# State of Colorado
# University of Northern Colorado

(A Component Unit of the State of Colorado)

Financial and Compliance Audit

June 30, 2006 and 2005

**LEGISLATIVE AUDIT COMMITTEE**
**2006 MEMBERS**

***Senator Stephanie Takis***
**Chair**

***Representative James Kerr***
**Vice-Chair**

***Representative Dorothy Butcher***
***Senator Jim Isgar***
***Representative Rosemary Marshall***
***Representative Victor Mitchell***
***Senator Nancy Spence***
***Senator Jack Taylor***

**Office of the State Auditor Staff**

***Sally Symanski***
**State Auditor**

***Dianne Ray***
**Deputy State Auditor**

BKD, LLP
**Contract Auditor**

# State of Colorado
# University of Northern Colorado
### June 30, 2006 and 2005

## Contents

# State of Colorado
# University of Northern Colorado
### Report Summary
### June 30, 2006 and 2005

## 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, 2006 and 2005, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate compliance with certain provisions of laws, regulations, contracts and grants governing the expenditure of federal and state funds for the year ended June 30, 2006.
- 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, 2006.
- Evaluate progress in implementing prior year audit recommendations.

## 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 is including collection fees assessed by central collections in the student account receivable balances on balances submitted to the State. These fees remain in the student's balance until collected or written off. Any portion of the student's balance collected relating to collection fees is retained by central collections. The collection fees are not directly considered in the allowance analysis for student account receivables.
- The University's management is not consistently identifying the related risk on the total student loan outstanding for loans that have delinquent payments.
- The internal auditor is not regularly communicating with the audit committee and has been actively involved in the accounting and finance function.
- The University should monitor the construction and capitalized interest costs funded from the 2005 bond proceeds to ensure compliance with IRS guidelines.

## Summary of Progress in Implementing Prior Audit Recommendations

The report for the year ended June 30, 2005, which is dated September 23, 2005, included five recommendations. Four of these recommendations were implemented, while one was partially implemented.

## Audit Opinions and Reports

The independent accountants' reports included herein expressed unqualified opinions on the University's financial statements as of and for the years ended June 30, 2006 and 2005, and the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance Programs for the year ended June 30, 2006.

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
- Accounts receivable and accounts payable
- Retainage of construction in progress
- Deferred revenue

The effect of the uncorrected misstatements, had they been recorded, would have been to increase the change in net assets by $37,869 for the year ended June 30, 2006, decrease current assets by $98,120, increase noncurrent assets by $250,415, increase current liabilities by $333,550, and decrease beginning net assets by $219,124 as of June 30, 2006.

# State of Colorado
# University of Northern Colorado
## Recommendation Locator
## June 30, 2006 and 2005

| Recommendation Number | Page Number | Recommendation Summary | Response | Implementation Date |
|---|---|---|---|---|
| 1 | 5 | Re-evaluate the method used in recording the collection fees related to student accounts remitted to the State for collection. | Agree | June 2007 |
| 2 | 6 | Identifying the related risk on outstanding loans for loans that have delinquent payments. | Agree | June 2007 |
| 3 | 7 | Enhance and improve the communication between the internal auditor and the audit committee and ensure the internal auditor is not directly involved in the accounting and finance function. | Agree | January 2007 |
| 4 | 9 | Monitor compliance with IRS guidelines on spending the 2005 bond proceeds for construction and capitalized interest costs. | Agree | Implemented |

# State of Colorado
# University of Northern Colorado
## Description of the University of Northern Colorado
## June 30, 2006 and 2005

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

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

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

**Student FTE Enrollment**

| | Resident Student FTE | Non-Resident Student FTE | Total Student FTE |
|---|---|---|---|
| 2006 | 9,858 | 1,100 | 10,958 |
| 2005 | 9,878 | 1,134 | 11,012 |
| 2004 | 9,598 | 1,112 | 10,710 |

## Collection Fees on Student Accounts Receivable

As of June 30, 2006, the University has established an allowance for doubtful accounts of $1,991,921 related to student accounts receivable. Student accounts receivable, net of the allowance for doubtful accounts, was $3,178,972 at June 30, 2006.

During our audit, we reviewed the University of Northern Colorado's practices for recording an allowance for doubtful accounts related to student accounts receivable. We found that the University should re-evaluate its method of recording collection fees relating to student accounts and the related impact on allowance for doubtful accounts. These collection fees are not directly considered when calculating the allowance estimate. The collection fees totaled approximately $175,000 for the year ended June 30, 2006.

Adjustments to the allowance for doubtful accounts for student accounts receivable are calculated using a formula that applies an estimated percentage of uncollectible accounts ranging from 2% to 100%, dependent upon the aging of the receivables. When the University has exhausted internal collection efforts on student accounts receivable, typically when the account receivable is over one year old, the accounts are turned over to the State's Central Collections Services. Once a student account is turned over to the State, an approximate 20% collection fee is added to the student's account by Central Collections. Similar to other higher education entities, this fee is recorded by the University in order to facilitate the reconciliation between the University's student account receivable balances and those recorded by the State.

The State will attempt to collect this fee from the student, along with any remaining balance, and if successful, will retain this fee and not remit it to the University. If the full delinquent balance is paid by the student to the University, the University will remit the portion related to the collection fees to the State's Central Collections Services. The collection fee remains in the student's balance on the University's books until the University is notified by the State that the account has been collected, or until the University is given authorization to write-off the account. At this time, the fee is written-off along with the student's balance or credited when the funds are received on the student balance. Adjustments to the net student accounts receivable for collection fees are reflected as increases or decreases in bad debt expense and therefore do not impact the TABOR revenue at the University level.

### *Recommendation No. 1*

The University should re-evaluate the method used in recording the collection fees related to student accounts receivable remitted to the State for collection. A study should be conducted to determine, historically, what percentage of collections fees are received directly by the University verses received by the State. When collection fees are added to the student accounts receivable, an equal offsetting entry should be recorded in the allowance for doubtful accounts or as liability to the State, depending on the results of the study conducted.

### *University of Northern Colorado Response*

Agree.

The University will re-evaluate the method used in recording the collection fees related to student accounts receivable remitted to the State for collection. The University will conduct a study to determine the historical percentages of collection fees received directly by the University verses received by the State. Based on the results of the study conducted, when collection fees are added to the student accounts receivable, an equal offsetting entry will be recorded to the appropriate allowance or liability account.

Estimated Implementation date: June 2007

## Aging and Allowance for Doubtful Accounts on Student Loans Receivable

At June 30, 2006, the University maintained an allowance on student loan receivables of $1,172,169. The University re-evaluated the formulas and methodology used in calculating the allowance for doubtful accounts on student accounts receivable, as recommended in the prior year. However, as noted in prior years, the University determines the allowance for doubtful accounts on student loans receivable by using percentages for each aging category based on past due loan payments. The University uses two different basis for calculating the allowance for doubtful accounts. The principal in arrears is generally the basis for loans delinquent between two months and two years (ignoring the portion of the loan principal that is not currently in arrears); however, the complete loan balance is the basis for the majority of loans that are more than two years delinquent. This creates inconsistency in the calculation of the allowance and could potentially misstate the allowance if the total outstanding loan is not considered.

