

State of Colorado
University of Northern Colorado
(A Component Unit of the State of Colorado)
Financial and Compliance Audit
Fiscal Years Ended June 30, 2005 and 2004

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State of Colorado
University of Northern Colorado
June 30, 2005 and 2004

Contents

Report Summary	1
Recommendation Locator	4
Description of the University of Northern Colorado	5
Accountants' Findings and Recommendations	6
Disposition of Prior Audit Recommendations.....	11
Independent Accountants' Report on Financial Statements and Supplementary Information	12
Management's Discussion and Analysis	14
Financial Statements	
Statements of Net Assets	22-23
Statements of Revenues, Expenses and Changes in Net Assets	24-25
Statements of Cash Flows	26-27
Notes to Financial Statements	28
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	47
Independent Accountants' Audit Committee Communication	48
Independent Accountants' Report on the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs	50
Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs.....	51
Notes to the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs.....	52
Audit Report Distribution Summary	53

State of Colorado
University of Northern Colorado
Report Summary
June 30, 2005 and 2004

Purposes and Scope of Audit

The purposes and scope of this audit were to:

- Express an opinion on the financial statements of the University of Northern Colorado (the University) as of and for the years ended June 30, 2005 and 2004, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Express an opinion on the financial statements of Student Media Corporation as of and for the years ended June 30, 2005 and 2004, issued under separate cover.
- Evaluate compliance with certain provisions of laws, regulations, contracts and grants governing the expenditure of federal and state funds for the year ended June 30, 2005.
- Issue a report on the University's compliance with certain provisions of laws, regulations, contracts and grants and on internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Express an opinion on the Statement of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs of the University for the year ended June 30, 2005.
- Evaluate progress in implementing prior year audit recommendations.

State of Colorado
University of Northern Colorado
Report Summary (continued)
June 30, 2005 and 2004

Summary of Major Audit Comments

Audit Findings and Financial Statement Audit Report Section

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

- The University's management has not re-evaluated the formulas and percentages used in the calculation of allowances for doubtful accounts, which were established several years ago.
- While the University receives various types of cash deposits from across campus for different kinds of campus events, several of these cash receipts did not contain cash reconciliations in the supporting documentation.
- Several of the University's accounts associated with the Perkins Loan Program need to be evaluated by the University for an understanding of the nature of the account and whether or not the balance is complete and accurate.
- The University is responsible for ensuring that all Perkins borrowers who enter into repayment have completed the required exit interview. During 2005, our testing found that the required interviews were not performed for all students.
- The University has not evaluated the collectibility of funds advanced to the University of Northern Colorado Foundation Student Housing LLC I.

State of Colorado
University of Northern Colorado
Report Summary (continued)
June 30, 2005 and 2004

Summary of Progress in Implementing Prior Audit Recommendations

The report for the year ended June 30, 2004, which is dated September 10, 2004, included four recommendations. Two of these recommendations were implemented, while two were not.

Audit Opinions and Reports

The independent accountants' reports included herein expressed unqualified opinions on the University's financial statements and financial statements of Student Media Corporation (under a separate cover) as of and for the years ended June 30, 2005 and 2004, and the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs for the year ended June 30, 2005.

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

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

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

Significant Audit Adjustments

Areas in which uncorrected misstatements were aggregated during the current engagement and pertaining to the latest period presented were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole. These areas included:

- Internal charge allocations to the University departments and programs
- Capitalized interest on the University funded projects
- Capitalization and depreciation of capital assets
- Accounts receivable and related allowances
- Cash, including blended component unit cash
- Retainage of construction in progress
- Imputed interest on advances
- Deferred revenue
- Accrued liabilities
- Prepaid summer program expenses

The effect of the uncorrected misstatements, had they been recorded, would have been to decrease the change in net assets by \$63,006 for the year ended June 30, 2005, decrease current assets by \$87,735, increase noncurrent assets by \$56,908, increase current liabilities by \$439,623, increase noncurrent liabilities by \$135,893 and decrease beginning net assets by \$543,337 as of June 30, 2005.

**State of Colorado
University of Northern Colorado
Recommendation Locator
June 30, 2005 and 2004**

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
1	6	Re-evaluate formulas used in calculating allowances for doubtful accounts.	Agree	March 2006
2	7	Require that cash receipts for campus events be properly reconciled.	Agree	May 2005
3	8	Evaluate accounts associated with the Perkins Loan Program to ensure that balances are complete and accurate.	Agree	January 2006
4	9	Review Perkins loan procedures to obtain certainty that all students entering into repayment have completed an exit interview.	Agree	Implemented
5	10	Evaluate the collectibility of the funds advanced to the University of Northern Colorado Foundation Student Housing LLC I.	Agree	Implemented

State of Colorado
University of Northern Colorado
Description of the University of Northern Colorado
June 30, 2005 and 2004

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

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

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

Student FTE Enrollment

	Resident Student FTE	Non-Resident Student FTE	Total Student FTE
2005	9,878	1,134	11,012
2004	9,598	1,112	10,710
2003	9,441	1,185	10,626

Faculty and Staff FTE

	Faculty FTE	Staff FTE	Total Faculty and Staff FTE
2005	425	646	1,071
2004	410	682	1,092
2003	439	681	1,120

State of Colorado
University of Northern Colorado
Accountants' Findings and Recommendations
June 30, 2005 and 2004

Review Percentages Used in Calculating Allowances for Doubtful Accounts

As of June 30, 2005, the University has established allowances for doubtful accounts of \$735,289 and \$1,098,332, respectively, related to student accounts receivable and student loans receivable. Student accounts receivable and student loans receivable balances, net of allowances for doubtful accounts, were \$4,999,469 and \$8,450,259, respectively, at June 30, 2005. In fiscal year 2005, the University reduced the calculated allowance by amounts the State authorized to write-off during the year.

Adjustments to the allowance for doubtful accounts for student loans and student accounts receivable are calculated using a formula that applies an estimated percentage of uncollectible accounts ranging from 2% to 75% dependent upon the aging of the receivables or loans. The percentages used in the calculations were established in 1998 and have not been re-evaluated by management since established. Additionally, these allowance percentages do not consider the specific facts and circumstances surrounding the collection efforts or collection histories on accounts or loans receivable and do not consider other factors that may impact the accuracy of the calculation. For example:

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

While this finding was reported in fiscal year 2004, the University did not find it practical to implement the recommendation due to new system implementations that are currently underway.

Recommendation No. 1

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

University of Northern Colorado Response

Agree. The University will conduct a thorough review of the allowances for doubtful accounts and will re-evaluate the reasonableness of the percentages used in the calculation.

Implementation date: March 2006

State of Colorado
University of Northern Colorado
Accountants' Findings and Recommendations
June 30, 2005 and 2004

Cash Receipts Reconciliations

The University receives significant amounts of cash throughout the year from various events on campus. It is the practice of the University to request reconciliations of cash receipts for these events. These reconciliations generally provide for an expected cash receipts amount based on the number of attendees and associated ticket prices. The expected cash receipts amount serves as a basis for evaluating whether or not all the cash received has been included in the deposit. As part of our audit, we selected several cash receipts during the year to test. Of the five receipts tested, one for \$10,648 and another for \$1,100 did not provide adequate support for the amount of cash received at the event. This creates a risk that errors and irregularities may occur and not be detected in a timely manner.

Recommendation No. 2

The University should formalize and implement procedures necessary to reconcile the amount of cash received at campus events to the ending deposit, including requiring adequate support for all cash receipts and expected cash receipts. This will help to ensure that all the cash received at special events has been received and deposited.

University of Northern Colorado Response

Agree. The University's internal auditor is reviewing the campus cash reconciliations with the campus departments.

Implementation date: May 2005

State of Colorado
University of Northern Colorado
Accountants' Findings and Recommendations
June 30, 2005 and 2004

Perkins Loan Program

The University has several accounts that relate to the Perkins Loan Program, which has a total outstanding balance of approximately \$9,550,000 as of June 30, 2005. One of these accounts is a receivable that has had a residual balance of approximately \$90,000 over the past several years. The University does not keep track of what this amount consists of, or whether it is fully collectible.

Recommendation No. 3

The University should reconcile all Perkins accounts during the year in order to gain assurance as to the nature of the receivable and its collectibility. If the amount is deemed to be valid, the University should pursue collection and provide an allowance for any uncollectible portion.

University of Northern Colorado Response

Agree. The University will review the accounts receivable relating to the Perkins Loan Program to verify the amounts of the receivables.

Implementation date: January 2006

State of Colorado
University of Northern Colorado
Accountants' Findings and Recommendations
June 30, 2005 and 2004

Perkins Exit Conferences

The University currently administers a Perkins Loan Program for student borrowers. As part of the administration of this program, federal guidelines require that all students entering into repayment should complete an exit interview. During our testing of Perkins loans entering repayment during the year, we noted that the University did not perform an exit interview for 3 of the 25 students tested. The cause of this was related to a transition in systems used by the University. Upon further investigation by the University, it was noted that the total number of omissions of exit interviews caused by this transition amounted to 198. Without these exit interviews, students may not be adequately informed about the terms of their loan repayments.

Recommendation No. 4

The University should review the current system in place to ensure that all Perkins borrowers entering repayment have completed the required exit interview.

University of Northern Colorado Response

Agree. The University has corrected this finding and has conducted the 198 exit interviews.

