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**STATE OF COLORADO
UNIVERSITY OF NORTHERN COLORADO**

**REPORT SUMMARY
Year Ended June 30, 2002**

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, 2002. 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 2002.

The purpose and scope of these audits were to:

- Express an opinion on the financial statements of the University as of and for the year ended June 30, 2002. 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 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, 2002.
- Evaluate progress in implementing prior audit findings and recommendations.
- Perform certain agreed-upon procedures regarding the records and internal control related to the University's Intercollegiate Athletics program and the statements and records of outside organizations' expenditures for or on behalf of the University's Intercollegiate Athletics program. These procedures were performed to assist the University in complying with the provisions of the National Collegiate Athletic Association (NCAA) Bylaws.

**STATE OF COLORADO
UNIVERSITY OF NORTHERN COLORADO**

**REPORT SUMMARY - Continued
Year Ended June 30, 2002**

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, 2002.

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, 2002, Statewide Single Audit Report issued under separate cover.

We issued a report detailing our performance of agreed-upon procedures related to the University's Intercollegiate Athletic Program in accordance with NCAA guidelines. Our report disclosed no exceptions as the result of our procedures.

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 \$85,569 in the Accounts Receivable - Other.

SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS

This report contains two recommendations. The recommendations address matters regarding equipment disposals, auxiliary contracts and receivables cutoff.

Document management authorization in writing for equipment donations.

Review auxiliary contracts and receivables at year end to properly record revenue.

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 the recommendations.

SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

The audit report for the year ended June 30, 2001 included three recommendations. These recommendations were all implemented.

**STATE OF COLORADO
UNIVERSITY OF NORTHERN COLORADO**

**RECOMMENDATION LOCATOR
Year Ended June 30, 2002**

Record Number	Page Number	Recommendation Summary	Agency Response	Implementation Date
<u>FINANCIAL STATEMENT RECOMMENDATIONS</u>				
1.	7	Obtain and document authorization for all equipment disposals, including donations to other organizations.	Agree	December 2002
2.	8	Review auxiliary services contracts at year-end to properly record receivables and revenue and ensure payments are posted to the appropriate accounts.	Agree	October 2002



ORGANIZATION AND FUNCTION OF THE UNIVERSITY

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
2002	9,088	1,240	10,328
2001	9,041	1,268	10,295
2000	8,990	1,305	9,917

Full-time employees were:

	Faculty	Staff	Total
2002	427	661	1,088
2001	486	688	1,174
2000	476	674	1,150

FINDINGS AND RECOMMENDATIONS

**STATE OF COLORADO
UNIVERSITY OF NORTHERN COLORADO**

**AUDITORS' FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2002**

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

DOCUMENT AUTHORIZATION FOR EQUIPMENT DISPOSALS

Our audit included tests of controls over the disposal of equipment and vehicles owned by the University. As of June 30, 2002, the University's equipment and vehicles totalled \$11,130,517.

The University has written property control procedures for equipment and vehicles, including various forms to document sales, trade-ins, surplus property, etc. However, these forms are not required to be used and the University receives a variety of communications on equipment disposals. If appropriate forms are not used, there is a risk that assets will be disposed of without proper authorization.

Our audit included tests of all significant equipment deletions. In May 2002, the University donated a van to a nonprofit organization that works with at-risk students in Colorado and New Mexico and is directed by a University professor. The van had a recorded cost of \$32,450 and a depreciated book value of \$21,633 when it was donated to the nonprofit organization. The van had been donated to a University program through the Qwest Foundation in December 2000. The Qwest Foundation later reduced funding of the program and the van was no longer needed by the University.

The director of the University program and the University plant fund accountant discussed disposing of the van by donation, but the equipment surplus form or other documentation authorizing the donation was not prepared.

Recommendation No. 1

The University should require the use of the standard forms for all equipment disposals, including donations to other organizations in order to document the authorization for the disposal.

University of Northern Colorado Response:

Agree - The University will require documentation for all equipment disposals including donations. (To be implemented, December 2002).

REVIEW AUXILIARY CONTRACTS AND RECEIVABLES

All University revenue should be accrued at year-end and receivables recognized to the extent earned revenue has not been collected. To record the proper receivables at year-end, the University's general accounting office distributes written instructions, including forms for detailing accounts receivable.

**STATE OF COLORADO
UNIVERSITY OF NORTHERN COLORADO**

**AUDITORS' FINDINGS AND RECOMMENDATIONS – Continued
Year Ended June 30, 2002**

The University entered into a contract in July 2001 with Barnes and Noble to operate the University bookstore. The contract guaranteed the University payments of \$525,000 or a percentage of net sales, whichever was greater. The total commissions on reported sales of \$4,332,454 were \$465,739. At June 30, 2002, Barnes and Noble owed the University \$85,569 (the remaining balance of the guaranteed \$525,000). However, this receivable was not reported by Auxiliary Services to the general accounting office at year-end, which understated assets and revenue by \$85,569.

In addition, through audit tests of the transactions with Barnes and Noble, we noted that the final payment on the remaining balance of the guaranteed \$525,000 was received by Auxiliary Services in August 2002 and was inadvertently deposited with the UNC Foundation. Upon discussion of this situation during the audit, the funds were returned to the University in September 2002.

Recommendation No. 2

The University should review auxiliary services contracts at year-end to ensure all receivables and revenue are properly recorded at fiscal year-end. In addition, the University should ensure that all payments received are posted to the appropriate accounts.

University of Northern Colorado Response:

Agree - The University will review auxiliary services contracts and attend to the deposit of funds in the appropriate accounts. (To be implemented, October 2002).

**STATE OF COLORADO
UNIVERSITY OF NORTHERN COLORADO**

**DISPOSITION OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2002**

The following is a summary of the prior year audit recommendations and their disposition as of June 30, 2002:

<u>Record No.</u>	<u>Finding</u>	<u>Disposition</u>
1.	Continue to refine Human Resources and Payroll processes.	Implemented
2.	Review allowance for doubtful accounts calculation.	Implemented
3.	Change Perkins Loan grace period.	Implemented

**MANAGEMENT DISCUSSION AND ANALYSIS,
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002,
AND INDEPENDENT AUDITORS' REPORTS**



MANAGEMENT DISCUSSION AND ANALYSIS

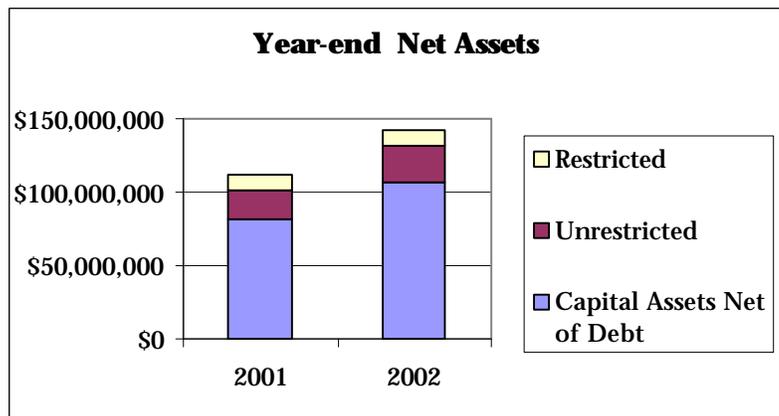
Overview

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement Number 34 followed by Statement Number 35 in November 1999. Together these statements require comprehensive changes to financial reporting for public colleges and universities. The standards were first applied in Colorado to financial statements for the fiscal year ending June 30, 2002 and result in statements that focus on the financial condition and results of operation for the University as whole. In prior years the emphasis was accounting for transactions through particular funds.

The new statements are comprised of: the Statement of Net Assets; the Statement of Revenue, Expenses and Changes in Net Assets; and the Statement of Cash Flows. In addition, the University of Northern Colorado's (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" and is prepared by UNC management. Because this is the initial year for the new reporting standards, the discussion is limited to fiscal year 2002 results. In future reports, comparisons with the prior year will be made to enhance the value of the analysis.