### *Recommendation No. 2*

The University should ensure that the internal auditor communicates regularly with the Board of Trustees' audit committee on the overall internal control structure, the University-wide risk assessments and specific audit results. Furthermore, in order to maintain independence, the internal auditor should not be directly involved in the accounting and finance function.

### *University of Northern Colorado Response*

Agree.

The University will ensure that the internal auditor communicates regularly with the Board of Trustees' Audit Committee. The University has hired a controller as of November 13, 2006, which will alleviate the need for internal auditor to assist in calculating estimates and preparing financial reports.

Estimated implementation date: January 2007

## Internal Audit Function

The University employs a full time, on-site internal auditor. The internal auditor reports functionally to the Board of Trustees' audit committee and operationally to the Vice-President and General Counsel. However, through interviews with the University's personnel, including the internal auditor, we noted that the communication between the internal auditor and audit committee has not been performed periodically. Regular reporting by the internal auditor to the audit committee on the design and operating effectiveness of the University's internal control structure, University-wide risk assessments and specific audit results is currently not being performed. The internal auditor should update the audit committee on an annual basis or more frequently if determined necessary. Furthermore, we noted that the internal auditor has been very involved with assisting the finance department in preparing financial reports and calculating significant estimates affecting the reported amounts of assets and liabilities. This involvement occurred during the temporary absence of a controller position from April 2006 through the end of our fieldwork in September 2006. In order to maintain independence in the internal audit function, the internal auditor must be careful to not perform functions she may have to audit in the future.

### *Recommendation No. 3*

The University should calculate the allowance for doubtful accounts consistently across all accounts by applying the appropriate percentage to the full amount of the loan outstanding when payments are in arrears.

### *University of Northern Colorado Response*

Agree.

The University will work with the third-party manager of the University's student loans to develop a consistent method for estimating the allowance for bad debt based upon the total amount of each loan in arrears.

Estimated implementation date: June 2007

## 2005 Bond Issuance

In July 2005, the University issued $85 million in tax-exempt bonds to be used for: 1) refunding the 1994 Auxiliary Revenue Refunding and Improvement Bond (Series 1994) with an outstanding principal balance of $1.7 million; 2) sports and recreation facility improvements for $16.1 million; 3) campus parking improvements for $4.0 million; and 4) construction and renovation of residence hall facilities for $63.2 million. Once the bonds were issued, the University invested $83.3 million of bond proceeds in a Guaranteed Investment Contract (GIC) to fund the future construction. The GIC provides a guaranteed 4.228% rate of earning per annum. This rate meets the IRS arbitrage yield restriction limitations for earnings on the tax-exempt bond proceeds.

Based on the Closing Memorandum of the bond issue, the last scheduled draw for construction projects is September 2009. Therefore, the construction projects will extend beyond four years from the date of the bond issuance. This is significant because, under IRS requirements, the bond proceeds invested at a guaranteed yield for longer than four years and the University reasonably expecting that the construction projects funded with bond proceeds will be less than 85% complete within three years of bond issuance classifies these as "hedge bonds." The hedge bond classification adds certain IRS requirements in order for the bonds to maintain the tax-exempt status. These requirements are:

- Payments of the Costs of Issuance are not contingent upon the disbursement of the bond proceeds. Specifically, once the bonds are issued, the Costs will be paid irregardless of the final disposition of the bond proceeds.
- At least 95% of the Costs of Issuance must be paid within 180 days of the date of issuance.
- The Refunded Bonds (Series 1994) cannot be hedge bonds.
- The University reasonably expects to spend the net proceeds on new construction and capitalized interest at the following rate (from date of issuance):
    - Year 1: At least 10%
    - Year 2: At least 30%
    - Year 3: At least 60%
    - Year 5: At least 85%

The University met the first three criteria at the time of issuance. With respect to the fourth criteria to reasonably expect to spend at least 10% of net proceeds on new construction and capitalized interest, the University's construction draw downs for the first year have met the 10% expected spending of net proceeds. According to information provided by University staff, the University spent 10.3%, or $8,908,647, on capitalized interest and construction costs in the first year.

Although this spending level meets the first year minimum expectation of 10% in accordance with IRS requirements, the University's Tax Compliance Certificate, certifying the reasonable expectations of the University and the future events regarding the bond proceeds, shows projected construction draw downs and capitalized interest for the first year at 24.8%, or $22,541,634. This means the spending of bond proceeds is not keeping pace with the projected spending in the Tax Compliance Certificate. If the University's spending of bond proceeds on the construction projects and capitalized interest significantly lags behind the IRS spending requirements, its tax-exempt status of the 2005 bond issue could be jeopardized.

The University should closely monitor the expenditures of net bond proceeds to ensure compliance with the IRS spending guidelines in order to maintain the tax-exempt status of the bonds. The University should document the reasons for any reductions in reasonable expectations for spending the bond proceeds as projected in the Tax Compliance Certificate.

### *Recommendation No. 4*

The University should monitor the construction and capitalized interest costs funded from the 2005 bond proceeds to ensure compliance with IRS spending guidelines for hedge bonds and document any reductions in reasonable expectations for spending bond proceeds as projected in the Tax Compliance Certificate.

### *University of Northern Colorado Response*

Agree.

The University will continue to monitor the expenditures from the construction and capitalized interest funds as part of the normal capital construction process. The University believes it has already met the requirements allowing for a five-year expenditure period. IRS section 149g(2) and IRS Regulation 1.148-2(e)(2)(ii) prescribe a reasonable expectations test and certification by a licensed architect or engineer as to the five-year period. These requirements were met prior to the issuance of the bonds. While there are no requirements to continuously monitor or document changes in expected expenditures, the University has intended to monitor the expenditures as suggested. The University is qualified for a five-year expenditure period and interest on the bonds is tax-exempt. The Tax Code requires that the University proceed with diligence to expend the proceeds which we are in the process of accomplishing.

Estimated implementation date: Implemented

# State of Colorado
# University of Northern Colorado
### Disposition of Prior Audit Recommendations
### June 30, 2006 and 2005

## Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the year ended June 30, 2005, included five recommendations. The disposition of these audit recommendations as of September 22, 2006, was as follows:

| | Recommendation | Disposition |
|---|---|---|
| 1 | Re-evaluate formulas used in calculating allowances for doubtful accounts. | Partially Implemented. See Current Year Recommendation No. 2. |
| 2 | 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. | Implemented |
| 3 | Reconcile all Perkins accounts during the year in order to gain assurance as to the nature of the receivable and collectibility. | Implemented |
| 4 | Review the current system in place to ensure that all Perkins borrowers entering repayment have completed the required exit interview. | Implemented |
| 5 | Evaluate the collectibility of the advance to affiliate. | Implemented |

# Independent Accountants' Report on Financial Statements and Supplementary Information

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the University of Northern Colorado (the University) and its discretely presented component units, collectively, a component unit of the State of Colorado, as of and for the years ended June 30, 2006 and 2005, 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, 2006 and 2005, 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 22, 2006, 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.