Implementation date: Implemented

State of Colorado
University of Northern Colorado
Accountants' Findings and Recommendations
June 30, 2005 and 2004

Advance to Affiliate

The University has advanced \$525,000 to the University of Northern Colorado Foundation Student Housing LLC I (the Student Housing) to provide for an operating reserve fund. This amount is reflected as a receivable by the University and no allowance for estimated uncollectibility was made as of June 30, 2005. The bond covenants of the Student Housing prevent any payment toward this advance amount until certain financial ratio covenants are met. Currently the Student Housing does not meet the financial covenants required and has a deficit net assets balance of \$1,626,685 as of June 30, 2005, as a result of substantial losses in the last three fiscal years. There appears to be some uncertainty as to if and when the University will receive the return of these funds. This should be evaluated and reflected in the University's financial statements.

Recommendation No. 5

The University should continue to evaluate the collectibility of these funds. As part of this evaluation, the University should request a financial forecast from the Student Housing and an expectation as to when the funds will be returned. The University should then evaluate the reasonableness of that financial forecast, based on historical and current financial performance indicators. The University should establish a reserve, if necessary, for any amounts estimated to be uncollectible.

University of Northern Colorado Response

Agree. The University will continue to evaluate and review the collectibility of the advance to affiliate.

Implementation date: Implemented

State of Colorado
University of Northern Colorado
Disposition of Prior Audit Recommendations
June 30, 2005 and 2004

Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the year ended June 30, 2004 included four recommendations. The disposition of these audit recommendations as of September 23, 2005, was as follows:

	Recommendation	Disposition
1	Re-evaluate formulas used in calculating allowances for doubtful accounts.	Not Implemented
2	Ensure proper accounting for fringe benefit allocations to other University departments.	Implemented
3	Capitalize interest on construction in progress financed with other than tax-exempt borrowings.	Partially Implemented*
4	Perform bond arbitrage calculations.	Implemented

* While the University has implemented this recommendation consistent with its policy, there continue to be related passed adjustments due to the difference in financial statement materiality and project cost materiality.



Independent Accountants' Report on Financial Statements and Supplementary Information

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the University of Northern Colorado (the University) and its discretely presented component units, collectively a component unit of the State of Colorado, as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University of Northern Colorado Foundation, Incorporated (the Foundation) or the University of Northern Colorado Foundation Student Housing LLC I (the LLC), which collectively comprise the University's discretely presented component units. Those statements were audited by other accountants whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for the Foundation and the LLC, is based solely on the reports of the other accountants.

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

In our opinion, based on our audits and the reports of the other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component units, as of June 30, 2005 and 2004, and their respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2005, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

\s\ **BKD, LLP**

September 23, 2005

State of Colorado
University of Northern Colorado
Management's Discussion and Analysis
June 30, 2005 and 2004

Overview

This discussion presents management's discussion and analysis of the financial operating results of the University of Northern Colorado (the University or UNC), a public comprehensive baccalaureate and specialized graduate research university, for the fiscal year ending June 30, 2005 with prior year data for comparative purposes. The activities of Student Media Corporation, a blended component unit, have also been incorporated. The Alumni Association was a blended component unit through the fiscal year ended June 30, 2004, but became independent in 2005. The statements focus on the financial condition and results of operations for the University as a whole. The financial statements for the University of Northern Colorado Foundation, Incorporated and the University of Northern Colorado Student Housing LLC I – legally separate organizations whose operations benefit the University – are discretely presented within UNC's financial statements. The Alumni Association is blended into the University of Northern Colorado Foundation for the fiscal year ended June 30, 2005. Unless otherwise noted, the information and financial data included in management's discussion and analysis relate solely to the University. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting changes and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

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

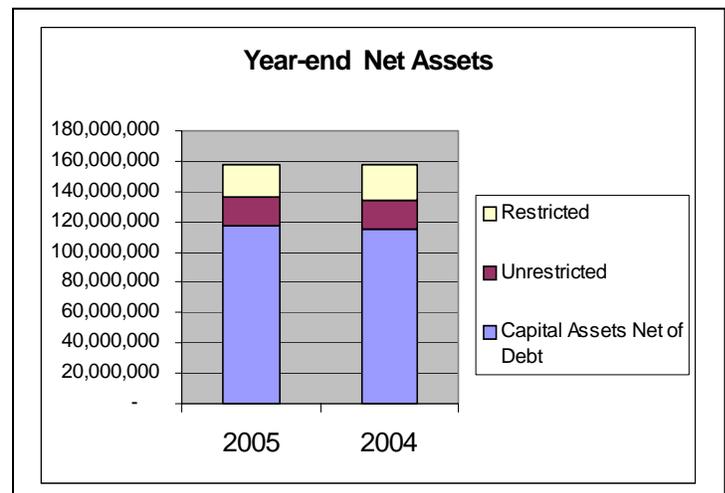
Financial Highlights

The net assets of the University increased by \$215,000 to \$158.2 million during the fiscal year ended June 30, 2005. This increase is net of elimination of the Alumni Association's net assets from the University's financial statements.

If the Alumni Association had not been eliminated, net assets would have increased by \$1.0 million. Growth is slightly less than in fiscal year 2004 (\$1.5 million increase in net assets) and significantly less than in fiscal year 2003 (\$11.8 million increase in net assets). This is a result of declines in state support, both in operating and capital appropriations.

Selected financial highlights for the fiscal year ending June 30, 2005 include:

- University assets total \$244.0 million with liabilities of \$85.9 million resulting in net assets of \$158.2 million.



State of Colorado
University of Northern Colorado
Management's Discussion and Analysis
June 30, 2005 and 2004

- Capital assets of \$179.5 million comprise 73% of the University assets.
- Total revenue in 2005 was \$131.8 million including \$95.3 million of Operating Revenue and \$33.6 million in state appropriation. Total revenue in 2004 was \$129.4 million, including \$91.5 million of operating revenue and \$33.6 million in state appropriations.
- Operating Expenses for 2005 and 2004 totaled \$127.5 million and \$125.1 million, respectively, including \$82.8 and \$82.6 million in personnel costs (65% and 66%).

Statement of Net Assets

The Statement of Net Assets is a financial snapshot of the University of Northern Colorado at June 30, 2005. It presents the fiscal resources of the University (assets), the claims against those resources (liabilities) and the residual available for future operations (net assets). Assets and liabilities are classified by liquidity as either current or noncurrent. Net assets are classified by the ways in which they may be used for future operations.

University of Northern Colorado			
Condensed Statement of Net Assets			
June 30,			
	2005	2004	2003
Assets			
Current Assets	\$ 54,941,752	\$ 57,929,096	\$ 53,326,416
Capital	179,467,768	177,153,139	165,163,746
Other Noncurrent Assets	<u>9,616,626</u>	<u>12,496,121</u>	<u>23,210,782</u>
Total Assets	<u>\$ 244,026,146</u>	<u>\$ 247,578,356</u>	<u>\$ 241,700,944</u>
Liabilities			
Current Liabilities	\$ 20,056,947	\$ 22,201,135	\$ 19,867,625
Bonds/Notes Payable	57,058,594	58,210,633	59,177,098
Other Noncurrent Liabilities	<u>8,745,912</u>	<u>9,216,860</u>	<u>6,225,216</u>
Total Liabilities	<u>\$ 85,861,453</u>	<u>\$ 89,628,628</u>	<u>\$ 85,269,939</u>
Net Assets			
Invested in Capital Assets net of Related Debt	\$ 116,921,377	\$ 114,772,936	\$ 117,868,111
Restricted – Nonexpendable	307,555	381,540	381,541
Restricted – Expendable	21,398,187	23,316,737	21,197,432
Unrestricted	<u>19,537,574</u>	<u>19,478,515</u>	<u>16,983,921</u>
Total Net Assets	<u>\$ 158,164,693</u>	<u>\$ 157,949,728</u>	<u>\$ 156,431,005</u>

Liquid Assets

Unrestricted cash and cash equivalents (\$44.9 million) comprise 18.3% of the University's assets. The current ratio (current assets over current liabilities) is 2.7, which is slightly higher than 2.6, the figure from June 30, 2004.

State of Colorado
University of Northern Colorado
Management's Discussion and Analysis
June 30, 2005 and 2004

Capital Assets

UNC's single largest fiscal resource is its campus facility. Capital assets, net of \$130.0 million accumulated depreciation, total \$179.5 million. This is a \$2.3 million increase from fiscal 2004. The new West Campus Dining Hall was opened during the current fiscal year. The total value of buildings and improvements, net of accumulated depreciation, was \$144.6 million at June 30, 2005 as compared to \$137.8 million at June 30, 2004.

Capital Assets, Net of Accumulated Depreciation						
	<u>June 30, 2005</u>		<u>June 30, 2004</u>		<u>June 30, 2003</u>	
Land and Improvements	\$ 19,365,823	10.8%	\$ 17,884,561	10.1%	\$ 12,554,570	7.6%
Buildings and Improvements	144,558,743	80.5	137,834,728	77.8	131,668,618	79.8
Construction in Progress	2,786,047	1.6	11,040,692	6.2	10,593,558	6.4
Library Books	7,554,352	4.2	7,273,533	4.1	6,983,715	4.2
Equipment	4,360,173	2.4	2,276,995	1.3	2,520,655	1.5
Art and Historical Treasures	842,630	0.5	842,630	0.5	842,630	0.5
Total Capital Assets	<u>\$ 179,467,768</u>	<u>100.0%</u>	<u>\$ 177,153,139</u>	<u>100.0%</u>	<u>\$ 165,163,746</u>	<u>100.0%</u>

Liabilities

The University's commitments of resources include: amounts owed to vendors; leases of equipment; and deferred revenue. Deferred revenues include amounts received for tuition and fees and certain auxiliary activities received by June 30, 2005, but related to services to be provided in fiscal year 2006 and amounts received from grant and contract sponsors that have not yet been earned. Compensated absences (employee accrued vacation) of \$2.9 million is another significant liability. The single largest liability however, is outstanding bonds which totaled \$58.1 million at June 30, 2005 and \$59.2 million at June 30, 2004.