The Statement of Net Assets and the Statement of Revenue, Expenses and Changes in Net Assets report the University's *net assets* and changes in them. You can think of the University's *net assets* - the difference between assets and liabilities - as one way to measure the University's financial health, or *financial position*. Over time, *increases or decreases* in the University's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider many other nonfinancial factors to assess the *overall health* of the University. Another way to assess the *financial health* of an institution is to look at the Statement of Cash flows. Its primary purpose is to provide relevant information about the *cash* receipts and *cash* payments of an entity during a period.

This report presents the financial results of the University of Northern Colorado, a public comprehensive baccalaureate and specialized graduate research university. It incorporates the activities of the Student Media Corporation and the Alumni Association, blended component units (additional detail in Note 1).



Financial Highlights

The net assets of the University of Northern Colorado increased by \$30.4 million to \$142.5 million during the fiscal year ended June 30, 2002. The largest part of this increase (\$24.9 million) is in net capital assets.

Selected financial highlights for the fiscal year ended June 30, 2002 include:

- University assets total \$221.8 million with liabilities of \$79.3 million resulting in net assets of \$142.5 million.
- Capital assets of \$148.6 million comprise 67% of University assets.
- Total revenue was \$156.8 million including \$80.7 million of Operating Revenue and \$42.3 million in State Appropriation.
- Operating Expenses total \$124.1 million including \$84.5 million in personnel costs.



MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Net Assets

The Statement of Net Assets is a financial snapshot of the University of Northern Colorado at June 30, 2002. It presents the fiscal resources of the university (assets), the claims against those resources (liabilities) and the residual available for future operations (net assets). Assets and liabilities are classified by liquidity as either current or non-current. Net assets are classified by the ways in which they may be used for future operations.

University of Northern Colorado Condensed Statement of Net Assets At June 30, 2002	
Assets	
Current Assets	\$ 44,946,536
Capital	148,633,144
Other Non-current Assets	28,271,291
Total Assets	\$ 221,850,971
Liabilities	
Current Liabilities	\$ 14,407,813
Bonds Payable	60,132,780
Other Non-current Liabilities	4,785,806
Total Liabilities	\$ 79,326,399
Net Assets	
Invested in Capital Assets net of Related Debt	\$ 106,985,329
Restricted - Nonexpendable	381,541
Restricted - Expendable	10,238,897
Unrestricted	24,918,805
Total Net Assets	\$ 142,524,572

Liquid Assets

Unrestricted cash and cash equivalents (\$37.3 million) comprise 16.8% of the University's assets. The current ratio (current assets over current liabilities) is 3:1.

Capital Assets

UNC's single largest fiscal resource is its campus facility. Previously reflected at gross historical cost, public university asset values are now adjusted for depreciation. Capital assets net of \$102,494,579 depreciation total \$148,633,144.

Capital Assets Net of Depreciation		
	<u>June 30, 2002</u>	
Land and Improvements	\$ 11,672,718	7.8%
Buildings	114,970,972	77.4%
Construction In Progress	11,933,113	8.0%
Library Books	6,645,887	4.5%
Equipment	2,567,824	1.7%
Art and Historical Treasures	842,630	0.6%
Total Capital Assets	\$ 148,633,144	100.0%



MANAGEMENT DISCUSSION AND ANALYSIS

Liabilities

The University's commitments of resources include: amounts owed to vendors; leases of equipment; and "deferred revenue", for example, tuition and fee money received by June 30, 2002 but related to instructional services to be provided in fiscal year 2002-2003. Compensated absences or vacation accrued by employees of \$2.7 million is another significant liability. The single largest liability however, is \$63,270,000 in outstanding bond principal.

Long-term Debt

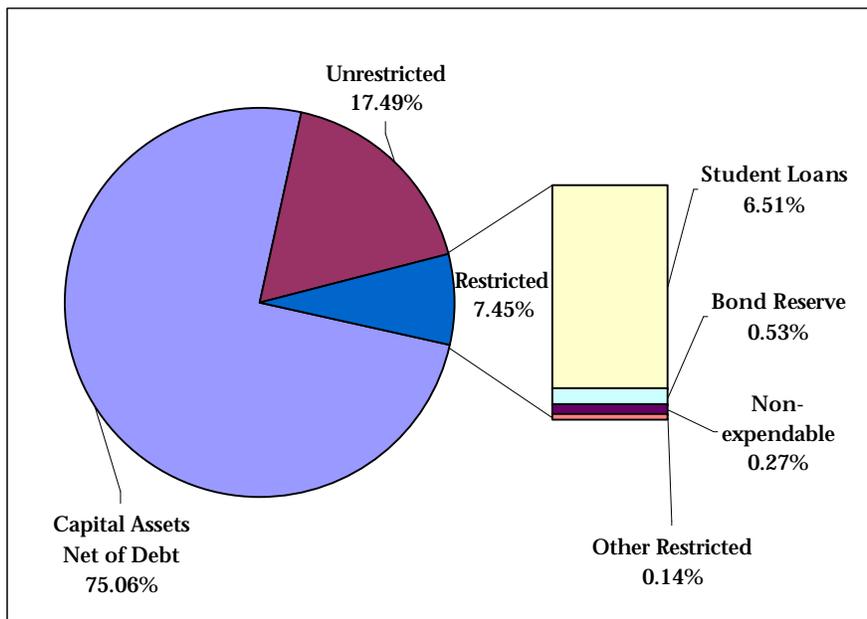
In July 2001 UNC issued bonds totaling \$50,000,000 par. These bonds advance refunded the previously issued 1997 bonds and provided funding for West Campus Dining Improvements, Parking, and additional Auxiliary Facility Improvements. Ratings by Moody's Investor Service and Standard & Poor's, based on insured bonds, were Aaa and AAA respectively. The underlying ratings were A2 and A. Other outstanding bonds include 1994 issuance and the 1998 issuance, both of which were for Auxiliary projects and the refunding of prior bonds. Bond maturities range from 2003 to 2031.

Net Assets

Net assets are the resources available for future operations, that is, assets reduced by liabilities. The University's largest class of assets is its capital assets, and even after consideration of related debt Capital Assets Net of Debt comprise 75% of UNC's net assets.

It is important to recognize that the Unrestricted Net Assets of almost \$25 million include resources that, while "unrestricted" under legal and financial reporting definitions, are in fact dedicated to particular purposes. Most notably, the Unrestricted Net Assets include \$7 million earmarked for other Auxiliary and general campus capital projects. Remaining Unrestricted Net Assets include departmental operating funds; Auxiliary Enterprise working capital; reserves; and the net assets of the Student Media Corporation and Alumni Association.

Capital Assets Net of Debt	106,985,329
Unrestricted	24,918,805
Student Loans	9,284,250
Bond Reserve	750,000
Non-expendable	381,541
Other Restricted	204,647
	\$ 142,524,572





MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the financial activity of the University of Northern Colorado over the fiscal year. The focus is on Operating Revenues and Expenses and it is important to recognize that the new GASB standards require state appropriations to be reported as Non-operating Revenue.