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

Members of the Legislative Audit Committee

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

\s\ **BKD, LLP**

September 22, 2006

## Overview

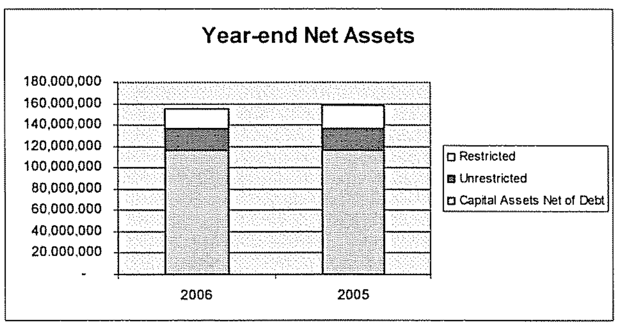
This section presents management's discussion and analysis of the financial operating results of the University of Northern Colorado (the University or UNC), a public comprehensive baccalaureate and specialized graduate research university, for the fiscal year ending June 30, 2006, with prior year data for comparative purposes. The statements focus on the financial condition and results of operations for the University as a whole. The financial statements for the University of Northern Colorado Foundation, Incorporated (the Foundation) and the University of Northern Colorado Student Housing LLC I (the LLC) – legally separate organizations whose operations benefit the University – are discretely presented within UNC's financial statements. Unless otherwise noted, the information and financial data included in management's discussion and analysis relate solely to the University. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting changes and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

The statements are comprised of: the Statement of Net Assets; the Statement of 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 decreased by $3.4 million to $154.8 million during the fiscal year ended June 30, 2006. This decrease is most notable in the restricted net assets of the University. Auxiliary restricted net assets have been used for facilities projects.

Selected financial highlights for the fiscal year ending June 30, 2006 include:




- University assets total $330.0 million with liabilities of $175.2 million resulting in net assets of $154.8 million.
- Capital assets of $182.2 million comprise 55% of the University assets.
- Total revenue in 2006 was $142.0 million including $137.8 million of Operating Revenue, which includes College Opportunity Fund stipends and State Fee-for-Service contract revenue. Total revenue in 2005 was $131.8 million including $95.3 million of Operating Revenue and $33.6 million in state appropriation.
- Operating Expenses for 2006 and 2005 totaled $141.5 million and $127.5 million, respectively, including $90.6 and $82.8 million, respectively, in personnel costs (64% and 65%, respectively).

## Statement of Net Assets

The Statement of Net Assets is a financial snapshot of the University of Northern Colorado at June 30, 2006. 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,**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | $ 55,505,811 | $ 54,941,752 | $ 57,929,096 |
| Capital | 182,220,879 | 179,467,768 | 177,153,139 |
| Other noncurrent assets | 92,310,548 | 9,616,626 | 12,496,121 |
| **Total Assets** | **$ 330,037,238** | **$ 244,026,146** | **$ 247,578,356** |
| **Liabilities** | | | |
| Current liabilities | $ 23,147,234 | $ 20,056,947 | $ 22,201,135 |
| Bonds/Notes payable | 142,301,092 | 57,058,594 | 58,210,633 |
| Other noncurrent liabilities | 9,823,105 | 8,745,912 | 9,216,860 |
| **Total Liabilities** | **$ 175,271,431** | **$ 85,861,453** | **$ 89,628,628** |
| **Net Assets** | | | |
| Invested in capital assets net of related debt | $ 116,643,360 | $ 116,921,377 | $ 114,772,936 |
| Restricted – Nonexpendable | 307,555 | 307,555 | 381,540 |
| Restricted – Expendable | 17,604,788 | 21,398,187 | 23,316,737 |
| Unrestricted | 20,210,104 | 19,537,574 | 19,478,515 |
| **Total Net Assets** | **$ 154,765,807** | **$ 158,164,693** | **$ 157,949,728** |

### *Liquid Assets*

Unrestricted cash and cash equivalents ($46.6 million) comprise 14.1% of the University's assets. The current ratio (current assets over current liabilities) is 2.4, which is slightly less than 2.7, the figure from June 30, 2005.

### Capital Assets

UNC's single largest fiscal resource is its campus facility. Capital assets, net of $140.8 million accumulated depreciation, total $182.2 million. This is a $2.8 million increase from fiscal year 2005. The University has $9.9 million in construction in progress as part of its capital assets. Significant projects include bond funded sports and recreation facilities ($5.0 million); state appropriated buried mains ($1.2 million); and auxiliary funded residence hall renovations ($1.4 million).

**Capital Assets, Net of Accumulated Depreciation**

| | June 30, 2006 | | June 30, 2005 | | June 30, 2004 | |
|---|---|---|---|---|---|---|
| Land and improvements | $ 19,731,359 | 10.8% | $ 19,365,823 | 10.8% | $ 17,884,561 | 10.1% |
| Buildings and improvements | 139,421,608 | 76.5 | 144,558,743 | 80.5 | 137,834,728 | 77.8 |
| Construction in progress | 9,874,105 | 5.4 | 2,786,047 | 1.6 | 11,040,692 | 6.2 |
| Library books | 7,874,582 | 4.3 | 7,554,352 | 4.2 | 7,273,533 | 4.1 |
| Equipment | 4,476,595 | 2.5 | 4,360,173 | 2.4 | 2,276,995 | 1.3 |
| Art and Historical treasures | 842,630 | 0.5 | 842,630 | 0.5 | 842,630 | 0.5 |
| **Total Capital Assets** | $ 182,220,879 | 100.0% | $ 179,467,768 | 100.0% | $ 177,153,139 | 100.0% |

### Other Noncurrent Assets

Restricted investments ($83.0 million) increased from the previous year by $82.3 million dollars. This increase corresponds to the increase in Bonds/Notes payable.

### 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, 2006, but related to services to be provided in fiscal year 2007, and amounts received from grant and contract sponsors that have not yet been earned. Compensated absences (employee accrued vacation and sick leave) of $3.0 million is another significant liability. The single largest liability however, is outstanding bonds, which totaled $143.9 million at June 30, 2006, and $58.1 million at June 30, 2005.

### Bonds/Notes Payable

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

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. These bonds were issued for construction of new student housing, sports & recreation, and parking facilities. Bonds were issued in July due to favorable market conditions, although project work did not begin until late 2005. Bond proceeds are not expected to be fully expended until 2009.

Other outstanding bonds include 1998 issuance, which was for Auxiliary projects and the refunding of prior bonds.

