

State of Colorado
University of Northern Colorado

(A Component Unit of the State of Colorado)

Financial and Compliance Audit

June 30, 2008 and 2007

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State of Colorado
University of Northern Colorado
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Report Summary
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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 or UNC) as of and for the years ended June 30, 2008 and 2007, 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*.
- Evaluate compliance with certain provisions of laws, regulations, contracts and grants governing the expenditure of federal and state funds for the years ended June 30, 2008 and 2007.
- 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 years ended June 30, 2008 and 2007.
- Evaluate progress in implementing prior year audit recommendations.

Summary of Major Audit Comments

Audit Finding and Financial Statement Audit Report Section

The Auditor's Finding and Recommendation section contains the following:

The University of Northern Colorado should improve procedures to ensure that pertinent data affecting the calculation for the return of Title IV funds is input correctly and the amount to be returned to the lender is computed accurately.

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Summary of Progress in Implementing Prior Audit Recommendations

The report for the year ended June 30, 2007, which is dated November 19, 2007, included two recommendations. Both of these recommendations were implemented.

Audit Opinions and Reports

The independent accountants' reports included herein expressed unqualified opinions on the University's financial statements as of and for the years ended June 30, 2008 and 2007, and the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs for the years ended June 30, 2008 and 2007.

No 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 an area in which the University could improve its internal controls and other procedures. This area is discussed in the Auditor's Finding and Recommendation section of this report.

Significant Audit Adjustments

An area 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. This area included:

- Capitalized interest on the University funded projects

The effect of the uncorrected misstatements, had they been recorded, would have been to increase the change in net assets by \$84,619 for the year ended June 30, 2008, and increase noncurrent assets by \$84,619 as of June 30, 2008.

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Recommendation Locator
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Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
1	5	The University should improve procedures to ensure that pertinent data affecting the calculation for the return of Title IV funds is input correctly and the amount to be returned to the lender is computed accurately.	Agree	June 2009

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Description of the University of Northern Colorado
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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, confirmed by the Senate, for four-year terms; one faculty member elected by the faculty and one student member elected by the student body.

The University 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 principle emphasis has been preparing students for careers in education.

Student FTE Enrollment

	Resident Student FTE	Non-Resident Student FTE	Total Student FTE
2008	9,362	1,058	10,420
2007	9,658	1,137	10,795
2006	9,880	1,103	10,983
2005	9,878	1,134	11,012

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Accountants' Finding and Recommendation
June 30, 2008 and 2007

Return of Title IV Funds

The University of Northern Colorado (the University or UNC) is responsible for administering the Federal and State Student Financial Aid Program (the Program). The federal Program is awarded by the United States Department of Education and is authorized by Title IV of the Higher Education Act of 1965, as amended. During fiscal year 2008 the University disbursed a total of \$53,975,466 federal Program funds to 6,450 University students.

When a student receiving Title IV grant or loan assistance withdraws from an institution during a payment period or period in which attendance began, the institution must ensure the correct payment has been made or recovered by the student's withdrawal date. For example, if the total amount of Title IV assistance earned by the student is less than the amount the University disbursed as of the date the student withdraws, the University must return the difference to the Title IV program and no additional disbursements are to be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than the amount disbursed, the difference must be treated as a post-withdrawal disbursement (34 CFR sections 668.22(a)(1) through (a)(3)). The statute requires an institution to make this disbursement as soon as possible, but no later than 45 days after the date the institution determines that a student withdrew.

During our testing of the University's return of Title IV funds for fiscal year 2008, we noted that the University returned an incorrect amount of funds to one student. Specifically, we tested 30 students and found that the University returned \$795.24, but should have returned \$850.37 to the lender. That is, the University returned \$55.13 less than it should have to the lender. This underpayment is considered a questioned cost and should be returned to the applicable lender.

The underpayment occurred because the University entered the incorrect term ending date into its system, resulting in an understatement in the number of days in the semester and a miscalculation of funding earned. Because students are required to repay the University for the amount of the funds returned, this miscalculation results in the improper amount being collected from the student and an additional amount being owed to the University by the student.

Recommendation No. 1

The University of Northern Colorado should improve procedures to ensure that pertinent data affecting the calculation for the return of Title IV funds is input correctly and the amount to be returned to the lender is computed accurately.

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Accountants' Finding and Recommendation (continued)
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University of Northern Colorado Response

Agree – The University will upgrade the software subscription used by the Office of Financial Aid to calculate the return of Title IV funds. This upgrade enables a onetime entry of the start and end dates for the semester. These dates remain in the calculator so reentry is not required. This will ensure the pertinent data effecting the calculation is correct so the amount returned is computed accurately.

Implementation Date: June 30, 2009

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Disposition of Prior Audit Recommendations
June 30, 2008 and 2007

Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the year ended June 30, 2007 included two recommendations. The disposition of these audit recommendations as of November 25, 2008, was as follows:

Recommendation Number	Recommendation	Disposition
1	Implement specific documented controls over disbursements to ensure all payments are proper and that adequate segregation of duties are maintained.	Implemented
2	UNC should implement a process in which payroll is subjected to a second review for the payroll personnel, during the three-day lag time between when payroll is submitted and disbursed. This review process should be performed by someone independent of payroll.	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 or UNC) and its discretely presented component units, collectively, a component unit of the State of Colorado, as of and for the years ended June 30, 2008 and 2007, 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 audits. 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 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the 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 audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component units, as of June 30, 2008 and 2007, and their respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2008, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Members of the Legislative Audit Committee

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.

 **BKD, LLP**

November 25, 2008

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Management's Discussion and Analysis
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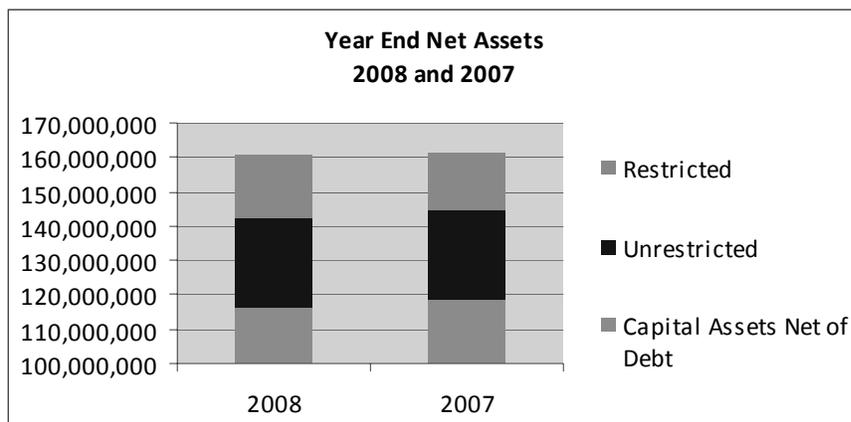
Overview

This section 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 ended June 30, 2008 with prior years data for comparative purposes. The statements focus on the financial condition and results of operations for the University as a whole. The financial statements for the University of Northern Colorado Foundation, Incorporated and the University of Northern Colorado Student Housing LLC I – legally separate organizations whose operations benefit the University – are discretely presented within UNC's financial statements. Unless otherwise noted, the information and financial data included in management's discussion and analysis relate 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 Statements 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 decreased by \$.3 million to \$160.7 million during the fiscal year ended June 30, 2008. Certain components of net assets increased during the fiscal year ended June 30, 2008. The largest increase is in Restricted Expendable Net Assets of \$1.7 million. This is primarily due to the auxiliary housing and dining services net revenues over expenses of \$1.3 million. The largest decrease in 2008 is \$2.2 million in Invested in Capital Assets Net of Related Debt. This is primarily due to the demolition of the original McCowen Hall and increased depreciation expense. In 2007, the Invested in Capital Assets Net of Related Debt increased by \$1.6 million.



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Selected financial highlights for the fiscal year ended June 30, 2008 include:

- University assets total \$337.2 million, with liabilities of \$176.5 million, resulting in net assets of \$160.7 million.
- Capital assets of \$225.7 million comprise 67% of the University assets.
- Total revenue in 2008 was \$157.2 million, including \$152.4 million of Operating Revenue which includes College Opportunity Fund stipends and State Fee-for-Service contract revenue. Total revenue in 2007 was \$153.2 million, including \$144.4 million of Operating Revenue.
- Operating Expenses for 2008 and 2007 totaled \$153.4 million and \$143.4 million, respectively.

Statement of Net Assets

The Statement of Net Assets is a financial snapshot of the University of Northern Colorado at June 30, 2008. 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 noncurrent. Net assets are classified by the ways in which they may be used for future operations.

University of Northern Colorado Condensed Statement of Net Assets At June 30,			
	2008	2007	2006
Assets			
Current Assets	\$ 61,585,596	\$ 60,300,567	\$ 55,505,811
Capital	225,690,418	201,023,064	182,220,879
Other Non-current Assets	49,921,412	76,360,075	92,310,548
Total Assets	\$ 337,197,426	\$ 337,683,706	\$ 330,037,238
Liabilities			
Current Liabilities	\$ 28,081,725	\$ 25,631,854	\$ 23,147,234
Bonds/Notes Payable, Non-current	138,821,062	140,651,092	142,301,092
Other Noncurrent Liabilities	9,550,449	10,317,877	9,823,105
Total Liabilities	\$ 176,453,236	\$ 176,600,823	\$ 175,271,431
Net Assets			
Invested in Capital Assets			
Net of Related Debt	\$ 116,117,728	\$ 118,272,373	\$ 116,643,360
Restricted - Nonexpendable	307,555	315,553	307,555
Restricted - Expendable	18,054,524	16,204,979	17,604,788
Unrestricted	26,264,383	26,289,978	20,210,104
Total Net Assets	\$ 160,744,190	\$ 161,082,883	\$ 154,765,807

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Management's Discussion and Analysis (continued)
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Liquid Assets

Unrestricted cash and cash equivalents (\$52.3 million) comprise 15.5% of the University's assets. The current ratio (current assets over current liabilities) is 2.2 at June 30, 2008. The current ratio was 2.4 at June 30, 2007 and 2006.

Capital Assets

UNC's single largest fiscal resource is its campus facility. As of June 30 2008, capital assets, net of \$163.1 million accumulated depreciation, total \$225.7 million. This is a \$24.7 million increase from fiscal year 2007, when capital assets, net of \$153.1 million accumulated depreciation, totaled \$201.0 million. Capital assets, net of depreciation, totaled \$182.2 million at June 30, 2006.

During fiscal year 2008, capital asset additions totaled \$38.6 million and included \$34.2 million for construction in progress; \$.9 million for land, buildings and improvements; \$1.3 million for equipment and software, and \$1.9 million for library book additions. At June 30, 2008, capitalized construction in progress for ongoing projects totaled \$43.3 million and included the bond funded west campus housing project (\$34.7 million) and the state appropriated buried mains projects for high temp hot water and the steam plant (\$8.6 million). During fiscal year 2007, capital asset additions totaled \$31.9 million and included \$24.5 million for construction in progress; \$1.8 million for land, buildings and improvements; \$2.7 million for equipment and software and \$1.8 million for library book additions.

Capital Assets Net of Accumulated Depreciation						
	<u>June 30, 2008</u>		<u>June 30, 2007</u>		<u>June 30, 2006</u>	
Land and Improvements	\$ 28,026,150	12.4%	\$ 25,260,995	12.6%	\$ 19,731,359	10.8%
Buildings	140,181,602	62.1%	144,417,684	71.8%	139,421,608	76.5%
Construction in Progress	43,301,126	19.2%	16,912,456	8.4%	9,874,105	5.4%
Library Books	8,552,125	3.8%	8,217,848	4.1%	7,874,582	4.3%
Equipment	4,786,785	2.1%	5,371,451	2.7%	4,476,595	2.5%
Art and Historical Treasures	842,630	0.4%	842,630	0.4%	842,630	0.5%
Total Capital Assets	<u>\$ 225,690,418</u>	100.0%	<u>\$ 201,023,064</u>	100%	<u>\$ 182,220,879</u>	100.0%

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Other Noncurrent Assets

The noncurrent assets primarily consist of restricted investments and loans to students. Proceeds from the fiscal year 2006 bond issuance of \$85.0 million, described in the Long-term Debt section, resulted in an \$82.3 million increase to restricted investments from fiscal year 2005 to 2006. As the bond proceeds are used, the restricted investments have decreased \$17.1 million from fiscal year 2006 to 2007 and then \$26.7 from fiscal year 2007 to 2008. At June 30, 2008, restricted investments totaled \$39,282,402.

