

**University of Northern Colorado
Financial and Compliance Audit
Year Ended June 30, 2001**

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STATE OF COLORADO
UNIVERSITY OF NORTHERN COLORADO

REPORT SUMMARY
Year Ended June 30, 2001

PURPOSE AND SCOPE OF AUDITS

The Office of the State Auditor, State of Colorado, engaged Anderson & Whitney, P.C. to conduct audits of the University of Northern Colorado (the University) for its fiscal year ended June 30, 2001. Anderson & Whitney, P.C. performed these audits in accordance with auditing standards generally accepted in the United States, and *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related field work from May through September 2001.

The purpose and scope of these audits were to:

- Express an opinion on the combined financial statements of the University as of and for the year ended June 30, 2001. This includes a review of internal control as required by auditing standards generally accepted in the United States and *Government Auditing Standards*.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditures of federal and state funds.
- Report on the University's compliance and internal control over financial reporting based on our audit of the consolidated financial statements performed in accordance with *Government Auditing Standards*.
- Express an opinion on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs of the University for the year ended June 30, 2001.
- Evaluate progress in implementing prior audit findings and recommendations.

STATE OF COLORADO
UNIVERSITY OF NORTHERN COLORADO

REPORT SUMMARY — Continued
Year Ended June 30, 2001

Audit Opinions and Reports

We expressed unqualified opinions on the University's financial statements and the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Financial Assistance Programs as of and for the year ended June 30, 2001.

We issued a report on the University's compliance and internal control over financial reporting based on an audit of the combined financial statements performed in accordance with *Government Auditing Standards*. We did not note any material weaknesses or any material instances of noncompliance with legal or regulatory requirements based on our audit of the combined financial statements. However, we did note certain areas where the University could improve its internal control and other procedures, which are described in the Findings and Recommendations section of this report.

The University's Schedule of Expenditures of Federal Awards and applicable opinions thereon of the Office of the State Auditor, State of Colorado are included in the June 30, 2001, Statewide Single Audit Report issued under separate cover.

We also issued certain required communications related to the conduct of an audit including our responsibility under generally accepted auditing standards, significant accounting policies, audit adjustments, and accounting estimates. No delays, disagreements or audit adjustments are reported. There was an uncorrected misstatement of approximately \$47,000 in the allowance for doubtful accounts.

SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS

This report contains three recommendations. The recommendations address matters regarding payroll and human resources processes, calculation of the allowance for doubtful accounts, and Perkins loan grace periods.

- We noted an error in the input of payroll withholding data which indicates a need for further input verification. Also, a few documents could not be located and there is not written authorization with the University for certain voluntary payroll deductions.
- Further review of the calculation of the allowance for doubtful receivables is needed to detect potential errors.
- The beginning of the Perkins loan grace period needs to be changed from the end of the semester to the day after a borrower withdraws from the University or drops to less than half-time.

A summary of the recommendations is included in the Recommendation Locator on page 4 of this report. A detailed description of the findings and recommendations begins on page 7 of this report. The University has agreed to implement some of the recommendations.

STATE OF COLORADO
UNIVERSITY OF NORTHERN COLORADO

RECOMMENDATION LOCATOR
Year Ended June 30, 2001

Record Number	Page Number	Recommendation Summary	Agency Response	Implementation Date
<u>FINANCIAL STATEMENT RECOMMENDATIONS</u>				
1.	7	Improve input verification, filing, and deduction authorization procedures over payroll and human resources.	Partially Agree	October, 2001
2.	8	Have additional review of the calculation of the allowance for doubtful accounts.	Agree	October, 2001
<u>FEDERAL PROGRAM RECOMMENDATIONS</u>				
3.	9	Change the beginning of the Perkins loan grace period for borrowers whose enrollment status changes.	Agree	October, 2001

STATE OF COLORADO
UNIVERSITY OF NORTHERN COLORADO

ORGANIZATION AND FUNCTION OF THE UNIVERSITY
Year Ended June 30, 2001

Eighteen years after the City of Greeley, Colorado 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 (UNC) was first known, was signed April 1, 1889. In 1911, the name was changed to Colorado State Teachers College. UNC 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 composed of seven members appointed by the Governor, with consent of the Senate, for four-year terms (effective for terms beginning July 1, 1987); one faculty member elected by the faculty; and one student member elected by the student body.

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

Student enrollment (full-time equivalent) for the past three years of the University was:

	Resident	Nonresident	Total
2001	9,041	1,268	10,309
2000	8,990	1,305	10,295
1999	8,593	1,324	9,917

Full-time employees were:

	Faculty	Staff	Total
2001	486	688	1,174
2000	476	674	1,150
1999	464	680	1,144

The authority under which the University operates is Article 40 of Title 23, C.R.S.

FINDINGS AND RECOMMENDATIONS

STATE OF COLORADO
UNIVERSITY OF NORTHERN COLORADO

AUDITORS' FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2001

**FINDINGS AND RECOMMENDATIONS
RELATING TO THE FINANCIAL STATEMENTS**

CONTINUE TO REFINE HUMAN RESOURCES AND PAYROLL PROCESSES

During audit testing of the human resources and payroll processes, which result in approximately \$60 million paid to employees annually, we noted the following matters for additional analysis and review:

↳ In our testing at the human resources office, we noted one University employee for which a signed employment contract could not be located, apparently due to misfiling. University policy is that the human resources office should have all employment contracts. A copy of the contract was located in the payroll office.

Also, an INS Form I-9 (Employment Eligibility Verification) could not be located in the human resources office for an employee who was hired in June 2000. Federal law requires a Form I-9 to be on file for all new hires.

↳ Employees complete an IRS W-4 form to indicate their filing status and the number of deductions they are claiming for federal income tax withholding. During payroll testing, we noted that one married employee had properly completed a W-4 form requesting to have federal income taxes withheld at the higher single rate. However, federal income taxes were withheld at the married rate for that employee. This caused the federal income tax withheld to be less than the employee indicated.

One employee in the payroll office is responsible for the input of W-4 information and there is no additional review. The University should have another payroll office employee proof the input by reviewing the W-4 forms and verifying that the filing status and deductions were input correctly.

