

**State of Colorado**  
**University of Northern Colorado**

Financial and Compliance Audit

Fiscal Years Ended June 30, 2004 and 2003

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(Effective August 2, 2004)

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**State of Colorado**  
**University of Northern Colorado**  
June 30, 2004 and 2003

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**State of Colorado**  
**University of Northern Colorado**  
**Report Summary**  
**June 30, 2004 and 2003**

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**Purposes and Scope of Audit**

The purposes and scope of this audit were to:

- Express an opinion on the financial statements of the University of Northern Colorado (the University) as of and for the year ended June 30, 2004, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Express an opinion on the financial statements of the Student Media Corporation as of and for the year ended June 30, 2004, issued under separate cover.
- Evaluate compliance with certain provisions of laws, regulations, contracts and grants governing the expenditure of federal and state funds for the year ended June 30, 2004.
- Issue a report on the University's compliance with certain provisions of laws, regulations, contracts and grants and on internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Express an opinion on the Statement of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs of the University for the year ended June 30, 2004.
- Evaluate progress in implementing prior year audit recommendations.

**State of Colorado**  
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**Report Summary (continued)**  
**June 30, 2004 and 2003**

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**Summary of Major Audit Comments**

***Audit Findings and Financial Statement Audit Report Section***

The Auditor's Findings and Recommendations Section contains the following:

- The University's management has not re-evaluated the formulas and percentages used in the calculation of allowances for doubtful accounts, which were established several years ago.
- The University charges internal departments an estimated amount for expected fringe benefit costs using a fixed rate. When these charges are made, the University establishes a liability account equal to the amounts charged to the individual departments. The University did not reconcile and eliminate any differences between the amounts charged to the departments and the actual benefit costs when ultimately paid.
- The University does not capitalize interest in situations involving qualifying construction projects that are financed with other than tax-exempt borrowings. Financial Accounting Standards Board Statement No. 34, *Capitalization of Interest*, requires interest cost to be capitalized as part of the historical cost of acquiring certain qualifying assets.
- The University has not had an arbitrage calculation performed on the 1998A bond issue to determine if any tax liability exists and if any funds should be reimbursed to the Federal Government. Arbitrage calculations should be performed every fifth anniversary date of tax-exempt bond issues and upon final retirement.

**State of Colorado**  
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**Report Summary (continued)**  
**June 30, 2004 and 2003**

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**Summary of Progress in Implementing Prior Audit Recommendations**

The report for the year ended June 30, 2003 was audited by Anderson & Whitney, P.C. whose report is dated September 26, 2003, included two recommendations. These recommendations were implemented.

**Audit Opinions and Reports**

The independent accountants' reports included herein expressed unqualified opinions on the University's financial statements, financial statements of the Student Media Corporation (under a separate cover) and the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs as of and for the year ended June 30, 2004.

No reportable conditions or material weaknesses in internal controls over financial reporting were identified.

No instances of noncompliance considered material to the financial statements were disclosed by the audit.

We did note certain areas in which the University could improve its internal controls and other procedures. These areas are discussed in the Auditor's Findings and Recommendations section of this report.

**Significant Audit Adjustments**

Areas in which uncorrected misstatements were aggregated during the current engagement and pertaining to the latest period presented were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole, including accounting for fringe benefit and other internal charge allocations to University departments and programs, and capitalization and depreciation of capital assets. The effect of the uncorrected misstatements, had they been recorded, would have been to increase the change in net assets by \$136,550 for the year ended June 30, 2004, and decrease current assets by \$136,550.

**State of Colorado**  
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**Recommendation Locator**  
**June 30, 2004 and 2003**

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<b>Recommendation Number</b>	<b>Page Number</b>	<b>Recommendation Summary</b>	<b>Response</b>	<b>Implementation Date</b>
1	6	Re-evaluate formulas used in calculating allowances for doubtful accounts.	Agree	June 2005
2	7	Ensure proper accounting for fringe benefit allocations to other University departments.	Agree	June 2005
3	8	Capitalize interest on construction in progress financed with other than tax-exempt borrowings.	Agree	November 2004
4	9	Perform bond arbitrage calculations.	Agree	June 2005

**State of Colorado**  
**University of Northern Colorado**  
**Description of the University of Northern Colorado**  
**June 30, 2004 and 2003**

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Eighteen years after the City of Greeley was founded, a movement was started to establish a “normal” school to supply teachers for the community and the State. The law creating the State Normal School, as the University of Northern Colorado (the University) was first known, was signed April 1, 1889. In 1911, the name was changed to Colorado State Teachers College. The University retained that name until 1935 when it was renamed Colorado State College of Education. In 1957, another name change occurred making it the Colorado State College. The Act changing the name to the University of Northern Colorado became law May 1, 1970, thus making official the University-level work which it has offered since 1929.

The Board of Trustees is the governing body of the University and is comprised of seven members appointed by the Governor, with consent of the Senate, for four-year terms (effective for terms beginning July 1, 1987); one faculty member elected by the faculty and one student member elected by the student body.

The University of Northern Colorado seeks to provide all students with a broad general education as well as preparation for selected professions within the fields of business, education, health service, music and related areas; and pre-professions such as pre-law, pre-medicine and others. Historically, the principal emphasis has been preparing students for careers in education.

**Student FTE Enrollment**

	<b>Resident Student FTE</b>	<b>Non-Resident Student FTE</b>	<b>Total Student FTE</b>
2004	9,598	1,112	10,710
2003	9,441	1,185	10,626
2002	9,088	1,240	10,328

**Faculty and Staff FTE**

	<b>Faculty FTE</b>	<b>Staff FTE</b>	<b>Total Faculty and Staff FTE</b>
2004	410	682	1,092
2003	439	681	1,120
2002	427	661	1,088

**State of Colorado**  
**University of Northern Colorado**  
**Auditor's Findings and Recommendations**

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**Review Percentages Used in Calculating Allowances for Doubtful Accounts**

As of June 30, 2004, the University has established allowances for doubtful accounts related to student accounts receivable and student loans receivable of \$1,175,709 and \$1,102,517, respectively. Student accounts receivable and student loans receivable balances, net of allowances for uncollectible accounts, were \$4,492,652 and \$8,341,921, respectively, at June 30, 2004. Adjustments to the allowance for doubtful accounts for student loans and student accounts receivable are calculated using a formula that applies an estimated percentage of uncollectible accounts ranging from 2% to 75% dependent upon the aging of the receivables or loans. The percentages used in the calculations were established in 1998 and have not been re-evaluated by management since established. Additionally, these allowance percentages do not consider the specific facts and circumstances surrounding the collection efforts or collection histories on accounts or loans receivable and do not consider other factors that may impact the accuracy of the calculation. For example:

- **Student accounts receivable** – When the University has exhausted internal collection efforts on student accounts receivable, the accounts are turned over to the State's Central Collections Services. The University receives collection histories from the State and also should be able to track the success of internal collection efforts. However, the University does not separately consider the historical collection rates on internal and state collection efforts.
- **Student loans receivable** – The University currently only ages past due loan payments and not the entire related loan balance. Thus, currently due or future payments due on the loans are always considered current within the University loan details. By using a formula that calculates allowances based upon the aging of the loans, the University is using two separate percentages for calculating the allowance adjustment on a loan that may have substantially delinquent payments. The loan should be considered in total.

**Recommendation No. 1**

The University of Northern Colorado should periodically re-evaluate the formulas used in calculating adjustments to allowances for doubtful accounts. In addition, the University should reconsider the current formulas used in calculating these allowances to include specific circumstances and collection histories and efforts.

**University of Northern Colorado Response**

Agree. The University will re-evaluate its formulas for calculating the allowances for doubtful accounts.

Implementation date:     June 2005

**State of Colorado**  
**University of Northern Colorado**  
**Auditor's Findings and Recommendations**

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**Ensure Proper Accounting for Departmental Charges**

The University charges internal departments an estimated amount for expected fringe benefit costs using a fixed rate. The total amount of these charges was approximately \$10.5 million for the year ended June 30, 2004. Initially, when the charges are made to the individual departments, the University records a deferred revenue liability equal to the amounts charged to those departments. Later, when the actual benefit costs are paid by the University, it decreases the established liability account by the amount of the payment. However, if the amounts initially charged to the departments differ from the actual benefit cost, no adjustment is made to the individual department's expenditure accounts or to the University's deferred revenue liability. In some years, department's charges were higher than the amounts paid, while in other fiscal years the expenditures were lower than the amount paid. As a result of our audit, the University has retroactively changed its accounting method related to the internal departmental charges for fringe benefit costs by restating fiscal year 2003 financial statements. This adjustment increased fiscal year 2003 change in net assets by \$712,584 and decreased deferred revenues by \$2,778,311. Adjustments of \$2,065,727 applicable to 2002 and prior have been included in the restated fiscal year 2003 beginning net asset balance. If the adjustments had not been made, fiscal year 2004 expenditures would have been understated by approximately \$846,000 and current liabilities overstated by approximately \$1,932,000.

**Recommendation No. 2**

The University of Northern Colorado should review its accounting treatment for departmental charges and ensure that all internal charges are properly reconciled to the amounts ultimately paid on an annual basis.

**University of Northern Colorado Response**

Agree. The University will change its accounting treatment of fringe benefit departmental charges.

Implementation date: June 2005

**State of Colorado**  
**University of Northern Colorado**  
**Auditor's Findings and Recommendations**

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**Capitalization of Interest on Construction in Progress**

The University's current policies do not consider the need to capitalize interest in situations involving qualifying construction projects that are financed with other than tax-exempt borrowings. The University has elected only to apply Financial Accounting Standards Board (FASB) pronouncements that were issued before November 30, 1989, unless the FASB pronouncement conflicts with or contradicts a GASB pronouncement, which is in accordance with generally accepted accounting principles. FASB Statement No. 34, *Capitalization of Interest*, issued prior to November 30, 1989, requires interest cost to be capitalized as part of the historical cost of acquiring certain qualifying assets. Qualifying assets are those that require a period of time to get them ready for their intended use, such as assets constructed by the University for its own use. The interest cost to be capitalized is intended to reflect interest incurred during the period of construction that could have been avoided, either by avoiding additional borrowings or by using the monies expended to construct the asset to repay already existing borrowings. The amount of interest to be capitalized should be determined by applying an interest rate based on a weighted average rate applicable to borrowings outstanding during the construction period, unless specific new borrowings are used to acquire the qualifying new asset. If there is a specific borrowing, the University should use the rate on that borrowing as the capitalization rate. The University's policy should be amended to consider this standard on all construction projects.

**Recommendation No. 3**

The University of Northern Colorado should modify its policies to consider the need to capitalize interest in situations involving qualifying construction projects that are financed with other than tax-exempt borrowings.

**University of Northern Colorado Response**

Agree. The University will capitalize interest on qualifying construction projects that are financed with other than tax-exempt borrowings unless one of the following three exceptions applies. Interest will not be capitalized if:

- a) The imputed interest is not material to the project value (FAS 34 paragraph 8). The University will use interest of 3% or more of the project value as a materiality threshold.
- b) The project is financed with a grant or gift restricted to the acquisition of the assets (FAS 62). The University interprets this exception to include state capital construction and controlled maintenance appropriations which may be expended only for the specified project. In these circumstances, the University does not have any interest costs that theoretically could have been avoided.
- c) The project involves an asset that is already in use or that is ready for its intended use (FAS 34 paragraph 10).