Liabilities

The University's commitments of resources include: amounts owed to vendors; leases of equipment; and deferred revenue. Deferred revenues include amounts received for tuition and fees and certain auxiliary activities received by June 30, 2008, but related to services to be provided in fiscal year 2009; plus amounts received from grant and contract sponsors that have not yet been earned. Compensated absences (employee accrued vacation and sick leave) of \$3.8 million is another significant liability. The single largest liability however, is outstanding bonds payable, which totaled \$140.7 million at June 30, 2008, \$142.3 million at June 30, 2007, and \$143.9 million at June 30, 2006.

Long-term Debt

During July 2001, UNC issued bonds totaling \$50.0 million par. These bonds advance refunded the previously issued 1997 bonds and provided funding for West Campus Dining Improvements, Parking and additional Auxiliary Facility Improvements.

During July 2005, the University issued an additional \$85.0 million in bonds with maturities from 2006 through 2040. These bonds provided funding for the West Campus Housing Project, Parking and Athletics Facility Improvements.

During May 2008, the Board of Trustees of the University issued \$9.1 million in bonds for the purpose of currently refunding \$9.1 million of then-outstanding Series 1998 Auxiliary Refunding Revenue bonds. This current refunding was undertaken to reduce the total debt service payments and resulted in an economic gain of \$.5 million.

All the above bond issuances were insured with ratings of Aaa by Moody's and AAA by Standard and Poor's. The underlying ratings have remained unchanged with a stable outlook.

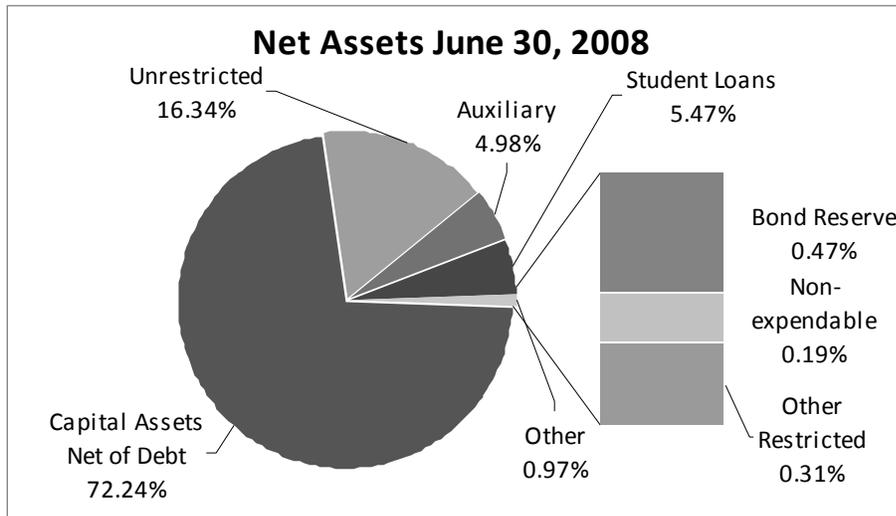
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Net Assets

Net assets are the resources available for future operations, that is, assets reduced by liabilities. The University's largest class of net assets is its capital assets, net of related debt, which comprises 72.2%, 73.4% and 75.4% of UNC's net assets for fiscal years 2008, 2007 and 2006, respectively.

Net Assets			
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Capital Assets Net of Debt	\$ 116,117,728	\$ 118,272,373	\$ 116,643,360
Unrestricted	26,264,383	26,289,978	20,210,104
Auxiliary	8,000,092	6,318,822	7,274,009
Student Loans	8,790,486	8,725,736	9,084,499
Bond Reserve	750,000	750,000	750,000
Non-expendable	307,555	315,553	307,555
Other Restricted	513,946	410,421	496,280
	<u>\$ 160,744,190</u>	<u>\$ 161,082,883</u>	<u>\$ 154,765,807</u>

Unrestricted Net Assets of \$26.3 million includes: departmental operating funds, inventory, self-funded operation working capital and reserves.



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Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets present the financial activity of the University of Northern Colorado over the fiscal year. The focus is on Operating Revenues and Expenses.

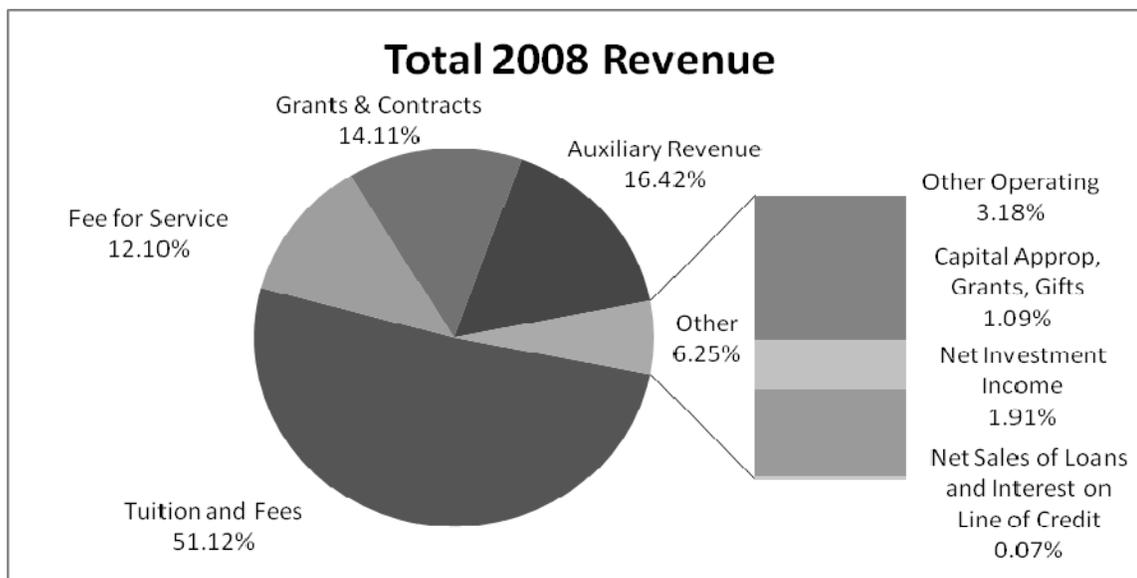
University of Northern Colorado Condensed Statement of Revenues, Expenses and Changes in Net Assets For the Year Ended June 30,			
	2008	2007	2006
Operating Revenues			
Net Tuition and Fees	\$ 80,379,211	\$ 78,912,114	\$ 75,469,238
Fee for Services	19,029,884	15,345,095	14,016,078
Grants and Contracts	22,184,709	19,630,426	19,406,898
Auxiliary	25,811,604	25,681,389	24,920,551
Other	5,002,104	4,796,630	4,031,626
Total Operating Revenues	<u>\$ 152,407,512</u>	<u>\$ 144,365,654</u>	<u>\$ 137,844,391</u>
Operating Expenses			
Education and General	\$ 118,748,349	\$ 109,687,620	\$ 107,813,020
Auxiliary	21,359,351	20,944,465	21,742,407
Depreciation	13,340,349	12,776,240	11,984,452
Total Operating Expenses	<u>\$ 153,448,049</u>	<u>\$ 143,408,325</u>	<u>\$ 141,539,879</u>
Operating Gain/Loss	\$ (1,040,537)	\$ 957,329	\$ (3,695,488)
Non-operating Revenues			
Other Revenues and Expenses	\$ (781,541)	\$ (256,880)	\$ (772,334)
Gain/(Loss) before Other	\$ (1,822,078)	\$ 700,449	\$ (4,467,822)
Capital Appropriations	1,697,154	5,593,925	1,290,484
Net Other Items	<u>(213,769)</u>	<u>22,702</u>	<u>(221,548)</u>
Increase in Net Assets	(338,693)	6,317,076	(3,398,886)
Net Assets - Beginning of Year	161,082,883	154,765,807	158,164,693
Net Assets - End of Year	<u>\$ 160,744,190</u>	<u>\$ 161,082,883</u>	<u>\$ 154,765,807</u>

Total Revenues

During fiscal years 2008, 2007 and 2006 revenue from all sources totaled \$157.2, \$153.2 and \$142.0 million, respectively, with \$152.4, \$144.4 and \$137.8 million, respectively, of that being Operating Revenue.

During fiscal year 2006, the state of Colorado discontinued direct state appropriations to public institutions of higher education, including UNC. Instead, state funds are being used to support Colorado students in two ways. First, the College Opportunity Fund (COF) provides a stipend to eligible undergraduate residents. A total of \$22.1, \$22.6 and \$21.2 million in COF stipends were paid toward UNC student tuition in fiscal years 2008, 2007 and 2006, respectively. Second, during fiscal years 2008, 2007 and 2006, respectively, the state contracted with UNC for \$19.0, \$15.3 and \$14.0 million in educational service. These funds were primarily for graduate student education. These funds received from the state of Colorado are in addition to tuition paid by students.

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Operating Revenues

Operating revenue for fiscal years 2008, 2007 and 2006 of \$152.4, \$144.4 and \$137.8 million, respectively, is derived from Tuition and Fees, Auxiliary activity, Grants & Contracts, State Fee-for-Service and Other.

Tuition and fees for fiscal years 2008, 2007 and 2006 are shown net of \$7.8, \$6.4 and \$7.0 million scholarship allowances, respectively. Auxiliary revenue for fiscal years 2008, 2007, and 2006 is net of \$2.4, \$2.0 and \$2.2 million in scholarship allowances, respectively. Scholarship allowances are those portions of UNC's tuition and fees which are paid by other revenues, primarily federal and state grants for financial aid, but also general institutional scholarships.

Operating Grants & Contracts Revenue			
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Federal Financial Aid	\$ 6,356,046	\$ 6,115,046	\$ 5,926,843
State Financial Aid	<u>5,265,600</u>	<u>4,526,564</u>	<u>4,141,896</u>
	\$ 11,621,646	10,641,610	10,068,739
Federal Grants	6,230,824	5,728,569	5,965,608
State and Local Grants	531,424	408,570	148,674
UNC Foundation	3,191,929	2,155,452	2,527,325
Other Private Grants	<u>608,886</u>	<u>696,225</u>	<u>696,552</u>
	<u>\$ 22,184,709</u>	<u>\$ 19,630,426</u>	<u>\$ 19,406,898</u>

About 52% of the Operating Grants and Contract revenue is federal and state financial aid with an additional 28% coming from federal grants for research, training, etc.

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Expenses

For fiscal year 2008, total expenses of \$157.6 million, included operating expenses of \$153.4 million, interest expenses of \$3.9 million, and asset disposal expense of \$.2 million.

Operating expenses have increased from fiscal year 2007 by \$10.0 million, primarily as the result of increases in instruction, scholarships and depreciation expenses. Between fiscal year 2006 and 2007, operating expenses increased by \$1.8 million with significant increases in instruction and scholarships.

Operating Expenses by Function						
	<u>2008</u>		<u>2007</u>		<u>2006</u>	
Instruction	\$ 56,988,926	37.1%	\$ 51,870,525	36.3%	\$ 50,786,114	35.8%
Research	2,509,329	1.6%	2,189,973	1.5%	2,467,491	1.7%
Public Service	2,044,167	1.3%	1,767,130	1.2%	1,511,545	1.1%
Academic Support	15,121,652	9.9%	13,248,964	9.2%	12,687,079	9.0%
Student Services	16,516,144	10.8%	15,105,402	10.5%	16,408,932	11.6%
Institutional Support	8,576,536	5.6%	9,659,058	6.7%	7,759,832	5.5%
Operation of Plant	8,458,736	5.5%	7,540,297	5.3%	8,946,819	6.3%
Scholarships and Fellowships	8,532,859	5.6%	8,306,271	5.8%	7,245,208	5.1%
Auxiliary Operating Expenditures	21,359,351	13.9%	20,944,465	14.6%	21,742,407	15.4%
Depreciation	<u>13,340,349</u>	<u>8.7%</u>	<u>12,776,240</u>	<u>8.9%</u>	<u>11,984,452</u>	<u>8.5%</u>
Total Operating Expenses	<u>\$ 153,448,049</u>	100.0%	<u>\$ 143,408,325</u>	100.0%	<u>\$ 141,539,879</u>	100.0%

The single largest category of expense across all University functions is personnel.

Operating Expenses by Natural Class						
	<u>2008</u>		<u>2007</u>		<u>2006</u>	
Personnel Costs	\$ 98,187,644	64.0%	\$ 90,790,174	63.3%	\$ 90,382,751	63.9%
Cost of Goods Sold	8,653,395	5.6%	8,989,034	6.3%	8,969,186	6.3%
Other Operating Expense	33,266,661	21.7%	30,852,877	21.5%	30,203,490	21.3%
Depreciation	<u>13,340,349</u>	<u>8.7%</u>	<u>12,776,240</u>	<u>8.9%</u>	<u>11,984,452</u>	<u>8.5%</u>
Total Operating Expenses	<u>\$ 153,448,049</u>	100.0%	<u>\$ 143,408,325</u>	100.0%	<u>\$ 141,539,879</u>	100.0%

State of Colorado
University of Northern Colorado
Management's Discussion and Analysis (continued)
June 30, 2008 and 2007

Economic Outlook

With Colorado's implementation of the College Opportunity Fund and discontinuation of direct state appropriations, UNC's finances are more immediately impacted by changes in enrollment.