↳ We also noted that no signed authorization from employees was required by the University for voluntary payroll withholding of contributions to the University of Northern Colorado Foundation. The supporting documentation is received and kept by the Foundation only. This lack of deduction authorization from employees could allow amounts to be withheld from the employees pay that were not authorized by the employee. The University should obtain copies of supporting authorizations signed by the employee for all voluntary payroll deductions.

Recommendation No. 1

The University should continue to strengthen controls over the human resources and payroll processes by improving input verification, filing, and documentation procedures.

University of Northern Colorado Response:

Partially Agree — The human resources office is in the process of updating and reorganizing their files and changes have been implemented in the payroll office to verify W-4 data entry (Implemented, October 2001). With regard to voluntary payroll deductions for contributions to the UNC Foundation, the University believes that the documentation and controls in place are adequate. The signed authorizations are retained by the Foundation, which is an organization related to the University. A summary list of these authorizations is retained in the payroll office and used to verify payroll deductions. Furthermore, employees receive a payment advice which details all withholdings, including contributions to the Foundation. The University believes these controls are sufficient and that it is highly unlikely that unauthorized amounts could be withheld from employee paychecks.

REVIEW ALLOWANCE FOR DOUBTFUL ACCOUNTS CALCULATION

The University records an allowance for doubtful accounts for student receivables that ultimately may not be collected. At June 30, 2001, the allowance was \$1,200,227 on student receivables of \$4,936,283.

In the process of calculating the allowance for doubtful accounts on student receivables and other receivables at June 30, 2001, the allowance was understated by approximately \$47,000. This understatement occurred because of a miscalculation during the year end closing process. The calculation and resulting general ledger adjustments were not reviewed by anyone except the preparer.

Recommendation No. 2

The University should have a second person review the calculation of the allowance for doubtful accounts.

University of Northern Colorado Response:

Agree — The University has implemented this change in procedure. (Implemented, October, 2001)

STATE OF COLORADO
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AUDITORS' FINDINGS AND RECOMMENDATIONS – Continued
Year Ended June 30, 2001

**FINDINGS AND RECOMMENDATIONS
RELATED TO FEDERAL FINANCIAL ASSISTANCE**

CHANGE PERKINS LOAN GRACE PERIOD

The University has \$9,328,710 in outstanding Perkins loans to approximately 5,700 current and former students.

During review of the federal Perkins student loan program (CFDA 84.038), we tested the calculation of the grace period for borrowers that withdrew from the University. The Perkins loan program allows a nine-month grace period before interest begins to accrue and repayment begins on the loan. Approximately 50 borrowers withdrew or dropped to less than half-time status during the year.

According to federal regulations, the grace period should begin the day following withdrawal from the University or the student having less than half-time enrollment. During testing we found that the grace period for students who withdrew or dropped to less than half-time enrollment did not begin until the month following the end of the semester. This allowed students who withdrew additional time before interest accrued and repayment began. Thus, the University realized slightly less interest income and had slightly less in the Perkins loan fund for future loans.

Recommendation No. 3

The University should change the beginning of the grace period for Perkins loan borrowers who withdraw from the University or drop to less than half-time enrollment.

University of Northern Colorado Response:

Agree — The University is in the process of modifying the grace period algorithms in the student loan system. (Implemented, October 2001)

STATE OF COLORADO
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DISPOSITION OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2001

The following is a summary of the prior year audit recommendations and their disposition as of June 30, 2001:

Record No.	Finding	Disposition
1.	Obtain procurement card approval consistently.	Implemented
2.	Document direct deposit of student employee payroll.	Implemented
3.	Analyze leases and financing agreements.	Implemented

**COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
AND INDEPENDENT AUDITORS' REPORT**



Independent Auditors' Report

Members of the Legislative Audit Committee

We have audited the accompanying combined balance sheet of the University of Northern Colorado (the University), a component unit of the State of Colorado, as of June 30, 2001, and the related statement of revenues, functional expenditures and changes in fund balances for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the University of Northern Colorado at June 30, 2001 and the revenues, functional expenditures and changes in fund balances for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2001 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.

September 27, 2001

UNIVERSITY OF NORTHERN COLORADO
 COMBINED BALANCE SHEET, ALL FUNDS
 YEAR ENDED JUNE 30, 2001

	Current Funds		Student Loans	Endowment and Similar Funds
	Unrestricted	Restricted		
ASSETS				
Cash on hand and in banks:				
Cash	\$ 164,881	\$	\$	\$
Cash on deposit with State Treasurer	23,201,491	763,076	859,579	
Cash/Investment with Custodian	735,604	103,747		583,507
Accounts receivable:				
Tuition, fees, and services, net	3,736,056		17,183	
Intergovernmental		192,071	195,520	
Other		593,950		
Loans receivable, net			8,183,615	
Inventories	1,681,283			
Other current assets	1,726,773	16,175	665	
Due from other funds		110,661		
Land and improvements				
Buildings and improvements				
Leasehold improvements				
Construction in progress				
Equipment				
Other fixed assets				
Library books				
Total Assets	31,246,088	1,779,680	9,256,562	583,507
LIABILITIES				
Accounts payable	2,138,247	1,595,878	665	
Accrued liabilities	1,748,740			
Due to other funds	119,935			
Deferred credits	5,273,532			
Capital lease obligations				
Bonds and notes payable, net				
Accrued compensated absences	2,676,261			
Other liabilities	861,636	1,500		
Total Liabilities	12,818,351	1,597,378	665	
FUND BALANCES				
U.S. Government grants			8,131,445	
University funds:				
Restricted		182,302	1,124,452	
Unrestricted	21,103,998			
Designated:				
Endowment				497,701
Quasi-endowment				85,806
Unfunded compensated absences	(2,676,261)			
Net invested in plant				
Total Fund Balances	18,427,737	182,302	9,255,897	583,507
Total Liabilities and Fund Balances	\$31,246,088	\$ 1,779,680	\$ 9,256,562	\$ 583,507

See accompanying notes to financial statements.