The University reviewed construction projects in fiscal year 2004 and found that each of them met one or more of the above exceptions.

Implementation date: November 2004

**State of Colorado**  
**University of Northern Colorado**  
**Auditor's Findings and Recommendations**

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**Bond Arbitrage Calculation**

The University has not had an arbitrage calculation performed for the University's Series 1998A bond issue on which the University owes \$10,090,000 at June 30, 2004. Arbitrage calculations are required to be performed every fifth anniversary date of tax-exempt bond issues and upon final retirement. The Internal Revenue Code limits the amount of interest that can be earned on funds established with proceeds of tax-exempt bonds. The amount of investment earnings on these funds cannot exceed the interest rate of the bonds. If investment earnings exceed interest paid on the bonds, positive arbitrage is potentially created. Any positive arbitrage may be required to be refunded to the Federal Government. Failure to comply with the arbitrage rules could result in penalties, interest and the loss of tax-exempt status on the bond issue. The fifth anniversary of the University's 1998A series bonds occurred in 2003. Additionally, the University's 2001 series bond issue on which the University owes \$48,665,000 at June 30, 2004, will face its five-year anniversary date in July 2006.

**Recommendation No. 4**

The University of Northern Colorado should ensure an arbitrage calculation is performed on the 1998A bond issue to determine if any tax liability exists and reimburse any amounts due to the Federal Government. In addition, arrangements should be made for future calculations upon the anniversary dates noted above for the 2001 series bond.

**University of Northern Colorado Response**

Agree. The University will ensure that an arbitrage calculation on the 1998A bond issue is performed during the fiscal year 2005. It also intends to have appropriate calculations made on the 2001 series.

Implementation date:     June 2005

**State of Colorado**  
**University of Northern Colorado**  
**Disposition of Prior Audit Recommendations**

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**Summary of Progress in Implementing Prior Audit Recommendations**

The audit report for the year ended June 30, 2003 included two recommendations. The disposition of these audit recommendations as of September 10, 2004, was as follows:

	<b>Recommendation</b>	<b>Disposition</b>
1	Improve authorization procedures for out-of-state travel.	Implemented
2	Strengthen review and adjustment of deferred revenue accounts.	Implemented

## **Independent Accountants' Report on Financial Statements and Supplementary Information**

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the University of Northern Colorado (the University) and its aggregate discretely presented component units, collectively a component unit of the State of Colorado, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the University of Northern Colorado Foundation, Incorporated (the Foundation) or the University of Northern Colorado Foundation Student Housing LLC I (the LLC), which collectively comprise the University's aggregate discretely presented component units. Those statements were audited by other accountants whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for the Foundation and the LLC, is based solely on the reports of the other accountants. The financial statements of the University as of and for the year ended June 30, 2003, before they were retroactively restated for the matter discussed in Note 2, were audited by other accountants whose report dated September 26, 2003 expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation and the LLC, which were audited by other accountants, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the University did not eliminate internal departmental charges for fringe benefit costs in the previously issued financial statements as of and for the year ended June 30, 2003. The University has changed its method of recording internal departmental charges and has eliminated these internal departmental charges to conform to accounting principles generally accepted in the United States of America and the 2003 financial statements have been retroactively restated.

In our opinion, based on our audit and the report of other accountants, the 2004 financial statements referred to above present fairly, in all material respects, the financial position of the University and its aggregate discretely presented component units, as of June 30, 2004, and their respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Legislative Audit Committee:

As discussed in Note 17, in 2004 the University changed its method of determining its financial reporting entity by retroactively restating prior years' financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2004, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

September 10, 2004

**State of Colorado**  
**University of Northern Colorado**  
**Management's Discussion and Analysis**  
**June 30, 2004 and 2003**

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**Overview**

This discussion presents management's discussion and analysis of the financial operating results of the University of Northern Colorado (the University or UNC), a public comprehensive baccalaureate and specialized graduate research university, for the fiscal year ending June 30, 2004 with prior year data for comparative purposes. The activities of the Student Media Corporation and the Alumni Association, blended component units, have also been incorporated. The statements focus on the financial condition and results of operation for the University as whole. During 2004, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 39, *Determination Whether Certain Organizations are Component Units*, and as a result, the financial statements for the University of Northern Colorado Foundation, Incorporated and the University of Northern Colorado Foundation Student Housing LLC I – legally separate organizations whose operations benefit the University – are discretely presented in separate columns, within the University's financial statements. Unless otherwise noted, the information and financial data included in management's discussion and analysis relates solely to the University.

This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting changes and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

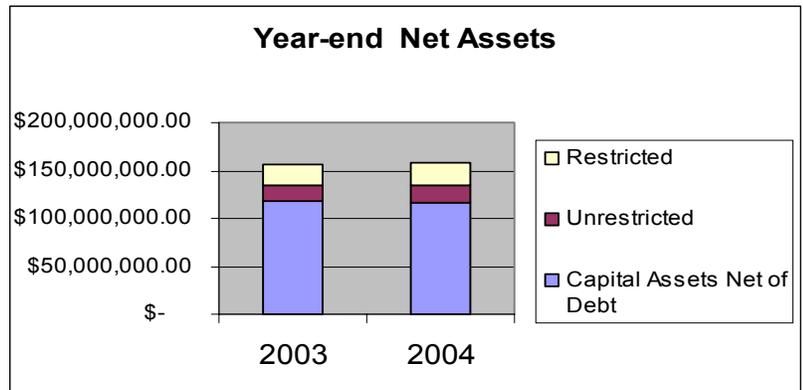
The statements are comprised of: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. In addition, UNC's financial report includes note disclosures and is prefaced by this Management Discussion and Analysis (MD&A). The MD&A is required by GASB standards to provide "an easily readable analysis of financial activities based on currently known facts".

**Financial Highlights**

The net assets of the University increased by \$1.5 million to \$157.9 million during the fiscal year ended June 30, 2004. Growth has declined since fiscal years 2003 and 2002, when net assets increased \$11.8 million and \$32.5 million, respectively. This is a result of declines in state support, both in operating and capital appropriations.

Selected financial highlights for the fiscal year ending June 30, 2004 include:

- University assets total \$247.5 million, with liabilities of \$89.6 million, resulting in net assets of \$157.9 million.



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**Management's Discussion and Analysis**  
**June 30, 2004 and 2003**

- Capital assets of \$177 million comprise 71% of University assets.
- Total revenue in 2004 was \$129.4 million, including \$91.5 million of operating revenue and \$33.6 million in State Appropriations. The total revenue in 2003 was \$140.2 million including \$85.9 million of operating revenue and \$37.0 million in State Appropriations.
- Operating expenses for 2004 and 2003 totaled \$125.1 and \$126.0 million, respectively, including \$82.6 and \$88.2 million, respectively, in personnel costs (66% and 70%).

**Statement of Net Assets**

The Statement of Net Assets is a financial snapshot of the University at June 30, 2004. It presents the fiscal resources of the University (assets), the claims against those resources (liabilities) and the residual available for future operations (net assets). Assets and liabilities are classified by liquidity as either current or non-current. Net assets are classified by the ways in which they may be used for future operations.

<b>University of Northern Colorado</b>			
<b>Condensed Statement of Net Assets</b>			
<b>June 30,</b>			
	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Assets</b>			
Current Assets	\$ 57,929,096	\$ 53,326,416	\$ 44,946,536
Capital	177,153,139	165,163,746	148,633,144
Other Noncurrent Assets	<u>12,496,121</u>	<u>23,210,782</u>	<u>28,271,291</u>
<b>Total Assets</b>	<b><u>\$ 247,578,356</u></b>	<b><u>\$ 241,700,944</u></b>	<b><u>\$ 221,850,971</u></b>
<b>Liabilities</b>			
Current Liabilities	\$ 22,201,135	\$ 19,867,625	\$ 12,342,086
Bonds/Notes Payable	58,210,633	59,177,098	60,132,780
Other Noncurrent Liabilities	<u>9,216,860</u>	<u>6,225,216</u>	<u>4,785,806</u>
<b>Total Liabilities</b>	<b><u>\$ 89,628,628</u></b>	<b><u>\$ 85,269,939</u></b>	<b><u>\$ 77,260,672</u></b>
<b>Net Assets</b>			
Invested in Capital Assets net of Related Debt	\$ 114,772,936	\$ 117,868,111	\$ 106,985,329
Restricted - Nonexpendable	381,540	381,541	381,541
Restricted - Expendable	23,316,737	21,197,432	18,771,956
Unrestricted	<u>19,478,515</u>	<u>16,983,921</u>	<u>18,451,473</u>
<b>Total Net Assets</b>	<b><u>\$ 157,949,728</u></b>	<b><u>\$ 156,431,005</u></b>	<b><u>\$ 144,590,299</u></b>

**State of Colorado**  
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**Management's Discussion and Analysis**  
**June 30, 2004 and 2003**

**Liquid Assets**

Unrestricted cash and cash equivalents (\$49.5 million) comprise 20% of the University's assets. The current ratio (current assets over current liabilities) was approximately 2.6, the same as June 30, 2003.

**Capital Assets**

The University's single largest fiscal resource is its campus facility. Previously reflected at gross historical cost, public university asset values are now adjusted for depreciation. Capital assets, net of \$120.0 million depreciation, total \$177 million. This is a \$12 million increase from fiscal year 2003 and is attributable primarily to residence hall renovation, the construction of the Ben Nighthorse Campbell Center (cancer rehabilitation) and energy conservation initiatives. The total value of buildings, net of depreciation, was \$137.8 million at June 30, 2004 as compared to \$131.7 million at June 30, 2003.

<b>Capital Assets, Net of Depreciation</b>				
	<b>June 30, 2004</b>		<b>June 30, 2003</b>	<b>June 30, 2002</b>
Land and Improvements	\$ 17,884,561	10.1%	\$ 12,554,570	\$ 11,672,718
Buildings	137,834,728	77.9%	131,668,618	114,970,972
Construction In Progress	11,040,692	6.1%	10,593,558	11,933,113
Library Books	7,273,533	4.1%	6,983,715	6,645,887
Equipment	2,276,995	1.3%	2,520,655	2,567,824
Art and Historical Treasures	<u>842,630</u>	<u>0.5%</u>	<u>842,630</u>	<u>842,630</u>
<b>Total Capital Assets</b>	<b><u>\$ 177,153,139</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 165,163,746</u></b>	<b><u>\$ 148,633,144</u></b>

**Liabilities**

The University's commitments of resources include: amounts owed to vendors; leases of equipment; and deferred revenues. Deferred revenues include amounts received for tuition and fees and certain auxiliary activities received by June 30, 2004 but related to services to be provided in fiscal year 2005 and amounts received from grant and contract sponsors that have not yet been earned compensated absences (employee accrued vacation) of \$2.8 million is another significant liability. The single largest liability however, is outstanding bonds which totaled \$59.3 million at June 30, 2004 and \$60.2 million at June 30, 2003.