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. These projects are not yet completed. Ratings by Moody's Investor Service and Standard & Poor's, based on insured bonds, were Aaa and AAA respectively. The underlying ratings were A2 and A. Other outstanding bonds include 1994 issuance and the 1998 issuance, both of which were for Auxiliary projects and the refunding of prior bonds. Bond maturities range from 2004 to 2031.

In July 2005, the University issued an additional \$85.0 million in bonds with maturities from 2006 through 2040. Like the 2001 bonds, these were insured with ratings of Aaa by Moody's and AAA by Standard and Poor's. The underlying ratings remained unchanged with a stable outlook at the time of issuance.

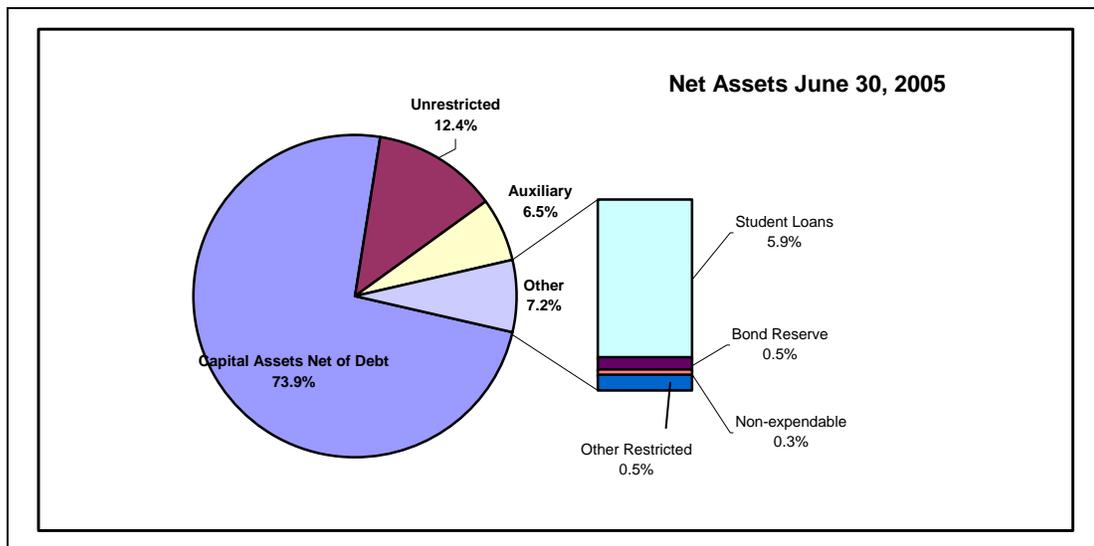
State of Colorado
University of Northern Colorado
Management's Discussion and Analysis
June 30, 2005 and 2004

Net Assets

Net assets are the resources available for future operations, that is, assets reduced by liabilities. The University's largest class of assets is its capital assets, net of related debt, which comprises 73.9% of UNC's net assets.

Net Assets			
	June 30, 2005	June 30, 2004	June 30, 2003
Capital Assets, Net of Related Debt	\$ 116,921,377	\$ 114,772,936	\$ 117,868,111
Unrestricted	19,537,574	19,478,515	16,983,921
Auxiliary	10,215,143	12,992,845	10,839,279
Student Loans	9,635,579	9,259,012	9,343,496
Bond Reserve	750,000	750,000	750,000
Non-expendable	307,555	381,540	381,541
Other Restricted	<u>797,465</u>	<u>314,880</u>	<u>264,657</u>
	<u>\$ 158,164,693</u>	<u>\$ 157,949,728</u>	<u>\$ 156,431,005</u>

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



State of Colorado
University of Northern Colorado
Management's Discussion and Analysis
June 30, 2005 and 2004

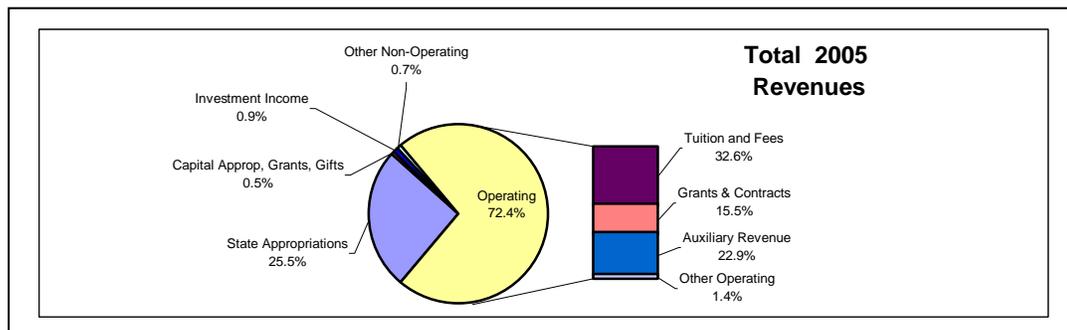
Statement of Revenues, Expenses and Changes in Net Assets

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 GASB standards require state appropriations to be reported as Nonoperating Revenue.

	2005	2004	2003
Operating Revenues			
Net Tuition and Fees	\$ 42,975,646	\$ 40,019,579	\$ 35,066,370
Grants and Contracts	20,383,430	20,056,915	20,055,607
Auxiliary	30,201,148	27,876,906	27,328,805
Other	<u>1,763,804</u>	<u>3,568,899</u>	<u>3,478,598</u>
Total Operating Revenues	<u>95,324,028</u>	<u>91,522,299</u>	<u>85,929,380</u>
Operating Expenses			
Educational and General	96,514,044	95,595,980	99,012,483
Auxiliary	19,908,514	19,252,529	17,473,903
Depreciation	<u>11,092,760</u>	<u>10,212,966</u>	<u>9,528,353</u>
Total Operating Expenses	<u>127,515,318</u>	<u>125,061,475</u>	<u>126,014,739</u>
Operating Loss	(32,191,290)	(33,539,176)	(40,085,359)
Nonoperating Revenues			
State Appropriations	33,590,906	33,590,909	36,974,939
Transfer of Alumni Association net assets to UNC Foundation	(817,809)	—	—
Other Nonoperating Revenues and Expenses	<u>(955,988)</u>	<u>(1,220,499)</u>	<u>2,202,905</u>
Loss Before Other Revenues and Expenses	(374,181)	(1,168,766)	(907,515)
Capital Appropriations	410,080	1,821,068	10,475,643
Net Other Items	<u>179,066</u>	<u>866,421</u>	<u>2,272,578</u>
Increase in Net Assets	214,965	1,518,723	11,840,706
Net Assets, Beginning of Year	157,949,728	156,431,005	144,590,299
Net Assets, End of Year	<u>\$ 158,164,693</u>	<u>\$ 157,949,728</u>	<u>\$ 156,431,005</u>

Total Revenues

Revenue from all sources totals \$131.8 million with \$95.3 million of that being Operating Revenue and an additional \$33.6 million being UNC's general fund appropriation from the State of Colorado. In fiscal year 2004, total revenue was \$129.4 million with \$91.5 million operating revenue and a \$33.6 million general fund appropriation.



State of Colorado
University of Northern Colorado
Management's Discussion and Analysis
June 30, 2005 and 2004

Operating Revenues

Operating revenue is derived from Tuition and Fees – \$43.0 million; Auxiliary activity – \$30.2 million; Grants & Contracts – \$20.4 million; and Other – \$1.7 million.

Tuition and fees are shown net of scholarship allowances. Scholarship allowances are those portions of UNC's tuition and fees which are paid by other revenues, primarily federal and state grants for financial aid, but also general institutional scholarships.

About 52% of the Operating Grants and Contract revenue is federal and state financial aid with an additional 32% coming from federal grants for research, training, etc. Federal financial aid increased by \$190,000 while state financial aid decreased \$184,000.

Grants and Contracts Revenue			
	June 30, 2005	June 30, 2004	June 30, 2003
Federal Financial Aid	\$ 6,173,513	\$ 5,983,582	\$ 5,927,105
State Financial Aid	<u>4,319,367</u>	<u>4,502,887</u>	<u>5,452,469</u>
	10,492,880	10,486,469	11,379,574
Federal Grants	6,548,796	6,864,279	5,805,496
State and Local Grants	59,185	96,473	555,999
UNC Foundation	1,684,683	2,043,377	1,523,284
Other Grants	<u>1,597,886</u>	<u>566,317</u>	<u>791,254</u>
	<u>\$ 20,383,430</u>	<u>\$ 20,056,915</u>	<u>\$ 20,055,607</u>

Expenses

Operating expenses of \$127.5 million, \$3.1 million in interest related to bond financing and \$98,000 in loss on disposal of assets contribute to total expenses and losses of \$130.7 million.

Operating expenses have increased from fiscal 2004 by \$2.5 million primarily in operation of plant and depreciation.