Plant Funds				Memorandum Only Totals	
Unexpended	Retirement of Indebtedness	Investment in Plant	Agency Funds	2001	2000
\$ 1,608,986	\$ 201,042	\$	\$ 599,815	\$ 164,881 27,233,989 1,422,858	\$ 467,440 26,412,274 2,327,549
6,900			74,792	3,834,931 387,591	3,593,438 391,280
461,074				1,055,024 8,183,615 1,681,283	636,756 8,191,594 1,910,474
209,729		618,589	8,064 9,274	2,370,266 329,664	2,639,630 98,667
		11,000,530		11,000,530	9,530,292
		157,298,339		157,298,339	130,247,752
		495,403		495,403	501,701
9,617,279		1,270,359		10,887,638	31,383,074
		11,349,118		11,349,118	10,759,275
		842,630		842,630	
		26,882,749		26,882,749	25,521,174
11,903,968	201,042	209,757,717	691,945	265,420,509	254,612,370
869,891	197,929	209,729	10,762	4,615,443 1,946,669 329,664	4,132,119 2,801,806 98,667
		470,995	6,352	5,279,884 470,995	5,127,005 1,148,942
		42,398,202		42,398,202	43,670,583
			674,831	2,676,261 1,537,967	2,764,451 1,238,469
869,891	197,929	43,078,926	691,945	59,255,085	60,982,042
				8,131,445	7,738,435
750,000	3,113			2,059,867	2,935,498
10,284,077				31,388,075	31,514,947
				497,701 85,806	497,080 83,507
		166,678,791		(2,676,261) 166,678,791	(2,764,451) 153,625,312
11,034,077	3,113	166,678,791		206,165,424	193,630,328
\$ 11,903,968	\$ 201,042	\$209,757,717	\$ 691,945	\$ 265,420,509	\$ 254,612,370

UNIVERSITY OF NORTHERN COLORADO
STATEMENT OF REVENUES, FUNCTIONAL EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2001

	Current Funds		Student Loan Funds
	Unrestricted	Restricted	
REVENUES AND OTHER ADDITIONS			
Student tuition	\$ 32,574,782	\$	\$
Student fees	6,598,882		
State appropriations	41,959,738	4,773,731	
Federal grants and contracts	60,076	8,094,869	15,444
Federal grants and contracts, received as subrecipient		672,141	
State grants and contracts		2,613,585	
Local grants and contracts		148,267	
Private gifts, grants and contracts		2,676,505	
Investment income	2,511,829	47,042	54,505
Unrealized gain (loss) on investments		(530)	
Indirect costs recovered	491,407		
Sales and services of educational activities	2,324,545		
Sales and services of auxiliary enterprises	31,466,947		
Interest on loans receivable			394,036
Additions to plant facilities			
Retirement of indebtedness			
Other revenue and additions	462,560		
Total revenues and other additions	118,450,766	19,025,610	463,985
EXPENDITURES AND OTHER DEDUCTIONS			
Education and general operations:			
Instruction	42,795,201	2,573,127	
Research	704,406	1,142,506	
Public service	783,873	1,132,127	
Academic support	12,341,312	3,820,548	
Student services	12,466,514	1,277,364	
Institutional support	6,172,452	70,332	
Operation and maintenance of plant	7,143,220	39,594	
Scholarships and fellowships	3,092,618	9,042,434	
Total education and general operations	85,499,596	19,098,032	
Auxiliary enterprises expenditures	21,098,255	230,349	
Loan cancellations and write-offs			26,248
Expended for plant facilities			
Indirect costs recovered		419,349	72,058
Retirement of indebtedness			
Interest on indebtedness			
Disposal of plant facilities			
Capitalization of asset/debt			
Other expenditures and deductions			130,334
Total expenditures and other deductions	106,597,851	19,747,730	228,640
TRANSFERS AMONG FUNDS-- additions (deductions)			
Mandatory transfers:			
Educational and general			
Principal and interest	1,002,798		
Perkins Loan Match		5,148	(5,148)
Auxiliary enterprises			
Principal and interest	3,479,336		
Renewal and replacement	1,506,680		
Total mandatory transfers	5,988,814	5,148	(5,148)
Non-mandatory transfers	906,539		
Total expenditures, deductions and transfers	113,493,204	19,752,878	223,492
Net increase/(decrease) in fund balances	4,957,562	(727,268)	240,493
Fund balance at beginning of year	13,470,175	909,570	9,015,404
Fund balance at end of year	\$ 18,427,737	\$ 182,302	\$ 9,255,897

See accompanying notes to financial statements.

Endowment and Similar Funds	Plant Funds		
	Unexpended	Retirement of Indebtedness	Investment in Plant
\$	\$	\$	\$
	7,665,982		
	26,020		
	149,886		
	118,022		
30,712	229,389	4,154	
(2,964)			
	1,650		8,569,951
			2,025,806
			1,426,366
27,748	8,190,949	4,154	12,022,123

	7,417,270		
	348,866	2,027,456	27,444
		1,947,163	7,249,186
	8,269,791		(8,269,791)
24,828			33,805
24,828	16,035,927	3,974,619	(959,356)

		(1,002,798)	
	(580,972)	(2,898,364)	
	(1,506,680)		
	(2,087,652)	(3,901,162)	
	(761,082)	(73,457)	(72,000)
24,828	13,187,193		(1,031,356)
2,920	(4,996,244)	4,154	13,053,479
580,587	16,030,321	(1,041)	153,625,312
\$ 583,507	\$ 11,034,077	\$ 3,113	\$ 166,678,791

UNIVERSITY OF NORTHERN COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the University of Northern Colorado (the University) are presented in accordance with fund accounting guidelines set forth in the American Institute of Certified Public Accountants' industry audit guide, *Audits of Colleges and Universities*, and the National Association of College and University Business Officers' publication, *Financial Accounting and Reporting Manual for Higher Education*. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The preparation of the University's financial statements on the basis of accounting described above requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from the estimates.

Reporting Entity

The University of Northern Colorado is a component unit of the State of Colorado. 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 which 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.

As required by generally accepted accounting principles, these financial statements present the University (primary government) and its component units. The component units discussed below are included in the University's reporting entity because of the significance of their operational or financial relationships with the University in accordance with Government Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity,"* which was adopted by the University for fiscal year 1994.

Blended Component Units

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

Complete financial statements can be obtained from their administrative office.

KUNC ("KUNC") - KUNC is a radio station for the University and is licensed in the name of the Trustees of the University. KUNC is not a separate legal body. As such, KUNC is reported as a part of the University.

Complete financial statements can be obtained from their administrative office.