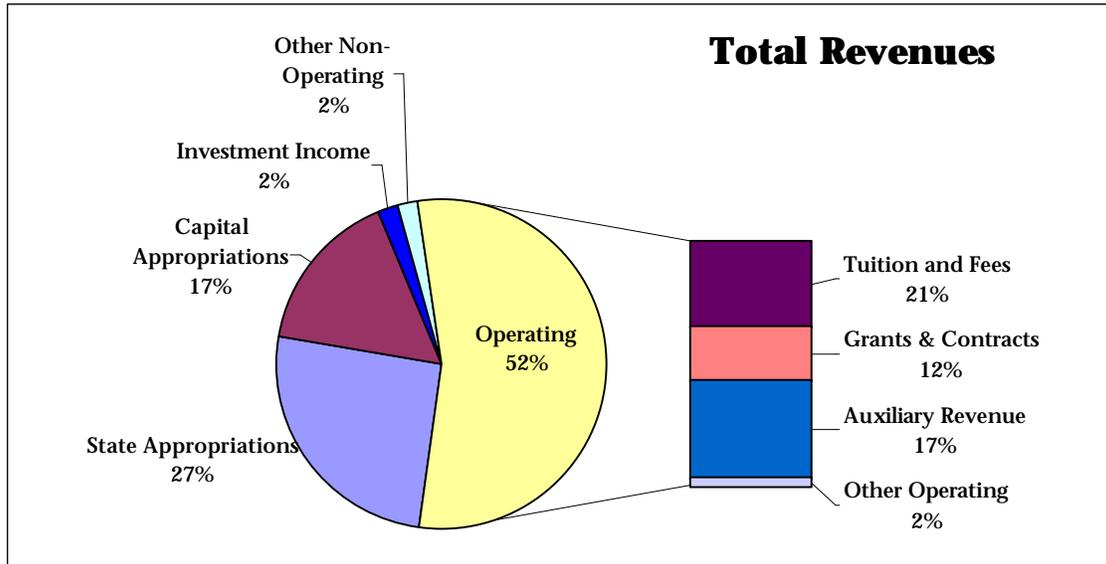
University of Northern Colorado	
Condensed Statement of Revenues, Expenses and Changes in Net Assets	
For the Year Ended June 30, 2002	
Operating Revenues	
Net Tuition and Fees	\$ 32,159,991
Grants and Contracts	19,037,633
Auxiliary	26,346,214
Other	<u>3,159,159</u>
Total Operating Revenues	\$ 80,702,997
Operating Expenses	
Educational and General	\$ 97,506,861
Auxiliary	17,866,440
Depreciation	<u>8,765,627</u>
Total Operating Expenses	\$ <u>124,138,928</u>
Operating Loss	\$ (43,435,931)
Non-operating Revenues	
State Appropriations	\$ 42,352,302
Other	<u>2,845,650</u>
Income Before Other	\$ 1,762,021
Capital Appropriations	\$ 27,372,422
Net Other Items	<u>1,222,932</u>
Increase in Net Assets	\$ 30,357,375
Net Assets- Beginning of Year	<u>112,167,198</u>
Net Assets- End of Year	<u>\$ 142,524,573</u>



MANAGEMENT DISCUSSION AND ANALYSIS

Total Revenues

Revenue from all sources total \$156.8 million with \$80.7 million of that being Operating Revenue and an additional \$42.3 million being UNC's general fund appropriation from the State of Colorado. Capital appropriations to UNC were also significant in fiscal year 2002 totaling \$27.4 million with almost \$20 million for Ross Hall.



Operating Revenues

Operating revenue is derived from Tuition and Fees - \$32,159,991; Auxiliary activity - \$26,346,214; Grants & Contracts - \$19,037,633 and Other - \$3,159,159.

Under the new GASB standards, tuition and fees are now shown net of \$8,117,521 in scholarship allowances. Scholarship allowances are those portions of UNC tuition and fees which are paid by other revenues, primarily federal and state grants for financial aid but also general institutional scholarships. This is one of the significant changes from prior financial reporting standards, which required presentation of the flow of resources through various funds.

Almost 60% of the Operating Grants and Contract revenue is federal and state financial aid. More than half of the non-governmental grants are from the UNC Foundation.

Federal Financial Aid	\$ 5,707,573	30.0%
State Financial Aid	5,209,099	27.4%
Federal Grants	4,974,176	26.1%
State & Local Grants	864,500	4.5%
Non-governmental Grants	2,282,285	12.0%
	\$ 19,037,633	100.0%



MANAGEMENT DISCUSSION AND ANALYSIS

Expenses

Operating Expenses of \$124.1 million comprise the largest part of expenses and other losses which also include \$2,151,900 in interest related to bond financing and \$190,004 in loss on disposal of assets. Historically, expenses have been shown by "function" but the standards now permit presentation either by function or natural classification. Public institutions of higher education in Colorado have elected to continue the functional presentation.

Instruction	\$ 48,052,554	38.7%
Research	2,207,219	1.8%
Public Service	1,395,721	1.1%
Academic Support	12,090,933	9.7%
Student Services	13,582,705	10.9%
Institutional Support	9,048,830	7.3%
Operation of Plant	8,496,155	6.8%
Scholarships & Fellowships	2,632,744	2.1%
Auxiliary operating expenditures	17,866,440	14.4%
Depreciation	8,765,627	7.1%
Total Operating Expenses	\$ 124,138,928	100.0%

From a natural classification perspective, the largest expenditure is for personnel.

Personnel Costs	\$ 84,553,805	68.1%
Cost of Goods Sold	7,525,118	6.0%
Other Operating Expense	23,294,378	18.8%
Depreciation	8,765,627	7.1%
Total Operating Expenses	\$ 124,138,928	100.0%

Statement of Cash Flows

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

UNC has bond proceeds of \$19 million not yet expended for their intended purpose. These bond proceeds plus cash from the sale of the KUNC license (see note 17) and increased reserves contribute to the significant net increase in cash.

Cash Flows Provided / (Used) by:	
Operating Activities	\$ (28,953,657)
Noncapital Financing	42,490,948
Capital and Related Financing	11,831,494
Investing	3,194,407
Net Increase in Cash	\$ 28,563,192
Beginning Cash Balance	28,134,475
Ending Cash Balance	\$ 56,697,667



MANAGEMENT DISCUSSION AND ANALYSIS

Economic Outlook

UNC's financial future depends on many factors. From the resources side student enrollment and support from the State of Colorado are critical. From the expenditure side, the cost of retaining qualified personnel, energy costs and administrative efficiency are important.

The *University Plan 1999-2005* includes a number of enrollment goals and strategies. It is believed that our on-campus enrollment could increase to about 15,000 from the current level. Enrollment over the last few years has been fairly constant. Preliminary results for Fall 2002 suggest similar enrollment levels for fiscal year 2003.

Student Headcount Enrollment

Fiscal Year	On-Campus	Percent Change
2002	13,081	0.6%
2001	13,009	-0.6%
2000	13,083	

Resident FTE Enrollment

Fiscal Year	Resident FTE	Percent Change
2002	9,088.10	0.5%
2001	9,041.07	0.6%
2000	8,989.60	

Resident enrollment measured by full-time equivalency (FTE) or 30 academic credit hours is also important, as it is the basis for funding from the State of Colorado. Preliminary Fall 2002 estimates suggest a resident FTE increase of about 1.5% from Fall 2001. The fiscal year 2003 total will also include enrollments through June 2003.

The revenues and competing public needs of the State of Colorado play a critical role in the University of Northern Colorado's finances. In fiscal year 2002 the State's economic situation forced budgetary reductions, which impacted UNC by \$1.6 million or 3.7% of the original State Appropriation. The outlook for fiscal year 2003 is one of continued fiscal constraint.

In light of the current downturn in State revenues, the University has initiated a plan to continue to provide quality instruction within the resources available.

- Tuition for 2002-2003 was increased by 6.2% and 7.7% for residents and non-residents respectively. UNC's tuition remains competitive in the mid-range for Colorado universities.
- Resource strategies have been employed to streamline administration and redirect funding to the classrooms.
- Significant funds have been identified and set aside to address fiscal 2003 budgetary reductions.

The University expects to continue to find financial solutions to allow it to fulfill its educational mission.



Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the accompanying statement of net assets of the University of Northern Colorado (the University), a component unit of the State of Colorado, as of June 30, 2002, and the related statements of revenues, expenses and changes in net assets, and cash flows 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, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Northern Colorado at June 30, 2002 and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

The Management's Discussion and Analysis on pages 11 through 17 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 supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2002 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.

As discussed in Note 1 to the financial statements, the University adopted the provisions of the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities* as of July 1, 2001. This results in a change in the format and content of the basic financial statements.

Anderson & Whitney, P.C.