### *Net Assets*

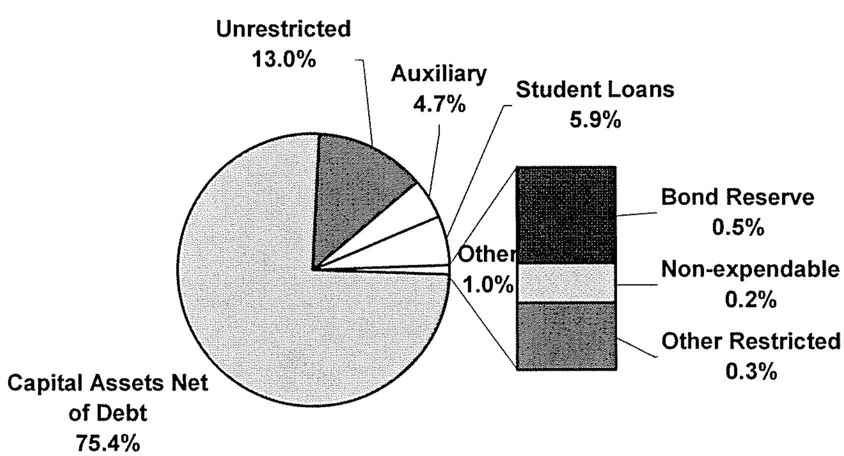
Net assets are the resources available for future operations, that is, assets reduced by liabilities. The University's largest class of net assets is its capital assets, net of related debt, which comprises 75.4% of UNC's net assets.

**Net Assets**

| | June 30, 2006 | June 30, 2005 | June 30, 2004 |
|---|---|---|---|
| Capital assets, net of related debt | $ 116,643,360 | $ 116,921,377 | $ 114,772,936 |
| Unrestricted | 20,210,104 | 19,537,574 | 19,478,515 |
| Auxiliary | 7,274,009 | 10,215,143 | 12,992,845 |
| Student loans | 9,084,499 | 9,635,579 | 9,259,012 |
| Bond reserve | 750,000 | 750,000 | 750,000 |
| Non-expendable | 307,555 | 307,555 | 381,540 |
| Other restricted | 496,280 | 797,465 | 314,880 |
| | $ 154,765,807 | $ 158,164,693 | $ 157,949,728 |

Unrestricted net assets of $20.2 million includes: departmental operating funds, inventory, self-funded operation working capital and reserves.

**Net Assets June 30, 2006**



## Statement of Revenues, Expenses and Changes in Net Assets

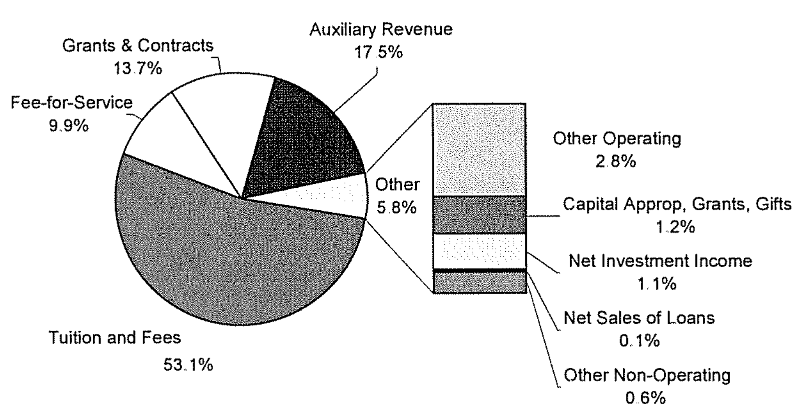
The Statement of Revenues, Expenses and Changes in Net Assets presents the financial activity of the University of Northern Colorado over the fiscal year. The focus is on Operating Revenues and Expenses.

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Operating Revenues** | | | |
| Net tuition and fees | $ 75,469,238 | $ 42,975,646 | $ 40,019,579 |
| Fee for services | 14,016,078 | — | — |
| Grants and contracts | 19,406,898 | 20,383,430 | 20,056,915 |
| Auxiliary | 24,920,551 | 30,201,148 | 27,876,906 |
| Other | 4,031,626 | 1,763,804 | 3,568,899 |
| Total operating revenues | 137,844,391 | 95,324,028 | 91,522,299 |
| **Operating Expenses** | | | |
| Educational and general | 107,813,020 | 96,514,044 | 95,595,980 |
| Auxiliary | 21,742,407 | 19,908,514 | 19,252,529 |
| Depreciation | 11,984,452 | 11,092,760 | 10,212,966 |
| Total operating expenses | 141,539,879 | 127,515,318 | 125,061,475 |
| Operating loss | (3,695,488) | (32,191,290) | (33,539,176) |
| **Nonoperating Revenues** | | | |
| State appropriations | — | 33,590,906 | 33,590,909 |
| Net asset adjustments | — | (817,809) | — |
| Other nonoperating revenues and expenses | (772,334) | (955,988) | (1,220,499) |
| Loss before other revenues and expenses | (4,467,822) | (374,181) | (1,168,766) |
| Capital appropriations | 1,290,484 | 410,080 | 1,821,068 |
| Net other items | (221,548) | 179,066 | 866,421 |
| **Increase (Decrease) in Net Assets** | **(3,398,886)** | **214,965** | **1,518,723** |
| **Net Assets, Beginning of Year** | **158,164,693** | **157,949,728** | **156,431,005** |
| **Net Assets, End of Year** | **$ 154,765,807** | **$ 158,164,693** | **$ 157,949,728** |

### *Total Revenues*

Revenue from all sources totals $142.0 million with $137.8 million of that being operating revenue. In fiscal year 2005, total revenue was $131.8 million with $95.3 million operating revenue and a $33.6 million general fund appropriation.

In fiscal year 2006, the State of Colorado discontinued direct state appropriations to public institutions of higher education, including UNC. Instead, state funds are being used to support Colorado students in two ways. First, the college opportunity fund (COF) provides a stipend to eligible undergraduate residents. A total of $21.2 million in COF stipends was paid toward UNC student tuition in fiscal year 2006. Second, in fiscal year 2006, the State contracted with UNC for $14.0 million in educational service – primarily graduate student education. These funds are in addition to tuition paid by students.




### *Operating Revenues*

Operating revenue is derived from tuition and fees – $75.5 million; auxiliary activity – $24.9 million; grants and contracts – $19.4 million; state fee-for-service – $14.0 million; and Other – $4.0 million.

Tuition and fees are shown net of $7.0 million scholarship allowances. Auxiliary revenue is net of $2.2 million in 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.

**Grants and Contracts Revenue**

| | June 30, 2006 | June 30, 2005 | June 30, 2004 |
|---|---|---|---|
| Federal financial aid | $ 5,926,843 | $ 6,173,513 | $ 5,983,582 |
| State financial aid | 4,141,896 | 4,319,367 | 4,502,887 |
| | 10,068,739 | 10,492,880 | 10,486,469 |
| Federal grants | 5,965,608 | 6,548,796 | 6,864,279 |
| State and local grants | 148,674 | 59,185 | 96,473 |
| UNC Foundation | 2,527,325 | 1,684,683 | 2,043,377 |
| Other grants | 696,552 | 1,597,886 | 566,317 |
| | $ 19,406,898 | $ 20,383,430 | $ 20,056,915 |

About 52% of the operating grants and contract revenue is federal and state financial aid with an additional 31% coming from federal grants for research, training, etc.

## Expenses

Operating expenses of $141.5 million, $3.3 million in interest, $1.3 million in loss on disposal of assets contribute to total expenses of $146.1 million.

Operating expenses have increased from fiscal 2005 by $14 million with significant increases in instruction and scholarships and fellowships. Specific increases included the expensing of $1.1 million in estimated workers compensation and liability losses, $3.8 million increase in financial aid to help defray increased tuition, and significant salary increases to catch-up for two years of flat salaries.