**State of Colorado**  
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**Management's Discussion and Analysis**  
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**Long-term Debt**

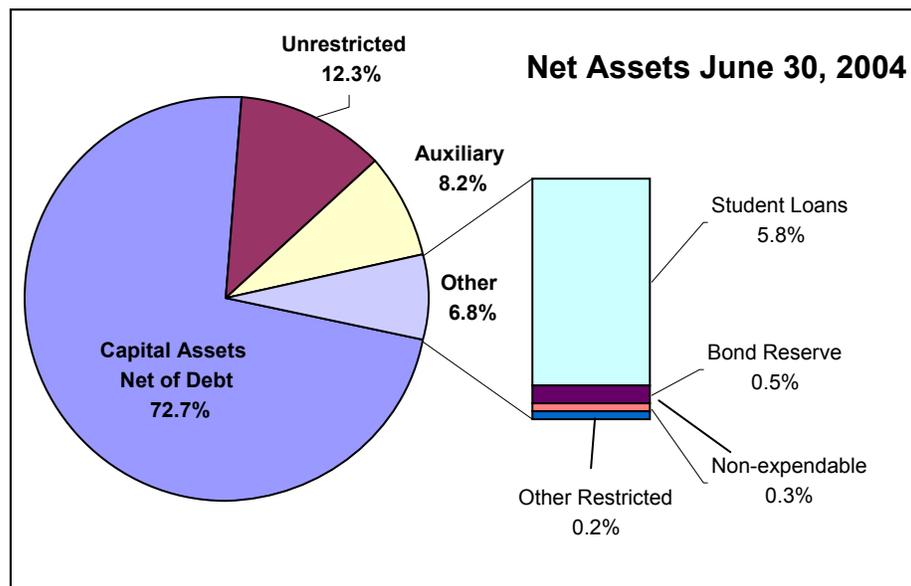
In July 2001 the University issued bonds totaling \$50,000,000 par. These bonds advance refunded the previously issued 1997 bonds and provided funding for west campus dining improvements, parking and additional auxiliary facility improvements. These projects are not yet completed. Ratings by Moody's Investor Service and Standard & Poor's, based on insured bonds, were Aaa and AAA, respectively. The underlying ratings were A2 and A. Other outstanding bonds include the 1994 and 1998 issues, both of which were for Auxiliary projects and the refunding of prior bonds. Bond maturities range from 2005 to 2031.

**Net Assets**

Net assets are the resources available for future operations, that is, assets reduced by liabilities. The University's largest class of assets is its capital assets, net of related debt which comprises 72.6% of the University's net assets.

Net Assets			
	June 30, 2004	June 30, 2003	June 30, 2002
Capital Assets, Net of Related Debt	\$ 114,772,936	\$ 117,868,111	\$ 106,985,329
Unrestricted	19,478,515	16,983,921	18,451,473
Auxiliary	12,992,845	10,839,279	8,533,059
Student Loans	9,259,012	9,343,496	9,284,250
Bond Reserve	750,000	750,000	750,000
Non-expendable	381,540	381,541	381,541
Other Restricted	314,880	264,657	204,647
	<u>\$ 157,949,728</u>	<u>\$ 156,431,005</u>	<u>\$ 144,590,299</u>

Unrestricted net assets of \$19.5 million includes: departmental operating funds, inventory, self-funded operating working capital, reserves and the net assets of the Student Media Corporation and Alumni Association.



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**June 30, 2004 and 2003**

***The Statement of Revenues, Expenses and Changes in Net Assets***

The Statement of Revenues, Expenses and Changes in Net Assets presents the financial activity of the University over the fiscal year. The focus is on operating revenues and expenses and it is important to recognize that GASB standards require state appropriations to be reported as nonoperating revenue.

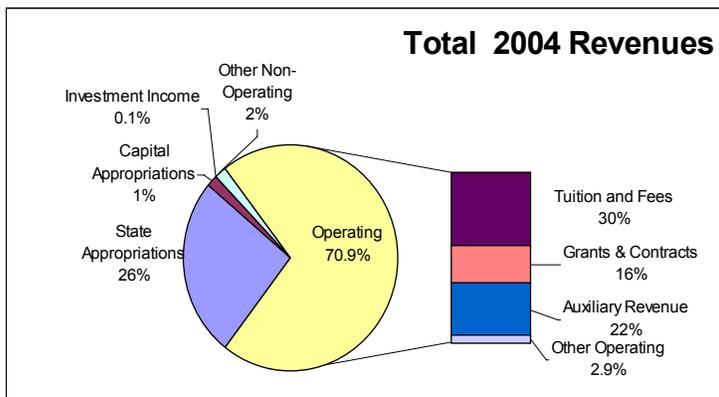
	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Operating Revenues</b>			
Net Tuition and Fees	\$ 40,019,579	\$ 35,066,370	\$ 32,159,991
Grants and Contracts	20,056,915	20,055,607	19,037,633
Auxiliary	27,876,906	27,328,805	26,346,214
Other	3,568,899	3,478,598	3,159,159
Total Operating Revenues	<u>91,522,299</u>	<u>85,929,380</u>	<u>80,702,997</u>
<b>Operating Expenses</b>			
Educational and General	95,595,980	99,012,483	97,506,861
Auxiliary	19,252,529	17,473,903	17,866,440
Depreciation	10,212,966	9,528,353	8,765,627
Total Operating Expenses	<u>125,061,475</u>	<u>126,014,739</u>	<u>124,138,928</u>
Operating Loss	(33,539,176)	(40,085,359)	(43,435,931)
<b>Nonoperating Revenues</b>			
State Appropriations	33,590,909	36,974,939	42,352,302
Other Revenues and Expenses	<u>(1,220,499)</u>	<u>2,202,905</u>	<u>2,731,754</u>
Loss Before Other Revenues and Expenses	(1,168,766)	(907,515)	1,648,125
Capital Appropriations	1,821,068	10,475,643	27,372,422
Net Other Items	866,421	2,272,578	1,336,827
<b>Increase in Net Assets</b>	<b>1,518,723</b>	<b>11,840,706</b>	<b>30,357,374</b>
<b>Net Assets, Beginning of Year</b>	<b><u>156,431,005</u></b>	<b><u>144,590,299</u></b>	<b><u>112,167,198</u></b>
<b>Net Assets, End of Year</b>	<b>\$ <u>157,949,728</u></b>	<b>\$ <u>156,431,005</u></b>	<b>\$ <u>142,524,572</u></b>

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**Total Revenues**

Revenue from all sources totals \$129.4 million with \$91.5 million of that being operating revenue and an additional \$33.6 million being the University's general fund appropriation from the State of Colorado. In fiscal year 2003 total revenue was \$140.2 million with \$85.9 million operating revenue and a \$37.0 million general fund appropriation.

State capital appropriations have declined to \$1.8 million in fiscal year 2004 from \$10.5 million in fiscal year 2003.



**Operating Revenues**

Operating revenue in fiscal year 2004 is derived from tuition and fees – \$40 million; auxiliary activity – \$28 million; grants and contracts – \$20 million and; other – \$3.5 million.

Tuition and fees are shown net of \$8.8 million in scholarship allowances. Scholarship allowances are those portions of the University's tuition and fees which are paid by other revenues, primarily federal and state grants for financial aid, but also general institutional scholarships. In fiscal year 2004 tuition rates

increased 10% and on-campus enrollment increased 2% contributing to a \$5 million increase in tuition and fee revenue.

About 55% of the operating grants and contract

revenue is federal and state financial aid with an additional 31% coming from federal grants for research, training, etc. Federal financial aid increased by \$627 thousand while state financial aid decreased \$950 thousand.

	<b>Grants and Contracts Revenue</b>		
	<b>June 30, 2004</b>	<b>June 30, 2003</b>	<b>June 30, 2002</b>
Federal Financial Aid	\$ 6,554,461	\$ 5,927,105	\$ 5,707,573
State Financial Aid	4,502,887	5,452,469	5,209,099
Federal Grants	6,293,400	5,805,496	4,974,176
State and Local Grants	96,473	555,999	864,500
UNC Foundation	2,043,377	1,523,284	2,282,285
Other Grants	<u>566,317</u>	<u>791,254</u>	<u>—</u>
	<b><u>\$ 20,056,915</u></b>	<b><u>\$ 20,055,607</u></b>	<b><u>\$ 19,037,633</u></b>

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**Expenses**

Operating expenses in fiscal year 2004 of \$125.0 million, \$2.8 million in interest related to bond financing and \$17 thousand in losses on disposal of assets contribute to total expenses and losses of \$127.9 million.

Operating expenses have decreased from fiscal year 2003 by \$1.5 million as the University has adjusted to the realities of decreased state appropriation.

<b>Operating Expenses by Function</b>				
	<b>2004</b>		<b>2003</b>	
Instruction	\$ 48,942,559	39.2%	\$ 49,988,018	39.7%
Research	2,720,769	2.2%	2,449,785	1.9%
Public Service	1,306,980	1.0%	1,193,638	1.0%
Academic Support	10,901,482	8.7%	11,756,600	9.3%
Student Services	14,391,723	11.5%	14,199,382	11.3%
Institutional Support	5,533,618	4.4%	7,355,922	5.8%
Operation of Plant	8,480,520	6.8%	8,871,396	7.0%
Scholarships & Fellowships	3,318,329	2.6%	3,197,742	2.5%
Auxiliary operating expenditures	19,252,529	15.4%	17,473,903	13.9%
Depreciation	<u>10,212,966</u>	<u>8.2%</u>	<u>9,528,353</u>	<u>7.6%</u>
<b>Total Operating Expenses</b>	<b><u>\$ 125,061,475</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 126,014,739</u></b>	<b><u>100.0%</u></b>

The single largest category of expense across all University functions is personnel. Employee and personnel services expenses have decreased from fiscal year 2003 by \$5.5 million as budget realities necessitated the elimination of positions vacated through retirements and other personnel transitions.

***Statement of Cash Flows***

The Statement of Cash Flows provides information about the cash activity over the past year. A summary is presented here, with more detail on the actual statement. Just as the state appropriation is not part of operating revenue on Statement of Revenue, Expenses and Changes in Net Assets, cash flows from the state appropriation are not considered operating, but non-capital financing on the Statement of Cash Flows.

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<b>University of Northern Colorado</b>			
<b>Condensed Statement of Cash Flows</b>			
<b>For the Years Ended June 30.</b>			
	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Cash Flows Provided (Used) by:</b>			
Operating Activities	\$ (22,013,727)	\$ (21,130,019)	\$ (28,953,657)
Noncapital Financing	33,453,965	37,046,947	42,490,948
Capital and Related Financing	(19,005,348)	(15,126,009)	11,831,494
Investing	417,736	2,728,722	3,194,407
<b>Net (Decrease) Increase in Cash</b>	<b>(7,147,374)</b>	<b>3,519,641</b>	<b>28,563,192</b>
<b>Beginning Cash Balance</b>	<b>60,217,308</b>	<b>56,697,667</b>	<b>28,134,475</b>
<b>Ending Cash Balance</b>	<b>\$ 53,069,934</b>	<b>\$ 60,217,308</b>	<b>\$ 56,697,667</b>

There were no substantial changes in cash flows from operating activities between fiscal years 2003 and 2004.