UNIVERSITY OF NORTHERN COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

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

Complete financial statements can be obtained from their administrative office.

Discretely Presented Component Units

The University has no component units which are required to be presented as discretely presented component units.

Related Organization

The University of Northern Colorado Foundation, Inc. The University of Northern Colorado Foundation, Inc. (the Foundation) has been excluded from the reporting entity. The Foundation is a separate legal entity which is fully independent from the University, is not financially dependent upon the University, has a separately elected Board of Directors and, as such, has substantial autonomy and separate government entity characteristics. The Foundation has no fiscal accountability to the University (see Note 6).

Other Accounting Policies

A significant portion of the University's operations and activities is funded through state appropriations.

The financial statements of the University have been prepared on the accrual basis.

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained in accordance with the principles of "fund accounting." This is the procedure by which the accounting and reporting activities for resources are performed within funds established based upon the activities and purposes for which the resources are to be used. A separate group of self-balancing accounts is used for each fund; however, in the accompanying financial statements, funds of similar characteristics and purposes have been combined and reported upon as a group of funds.

Within each group of funds, fund balances restricted by outside sources have been identified. Externally restricted funds may only be utilized in accordance with the restrictions placed upon the resources by the external source. Restricted current fund revenues, principally grants and contracts, recognized as the related expenditures were incurred were \$19,752,878 in 2001 and \$18,221,890 in 2000.

Fund group classifications consist of the following:

Current Funds are used primarily for current operating expenditures incurred in performing the primary and support objectives of the University, i.e., instruction, research, public service, and activities to support these functions. The Current Funds group has two basic subgroups, unrestricted and restricted.

UNIVERSITY OF NORTHERN COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

Student Loan Funds consist of loans to students and the resources available for such purposes.

Endowment Funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. Term endowment funds are similar to Endowment Funds except that upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended. While quasi-endowment funds have been established by the governing board for the same purposes as Endowment Funds, any portion of quasi-endowment funds may be expended. Endowment Funds are administered by the University of Northern Colorado Foundation, Inc. (Note 6).

Plant Funds consist of three self-balancing subgroups. Unexpended Plant Funds are used for the acquisition of long-lived assets for institutional purposes and includes funds for Renewal and Replacement which are set aside for the renewal and replacement of institutional properties. Retirement of Indebtedness Funds are those set aside for debt service charges and the retirement of indebtedness on institutional properties. Investment in Plant includes all long-lived assets of the University.

Agency Funds include funds held by the University as custodian or fiscal agent for others.

Plant Fund assets are recorded at acquisition cost or, if contributed, at fair market value at the date of the gift. Library books are also recorded at cost. Land, land improvements, leasehold improvements, buildings, and building improvements costing in excess of \$50,000; and equipment costing \$5,000 or more are capitalized if they will benefit a program for more than one year. Equipment purchased from federal sources is capitalized at \$5,000. Depreciation on Plant Fund assets is not recorded. When Current Funds are used to finance plant assets, the amounts so provided are accounted for as 1) expenditures, in the case of new and replacement equipment and library books; 2) mandatory transfers, in the case of required provisions for debt amortization and interest, and equipment renewals and replacement; and 3) as transfers of a non-mandatory nature for all other cases. Construction in progress is recorded in the Unexpended and Investment in Plant Funds. Upon completion of a construction in progress project, costs associated with that project are transferred to the Investment in Plant Fund.

Summer session tuition, instructional revenues, student activity fees, and related direct academic expenditures recorded at June 30 which relate to the current summer session are deferred to the subsequent fiscal year, in which the summer session is predominantly conducted.

Interest on loans to students is accrued once loans reach payment status.

Inventories of merchandise and supplies are stated at the lower of cost (first-in, first-out) or market, except at the University Bookstore where cost is determined utilizing the retail method, average cost basis.

All gains and losses arising from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables, and the like, is accounted for in the fund owning the assets.

All other unrestricted revenue is accounted for in the Unrestricted Current Fund. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropri-

UNIVERSITY OF NORTHERN COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

ate Restricted Funds. Restricted Current Funds are reported as revenues and expenditures when expended for current operating purposes.

Accounts receivable and loans receivable are recorded net of allowances for doubtful accounts and loans. The allowances are based on experience in previous years, and examination of substantial non-current accounts and loans and analysis of the aging of loans.

Reimbursement of indirect costs by sponsors are recorded as revenue of the Current Unrestricted Funds.

Total columns on the Combined Balance Sheets are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. CASH ON HAND AND IN BANKS

At June 30, 2001, the University had \$27,233,989 on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

At June 30, 2001, the University had \$40,354 cash on hand and the carrying amount of the University's deposits in banks was \$124,527 and the bank balance was \$3,369,940. Of this bank balance, the entire amount was collateralized by the institution's agent in the institution's name or was covered by collateral held in the pledging institution's trust department in the name of the public deposit pool, as required by the Public Deposit Protection Act. No monies were uninsured or uncollateralized. The statutes of the State of Colorado authorize agencies of the State to invest in certificates of deposit, money market certificates, bonds or other interest-bearing obligations of the United States, state, county and school district bonds, and state, county and municipal warrants.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102 percent of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages, and deeds of trust.

The University deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The University reports its share of the Treasurer's unrealized gains or losses based on its participation in the State Treasurer's pool. All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2001. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. The unrealized gains or losses included in "Investment Income" reflect only the change in fair value during the current fiscal year. Additional information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

Cash/investments with custodian of \$1,422,858 at June 30, 2001 includes U.S. Treasury securities with a cost basis of \$606,216 and market value of \$612,024. The maturity dates range from June 30, 2001 through August 5, 2004 with a yield from 5.205 percent to 7.125 percent.

UNIVERSITY OF NORTHERN COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

In 1997, the University entered into a tri-party repurchase agreement with Merrill Lynch and Chase Manhattan Bank to invest the proceeds of the Auxiliary Facilities System Revenue Improvement Bonds, Series 1997. The balance at June 30, 2001 was \$0.