Fiscal year 2008 headcount enrollment and credit hour production were down from fiscal year 2007. Early fall 2008 (fiscal year 2009) enrollment statistics indicate an additional enrollment decline.

Student Enrollment				
Fall Fiscal Year	Under-graduate	Graduate	Total	Percent Change
Fall 07 (FY 08)	10,416	2,286	12,702	-7.12%
Fall 06 (FY 07)	11,037	2,638	13,675	-0.96%
Fall 05 (FY 06)	11,223	2,584	13,807	3.56%
Fall 04 (FY 05)	10,893	2,439	13,332	-0.04%
Fall 03 (FY 04)	10,704	2,634	13,338	

Total Credit Hours		
Fiscal Year	Total	Percent Change
2008	335,509	-2.43%
2007	343,868	-1.39%
2006	348,702	-0.39%
2005	350,077	1.53%
2004	344,799	

After two years of declining enrollments, the University community is addressing enrollment challenges with the implementation of a comprehensive strategic enrollment plan. This plan consists of sophisticated short- and long-term actions designed to develop new prospective markets and engage students with more personalized and targeted recruitment tactics. Based on the most recent data for Fall 2008, enrollment is positive in several key areas providing preliminary evidence of the effectiveness of UNC's plan.

The expansion of the Office of Enrollment Management to include student service functions, such as housing, dining and campus recreation as well as admissions, financial aid, and the registrar will provide improved collaboration opportunities to bring crucial aspects of recruitment and student success together. Two areas of increasing concentration for UNC's Enrollment Management are developing an awareness of competitor trends and using data to explain and predict why students decide to apply, visit, enroll and remain at UNC through graduation. Improved data driven-decision making across all offices will promote increased efficiency and produce an opportunity to focus limited resources on high yield activities.

State of Colorado
University of Northern Colorado
Management's Discussion and Analysis (continued)
June 30, 2008 and 2007

Colorado's economy is influenced by the national economy. Slowing national growth, uncertainty in the financial industry and rising energy costs raise concerns on the ability of the State to provide increased funding for operations in the upcoming year. Higher education competes with the needs of many other agencies and statutory requirements for a limited amount of resources. With expected budgetary constraints, Colorado Universities and the Department of Higher Education face many challenges to achieve average peer funding. Based on information from a 2007 study by the National Center for Higher Education Management Systems (NCHEMS), Colorado schools are funded, on average, at only 66% of their peers.

For additional information regarding this report please contact:

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University of Northern Colorado
501 20th Street
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State of Colorado
University of Northern Colorado
Statement of Net Assets
June 30, 2008

	Component Units		
	University of Northern Colorado	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
Assets			
Current Assets			
Cash and cash equivalents	\$ 52,251,870	\$ 5,425,608	\$ 72,939
Funds held in trust	—	—	1,247,122
Student accounts receivable, net of allowance of \$2,796,784	4,005,945	—	—
Contributions receivable, net	—	802,009	—
Other receivables	3,046,074	625,730	—
Investments	—	45,336,614	1,947
Inventories	933,076	—	—
Loans to students, net	426,479	—	—
Other assets	922,152	109,393	19,734
Total current assets	<u>61,585,596</u>	<u>52,299,354</u>	<u>1,341,742</u>
Noncurrent Assets			
Restricted cash and cash equivalents	750,000	—	—
Restricted investments	39,282,402	—	—
Contributions receivable, net	—	1,842,401	—
Loans to students, net	7,304,448	—	—
Other noncurrent assets	2,584,562	—	6,181,066
Other long-term investments	—	210,263	—
Investments restricted for endowment	—	51,491,341	—
Capital assets, net	225,690,418	1,152,754	14,297,438
Total noncurrent assets	<u>275,611,830</u>	<u>54,696,759</u>	<u>20,478,504</u>
Total assets	<u>337,197,426</u>	<u>106,996,113</u>	<u>21,820,246</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	17,759,881	913,816	631,130
Deferred revenue	5,668,294	90,107	42,683
Bonds/notes payable – current portion	1,915,000	—	225,000
Capital leases payable – current portion	672,020	—	—
Annuity obligations – current portion	—	24,971	—
Funds held for the University of Northern Colorado	—	702,409	—
Other current liabilities	2,066,530	89,602	—
Total current liabilities	<u>28,081,725</u>	<u>1,820,905</u>	<u>898,813</u>
Noncurrent Liabilities			
Bonds/notes payable	138,821,062	—	23,778,974
Capital lease payable	3,929,795	—	—
Other long-term liabilities	2,227,241	—	—
Annuity obligations – noncurrent	—	179,162	—
Compensated absence liabilities	3,393,413	—	—
Total noncurrent liabilities	<u>148,371,511</u>	<u>179,162</u>	<u>23,778,974</u>
Total liabilities	<u>176,453,236</u>	<u>2,000,067</u>	<u>24,677,787</u>
Net Assets			
Invested in capital assets, net of related debt	116,117,728	1,152,754	—
Restricted			
Nonexpendable			
Scholarships and fellowships	306,155	51,491,341	—
Academic support	1,400	—	—
Expendable			
Auxiliary expenditures	8,000,092	—	—
Scholarships and fellowships	390,482	43,700,276	—
Loans	8,790,486	—	—
Bond reserve	750,000	—	—
Other	123,464	—	—
Unrestricted	26,264,383	8,651,675	(2,857,541)
Total net assets (deficit)	<u>\$ 160,744,190</u>	<u>\$ 104,996,046</u>	<u>\$ (2,857,541)</u>

State of Colorado
University of Northern Colorado
Statement of Net Assets
June 30, 2007

	Component Units		
	University of Northern Colorado	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
Assets			
Current Assets			
Cash and cash equivalents	\$ 51,380,618	\$ 2,991,753	\$ 171,070
Funds held in trust	—	—	1,482,800
Student accounts receivable, net of allowance of \$2,281,314	4,120,891	—	—
Contributions receivable, net	—	672,546	—
Other receivables	2,776,739	571,635	—
Investments	—	54,425,562	1,282
Inventories	1,028,958	—	—
Loans to students, net	384,230	—	—
Other assets	609,131	94,509	27,355
Total current assets	<u>60,300,567</u>	<u>58,756,005</u>	<u>1,682,507</u>
Noncurrent Assets			
Restricted cash and cash equivalents	750,000	—	—
Restricted investments	65,943,175	—	—
Contributions receivable, net	—	2,047,224	—
Loans to students, net	7,118,682	—	—
Other noncurrent assets	2,548,218	—	6,283,484
Other long-term investments	—	235,729	—
Investments restricted for endowment	—	48,373,168	—
Capital assets, net	<u>201,023,064</u>	<u>1,154,261</u>	<u>14,741,036</u>
Total noncurrent assets	<u>277,383,139</u>	<u>51,810,382</u>	<u>21,024,520</u>
Total assets	<u>337,683,706</u>	<u>110,566,387</u>	<u>22,707,027</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	15,624,881	570,307	708,884
Deferred revenue	5,538,408	69,017	97,479
Bonds/notes payable – current portion	1,650,000	—	180,000
Capital leases payable – current portion	639,290	—	—
Annuity obligations – current portion	—	22,311	—
Funds held for the University of Northern Colorado	—	696,956	—
Other current liabilities	<u>2,179,275</u>	<u>—</u>	<u>—</u>
Total current liabilities	<u>25,631,854</u>	<u>1,358,591</u>	<u>986,363</u>
Noncurrent Liabilities			
Bonds/notes payable	140,651,092	—	23,975,093
Capital lease payable	4,563,041	—	—
Other long-term liabilities	2,607,651	—	—
Annuity obligations – noncurrent	—	141,557	—
Compensated absence liabilities	<u>3,147,185</u>	<u>—</u>	<u>—</u>
Total noncurrent liabilities	<u>150,968,969</u>	<u>141,557</u>	<u>23,975,093</u>
Total liabilities	<u>176,600,823</u>	<u>1,500,148</u>	<u>24,961,456</u>
Net Assets			
Invested in capital assets, net of related debt	118,272,373	1,154,261	—
Restricted			
Nonexpendable			
Scholarships and fellowships	314,153	48,373,168	—
Academic support	1,400	—	—
Expendable			
Auxiliary expenditures	6,318,822	—	—
Scholarships and fellowships	256,817	48,731,442	—
Loans	8,725,736	—	—
Bond reserve	750,000	—	—
Other	153,604	—	—
Unrestricted	<u>26,289,978</u>	<u>10,807,368</u>	<u>(2,254,429)</u>
Total net assets (deficit)	<u>\$ 161,082,883</u>	<u>\$ 109,066,239</u>	<u>\$ (2,254,429)</u>

State of Colorado
University of Northern Colorado
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2008

	Component Units		
	University of Northern Colorado	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
Operating Revenues			
Student tuition and fees, net	\$ 80,379,211	\$ —	\$ —
Contributions	—	4,567,732	—
Contributed services	—	416,437	—
Rental income and fees	—	—	1,705,233
Federal grants and contracts	12,586,870	—	—
State and local grants and contracts	5,797,024	—	—
State fee-for-service	19,029,884	—	—
Nongovernmental grants and contracts	3,800,815	—	—
Sales and services of educational activities	413,669	—	—
Auxiliary operating revenue	25,811,604	—	—
Interest and dividends	—	3,320,640	—
Net realized and unrealized loss	—	(2,929,889)	—
Other operating revenue	4,588,435	1,059,552	—
Total operating revenues	<u>152,407,512</u>	<u>6,434,472</u>	<u>1,705,233</u>
Operating Expenses			
Educational and general			
Instruction	56,988,926	—	—
Research	2,509,329	—	—
Public service	2,044,167	—	—
Academic support	15,121,652	—	—
Student services	16,516,144	—	—
Institutional support	8,576,536	—	—
Operation of plant	8,458,736	—	—
Scholarships and fellowships	8,532,859	—	—
Program	—	7,812,202	—
Management and general	—	1,290,880	—
Fund raising	—	1,401,583	—
Auxiliary operating expenditures	21,359,351	—	—
Operating expenses	—	—	622,251
Ground lease with University of Northern Colorado	—	—	80,262
Depreciation and amortization	13,340,349	—	602,433
Total operating expenses	<u>153,448,049</u>	<u>10,504,665</u>	<u>1,304,946</u>
Operating Income (Loss)	<u>(1,040,537)</u>	<u>(4,070,193)</u>	<u>400,287</u>
Nonoperating Revenues (Expenses)			
Investment income, net of investment expense	2,999,020	—	181,868
Interest on capital asset related debt	(3,883,133)	—	(1,185,267)
Sale of loans, net of expenses	66,307	—	—
Interest on lending line of credit	37,277	—	—
Other nonoperating expenses	(1,012)	—	—
Net nonoperating revenues (expenses)	<u>(781,541)</u>	<u>—</u>	<u>(1,003,399)</u>
Income (Loss) Before Other Revenues (Expenses),			
Gains (Losses)	(1,822,078)	(4,070,193)	(603,112)
Capital appropriations	1,697,154	—	—
Capital grants and gifts	24,500	—	—
Loss on disposal of capital assets	(238,269)	—	—
Total Other Charges	<u>1,483,385</u>	<u>—</u>	<u>—</u>
Decrease in Net Assets	(338,693)	(4,070,193)	(603,112)
Net Assets (Deficit), Beginning of Year	<u>161,082,883</u>	<u>109,066,239</u>	<u>(2,254,429)</u>
Net Assets (Deficit), End of Year	<u>\$ 160,744,190</u>	<u>\$ 104,996,046</u>	<u>\$ (2,857,541)</u>

State of Colorado
University of Northern Colorado
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007