September 26, 2002



STATEMENT OF NET ASSETS

JUNE 30, 2002

ASSETS

Current Assets:

Cash and cash equivalents	\$ 37,347,768
Student accounts receivable, net	4,166,150
Other accounts receivable, net	449,297
Student loans receivable, net	1,237,036
Inventories	1,020,448
Other current assets	725,837
Total Current Assets	44,946,536

Noncurrent Assets

Restricted cash	19,349,899
Restricted investments	690,994
Student loans receivable, net	6,754,102
Other noncurrent assets	1,476,296

Non-depreciable Capital Assets:

Land	4,848,368
Land improvements	2,488,526
Construction in progress	11,933,113
Art & historical treasures	842,630

Depreciable Capital Assets:

Land improvements (Less Accum Depr. of \$3,618,042)	4,335,824
Buildings and improvements (Less Accum Depr. of \$68,760,430)	114,970,972
Leasehold improvements (Less Accum Depr. of \$495,403)	0
Equipment (Less Accum Depr. of \$8,562,693)	2,567,824
Library holdings (Less Accum Depr. of \$21,058,011)	6,645,887
Total Noncurrent Assets	176,904,435

TOTAL ASSETS

221,850,971

LIABILITIES

Current liabilities:

Accounts payable	2,628,975
Accrued liabilities	2,630,138
Deferred revenue	5,730,232
Capital leases payable, current portion	92,825
Bonds payable, current portion	1,030,000
Compensated absence liabilities	651,793
Other long term liabilities, current portion	1,643,850
Total Current Liabilities	14,407,813

Noncurrent liabilities:

Bonds payable	60,132,780
Capital lease payable	115,901
Other long term liabilities	2,574,174
Compensated absence liabilities	2,095,731
Total Noncurrent Liabilities	64,918,586

TOTAL LIABILITIES

79,326,399

NET ASSETS

Invested in capital assets, net of debt	106,985,329
Restricted for:	
Nonexpendable purposes	
Scholarships/fellowships	380,141
Academic support	1,400
Expendable purposes	
Scholarships/fellowships	203,480
Loans	9,284,250
Capital projects	750,000
Other	1,167
Unrestricted	24,918,805
TOTAL NET ASSETS	\$142,524,572

* See accompanying notes to financial statements



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

**YEARENDED
JUNE 30, 2002**

REVENUES

Operating revenues:

Student tuition and fees (including \$3,259,926 of revenues pledged for bonds and net of scholarship allowances of \$8,117,521)	\$ 32,159,991
Federal grants and contracts (including \$50,536 of revenues pledged for bonds)	10,681,749
State and local grants and contracts	6,073,599
Nongovernmental grants and contracts	2,282,285
Sales and services of educational activities	2,490,421
Auxiliary operating revenue (including \$24,304,974 of revenues pledged for bonds and net of scholarship allowances of \$1,059,662)	26,346,214
Other operating revenue (including \$516,426 of revenues pledged for bonds)	668,738
Total operating revenues	<u>80,702,997</u>

EXPENSES

Operating expenses:

Educational and general	
Instruction	48,052,554
Research	2,207,219
Public service	1,395,721
Academic support	12,090,933
Student services	13,582,705
Institutional support	9,048,830
Operation of plant	8,496,155
Scholarships & fellowships	2,632,744
Auxiliary operating expenditures	17,866,440
Depreciation	8,765,627
Total operating expenses	<u>124,138,928</u>

Operating income (loss) (43,435,931)

NONOPERATING REVENUES (EXPENSES)

State appropriations	42,352,302
Investment income (net of investment expense of \$6,705)	3,194,407
Interest on capital asset related debt	(2,151,900)
Other nonoperating revenues	1,689,247
Net nonoperating revenues	<u>45,084,056</u>

Income before other revenues, (expenses) gains, or (losses) 1,648,125

Capital appropriations	27,372,422
Capital grants and gifts	266,565
Loss on disposal of capital assets	(190,004)
Special Item - Sale of KUNC license	1,260,266

Increase in net assets 30,357,374

Net Assets

Net assets - beginning of year	<u>112,167,198</u>
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Net assets - end of year \$ 142,524,572

* See accompanying notes to financial statements



STATEMENT OF CASH FLOWS

**YEARENDED
JUNE 30, 2002**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received:	
Tuition and fees	\$ 32,380,948
Sales of services	33,077,570
Sales of products	51,453
Grants and contracts	19,920,124
Student loans collected	2,142,662
Other receipts	1,952,801
Cash Payments:	
Payments to or for employees	(84,845,516)
Payments to suppliers	(29,684,856)
Scholarships disbursed	(2,386,280)
Student loans disbursed	(1,562,563)
Net cash provided (used) by operating activities	<u>(28,953,657)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State appropriations, noncapital	42,352,302
Agency inflows	32,146,825
Agency outflows	(31,998,904)
Transfers from (to) other funds	(9,275)
Net cash provided (used) by noncapital financing activities	<u>42,490,948</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

State appropriations, capital	27,372,422
Capital grants, contracts & gifts	266,565
Proceeds from sale of capital assets	1,260,266
Gain (Loss) on disposal of capital assets	(190,004)
Proceeds from capital debt	48,332,604
Acquisition or construction of capital assets	(33,193,090)
Principal paid on capital debt	(29,930,810)
Interest paid on capital debt	(2,086,459)
Net cash provided (used) by capital financing activities	<u>11,831,494</u>

CASH FLOWS FROM INVESTING ACTIVITIES :

Investment earnings	3,194,407
Net cash provided (used) by investing activities	<u>3,194,407</u>

Net Increase (Decrease) in Cash	28,563,192
Beginning cash balance	28,134,475
Ending cash balance	<u>\$ 56,697,667</u>

Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:

Operating income (loss)	\$ (43,435,931)
Adjustments to reconcile:	
Depreciation expense	8,765,627
Other revenues and additions (external rent)	1,689,247
Decrease (increase) in assets:	
Cash invested with custodian	(3,740)
Receivables, net	(101,653)
Inventories & prepaids	(1,032,387)
Increase (decrease) in liabilities:	
Accounts payable	(1,200,254)
Accrued payroll	618,027
Deferred revenues	5,597,711
Other liabilities	78,433
Compensated absences	71,263
Net cash provided (used) by operating activities	<u>\$ (28,953,657)</u>

* See accompanying notes to financial statements



NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, certain student members, and members of the community. The Media Corporation is reported as if it were a part of the University due to the financial dependency of the Media Corporation on the University and because its main objective is to provide the University's official newspaper.

Complete financial statements can be obtained from their administrative office.

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.

Basis of Accounting For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been



NOTES TO FINANCIAL STATEMENTS

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

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the FASB standards conflict with Governmental Accounting Standards Board (GASB) standards. The University has elected not to apply FASB pronouncements issued after the applicable date.

Cash Equivalents: For purposes of the statements of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents.

Investments: The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets.

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

Inventories: Inventories are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

Noncurrent Cash and Investments: Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or contract capital or other noncurrent assets, are classified as noncurrent assets in the statements of net assets.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for land improvements, 10 years for library books, and 3 to 10 years for equipment.

Deferred Revenues: Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

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

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensation absences and other liabilities that will not be paid within the next fiscal year; and



NOTES TO FINANCIAL STATEMENTS

(3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Net Assets: The University's net assets are classified as follows:

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

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

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

Operating Revenues: Operating revenues generally result from providing goods and services for instruction, public service or related support services to an individual or entity separate from the University.

Nonoperating Revenues: Nonoperating revenues are those revenues that do not meet the definition of operating revenues. Nonoperating revenues include state appropriations for operations, gifts, investment income and insurance reimbursement revenue.

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

Financial Statement Presentation and Changes in Accounting Principles: In June 1999, GASB approved Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Government". This was followed by the approval of Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities". The State of Colorado is required to implement GASB No. 34 as of and for the year ended June 30, 2002. As a component unit of the State of Colorado, the University is also required to adopt GASB No. 34 and 35. The University has elected to follow the financial statement presentation guidelines for special-purpose governments engaged only in business-type activities as outlined in GASB No. 34. Those guidelines require the financial statements to be prepared using an entity-wide perspective. Therefore, the financial statements report the University's assets, liabilities, and net assets, revenues, expenses and changes in net assets, and cash flows for the University as a whole, rather than by fund, as previously required.