3. ACCOUNTS AND LOAN RECEIVABLES

Accounts and loans receivable and related allowance for doubtful accounts at June 30, 2001 and 2000 are as follows:

	June 30,	
	2001	2000
Accounts receivable - tuition, fees, and services, net:		
Current funds:		
Unrestricted (less allowance of \$1,200,227 and \$1,325,842)	\$ 3,736,056	\$ 3,469,556
Loan funds (less allowance of \$7,418 and \$6,173)	17,183	12,662
Unexpended Plant fund	6,900	480
Agency (less allowance of \$45 and \$1,150)	<u>74,792</u>	<u>110,740</u>
Total accounts receivable -tuition, fees, services , net	<u>\$ 3,834,931</u>	<u>\$ 3,593,438</u>
Accounts receivable - intergovernmental:		
Current funds:		
Restricted	\$ 192,071	\$ 209,494
Loan funds	<u>195,520</u>	<u>181,786</u>
Total accounts receivable - intergovernmental	<u>\$ 387,591</u>	<u>\$ 391,280</u>
Accounts receivable - other:		
Current funds:		
Restricted	\$ 593,950	\$ 572,275
Plant funds:		
Unexpended	<u>461,074</u>	<u>64,481</u>
Total accounts receivable - other	<u>\$ 1,055,024</u>	<u>\$ 636,756</u>
Loans receivable:		
Loan funds (less allowance of \$1,145,095 and \$1,143,025)	<u>\$ 8,183,615</u>	<u>\$ 8,191,594</u>

UNIVERSITY OF NORTHERN COLORADO
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2001

4. CAPITAL LEASES

The University leases various equipment under agreements that are accounted for as capital leases. Accordingly, the assets and liabilities are recorded at amounts equal to the lesser of the present values of the minimum lease payments or the fair value of the leased property at the beginning of the respective lease terms. Interest expense related to the lease liabilities is recorded to effect a constant rate of interest over the term of the leases.

The retirement of principal and the interest expense on capital leases are recorded in the Retirement of Indebtedness Fund. The funding for these leases is from the Current Unrestricted Funds through the use of mandatory transfers for principal and interest into the Retirement of Indebtedness Fund.

These agreements provide that any obligations payable after the current fiscal year are contingent upon funds for that purpose being available.

The gross amount of equipment under capital leases at June 30, 2001 is \$2,162,924.

Future minimum lease payments as of June 30, 2001 are as follows:

<u>Year Ending June 30</u>	<u>Total Minimum Lease Payments</u>	<u>Implicit Interest and Executory Costs</u>	<u>Payments on Principal</u>
2002	\$ 446,564	\$ 27,440	\$ 419,124
2003	19,913	4,439	15,474
2004	21,035	3,106	17,929
2005	13,469	1,505	11,964
2006	6,734	230	6,504
Total capital lease obligation	<u>\$ 507,715</u>	<u>\$ 36,720</u>	<u>\$ 470,995</u>

5. OPERATING LEASES

The University leases property and equipment under operating leases expiring in various years through 2007.

Future minimum lease payments under noncancelable operating leases as of June 30, 2001 are as follows:

2002	\$ 128,122
2003	60,609
2004	53,118
2005	46,801
2006	38,559
2007	20,611
Total minimum lease payments	<u>\$ 347,820</u>

Rental expense under these agreements for the year ended June 30, 2001 was \$186,667. Of this amount, \$69,647 was paid to the State of Colorado.

UNIVERSITY OF NORTHERN COLORADO
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2001

6. UNIVERSITY OF NORTHERN COLORADO FOUNDATION, INC.

The University of Northern Colorado Foundation, Inc. (the Foundation), a not-for-profit corporation incorporated under Article 40, Title 7, of the Colorado Revised Statutes of 1973, was established in February 1966 to promote the welfare, development, growth and well-being of the University of Northern Colorado and also to permit the Foundation to engage in such activities as may be beyond the scope of the Trustees of the University. The Foundation is, in addition, concerned and involved in the affairs of the community.

The voting members of the Foundation Board of Directors are composed of groups of individuals, none of whom are members of the faculty or staff of the University. New Board members are selected by a vote of the existing Board. Members cannot be reelected to successive terms.

The condensed audited financial statements of the Foundation for the year ended June 30, 2001 are summarized as follows:

Statement of Financial Position		Statement of Activities		
		Unrestricted	Temporarily Restricted	Permanently Restricted
Total Assets	<u>\$92,753,039</u>	Total Revenues	<u>\$10,217,609</u>	<u>\$6,452,689</u>
Total Liabilities	\$ 2,468,219	Total Expenses	<u>\$10,381,886</u>	<u>\$15,510,283</u>
Total Net Assets	<u>\$90,284,820</u>		<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$92,753,039</u>			

These financial statements are not combined with the financial statements of the University.

UNIVERSITY OF NORTHERN COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

7. BONDS PAYABLE

Bonds Payable consist of the following at June 30, 2001:

\$17,500,000, April 1, 1994, Auxiliary Facilities System Revenue Refunding and Improvement Bonds; serial bonds due in varying installments through June 1, 2008, interest at 3.40% - 6.00%		
Outstanding bond principal		\$ 4,380,000
Less unamortized discount		<u>(40,596)</u>
Bonds payable less unamortized discounts		\$ 4,339,404
\$30,655,000, May 1, 1997, Auxiliary Facilities System Revenue Bonds; serial bonds due in varying installments through June 1, 2024, interest 4.1% - 5.6%		
Outstanding bond principal		\$28,295,000
Less unamortized discount		<u>(368,846)</u>
Bonds payable less unamortized discount		\$ 27,926,154
\$10,630,000, April 1, 1998, Auxiliary Facilities System Revenue Refunding Bonds; serial bonds due in varying installments through June 1, 2024, interest at 3.50% - 6.00%		
Outstanding bond principal		\$10,265,000
Less unamortized discount		<u>(132,356)</u>
Bonds payable less unamortized discount		\$ <u>10,132,644</u>
TOTAL Bonds payable less unamortized discount		\$ <u><u>42,398,202</u></u>

The annual requirements to amortize these bonds as of June, 30, 2001 are as follows:

Year Ending June 30	Principal	Interest	Total
2002	\$ 1,360,000	\$ 2,290,513	\$ 3,650,513
2003	1,430,000	2,223,232	3,653,232
2004	1,495,000	2,150,902	3,645,902
2005	1,580,000	2,074,502	3,654,502
2006	1,660,000	1,992,928	3,652,928
2007-2011	9,540,000	8,552,529	18,092,529
2012-2016	7,920,000	6,238,969	14,158,969
2017-2021	10,310,000	3,839,281	14,149,281
2022-2024	<u>7,645,000</u>	<u>850,120</u>	<u>8,495,120</u>
Total	\$ <u><u>42,940,000</u></u>	\$ <u><u>30,212,976</u></u>	\$ <u><u>73,152,976</u></u>

UNIVERSITY OF NORTHERN COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

In August 1986, the Board of Trustees of the University of Northern Colorado in-substance defeased the Colorado State College Housing System Revenue Bonds of 1966 and the University of Northern Colorado Facilities Revenue Bonds, Series 1972 by placing a portion of the proceeds of the Auxiliary System Refunding and Construction Revenue Bonds, Series 1986 in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the in-substance defeased bonds are not included in the University’s financial statements. At June 30, 2001, \$2,335,000 of these outstanding bonds are considered in-substance defeased.

In April 1995, the Board of Trustees of the University of Northern Colorado in-substance defeased the Auxiliary Facilities System Refunding and Construction Revenue Bonds, Series 1986 by placing a portion of the proceeds of the Auxiliary Facilities System Refunding and Improvement Bonds, Series 1994 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. Bonds have been redeemed.

In April 1998, the Board of Trustees of the University of Northern Colorado in-substance defeased a portion of the Auxiliary Facilities System Refunding and Improvement Bonds, Series 1994 by placing a portion of the proceeds of the Auxiliary Facilities System Refunding Revenue Bonds, Series 1998A 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, 2001, \$9,300,000 of these outstanding bonds are considered in-substance defeased.

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

The University is required to maintain compliance with certain provisions and covenants contained in the outstanding bond agreements.

The following is a summary of required reserves:

	Required Reserve	June 30, 2001 Reserve
Renewal and replacement funds	\$ 750,000	\$ 750,000

8. COMPENSATED ABSENCES

University employees accrue annual and sick leave based on length of service and may accumulate it subject to certain limitations regarding the amount which will be paid upon termination. The estimated liability related to compensated absences for which employees are vested at June 30, 2001 and 2000 is \$2,676,261 and \$2,764,451 respectively. Current 2001 expenses include (\$88,190) for the decrease in the estimated compensated absence liability.

The portion of the Current Unrestricted Funds compensated absence liability relating to the Current Restricted Funds and Agency Funds was estimated as \$127,037 and \$205,734 at June 30, 2001 and 2000, respectively.

UNIVERSITY OF NORTHERN COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

The recording of the liability for compensated absences results in fund balance deficits which will be funded by State appropriation, federal funds or other sources available in future years, when the liability is paid.

9. PENSION PLANS

University of Northern Colorado employees participate in a Public Employees Retirement Association Plan or an Optional Retirement Plan.

Public Employee Retirement Association:

Plan Description

Many of the institution's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employee's Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require legislation by the General Assembly. The state plan, as well as the other divisions' plans, are included in PERA's financial statements which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203.

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

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

Funding Policy

Most employees contribute 8.0 percent (10.0 percent for state troopers) of their gross covered wages to an individual account in the plan.

During FY00-01, the state contributed 10.4 percent (13.1 percent for state troopers and 14.0 percent for the Judicial Branch) of the employee's gross covered wages which was allocated by PERA before January 1, 2001 as follows:

UNIVERSITY OF NORTHERN COLORADO
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- 1.1 percent was allocated to the Health Care Trust Fund.
- 9.3 percent was allocated to the defined benefit plan.

After January 1, 2001, the state contribution was allocated to three separate programs by PERA according to a statutory change in funding policy:

- 1.42 percent was allocated to the Health Care Trust Fund.
- The amount needed to meet the match requirement established by the PERA Board was allocated to the Matchmaker program (See Note 10 below).
- The balance remaining after allocations to the Matchmaker program and the Health Care Trust Fund was allocated to the defined benefit plan.

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

The institution's contributions to the three programs described above for the fiscal years ending June 30, 2001, 2000, and 1999 were \$3,407,464, \$4,007,698 and \$3,793,782 respectively. These contributions met the contribution requirement for each year.

Optional Retirement Plan:

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

The ORP is a defined contribution plan with three vendors, Copeland Companies, TIAA-CREF, and VALIC, providing a range of investment accounts for participants. For 2000-2001, the employees contributed 8 percent and the University contributed 11.5 percent. The University's contribution to the ORP for the year ended June 30, 2001 was \$2,750,174. 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.

10. TAX-DEFERRED VOLUNTARY RETIREMENT PLANS

Beginning on January 1, 2001, the Matchmaker Program established a state match for PERA member's voluntary contributions to tax-deferred retirement plans. The match was 100 percent of up to 3 percent of the employee's gross covered wages paid during the month (7 percent for judges in the Judicial

UNIVERSITY OF NORTHERN COLORADO
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Branch). The PERA Board sets the level of the match annually - based on the actuarial funding of the defined benefit pension plan. Two percent of gross salary plus fifty percent of any reduction in the overall contribution rate due to overfunding of the pension plan was available for the match. PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. The state offers a 457 deferred compensation plan and certain agencies and institutions of the state offer a 403b plan. Members who contribute to any of these plans also receive the state match.

11. POST RETIREMENT 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. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During FY00-01, the premium subsidy was \$115.00 for those with 20 years of service credit (\$230.00 for members under age 65), and it was reduced by 5 percent for each year of service fewer than 20. Medicare eligibility also affects the premium subsidy.

The Health Care Trust Fund is maintained by an employer's contribution as discussed above in Note 9B.

Monthly premium costs for participants depend on the health care plan selected, the number of persons being covered, Medicare eligibility, and the number of years of service credit a retiree has. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans, and with health maintenance organizations providing services within Colorado. As of December 31, 1999 there were 31,266 participants, including spouses and dependents, from all contributors to the plan.

Life Insurance Program

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

12. CONTROLLED MAINTENANCE PROJECTS

The Colorado Department of Personnel dba General Support Services agency makes expenditures on behalf of the University for various controlled maintenance projects. There were no completed controlled maintenance projects added to the Investment in Plant for the University for the year ended June 30, 2001.

