Board of Trustees
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 audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Western Colorado University, an institution of higher education, State of Colorado, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Western Colorado University's basic financial statements, and have issued our report thereon dated December 7, 2022. 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*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Colorado University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Colorado University's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Colorado 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal controls, described in the accompanying auditor's findings and recommendations as item 2022-01 that we consider to be a significant deficiency.

Western Colorado University's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Western Colorado University's response to the finding identified in our audit and described in the accompanying auditor's findings and recommendations. Western Colorado University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Colorado 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*.

Purpose of this Report

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



Denver, Colorado
December 7, 2022

Required Communications to Those Charged with Governance

Members of the Legislative Audit Committee
Western Colorado University Board of Trustees
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, as of and for the year ended June 30, 2022 and have issued our report thereon dated December 7, 2022. Our report included reference to other auditors who audited the financial statements of the Western Colorado University Foundation (Foundation), a discretely presented component unit of the University. The Foundation's financial statements were not audited in accordance with *Government Auditing Standards*. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated June 15, 2022, we are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Governmental Auditing Standards (GAS)*. As part of an audit conducted in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we considered the University's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated in our entrance meeting with management on June 14, 2022.

Significant Audit Findings and Issues

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 there were no changes in the application of existing policies during 2022. The adoption of GASB 87, *Leases*, was required during the current year, however management determined there was not a material effect from adoption and no changes were made to the existing accounting policies and applications. We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

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:

- Allowance for Uncollectible Accounts, Pledges, and Student Loan Receivables
- Useful Lives of Capital Assets
- Actuarial Determined Liability/Asset Related to Pension and Other Postemployment Benefit (OPEB) Obligations
- Valuation of the Rady School of Computer Science and Engineering building

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were disclosure of bonds and noncurrent liabilities in Note E, employee pension plans in Note G, and Postemployment Health Care Benefits in Note H.

Significant Unusual Transactions

We encountered no significant unusual transactions during our audit of the University's financial statements.

Significant Difficulties Encountered in Performing the Audit

Professional standards require us to inform you of any significant difficulties encountered in performing the audit. No significant difficulties were encountered during our audit of the University's financial statements.

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. No such disagreements arose during the course of our audit.

Circumstances that Affect the Form and Content of the Auditor’s Report

There may be circumstances in which we would consider it necessary to include additional information in the auditor’s report in accordance with GAAS or GAS. There were no circumstances that affected the form and content of the auditor’s report.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Corrected Misstatements: There were no misstatements detected as a result of audit procedures and corrected by management that were material, either individually or in the aggregate, to the financial statements as a whole.

Uncorrected Misstatements: The below schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole. Uncorrected misstatements, or matters underlying those uncorrected misstatements, as of and for the year ended June 30, 2022 could potentially cause future-period financial statements to be materially misstated, even though we have concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Account	Description	Debit	Credit
Proposed Journal Entries JE # 1			
To accrue legal expenses incurred in the prior year.			
	Legal Expenses		149,500.00
	Unrestricted Net Position	149,500.00	
Total		149,500.00	149,500.00
Proposed Journal Entries JE # 2			
To correct beginning balances of net position.			
	Unrestricted Net Position		84,459.64
	Restricted for Loan Activity		34,515.00
	Restricted for Debt Activity	21,739.16	
	Restricted for Other Activity	97,235.48	
Total		118,974.64	118,974.64
Proposed Journal Entries JE # 3			
Effects of GASB 87 implementation			
	Lease Receivable	322,612	
	Interest Receivable	637	
	Deferred Inflow		300,974
	Lease Revenue		908
	Interest Revenue		8,247
	PY Fund Balance		13,120
		323,249.00	323,249.00

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 7, 2022.

Management Consultation 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” in 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 Significant Audit Findings or Issues

We are required to communicate to you other findings or issues arising from the audit that are, in our professional judgment, significant and relevant to your oversight of the financial reporting process. There were no such items identified, other than the significant deficiency reported within our audit

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, the Schedules of University Contributions the Schedule 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, 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 as supplementary information and is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

This information is intended solely for the use of the Members of the Legislative Audit Committee, Office of the State Auditor of the State of Colorado, the Board of Trustees, and management of the 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.



Denver, Colorado
December 7, 2022