Cash Flows provided by noncapital financing activities is almost entirely from the State's general fund appropriation, which decreased by \$3.4 million from fiscal year 2003. During fiscal year 2002 the University issued \$50,000,000 in bonds (July 2001) for construction and advance refunding of previously issued bonds. The proceeds for construction were still being expended in 2004, resulting in net cash provision used in capital and related financing activities.

Cash flows from investing activities have decreased due to reduced returns on the State treasury investments.

***Economic Outlook***

As discussed in a September 2003 Colorado Legislative Council Staff report, Colorado has unique constitutional budget constraints including the Taxpayer Bill of Rights, which limits revenue growth. This has exacerbated the impact of the recent national recession on Colorado and permanently "ratcheted down" the State's revenue limit and thus the state budget. Higher education funding in particular has been negatively impacted. The University's fiscal year 2005 general fund appropriation from the State will be \$33.6 million, constant funding from fiscal year 2004, but \$3.4 million less than was appropriated in fiscal year 2003 (net of rescissions) and \$8.8 million less than was appropriated in fiscal year 2002. The Colorado Legislative Council Staff's September economic and revenue forecast projects statewide budget reductions of \$263.3 million for fiscal year 2006.

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Colorado is also the first state in the nation to enact legislation to fund undergraduate college and university student education through a direct stipend (akin to K-12 vouchers) rather than indirectly via appropriations. This legislation, known as the College Opportunity Fund (COF) bill, includes a provision for a fee-for-service contract with colleges and universities in addition to the stipend funding mechanism. When COF is implemented in fiscal year 2006, the legislative intent is that the sum of the stipends and fee-for-service would be equivalent to the institution's fiscal year 2005 appropriation (\$33.6 million in the case of UNC). However, given the State's revenue forecast, this level of funding is not guaranteed.

The estimated distribution of state funding under the new mechanisms for educating UNC students is approximately two-thirds for undergraduate stipends applied towards the University's tuition charges and one-third as a fee-for-service to fund graduate education and related role and mission services.

Clearly the University is not anticipating increases in state funding. Therefore, it engaged in a comprehensive planning process entitled "Charting the Future" <http://www.unco.edu/pres/charting/> during fiscal year 2004. The plan outlines reorganization, modifications to program delivery and other changes as a first step toward a renewed focus on accomplishing our educational mission. From a fiscal perspective, one of the first steps toward that end is the current initiative to re-evaluate our pricing structure and implement a strategic tuition model. Other steps include realignment of financial and other resources to ensure that the UNC lives up to its promise as a great university within the fiscal realities.

One testament to the University's strength is that student enrollment continues to be strong. Fiscal year 2004 headcount was up 2.3% and preliminary numbers for fall 2004 (fiscal year 2005) indicate that on-campus enrollment continues to rise.

Resident enrollment in particular, as measured by full-time equivalency (FTE) or 30 academic credit hours, remains strong.

Financial challenges for higher education continue to be very real, but the University has been a leader in proactively addressing these issues as evidenced by the fall 2004 decennial accreditation visit. The team commended the University's Charting the Future initiative and process. Team members said Charting the Future was instrumental in demonstrating that the University is able to plan for the future and weather tough financial times.

**Student Headcount  
Enrollment**

<b>Fiscal Year</b>	<b>On-Campus</b>	<b>Percent Change</b>
2004	13,512	2.3%
2003	13,205	0.9%
2002	13,081	

**Resident FTE  
Enrollment**

<b>Fiscal Year</b>	<b>On-Campus</b>	<b>Percent Change</b>
2004	9,598	1.7%
2003	9,441	3.9%
2002	9,088	

**State of Colorado**  
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**Statement of Net Assets**  
**June 30, 2004**

	<b>Component Units</b>		
	<b>University of Northern Colorado</b>	<b>University of Northern Colorado Foundation, Inc.</b>	<b>University of Northern Colorado Foundation Student Housing LLC I</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 49,452,907	\$ 22,649	\$ 175,817
Funds held in trust	—	—	1,507,754
Student accounts receivable, net of allowance of \$1,175,709	4,492,652	—	—
Contributions receivable, net	—	1,043,086	—
Other receivables, net	1,445,220	393,637	4,474
Investments	—	42,006,733	—
Inventories	750,133	—	—
Loans to students, net	1,533,225	—	—
Other assets	254,959	62,197	28,811
Total current assets	<u>57,929,096</u>	<u>43,528,302</u>	<u>1,716,856</u>
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents	3,617,027	—	—
Restricted investments	683,967	—	—
Contributions receivable, net	—	978,967	—
Loans to students, net	6,808,693	—	—
Other noncurrent assets	1,386,434	—	5,647,352
Other long-term investments	—	483,141	—
Investments restricted for endowment	—	41,803,226	—
Capital assets, net	177,153,139	344,999	16,338,205
Total noncurrent assets	<u>189,649,260</u>	<u>43,610,333</u>	<u>21,985,557</u>
Total assets	<u>\$ 247,578,356</u>	<u>\$ 87,138,635</u>	<u>\$ 23,702,413</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$ 15,302,545	\$ 558,809	\$ 666,498
Deferred revenue	3,954,347	—	47,515
Bonds/notes payable – current portion	1,066,978	—	55,000
Capital leases payable – current portion	310,325	—	—
Funds held for the University of Northern Colorado	—	718,488	—
Other current liabilities	1,566,940	—	120,875
Total current liabilities	<u>22,201,135</u>	<u>1,277,297</u>	<u>889,888</u>
<b>Noncurrent Liabilities</b>			
Bonds/notes payable	58,210,633	—	23,944,320
Capital lease payable	4,528,658	—	—
Other long-term liabilities	2,527,089	—	—
Annuity obligations	—	154,393	—
Compensated absence liabilities	2,161,113	—	—
Total noncurrent liabilities	<u>67,427,493</u>	<u>154,393</u>	<u>23,944,320</u>
Total liabilities	<u>89,628,628</u>	<u>1,431,690</u>	<u>24,834,208</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	114,772,936	344,999	—
Restricted			
Nonexpendable			
Scholarships and fellowships	380,140	41,803,226	—
Academic support	1,400	—	—
Expendable			
Auxiliary expenditures	12,992,845	—	—
Scholarships and fellowships	196,312	35,808,501	—
Loans	9,259,012	—	—
Bond reserve	750,000	—	—
Other	118,568	—	—
Unrestricted	19,478,515	7,750,219	(1,131,795)
Total net assets	<u>157,949,728</u>	<u>85,706,945</u>	<u>(1,131,795)</u>
Total liabilities and net assets	<u>\$ 247,578,356</u>	<u>\$ 87,138,635</u>	<u>\$ 23,702,413</u>

**State of Colorado**  
**University of Northern Colorado**  
**Statement of Net Assets**  
**June 30, 2003**

	University of Northern Colorado (Restated--Note 2)	Component Units	
		University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 45,777,639	\$ 25,081	\$ 157,341
Funds held in trust	—	—	1,595,140
Student accounts receivable, net of allowance of \$1,122,797	4,483,972	—	—
Contributions receivable, net	—	984,339	—
Other receivables, net	530,962	459,690	1,296
Investments	—	28,767,430	—
Inventories	766,200	—	—
Property held for sale	—	5,000,000	—
Loans to students, net	1,427,153	—	—
Other assets	340,490	48,700	16,660
Total current assets	<u>53,326,416</u>	<u>35,285,240</u>	<u>1,770,437</u>
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents	14,439,669	—	—
Restricted investments	691,950	—	—
Contributions receivable, net	—	1,361,426	—
Loans to students, net	6,648,104	—	—
Other noncurrent assets	1,431,059	—	5,685,542
Other long-term investments	—	381,278	—
Investments restricted for endowment	—	45,299,407	—
Capital assets, net	165,163,746	324,279	16,849,263
Total noncurrent assets	<u>188,374,528</u>	<u>47,366,390</u>	<u>22,534,805</u>
Total assets	<u>\$ 241,700,944</u>	<u>\$ 82,651,630</u>	<u>\$ 24,305,242</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$ 12,954,141	\$ 525,167	\$ 666,883
Deferred revenue	4,029,146	—	73,231
Capital leases payable – current portion	151,298	—	35,000
Bonds/notes payable – current portion	1,083,436	—	—
Funds held for the University of Northern Colorado	—	1,384,375	—
Other current liabilities	1,649,604	—	100,060
Total current liabilities	<u>19,867,625</u>	<u>1,909,542</u>	<u>875,174</u>
<b>Noncurrent Liabilities</b>			
Bonds/notes payable	59,177,098	—	23,986,267
Capital lease payable	1,490,172	—	—
Other long-term liabilities	2,516,351	—	—
Annuity obligations	—	114,158	—
Compensated absence liabilities	2,218,693	—	—
Total noncurrent liabilities	<u>65,402,314</u>	<u>114,158</u>	<u>23,986,267</u>
Total liabilities	<u>85,269,939</u>	<u>2,023,700</u>	<u>24,861,441</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	117,868,111	324,279	—
Restricted			
Nonexpendable			
Scholarships and fellowships	380,141	45,299,407	—
Academic support	1,400	—	—
Expendable			
Auxiliary expenditures	10,839,279	—	—
Scholarships and fellowships	203,739	29,495,473	—
Loans	9,343,496	—	—
Bond reserve	750,000	—	—
Other	60,918	—	—
Unrestricted	16,983,921	5,508,771	(556,199)
Total net assets	<u>156,431,005</u>	<u>80,627,930</u>	<u>(556,199)</u>
Total liabilities and net assets	<u>\$ 241,700,944</u>	<u>\$ 82,651,630</u>	<u>\$ 24,305,242</u>

**State of Colorado**  
**University of Northern Colorado**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2004**

	Component Units		
	University of Northern Colorado	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
<b>Operating Revenues</b>			
Student tuition and fees	\$ 40,019,579	\$ —	\$ —
Contributions	—	4,169,585	—
Contributed services	—	43,387	—
Rental income and fees	—	—	1,845,084
Federal grants and contracts	12,847,861	—	—
State and local grants and contracts	4,599,360	—	—
Nongovernmental grants and contracts	2,609,694	—	—
Sales and services of educational activities	2,778,486	—	—
Auxiliary operating revenue	27,876,906	—	—
Management fees	—	—	—
Interest and dividends	—	2,055,666	—
Net realized and unrealized gains	—	9,396,614	—
Loss on sale of building	—	(2,150,000)	—
Other operating revenue	790,413	1,346,227	—
Total operating revenues	<u>91,522,299</u>	<u>14,861,479</u>	<u>1,845,084</u>
<b>Operating Expenses</b>			
Educational and general			
Instruction	48,942,559	—	—
Research	2,720,769	—	—
Public service	1,306,980	—	—
Academic support	10,901,482	—	—
Student services	14,391,723	—	—
Institutional support	5,533,618	—	—
Operation of plant	8,480,520	—	—
Scholarships and fellowships	3,318,329	—	—
Program	—	8,134,898	—
Management and general	—	1,103,988	—
Fund raising	—	543,578	—
Auxiliary operating expenditures	19,252,529	—	—
Operating expenses	—	—	662,108
Ground lease with University of Northern Colorado	—	—	61,571
Depreciation and amortization	10,212,966	—	596,008
Total operating expenses	<u>125,061,475</u>	<u>9,782,464</u>	<u>1,319,687</u>
<b>Operating (Loss) Income</b>	<u>(33,539,176)</u>	<u>5,079,015</u>	<u>525,397</u>
<b>Nonoperating Revenues (Expenses)</b>			
State appropriations	33,590,909	—	—
Investment income, net of investment expense	254,084	—	104,299
Interest on capital asset related debt	(2,837,025)	—	(1,205,292)
Other nonoperating revenues	1,362,442	—	—
Net nonoperating revenues (expenses)	<u>32,370,410</u>	<u>—</u>	<u>(1,100,993)</u>
<b>Income (Loss) Before Other Revenues, (Expenses), Gains or (Losses)</b>	<u>(1,168,766)</u>	<u>5,079,015</u>	<u>(575,596)</u>
Capital appropriations	1,821,068	—	—
Capital grants and gifts	883,476	—	—
Loss on disposal of capital assets	(17,055)	—	—
<b>Increase (Decrease) in Net Assets</b>	<u>1,518,723</u>	<u>5,079,015</u>	<u>(575,596)</u>
<b>Net Assets, Beginning of Period</b>	<u>156,431,005</u>	<u>80,627,930</u>	<u>(556,199)</u>
<b>Net Assets, End of Period</b>	<u>\$ 157,949,728</u>	<u>\$ 85,706,945</u>	<u>\$ (1,131,795)</u>