13. CAPITAL CONSTRUCTION STATE APPROPRIATIONS

Capital Construction State Appropriations are recognized in the Unexpended Plant Funds only to the extent of current expenditures of \$7,665,982. At June 30, 2001, there were unexpended Capital Construction State Appropriations of \$31,795,591.

UNIVERSITY OF NORTHERN COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

14. COGENERATION PROJECT

The University has a contract with Thermo Power and Electric (T.P. & E.) of Denver, Colorado, whereby a cogeneration facility was built on University land but the developer funded all project, construction and operating costs. The cost to build the facility was approximately \$55 million. Since this is a third-party owned and operated facility, there is no cost to the University. As a by-product to the generation of electricity, which T.P. & E. sells to wholesale suppliers, the University receives high temperature hot water for heating and cooling of University buildings. The system has been operational since October of 1989. Since utility costs were reduced as a result of this nonmonetary transaction, the financial statements have been adjusted to reflect lease revenue and a corresponding increase to utilities expense of \$832,311 in the Current Unrestricted Fund.

**15. CUSTODIAL AGREEMENT WITH THE UNIVERSITY OF NORTHERN COLORADO
FOUNDATION, INC.**

On December 14, 1987, the Board of Trustees for the University of Northern Colorado (the Board) signed a Custodial Agreement with the University of Northern Colorado Foundation, Inc. (the Foundation) to have the Foundation receive, manage and administer gifts and donations on behalf of the Board. During fiscal years 1988 and 1989, the Board transferred the custody of the assets, which met the guidelines of the Custodial Agreement, to the Foundation. The ownership of the assets remains with the Board. All investment regulations applicable to the Board must be followed by the Foundation. The total assets in the custody of the Foundation at June 30, 2001 are \$687,254. During fiscal year 2001, the Board paid an administrative fee of \$6,756 to the Foundation.

16. COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2001, the University has construction commitments of \$4,473,225 for campus roof replacement, Ross Hall addition/renovation, high voltage cable replacement, back flow prevention, Butler-Hancock system replacement, exterior building systems repair, Guggenheim Arts Annex, replace campus stairs and walkways, and smart classrooms.

The University began construction of a Residence Hall, Health and Counseling Center, and Women's Resource Center with an estimated cost of \$38,882,380. As of June 30, 2001, the University had remaining commitments of approximately \$710,761. This project is being financed by the proceeds from the 1997 Auxiliary Facilities System Revenue Bonds (Note 7).

The University receives significant financial assistance from numerous federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Current Restricted Funds or other applicable funds. However, in the opinion of the administration, any such disallowed claims will not have a material adverse effect on any of the financial statements of the fund type included herein or on the overall financial position of the University at June 30, 2001.

UNIVERSITY OF NORTHERN COLORADO
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The University is a defendant in several lawsuits including various claims related to its normal operations. The University believes that final settlement of matters not covered by insurance will not materially affect its financial condition.

The State of Colorado, including the University, is self-insured in regard to its general and automobile liability exposures. The University also participates in a State commercial insurance policy covering loss or damage to University buildings and contents. In the year ending June 30, 2001, the University paid approximately \$569,519 to participate in these programs. Liability of State higher education institutions is limited by the Colorado Governmental Immunity Act.

17. LEGISLATIVE APPROPRIATIONS

Appropriated Funds

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

For the year ended June 30, 2001, appropriated expenditures were within the authorized spending authority. The University had a total appropriation of \$78,809,057. Actual appropriated revenues earned totaled \$77,463,538. Actual appropriated expenditures and transfers totaled \$75,941,864. The net increase in appropriated fund balance was \$1,521,674.

Non-Appropriated Funds

All other revenues and expenditures reported by the University represents non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues and other revenue sources.

Financial Statement Presentation

The accompanying financial statements contain revenues and expenditures from both appropriated and non-appropriated funds. Appropriated and non-appropriated revenues and expenditures are included in each group based upon the principles of fund accounting.

18. SUBSEQUENT EVENTS

Laboratory School

Effective July 1, 2001, the Board of Trustees of the University of Northern Colorado relinquished the Laboratory School charter. A group of parents and supporters of the Laboratory School has obtained a charter independent of the University. According to the University's transition plan, the school can retain any fund balances realized by operating at costs below the schools revenue. Thus, during fiscal year 2001, the Laboratory School paid \$150,000 to this group to begin operations. The remainder of the Laboratory School fund balances at June 30, 2001 was relinquished to this group in August, 2001.

UNIVERSITY OF NORTHERN COLORADO
NOTES TO FINANCIAL STATEMENTS
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The University will lease facilities to the Laboratory School for the 2001-2002 academic year for \$150,000 with an option to renew for 2002-2003 for approximately \$15 per square foot. Certain equipment and furnishings will remain with the group at the conclusion of the lease.

KUNC

A Purchase and Sale Agreement dated April 2, 2001 for the sale of KUNC FM license and other assets, was executed by and between the Board of Trustees of the University of Northern Colorado and Community Radio for Northern Colorado, a Colorado nonprofit corporation, for a total price of \$1,405,000. The closing was held on August 2, 2001 and all documents were executed and delivered.

University Bookstore

Effective July 12, 2001, the Board of Trustees of the University of Northern Colorado entered into an agreement with Barnes & Noble for the purpose of providing exclusive contracted bookstore management services to the existing University Bookstore. The term of the agreement is renewable annually for one-year terms for the five-year period ending June 30, 2006. The University may terminate the agreement, without cause, by providing ninety days' written notice to Barnes & Noble. During each agreement year, Barnes & Noble will pay the University a guaranteed annual minimum payment of \$525,000 or the applicable percentage of net sales whichever is greater.

Auxiliary System Revenue Refunding and Improvement Bonds, Series 2001

On July 24, 2001, A. G. Edwards & Sons, Inc. underwrote the \$50,000,000 Auxiliary System Revenue Refunding and Improvement Bonds, Series 2001, from the Board of Trustees of the University of Northern Colorado for a closing price of \$49,258,981. Funds totaling \$19,669,348 will be used for West Campus dining improvements, parking facility projects and other auxiliary improvements. The remaining funds of \$29,589,633 will be used to advance refund the Series 1997 Bonds.