	Component Units		
	University of Northern Colorado	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
Operating Revenues			
Student tuition and fees, net	\$ 78,912,114	\$ —	\$ —
Contributions	—	6,592,313	—
Contributed services	—	55,925	—
Rental income and fees	—	—	1,944,865
Federal grants and contracts	11,843,615	—	—
State and local grants and contracts	4,935,134	—	—
State fee-for-service	15,345,095	—	—
Nongovernmental grants and contracts	2,851,677	—	—
Sales and services of educational activities	444,967	—	—
Auxiliary operating revenue	25,681,389	—	—
Interest and dividends	—	3,060,542	—
Net realized and unrealized gains	—	11,118,801	—
Other operating revenue	4,351,663	784,697	—
Total operating revenues	<u>144,365,654</u>	<u>21,612,278</u>	<u>1,944,865</u>
Operating Expenses			
Educational and general			
Instruction	51,870,525	—	—
Research	2,189,973	—	—
Public service	1,767,130	—	—
Academic support	13,248,964	—	—
Student services	15,105,402	—	—
Institutional support	9,659,058	—	—
Operation of plant	7,540,297	—	—
Scholarships and fellowships	8,306,271	—	—
Program	—	6,007,090	—
Management and general	—	1,190,208	—
Fund raising	—	1,150,520	—
Auxiliary operating expenditures	20,944,465	—	—
Operating expenses	—	—	574,079
Ground lease with University of Northern Colorado	—	—	61,571
Depreciation and amortization	12,776,240	—	593,693
Total operating expenses	<u>143,408,325</u>	<u>8,347,818</u>	<u>1,229,343</u>
Operating Income	<u>957,329</u>	<u>13,264,460</u>	<u>715,522</u>
Nonoperating Revenues (Expenses)			
Investment income, net of investment expense	2,993,083	—	198,040
Interest on capital asset related debt	(3,450,400)	—	(1,186,670)
Sale of loans, net of expenses	59,234	—	—
Interest on lending line of credit	34,940	—	—
Other nonoperating revenues	106,263	—	—
Net nonoperating revenues (expenses)	<u>(256,880)</u>	<u>—</u>	<u>(988,630)</u>
Income (Loss) Before Other Revenues (Expenses),			
Gains (Losses)	700,449	13,264,460	(273,108)
Capital appropriations	5,593,925	—	—
Capital grants and gifts	16,581	—	—
Gain on disposal of capital assets	6,121	—	—
Total Other Charges	<u>5,616,627</u>	<u>—</u>	<u>—</u>
Increase (Decrease) in Net Assets	6,317,076	13,264,460	(273,108)
Net Assets (Deficit), Beginning of Year	<u>154,765,807</u>	<u>95,801,779</u>	<u>(1,981,321)</u>
Net Assets (Deficit), End of Year	<u>\$ 161,082,883</u>	<u>\$ 109,066,239</u>	<u>\$ (2,254,429)</u>

State of Colorado
University of Northern Colorado
Statements of Cash Flows
For the Years Ended June 30, 2008 and 2007

	2008	2007
Operating Activities		
Cash received		
Tuition and fees	\$ 79,173,312	\$ 78,794,316
Colorado State fee-for-service	19,029,884	15,345,095
Sales and services of educational activities	422,639	195,257
Sales and services of auxiliary activities	25,733,682	25,719,228
Grants and contracts	21,761,352	20,184,314
Student loans collected	1,990,829	3,497,764
Real property rental receipts	110,989	106,263
Other receipts	5,465,797	2,403,527
Cash payments		
Payments to/for employees	(97,094,605)	(90,541,596)
Payments to suppliers	(31,489,726)	(30,126,803)
Scholarships disbursed	(8,844,700)	(9,174,903)
Student loans disbursed	(2,439,617)	(4,153,156)
	<u>13,819,836</u>	<u>12,249,306</u>
Net cash provided by operating activities		
Noncapital Financing Activities		
Agency inflows – campus organizations and scholarships	8,111,272	7,634,508
Agency outflows – campus organizations and scholarships	(8,151,781)	(7,506,595)
Agency loan inflows – student loans	51,527,298	52,270,721
Agency loan outflows – student loans	(51,518,206)	(52,267,248)
	<u>(31,417)</u>	<u>131,386</u>
Net cash provided by (used in) noncapital financing activities		
Capital and Related Financing Activities		
State appropriations, capital	1,697,154	5,593,925
Capital grants, contracts and gifts	24,500	16,583
Gain on impairment – insurance proceeds	—	83,456
Acquisition and construction of capital assets	(38,610,599)	(29,652,184)
Proceeds on disposal of capital assets	317,589	288,721
Principal paid on capital debt	(2,292,610)	(2,141,725)
Interest paid on capital debt	(3,894,471)	(3,553,044)
	<u>(42,758,437)</u>	<u>(29,364,268)</u>
Net cash used in capital and related financing activities		
Investing Activities		
Investment earnings	3,059,391	3,210,286
Proceeds from sale and maturity of investments	26,678,295	18,610,448
Net proceeds from sale of student loans	103,584	59,234
	<u>29,841,270</u>	<u>21,879,968</u>
Net cash provided by investing activities		
Increase in Cash and Cash Equivalents	871,252	4,896,392
Cash and Cash Equivalents, Beginning of Year	<u>52,130,618</u>	<u>47,234,226</u>
Cash and Cash Equivalents, End of Year	<u>\$ 53,001,870</u>	<u>\$ 52,130,618</u>

State of Colorado
University of Northern Colorado
Statements of Cash Flows (continued)
For the Years Ended June 30, 2008 and 2007

	2008	2007
Reconciliation of Net Operating Revenues (Expenses) to		
Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (1,040,537)	\$ 957,329
Depreciation expense	13,340,349	12,776,240
Amortization expense	39,538	80,187
Student loan cancellations	113,470	116,893
Other revenues and additions	110,989	106,263
Changes in operating assets and liabilities		
Student accounts receivable, net	133,566	(825,682)
Other receivables, net	(443,658)	(1,926,406)
Loan to students, net	(341,484)	72,835
Inventories	95,882	(153,451)
Other current assets	(312,833)	(200,417)
Accounts payable	1,306,476	837,353
Accrued payroll	841,340	403,717
Deferred revenues	129,886	588,563
Other liabilities	(406,935)	(1,061,553)
Accrued compensated absences	<u>253,787</u>	<u>477,435</u>
Net cash provided by operating activities	<u>\$ 13,819,836</u>	<u>\$ 12,249,306</u>
Reconciliation of Cash and Cash Equivalents to the		
Statements of Net Assets		
Cash and cash equivalents	\$ 52,251,870	\$ 51,380,618
Restricted cash and cash equivalents	<u>750,000</u>	<u>750,000</u>
Total cash and cash equivalents	<u>\$ 53,001,870</u>	<u>\$ 52,130,618</u>
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchase	\$ 841,409	\$ 589,063
Capitalized bond issue and premium costs	\$ 219,925	\$ 38,623
Capitalized loss on refunding	\$ 212,000	\$ —
Capital debt refunded	\$ 9,065,000	\$ —
Amortization of bond premiums	\$ 77,045	\$ 80,187
Capital lease incurred for purchase of capital assets	\$ 42,094	\$ 1,619,777

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2008 and 2007

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

Nature of Operations and Governance

The University of Northern Colorado (the University or UNC) 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, fees and the State of Colorado College Opportunity Fund. The University also engages in research, offers student financial aid and provides other services which are funded through grants and contracts, including grants from the University of Northern Colorado Foundation, Inc. (the Foundation).

The Board of Trustees is the governing body of the University and is comprised of seven members appointed by the Governor, plus one faculty member elected by the faculty and one student member elected by the student body.

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

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), and its discretely presented component units. 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 discretely presented component units can be obtained from their respective administrative offices. The University has the following discretely presented component units:

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2008 and 2007

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 1966 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 Board of 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, the funds 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.

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 7). 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.

Basis of Accounting and Presentation

The basic financial statements of the University have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues from exchange transactions are recognized when earned and expenses from exchange transactions are recorded when an obligation is incurred. All significant intra-agency transactions are eliminated.

The University prepares its financial statements as a business-type activity in conformity with all applicable pronouncements of the Governmental Accounting Standards Board (GASB). The University has chosen to only apply Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with, or contradict, GASB pronouncements.

The Foundation and the LLC 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 for these differences.

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Unrestricted Cash and Cash Equivalents

For purposes of reporting cash flows, the University defines cash and cash equivalents as cash on hand, demand deposit accounts with financial institutions, pooled cash with the State Treasurer, and all highly liquid investments with original maturities of three months or less. As of June 30, 2008 and 2007, cash equivalents consisted primarily of funds invested through the State Treasurer's Cash Management Program.

Restricted Cash and Cash Equivalents

Assets are reported as restricted when restrictions on asset use change the nature or normal understanding of the availability of the assets. For the University, restricted cash and cash equivalents include amounts restricted by bond covenants.

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, plus the current year change in unrealized gain (loss) on the fair value of investments.

The University's investments generally include direct obligations of the U.S. Government and its agencies, money market funds, mutual funds and guaranteed investment contracts. Endowments are pooled to the extent possible under gift agreements. The Foundation manages certain endowments for the University in accordance with its investment policy.

The classification of investments as current or noncurrent is based on the underlying nature and restricted use of the asset. Current investments are those without restrictions imposed by third-parties that can be used to pay current obligations of the University. Noncurrent investments include restricted investments and those investments designated to be used for long-term obligations.

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 consisting of computer products, books, food and other consumable supplies, are carried at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) basis.

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 \$1,931,689 and \$1,658,745 at June 30, 2008 and 2007, respectively.

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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. The University's capitalization policy includes items with a value of \$5,000 or more and an estimated useful life greater than one year.

Renovations to buildings and other improvements that significantly increase the value and extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to expenses. Major outlays for capital assets and improvements are capitalized as construction in progress throughout the building project. The University capitalizes interest costs as a component of construction in progress.

Total interest capitalized was:

	2008	2007
Total interest expense incurred on borrowings for projects	\$ 3,163,188	\$ 3,787,367
Interest income from investment of proceeds of borrowings for projects	<u>(2,337,410)</u>	<u>(2,979,408)</u>
Net interest cost capitalized	<u>\$ 825,778</u>	<u>\$ 807,959</u>
Interest capitalized	\$ 825,778	\$ 807,959
Interest charged to expense	<u>3,678,182</u>	<u>3,450,400</u>
Total interest incurred	<u>\$ 4,503,960</u>	<u>\$ 4,258,359</u>

The University has capitalized collections, such as works of art and historical artifacts. The nature of certain collections is such that the value and usefulness of the collection does not change over time. These collections have not been depreciated in the University's financial statements.

Assets under capital leases are recorded at the present value of the future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset being leased. Such amortization is included as depreciation expense in the accompanying financial statements.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings and improvements, 20 years for land improvements, 3 years for software, 10 years for library books and 3 – 10 years for equipment and vehicles. Depreciation expense is not allocated among functional categories.

Capital Lease Liabilities

Capital leases consist of various lease-purchase contracts and other lease agreements. Such contracts provide that any commitments beyond the current year are contingent upon funds being budgeted for such purposes by the Board of Trustees. It is reasonably assured that such leases will be renewed in the normal course of business and, therefore, are treated as non-cancelable for financial reporting purposes.

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Deferred Revenues

The University prorates the summer session revenues and expenses based upon the number of days between the first day of summer session and June 30 as a percentage of the total number of days in the summer session. Tuition, fees and certain auxiliary revenues received before June 30, but determined by this proration to be earned in the following year, are recorded as deferred revenues. 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 (4) Pell Grants of \$5.2 million for each of the years ended June 30, 2008 and 2007, and (5) 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.

Tax-exempt Status and Income Taxes

As a Colorado state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, any income unrelated to the exempt purpose of the University is subject to tax under Section 511(a)(2)(B) of the Internal Revenue Code. The University had no income tax liability related to income generated from activities unrelated to the University's exempt purposes as of June 30, 2008 or 2007.

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. Significant estimates have been made regarding compensated absences expenses, scholarship allowances and accounts receivable bad debt allowances as described below:

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Bad Debt Allowance

Bad debt expense and an allowance against receivables are estimated based upon the age of the receivables and historical collection rates.

Compensated Absences Accrued Liability

The 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. Vacation and sick leave benefits taken as paid time off are recognized as an expense when the time off occurs.

Accrued compensated absences liabilities are recognized based upon estimated cash payments due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems of the University. Employees accrue and vest in vacation and sick leave earnings based on their hire date and length of service. Vacation accruals are paid in full upon separation, whereas, only a portion of sick leave is paid upon specific types of separation, such as retirement.

Compensated absences 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.

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 scholarship allowances. The scholarship allowances on tuition and fees and housing were approximately \$10.2 million and \$8.4 million for each of the years ended June 30, 2008 and 2007, respectively.

Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Cash and Cash Equivalents

Unrestricted Cash and Cash Equivalents

The University deposits unrestricted cash and cash equivalents 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 Treasurer acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the State Treasury are invested until the cash is needed.