Operating Expenses by Function						
	2005		2004		2003	
Instruction	\$ 47,256,404	37.1%	\$ 48,942,559	39.1%	\$ 49,988,018	39.7%
Research	2,755,929	2.2	2,720,769	2.2	2,449,785	1.9
Public Service	1,309,977	1.0	1,306,980	1.0	1,193,638	1.0
Academic Support	10,965,180	8.6	10,901,482	8.7	11,756,600	9.3
Student Services	15,143,766	11.9	14,391,723	11.5	14,199,382	11.3
Institutional Support	6,213,142	4.8	5,533,618	4.4	7,355,922	5.8
Operation of Plant	9,381,581	7.4	8,480,520	6.8	8,871,396	7.0
Scholarships & Fellowships	3,488,065	2.7	3,318,329	2.7	3,197,742	2.5
Auxiliary operating expenditures	19,908,515	15.6	19,252,529	15.4	17,473,903	13.9
Depreciation	<u>11,092,759</u>	<u>8.7</u>	<u>10,212,966</u>	<u>8.2</u>	<u>9,528,353</u>	<u>7.6</u>
Total Operating Expenses	<u>\$ 127,515,318</u>	<u>100.0%</u>	<u>\$ 125,061,475</u>	<u>100.0%</u>	<u>\$ 126,014,739</u>	<u>100.0%</u>

State of Colorado
University of Northern Colorado
Management's Discussion and Analysis
June 30, 2005 and 2004

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

Operating Expenses by Natural Class									
	2005		2004		2003				
Personnel Costs	\$	82,818,727	64.9%	\$	82,696,027	66.1%	\$	88,209,095	70.0%
Cost of Goods Sold		8,873,157	7.0		7,952,500	6.4		8,337,512	6.6
Other Operating Expense		24,730,675	19.4		24,199,982	19.3		19,939,779	15.8
Depreciation		<u>11,092,759</u>	<u>8.7</u>		<u>10,212,966</u>	<u>8.2</u>		<u>9,528,353</u>	<u>7.6</u>
Total Operating Expenses		<u>\$ 127,515,318</u>	<u>100.0%</u>		<u>\$ 125,061,475</u>	<u>100.0%</u>		<u>\$ 126,014,739</u>	<u>100.0%</u>

Statement of Cash Flows

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

University of Northern Colorado			
Condensed Statement of Cash Flows			
For the Year Ended June 30,			
	2005	2004	2003
Cash Flows Provided/(Used) by			
Operating Activities	\$ (23,824,201)	\$ (22,013,727)	\$ (21,130,019)
Noncapital Financing	32,517,669	33,453,965	37,046,947
Capital and Related Financing	(17,383,505)	(19,005,348)	(15,126,009)
Investing	<u>1,239,454</u>	<u>417,736</u>	<u>2,728,722</u>
Net Increase in Cash	(7,450,583)	(7,147,374)	3,519,641
Beginning Cash Balance	<u>53,069,934</u>	<u>60,217,308</u>	<u>56,697,667</u>
Ending Cash Balance	<u>\$ 45,619,351</u>	<u>\$ 53,069,934</u>	<u>\$ 60,217,308</u>

Economic Outlook

Colorado is the first state in the nation to enact legislation to fund undergraduate college and university student education through a direct stipend (akin to K-12 vouchers) rather than indirectly via appropriations. The stipend funding mechanism will be implemented in fiscal year 2006 and UNC anticipates it to generate about \$21.9 million in the first year. The University will also receive \$11.7 million through a fee-for-service contract to fund graduate education.

State of Colorado
University of Northern Colorado
Management's Discussion and Analysis
June 30, 2005 and 2004

UNC is actively engaged in planning for the uncertainties in our funding future. The "Charting the Future" comprehensive plan is being implemented to better position the University to be effective in meeting its mission and nimble in responding to change. The Board continues to focus on financial planning including strategic tuition pricing and realignment of financial resources toward the University's highest priorities. Various alternatives are being identified to address different financial scenarios. The University remains committed to controlling its own destiny regardless of the level of state funding.

UNC's student enrollment continues to increase. Fiscal year 2005 headcount was up 1.1% and preliminary numbers for fall 2005 (fiscal 2006) indicate that on-campus enrollment remains strong.

Student Headcount Enrollment

Fiscal Year	On-Campus	Percent Change
2005	13,659	1.1%
2004	13,512	2.3%
2003	13,205	0.9%
2002	13,081	

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

Resident FTE Enrollment

Fiscal Year	On-Campus	Percent Change
2005	9,878	2.9%
2004	9,598	1.7%
2003	9,441	3.9%
2002	9,088	

Financial challenges for higher education continue to be very real, but UNC has been a leader in proactively addressing these issues. Financial planning will be very critical during the next few years, but the University administration is prepared to address these issues realistically and positively.

State of Colorado
University of Northern Colorado
Statement of Net Assets
June 30, 2005

	Component Units		
	University of Northern Colorado	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
Assets			
Current Assets			
Cash and cash equivalents	\$ 44,862,824	\$ 3,655	\$ 191,614
Funds held in trust	—	—	1,544,444
Student accounts receivable, net of allowance of \$735,289	4,999,469	—	—
Contributions receivable, net	—	944,491	—
Other receivables, net	1,806,483	527,572	104,869
Investments	—	44,428,987	—
Inventories	801,683	—	—
Loans to students, net	1,640,565	—	—
Other assets	830,728	78,918	24,258
Total current assets	<u>54,941,752</u>	<u>45,983,623</u>	<u>1,865,185</u>
Noncurrent Assets			
Restricted cash and cash equivalents	756,527	—	—
Restricted investments	683,595	—	—
Contributions receivable, net	—	780,553	—
Loans to students, net	6,809,694	—	—
Other noncurrent assets	1,366,810	—	5,656,645
Other long-term investments	—	263,709	—
Investments restricted for endowment	—	44,411,409	—
Capital assets, net	179,467,768	1,124,282	15,803,826
Total noncurrent assets	<u>189,084,394</u>	<u>46,579,953</u>	<u>21,460,471</u>
Total assets	<u>\$ 244,026,146</u>	<u>\$ 92,563,576</u>	<u>\$ 23,325,656</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 12,364,796	\$ 750,516	\$ 731,582
Deferred revenue	4,093,539	—	152,471
Bonds/notes payable – current portion	1,087,039	—	105,000
Capital leases payable – current portion	458,018	—	—
Funds held for the University of Northern Colorado	—	796,157	—
Other current liabilities	2,053,555	—	110,944
Total current liabilities	<u>20,056,947</u>	<u>1,546,673</u>	<u>1,099,997</u>
Noncurrent Liabilities			
Bonds/notes payable	57,058,594	—	23,852,344
Capital lease payable	4,065,184	—	—
Other long-term liabilities	2,434,827	—	—
Annuity obligations	—	139,568	—
Compensated absence liabilities	2,245,901	—	—
Total noncurrent liabilities	<u>65,804,506</u>	<u>139,568</u>	<u>23,852,344</u>
Total liabilities	<u>85,861,453</u>	<u>1,686,241</u>	<u>24,952,341</u>
Net Assets			
Invested in capital assets, net of related debt	116,921,377	1,124,282	—
Restricted			
Nonexpendable			
Scholarships and fellowships	306,155	44,411,409	—
Academic support	1,400	—	—
Expendable			
Auxiliary expenditures	10,215,143	—	—
Scholarships and fellowships	269,711	35,403,374	—
Loans	9,635,579	—	—
Bond reserve	750,000	—	—
Other	527,754	—	—
Unrestricted	<u>19,537,574</u>	<u>9,938,270</u>	<u>(1,626,685)</u>
Total net assets	<u>158,164,693</u>	<u>90,877,335</u>	<u>(1,626,685)</u>
Total liabilities and net assets	<u>\$ 244,026,146</u>	<u>\$ 92,563,576</u>	<u>\$ 23,325,656</u>

State of Colorado
University of Northern Colorado
Statement of Net Assets
June 30, 2004

	Component Units		
	University of Northern Colorado	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
Assets			
Current Assets			
Cash and cash equivalents	\$ 49,452,907	\$ 22,649	\$ 175,817
Funds held in trust	—	—	1,507,754
Student accounts receivable, net of allowance of \$1,175,709	4,492,652	—	—
Contributions receivable, net	—	1,043,086	—
Other receivables, net	1,445,220	393,637	4,474
Investments	—	42,006,733	—
Inventories	750,133	—	—
Loans to students, net	1,533,225	—	—
Other assets	<u>254,959</u>	<u>62,197</u>	<u>28,811</u>
Total current assets	<u>57,929,096</u>	<u>43,528,302</u>	<u>1,716,856</u>
Noncurrent Assets			
Restricted cash and cash equivalents	3,617,027	—	—
Restricted investments	683,967	—	—
Contributions receivable, net	—	978,967	—
Loans to students, net	6,808,693	—	—
Other noncurrent assets	1,386,434	—	5,647,352
Other long-term investments	—	483,141	—
Investments restricted for endowment	—	41,803,226	—
Capital assets, net	<u>177,153,139</u>	<u>344,999</u>	<u>16,338,205</u>
Total noncurrent assets	<u>189,649,260</u>	<u>43,610,333</u>	<u>21,985,557</u>
Total assets	<u>\$ 247,578,356</u>	<u>\$ 87,138,635</u>	<u>\$ 23,702,413</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 15,302,545	\$ 558,809	\$ 666,498
Deferred revenue	3,954,347	—	47,515
Bonds/notes payable – current portion	966,463	—	55,000
Capital leases payable – current portion	310,325	—	—
Funds held for the University of Northern Colorado	—	718,488	—
Other current liabilities	<u>1,667,455</u>	<u>—</u>	<u>120,875</u>
Total current liabilities	<u>22,201,135</u>	<u>1,277,297</u>	<u>889,888</u>
Noncurrent Liabilities			
Bonds/notes payable	58,210,633	—	23,944,320
Capital lease payable	4,528,658	—	—
Other long-term liabilities	2,527,089	—	—
Annuity obligations	—	154,393	—
Compensated absence liabilities	<u>2,161,113</u>	<u>—</u>	<u>—</u>
Total noncurrent liabilities	<u>67,427,493</u>	<u>154,393</u>	<u>23,944,320</u>
Total liabilities	<u>89,628,628</u>	<u>1,431,690</u>	<u>24,834,208</u>
Net Assets			
Invested in capital assets, net of related debt	114,772,936	344,999	—
Restricted			
Nonexpendable			
Scholarships and fellowships	380,140	41,803,226	—
Academic support	1,400	—	—
Expendable			
Auxiliary expenditures	12,992,845	—	—
Scholarships and fellowships	196,312	35,808,501	—
Loans	9,259,012	—	—
Bond reserve	750,000	—	—
Other	118,568	—	—
Unrestricted	<u>19,478,515</u>	<u>7,750,219</u>	<u>(1,131,795)</u>
Total net assets	<u>157,949,728</u>	<u>85,706,945</u>	<u>(1,131,795)</u>
Total liabilities and net assets	<u>\$ 247,578,356</u>	<u>\$ 87,138,635</u>	<u>\$ 23,702,413</u>