**State of Colorado**  
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**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2003**

	University of Northern Colorado (Restated – Note 2)	Component Units	
		University of Northern Colorado Foundation Inc.	University of Northern Colorado Foundation Student Housing LLC I
<b>Operating Revenues</b>			
Student tuition and fees	\$ 35,066,370	\$ —	\$ —
Contributions	—	4,969,372	—
Contributed services	—	342,372	—
Rental income and fees	—	—	1,795,992
Federal grants and contracts	11,732,601	—	—
State and local grants and contracts	6,008,468	—	—
Nongovernmental grants and contracts	2,314,538	—	—
Sales and services of educational activities	2,734,549	—	—
Auxiliary operating revenue	27,328,805	—	—
Management fees	—	—	—
Interest and dividends	—	2,279,362	—
Net realized and unrealized gains	—	829,407	—
Loss on impairment of building	—	(5,750,000)	—
Other operating revenue	744,049	740,944	—
Total operating revenues	<u>85,929,380</u>	<u>3,411,457</u>	<u>1,795,992</u>
<b>Operating Expenses</b>			
Educational and general			
Instruction	49,988,018	—	—
Research	2,449,785	—	—
Public service	1,193,638	—	—
Academic support	11,756,600	—	—
Student services	14,199,382	—	—
Institutional support	7,355,922	—	—
Operation of plant	8,871,396	—	—
Scholarships and fellowships	3,197,742	—	—
Program	—	5,579,107	—
Management and general	—	1,055,633	—
Fund raising	—	486,557	—
Auxiliary operating expenditures	17,473,903	—	—
Operating expenses	—	—	583,502
Ground lease with University of Northern Colorado	—	—	61,571
Depreciation and amortization	9,528,353	—	529,008
Total operating expenses	<u>126,014,739</u>	<u>7,121,297</u>	<u>1,174,081</u>
<b>Operating (Loss) Income</b>	<u>(40,085,359)</u>	<u>(3,709,840)</u>	<u>621,911</u>
<b>Nonoperating Revenues (Expenses)</b>			
State appropriations	36,974,939	—	—
Investment income, net of investment expense	2,825,428	—	132,951
Interest on capital asset related debt	(2,342,929)	—	(1,225,251)
Other nonoperating revenues	1,720,406	—	—
Net nonoperating revenues (expenses)	<u>39,177,844</u>	<u>—</u>	<u>(1,092,300)</u>
<b>Loss Before Other Revenues, (Expenses), Gains or (Losses)</b>	<u>(907,515)</u>	<u>(3,709,840)</u>	<u>(470,389)</u>
Capital appropriations	10,475,643	—	—
Capital grants and gifts	2,290,977	—	—
Loss on disposal of capital assets	(18,399)	—	—
<b>Increase (Decrease) in Net Assets</b>	<u>11,840,706</u>	<u>(3,709,840)</u>	<u>(470,389)</u>
<b>Net Assets, Beginning of Period, As Previously Reported</b>	142,524,572	84,337,770	(85,810)
<b>Adjustments Applicable to Prior Periods</b>	<u>2,065,727</u>	<u>—</u>	<u>—</u>
<b>Net Assets, Beginning of Period, As Restated</b>	<u>144,590,299</u>	<u>84,337,770</u>	<u>(85,810)</u>
<b>Net Assets, End of Period</b>	<u>\$ 156,431,005</u>	<u>\$ 80,627,930</u>	<u>\$ (556,199)</u>

**State of Colorado**  
**University of Northern Colorado**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2004 and 2003**

	<b>2004</b>	<b>2003</b> <b>(Restated – Note 2)</b>
<b>Operating Activities</b>		
Cash received		
Tuition and fees	\$ 40,029,369	\$ 34,904,102
Sales of services	29,508,325	31,086,948
Grants and contracts	19,408,585	19,746,844
Student loans collected	2,318,646	2,241,411
Other receipts	1,852,852	2,133,839
Cash payments		
Payments to/for employees	(85,116,888)	(79,913,054)
Payments to suppliers	(24,678,157)	(26,613,950)
Scholarships disbursed	(3,054,018)	(2,742,845)
Student loans disbursed	<u>(2,282,441)</u>	<u>(1,973,314)</u>
Net cash used in operating activities	<u>(22,013,727)</u>	<u>(21,130,019)</u>
<b>Noncapital Financing Activities</b>		
State appropriations, noncapital	33,590,909	36,974,939
Agency inflows	40,295,169	32,465,493
Agency outflows	<u>(40,432,113)</u>	<u>(32,393,485)</u>
Net cash provided by noncapital financing activities	<u>33,453,965</u>	<u>37,046,947</u>
<b>Capital and Related Financing Activities</b>		
State appropriations, capital	1,821,068	10,475,644
Capital grants, contracts and gifts	883,476	2,290,977
Proceeds from sale of capital assets	3,000	—
Proceeds from capital debt	—	1,557,418
Acquisition or construction of capital assets	(17,043,450)	(26,077,353)
Principal paid on capital debt	(1,389,544)	(1,051,645)
Interest paid on capital debt	<u>(3,279,898)</u>	<u>(2,321,050)</u>
Net cash used in capital financing activities	<u>(19,005,348)</u>	<u>(15,126,009)</u>
<b>Investing Activities</b>		
Investment earnings	<u>417,736</u>	<u>2,728,722</u>
Net cash provided by investing activities	<u>417,736</u>	<u>2,728,722</u>
<b>(Decrease) Increase in Cash and Cash Equivalents</b>	<b>(7,147,374)</b>	<b>3,519,641</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>60,217,308</u>	<u>56,697,667</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 53,069,934</u>	<u>\$ 60,217,308</u>

**State of Colorado**  
**University of Northern Colorado**  
**Statements of Cash Flows (continued)**  
**For the Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u> <u>(Restated – Note 2)</u>
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (33,539,176)	\$ (40,085,359)
Depreciation expense	10,212,966	9,528,353
Other revenues and additions	1,362,442	1,720,406
Changes in operating assets and liabilities		
Cash invested with custodian	7,983	(956)
Receivables, net	(1,162,934)	(423,106)
Inventories and prepaid expenses	148,981	665,347
Accounts payable	729,334	(458,239)
Accrued payroll	222,370	7,531,838
Deferred revenues	(2,663)	404,857
Other liabilities	25,862	(103,322)
Compensated absences	<u>(18,892)</u>	<u>90,162</u>
<b>Net Cash Used in Operating Activities</b>	<b>\$ <u>(22,013,727)</u></b>	<b>\$ <u>(21,130,019)</u></b>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets</b>		
Cash and cash equivalents	\$ 49,452,907	\$ 45,777,639
Restricted cash and cash equivalents	<u>3,617,027</u>	<u>14,439,669</u>
Total cash and cash equivalents	<b>\$ <u>53,069,934</u></b>	<b>\$ <u>60,217,308</u></b>
<b>Supplemental Cash Flows Information</b>		
Accounts payable incurred for capital asset purchases	\$ 1,718,538	\$ 350,795
Capital lease obligation incurred for equipment	\$ 3,604,134	\$ 1,530,179

**State of Colorado**  
**University of Northern Colorado**  
**Notes to Financial Statements**  
**June 30, 2004 and 2003**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

The University of Northern Colorado (the University) is a public institution of higher education with a broad general curriculum as well as preparation for selected professions within the fields of business, education, health services, music and related areas; and pre-professions such as pre-law, pre-medicine and others. The University is an institution of the State of Colorado with operations funded largely through student tuition and fees and through annual state appropriations. Funds are augmented by private support from alumni and through the University of Northern Colorado Foundation, Incorporated. The University extends unsecured credit to its students.

As an Institution of the State of Colorado, the University's operations and activities are funded in part through state appropriations. In accordance with Section 23-1-104, C.R.S., unspent revenues earned by the University in excess of appropriated amounts are retained by the University for future use.

***Reporting Entity and Component Units***

The financial statements of the University include all of the integral parts of the University's operations. The University applied various criteria to determine if it is financially accountable for any organization that would require that organization to be included in the University's reporting entity. These criteria include fiscal dependency, financial benefit/burden relationship, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

In accordance with accounting principles generally accepted in the United States of America, the financial statements present the University (primary government), its discretely presented component units - the University of Northern Colorado Foundation, Incorporated (see Note 7) and the University of Northern Colorado Foundation Student Housing LLC I (see Note 8), and its blended component units - the Student Media Corporation and the Alumni Association of the University of Northern Colorado (see Note 9). The component units are included in the University's reporting entity because of the significance of their operational and financial relationships with the University in accordance with Statement No. 39 of the Governmental Accounting Standards Board *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement 14*. Financial statements of the Student Media Corporation, Alumni Association of the University of Northern Colorado, the University of Northern Colorado Foundation, Incorporated and the University of Northern Colorado Foundation Student Housing LLC I can be obtained from their respective administrative offices.

***Basis of Accounting and Presentation***

The financial statements of the University have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally certain federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions.

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Government-mandated nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The University first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements that were issued after November 30, 1989, unless the FASB pronouncement conflicts with or contradicts a GASB pronouncement. The University has elected not to apply FASB pronouncements issued after the applicable date.

The University of Northern Colorado Foundation, Incorporated and the University of Northern Colorado Foundation Student Housing LLC I report under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's or the LLC's financial information in the University's financial reporting entity for these differences.

***Use of Estimates***

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

***Cash Equivalents***

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2004 and 2003, cash equivalents consisted primarily of funds invested through the State Treasurer's Cash Management Program.

***Restricted Cash and Cash Equivalents***

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

***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 includes amounts due from the Federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

***Inventories***

Inventories are carried at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) basis.

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***Investments and Investment Income***

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

***Loans to Students***

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$1,102,517 and \$1,002,975 at June 30, 2004 and 2003, respectively.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for land improvements, 10 years for library books and 3 to 10 years for equipment.