**Operating Expenses by Function**

| | 2006 | | 2005 | | 2004 | |
|---|---|---|---|---|---|---|
| Instruction | $ 50,786,114 | 35.9% | $ 47,256,404 | 37.1% | $ 48,942,559 | 39.1% |
| Research | 2,467,491 | 1.7 | 2,755,929 | 2.2 | 2,720,769 | 2.2 |
| Public Service | 1,511,545 | 1.1 | 1,309,977 | 1.0 | 1,306,980 | 1.0 |
| Academic Support | 12,687,079 | 9.0 | 10,965,180 | 8.6 | 10,901,482 | 8.7 |
| Student Services | 16,408,932 | 11.6 | 15,143,766 | 11.9 | 14,391,723 | 11.5 |
| Institutional Support | 7,759,832 | 5.4 | 6,213,142 | 4.8 | 5,533,618 | 4.4 |
| Operation of Plant | 8,946,819 | 6.3 | 9,381,581 | 7.4 | 8,480,520 | 6.8 |
| Scholarships & Fellowships | 7,245,208 | 5.1 | 3,488,065 | 2.7 | 3,318,329 | 2.7 |
| Auxiliary operating expenditures | 21,742,407 | 15.4 | 19,908,515 | 15.6 | 19,252,529 | 15.4 |
| Depreciation | 11,984,452 | 8.5 | 11,092,759 | 8.7 | 10,212,966 | 8.2 |
| **Total Operating Expenses** | $141,539,879 | 100.0% | $ 127,515,318 | 100.0% | $ 125,061,475 | 100.0% |

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

**Operating Expenses by Natural Class**

| | 2006 | | 2005 | | 2004 | |
|---|---|---|---|---|---|---|
| Personnel Costs | $ 90,382,751 | 63.9% | $ 82,818,727 | 64.9% | $ 82,696,027 | 66.1% |
| Cost of Goods Sold | 8,969,186 | 6.3 | 8,873,157 | 7.0 | 7,952,500 | 6.4 |
| Other Operating Expense | 30,203,490 | 21.3 | 24,730,675 | 19.4 | 24,199,982 | 19.3 |
| Depreciation | 11,984,452 | 8.5 | 11,092,759 | 8.7 | 10,212,966 | 8.2 |
| **Total Operating Expenses** | $ 141,539,879 | 100.0% | $ 127,515,318 | 100.0% | $125,061,475 | 100.0% |

## Statement of Cash Flows

The Statement of Cash Flows provides information about the cash activity over the past year. A summary is presented here, with more detail on the actual statement.

**University of Northern Colorado**
**Condensed Statement of Cash Flows**
**For the Years Ended June 30,**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Cash Flows Provided/(Used) by** | | | |
| Operating activities | $ 15,980,532 | $ (23,824,201) | $ (22,013,727) |
| Noncapital financing | (143,794) | 32,517,669 | 33,453,965 |
| Capital and related financing | 68,365,650 | (17,383,505) | (19,005,348) |
| Investing | (82,587,513) | 1,239,454 | 417,736 |
| **Net Increase in Cash** | **1,614,875** | **(7,450,583)** | **(7,147,374)** |
| **Beginning Cash Balance** | **45,619,351** | **53,069,934** | **60,217,308** |
| **Ending Cash Balance** | **$ 47,234,226** | **$ 45,619,351** | **$ 53,069,934** |

Cash flows from operating activities are positive in fiscal year 2006 due to the inclusion of College Opportunity Fund Stipends and State Fee-for-Service in operating revenue. State appropriations received in prior years were not part of operating cash flows.

Because Colorado no longer funds higher education with state appropriations, cash flows from non-capital financing decreased in fiscal year 2006.

The issuance of $85.0 million in bonds in July 2005 affected both capital and investing cash flows. The receipt of the bond proceeds increased capital cash flows, while the investment of those proceeds resulted in a net outflow in cash used for investing.

## Economic Outlook

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

Fiscal year 2006 headcount was up 0.9%. Preliminary numbers for fall 2006 (fiscal year 2007) indicate a slight decline in total enrollment. Although there is a record number of new freshmen, returning students and particularly, graduate student numbers are down slightly.

**Student Headcount Enrollment**

| Fiscal Year | On-Campus | Percent Change |
|---|---|---|
| 2006 | 13,775 | 0.9% |
| 2005 | 13,659 | 1.1% |
| 2004 | 13,512 | 2.3% |
| 2003 | 13,205 | |

Fiscal year 2006 resident enrollment, as measured by full-time equivalency (FTE) or 30 academic credit hours, was very slightly lower than fiscal year 2005.

**Resident FTE Enrollment**

| Fiscal Year | On-Campus | Percent Change |
|---|---|---|
| 2006 | 9,858 | (0.2)% |
| 2005 | 9,878 | 2.9% |
| 2004 | 9,598 | 1.7% |
| 2003 | 9,441 | |

Information about enrollment trends, including retention, the composition of the student body, and applications for admittance, are critical to financial management of the University. An enrollment management team at UNC is working to define short-term enrollment goals and develop a strategic plan for enrollment management. This enrollment plan will be part of a larger academic plan that sets measurable goals for performance. This planning process is the foundation for effective financial planning and management.

For additional information regarding this report please contact:

Office of the Assistant Vice President of Finance
University of Northern Colorado
501 20th Street
Greeley, CO 80639
(970) 351-2124
www.unco.edu