State of Colorado
University of Northern Colorado
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2005

	Component Units		
	University of Northern Colorado	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
Operating Revenues			
Student tuition and fees, net	\$ 42,975,646	\$ —	\$ —
Contributions	—	5,477,163	—
Contributed services	—	163,638	—
Rental income and fees	—	—	1,880,297
Federal grants and contracts	12,722,309	—	—
State and local grants and contracts	4,378,552	—	—
Nongovernmental grants and contracts	3,282,569	—	—
Sales and services of educational activities	1,262,099	—	—
Auxiliary operating revenue	30,201,148	—	—
Interest and dividends	—	2,205,113	—
Net realized and unrealized gains	—	5,242,835	—
Other operating revenue	501,705	945,254	—
Total operating revenues	<u>95,324,028</u>	<u>14,034,003</u>	<u>1,880,297</u>
Operating Expenses			
Educational and general			
Instruction	47,256,404	—	—
Research	2,755,929	—	—
Public service	1,309,977	—	—
Academic support	10,965,180	—	—
Student services	15,143,766	—	—
Institutional support	6,213,142	—	—
Operation of plant	9,381,581	—	—
Scholarships and fellowships	3,488,065	—	—
Program	—	7,067,859	—
Management and general	—	951,645	—
Fund raising	—	844,109	—
Auxiliary operating expenditures	19,908,514	—	—
Operating expenses	—	—	643,075
Ground lease with University of Northern Colorado	—	—	61,571
Depreciation and amortization	11,092,760	—	591,777
Total operating expenses	<u>127,515,318</u>	<u>8,863,613</u>	<u>1,296,423</u>
Operating Income (Loss)	<u>(32,191,290)</u>	<u>5,170,390</u>	<u>583,874</u>
Nonoperating Revenues (Expenses)			
State appropriations	33,590,906	—	—
Investment income, net of investment expense	1,239,082	—	123,504
Interest on capital asset related debt	(3,115,368)	—	(1,202,268)
Transfer of Alumni Association net assets to UNC Foundation	(817,809)	—	—
Other nonoperating revenues	920,298	—	—
Net nonoperating revenues (expenses)	<u>31,817,109</u>	<u>—</u>	<u>(1,078,764)</u>
Income (Loss) Before Other Revenues, (Expenses), Gains or (Losses)	<u>(374,181)</u>	<u>5,170,390</u>	<u>(494,890)</u>
Capital appropriations	410,080	—	—
Capital grants and gifts	277,118	—	—
Loss on disposal of capital assets	(98,052)	—	—
Increase (Decrease) in Net Assets	<u>214,965</u>	<u>5,170,390</u>	<u>(494,890)</u>
Net Assets (Deficit), Beginning of Period	<u>157,949,728</u>	<u>85,706,945</u>	<u>(1,131,795)</u>
Net Assets (Deficit), End of Period	<u>\$ 158,164,693</u>	<u>\$ 90,877,335</u>	<u>\$ (1,626,685)</u>

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

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

State of Colorado
University of Northern Colorado
Statements of Cash Flows
For the Years Ended June 30, 2005 and 2004

	2005	2004
Operating Activities		
Cash received		
Tuition and fees	\$ 42,246,758	\$ 40,029,369
Sales of services	31,463,247	29,508,325
Grants and contracts	20,383,430	19,408,585
Student loans collected	2,103,047	2,318,646
Other receipts	1,422,003	1,852,852
Cash payments		
Payments to/for employees	(84,591,480)	(85,116,888)
Payments to suppliers	(31,153,889)	(24,678,157)
Scholarships disbursed	(3,488,065)	(3,054,018)
Student loans disbursed	<u>(2,209,252)</u>	<u>(2,282,441)</u>
Net cash used in operating activities	<u>(23,824,201)</u>	<u>(22,013,727)</u>
Noncapital Financing Activities		
State appropriations, noncapital	33,590,906	33,590,909
Agency inflows	43,291,124	40,295,169
Agency outflows	(43,546,552)	(40,432,113)
Transfer of Alumni Association net assets to UNC Foundation	<u>(817,809)</u>	<u>—</u>
Net cash provided by noncapital financing activities	<u>32,517,669</u>	<u>33,453,965</u>
Capital and Related Financing Activities		
State appropriations, capital	410,080	1,821,068
Capital grants, contracts and gifts	277,118	883,476
Proceeds from sale of capital assets	—	3,000
Acquisition or construction of capital assets	(13,507,576)	(17,043,450)
Principal paid on capital debt	(1,447,759)	(1,389,544)
Interest paid on capital debt	<u>(3,115,368)</u>	<u>(3,279,898)</u>
Net cash used in capital financing activities	<u>(17,383,505)</u>	<u>(19,005,348)</u>
Investing Activities		
Investment earnings	<u>1,239,454</u>	<u>417,736</u>
Net cash provided by investing activities	<u>1,239,454</u>	<u>417,736</u>
Decrease in Cash and Cash Equivalents	(7,450,583)	(7,147,374)
Cash and Cash Equivalents, Beginning of Year	<u>53,069,934</u>	<u>60,217,308</u>
Cash and Cash Equivalents, End of Year	<u>\$ 45,619,351</u>	<u>\$ 53,069,934</u>

State of Colorado
University of Northern Colorado
Statements of Cash Flows (continued)
For the Years Ended June 30, 2005 and 2004

	2005	2004
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	\$ (32,191,290)	\$ (33,539,176)
Depreciation and amortization expense	11,092,760	10,212,966
Other revenues and additions	920,299	1,362,442
Changes in operating assets and liabilities		
Cash invested with custodian	—	7,983
Receivables, net	(974,286)	(1,162,934)
Inventories and prepaid expenses	(1,715,712)	148,981
Accounts payable	(1,067,779)	729,334
Accrued payroll	(104,274)	222,370
Deferred revenues	139,192	(2,663)
Other liabilities	29,636	25,862
Compensated absences	47,253	(18,892)
	<u>\$ (23,824,201)</u>	<u>\$ (22,013,727)</u>
Net Cash Used in Operating Activities		
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Cash and cash equivalents	\$ 44,862,824	\$ 49,452,907
Restricted cash and cash equivalents	<u>756,527</u>	<u>3,617,027</u>
Total cash and cash equivalents	<u>\$ 45,619,351</u>	<u>\$ 53,069,934</u>
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchases	\$ 767,167	\$ 1,718,538
Capital lease obligation incurred for equipment	\$ 0	\$ 3,604,134

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

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

Nature of Operations

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

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

Reporting Entity and Component Units

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

In accordance with accounting principles generally accepted in the United States of America, the financial statements present the University (primary government), its discretely presented component units – the University of Northern Colorado Foundation, Incorporated (see Note 6) and the University of Northern Colorado Foundation Student Housing LLC I (the LLC) (see Note 7), and its blended component unit, the Student Media Corporation (see Note 8). The component units are included in the University's reporting entity because of the significance of their operational and financial relationships with the University in accordance with Statement No. 39 of the Governmental Accounting Standards Board *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement 14*. Financial statements of the Student Media Corporation, the University of Northern Colorado Foundation, Incorporated and the University of Northern Colorado Foundation Student Housing LLC I can be obtained from their respective administrative offices.

For the year ended June 30, 2004, the Alumni Association of the University of Northern Colorado (Alumni Association) was reported as a blended component unit of the University. Effective July 1, 2004, the Alumni Association was dissolved and all assets were transferred to the University of Northern Colorado Foundation. Therefore, the Alumni Association is not presented as a blended component unit of the University as of and for the year ended June 30, 2005.

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

Basis of Accounting and Presentation

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

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

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

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

Use of Estimates

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

Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2005 and 2004, cash equivalents consisted primarily of funds invested through the State Treasurer's Cash Management Program.

Restricted Cash and Cash Equivalents

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

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

Accounts Receivable

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

Inventories

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

Investments and Investment Income

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

Loans to Students

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$1,098,332 and \$1,102,517 at June 30, 2005 and 2004, respectively.