Guarantee Agreement

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

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of 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, a component unit of the State of Colorado as of and for the year ended June 30, 2001, and have issued our report thereon dated September 27, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

This report is intended for the information of the board of trustees and management of the University of Northern Colorado, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

September 27, 2001

1001 Ninth Avenue
Greeley, Colorado 80631-4046

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Website: www.awhitney.com

Members of the Legislative Audit Committee

We have audited the financial statements of University of Northern Colorado for the year ended June 30, 2001, and have issued our report thereon dated September 27, 2001. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control of the University of Northern Colorado. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

[REDACTED] of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the University of Northern Colorado's compliance with certain laws, regulations, contracts, and grants. However, the objective of our tests was not to provide any assurance on compliance with such provisions.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for selection and use of appropriate accounting policies. The significant policies used by University of Northern Colorado are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the institution during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

of the University of Northern Colorado, as of June 30, 2000, and changes in fund balances for the year. The reliability of the University's financial statements based on

auditing standards and the *Auditing Standards* issued by the Institute of Certified Public Accountants that we plan and perform our audit so that the financial statements are free of material misstatement. We obtain evidence supporting the

ACCOUNTING ESTIMATES

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

The process used by management in formulating the allowance for doubtful receivables is based on estimated loss percentages applied to aged accounts and loans receivable. The process used to formulate compensated absences is based on an estimate of employees that will be eligible in the future to receive payment for accumulated sick leave multiplied by current average pay rates. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.



This information is intended solely for the use of the legislative audit committee and is not intended and should not be used by any others than these specified parties.

September 27, 2001

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS



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Independent Auditors' Report

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 of the University of Northern Colorado, a component unit of the State of Colorado for the year ended June 30, 2001. This financial statement is the responsibility of the University's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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



As described in Note 1, this financial statement was prepared in conformity with the accounting principles prescribed or permitted by the Colorado Commission on Higher Education, which is a comprehensive accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial 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, 2001 on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the board of trustees and management of the University of Northern Colorado, and for filing with the Colorado Commission on Higher Education and is not intended and should not be used by anyone other than these specified parties.

September 27, 2001

of the University of Northern
Colorado, as of June 30, 2000, and
changes in fund balances for the
responsibility of the University's
financial statements based on

MEMBERS OF
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
SEC AND PRIVATE COMPANIES PRACTICE SECTIONS — AICPA DIVISION FOR CPA FIRMS
ACCOUNTING FIRMS ASSOCIATED, INC.

auditing standards and the
Auditing Standards issued by
that we plan and perform
financial statements are free of
evidence supporting the

UNIVERSITY OF NORTHERN COLORADO
 STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND
 REVERSIONS OF THE STATE FUNDED STUDENT ASSISTANCE PROGRAMS
 YEAR ENDED JUNE 30, 2001

	CLEAP	SLEAP	Student Grant Program	Colorado Graduate Grant	Work Study Program	Graduate Fellowship Program
Appropriations:						
Original	\$ 139,511	\$ 20,622	\$ 1,500,912	\$ 120,000	\$ 926,480	\$ 70,000
Adjustments					15,000	
Transfers						5,000
Total	139,511	20,622	1,500,912	120,000	941,480	75,000
Expenditures	(139,511)	(20,622)	(1,500,912)	(120,000)	(941,480)	(75,000)
Reversions to State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

See accompanying notes to financial statements.

UNIVERSITY OF NORTHERN COLORADO
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2001

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 National Association of College and University Business Officers in the revised publication *Financial Accounting and Reporting Manual for Higher Education*, as supplemented by the American Institute of Certified Public Accountants' industry audit guide *Audits of Colleges and Universities*. Financial Statement presentation and other accounting criteria are included in the *Colorado Handbook for State-Funded Student Assistance Programs*.

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 generally accepted accounting principles primarily because appropriations are presented instead of revenue and because assets, liabilities, and fund balance are not included in the financial statement.

Loan Matching	Governor's Opportunity Scholarship	Under Graduate Merit	Athletic Grant Program	Diversity Grants	Part-Time Student Grant	Colorado Nursing Grant	Total State Funded Student Assistance
\$ 3,483 1,665	\$ 717,600	\$ 625,111 (5,000)	\$ 180,075	\$ 525,000	\$ 17,000	\$ 16,698	\$ 4,862,492 16,665
5,148	717,600	620,111	180,075	525,000	17,000	16,698	4,879,157
(5,148)	(655,317)	(620,111)	(180,075)	(525,000)	(17,000)	(15,307)	(4,815,483)
<u>\$ 0</u>	<u>\$ 62,283</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,391</u>	<u>\$ 63,674</u>

2. DESCRIPTION OF PROGRAMS

In addition to the student assistance awards made during the period, the University of Northern Colorado obtained authorizations to award federal student financial aid of \$3,735,647 in the Pell Grant Program, \$258,361 in the Supplemental Educational Opportunity Grant Program, \$474,591 in the College Work-Study Program, and \$4,500 in the Robert C. Byrd Scholarship. Federal capital contributions of \$15,444 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.

3. STUDENT INCENTIVE GRANTS

Student Incentive Grants consist of \$118,381 state funds and \$41,752 of federal funds. The amount shown is the combined total.

Independent Auditors' Report on Internal Controls

Members of the Legislative Audit Committee

We have audited the statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs of the University of Northern Colorado, a component unit of the State of Colorado for the year ended June 30, 2001, and have issued our report thereon dated September 27, 2001.

We conducted our audit in accordance with auditing standards generally accepted in the United States and *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 statement is free of material misstatement.

In planning and performing our audit of the statement of appropriations, expenditures, and reversions of the State-Funded Student Assistance Programs of the University of Northern Colorado for the year ended June 30, 2001, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control structure.

The management of the University of Northern Colorado is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

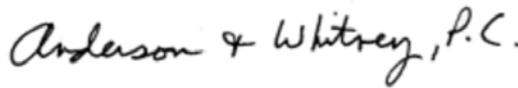
For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Receipt and Disbursement of Funds
- Eligibility of Recipients and Award Amounts
- Reports to the Colorado Commission on Higher Education

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the University of Northern Colorado, and for the use of the University. It is not intended to be and should not be used by



management of the University of Northern Colorado, and is not intended to be used for any other purpose.

September 27, 2001