# State of Colorado
# University of Northern Colorado
## Statement of Net Assets
## June 30, 2006

| | University of Northern Colorado | Component Units: University of Northern Colorado Foundation, Inc. | Component Units: University of Northern Colorado Foundation Student Housing LLC I |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | $ 46,607,122 | $ 2,034 | $ 161,594 |
| Funds held in trust | — | — | 1,750,604 |
| Student accounts receivable, net of allowance of $1,991,921 | 3,295,209 | — | — |
| Contributions receivable, net | — | 567,181 | — |
| Other receivables, net | 2,660,729 | 585,432 | — |
| Investments | — | 47,830,803 | 630 |
| Inventories | 875,507 | — | — |
| Loans to students, net | 1,642,445 | — | — |
| Other assets | 424,799 | 90,515 | 22,578 |
| Total current assets | 55,505,811 | 49,075,965 | 1,935,406 |
| **Noncurrent Assets** | | | |
| Restricted cash and cash equivalents | 627,104 | — | — |
| Restricted investments | 83,021,606 | — | — |
| Contributions receivable, net | — | 312,256 | — |
| Loans to students, net | 6,050,196 | — | — |
| Other noncurrent assets | 2,611,642 | — | 5,577,558 |
| Other long-term investments | — | 215,784 | — |
| Investments restricted for endowment | — | 46,344,952 | — |
| Capital assets, net | 182,220,879 | 1,180,847 | 15,274,103 |
| Total noncurrent assets | 274,531,427 | 48,053,839 | 20,851,661 |
| Total assets | 330,037,238 | 97,129,804 | 22,787,067 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Accounts payable and accrued liabilities | 13,777,987 | 463,728 | 709,708 |
| Deferred revenue | 4,949,845 | — | 130,961 |
| Bonds/notes payable – current portion | 1,612,276 | — | 140,000 |
| Capital leases payable – current portion | 379,687 | — | — |
| Funds held for the University of Northern Colorado | — | 691,438 | 62,408 |
| Other current liabilities | 2,427,439 | — | — |
| Total current liabilities | 23,147,234 | 1,155,166 | 1,043,077 |
| **Noncurrent Liabilities** | | | |
| Bonds/notes payable | 142,301,092 | — | 23,725,311 |
| Capital lease payable | 3,732,315 | — | — |
| Other long-term liabilities | 3,421,039 | — | — |
| Annuity obligations | — | 172,859 | — |
| Compensated absence liabilities | 2,669,751 | — | — |
| Total noncurrent liabilities | 152,124,197 | 172,859 | 23,725,311 |
| Total liabilities | 175,271,431 | 1,328,025 | 24,768,388 |
| **Net Assets** | | | |
| Invested in capital assets, net of related debt | 116,643,360 | 1,180,847 | — |
| Restricted | | | |
| Nonexpendable | | | |
| Scholarships and fellowships | 306,155 | 46,344,952 | — |
| Academic support | 1,400 | — | — |
| Expendable | | | |
| Auxiliary expenditures | 7,274,009 | — | — |
| Scholarships and fellowships | 256,817 | 38,373,891 | — |
| Loans | 9,084,499 | — | — |
| Bond reserve | 750,000 | — | — |
| Other | 239,463 | — | — |
| Unrestricted | 20,210,104 | 9,902,089 | (1,981,321) |
| Total net assets | $ 154,765,807 | $ 95,801,779 | $ (1,981,321) |

*See Notes to Financial Statements*

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

| | University of Northern Colorado | Component Units: University of Northern Colorado Foundation, Inc. | Component Units: 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 | 4,344,751 | — | — |
| Contributions receivable, net | — | 944,491 | — |
| Other receivables, net | 2,461,201 | 527,572 | 7,487 |
| 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 | 54,941,752 | 45,983,623 | 1,767,803 |
| **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 | 189,084,394 | 46,579,953 | 21,460,471 |
| Total assets | 244,026,146 | 92,563,576 | 23,228,274 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Accounts payable and accrued liabilities | 12,364,796 | 750,516 | 731,582 |
| Deferred revenue | 4,093,539 | — | 55,089 |
| 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 | 20,056,947 | 1,546,673 | 1,002,615 |
| **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 | 65,804,506 | 139,568 | 23,852,344 |
| Total liabilities | 85,861,453 | 1,686,241 | 24,854,959 |
| **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 | 19,537,574 | 9,938,270 | (1,626,685) |
| Total net assets | $ 158,164,693 | $ 90,877,335 | $ (1,626,685) |

# State of Colorado
# University of Northern Colorado
## Statement of Revenues, Expenses and Changes in Net Assets
## For the Year Ended June 30, 2006

| | University of Northern Colorado | Component Units: University of Northern Colorado Foundation, Inc. | Component Units: University of Northern Colorado Foundation Student Housing LLC I |
|---|---|---|---|
| **Operating Revenues** | | | |
| Student tuition and fees, net | $ 75,469,238 | $ — | $ — |
| Contributions | — | 3,614,050 | — |
| Contributed services | — | 259,417 | — |
| Rental income and fees | — | — | 1,963,213 |
| Federal grants and contracts | 11,892,451 | — | — |
| State and local grants and contracts | 4,290,570 | — | — |
| State fee for service | 14,016,078 | — | — |
| Nongovernmental grants and contracts | 3,223,877 | — | — |
| Sales and services of educational activities | 359,600 | — | — |
| Auxiliary operating revenue | 24,920,551 | — | — |
| Interest and dividends | — | 2,580,721 | — |
| Net realized and unrealized gains | — | 5,961,368 | — |
| Other operating revenue | 3,672,026 | 1,534,561 | — |
| Total operating revenues | 137,844,391 | 13,950,117 | 1,963,213 |
| **Operating Expenses** | | | |
| Educational and general | | | |
| Instruction | 50,786,114 | — | — |
| Research | 2,467,491 | — | — |
| Public service | 1,511,545 | — | — |
| Academic support | 12,687,079 | — | — |
| Student services | 16,408,932 | — | — |
| Institutional support | 7,759,832 | — | — |
| Operation of plant | 8,946,819 | — | — |
| Scholarships and fellowships | 7,245,208 | — | — |
| Program | — | 7,058,260 | — |
| Management and general | — | 1,139,226 | — |
| Fund raising | — | 828,187 | — |
| Auxiliary operating expenditures | 21,742,407 | — | — |
| Operating expenses | — | — | 629,517 |
| Ground lease with University of Northern Colorado | — | — | 61,571 |
| Depreciation and amortization | 11,984,452 | — | 591,883 |
| Total operating expenses | 141,539,879 | 9,025,673 | 1,282,971 |
| **Operating Income (Loss)** | (3,695,488) | 4,924,444 | 680,242 |
| **Nonoperating Revenues (Expenses)** | | | |
| Investment income, net of investment expense | 1,510,942 | — | 167,390 |
| Interest on capital asset related debt | (3,262,509) | — | (1,202,268) |
| Sale of loans, net of expenses | 149,226 | — | — |
| Interest expense on lending line of credit | (82,824) | — | — |
| Other nonoperating revenues | 912,831 | — | — |
| Net nonoperating expenses | (772,334) | — | (1,034,878) |
| **Income (Loss) Before Other Revenues (Expenses), Gains or (Losses)** | (4,467,822) | 4,924,444 | (354,636) |
| Capital appropriations | 1,290,484 | — | — |
| Capital grants and gifts | 344,692 | — | — |
| Gain on impairment – insurance proceeds | 707,212 | — | — |
| Loss on disposal of capital assets | (1,273,452) | — | — |
| **Increase (Decrease) in Net Assets** | (3,398,886) | 4,924,444 | (354,636) |
| **Net Assets (Deficit), Beginning of Year** | 158,164,693 | 90,877,335 | (1,626,685) |
| **Net Assets (Deficit), End of Year** | $ 154,765,807 | $ 95,801,779 | $ (1,981,321) |

# 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 | 95,324,028 | 14,034,003 | 1,880,297 |
| **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 | 127,515,318 | 8,863,613 | 1,296,423 |
| **Operating Income (Loss)** | (32,191,290) | 5,170,390 | 583,874 |
| **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) | 31,817,109 | — | (1,078,764) |
| **Income (Loss) Before Other Revenues (Expenses), Gains or (Losses)** | (374,181) | 5,170,390 | (494,890) |
| Capital appropriations | 410,080 | — | — |
| Capital grants and gifts | 277,118 | — | — |
| Loss on disposal of capital assets | (98,052) | — | — |
| **Increase (Decrease) in Net Assets** | 214,965 | 5,170,390 | (494,890) |
| **Net Assets (Deficit), Beginning of Year** | 157,949,728 | 85,706,945 | (1,131,795) |
| **Net Assets (Deficit), End of Year** | $ 158,164,693 | $ 90,877,335 | $ (1,626,685) |