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized was:

	<b>2004</b>	<b>2003</b>
Total interest expense incurred on borrowings for projects	\$ 442,873	\$ 933,575
Interest income from investment of proceeds of borrowings for projects	<u>(235,788)</u>	<u>(750,482)</u>
Net interest cost capitalized	<u>\$ 207,085</u>	<u>\$ 183,093</u>
Interest capitalized	\$ 207,085	\$ 183,093
Interest charged to expense	<u>2,837,025</u>	<u>2,342,929</u>
Total interest incurred	<u>\$ 3,044,110</u>	<u>\$ 2,526,022</u>

***Compensated Absences***

University policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the financial statements date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

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**Deferred Revenues**

Deferred revenues include 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. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**Classification of Revenues**

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, (3) contracts and grants for research activities and (4) interest on student loans.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting* and GASB No. 34, such as state appropriations and investment income.

**Scholarship Discounts and Allowances**

Student tuition, fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses and changes in net assets. Scholarship allowances are the difference 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 revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees and housing were \$8,811,974 and \$8,307,402 for the years ended June 30, 2004 and 2003, respectively.

**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 and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

**Reclassifications**

Certain reclassifications have been made to the 2003 financial statements to conform to the 2004 financial statement presentation. These reclassifications had no effect on change in net assets.

**State of Colorado**  
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**Note 2: Restatement of Prior Year's Financial Statements**

The University historically has not eliminated internal departmental charges for fringe benefit costs, which in practice does not conform to accounting principles generally accepted in the United States of America. The University has retroactively changed its accounting method to eliminate the internal departmental charges. This change increased 2003 change in net assets by \$712,584 and decreased deferred revenues by \$2,778,311. Adjustments of \$2,065,727 applicable to 2002 and prior have been included in the restated 2003 beginning net asset balance.

**Note 3: Deposits and Investments**

***Deposits***

At June 30, the University had bank balances as follows:

	<b>2004</b>	<b>2003</b>
Uninsured and uncollateralized	\$ 187,271	\$ —
Insured by federal depository insurance (FDIC)	100,000	100,000
Uninsured and collateral held by pledging financial institution's trust department or agent in the institutions name or in the name of the public deposit pool	3,815,695	1,096,561
Change funds	31,272	32,203
	<u>\$ 4,134,238</u>	<u>\$ 1,228,764</u>
Carrying Value	<u>\$ 1,233,176</u>	<u>\$ 838,013</u>

At June 30, 2004 and 2003, the University had \$51,836,758 and \$59,347,092, respectively, on deposit with the State Treasurer. Detailed information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report. The University deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The University reports its share of the Treasurer's unrealized gains or losses based on its participation in the State Treasurer's pool. The State Treasurer does not invest any of the pool resources in any external investment pool and there is no assignment or income related to participation in the pool.

***Investments***

The University has authority to invest institutional funds in any investment deemed advisable by the governing board per section 15-1-1106, C.R.S. The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest, to a limited extent, in equity securities.

Investments with custodian consist principally of U.S. Treasury securities with a fair market value of \$526,711 and \$549,321 at June 30, 2004 and 2003, respectively.



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**Note 5: Long-term Liabilities**

The following is a summary of long-term liabilities for the University for the year ended June 30:

	<b>2004</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Bonds, notes and capital leases					
Revenue bonds payable	\$ 60,233,294	\$ —	\$ (974,485)	\$ 59,258,809	\$ 1,060,000
Notes payable	27,240	—	(8,438)	18,802	6,978
Capital leases payable	<u>1,641,470</u>	<u>3,604,134</u>	<u>(406,621)</u>	<u>4,838,983</u>	<u>310,325</u>
Total bonds and capital leases	<u>61,902,004</u>	<u>3,604,134</u>	<u>(1,389,544)</u>	<u>64,116,594</u>	<u>1,377,303</u>
Other liabilities					
Other long-term liabilities	4,165,955	—	(71,926)	4,094,029	1,566,940
Accrued compensated absences	<u>2,837,686</u>	<u>—</u>	<u>(18,892)</u>	<u>2,818,794</u>	<u>657,681</u>
Total other liabilities	<u>7,003,641</u>	<u>—</u>	<u>(90,818)</u>	<u>6,912,823</u>	<u>2,224,621</u>
Total long-term liabilities	<u>\$ 68,905,645</u>	<u>\$ 3,604,134</u>	<u>\$ (1,480,362)</u>	<u>\$ 71,029,417</u>	<u>\$ 3,601,924</u>
	<b>2003</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Bonds, notes and capital leases					
Revenue bonds payable	\$ 61,162,780	\$ —	\$ (929,486)	\$ 60,233,294	\$ 1,075,000
Notes payable	—	27,240	—	27,240	8,436
Capital leases payable	<u>208,726</u>	<u>1,530,179</u>	<u>(97,435)</u>	<u>1,641,470</u>	<u>151,298</u>
Total bonds and capital leases	<u>61,371,506</u>	<u>1,557,419</u>	<u>(1,026,921)</u>	<u>61,902,004</u>	<u>1,234,734</u>
Other liabilities					
Other long-term liabilities	4,218,024	232,956	(285,025)	4,165,955	1,649,604
Accrued compensated absences	<u>2,747,524</u>	<u>446,753</u>	<u>(356,591)</u>	<u>2,837,686</u>	<u>618,993</u>
Total other liabilities	<u>6,965,548</u>	<u>679,709</u>	<u>(641,616)</u>	<u>7,003,641</u>	<u>2,268,597</u>
Total long-term liabilities	<u>\$ 68,337,054</u>	<u>\$ 2,237,128</u>	<u>\$ (1,668,537)</u>	<u>\$ 68,905,645</u>	<u>\$ 3,503,331</u>

**State of Colorado**  
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**Notes to Financial Statements**  
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**Bonds Payable**

Bonds payable consisted of the following at June 30:

	<b>2004</b>	<b>2003</b>
3.40% - 6.00% Auxiliary Facilities System Revenue Refunding and Improvement Bonds, issued April 1, 1994 in the original amount of \$17,150,000 and maturing in varying annual amounts to June 1, 2008	\$ 2,410,000	\$ 3,100,000
Less: unamortized discount	(17,399)	(23,198)
	<u>2,392,601</u>	<u>3,076,802</u>
3.50% - 6.00% Auxiliary Facilities System Revenue Refunding Bonds, issued April 1, 1998 in the original amount of \$10,630,000 and maturing in varying annual amounts through June 1, 2024	10,090,000	10,150,000
Less: unamortized discount	(109,085)	(114,903)
	<u>9,980,915</u>	<u>10,035,097</u>
3.00% - 5.50% Auxiliary Facilities System Revenue Refunding and Improvement Bonds, issued July 31, 2001 in the original amount of \$50,000,000 and maturing in varying annual amounts through June 1, 2031	48,665,000	48,990,000
Less: unamortized discount	(339,688)	(352,791)
Less: unamortized loss on refunding	(1,440,019)	(1,515,814)
	<u>46,885,293</u>	<u>47,121,395</u>
Total Bonds payable less unamortized discount and loss on refunding	<u>\$ 59,258,809</u>	<u>\$ 60,233,294</u>

The bonds are secured by certain student fees and a first lien on the University Auxiliary Facilities System, but not necessarily an exclusive first lien and a pledge of the net revenues derived from the University Auxiliary Facilities System.

Bond provisions require the establishment of renewal and replacement funds of \$750,000 and require the University to maintain compliance with certain rate covenants related to the bonds.

The annual debt service requirements as of June 30, 2004 are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 1,125,000	\$ 3,065,954	\$ 4,190,954
2006	1,180,000	3,012,944	4,192,944
2007	1,240,000	2,954,195	4,194,195
2008	1,300,000	2,891,660	4,191,660
2009	1,360,000	2,831,198	4,191,198
2010-2014	7,820,000	13,146,415	20,966,415
2015-2019	9,985,000	10,981,375	20,966,375
2020-2024	12,890,000	8,072,850	20,962,850
2025-2029	16,465,000	4,499,750	20,964,750
2030-2031	<u>7,800,000</u>	<u>589,750</u>	<u>8,389,750</u>
Total	<u>\$ 61,165,000</u>	<u>\$ 52,046,091</u>	<u>\$ 113,211,091</u>

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***Defeased Bonds***

In August 1986, the Board of Trustees of the University in-substance defeased the Colorado State College Housing System Revenue Bonds of 1966 and the University of Northern Colorado Facilities Revenue Bonds Series 1972 by placing a portion of the proceeds of the Auxiliary System Refunding and Construction Revenue Bonds Series 1986 in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the in-substance defeased bonds are not included in the University's financial statements. At June 30, 2004, \$1,175,000 of these outstanding bonds are considered in-substance defeased.

In July 2001, the Board of Trustees of the University in-substance defeased the Auxiliary Facilities System Revenue Bonds Series 1997 by placing a portion of the proceeds of the Auxiliary Facilities System Revenue Refunding and Improvement Bonds Series 2001 in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the in-substance defeased bonds are not included in the University's financial statements. At June 30, 2004, \$26,155,000 of these outstanding bonds are considered in-substance defeased.

***Capital Lease Obligations***

The University is obligated under leases accounted for as capital leases. Assets under capital leases at June 30, 2004 and 2003 include equipment totaling \$5,240,368 and \$1,842,078, respectively. These agreements provide that any obligations payable after the current fiscal year are contingent upon funds for that purpose being available. The following is a schedule by year of future minimum lease payments including interest together with the present value of the future minimum lease payments as of June 30, 2004.

2005	\$	494,038
2006		605,632
2007		551,347
2008		490,189
2009		488,323
2010 – 2014		2,441,616
2010 – 2016		<u>1,137,591</u>
Total minimum lease payments		6,208,736
Less amount representing interest		<u>1,369,753</u>
Present value of future minimum lease payments	\$	<u>4,838,983</u>

***Other Long-term Liabilities***

On August 1, 2001, the University entered into a ground lease agreement with the University of Northern Colorado Foundation Student Housing LLC I for \$2,655,000 over a 46-year period. The University received \$2,155,000 as an advance lease payment directly from the proceeds of the debt issued by the LLC to finance the LLC's student housing facility. The advance was initially recorded as deferred revenue. The University recognized \$54,263 in rental revenue for fiscal year 2004 and 2003 and will recognize an equal amount annually for the next 44 years. Deferred revenue under this lease agreement was approximately \$2,000,000 and \$2,100,000 as of June 30, 2004 and 2003, respectively.

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**Note 6: Operating Leases**

The University leases property and equipment under operating leases expiring in various years through 2008.

Future minimum lease payments under noncancelable operating leases as of June 30, 2004 are as follows:

2005	\$ 70,766
2006	34,709
2007	18,027
2008	2,884
2009	<u>453</u>
Total minimum lease payments	<u>\$ 126,839</u>

Rental expense under these agreements, for the years ended June 30, 2004 and 2003 was \$92,577 and \$85,384, respectively. Of this amount, all was paid to the State of Colorado.

**Note 7: The University of Northern Colorado Foundation, Incorporated**

The University of Northern Colorado Foundation, Incorporated (the Foundation) is a legally separate, tax-exempt component unit of the University incorporated under Article 40, Title 7 of the Colorado Revised Statutes of 1973. The Foundation was established in February 1996 to promote the welfare, development and growth of the University and also to permit the Foundation to engage in activities as may be beyond the scope of the Trustees of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation had payables to the University of approximately \$315,000 at June 30, 2004 and 2003.