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For financial reporting purposes, all of the State Treasurers' investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. The University reports its share of the Treasurer's unrealized gains or losses based on its participation in the State Treasurer's pool. The unrealized gains or losses included in income reflect only the change in fair value for the fiscal year. The State Treasurer does not invest any of the pooled resources in any external investment pool and there is no assignment or income related to participation in the pool. Detailed information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

For operating purposes, the University holds unrestricted cash and cash equivalent deposits in several bank accounts at a U.S. financial institution. The University also maintains unrestricted cash on hand for petty cash and change fund daily operating purposes.

	2008	2007
The University		
Cash on hand	\$ 41,331	\$ 38,849
Cash with U.S. financial institutions	165,320	149,985
Cash with Colorado State Treasurer	52,548,375	52,237,424
Restricted cash with State Treasurer	(750,000)	(750,000)
Unrealized gain (loss) – cash with State Treasurer	246,844	(295,640)
Total unrestricted cash and cash equivalents	\$ 52,251,870	\$ 51,380,618

Restricted Cash and Cash Equivalents

The University holds restricted cash of \$750,000 at June 30, 2008 and 2007 with the State Treasurer to meet required bond covenants related to the Auxiliary Revenue Refunding and Improvement Bonds.

Custodial Credit Risk – Cash and Cash Equivalents

Custodial credit risk for cash and cash equivalents exists when, in the event of the failure of a depository financial institution, the University may be unable to recover deposits, or recover collateral securities that are in the possession of an outside party. Under GASB 40 Deposit and Investment Risk Disclosures, deposits are exposed to custodial credit risk if the deposits are not covered by depository insurance and the deposits are (a) uncollateralized, or (b) collateralized, with securities held by the pledging financial institution or the pledging financial institution's trust department or agent, but not in the depositor-government's name. To manage custodial credit risk, unrestricted cash and cash equivalents with the State Treasury and U.S. financial institutions are made in accordance with University policy and State law, including the Public Deposit Protection Act (PDPA). PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102% of the deposits exceeding those amounts insured by federal depository insurance. Deposits collateralized under the PDPA are considered to be collateralized with securities held by the pledging institution in the University's name. As of June 30, 2008 and 2007, all of the cash and cash equivalents held by the State Treasurer and U.S. financial institutions are, therefore, not subject to custodial credit risk.

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Note 3: 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 and guaranteed investment contracts. The investments held by the University are restricted. Certain endowments held at the Foundation for the University are restricted by the donors. The 2005 bond proceeds are restricted under bond covenants.

During July 2005, the University issued \$85 million in Refunding and Improvement bonds. The bonds mature in varying annual amounts through June 1, 2040, at an interest rate ranging from 3.25% to 5.00%. The bond proceeds are to be used for the Sports and Recreation Facility Project, campus parking improvements, McCowen and Turner Hall and to refund a portion of the 1994 bonds. The bond proceeds were deposited on July 29, 2005, under a guaranteed investment contract (GIC) with Trinity Funding Company, LLC (TFC). This investment contract is a secured obligation of the TFC and guarantees a 4.228% per annum rate of earnings. The termination date for this GIC is December 31, 2009; however, the University may make withdrawals for permitted withdrawal purposes on any business day after providing one business day's notice. The guaranteed investment contract is invested by TFC in contract permitted investments that are restricted to U.S. Government Securities; U.S. Federal agency and set bond document securities that are not backed by the full faith and credit of the U.S. Government; repurchase agreements and reverse repurchase agreements; corporate securities; taxable municipal securities; single-family residential mortgage-backed securities; commercial mortgage-backed securities; asset-backed securities; certain foreign sovereign and foreign corporate U.S. dollar denominated obligations and Deutsche Cash Reserve Institutional. The credit risk exposures of these permitted investments are managed within defined credit risk policy limits that are detailed in the investment contract agreement.

Fair value of investments held at June 30, 2008 and 2007 are detailed below:

Investment Types	2008	Maturity	2007	Maturity
The University				
Guaranteed investment contract	\$ 38,583,030	1.5 years to termination	\$ 65,261,325	2.5 years to termination
Fixed income U.S. Government obligations	407,680	1-5 years	482,693	1-5 years
Fixed income U.S. Government obligations	252,766	Less than 1 year	186,948	Less than 1 year
Money market funds	<u>38,926</u>	Less than 1 year	<u>12,209</u>	Less than 1 year
Total University restricted investments	<u>\$ 39,282,402</u>		<u>\$ 65,943,175</u>	

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Investment Types	2008	Maturity	2007	Maturity
The Foundation				
Fixed income U.S.				
Government obligations	\$ 11,434,283		\$ 8,852,743	
Fixed income corporate notes	14,931,677		18,272,259	
Equity securities	54,239,951		62,225,266	
Other investments	<u>16,432,307</u>		<u>13,684,191</u>	
 Total Foundation investments	 <u>\$ 97,038,218</u>		 <u>\$ 103,034,459</u>	

The Foundation investments are presented in the statement of net assets as follows:

	<u>2008</u>	<u>2007</u>
Investments - current	\$ 45,336,614	\$ 54,425,562
Investments - other long-term investments	210,263	235,729
Investments - restricted for endowment	<u>51,491,341</u>	<u>48,373,168</u>
	<u>\$ 97,038,218</u>	<u>\$ 103,034,459</u>

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Therefore, exposure arises if the securities are uninsured, are not registered in the University's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent, but not in the University's name. The University does not have a formal investment policy regarding custodial credit risk.

At June 30, 2008 and 2007, the guaranteed investment contract held by TFC was guaranteed by General Electric Capital Corporation. The balances of the University's investments are endowment funds managed by the Foundation according to the custodial agreement between the University and the Foundation approved on December 14, 1988. These securities are held in the Foundation's name as agent of the University and are not subject to custodial credit risk. Custodial credit risk categories are not available for the Foundation.

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Interest Rate Risk – Investments

Interest rate risk is the risk that changes in the market rate of interest that will adversely affect the value of an investment. Interest rate risk only applies to debt investments. Interest rate risk can be managed by managing the duration to effective maturity and/or the weighted-average maturity of the investments. The duration methods use the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The weighted-average maturity method measures the time to maturity in years weighted to reflect the dollar size of the individual investments within an investment type.

The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The duration to effective maturity and weighted-average maturity of each investment type held by the University is identified in the investment risk schedule below. Interest rate risk is not available for the Foundation.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk only applies to debt investments. Mutual funds and certain other investments are not categorized as to credit quality risk because ownership is not evidenced by a security. This risk is assessed by national rating agencies, which assign a credit quality rating for many investments.

State law limits investments in securities, at the time of purchase, to securities with the top two ratings issued by nationally recognized statistical rating organizations. The University does not have a formal policy related to investment credit quality risk that would further limit its investment choices. All of the University's investments had a Moody's rating of Aaa and a Standard & Poor's rating of AAA at the time of purchase. Credit quality risk is not available for the Foundation.

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Maturities and credit ratings for the University's investments held at June 30, 2008 and 2007 are detailed below:

2008				
Maturities and Credit Ratings by Investment Type	Fair Value	Duration to Maturity	Weighted- Average Maturity	S & P Credit Rating
The University				
Guaranteed investment contract	\$ 38,583,030	1.5 years	N/A	AAA
U.S. Government obligations	660,446	2.6 years	1.9 years	AAA
Money market funds	<u>38,926</u>	N/A	N/A	N/A
Total investments at June 30, 2008	<u>\$ 39,282,402</u>			
2007				
Maturities and Credit Ratings by Investment Type	Fair Value	Duration to Maturity	Weighted- Average Maturity	S & P Credit Rating
The University				
Guaranteed investment contract	\$ 65,261,325	2.5 years	N/A	AAA
U.S. Government obligations	669,641	2.0 years	1.9 years	AAA
Money market funds	<u>12,209</u>	N/A	N/A	N/A
Total investments at June 30, 2007	<u>\$ 65,943,175</u>			

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Note 4: Accounts, Contributions and Loans Receivable

Accounts and loans receivable are shown, net of allowances for doubtful accounts, in the accompanying statements of net assets. Net receivables at June 30 are detailed below:

	<u>2008</u>	<u>2007</u>
The University		
Student accounts receivable – current	\$ 6,802,729	\$ 6,402,205
Allowance for doubtful accounts	<u>(2,796,784)</u>	<u>(2,281,314)</u>
Subtotal student accounts receivable – net	<u>4,005,945</u>	<u>4,120,891</u>
Student loans receivable – current	1,731,028	1,434,516
Allowance for doubtful accounts	<u>(1,304,549)</u>	<u>(1,050,286)</u>
Subtotal current student loans receivable – net	<u>426,479</u>	<u>384,230</u>
Student loans receivable – noncurrent	7,931,589	7,727,141
Allowance for doubtful accounts	<u>(627,141)</u>	<u>(608,459)</u>
Subtotal noncurrent student loans receivable – net	<u>7,304,448</u>	<u>7,118,682</u>
Other receivables – current		
Sponsored programs – federal grants receivable	1,136,939	1,075,644
Sponsored programs – nonfederal grants receivable	658,214	281,805
Student loans program – federal grants receivable	157,911	140,559
Interest receivable	137,991	231,970
Accounts receivable related party – the Foundation	581,782	208,000
Other accounts receivable	<u>373,237</u>	<u>838,761</u>
Subtotal other receivables – current	<u>3,046,074</u>	<u>2,776,739</u>
Total of the University’s accounts, loans and other receivables	<u>\$ 14,782,946</u>	<u>\$ 14,400,542</u>
The Foundation		
Contributions receivable in less than one year	\$ 802,009	\$ 672,546
Contributions receivable in one to five years	2,093,787	2,282,499
Contributions receivable in more than five years	<u>58,800</u>	<u>160,567</u>
Total contributions receivable	2,954,596	3,115,612
Less present value discounting	<u>(310,186)</u>	<u>(395,842)</u>
Foundation’s contributions receivable, net	<u>\$ 2,644,410</u>	<u>\$ 2,719,770</u>

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Related Party Receivable

Grants receivable from the Foundation to the University were approximately \$581,782 and \$208,000 at June 30, 2008 and 2007, respectively.

Foundation Contributions Receivable

Foundation contributions receivable as of June 30, 2008 and 2007, are substantially restricted. These unconditional promises to give are to be received by the Foundation in future years and management considers them fully collectible. These receivables are reflected at the present value of estimated future cash flows, using a discount rate based on the five-year Treasury bond ranging from 3.34% to 6.75%. Contributions receivable from three donors at June 30, 2008 represent approximately 72% of total contributions receivable.

Note 5: Other Assets

Inventories and Other Current and Noncurrent assets are shown in the accompanying statements of net assets at June 30 and are detailed below:

	<u>2008</u>	<u>2007</u>
The University		
Inventories for supply use	\$ 170,243	\$ 172,283
Inventories for resale	<u>762,833</u>	<u>856,675</u>
Total inventories	\$ <u>933,076</u>	\$ <u>1,028,958</u>
Prepaid expenses	\$ 843,988	\$ 529,621
Current portion bond issuance costs	<u>78,164</u>	<u>79,510</u>
Total other current assets	\$ <u>922,152</u>	\$ <u>609,131</u>
Athletics conference surety deposit	\$ 250,000	\$ 250,000
Loan receivable related party – the LLC	432,976	416,890
Noncurrent portion bond issuance costs	<u>1,901,586</u>	<u>1,881,328</u>
Total other noncurrent assets	\$ <u>2,584,562</u>	\$ <u>2,548,218</u>
The Foundation		
Prepaid expenses and other current assets	\$ <u>109,393</u>	\$ <u>94,509</u>
The LLC		
Prepaid expenses and other current assets	\$ <u>19,734</u>	\$ <u>27,355</u>
Funds held in trust, net of current portion	\$ 2,749,469	\$ 2,745,237
Bond issuance costs	1,231,739	1,274,212
Prepaid ground lease, net of long-term loan payable	<u>2,199,858</u>	<u>2,264,035</u>
Total other noncurrent assets	\$ <u>6,181,066</u>	\$ <u>6,283,484</u>

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Note 6: Capital Assets

The following is a summary of capital asset activity for the year ended June 30, 2008:

Capital Assets and Accumulated Depreciation	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
The University					
Capital assets					
Land	\$ 9,832,608	\$ —	\$ —	\$ 120,959	\$ 9,953,567
Land improvements	16,662,420	54,111	(501,931)	3,924,668	20,139,268
Non-depreciable land improvements	4,466,239	—	(202,213)	—	4,264,026
Buildings and improvements	252,716,624	943,232	(2,172,373)	3,811,488	255,298,971
Equipment and vehicles	14,556,059	1,332,348	(657,580)	—	15,230,827
Software	2,359,077	74,997	—	—	2,434,074
Library materials	35,315,499	1,913,088	(393,555)	—	36,835,032
Non-depreciable art/historical	842,630	—	—	—	842,630
Leasehold improvements	495,403	—	—	—	495,403
Construction in progress	<u>16,912,456</u>	<u>34,245,785</u>	<u>—</u>	<u>(7,857,115)</u>	<u>43,301,126</u>
Total capital assets	<u>354,159,015</u>	<u>38,563,561</u>	<u>(3,927,652)</u>	<u>—</u>	<u>388,794,924</u>
Less accumulated depreciation					
Land improvements	5,700,272	818,640	(188,201)	—	6,330,711
Buildings and improvements	108,298,940	8,988,958	(2,170,529)	—	115,117,369
Equipment and vehicles	9,815,452	1,469,225	(619,509)	—	10,665,168
Software	1,728,233	484,715	—	—	2,212,948
Library materials	27,097,651	1,578,811	(393,555)	—	28,282,907
Leasehold improvements	<u>495,403</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>495,403</u>
Total accumulated depreciation	<u>153,135,951</u>	<u>13,340,349</u>	<u>(3,371,794)</u>	<u>—</u>	<u>163,104,506</u>
Net capital assets	<u>\$201,023,064</u>	<u>\$ 25,223,212</u>	<u>\$ (555,858)</u>	<u>\$ 0</u>	<u>\$225,690,418</u>

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The following is a summary of capital asset activity for the year ended June 30, 2007:

Capital Assets and Accumulated Depreciation	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
The University					
Capital assets					
Land	\$ 9,091,321	\$ 741,287	\$ —	\$ —	\$ 9,832,608
Land improvements	11,307,629	254	—	5,354,537	16,662,420
Non-depreciable land improvements	4,447,381	18,858	—	—	4,466,239
Buildings and improvements	239,177,764	1,807,153	(355,962)	12,087,669	252,716,624
Equipment and vehicles	12,202,472	2,688,629	(335,042)	—	14,556,059
Software	2,125,615	233,462	—	—	2,359,077
Library materials	33,510,058	1,846,541	(41,100)	—	35,315,499
Non-depreciable art/historical	842,630	—	—	—	842,630
Leasehold improvements	495,403	—	—	—	495,403
Construction in progress	<u>9,874,105</u>	<u>24,524,841</u>	<u>(44,284)</u>	<u>(17,442,206)</u>	<u>16,912,456</u>
Total capital assets	<u>323,074,378</u>	<u>31,861,025</u>	<u>(776,388)</u>	<u>—</u>	<u>354,159,015</u>
Less accumulated depreciation					
Land improvements	5,114,972	585,300	—	—	5,700,272
Buildings and improvements	99,756,156	8,681,628	(138,844)	—	108,298,940
Equipment and vehicles	8,868,097	1,261,199	(313,844)	—	9,815,452
Software	983,395	744,838	—	—	1,728,233
Library materials	25,635,476	1,503,275	(41,100)	—	27,097,651
Leasehold improvements	<u>495,403</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>495,403</u>
Total accumulated depreciation	<u>140,853,499</u>	<u>12,776,240</u>	<u>(493,788)</u>	<u>—</u>	<u>153,135,951</u>
Net capital assets	<u>\$182,220,879</u>	<u>\$ 19,084,785</u>	<u>\$ (282,600)</u>	<u>\$ 0</u>	<u>\$201,023,064</u>

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The following is a summary of capital asset activity for the years ended June 30:

	2008	2007
The Foundation		
Capital assets		
Buildings and improvements	\$ 1,137,742	\$ 1,135,742
Equipment and vehicles	<u>222,368</u>	<u>167,035</u>
Total capital assets	1,360,110	1,302,777
Less accumulated depreciation	<u>207,356</u>	<u>148,516</u>
Net capital assets	<u>\$ 1,152,754</u>	<u>\$ 1,154,261</u>
The LLC		
Capital assets		
Buildings and improvements	\$ 16,598,592	\$ 16,510,217
Equipment and vehicles	<u>884,076</u>	<u>868,884</u>
Total capital assets	17,482,668	17,379,101
Less accumulated depreciation	<u>3,185,230</u>	<u>2,638,065</u>
Net capital assets	<u>\$ 14,297,438</u>	<u>\$ 14,741,036</u>

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Note 7: Liabilities

The following is a summary of liabilities for the years ended June 30:

	<u>2008</u>	<u>2007</u>
The University		
Accounts payable and accrued liabilities	\$ <u>17,759,881</u>	\$ <u>15,624,881</u>
Current deferred revenue		
Deferred revenue – summer student tuition and fees	4,676,513	4,560,549
Deferred revenue – restricted grants and contracts	933,959	920,037
Current portion deferred revenue of the LLC	<u>57,822</u>	<u>57,822</u>
Total current deferred revenue	<u>5,668,294</u>	<u>5,538,408</u>
Bonds, capital leases and notes payable		
Current bonds, capital leases and notes payable	2,587,020	2,289,290
Noncurrent bonds, capital leases and notes payable	<u>142,750,857</u>	<u>145,214,133</u>
Total bonds, capital leases and notes payable	<u>145,337,877</u>	<u>147,503,423</u>
Other liabilities		
Current		
Deposits held	965,502	1,030,555
Current insurance liability	75,242	35,000
Line of credit payable	—	17,502
Deposits held in custody for agency funds	652,233	730,222
Current portion of compensated absences liability	<u>373,553</u>	<u>365,996</u>
Subtotal other current liabilities	<u>2,066,530</u>	<u>2,179,275</u>
Noncurrent		
Long-term deposit liabilities held	30,000	30,000
Long-term insurance liability	—	322,588
Long-term deferred revenue of the LLC	<u>2,197,241</u>	<u>2,255,063</u>
Subtotal other noncurrent long-term liabilities	<u>2,227,241</u>	<u>2,607,651</u>
Noncurrent compensated absence liability	<u>3,393,413</u>	<u>3,147,185</u>
Total other liabilities	<u>7,687,184</u>	<u>7,934,111</u>
Total liabilities – The University	\$ <u>176,453,236</u>	\$ <u>176,600,823</u>

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	2008	2007
The Foundation		
Accounts payable and accrued liabilities	\$ <u>913,816</u>	\$ <u>570,307</u>
Deferred revenue	90,107	69,017
Funds held for the University	702,409	696,956
Current portion annuity obligations	24,971	22,311
Other (Checks Outstanding in Excess of Bank Balance)	<u>89,602</u>	<u>—</u>
	<u>1,820,905</u>	<u>1,358,591</u>
Long-term debt		
Noncurrent portion annuity obligations	<u>179,162</u>	<u>141,557</u>
Total liabilities – The Foundation	<u>\$ 2,000,067</u>	<u>\$ 1,500,148</u>
The LLC		
Accounts payable and accrued liabilities	\$ <u>631,130</u>	\$ <u>708,884</u>
Unearned revenues	<u>42,683</u>	<u>97,479</u>
Notes payable – UNC	432,976	416,890
Bond payable		
Current portion bond payable	225,000	180,000
Noncurrent portion bond payable	<u>23,345,998</u>	<u>23,558,203</u>
Total long-term debt	<u>24,003,974</u>	<u>24,155,093</u>
Total liabilities – The LLC	<u>\$ 24,677,787</u>	<u>\$ 24,961,456</u>

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Long-term Liabilities

The following is a summary of long-term liability activity for the University for the years ended June 30, 2008 and 2007:

	2008				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes and capital leases					
Bonds payable	\$142,301,092	\$ 9,072,925	\$(10,637,955)	\$140,736,062	\$ 1,915,000
Capital leases payable	<u>5,202,331</u>	<u>42,094</u>	<u>(642,610)</u>	<u>4,601,815</u>	<u>672,020</u>
Total	<u>147,503,423</u>	<u>9,115,019</u>	<u>(11,280,565)</u>	<u>145,337,877</u>	<u>2,587,020</u>
Other long-term liabilities	2,665,473	—	(380,410)	2,285,063	57,822
Accrued compensated absences	<u>3,513,181</u>	<u>277,645</u>	<u>(23,859)</u>	<u>3,766,967</u>	<u>373,553</u>
Total other liabilities	<u>6,178,654</u>	<u>277,645</u>	<u>(404,269)</u>	<u>6,052,030</u>	<u>431,375</u>
Total long-term liabilities	<u>\$153,682,077</u>	<u>\$ 9,392,664</u>	<u>\$(11,684,834)</u>	<u>\$151,389,907</u>	<u>\$ 3,018,395</u>
	2007				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes and capital leases					
Bonds payable	\$143,913,368	\$ —	\$ (1,612,276)	\$142,301,092	\$ 1,650,000
Capital leases payable	<u>4,112,002</u>	<u>1,619,778</u>	<u>(529,449)</u>	<u>5,202,331</u>	<u>639,290</u>
Total	<u>148,025,370</u>	<u>1,619,778</u>	<u>(2,141,725)</u>	<u>147,503,423</u>	<u>2,289,290</u>
Other long-term liabilities	3,478,861	—	(813,388)	2,665,473	57,822
Accrued compensated absences	<u>3,022,961</u>	<u>490,572</u>	<u>(352)</u>	<u>3,513,181</u>	<u>365,996</u>
Total other liabilities	<u>6,501,822</u>	<u>490,572</u>	<u>(813,740)</u>	<u>6,178,654</u>	<u>423,818</u>
Total long-term liabilities	<u>\$154,527,192</u>	<u>\$ 2,110,350</u>	<u>\$(2,955,465)</u>	<u>\$153,682,077</u>	<u>\$ 2,713,108</u>

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Bonds Payable

Bonds payable are secured by certain student fees and a first lien on the University Auxiliary Facilities System (the Auxiliary), but not necessarily an exclusive first lien and a pledge of the net revenues derived from the Auxiliary. Bond provisions require the University to maintain compliance with certain rate covenants related to the bonds.

The following is a summary of bonds payable for the years ended June 30:

	2008	2007
The University		
3.5%-6.0%; the Auxiliary 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. The bonds were refinanced during 2008		
Outstanding bond principal	\$ —	\$ 9,690,000
Less unamortized discount	—	(97,450)
Subtotal net bonds payable 1998 issue	—	9,592,550
3.0%-5.5%; the Auxiliary Revenue Refunding and Improvement Bonds; issued July 31, 2001 in the original amount of \$50,000,000; and maturing in varying amounts through June 1, 2031		
Outstanding bond principal	47,255,000	47,625,000
Less unamortized discount	(300,364)	(313,471)
Less unamortized loss on refunding	(1,212,652)	(1,288,442)
Subtotal net bonds payable 2001 issue	45,741,984	46,023,087
3.25%-5.00%; the Auxiliary Revenue Refunding and Improvement Bonds; issued July 28, 2005 in the original amount of \$85,000,000; and maturing in varying amounts through June 1, 2040		
Outstanding bond principal	82,055,000	82,710,000
Add unamortized premium	3,866,882	3,997,053
Less unamortized loss on refunding	—	(21,598)
Subtotal net bonds payable 2005 issue	85,921,882	86,685,455

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	2008	2007
3.25%-5.00%; the Auxiliary Revenue Refunding Bonds; issued May 22, 2008 in the original amount of \$9,145,000; and maturing in varying amounts through June 1, 2024		
Outstanding bond principal	9,145,000	—
Add unamortized premium	139,196	—
Less unamortized loss on refunding	(212,000)	—
Subtotal net bonds payable 2008 issue	9,072,196	—
Total outstanding bond principal	138,455,000	140,025,000
Add total unamortized premium (discount)	3,705,714	3,586,132
Less unamortized loss on refunding	(1,424,652)	(1,310,040)
	\$ 140,736,062	\$ 142,301,092

The University's debt service payments required for bonds payable as of June 30, 2008 are as follows:

	Principal	Interest	Total
2009	\$ 1,915,000	\$ 6,720,758	\$ 8,635,758
2010	2,010,000	6,629,364	8,639,364
2011	2,740,000	6,556,441	9,296,441
2012	2,840,000	6,453,356	9,293,356
2013	2,965,000	6,335,731	9,300,731
2014-2018	17,275,000	29,543,632	46,818,632
2019-2023	21,980,000	24,929,875	46,909,875
2024-2028	27,945,000	18,964,975	46,909,975
2029-2033	27,980,000	11,519,000	39,499,000
2034-2038	21,640,000	5,461,000	27,101,000
2039-2041	9,165,000	693,000	9,858,000
Total	\$ 138,455,000	\$ 123,807,132	\$ 262,262,132

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 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, 2007, \$85,000 of these bonds remained outstanding and was considered in-substance defeased. During fiscal year 2008, the balance of these bonds came to term and was paid by the irrevocable trust. At June 30, 2008, the balance of these bonds outstanding was \$0.