# State of Colorado
# University of Northern Colorado
## Statements of Cash Flows
## For the Years Ended June 30, 2006 and 2005

| | 2006 | 2005 |
|---|---|---|
| **Operating Activities** | | |
| Cash received | | |
| Tuition and fees | $ 76,208,984 | $ 42,246,758 |
| Colorado State fee for service | 14,016,078 | — |
| Sales of services | 25,386,478 | 31,463,247 |
| Grants and contracts | 20,154,338 | 20,383,430 |
| Student loans collected | 2,044,093 | 2,103,047 |
| Real property rental receipts | 920,028 | 920,298 |
| Other receipts | 4,468,372 | 501,705 |
| Cash payments | | |
| Payments to/for employees | (86,744,163) | (84,591,480) |
| Payments to suppliers | (31,531,325) | (31,153,889) |
| Scholarships disbursed | (7,326,250) | (3,488,065) |
| Student loans disbursed | (1,616,101) | (2,209,252) |
| Net cash provided by (used in) operating activities | 15,980,532 | (23,824,201) |
| **Noncapital Financing Activities** | | |
| State appropriations, noncapital | — | 33,590,906 |
| Agency inflows | 684,643 | 43,291,124 |
| Agency outflows | (841,144) | (43,546,552) |
| Agency loan inflows | 49,071,157 | 42,649,817 |
| Agency loan outflows | (49,058,450) | (42,649,817) |
| Transfer of Alumni Association net assets to UNC Foundation | — | (817,809) |
| Net cash provided by (used in) noncapital financing activities | (143,794) | 32,517,669 |
| **Capital and Related Financing Activities** | | |
| State appropriations, capital | 1,290,484 | 410,080 |
| Capital grants, contracts and gifts | 344,692 | 277,118 |
| Gain on impairment – insurance proceeds | 623,755 | — |
| Proceeds from capital debt | 85,000,000 | — |
| Proceeds from bond premium | 4,194,559 | — |
| Expended for bond issuance | (1,274,462) | — |
| Acquisition or construction of capital assets | (15,036,217) | (13,507,576) |
| Principal paid on capital debt | (3,838,024) | (1,447,759) |
| Interest paid on capital debt | (2,939,137) | (3,115,368) |
| Net cash provided by (used in) capital financing activities | 68,365,650 | (17,383,505) |
| **Investing Activities** | | |
| Investment earnings | 1,229,095 | 1,239,454 |
| Purchase of guaranteed investment contract | (86,198,293) | — |
| Proceeds from sale and maturity of investments | 2,315,283 | — |
| Net proceeds from sale of student loans | 66,402 | — |
| Net cash provided by (used in) investing activities | (82,587,513) | 1,239,454 |
| **Increase (Decrease) in Cash and Cash Equivalents** | 1,614,875 | (7,450,583) |
| **Cash and Cash Equivalents, Beginning of Year** | 45,619,351 | 53,069,934 |
| **Cash and Cash Equivalents, End of Year** | $ 47,234,226 | $ 45,619,351 |

# State of Colorado
# University of Northern Colorado
## Statements of Cash Flows (continued)
## For the Years Ended June 30, 2006 and 2005

| | 2006 | 2005 |
|---|---|---|
| **Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities** | | |
| Operating loss | $ (3,695,488) | $ (32,191,290) |
| Depreciation and amortization expense | 11,984,452 | 11,092,760 |
| Other revenues and additions | 912,831 | 920,299 |
| Provision for accrued, nonoperating activities | | |
| Agency fund receipts - nonoperating | 136,597 | — |
| Nonoperating receipts receivable | 1,910,301 | — |
| Nonoperating bond interest expense payable | (323,370) | — |
| Changes in operating assets and liabilities | | |
| Receivables, net | 1,607,633 | (974,286) |
| Inventories and prepaid expenses | 361,735 | (1,715,712) |
| Accounts payable | 438,391 | (1,067,779) |
| Accrued payroll | — | (104,274) |
| Deferred revenues | 856,306 | 139,192 |
| Other liabilities | 1,367,294 | 29,636 |
| Compensated absences | 423,850 | 47,253 |
| **Net Cash Provided By (Used in) Operating Activities** | $ 15,980,532 | $ (23,824,201) |
| **Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets** | | |
| Cash and cash equivalents | $ 46,607,122 | $ 44,862,824 |
| Restricted cash and cash equivalents | 627,104 | 756,527 |
| Total cash and cash equivalents | $ 47,234,226 | $ 45,619,351 |
| **Supplemental Cash Flows Information** | | |
| Accounts payable incurred for capital asset purchases | $ 974,800 | $ 767,167 |

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

### *Nature of Operations and Governance*

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

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

As an Institution of the State of Colorado, the University's operations and activities are funded in part through 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), and its discretely presented component units (DPCU). The component units are included in the University's reporting entity because of the significance of their operational and financial relationships with the University in accordance with Statement No. 39 of the Governmental Accounting Standards Board *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement 14.* Financial statements of the discretely presented component units can be obtained from their respective administrative offices. The University has the following discretely presented component units:

**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, the funds that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Alumni Association was formerly a distinct entity organized under state law with a purpose of facilitating broad support for the University among alumni. The entity was dissolved in July 2004 and all assets were transferred to the Foundation. The Foundation activities encompass alumni relations. Therefore, the Alumni Association is not presented as a blended component unit of the University as of and for the years ended June 30, 2006 and 2005.

**University of Northern Colorado Foundation Student Housing LLC I**

The University of Northern Colorado Foundation Student Housing LLC I (the LLC) is a legally separate component unit of the University that was established as a Colorado limited liability company in May 2001 to construct and operate a 396-bed student housing facility for the University. The Foundation is the sole member of the LLC; however, the results of the LLC's operations do not accrue to the Foundation. The LLC has a 46-year ground lease with the University under which "net available cash flows" from the operations, as defined in the lease agreement, is paid to the University as rent (see note 6). At the end of the ground lease in 2047, or upon earlier retirement of the bond issue, title to the housing facility is transferred to the University. As the majority of the LLC's available resources are paid to the University through the ground lease, the LLC is considered a component unit of the University and is discretely presented in the University's financial statements.

### *Basis of Accounting and Presentation*

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

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

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

### *Unrestricted Cash and Cash Equivalents*

For purposes of reporting cash flows, the University defines cash and cash equivalents as cash on hand, demand deposit accounts with financial institutions, pooled cash with the State Treasurer, and all highly liquid investments with original maturities of three months or less. As of June 30, 2006 and 2005, cash equivalents consisted primarily of funds invested through the State Treasurer's Cash Management Program.

### *Restricted Cash and Cash Equivalents*

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

### *Investments and Investment Income*

Investments in equity and debt securities are carried at fair value. Fair value is determined using quoted market prices. Investment income consists of interest and dividend income, plus the current year change in unrealized gain (loss) on the fair value of investments.