**Contributions Receivable**

Contributions receivable as of June 30 are as follows:

	<u>2004</u>	<u>2003</u>
Due in less than one year	\$ 1,043,086	\$ 984,339
Due in one to five years	<u>1,371,354</u>	<u>1,719,750</u>
	2,414,440	2,704,089
Less present value discount	<u>(392,387)</u>	<u>(358,324)</u>
	<u>\$ 2,022,053</u>	<u>\$ 2,345,765</u>

Approximately 76% and 71% of the Foundation's contributions receivable as of June 30, 2004 and 2003, respectively, consist of pledges from five donors.

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**Investments**

Investments at June 30 consisted of the following:

	2004		2003	
	Cost	Fair Market Value	Cost	Fair Market Value
Fixed Income				
Corporate notes	\$ 16,705,029	\$ 17,346,320	\$ 16,841,094	\$ 18,206,629
U.S. Treasury bonds and notes	3,854,643	3,940,644	5,335,215	5,849,862
U.S. government agency obligations	<u>1,472,609</u>	<u>1,487,572</u>	<u>2,064,646</u>	<u>2,125,747</u>
	22,032,281	22,774,536	24,240,955	26,182,238
Equity Securities	46,513,949	54,072,353	40,246,381	43,583,560
Other Investments	<u>7,015,148</u>	<u>7,446,211</u>	<u>4,633,964</u>	<u>4,682,317</u>
	<u>\$ 75,561,378</u>	<u>\$ 84,293,100</u>	<u>\$ 69,121,300</u>	<u>\$ 74,448,115</u>

**Property Held for Sale**

Property held for sale includes a regional office building in Evans, Colorado. As a result of current commercial real estate market conditions, the Foundation re-evaluated the carrying value of the facility. As a result, the carrying value was reduced from its original appraisal value at donation in September 2000 of \$11,720,000 by \$520,000 during 2002 and an additional \$5,570,000 during 2003. In November 2003, the Foundation accepted a sale price of \$2,850,000, resulting in a realized loss of \$2,150,000.

**Note 8: The University of Northern Colorado Foundation Student Housing LLC I**

The University of Northern Colorado Foundation Student Housing LLC I (the LLC) is a legally separate component unit of the University that was established as a Colorado limited liability company in May 2001 to construct and operate a 396-bed student housing facility for the University. The Foundation is the sole member of the LLC, however, the results of the LLC's operations do not accrue to the Foundation. The LLC has a 46-year ground lease with the University under which "net available cash flows" from the operations, as defined in the lease agreement, is paid to the University as rent (see Note 4). At the end of the ground lease in 2047, or upon earlier retirement of the bond issue, title to the housing facility is transferred to the University. As the majority of the LLC's available resources are paid to the University through the ground lease, the LLC is considered a component unit of the University and is discretely presented in the University's financial statements.

**Long-term Debt**

The Colorado Educational and Cultural Facilities Authority (the Authority), a political sub-division of the State of Colorado, loaned the proceeds of a \$24,320,000 bond issue to the LLC to finance the construction of the LLC's student housing facility. The loan is payable in amounts sufficient to provide for the debt service of the bond issue. Interest rates on the bonds range from 3.375% to 5.375% and are payable semi-annually. The loan is collateralized by the revenues generated by the facility. At June 30, 2004, the balance outstanding on the loan was \$23,999,320, which is net of an original issue discount of \$285,680.

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The annual debt service requirements as of June 30, 2004 are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 55,000	\$ 1,203,780	\$ 1,258,780
2006	105,000	1,199,593	1,304,593
2007	140,000	1,194,467	1,334,467
2008	180,000	1,188,643	1,368,643
2009	225,000	1,180,880	1,405,880
2010-2014	1,900,000	5,705,798	7,605,798
2015-2019	2,690,000	5,153,778	7,843,778
2020-2024	3,430,000	4,385,690	7,815,690
2025-2029	4,385,000	3,413,312	7,798,312
2030-2034	5,585,000	2,170,100	7,755,100
2035-2038	<u>5,590,000</u>	<u>590,911</u>	<u>6,180,911</u>
Total	<u>\$ 24,285,000</u>	<u>\$ 27,386,952</u>	<u>\$ 51,671,952</u>

**Note 9: Blended Component Units**

***Student Media Corporation***

The Student Media Corporation (Media Corporation) was organized under state law with a primary objective to publish the official school newspaper of the University. The Media Corporation is governed by a Board of Directors comprised of various University administrators, certain student members and members of the community. The Media Corporation is reported as if it were a part of the University due to the financial dependency of the Media Corporation on the University and because its main objective is to provide the University's official newspaper.

***Alumni Association of the University of Northern Colorado***

The Alumni Association of the University of Northern Colorado (Alumni Association) was organized under state law with a purpose of facilitating broad support for the University among alumni. The Alumni Association is governed by a Board of Directors consisting of 23 members of the Association. The Alumni Association is reported as if it were a part of the University due to financial dependency of the Alumni Association on the University.

**Note 10: Pension Plans**

***Plan Description***

A significant portion of the institution's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employee's Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203, by calling PERA at 303-832-9550 or 800-729-PERA (7372), or by visiting [www.copera.org](http://www.copera.org).

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Plan members vest after five years of service and most are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with five years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of 5 years of service credit and their age plus years of service equals 80 or more. State troopers and judges comprise a small percentage of plan members but have higher contribution rates and are eligible for retirement benefits at different ages and years of service. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit.

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

***Funding Policy***

Most employees contribute 8.0% (10.0% for state troopers) of their gross covered wages to an individual account in the plan. During fiscal year 2003-2004, the state contributed 10.15% (12.85% for state troopers and 12.66% for the judicial branch) of the employee's gross covered wages. Effective January 1, 2003, 1.1% was allocated to the Health Care Trust Fund. Throughout the fiscal year, the amount needed to meet the match requirement established by the PERA Board was allocated to the Matchmaker Program (See Note 11). The balance remaining after allocations to the Matchmaker Program and the Health Care Trust Fund was allocated to the defined benefit plan.

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

The institution's contributions to the three programs described above for the fiscal years ending June 30, 2004, 2003 and 2002 were \$3,111,948, \$3,654,031, and \$3,563,991, respectively. These contributions met the contribution requirement for each year.

***Optional Retirement Plan***

On March 1, 1993, the Board of Trustees adopted an Optional Retirement Plan (ORP) for faculty and exempt-administrative staff. On the date of adoption, eligible University employees were offered the choice of remaining in PERA or participating in the ORP. New faculty and administrative staff members are required to enroll in the ORP unless they have one year or more service credit with PERA at the date of hire.

The ORP is a defined contribution plan with three vendors, Travelers/CitiStreet, TIAA-CREF and VALIC, providing a range of investment accounts for participants. For 2003-2004 and 2002-2003, the employees contributed 8% and the University contributed 11.5%. The University's contribution to the ORP for the year ended June 30, 2004, and June 30, 2003 was \$3,231,036 and \$3,034,324, respectively. All contributions are immediately invested in the employee's account. Normal retirement age for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

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**Note 11: Voluntary Tax-deferred Retirement Plans**

Beginning on January 1, 2001, the Matchmaker Program established a state match for PERA member's voluntary contributions to tax-deferred retirement plans. For calendar years 2001 and 2002, the match was 100% of up to 3% of the employee's gross covered wages paid during the month (7% for judges in the judicial branch). For calendar year 2003, the match was 100% of up to 2% of employee's gross covered wages paid during the month (6% for judges in the judicial branch). For calendar year 2004, the match was 100% of up to 1% of the employee's gross covered wages paid during the month (5% for judges in the judicial branch). The PERA Board sets the level of the match with 2% of gross salary plus 50% of any reduction in the overall contribution rate due to over funding of the pension plan was available for the match. While the plan was not over-funded in the current year, the maximum one year change in the match rate is statutorily limited to 1%, and therefore, the match changed from 2% to 1% on January 1, 2004. Legislation passed in the 2004 session of the General Assembly terminated the match for pay-periods ending after May 31, 2004. The match will resume when the actuarial value of the defined benefit plan assets are 110% of actuarially accrued plan liabilities.

PERA offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. The state offers a 457 deferred compensation plan and certain agencies and institutions of the state offer a 403(b) plan. Members who contribute to any of these plans also receive the state match.

**Note 12: Postretirement Healthcare and Life Insurance Benefits**

***Health Care Program***

PERACare (formerly known as the PERA Health Care Program) (the Program) began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Under this Program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During fiscal year 2003-2004, the premium subsidy was \$115.00 for those with 20 years of service credit (\$230.00 for members under age 65 and not eligible for Medicare) and it was reduced by 5% for each year of service fewer than 20.

The Health Care Trust Fund is maintained by an employer's contribution as discussed above in Note 10.

Monthly premium costs for participants depend on the health care plan selected, the number of persons being covered, Medicare eligibility and the number of years of service credit a retiree has. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans and with health maintenance organizations providing services within Colorado. As of December 31, 2003, there were 37,067 participants, including spouses and dependents, from all contributors in the plan.

***Life Insurance Program***

PERA provides its members access to two group life insurance plans offered by Prudential and Anthem Life (formerly known as Rocky Mountain Life). Members may join one or both plans and they may continue coverage into retirement. Premiums are paid monthly by payroll deduction or other means.

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**Note 13: Natural Classifications with Functional Classifications**

For the years ended June 30, the following tables represent operating expenses within both natural and functional classifications.

Functional Classifications	2004						
	Employee and Personal Services	Operating and Travel	Cost of Goods Sold	Depreciation	Inter-governmental Distributions	Prizes and Awards	Total Operating Expenses
Instruction	\$ 43,727,636	\$ 5,013,191	\$ 165	\$ —	\$ 200,934	\$ 633	\$ 48,942,559
Research	1,900,449	659,155	—	—	154,547	6,618	2,720,769
Public service	787,747	385,553	129,977	—	—	3,703	1,306,980
Academic support	8,535,526	2,355,791	6,511	—	3,546	108	10,901,482
Student services	9,533,914	4,650,064	196,145	—	—	11,600	14,391,723
Institutional support	7,235,143	(5,665,814)	3,961,672	—	—	2,617	5,533,618
O and M of plant	4,268,278	4,212,032	—	—	—	210	8,480,520
Scholarship/fellowship	—	3,318,329	—	—	—	—	3,318,329
Auxiliaries	6,707,334	8,885,905	3,658,030	—	—	1,260	19,252,529
Depreciation	—	—	—	10,212,966	—	—	10,212,966
Total	\$ <u>82,696,027</u>	\$ <u>23,814,206</u>	\$ <u>7,952,500</u>	\$ <u>10,212,966</u>	\$ <u>359,027</u>	\$ <u>26,749</u>	\$ <u>125,061,475</u>

Functional Classifications	2003						
	Employee and Personal Services	Operating and Travel	Cost of Goods Sold	Depreciation	Inter-governmental Distributions	Prizes and Awards	Total Operating Expenses
Instruction	\$ 44,492,494	\$ 5,372,506	\$ 221	\$ —	\$ 121,913	\$ 884	\$ 49,988,018
Research	1,523,723	760,944	—	—	155,161	9,957	2,449,785
Public service	658,332	409,298	123,744	—	—	2,264	1,193,638
Academic support	9,422,400	2,293,198	(10)	—	40,062	950	11,756,600
Student services	9,514,369	4,448,054	227,115	—	—	9,844	14,199,382
Institutional support	7,864,671	(6,024,755)	5,513,829	—	—	2,177	7,355,922
O and M of plant	7,653,300	1,217,997	—	—	—	99	8,871,396
Scholarship/fellowship	—	3,197,742	—	—	—	—	3,197,742
Auxiliaries	7,079,806	7,920,713	2,472,613	—	—	771	17,473,903
Depreciation	—	—	—	9,528,353	—	—	9,528,353
Total	\$ <u>88,209,095</u>	\$ <u>19,595,697</u>	\$ <u>8,337,512</u>	\$ <u>9,528,353</u>	\$ <u>317,136</u>	\$ <u>26,946</u>	\$ <u>126,014,739</u>

**Note 14: Legislative Appropriations**

**Appropriated Funds**

The Colorado State Legislature establishes spending authority for the University in its annual Long Appropriations Bill. Appropriated funds include an amount from the State of Colorado's General Fund, as well as certain cash funds. Cash funds include tuition, certain fees and certain other revenue sources.