Capital Assets

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

The University capitalizes interest costs as a component of construction in progress. Total interest capitalized was:

	<u>2005</u>	<u>2004</u>
Total interest expense incurred on borrowings for projects	\$ 186,618	\$ 442,873
Interest income from investment of proceeds of borrowings for projects	<u>(26,511)</u>	<u>(235,788)</u>
Net interest cost capitalized	<u>\$ 160,107</u>	<u>\$ 207,085</u>
Interest capitalized	\$ 160,107	\$ 207,085
Interest charged to expense	<u>3,115,368</u>	<u>2,837,025</u>
Total interest incurred	<u>\$ 3,275,475</u>	<u>\$ 3,044,110</u>

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

Compensated Absences

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

Deferred Revenues

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

Classification of Revenues

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

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

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

Scholarship Discounts and Allowances

Student tuition, fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third-parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees and housing were approximately \$8.8 million for each of the years ended June 30, 2005 and 2004.

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

Income Taxes

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

Reclassifications

Certain reclassifications have been made to the 2004 financial statements to conform to the 2005 financial statement presentation. These reclassifications had no effect on change in net assets.

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The University's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Colorado; bonds of any city, county, school district or special road district of the state of Colorado; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2005 and 2004, respectively, \$1,297,069 and \$4,002,966 of the University's bank balances of \$1,397,069 and \$4,102,966 were exposed to custodial credit risk as follows:

	2005	2004
Uninsured and uncollateralized	\$ —	\$ 187,271
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the University's name	1,297,069	3,815,695
	\$ 1,297,069	\$ 4,002,966

At June 30, 2005 and 2004, the University had \$45,196,230 and \$51,836,758, respectively, on deposit with the State Treasurer. Detailed information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report. The University deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The University reports its share of the Treasurer's unrealized gains or losses based on its participation in the State Treasurer's pool. The State Treasurer does not invest any of the pool resources in any external investment pool and there is no assignment or income related to participation in the pool.

Investments

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

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

At June 30, 2005 and 2004, the University had the following investments and maturities:

Type	June 30, 2005			
	Fair Value	Maturities in Years		
		Less than 1	1-5	6-10
U.S. Treasury obligations	\$ 100,248	\$ —	\$ 100,248	\$ —
U.S. agencies obligations	549,478	124,555	374,782	50,141
Money market mutual funds	<u>33,869</u>	<u>33,869</u>	<u>—</u>	<u>—</u>
	<u>\$ 683,595</u>	<u>\$ 158,424</u>	<u>\$ 475,030</u>	<u>\$ 50,141</u>

Type	June 30, 2004			
	Fair Value	Maturities in Years		
		Less than 1	1-5	6-10
U.S. Treasury obligations	\$ 151,868	\$ 50,063	\$ 101,805	\$ —
U.S. agencies obligations	426,226	—	401,366	24,860
Money market mutual funds	<u>105,873</u>	<u>105,873</u>	<u>—</u>	<u>—</u>
	<u>\$ 683,967</u>	<u>\$ 155,936</u>	<u>\$ 503,171</u>	<u>\$ 24,860</u>

Interest Rate Risk – The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the University's investments at June 30, 2005 and 2004 are held by the counterparty in other than the University's name.

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statements of net assets as follows:

	2005	2004
Carrying value	\$ 45,619,351	\$ 53,069,934
Deposits	683,595	683,967
Investments	\$ 46,302,946	\$ 53,753,901
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 44,862,824	\$ 49,452,907
Noncurrent restricted cash and cash equivalents	756,527	3,617,027
Noncurrent restricted investments	683,595	683,967
	\$ 46,302,946	\$ 53,753,901

Note 3: Capital Assets

Capital assets activity for the year ended June 30 was:

	2005				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 8,071,344	\$ 677,042	\$ —	\$ —	\$ 8,748,386
Land improvements	9,084,651	170,803	—	906,024	10,161,478
Non-depreciable land improvements	4,971,439	100,426	—	—	5,071,865
Buildings and improvements	221,124,836	2,256,457	—	12,632,120	236,013,413
Equipment and vehicles	11,062,125	1,445,764	(968,448)	(10,631)	11,528,810
Software	—	1,863,597	—	10,631	1,874,228
Library materials	30,422,972	1,643,346	(160,277)	—	31,906,041
Non-depreciable art/historical	842,630	—	—	—	842,630
Leasehold improvements	495,403	—	—	—	495,403
Construction in progress	11,040,692	5,358,660	(75,161)	(13,538,144)	2,786,047
	297,116,092	13,516,095	(1,203,886)	—	309,428,301
Less accumulated depreciation					
Land improvements	4,242,874	373,032	—	—	4,615,906
Buildings and improvements	83,290,108	8,164,562	—	—	91,454,670
Equipment and vehicles	8,785,130	880,173	(934,903)	(5,968)	8,724,432
Software	—	312,465	—	5,968	318,433
Library materials	23,149,438	1,362,527	(160,276)	—	24,351,689
Leasehold improvements	495,403	—	—	—	495,403
	119,962,953	11,092,759	(1,095,179)	—	129,960,533
Net capital assets	\$ 177,153,139	\$ 2,423,336	\$ (108,707)	\$ 0	\$ 179,467,768

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

	2004				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 5,798,559	\$ 2,272,785	\$ —	\$ —	\$ 8,071,344
Land improvements	8,069,007	128,817	—	886,827	9,084,651
Non-depreciable land improvements	2,603,326	966,870	—	1,401,243	4,971,439
Buildings and improvements	207,273,320	3,594,164	—	10,257,352	221,124,836
Equipment and vehicles	11,357,710	668,240	(963,825)	—	11,062,125
Library materials	29,053,833	1,598,981	(229,842)	—	30,422,972
Non-depreciable art/historical	842,630	—	—	—	842,630
Leasehold improvements	495,403	—	—	—	495,403
Construction in progress	<u>10,593,557</u>	<u>12,992,557</u>	<u>—</u>	<u>(12,545,422)</u>	<u>11,040,692</u>
	<u>276,087,345</u>	<u>22,222,414</u>	<u>(1,193,667)</u>	<u>—</u>	<u>297,116,092</u>
Less accumulated depreciation					
Land improvements	3,916,323	326,551	—	—	4,242,874
Buildings and improvements	75,604,702	7,685,406	—	—	83,290,108
Equipment and vehicles	8,837,053	891,847	(943,770)	—	8,785,130
Library materials	22,070,118	1,309,162	(229,842)	—	23,149,438
Leasehold improvements	<u>495,403</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>495,403</u>
	<u>110,923,599</u>	<u>10,212,966</u>	<u>(1,173,612)</u>	<u>—</u>	<u>119,962,953</u>
Net capital assets	<u>\$ 165,163,746</u>	<u>\$ 12,009,448</u>	<u>\$ (20,055)</u>	<u>\$ 0</u>	<u>\$ 177,153,139</u>

Note 4: Long-term Liabilities

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

	2005				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes and capital leases					
Revenue bonds payable	\$ 59,258,809	\$ —	\$ (1,125,001)	\$ 58,133,808	\$ 1,079,485
Notes payable	18,802	—	(6,977)	11,825	7,554
Capital leases payable	<u>4,838,983</u>	<u>—</u>	<u>(315,781)</u>	<u>4,523,202</u>	<u>458,018</u>
Total bonds and capital leases	<u>64,116,594</u>	<u>—</u>	<u>(1,447,759)</u>	<u>62,668,835</u>	<u>1,545,057</u>
Other liabilities					
Other long-term liabilities	4,094,029	—	(225,792)	3,868,237	1,433,410
Accrued compensated absences	<u>2,818,794</u>	<u>47,252</u>	<u>—</u>	<u>2,866,046</u>	<u>620,145</u>
Total other liabilities	<u>6,912,823</u>	<u>47,252</u>	<u>(225,792)</u>	<u>6,734,283</u>	<u>2,053,555</u>
Total long-term liabilities	<u>\$ 71,029,417</u>	<u>\$ 47,252</u>	<u>\$ (1,673,551)</u>	<u>\$ 69,403,118</u>	<u>\$ 3,598,612</u>

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

	2004				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes and capital leases					
Revenue bonds payable	\$ 60,132,779	\$ —	\$ (974,485)	\$ 59,158,294	\$ 959,485
Notes payable	27,240	—	(8,438)	18,802	6,978
Capital leases payable	<u>1,641,470</u>	<u>3,604,134</u>	<u>(406,621)</u>	<u>4,838,983</u>	<u>310,325</u>
Total bonds and capital leases	<u>61,801,489</u>	<u>3,604,134</u>	<u>(1,389,544)</u>	<u>64,016,079</u>	<u>1,276,788</u>
Other liabilities					
Other long-term liabilities	4,266,470	—	(71,926)	4,194,544	1,667,455
Accrued compensated absences	<u>2,837,686</u>	<u>—</u>	<u>(18,892)</u>	<u>2,818,794</u>	<u>657,681</u>
Total other liabilities	<u>7,104,156</u>	<u>—</u>	<u>(90,818)</u>	<u>7,013,338</u>	<u>2,325,136</u>
Total long-term liabilities	<u>\$ 68,905,645</u>	<u>\$ 3,604,134</u>	<u>\$ (1,480,362)</u>	<u>\$ 71,029,417</u>	<u>\$ 3,601,924</u>

Bonds Payable

Bonds payable consisted of the following at June 30:

	2005	2004
3.4% - 6.0% Auxiliary Facilities System Revenue Refunding and Improvement Bonds, issued April 1, 1994 in the original amount of \$17,150,000 and maturing in varying annual amounts to June 1, 2008	\$ 1,745,000	\$ 2,410,000
Less: unamortized discount	<u>(17,400)</u>	<u>(23,198)</u>
	<u>1,727,600</u>	<u>2,386,802</u>
3.5% - 6.0% Auxiliary Facilities System Revenue Refunding Bonds, issued April 1, 1998 in the original amount of \$10,630,000 and maturing in varying annual amounts through June 1, 2024	9,965,000	10,090,000
Less: unamortized discount	<u>(109,085)</u>	<u>(114,903)</u>
	<u>9,855,915</u>	<u>9,975,097</u>
3.0% - 5.5% Auxiliary Facilities System Revenue Refunding and Improvement Bonds, issued July 31, 2001 in the original amount of \$50,000,000 and maturing in varying annual amounts through June 1, 2031	48,330,000	48,665,000
Less: unamortized discount	(339,688)	(352,791)
Less: unamortized loss on refunding	<u>(1,440,019)</u>	<u>(1,515,814)</u>
	<u>46,550,293</u>	<u>46,796,395</u>
Total Bonds payable less unamortized discount and loss on refunding	<u>\$ 58,133,808</u>	<u>\$ 59,158,294</u>

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

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

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

The annual debt service requirements as of June 30, 2005 are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 1,180,000	\$ 3,012,944	\$ 4,192,944
2007	1,240,000	2,954,195	4,194,195
2008	1,300,000	2,891,660	4,191,660
2009	1,360,000	2,831,197	4,191,197
2010	1,425,000	2,770,345	4,195,345
2011-2015	8,200,000	12,766,795	20,966,795
2016-2020	10,505,000	10,457,500	20,962,500
2021-2025	13,545,000	7,419,250	20,964,250
2026-2030	17,290,000	3,676,500	20,966,500
2031-2035	<u>3,995,000</u>	<u>199,750</u>	<u>4,194,750</u>
Total	\$ <u>60,040,000</u>	\$ <u>48,980,136</u>	\$ <u>109,020,136</u>

Defeased Bonds

In August 1986, the Board of Trustees of the University in-substance defeased the Colorado State College Housing System Revenue Bonds of 1966 and the University of Northern Colorado Facilities Revenue Bonds Series 1972 by placing a portion of the proceeds of the Auxiliary System Refunding and Construction Revenue Bonds Series 1986 in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the in-substance defeased bonds are not included in the University's financial statements. At June 30, 2005, \$755,000 of these outstanding bonds are considered in-substance defeased.

In July 2001, the Board of Trustees of the University in-substance defeased the Auxiliary Facilities System Revenue Bonds Series 1997 by placing a portion of the proceeds of the Auxiliary Facilities System Revenue Refunding and Improvement Bonds Series 2001 in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the in-substance defeased bonds are not included in the University's financial statements. At June 30, 2005, \$21,110,000 of these outstanding bonds are considered in-substance defeased.

Capital Lease Obligations

The University is obligated under leases accounted for as capital leases. Assets under capital leases at June 30, 2005 and 2004 include equipment totaling \$5,240,368 and \$5,240,368, respectively. These agreements provide that any obligations payable after the current fiscal year are contingent upon funds for that purpose being available. The following is a schedule by year of future minimum lease payments including interest together with the present value of the future minimum lease payments as of June 30, 2005.

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

2006	\$ 600,018
2007	551,347
2008	490,189
2009	488,323
2010	488,324
2011 – 2015	2,441,615
2016 – 2020	<u>649,268</u>
	5,709,084
Less amount representing interest	<u>1,185,882</u>
Present value of future minimum lease payments	<u>\$ 4,523,202</u>

Other Long-term Liabilities

On August 1, 2001, the University entered into a ground lease agreement with the University of Northern Colorado Foundation Student Housing LLC I for \$2,655,000 over a 46-year period. The University received \$2,155,000 as an advance lease payment directly from the proceeds of the debt issued by the LLC to finance the LLC's student housing facility. The advance was initially recorded as deferred revenue. The University recognized \$54,263 in rental revenue for fiscal year 2005 and 2004 and will recognize an equal amount annually for the next 44 years. Deferred revenue under this lease agreement was approximately \$1,900,000 and \$2,000,000 as of June 30, 2005 and 2004, respectively.

Note 5: Operating Leases

The University leases property and equipment under operating leases expiring in various years through 2011.

Future minimum lease payments under non-cancelable operating leases as of June 30, 2005 are as follows:

2006	\$ 54,339
2007	37,656
2008	22,514
2009	20,083
2010	18,599
Later years	<u>5,441</u>
Total minimum lease payments	<u>\$ 158,632</u>

Rental expense under these agreements, for the years ended June 30, 2005 and 2004 was \$70,766 and \$92,577, respectively. Of this amount, all was paid to the State of Colorado.

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

Note 6: The University of Northern Colorado Foundation, Incorporated

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

The Foundation had payables to the University of approximately \$270,000 at June 30, 2005 and 2004.

Contributions Receivable

Contributions receivable as of June 30 are as follows:

	<u>2005</u>	<u>2004</u>
Due in less than one year	\$ 944,491	\$ 1,043,086
Due in one to five years	<u>956,636</u>	<u>1,371,354</u>
	1,901,127	2,414,440
Less present value discount	<u>(176,083)</u>	<u>(392,387)</u>
	<u>\$ 1,725,044</u>	<u>\$ 2,022,053</u>

Approximately 70% and 76% of the Foundation's contributions receivable as of June 30, 2005 and 2004, respectively, consist of pledges from five donors.

Investments

Investments at June 30 consisted of the following:

	<u>2005</u>	<u>2004</u>
Fixed income		
Corporate notes	\$ 17,136,597	\$ 17,346,320
U.S. Treasury bonds and notes	2,932,300	3,940,644
U.S. government agency obligations	<u>2,430,140</u>	<u>1,487,572</u>
	22,499,037	22,774,536
Equity securities	58,151,638	54,072,353
Other investments	<u>8,453,430</u>	<u>7,446,211</u>
	<u>\$ 89,104,105</u>	<u>\$ 84,293,100</u>

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

Note 7: The University of Northern Colorado Foundation Student Housing LLC I

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

Long-term Debt

The Colorado Educational and Cultural Facilities Authority (the Authority), a political sub-division of the State of Colorado, loaned the proceeds of a \$24,320,000 bond issue to the LLC to finance the construction of the LLC's student housing facility. The loan is payable in amounts sufficient to provide for the debt service of the bond issue. Interest rates on the bonds range from 3.375% to 5.375% and are payable semi-annually. The loan is collateralized by the revenues generated by the facility. At June 30, 2005, the balance outstanding on the loan was \$23,957,344, which is net of an original issue discount of \$272,656.

The annual debt service requirements as of June 30, 2005 are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 105,000	\$ 1,199,593	\$ 1,304,593
2007	140,000	1,194,467	1,334,467
2008	180,000	1,188,643	1,368,643
2009	225,000	1,180,880	1,405,880
2010	275,000	1,170,992	1,445,992
2011-2015	2,110,000	5,619,514	7,729,514
2016-2020	2,825,000	5,013,058	7,838,058
2021-2025	3,605,000	4,209,814	7,814,814
2026-2030	4,600,000	3,188,687	7,788,687
2031-2035	5,870,000	1,879,916	7,749,916
2036-2038	<u>4,295,000</u>	<u>337,608</u>	<u>4,632,608</u>
Total	<u>\$ 24,230,000</u>	<u>\$ 26,183,172</u>	<u>\$ 50,413,172</u>

Note 8: Blended Component Units

Student Media Corporation

The Student 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.

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

Alumni Association of the University of Northern Colorado

The Alumni Association of the University of Northern Colorado (the Alumni Association) was organized under state law with a purpose of facilitating broad support for the University among alumni. The Alumni Association was governed by a Board of Directors consisting of 23 members of the Association. The Alumni Association was reported for fiscal year ended June 30, 2004 as if it were a part of the University due to financial dependency of the Alumni Association on the University.

The Alumni Association dissolved in July 2004 and all assets were transferred to the Foundation. Therefore, the Alumni Association is not presented as a blended component unit of the University as of and for the year ended June 30, 2005.

Note 9: Pension Plans

Plan Description

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

Plan members vest after five years of service and most are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service or at age 65 with five years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of five 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.

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

Funding Policy

Most employees contribute 8.00% (10.00% for state troopers) of their gross covered wages to an individual account in the plan. During fiscal year 2004-2005, the state contributed 10.15% (12.85% for state troopers and 12.66% for the judicial branch) of the employee's gross covered wages. Effective January 1, 2003, 1.10% 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 10). 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 Internal Revenue Code (IRC) 125 plan established under Section 125 of the IRC. The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly.

The University's contributions to the three programs described above for the fiscal years ending June 30, 2005 and 2004 were \$3,280,917 and \$3,111,948, respectively. These contributions met the contribution requirement for each year.

Optional Retirement Plan

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

The ORP is a defined contribution plan with three vendors, Travelers/CitiStreet, TIAA-CREF and VALIC, providing a range of investment accounts for participants. For fiscal years 2004-2005 and 2003-2004, the employees contributed 8% and the University contributed 11.5%. The University's contribution to the ORP for the year ended June 30, 2005 and 2004 was \$3,084,598 and \$3,231,036, respectively. All contributions are immediately invested in the employee's account. Normal retirement age for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

Note 10: Voluntary Tax-deferred Retirement Plans

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

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

Note 11: Post-retirement Healthcare and Life Insurance Benefits

Health Care Program

PERACare (formerly known as the PERA Health Care Program) (the Program) began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Under this Program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During fiscal year 2004-2005, the premium subsidy was \$115 for those with 20 years of service credit (\$230 for members under age 65 and not eligible for Medicare) and it was reduced by 5% for each year of service fewer than 20 years.