NOTES TO FINANCIAL STATEMENTS

The University was required to make the following significant changes in accounting principles to conform to GASB No. 34 and 35:

- 1) **Scholarship Allowances:** Financial aid awarded to students by the University that is used to pay University charges such as tuition, fees, residence hall charges and board is recognized as a scholarship allowance rather than as financial aid expense, as previously required. A scholarship allowance directly reduces the appropriate revenues. To the extent that financial aid awarded exceeds University charges to students, the University recognizes financial aid expense.
- 2) **Summer School Revenue and Expense:** The University is required to recognize summer school revenue and expense in the period earned or incurred rather than in one fiscal year, as previously required.
- 3) **Depreciation Expense:** The University is required to record depreciation expense for capital assets. Previously depreciation expense was not recognized.
- 4) **Acquisitions of Capital Assets and Payments of Debt Principal:** Under the fund perspective, the University recognized an expenditure or fund deduction for the acquisition of capital assets and payment of debt principal. Under the entity-wide perspective, these items are not considered an expense against operations.

Net assets at July 1, 2001 were reduced by \$95,295,521 for the cumulative effect of these changes on years prior to fiscal year 2001. Land and beginning net assets have been adjusted to reflect the addition of Arlington Park property for a value of \$1,297,296, (the buildings were disposed of in fiscal year 2001). The property was purchased with the intent to demolish the buildings, therefore the costs that had been allocated to buildings was reallocated to land.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2002, the University had \$55,946,111 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, 2002, the University had \$29,668 cash on hand and the carrying amount of the University's deposits in banks was \$115,498 and the bank balance was \$3,443,811. 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, 2002. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment or income related to participation in the pool. 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 \$1,297,384 at June 30, 2002, includes U.S. Treasury securities with a cost basis of \$627,527 and market value of \$640,592. The maturity dates range from September 30, 2002 through May 15, 2007 with a yield from 5.205 percent to 7.125 percent.



NOTES TO FINANCIAL STATEMENTS

3. RECEIVABLES AND PAYABLES

Receivables at June 30, 2002, were as follows:

	Gross Receivables	Allowance for Uncollectible Accounts	Net Receivables
Student Accounts Receivable	\$ 5,152,929	\$ 986,779	\$ 4,166,150
Other Receivables	449,297		449,297
Loans Receivable	9,003,887	1,012,749	7,991,138
Total Receivables	\$ 14,606,113	\$ 1,999,528	\$ 12,606,585

Payables at June 30, 2002 were as follows:

Accounts Payable, Vendors	\$ 2,581,426
Salaries and Benefits Payable	2,366,456
Accrued Interest Payable	263,682
Other Payables	47,549
Total Payables	\$ 5,259,113

4. CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2002.

	Balance June 30, 2001	Additions	Transfers	Deductions	Balance June 30, 2002
Cost of fixed assets					
Land	\$ 2,771,080	\$ 1,132,088	\$ 945,200	\$	\$ 4,848,368
Land improvements	9,526,745	283,713	(1,846,857)		7,953,866
Non-depreciable land improvements	0	19,751	2,468,775	(9,735)	2,488,526
Buildings	64,772,257	25,383,891	(853,638)		89,302,510
Building improvements	92,526,082	1,704,859	197,951		94,428,892
Vehicles	530,850	146,818	16,550	(102,630)	591,588
Equipment	10,818,269	869,793	(16,550)	(1,132,583)	10,538,929
Library holdings	26,882,749	1,533,036		(711,887)	27,703,898
Non-depreciable art/historical treasures	842,630				842,630
Leasehold improvements	495,403				495,403
Construction in progress	1,270,359	11,605,875	(911,431)	(31,690)	11,933,113
Total cost of fixed assets	210,436,424	42,679,824	0	(1,988,525)	251,127,723
Less accumulated depreciation					
Land improvements	3,343,941	274,101			3,618,042
Building and improvements	62,761,960	5,998,470			68,760,430
Vehicles	354,340	69,929	2,483	(80,997)	345,755
Equipment	7,989,756	1,219,242	(2,483)	(989,577)	8,216,938
Library holdings	20,566,013	1,203,885		(711,887)	21,058,011
Leasehold improvements	495,403				495,403
Total accumulated depreciation	95,511,413	8,765,627	0	(1,782,461)	102,494,579
Net carrying amount	\$114,925,011	\$ 33,914,197	\$ 0	\$ (206,064)	\$148,633,144



NOTES TO FINANCIAL STATEMENTS

5. PENSION PLANS

Plan Description

A significant portion of the institution's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employee's Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require legislation by the General Assembly. The state plan, 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 FY01-02, the state contributed 9.9 percent (12.6 percent for state troopers and 13.5 percent for the Judicial Branch) of the employee's gross covered wages. Before January 1, 2002, 1.42 percent was allocated to the Health Care Trust Fund, and after January 1, 2002, 1.64 percent was allocated to the Health Care Trust Fund. Throughout the fiscal year, the amount needed to meet the match requirement established by the PERA Board was allocated to the Matchmaker program (See Note 6 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, 2002, 2001 and 2000 were \$3,563,991, \$3,407,464, and \$4,007,698 respectively. These contributions met the contribution requirement for each year.

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



NOTES TO FINANCIAL STATEMENTS

The ORP is a defined contribution plan with three vendors, Travelers/CitiStreet, TIAA-CREF, and VALIC, providing a range of investment accounts for participants. For 2001-2002, 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, 2002 was \$2,804,305. 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.

6. VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

Beginning on January 1, 2001, the Matchmaker Program established a state match for PERA member's voluntary contributions to tax-deferred retirement plans. 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 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.

7. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Health Care Program: PERACare (formerly known as 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 FY01-02, 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 5.

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, 2001 there were 34,235 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 Anthem Life (formerly known as Rocky Mountain Life). Members may join one or both plans, and they may continue coverage into retirement. Premiums are paid monthly by payroll deduction or other means.



NOTES TO FINANCIAL STATEMENTS

8. COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2002, the University has construction commitments of \$10,524,938 for campus roof replacement, Ross Hall addition/renovation, Butler-Hancock system replacement, exterior building systems repair, Guggenheim Arts Annex, replace campus stairs and walkways, smart classrooms, Bishop-Lehr remodel, replace theater ceilings, and campus water main improvements.

The University began construction of a dining hall and improvements to parking and auxiliary facilities with an estimated cost of \$19,193,891. As of June 30, 2002, the University had remaining commitments of approximately \$1,380,818. This project is being financed by the proceeds from the 2001 Auxiliary Facilities System Revenue Bonds (Note 10).

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.

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 University. However, in the opinion of the administration, any such disallowed claims will not have a material adverse effect on any of the financial statements or on the overall financial position of the University at June 30, 2002.

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.

Federal law limits the ability of bond issuers to earn arbitrage - investing the bond proceeds at a yield that exceeds the yield on the bonds. Any arbitrage must be rebated to the Internal Revenue Service (IRS) on the fifth anniversary date of the bond. The University realizes the potential of arbitrage rebate on the Auxiliary Facilities System Revenue Refunding and Improvement Bonds, issued July 31, 2001, but has not made a formal calculation to date in order to establish the Rebate Fund required in the bond documents. The University plans to obtain an arbitrage study on the bonds. The study could result in a rebate liability payable to the IRS.

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, 2002, the University paid approximately \$487,006 to participate in these programs. Liability of State higher education institutions is limited by the Colorado Governmental Immunity Act.



NOTES TO FINANCIAL STATEMENTS

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 \$954,720.

9. LONG-TERM LIABILITIES

The following presents changes in long-term liabilities for the year ended June 30, 2002.

	Balance			Balance	Amounts due
	June 30, 2001	Additions	Reductions	June 30, 2002	within one year
Bonds and capital lease obligations					
Revenue bonds payable	\$ 42,398,202	\$ 50,392,828	\$(31,628,250)	\$ 61,162,780	\$ 1,030,000
Capital leases payable	470,995	229,692	(491,961)	208,726	92,825
Total bonds and capital leases	42,869,197	50,622,520	(32,120,211)	61,371,506	1,122,825
Other liabilities					
Other long-term liabilities	1,537,966	2,919,730	(239,672)	4,218,024	1,643,850
Accrued compensated absences	2,767,261	304,371	(324,108)	2,747,524	651,793
Total other liabilities	4,305,227	3,224,101	(563,780)	6,965,548	2,295,643
Total Long-Term Liabilities	\$ 47,174,424	\$ 53,846,621	\$(32,683,991)	\$ 68,337,054	\$ 3,418,468

Amounts shown in "Balance, June 30, 2002" of long-term liabilities include both current and long-term portions.