For the years ended June 30, 2004 and 2003, appropriated expenditures were within the authorized spending authority of \$77,935,035 and \$77,027,449, respectively. Actual appropriated revenues earned totaled \$68,753,689 and \$69,409,986, respectively. Actual appropriated expenditures and transfers totaled \$69,654,320 and \$69,654,320, respectively. The net decrease in appropriated fund balance was \$326,675 and \$244,334, respectively.

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***Capital Construction State Appropriations***

Capital Construction State Appropriations are recognized only to the extent of current expenditures of \$1,821,068. At June 30, 2004, there were unexpended Capital Construction State Appropriations of \$462,843.

***Controlled Maintenance Projects***

The Colorado Department of Personnel and Administration makes expenditures on behalf of the University for various controlled maintenance projects. There were three completed controlled maintenance projects added to the University for the year ended June 30, 2004. These projects included the repair and replacement of campus building roofs, the replacement of deteriorated stairs/walkways and the ceiling repair of Frasier Hall Theater.

**Note 15: Commitments and Contingencies**

***Construction Commitments***

As of June 30, 2004, the University has construction commitments of \$388,373 for “smart” classrooms, theatre ceiling repair, parking improvements and faculty apartment renovations.

***Guarantee Agreement with the University of Northern Colorado Foundation Student Housing LLC***

Effective August 1, 2001, the Board of Trustees of the University entered into an agreement with the University of Northern Colorado Foundation Student Housing LLC I guaranteeing the timely payment of debt service on the Colorado Educational and Cultural Facilities Authority Student Housing Revenue Bonds Series 2001A and Taxable Series 2001B. The obligation of the University to pay the guaranteed amount shall remain in effect until the first to occur of (a) a date that is 12 months after the last planned unit of the Facilities is completed and approved for occupancy and leasing, (b) the Facilities achieves 95% occupancy (excluding rooms for managers, resident assistants and discounted rooms) and/or (c) the University assumes the obligation for the debt service payments on the Series 2001 Bonds. The University has estimated that the total liability will not exceed \$740,000.

***Government Grants***

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

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**Note 16: Risk Management**

The University is subject to risks of loss from liability for accident, property damage and personal injury. These risks are managed by the State Division of Risk Management, an agency formed by statute and funded by the Long Appropriations Bill. Therefore, the University is not required to purchase insurance for such risk of loss. Commercial insurance coverage is purchased for employee health benefits. There has been no reduction in coverage nor have any settlements exceeded coverage in any of the three preceding years. The University does not retain risk of loss except for damage incurred to property belonging to the State, limited to a \$1,000 deductible per incident.

The State Division of Risk Management is deemed to be a public entity risk pool; therefore, under the Governmental Immunity Act, the University is protected from suit by the Doctrine of Sovereign Immunity except under certain circumstances in which immunity is waived.

**Note 17: Change in Accounting Principle**

During 2004, the University retroactively changed its method of determining its financial reporting entity by adopting the provisions of Governmental Accounting Standards Board Statement No. 39, *Determination Whether Certain Organizations are Component Units*. This standard requires certain organizations be reported as component units of a primary government based on the nature and significance of that organization's relationship to the primary government. Application of this statement resulted in presenting the Foundation and the LLC as a discretely presented component units of the University.

## **Independent Accountants' Report on Compliance and Internal Control Over Financial Reporting Based on the Audit of the Financial Statements in Accordance with *Government Auditing Standards***

Members of the Legislative Audit Committee:

We have audited the financial statements of the University of Northern Colorado (the University) and its aggregate discretely presented component units, collectively a component unit of the State of Colorado, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 10, 2004, which contained an explanatory paragraph regarding a change in accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### ***Compliance***

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

### ***Internal Control over Financial Reporting***

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting and its operation that are described in the Auditor's Findings and Recommendation section of this report as Recommendations No. 1 and 2.

This report is intended solely for the information and use of the Legislative Audit Committee, the Board of Trustees and the management of the University and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 10, 2004

Members of the Legislative Audit Committee:

As part of our audit of the financial statements of the University of Northern Colorado (the University) and its aggregate discretely presented component units, collectively a component unit of the State of Colorado, as of and for the year ended June 30, 2004, we wish to communicate the following to you.

### ***Auditor's Responsibility under Auditing Standards Generally Accepted in the United States of America***

An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing GAAS procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our contract with the State Auditor more specifically discusses our responsibilities.

### ***Significant Accounting Policies***

The University's significant accounting policies are described in Note 1 of the audited financial statements.

### ***Management Judgments and Accounting Estimates***

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Allowance for doubtful accounts
- Compensated absences
- Depreciation on capital assets and useful life of assets

### ***Audit Adjustments***

During the course of any audit, an auditor will propose adjustments of financial statement amounts. Management evaluates our proposals and records those adjustments, which in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate. Areas in which adjustments were proposed that management recorded include:

- Capital assets
- Deferred revenue

## Members of the Legislative Audit Committee

Areas in which uncorrected misstatements were aggregated during the current engagement and pertaining to the latest period presented were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole, include accounting for fringe benefit and other internal charge allocations to University departments and programs, and capitalization and depreciation of capital assets. The effect of the uncorrected misstatements, had they been recorded, would have been to increase the change in net assets by \$136,550 for the year ended June 30, 2004, and decrease current assets by \$136,550.

This letter is intended for the information and use of the Legislative Audit Committee, 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.

September 10, 2004

## **State-Funded Student Assistance Programs**

## **Independent Accountants' Report on the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs**

Members of the Legislative Audit Committee:

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs (the Statement) of the University of Northern Colorado (the University), a blended component unit of the State of Colorado, for the year ended June 30, 2004. This Statement is the responsibility of the University's management. Our responsibility is to express an opinion on this Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in notes to the Statement, the Statement was prepared in the format as set forth in the *Colorado Handbook for State-Funded Student Assistance Programs* issued by the Colorado Commission on Higher Education (CCHE), 2003 version. The Statement is a summary of cash activity of the state-funded financial assistance programs with the exception of the Perkins Loan and Colorado Work-Study Programs and does not present certain transactions that would be included in the Statement of the state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. Accordingly, the accompanying Statement is not intended to present the financial position, changes in financial position or cash flows of the University in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Statement referred to above presents fairly, in all material respects, the appropriations, expenditures, transfers and reversions of the state-funded student assistance programs of the University of Northern Colorado for the year ended June 30, 2004, in conformity with the provisions of the CCHE *Colorado Handbook for State-Funded Student Assistance Programs*, as described in Note 1 to the Statement.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 10, 2004, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Legislative Audit Committee, the Board of Trustees and the management of the University and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 10, 2004

**State of Colorado**  
**University of Northern Colorado**  
**Statement of Appropriations, Expenditures, Transfers and Reversions of**  
**the State-Funded Student Assistance Programs**  
**Year Ended June 30, 2004**

	<b>CLEAP</b>	<b>SLEAP</b>	<b>Student Grant Program</b>	<b>Colorado Graduate Program</b>	<b>Work Study Program</b>	<b>Graduate Fellowship Program</b>
Appropriations						
Original	\$ 112,678	\$ 290,839	\$ 1,370,643	\$ 118,560	\$ 860,705	\$ 70,000
Adjustments	—	—	—	—	17,053	—
Transfers	—	—	—	—	—	—
Total	112,678	290,839	1,370,643	118,560	877,758	70,000
Expenditures	<u>112,678</u>	<u>290,839</u>	<u>1,370,643</u>	<u>118,560</u>	<u>877,758</u>	<u>70,000</u>
Reversions to state general fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

*See Notes to statement of Appropriations, Expenditures, Transfers and Reversions of the State Funded Student Assistance Programs*

<b>Loan Matching</b>	<b>Governor's Opportunity Scholarship</b>	<b>Under- graduate Merit</b>	<b>Diversity Grants</b>	<b>Part-Time Student Grant</b>	<b>Performing and Visual Arts</b>	<b>Athletic Grants</b>	<b>Total State- Funded Student Assistance</b>
\$ 7,902	\$1,048,235	\$ 359,472	\$ 474,000	\$ 12,000	\$ —	\$ —	\$4,725,034
23	(60,000)	—	—	—	—	—	(42,924)
<u>—</u>	<u>—</u>	<u>(253,790)</u>	<u>—</u>	<u>—</u>	<u>73,715</u>	<u>180,075</u>	<u>0</u>
7,925	988,235	105,682	474,000	12,000	73,715	180,075	4,682,110
<u>7,925</u>	<u>988,235</u>	<u>105,682</u>	<u>474,000</u>	<u>12,000</u>	<u>73,715</u>	<u>180,075</u>	<u>4,682,110</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**State of Colorado**  
**University of Northern Colorado**

**Notes to Statement of Appropriations, Expenditures, Transfers and Reversions of  
the State-Funded Student Assistance Programs  
Year Ended June 30, 2004**

**Note 1: Summary of Significant Accounting Policies**

The University of Northern Colorado's accounting system is structured and administered in accordance with the accounting principles promulgated by the Governmental Accounting Standards Board.

All student aid is expended on a cash basis except for the College Work-Study Program (CWS). The CWS is on the accrual basis in that the expense is recognized when the services are performed. This basis differs from accounting principles generally accepted in the United States of America primarily because appropriations are presented instead of revenue and because assets, liabilities and net assets are not included in the financial statement.

**Note 2: Description of Programs**

In addition to the student assistance awards made during the period, the University of Northern Colorado obtained authorizations to award federal student financial aid of \$5,105,377 in the Pell Grant Program, \$231,234 in the Supplemental Educational Opportunity Grant Program, \$425,971 in the College Work-Study Program and \$18,000 in the Robert C. Byrd Scholarship. Federal capital contributions of \$23,778 were received by the Perkins Loan Program.

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

**Note 3: Student Incentive Grants**

Student Incentive Grants consist of \$224,294 state funds and \$179,223 of federal funds. The amount shown is the combined total.

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