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

Monthly premium costs for participants depend on the health care plan selected, the number of persons being covered, Medicare eligibility and the number of years of service credit a retiree has. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans and with health maintenance organizations providing services within Colorado. As of September 30, 2005, there were 40,558 participants, including spouses and dependents, from all contributors in the plan.

Life Insurance Program

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

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

Note 12: Natural Classifications with Functional Classifications

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

2005							
Functional Classifications	Employee and Personal Services	Operating and Travel	Cost of Goods Sold	Depreciation	Inter-governmental Distributions	Prizes and Awards	Total Operating Expenses
Instruction	\$ 41,912,746	\$ 5,224,856	\$ 139	\$ —	\$ 115,915	\$ 2,748	\$ 47,256,404
Research	2,070,634	601,977	—	—	75,968	7,350	2,755,929
Public service	850,206	354,746	104,278	—	—	747	1,309,977
Academic support	8,269,232	2,689,690	145	—	5,812	301	10,965,180
Student services	9,653,222	5,314,357	168,754	—	—	7,433	15,143,766
Institutional support	6,975,824	(5,102,996)	4,339,879	—	—	435	6,213,142
Operation of plant	6,294,441	3,086,891	99	—	—	150	9,381,581
Scholarship/fellowship	—	3,488,065	—	—	—	—	3,488,065
Auxiliaries	6,792,422	8,853,764	4,259,863	—	—	2,466	19,908,515
Depreciation and amortization	—	—	—	11,092,759	—	—	11,092,759
Total	\$ 82,818,727	\$ 24,511,350	\$ 8,873,157	\$ 11,092,759	\$ 197,695	\$ 21,630	\$ 127,515,318

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

Note 13: Legislative Appropriations

Appropriated Funds

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

For the years ended June 30, 2005 and 2004, appropriated expenditures were within the authorized spending authority of \$79,216,557 and \$77,935,035, respectively. Actual appropriated revenues earned totaled \$71,711,567 and \$68,753,689, respectively. Actual appropriated expenditures and transfers totaled \$66,166,046 and \$69,654,320, respectively. The net increase (decrease) in appropriated fund balance was \$5,545,521 and (\$900,631), respectively.

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

Capital Construction State Appropriations

Capital Construction state appropriations are recognized only to the extent of current expenditures of \$410,080. At June 30, 2005, there were unexpended Capital Construction state appropriations of \$1,746,515.

Controlled Maintenance Projects

The Colorado Department of Personnel and Administration makes expenditures on behalf of the University for various controlled maintenance projects. There were three completed controlled maintenance projects added to the University for the year ended June 30, 2005. These projects included the repair and replacement of campus building roofs, the replacement of deteriorated stairs/walkways and the ceiling repair of Frasier Hall Theater.

Note 14: Commitments and Contingencies

Construction Commitments

As of June 30, 2005, the University has construction commitments of \$243,102 for dining hall construction, water main replacement and parking improvements.

Government Grants

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

Note 15: Risk Management

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

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

State of Colorado
University of Northern Colorado
Notes to Financial Statements
June 30, 2005 and 2004

Note 16: Subsequent Event

In July 2005, the University issued \$85 million in Refunding and Improvement bonds. The bonds mature in varying annual amounts through June 1, 2040 at an interest rate ranging from 3.25%-5.00%. The bond proceeds are to be used for the Sports & Recreation Facility Project, campus parking improvements, McCowen and Turner Hall and to refund a portion of the 1994 Bonds.



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

Members of the Legislative Audit Committee:

We have audited the financial statements of University of Northern Colorado (the University) and its aggregate discretely presented component units, collectively a component unit of the State of Colorado, as of and for the year ended June 30, 2005, and have issued our report thereon dated September 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University'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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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

However, we noted other matters involving the internal control over financial reporting and its operation that are described in the Auditor's Findings and Recommendation section of this report as Recommendations No. 1-5.

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

\s\ **BKD, LLP**

September 23, 2005

111 S. Tejon Street, Suite 800 Colorado Springs, CO 80903-2286 719 471-4290 Fax 719 632-8087



Independent Accountants' Audit Committee Communication

Members of the Legislative Audit Committee:

As part of our audit of the financial statements of University of Northern Colorado (the University) and its aggregate discretely presented component units, collectively a component unit of the State of Colorado, as of and for the year ended June 30, 2005, we wish to communicate the following to you.

Auditors' Responsibility Under Auditing Standards Generally Accepted in the United States of America

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

Significant Accounting Policies

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

Management Judgments and Accounting Estimates

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

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

Audit Adjustments

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

Areas in which adjustments were proposed including those which management recorded, include:

- Retainage on construction in progress
- Transfer of Alumni Association assets
- Reduction of prepaid expenses and accrued liabilities

Areas in which uncorrected misstatements were aggregated during the current engagement and pertaining to the latest period presented were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole, include accounting for fringe benefit and other internal charge allocations to University departments and programs, capitalization and depreciation of capital assets, capitalized interest, retainage on construction in progress, deferred revenue, imputed interest on advances, accrued liabilities, other receivables and related allowances, cash including blended component unit cash and prepaid summer expenses. The effect of the uncorrected misstatements, had they been recorded, would have been to decrease current assets by \$87,735, increase noncurrent assets by \$56,908, increase current liabilities by \$439,623, increase noncurrent liabilities by \$135,893, decrease change in net assets by \$63,006 and decrease beginning net assets by \$543,337 for the year ended June 30, 2005.

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

\s\ **BKD, LLP**

September 23, 2005

State-Funded Student Assistance Programs



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

Members of the Legislative Audit Committee:

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs (the Statement) of the University of Northern Colorado (the University), a blended component unit of the State of Colorado, for the year ended June 30, 2005. This Statement is the responsibility of the University's management. Our responsibility is to express an opinion on this Statement based on our audit.

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

As described in notes to the Statement, the Statement was prepared in the format as set forth in the *Colorado Handbook for State-Funded Student Assistance Programs* issued by the Colorado Commission on Higher Education (CCHE), 2005 version. The Statement is a summary of cash activity of the state-funded financial assistance programs with the exception of the Perkins Loan and Colorado Work-Study Programs and does not present certain transactions that would be included in the Statement of the state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. Accordingly, the accompanying Statement is not intended to present the financial position, changes in financial position or cash flows of the University in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Statement referred to above presents fairly, in all material respects, the appropriations, expenditures, transfers and reversions of the state-funded student assistance programs of the University of Northern Colorado for the year ended June 30, 2005, in conformity with the provisions of the CCHE *Colorado Handbook for State-Funded Student Assistance Programs*, as described in Note 1 to the Statement.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 23, 2005, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

/s/ **BKD, LLP**

September 23, 2005

111 S. Tejon Street, Suite 800 Colorado Springs, CO 80903-2286 719 471-4290 Fax 719 632-8087

State of Colorado
University of Northern Colorado
Statement of Appropriations, Expenditures, Transfers and Reversions of
the State-Funded Student Assistance Programs
Year Ended June 30, 2005

	CLEAP	SLEAP	Student Grant Program	Colorado Graduate Program	Work Study Program	Graduate Fellowship Program
Appropriations						
Original	\$ 111,748	\$ 281,299	\$1,310,554	\$ 112,352	\$ 859,176	\$ —
Adjustments	(525)	37,916	(8,801)	—	(4,038)	—
Transfers	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	111,223	319,215	1,301,753	112,352	855,138	—
Expenditures	<u>111,223</u>	<u>319,215</u>	<u>1,301,753</u>	<u>112,352</u>	<u>855,138</u>	<u>—</u>
Reversions to state general fund	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

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

Loan Matching	Governor's Opportunity Scholarship	Under- graduate Merit	Diversity Grants	Part-time Student Grant	Performing and Visual Arts	Athletic Grants	Total State- Funded Student Assistance
\$ 7,925	\$ 988,235	\$ 401,806	\$ 449,615	\$ —	\$ —	\$ —	\$4,522,710
482	(22,871)	6,916	—	—	—	—	9,079
<u>—</u>	<u>—</u>	<u>(126,576)</u>	<u>—</u>	<u>—</u>	<u>36,538</u>	<u>90,038</u>	<u>0</u>
8,407	965,364	282,146	449,615	—	36,538	90,038	4,531,789
<u>8,407</u>	<u>965,364</u>	<u>282,146</u>	<u>449,615</u>	<u>—</u>	<u>36,538</u>	<u>90,038</u>	<u>4,531,789</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

State of Colorado
University of Northern Colorado

**Notes to Statement of Appropriations, Expenditures, Transfers and
Reversions of the State-Funded Student Assistance Programs
Year Ended June 30, 2005**

Note 1: Summary of Significant Accounting Policies

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

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

Note 2: Description of Programs

In addition to the student assistance awards made during the period, the University of Northern Colorado obtained authorizations to award federal student financial aid of \$5,291,049 in the Pell Grant Program, \$223,291 in the Supplemental Educational Opportunity Grant Program, \$393,085 in the College Work-Study Program and \$15,750 in the Robert C. Byrd Scholarship. Federal capital contributions of \$25,225 were received by the Perkins Loan Program.

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

Note 3: Student Incentive Grants

Student Incentive Grants consist of \$218,016 of state funds and \$212,422 of federal funds. The amount shown is the combined total.

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