On August 1, 2001 the University entered into a ground lease agreement with the University of Northern Colorado Foundation Student Housing LLC I for the amount of \$2.655 million over a 46-year period. The University received \$2.155 million which is recorded as other long term liability with the remaining \$500,000 going to the LLC as working capital. The University recognized \$53,005 in rental revenue for fiscal year 2002 and will recognize an amount equal to \$57,822 annually for the next 45 years.

Additional information regarding Bonds Payable is included in Note 10, additional information regarding capital lease obligations is included in Note 11, and additional information regarding compensated absences is included in Note 13.



NOTES TO FINANCIAL STATEMENTS

10. BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2002:

3.40% - 6.00% Auxiliary Facilities System Revenue Refunding and Improvement Bonds, issued April 1, 1994 in the original amount of \$17,150,000 and mature in varying annual amounts to June 1, 2008

Outstanding bond principal	\$ 3,755,000	
Less unamortized discount	<u>(28,997)</u>	
Bonds payable less unamortized discount		\$ 3,726,003

3.50% - 6.00% Auxiliary Facilities System Revenue Refunding Bonds, issued April 1, 1998 in the original amount of \$10,630,000 and mature in varying annual amounts to June 1, 2024

Outstanding bond principal	\$ 10,210,000	
Less unamortized discount	<u>(120,720)</u>	
Bonds payable less unamortized discount		10,089,280

3.00% - 5.50% Auxiliary Facilities System Revenue Refunding and Improvement Bonds, issued July 31, 2001 in the original amount of \$50,000,000 and mature in varying annual amounts to June 1, 2031

Outstanding bond principal	\$ 49,305,000	
Less unamortized discount	(365,898)	
Less unamortized loss on refunding	<u>(1,591,605)</u>	
Bonds payable less unamortized discount and loss on refunding		<u>47,347,497</u>
Total Bonds payable less unamortized discount and loss on refunding		\$ <u>61,162,780</u>

The annual requirements to amortize these bonds as of June 30, 2002 are as follows:

Year Ending June 30	Principal	Interest	Total
2003	\$ 1,030,000	\$ 3,161,859	\$ 4,191,859
2004	1,075,000	3,115,829	4,190,829
2005	1,125,000	3,065,954	4,190,954
2006	1,180,000	3,012,944	4,192,944
2007	1,240,000	2,954,195	4,194,195
2008-2012	7,130,000	13,834,572	20,964,572
2013-2017	9,035,000	11,931,625	20,966,625
2018-2022	11,650,000	9,311,800	20,961,800
2023-2027	14,935,000	6,030,750	20,965,750
2028-2031	<u>14,870,000</u>	<u>1,904,250</u>	<u>16,774,250</u>
Total	<u>\$ 63,270,000</u>	<u>\$ 58,323,778</u>	<u>\$ 121,593,778</u>



NOTES TO FINANCIAL STATEMENTS

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, 2002, \$1,965,000 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, 2002, \$9,300,000 of these outstanding bonds are considered in-substance defeased.

In July 2001, the Board of Trustees of the University of Northern Colorado 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. The debt defeased had interest rates ranging from 4.88 to 5.63 percent and a remaining term of 23 years. The new debt interest rate is 3.00 to 5.50 percent and it has a term of 30 years. The University increased its debt service cash flows by \$11,363,892 and reported an economic loss \$460,448. The University recorded an accounting loss of \$1,591,605. At June 30, 2002, \$27,615,000 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, 2002 Reserve
Renewal and replacement funds	\$ 750,000	\$ 750,000



NOTES TO FINANCIAL STATEMENTS

11. 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.

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, 2002 is \$2,146,384.

Future minimum lease payments as of June 30, 2002 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>
2003	\$ 103,546	\$ 10,721	\$ 92,825
2004	103,545	5,168	98,377
2005	13,468	1,401	12,067
2006	5,613	156	5,457
Total capital lease obligation	<u>\$ 226,172</u>	<u>\$ 17,446</u>	<u>\$ 208,726</u>

12. 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, 2002 are as follows:

2003	\$ 85,384
2004	77,894
2005	72,233
2006	63,017
2007	<u>34,482</u>
Total minimum lease payments	<u>\$ 333,010</u>

Rental expense under these agreements for the year ended June 30, 2002 was \$128,122. Of this amount, \$70,012 was paid to the State of Colorado.

13. 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, 2002 is \$2,747,524. Current 2002 expenses include \$71,263 for the increase in the estimated compensated absence liability.



NOTES TO FINANCIAL STATEMENTS

14. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2002 the following table represents operating expenses within both natural and functional classifications:

Functional Classifications	Natural Classifications						TOTAL OPERATING EXPENSES
	Employee & Personal Services	Operating and Travel	Cost of Goods Sold	Depreciation	Intergovernmental Distributions	Prizes and Awards	
Instruction	\$ 42,541,652	\$ 5,400,847	\$	\$	\$ 106,941	\$ 3,114	\$ 48,052,554
Research	1,370,924	800,590	31		33,779	1,895	2,207,219
Public Service	887,561	393,707	97,315		15,926	1,212	1,395,721
Academic Support	8,640,066	3,386,702			64,160	5	12,090,933
Student Services	9,317,735	4,092,520	167,073			5,377	13,582,705
Institutional Support	9,284,238	(4,685,470)	4,420,319		27,561	2,181	13,582,705
O & M of Plant	7,582,033	912,971	1,025			126	8,496,155
Scholarship/Fellowship		2,632,744					2,632,744
Auxiliaries	6,646,095	8,379,832	2,839,355			1,158	17,866,440
Depreciation				8,765,627			8,765,627
TOTAL	\$ 86,270,304	\$ 21,314,443	\$ 7,525,118	\$ 8,765,627	\$ 248,367	\$ 15,068	\$ 124,138,928

15. LEGISLATIVE APPROPRIATIONS

Appropriated Funds

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

For the year ended June 30, 2002, appropriated expenditures were within the authorized spending authority. The University had a total appropriation of \$80,788,593. Actual appropriated revenues earned totaled \$79,284,065. Actual appropriated expenditures and transfers totaled \$79,179,942. The net increase in appropriated fund balance was \$104,123.

Capital Construction State Appropriations

Capital Construction State Appropriations are recognized only to the extent of current expenditures of \$27,372,422. At June 30, 2002, there were unexpended Capital Construction State Appropriations of \$10,069,061.

Controlled Maintenance Projects

The Colorado Department of Personnel and Administration makes expenditures on behalf of the University for various controlled maintenance projects. There were two completed controlled maintenance projects, high voltage cable replacement and backflow prevention, added to the University for the year ended June 30, 2002.

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



NOTES TO FINANCIAL STATEMENTS

The accompanying financial statements contain revenues and expenditures from both appropriated and non-appropriated funds.

16. 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, 2002 are summarized as follows:

Statement of Financial Position		Statement of Activities		
		Unrestricted	Temporarily Restricted	Permanently Restricted
Total Assets	<u>\$86,088,052</u>	Total Revenues	<u>\$5,121,014</u>	<u>\$(6,251,807)</u>
Total Liabilities	<u>\$ 1,750,282</u>	Total Expenses	<u>\$6,959,174</u>	<u>\$ 2,142,917</u>
Total Net Assets	<u>\$84,337,770</u>		<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$86,088,052</u>			

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

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, 2002 are \$690,994. During fiscal year 2002, the Board paid an administrative fee of \$6,785 to the Foundation.

17. SPECIAL ITEM

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 non-profit corporation, for a total price of \$1,405,000 of which \$1,260,266 was received for the FM license and \$144,734 was received for sale of equipment. The closing was held on August 2, 2001 and all documents were executed and delivered.

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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, 2002, and have issued our report thereon dated September 26, 2002. 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 provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 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.

Anderson & Whitney, P.C.