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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, 2007, \$875,000 of these bonds remained outstanding and was considered in-substance defeased. During fiscal year 2008, the balance of these bonds came to term and was paid by the irrevocable trust. At June 30, 2008, the balance of these bonds outstanding was \$0.

In July 2005, the Board of Trustees of the University in-substance defeased the Auxiliary Facilities System Revenue Bonds Series 1994 by placing a portion of the proceeds of the Auxiliary Facilities System Revenue Refunding and Improvement Bonds Series 2005 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, 2007, \$305,000 of these bonds remained outstanding and was considered in-substance defeased. During fiscal year 2008, the balance of these bonds came to term and was paid by the irrevocable trust. At June 30, 2008, the balance of these bonds outstanding was \$0. The reacquisition price exceeded the net carrying amount of the Series 1994 bonds by \$66,758. This amount was netted against the Series 2005 debt and amortized over the remaining life of the refunded debt, which was shorter than the life of the Series 2005 debt. This advance refunding was undertaken to reduce the total debt service payments and resulted in an economic gain of \$42,508.

Current Refunded Bonds

On May 22, 2008, the Board of Trustees of the University issued at par \$9,145,000 of Auxiliary Revenue Refunding bonds for the purpose of currently refunding \$9,065,000 of then-outstanding Series 1998 Auxiliary Refunding Revenue bonds. The Series 2008 bonds bear interest, payable semiannually, at rates of 3.25% to 5.00%. Principal maturities begin June 1, 2009, and continue until June 1, 2024. The reacquisition price exceeded the net carrying value of the Series 1998 bonds by \$213,110.

This amount is being netted against the Series 2008 debt and amortized over the remaining 16-year life of the refunded Series 1998 debt, which is the same as the life of the Series 2008 debt. This current refunding was undertaken to reduce the total debt service payments and resulted in an economic gain of \$459,957. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debts service requirements, discounted at the effective interest rate of the new debt. The cash flows that would have been required to service the Series 1998 bonds was \$12,568,791 and the cash flows required to service the Series 2008 bonds is \$12,045,104 for a cash flow savings of \$523,687.

Capital Lease Obligations

Assets under capital leases at June 30, 2008 and 2007 include equipment totaling \$6,263,954 and \$6,548,246, respectively. These agreements provide that any obligations payable after the current fiscal year are contingent upon funds for that purpose being available.

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The University debt service payments, including interest, required for these capital leases payable as of June 30, 2008 are detailed below:

Fiscal Years Ending June 30,	Lease Payments
The University	
2009	\$ 852,944
2010	852,944
2011	852,944
2012	675,473
2013	493,600
2014-2018	<u>1,625,915</u>
Total minimum lease payments	5,353,820
Less amount representing interest	<u>(752,005)</u>
	<u>\$ 4,601,815</u>

Other Long-term Liabilities and Deferred Revenues

The University – Related Party Lease Agreement with the LLC

On August 1, 2001, the University entered into a ground lease agreement with the LLC for the site of a student housing facility. The lease period is for 46 years and total lease payments are \$2,655,000. The University received an advance lease payment of \$2,155,000 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 to the University and is amortized annually as lease revenue over the term of the ground lease.

The remaining \$500,000 was retained by the LLC for operating purposes and is identified as an other noncurrent asset - related party loan receivable in Note 5. Interest earnings are being imputed on these funds and full payment of loan is expected in 2012.

The University recognized \$57,822 and \$54,263 in rental revenue for fiscal year 2008 and 2007, respectively. The University will recognize an equal amount of rental income annually for the remaining 39 years of the ground lease agreement.

The University recognized \$16,086 and \$19,645 of imputed interest revenue for fiscal years 2008 and 2007, respectively. This amount of interest will be recognized annually for the next four years when the loan becomes payable in 2012. The loan principal balance at June 30, 2008 and 2007 was approximately \$432,976 and \$416,890, respectively.

The Foundation – Annuity Obligations

The Foundation administers such life income agreements as gift annuities where an income beneficiary is the lifetime recipient of income and the Foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a discount rate commensurate with the risks involved. A contribution is recognized for the estimated remainder interest.

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The Foundation has also been named irrevocable remainder beneficiary for trusts administered by third-party corporate trustees. For this arrangement, the assets are added to the Foundation's investment pool and a contribution is recorded at the estimated present value of the remainder interest. These life income arrangements are re-valued annually to reflect changes in the remainder interest estimates. The Foundation does not have use of the funds until the expiration of the lifetime recipient's interest. Investment assets held in the charitable remainder trusts and charitable gift annuities totaled \$210,263 and \$235,729 at June 30, 2008 and 2007, respectively.

The Foundation's estimated future maturities of annuity obligations are detailed below:

Fiscal Years Ending June 30,	
The Foundation	
2009	\$ 24,971
2010	24,971
2011	20,733
2012	15,645
2013	15,070
After 2013	<u>102,743</u>
	<u>\$ 204,133</u>

The LLC – Other Long-term Debt

The Colorado Educational and Cultural Facilities Authority (the Authority), a political subdivision of the State of Colorado, loaned the proceeds of a \$24,320,000 bond issue to the LLC to finance the construction of a student housing facility. The loan is repayable in amounts sufficient to provide timely payment of the bond principal and interest. Interest rates on the bonds range from 3.375% to 5.375% and interest is payable semi-annually on January 1 and July 1. Bond principal is payable in annual installments beginning in July 2003. The loan is collateralized by the revenue generated from operation of the facility. At June 30, 2008, the balance outstanding on the loan was \$23,570,998, which is net of the unamortized discount of \$234,002 as of June 30, 2008.

The LLC debt service payments for long-term debt for each of the next five years and thereafter are detailed below:

Fiscal Years Ending June 30,	Principal	Interest	Total
2009	\$ 225,000	\$ 1,180,880	\$ 1,405,880
2010	275,000	1,170,992	1,445,992
2011	330,000	1,158,727	1,488,727
2012	385,000	1,143,877	1,528,877
2013	445,000	1,126,113	1,571,113
2014-2018	2,565,000	5,285,629	7,850,629
2019-2023	3,265,000	4,553,065	7,818,065
2024-2028	4,175,000	3,627,312	7,802,312
2029-2033	5,320,000	2,444,957	7,764,957
2034-2038	<u>6,820,000</u>	<u>908,917</u>	<u>7,728,917</u>
	<u>\$ 23,805,000</u>	<u>\$ 22,600,469</u>	<u>\$ 46,405,469</u>

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Note 8: Operating Leases

The University leases property and equipment under operating leases expiring in various years through 2011. Rental expense under these agreements, for the years ended June 30, 2008 and 2007 was \$50,987 and \$42,696, respectively.

The University's future minimum lease payments under non-cancelable operating leases as of June 30, 2008 are detailed below:

Fiscal Years Ending June 30,		
2009	\$	54,932
2010		50,405
2011		33,914
2012		28,203
2013		23,433
2014-2018		27,405
	\$	218,292

Note 9: Defined Benefit Pension Plan

Plan Description

A significant number of the University's employees participate in a defined benefit pension plan (the 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 Employees' 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 an actuarial assessment and 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 P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1.800.759.PERA (7372), or by visiting www.copera.org.

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

Prior to legislation passed during the 2006 session, higher education employees may have participated in Social Security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2008, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior twelve months. In that case, they are required to remain in the PERA plan in which they participated previously.

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

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with five years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with five years of service.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with five years of service.

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

- Hired before January 1, 2007 – age 55 with a minimum of five years of service credit and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007 – age 55 with a minimum of five years of service credit and age plus years of service equals 85 or more.

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

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

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Retiree benefits are increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5%, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3% or the actual increase in the national Consumer Price Index.
- Hired on or after January 1, 2007 – the lesser of 3%, or the actual increase in the national Consumer Price Index, limited to a 10% reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007).

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

Funding Policy

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

Most employees contribute 8.0% (10.0% for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the Plan. The University contributed the following percentage of the employee's salary:

- Prior to January 1, 2006, 10.15%
- From January 1, 2006 to December 31, 2006, 10.65%
- From January 1, 2007 to December 31, 2007, 11.15%
- From January 1, 2008 to June 30, 2008, 12.05%

During the fiscal years 2006, 2007 and 2008, 1.02% of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2006, the division of PERA in which the State participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the general assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5% of salary beginning January 1, 2006, another 0.5% of salary in 2007, and subsequent year increases of .4% of salary until the additional payment reaches 3.0% in 2012.

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In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one-half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one-half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one-half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries, and used by the employer to pay the SAED. Both the AED and SAED will terminate when funding levels reach 100%.

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

The University's contributions to the Defined Benefit Plan and the Health Care Trust Fund for the fiscal years ended June 30, 2008, 2007 and 2006 were \$4,552,398, \$3,676,152 and \$3,422,213, respectively. These contributions met the contribution requirement for each year.

Note 10: 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 of 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. These vendors provide a range of investment accounts for participants. For fiscal years 2007-2008 and 2006-2007, the employee contributed 8% and the University contributed 11.5%. The University's contribution to the ORP for the years ended June 30, 2008 and 2007 was \$4,051,094 and \$3,661,548, 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.

The University provides a 403(b) deferred compensation plan to the University President. The Board of Trustees approved a contribution of \$46,000 and \$32,000 for fiscal years 2008 and 2007, respectively.

Note 11: Voluntary Tax-deferred Retirement Plans

PERA offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. The state offers a 457 deferred compensation plan and certain agencies and institutions of the state offer 403(b) or 401(a) plans.

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Note 12: Postretirement Healthcare and Life Insurance Benefits

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>. After the PERA subsidy, the benefit recipient pays that the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5% for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contribution as discussed above in Note 9 – Funding Policy. Beginning July 1, 2004, state agencies and institutions are required to contribute 1.02% of gross covered wages to the Health Care Trust Fund. The University of Northern Colorado contributed \$399,882, \$343,972 and \$327,761 as required by statute in fiscal years 2007-08, 2006-07 and 2005-06, respectively. In each year the amount contributed was 100% of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third-party vendors. As of December 31, 2007, there were 44,214 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2007, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.045 billion, a funded ratio of 19.9% and a 38-year amortization period.

Colorado Higher Education Insurance Benefits Alliance (CHEIBA)

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post-employment health coverage until the retiree is eligible for Medicare. As of June 30, 2008 there were 55 participants in post retirement coverage from the eight member higher education institutions of which 17 are from UNC.

CHEIBA financial statements are prepared under accounting principles generally accepted in the United States using the accrual basis of accounting following governmental accounting standards for a business type activity. The financial statements can be obtained by contacting the University's Human Resource Department at 970.351.2718. Contributions are recognized in the period date. Benefits and refunds are recognized and paid when due according to the participating plans. The fair value of CHEIBA's investments is based on quoted market prices from national securities exchanges.

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There are no long-term contracts for contributions to the plan. Participating schools can withdraw their position in the Plan with at least one year's notice to the CHEIBA board.

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.

Fiscal Year 2008

	Employee and Personal Services	Operating and Travel	Cost of Goods Sold	Depreciation	Inter-Governmental Distributions	Prizes and Awards	Total Operating Expenses
Instruction	\$ 49,714,366	\$ 7,000,631	\$ 269,297	\$ —	\$ —	\$ 4,632	\$ 56,988,926
Research	1,280,985	1,197,644	—	—	30,000	700	2,509,329
Public service	1,022,001	703,863	316,365	—	—	1,938	2,044,167
Academic support	9,975,797	5,139,587	1,953	—	—	4,315	15,121,652
Student services	10,356,880	5,878,793	267,518	—	—	12,953	16,516,144
Institutional support	10,081,693	(6,136,279)	4,629,746	—	—	1,376	8,576,536
Operation of plant	8,116,354	342,188	194	—	—	—	8,458,736
Scholarship/fellowship	3,227	8,529,632	—	—	—	—	8,532,859
Auxiliaries	7,636,342	10,553,609	3,168,322	—	—	1,078	21,359,351
Depreciation	—	—	—	13,340,349	—	—	13,340,349
Total	\$ 98,187,645	\$ 33,209,668	\$ 8,653,395	\$ 13,340,349	\$ 30,000	\$ 26,992	\$ 153,448,049

Fiscal Year 2007

	Employee and Personal Services	Operating and Travel	Cost of Goods Sold	Depreciation	Inter-Governmental Distributions	Prizes and Awards	Total Operating Expenses
Instruction	\$ 45,455,822	\$ 6,152,258	\$ 214,779	\$ —	\$ 46,020	\$ 1,646	\$ 51,870,525
Research	1,295,668	884,127	76	—	9,052	1,050	2,189,973
Public service	915,551	538,199	311,123	—	—	2,257	1,767,130
Academic support	8,920,962	4,323,539	2,857	—	—	1,606	13,248,964
Student services	9,354,120	5,269,777	467,442	—	—	14,063	15,105,402
Institutional support	9,839,487	(4,803,563)	4,622,096	—	—	1,038	9,659,058
Operation of plant	7,625,466	(85,169)	—	—	—	—	7,540,297
Scholarship/fellowship	—	8,306,271	—	—	—	—	8,306,271
Auxiliaries	7,383,098	10,190,064	3,370,661	—	—	642	20,944,465
Depreciation	—	—	—	12,776,240	—	—	12,776,240
Total	\$ 90,790,174	\$ 30,775,503	\$ 8,989,034	\$ 12,776,240	\$ 55,072	\$ 22,302	\$ 143,408,325

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Note 14: Legislative Appropriations

Appropriated Funds

The Colorado State Legislature establishes spending authority for the University in its annual Long Bill.