September 26, 2002



Members of the Legislative Audit Committee:

We have audited the financial statements of University of Northern Colorado for the year ended June 30, 2002, and have issued our report thereon dated September 26, 2002. 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.

As part 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 provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion 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. New accounting policies were adopted and the application of existing policies was changed during the year, to comply with implementation of Governmental Accounting Standards Board Statement No. 35. 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.

AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. No audit adjustments were made. There were uncorrected misstatements of \$85,569 relating to accounts receivable - other which management determined to be immaterial to the financial statements taken as a whole. In our judgement, the uncorrected misstatement does not indicate a matter which could have a significant effect on the University's financial reporting process.

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.

Anderson & Whitney, P.C.

September 26, 2002

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS



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, 2002. 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 practices prescribed or permitted by the Colorado Commission on Higher Education, which is a comprehensive basis of 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, 2002 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.

Anderson & Whitney, P.C.

September 26, 2002



STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS OF THE STATE FUNDED STUDENT ASSISTANCE PROGRAMS
YEARENDED JUNE 30, 2002

	CLEAP	SLEAP	Student Grant Program	Colorado Graduate Grant	Work Study Program	Graduate Fellowship Program
Appropriations:						
Original	\$ 184,991	\$ 249,574	\$ 2,025,912	\$ 120,000	\$ 937,074	\$ 70,000
Adjustments		64,984	4,329			
Transfers			(526,198)			
Total	184,991	314,558	1,504,043	120,000	937,074	70,000
Expenditures	(112,678)	(314,558)	(1,504,043)	(120,000)	(937,074)	(70,000)
Reversions to State General Fund	\$ 72,313	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

See accompanying notes to financial statements.



NOTES TO FINANCIAL STATEMENTS

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
\$ 2,960 2,924	\$ 965,124 22,116	\$ 858,965	\$	\$	\$ 17,000	\$ 11,464	\$ 5,443,064 94,353
		(190,612)	190,612	525,000	1,198		
5,884	987,240	668,353	190,612	525,000	18,198	11,464	5,537,417
(5,884)	(941,511)	(668,353)	(190,612)	(525,000)	(18,198)	(11,464)	(5,419,375)
<u>\$ 0</u>	<u>\$ 45,729</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 118,042</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 \$4,355,396 in the Pell Grant Program, \$269,866 in the Supplemental Educational Opportunity Grant Program, \$511,627 in the College Work-Study Program, and \$17,250 in the Robert C. Byrd Scholarship. Federal capital contributions of \$17,651 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 \$216,960 state funds and \$210,276 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, 2002, and have issued our report thereon dated September 26, 2002.

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, 2002, 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 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 to be and should not be used by anyone other than these specified parties.

Anderson & Whitney, P.C.

September 26, 2002

**NATIONAL COLLEGIATE ATHLETIC ASSOCIATION (NCAA)
AGREED-UPON PROCEDURES REPORT SECTION**



Independent Accountants' Report on the Application of Agreed-Upon Procedures
to the Intercollegiate Athletics Department Statement of Revenues and Expenditures

Members of the Legislative Audit Committee:

We have audited the financial statements of the University of Northern Colorado (the University) as of and for the year ended June 30, 2002 and have issued our report thereon dated September 26, 2002. We have also performed procedures enumerated below which were agreed to by the Board of Trustees and management of the University with respect to the accounting records and system of internal accounting control of the University for the year ended June 30, 2002. These procedures were performed solely to assist the University in complying with NCAA Bylaw 6.2.3.2. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board of Trustees and management of the University. Consequently, we make no representation regarding the sufficiency of the procedures described below for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

**Statement of Revenues and Expenditures -
Agreed-Upon Substantive Procedures**

- a. We obtained the statement of revenues and expenditures for the year ended June 30, 2002 prepared by management (page 52). We recalculated the total amounts on the schedule, traced the amounts on the schedule to management's worksheets and agreed the amounts on management's worksheets to the accounts on the University's general ledger. We noted no differences between the amounts in the general ledger and the amounts on the worksheets.
- b. On a test basis, amounts contributed to the University's Intercollegiate Athletics Programs by University of Northern Colorado Foundation, Inc. (the Foundation) as shown in the University's accounting records were compared to the amounts disbursed per the Foundation's accounting records. No exceptions were noted.
- c. We read the University's detailed accounting records to identify all individual contributions received by the University's Intercollegiate Athletics Department (the Department) that individually constituted more than ten percent of the total contributions ($\$851,980 \times 10\% = \$85,198$) received by the University's Intercollegiate Athletics Program during the above period. We identified no such contributions.

- d. We performed the following tests of reasonableness on operating data: compared current year expenditures to prior year expenditures; and compared ticket prices to attendance records and number of games for certain major sports. No unusual items were noted in the performance of these procedures.
- e. We received the audited financial statements of the University of Northern Colorado Foundation for the year ended June 30, 2002, which expressed an unqualified audit opinion on those statements. We also reviewed the management letter to the Foundation Board of Directors regarding the internal control structure. It did not contain any recommendations related to athletics or the Foundation's role in receiving gifts for the University's intercollegiate athletics department.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

**Internal Control Structure: Policies and Procedures
Related to Intercollegiate Athletics - Agreed-Upon Procedures**

The management of the University is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system 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 generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures are as follows:

- a. We made inquiries of the Department's management regarding internal accounting controls unique to the Department and documented such procedures. Based on our inquiries, no material weakness in the control structure came to our attention.
- b. We made inquiries about the University's procedures for monitoring the Foundation's activities. We found that the Director of Athletics maintained direct primary control of the activities of the Foundation, in regard to athletics.
- c. We selected twenty cash disbursements and reviewed the related document package and canceled check indicating that all key accounting controls were functioning as represented to us by the University. We found that internal controls over such disbursements were consistently applied to all expenditures.

- d. We selected five business days and reviewed the University's reconciliation and authorization procedures for daily receipts indicating that all key accounting controls were functioning as represented to us by the University. We found that internal controls over such receipts were consistently applied to all revenues.

The foregoing procedures applied to certain aspects of the University's internal control were more limited than would be necessary to express an opinion on the internal control structure taken as a whole. Because our study and evaluation was limited to applying the procedures referred to above to certain aspects of the internal control structure, we do not express an opinion on whether the internal control structure of the University in effect for the year ended June 30, 2002 taken as a whole, was sufficient to meet the objectives stated above. Had we performed additional procedures or performed an audit of the Athletics Department's internal control structure, other matters might have come to our attention that would have been reported to you.

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

Anderson & Whitney, P.C.

September 26, 2002



INTERCOLLEGIATE ATHLETICS DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES (ATTACHMENT A)
YEARENDED JUNE 30, 2002