For the years ended June 30, 2008 and 2007, appropriated expenditures were within the authorized spending authority of \$92,835,637 and \$89,730,758, respectively. Actual appropriated revenues earned totaled \$92,681,278 and \$87,289,756, respectively. Actual appropriated expenditures and transfers totaled \$92,681,278 and \$87,289,756, respectively. The net increase in appropriated fund balance was \$0 and \$0, respectively.

Capital Construction State Appropriations

Capital construction state appropriations are recognized only to the extent of current expenditures of \$2,416,208. At June 30, 2008, there were unexpended capital construction state appropriations of \$4,739,138.

Controlled Maintenance Projects

The University makes approved expenditures for various controlled maintenance projects. There were no completed controlled maintenance projects added to the University for the year ended June 30, 2008. Ongoing controlled maintenance projects include replacing and servicing of electrical and fire alarms in several buildings and the repair and replacement of heating and ventilation and air conditioning for McKee Hall.

Note 15: Commitments and Contingencies

Construction Commitments

As of June 30, 2008, the University has construction commitments of \$5,707,303 for sports and recreation facilities, parking improvement and housing projects.

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. To mitigate these risks the University has purchased the following insurance:

- General liability covered by Lexington for \$3,000,000 with a \$5,000 deductible
- Product liability with malpractice covered by Lexington for \$3,000,000 with a \$5,000 deductible
- Automobile liability covered by Fireman's Fund for \$1,000,000 with a N/A deductible
- Errors and Omissions covered by Westchester for \$3,000,000 with a \$1,000,000 deductible
- Workers Compensation covered by Pinnacle for \$500,000/\$500,000/\$500,000 with a \$1,000 deductible
- Fidelity (employee dishonesty) covered by Fireman's Fund for \$100,000 with a \$1,000 deductible
- Other property covered by Lexington for \$250,000,000 with a \$10,000 deductible

Insurance coverage prior to fiscal year 2006 was with State Risk Management. In fiscal year 2006 the University became fully insured through several insurance companies. The coverage in fiscal year 2008 is consistent with the previous two years and there have been no significant reductions in coverage. There have been no settlements exceeding coverage.

The University uses a fringe benefit and risk management fund to pay expenses related to workers compensation and other liability insurance. The University's liability on June 30, 2008 is \$75,242. On June 30, 2007 the liability balance of \$357,588 was based on an actuarial study in conjunction with State Risk Management. Since the University is covered by insurance for everything above its reserve and deductible, no actuarial study was required in fiscal year 2008.

Note 17: Other Disclosures

Multi-year Employment Contracts

During 2008, the University maintained four multi-year employment contracts for coaches. The intent of the multi-year terms (either three or four years) is to allow the coaches sufficient time to recruit and build successful athletic teams. These contracts are subject to termination for just cause and fund availability.

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June 30, 2008 and 2007

Subsequent Event

On November 6, 2008, the State Treasurer entered into a lease purchase agreement under which a Trustee issued \$230,845,000 of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008. The Certificates were issued at a net premium of \$180,940 and were a combination of serial and term maturities with the final maturity in November 2027. The Certificates carried coupon rates ranging from 3.00% to 5.50% with a total interest cost of 5.38%. The Certificates proceeds will be used to fund renovations, additions, and new construction at 12 state Institutions of Higher Education and were collateralized with existing properties at 11 of the 12 institutions. Legislation enacted in the 2008 Session of the General Assembly authorized the lease purchase and limited the lease payments to average \$16.2 million for the first ten years and \$16.8 million for the second ten years. The legislation envisions annual appropriations of Federal Mineral Lease Program (FML) revenues to fund the semi-annual lease payments required. Total lease payments anticipated from the FML source are \$325.5 million, and three institutions will make \$42.8 million of lease payments over the life of the Certificates to fund the portion of their required project match that they elected to finance through the Certificates.

The University of Northern Colorado's Butler Hancock Interior Renovation Project will have full cost of \$11,591,235 contributed to it from the lease purchase agreement. Parsons Hall was provided as collateral.



**Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of the Financial Statements
Performed 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 or UNC) 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, 2008, and have issued our report thereon dated November 25, 2008, which contained a reference to the report of other accountants. 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. Other accountants audited the financial statements of the University of Northern Colorado Foundation, Incorporated (the Foundation) and the University of Northern Colorado Foundation Student Housing LLC I (the LLC), which collectively comprise the University's discretely presented component units, as described in our report on the University's financial statements. The financial statements of the Foundation and the LLC were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Members of the Legislative Audit Committee

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the Auditor's Findings and Recommendation section of this report as Recommendation No. 1.

The University's responses to the findings identified in our audit are described in the Auditor's Findings and Recommendation section of this report. We did not audit the University's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing body, management and others within 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.

\s\ **BKD, LLP**

November 25, 2008



Members of the Legislative Audit Committee:

As part of our audit of the financial statements of the University of Northern Colorado (the University or UNC) as of and for the year ended June 30, 2008, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

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 is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing 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 executed contract with the State of Colorado, through the State Auditor's Office and the Legislative Audit Committee more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our executed contract with the State of Colorado, through the State Auditor's Office and the Legislative Audit Committee more specifically describes the responsibilities of the University's management and the Board of Trustees.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Governmental Accounting Standards Board's implementation guide issued in 2008 clarified that Pell grants should be recorded as nonoperating revenues since they are nonexchange revenues and entities generally have administrative requirements for these funds. Historically, the University has recorded this Pell grant activity as operating revenue. The Colorado State Controller's Office also recommended that public institutions in the state continue to reflect Pell grant activity as operating revenue. Consequently, since implementation guidance and industry practice are both level D GAAP and there are differences in practice, the University has decided to continue reporting Pell grant activity as operating revenue in its 2008 financial statements.

Members of the Legislative Audit Committee

Additional significant accounting policies for the University are described in Note 1 of the audited financial statements.

Alternative Accounting Treatments

- No matters are reportable

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
- Allowance for uncollectible student loans
- Compensated absences
- Depreciation on capital assets and useful life of assets

Financial Statement Disclosures

- No matters are reportable

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to 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 include:

Proposed Audit Adjustments Recorded

- None

Proposed Audit Adjustments Not Recorded

- Capitalized interest

The proposed audit adjustment not recorded was determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole, include accounting for capitalized interest. The effect of the uncorrected misstatements, had they been recorded, would have been to increase the change in net assets by \$84,619 and increase noncurrent assets by \$84,619 for the year ended June 30, 2008.

Members of the Legislative Audit Committee

Auditor's Judgments About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the University's application of accounting principles:

- No matters are reportable

Disagreements with Management

- No matters are reportable

Consultation with Other Accountants

- No matter are reportable

Significant Issues Discussed with Management

Prior to Retention

- No matters are reportable

During the Audit Process

- No matters are reportable

Difficulties Encountered in Performing the Audit

- No matters are reportable

Other Material Written Communications

Listed below are other material written communications between management and us related to the audit:

- Management representation letter

This letter is intended solely for the information and use of the Legislative Audit Committee the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

\s\ **BKD, LLP**

November 25, 2008

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 or UNC), a blended component unit of the State of Colorado, for the years ended June 30, 2008 and 2007. The Statement is the responsibility of the University's management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 *2007-08 Audit Guide Colorado Funded Student Aid*, issued by the Colorado Department of Higher Education (DHE), and in conformity with the provisions of the DHE Financial Aid Policy (2007-08). 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, 2008, pursuant to the *2007-08 DHE Audit Guide, Colorado Funded Student Aid* and in conformity with the provisions of the DHE Financial Aid Policy, as described in Note 1 to the Statement.

Members of the Legislative Audit Committee

In accordance with *Government Auditing Standards*, we have also issued a report dated November 25, 2008, 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, the management of the University, 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.

 **BKD, LLP**

November 25, 2008

State of Colorado
University of Northern Colorado
Statements of Appropriations, Expenditures, Transfers and Reversions of
the State-funded Student Assistance Programs
Years Ended June 30, 2008 and 2007

2007 – 2008

	Colorado Need-based Grant	Colorado Merit Scholarship	Colorado Work-Study	Governor's Opportunity	Scholarship	CLEAP	SLEAP	Pre-Collegiate ACG	Nursing Scholarship Loan Match	Total State- funded Student Assistance
Appropriations										
Original	\$ 3,323,667	\$ 93,666	\$ 859,176	\$ 678,162	\$ —	\$ 112,784	\$ 198,510	\$ 62,290	\$ —	\$ 5,328,255
Adjustments	<u>38,470</u>	<u>—</u>	<u>15,740</u>	<u>14,240</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>68,450</u>
Total	<u>3,362,137</u>	93,666	874,916	692,402	—	112,784	198,510	62,290	—	5,396,705
Expenditures	<u>3,362,137</u>	<u>93,666</u>	<u>874,916</u>	<u>692,402</u>	<u>—</u>	<u>112,784</u>	<u>198,510</u>	<u>62,290</u>	<u>—</u>	<u>5,396,705</u>
Reversions to State General Fund	<u>\$ 0</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>	<u>\$ 0</u>

2006 – 2007

	Colorado Need-based Grant	Colorado Merit Scholarship	Colorado Work-Study	Governor's Opportunity	Scholarship	CLEAP	SLEAP	Pre-Collegiate ACG	Nursing Scholarship Loan Match	Total State- funded Student Assistance
Appropriations										
Original	\$ 2,334,577	\$ 93,666	\$ 859,176	\$ 988,235	\$ —	\$ 112,784	\$ 198,510	\$ 60,334	\$ —	\$ 4,647,282
Adjustments	<u>34,005</u>	<u>—</u>	<u>—</u>	<u>(23,743)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,262</u>
Total	<u>2,368,582</u>	93,666	859,176	964,492	—	112,784	198,510	60,334	—	4,657,544
Expenditures	<u>2,368,582</u>	<u>93,666</u>	<u>859,176</u>	<u>964,492</u>	<u>—</u>	<u>112,784</u>	<u>198,510</u>	<u>60,334</u>	<u>—</u>	<u>4,657,544</u>
Reversions to State General Fund	<u>\$ 0</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>	<u>\$ 0</u>

See Notes to Statement of Appropriations, Expenditures, Transfers and Reversions of the State-funded Student Assistance Programs

State of Colorado

University of Northern Colorado

Notes to Statements of Appropriations, Expenditures, Transfers and Reversions of the State-funded Student Assistance Programs Years Ended June 30, 2008 and 2007

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 year, the University of Northern Colorado obtained authorizations for the year ended June 30, 2008, to award federal student financial aid of \$5,262,441 in the Pell Grant Program, \$226,460 in the Supplemental Educational Opportunity Grant Program, \$387,895 in the College Work-Study Program and \$15,000 in the Robert C. Byrd Scholarship. Federal capital contributions of \$0 were received by the Perkins Loan Program.

For the year ended June 30, 2007 the University of Northern Colorado obtained authorizations to award federal student financial aid of \$5,158,485 in the Pell Grant Program, \$223,455 in the Supplemental Educational Opportunity Grant Program, \$364,452 in the College Work-Study Program and \$12,000 in the Robert C. Byrd Scholarship. Federal capital contributions of \$0 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: Colorado Leveraging Educational Assistant Partnership and Supplemental Colorado Leveraging Educational Assistance Partnership

For the year ended June 30, 2008, the Colorado Leveraging Educational Assistance Partnership (CLEAP) and Supplemental Colorado Leveraging Educational Assistance Partnership (SLEAP) grant consists of \$180,189 of state funds and \$131,105 of federal funds, respectively. For the year ended June 30, 2007, the Colorado Leveraging Educational Assistance Partnership (CLEAP) and Supplemental Colorado Leveraging Educational Assistance Partnership (SLEAP) grant consists of \$180,313 of state funds and \$130,981 of federal funds. The amounts shown for each program on the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance program is the combined state and federal total for that program.

State of Colorado
University of Northern Colorado
Audit Report Distribution Summary
June 30, 2008 and 2007

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