	Football	Basketball	Other Sports	Non-Program Specific	2001-02	2000-01	1999-00
OPERATING REVENUE:							
Gate Receipts and Other Fees	\$ 56,351	\$ 14,146	\$ 14,555	\$	\$ 85,052	\$ 82,573	\$ 224,980
Program Sales	62			5,462	5,524	4,275	4,790
Concessions				124,067	124,067	113,242	151,280
Guarantees		9,000			9,000	25,670	44,211
State Appropriations	404,055	256,679	603,240	651,494	1,915,468	1,598,941	1,557,401
Student Activity Fees	156,500	113,000	336,000	215,166	820,666	877,717	891,035
CCHE-Financial Aid	63,687	27,362	99,563		190,612	180,075	180,075
Medical Insurance Reimbursement						5,887	2,587
Other Income	22,566	28,356	122,889	84,147	257,958	288,987	167,386
Contributions -							
Cash Gifts-Restricted	91,330	49,664	66,450		207,444	326,676	136,017
Blue and Gold	1,272	56,313	30,652	171,841	260,078	281,578	249,984
Foundation	15,569	5,098	82,998	204,411	308,076	1,525,921	357,110
Inkind	21,589	13,755	19,757	21,281	76,382	122,290	186,280
Total Revenues	\$832,981	\$ 573,373	\$1,376,104	\$ 1,477,869	\$4,260,327	\$5,433,832	\$4,153,136
EXPENDITURES							
Salaries and Benefits-Coaches	\$ 285,675	\$ 197,295	\$ 495,590		\$ 978,560	\$ 960,805	\$ 887,231
Salaries and Benefits-Other	44,332	4,006	22,451	\$ 576,346	647,135	622,755	565,640
Films	653	732	1,463	1,346	4,194	3,151	3,396
Financial Aid-CCHE	63,687	27,362	99,563		190,612	180,075	180,075
Financial Aid-Room and Board	6,435	56,633	61,540		124,608	124,608	124,608
Financial Aid-Other	196,517	115,561	223,410	16,194	551,682	510,192	487,626
General and Administration	68,296	43,609	151,487	583,481	846,873	927,074	896,663
Guarantee Costs	20,000		3,176		23,176	27,459	59,328
Insurance		195	1,852	48,600	50,647	48,131	49,130
Medical				23,772	23,772	18,247	23,434
Official Functions	2,884	8,840	4,775	3,783	20,282	17,416	39,003
Promotion and Fund Raising				39,787	39,787	55,344	81,051
Telephone	4,134	4,631	8,882	13,370	31,017	35,301	33,356
Training Table-Preseason	10,981		7,608		18,589	19,396	23,798
Travel-Recruiting	3,771	5,104	6,158		15,033	30,596	19,585
Travel-Team	115,310	77,804	270,582		463,696	472,154	432,338
Travel-Other	19,001	8,425	28,418	16,565	72,409	80,308	68,225
Capital Outlay				53,218	53,218	1,310,404	89,615
Total Expenditures	841,676	550,197	1,386,955	1,376,462	4,155,290	5,443,416	4,064,102
Excess (Deficiency) of							
Revenues Over Expenditures	\$ (8,695)	\$ 23,176	\$ (10,851)	\$ 101,407	\$ 105,037	\$ (9,584)	\$ 89,034

Footnotes:

During FY02, the Athletic Department continued a contract entered into in FY97 with D&D Marketing to solicit donations. As of June 30, 2002, D&D Marketing had generated \$141,399 in donations for FY02. D&D was paid a commission of \$39,787 for their services. These amounts are included in the Foundation contributions revenue and Promotions & Fund Raising expense.



SCHEDULE OF FINANCIAL ACTIVITY OF UNC ATHLETIC BOOSTER ORGANIZATION AND OTHER UNC FOUNDATION ACCOUNTS
YEARENDED JUNE 30, 2002

UNC Foundation Account	Organization	Beginning Cash Balance 06/30/01	Cash Receipts	Contributions to Program	Other Contributions	Deferred Contributions	Other Transfers (In)Out	Adjusted Ending Cash Balance 06/30/02
Blue and Gold Booster Club								
2050	Blue and Gold Program	\$ 62,956	\$ 122,281	\$	\$ 86,321	\$	\$ 19,268	\$ 79,648
2055	Blue & Gold Raffle	69,536	81,522		92,146			58,912
2060	Blue and Gold	311,870	12,827	169,844	410		(300)	154,743
2062	Blue & Gold Unrestricted	266,515	105,566		71,397		84,753	215,931
2070	Blue and Gold - Baseball	3,939	5,620	4,400	150			5,009
2075	Blue and Gold - Men's Basketball	6,178	9,962	7,200	327			8,613
2080	Blue and Gold - Football	9,361	45,777	16,600	1,272			37,266
2085	Blue and Gold - Men's Golf	193	2,225	400	86			1,932
2090	Blue and Gold - Men's Tennis	271	725	200	18			778
2095	Blue and Gold - Men's Track	520	1,558	500	39			1,539
2100	Blue and Gold - Wrestling	831	3,100	1,500	98			2,333
2105	Blue and Gold - Women's All Sports	196	590	300	15		(300)	771
2110	Blue and Gold - Women's Basketball	592	3,310	1,700	114			2,088
2112	Blue and Gold - Women's Golf	309	2,355	400	81			2,183
2115	Blue and Gold - Women's Soccer	253	2,700	300	96			2,557
2117	Blue and Gold - Women's Softball	484	1,563	600	47			1,400
2120	Blue and Gold - Women's Swimming	231	2,677	400	69			2,439
2125	Blue and Gold - Women's Tennis	895	1,550	900	42			1,503
2130	Blue and Gold - Women's Track	514	310	500	8			316
2135	Blue and Gold - Women's Volleyball	1,112	4,189	1,700	117			3,484
5055	Blue and Gold Athletic Award				7,225		(7,225)	
Total Blue and Gold Boosters		\$ 736,756	\$ 410,407	\$ 207,444	\$ 260,078	\$	\$ 96,196	\$ 583,445
Other UNC Foundation Athletic Accounts								
2046	Athletics Corporate Account	\$ 91,234	\$ 145,025		\$ 110,302		\$	\$ 125,957
2048	Athletic Student-Athlete Awards	6,016	53,200		28,899		(19,275)	49,592
2160	Fredric A. "Bud" Bethke Scholarship	5,797	252		250			5,799
2279	Spring Training Athletic Scholarship	24,039			6,000			18,039
2315	Coors Athletic Scholarship - Football	7						7
2464	Mike Flannigan Memorial Scholarship	7,713	3,587		500			10,800
2590	High Plains Club	77,510	29,850		21,342			86,018
2629	Robert Hummel Athletic Scholarship						(8,500)	8,500
2880	Don Myers Memorial Basketball Fund	4,386						4,386
2897	Nottingham Field	10,029						10,029
2914	Old Bears Club	6,219	1,400		4			7,615
3125	Track & Field	42						42
3130	Track/Nottingham Field	3	250		6		247	
3182	Women's Golf Classic	1,075	875		7			1,943
3197	Wrestling Room Addition	39,219	47		32,489			6,777
5018	Athletics Grant In Aid Enhancement Sch		8,437		3,413			5,024
5033	UNC Baseball Program	1,638	105		875		(875)	1,743
5067	Hank Brown Presidential Scholar-Athlete		12,500		398			12,102
5068	H. W. Brown Scholarship Spendable	3,214			46,250		(43,286)	250
5075	Pete Butler Scholarship - Baseball				1,450		(1,450)	
5096	Carolyn Cody Trailblazer Scholarship				5			(5)
5140	Athletic Scholarship-Denver Broncos				2,825		(2,825)	
5178	Mike Flannigan Memorial Scholarship						(500)	500
5199	Rosemary Fri Trailblazer Scholarship				11			(11)
5201	French Scholarship		359		359			
5202	Wendell Fuller Memorial Scholarship				544	181	(725)	
5214	Joe Glenn Scholarship				750		(1,500)	750
5255	John Hancock Scholarship	1,887			8,620		(8,888)	2,155
5275	Hardee's Athletic Scholarship				950		(950)	
5295	Herdman Billehus Scholarship				712	713	(1,425)	
5305	Price & Gladys Hopkins Award				650		(975)	325
5380	James E. Lord Memorial Scholarship				1,100		(1,100)	
5432	McDonald's Athletic Scholarship				500		(500)	
5440	McMillen Football Award						(1,700)	1,700
5462	Monfort R&C Athletic Endowment	20,044					(230,211)	250,255
5510	NorColo Transport Scholarship				1,350		(1,350)	
5525	Nottingham Athletic Endowment	12,864			9,058		(7,600)	11,406
5526	Nottingham Field Endowment						(3,600)	3,600
5529	Dick Odle Men's Golf Scholarship	500	500		500			500
5551	Tom Petroff Baseball	(11)	2,225		1,777	287	(586)	736
5553	Lou Piel Scholarship	139	416		555			
5631	Tennessee Scholarship				12,475		(12,475)	
5632	Tennessee Scholarship in Athletics	725			8,400		(7,675)	
5643	Trailblazers Endowment	(2,495)	2,045		4,109		(4,495)	(64)
5707	Wrestling Endowment Fund	416	540		641		(1,250)	1,565
Total Other UNC Foundation		\$ 312,210	\$ 261,613	\$	\$ 308,076	\$ 1,181	\$ (363,469)	\$ 628,035
Total UNC Foundation		\$ 1,048,966	\$ 672,020	\$ 207,444	\$ 568,154	\$ 1,181	\$ (267,273)	\$ 1,211,480

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