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

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

### *Accounts Receivable*

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

### *Inventories*

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

### *Loans to Students*

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was $1,172,169 and $1,098,332 at June 30, 2006 and 2005, 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. The University's capitalization policy includes items with a value of $5,000 or more, and an estimated useful life greater than one year.

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

Total interest capitalized was:

| | 2006 | 2005 |
|---|---|---|
| Total interest expense incurred on borrowings for projects | $ 3,693,021 | $ 186,618 |
| Interest income from investment of proceeds of borrowings for projects | (3,346,476) | (26,511) |
| Net interest cost capitalized | $ 346,545 | $ 160,107 |
| Interest capitalized | $ 346,545 | $ 160,107 |
| Interest charged to expense | 3,262,509 | 3,115,368 |
| Total interest incurred | $ 3,609,054 | $ 3,275,475 |

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

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

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

### *Capital Lease Liabilities*

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

### *Deferred Revenues*

The University prorates summer session revenues and expenses based upon the number of days between the first day of summer session and June 30 as a percentage of the total number of days in the summer session. Tuition, fees and certain auxiliary revenues received before June 30, but determined by this proration to be earned in the following year, are recorded as deferred revenues. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

### *Classification of Revenues*

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

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

### *Tax Exempt Status and Income Taxes*

As a Colorado State Institution of Higher Education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, any income unrelated to the exempt purpose of the University is subject to tax under Section 511(a)(2)(B) of the Internal Revenue Code. The University had no income tax liability related to income generated from activities unrelated to the University's exempt purposes as of June 30, 2006 or 2005.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates. Significant estimates have been made regarding compensated absences expenses, scholarship allowances, and accounts receivable bad debt allowances as described below:

**Bad Debt Allowance**

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

**Compensated Absences Accrued Liability**

The University policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Vacation and sick leave benefits taken as paid time off are recognized as an expense when the time off occurs.

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

Compensated 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.

**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 $9.2 million and $8.8 million for each of the years ended June 30, 2006 and 2005, respectively.

### *Reclassifications*

Certain reclassifications have been made to the 2005 financial statements to conform to the 2006 financial statement presentation. These reclassifications had no effect on change in net assets.

## Note 2: Cash and Cash Equivalents

### *Unrestricted Cash and Cash Equivalents*

The University deposits unrestricted cash and cash equivalents with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The Treasurer acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the State Treasury are invested until the cash is needed.

For financial reporting purposes, all of the State Treasurers' investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. The University reports its share of the Treasurer's unrealized gains or losses based on its participation in the State Treasurer's pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year. 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. Detailed information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

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

| | 2006 | 2005 |
|---|---|---|
| University | | |
| Cash on hand | $ 39,856 | $ 33,133 |
| Cash with U.S. financial institutions | 2,293,289 | 284,267 |
| Cash with Colorado State Treasurer | 44,737,714 | 44,566,974 |
| Unrealized loss – Cash with State Treasurer | (463,737) | (21,550) |
| Total cash and cash equivalents | $ 46,607,122 | $ 44,862,824 |

### *Restricted Cash and Cash Equivalents*

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

| | 2006 | 2005 |
|---|---|---|
| University | | |
| Restricted Cash with State Treasurer | $ 750,000 | $ 756,527 |
| Unrealized loss – Restricted cash with State Treasurer | (122,896) | -- |
| Total University restricted cash and cash equivalents | $ 627,104 | $ 756,527 |

### *Custodial Credit Risk – Cash and Cash Equivalents*

Custodial credit risk for cash and cash equivalents exists when, in the event of the failure of a depository financial institution, the University may be unable to recover deposits, or recover collateral securities that are in the possession of an outside party. Under GASB 40 Deposit and Investment Risk Disclosures, deposits are exposed to custodial credit risk if the deposits are not covered by depository insurance and the deposits are (a) uncollateralized, or (b) collateralized with securities held by the pledging financial institution or the pledging financial institution's trust department or agent, but not in the depositor-government's name. To manage custodial credit risk, unrestricted cash and cash equivalents with the State Treasury and U.S. financial institutions are made in accordance with University policy and State law, including the Public Deposit Protection Act (PDPA). PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102% of the deposits exceeding those amounts insured by federal depository insurance. Deposits collateralized under the PDPA are considered to be collateralized with securities held by the pledging institution in the University's name. As of June 30, 2006, all of the cash and cash equivalents held by the State Treasurer and U.S. financial institutions are, therefore, not subject to custodial credit risk.

## Note 3: Investments

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

During July 2005, the University issued $85 million in Refunding and Improvement bonds. The bonds mature in varying annual amounts through June 1, 2040, at an interest rate ranging from 3.25% to 5.00%. The bond proceeds are to be used for the Sports and Recreation Facility Project, campus parking improvements, McCowen and Turner Hall and to refund a portion of the 1994 bonds. The bond proceeds were deposited on July 29, 2005, under a guaranteed investment contract (GIC) with Trinity Funding Company, LLC (TFC). This investment contract is a secured obligation of the TFC and guarantees a 4.228% per annum rate of earnings. The termination date for this GIC is December 31, 2009, however, the University may make withdrawals for permitted withdrawal purposes on any business day after providing one business day's notice.

The guaranteed investment contract is invested by TFC in contract permitted investments that are restricted to U.S. Government Securities; U.S. Federal agency and set bond document securities that are not backed by the full faith and credit of the U.S. Government; repurchase agreements and reverse repurchase agreements; corporate securities; taxable municipal securities; single-family residential mortgage-backed securities; commercial mortgage-backed securities; asset-backed securities; certain foreign sovereign and foreign corporate U.S. dollar denominated obligations and Deutsche Cash Reserve Institutional. The credit risk exposures of these permitted investments are managed within defined credit risk policy limits that are detailed in the investment contract agreement.

Fair value of investments held at June 30, 2006 and 2005 are detailed below:

| Investment Types | 2006 | Maturity | 2005 | Maturity |
|---|---|---|---|---|
| **The University** | | | | |
| Guaranteed investment contract | $ 82,350,992 | 3.5 years to termination | $ — | N/A |
| Fixed income U.S. Government obligations | — | 6-10 years | 50,141 | 6-10 years |
| Fixed income U.S. Government obligations | 313,414 | 1-5 years | 475,030 | 1-5 years |
| Fixed income U.S. Government obligations | 273,682 | Less than 1 year | 124,555 | Less than 1 year |
| Money market funds | 83,518 | Less than 1 year | 33,869 | Less than 1 year |
| Total University investments | $ 83,021,606 | | $ 683,595 | |
| **The Foundation** | | | | |
| Fixed income U.S. Government obligations | $ 7,186,465 | | $ 5,362,440 | |
| Fixed income corporate notes | 18,238,553 | | 17,136,597 | |
| Equity securities | 57,266,577 | | 58,151,638 | |
| Other investments | 11,699,944 | | 8,453,430 | |
| Total Foundation investments | $ 94,391,539 | | $ 89,104,105 | |

### *Custodial Credit Risk – Investments*

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

At June 30, 2006, the $82.3 million guaranteed investment contract held by TFC was guaranteed by General Electric Capital Corporation. The balance of the Universities investments are endowment funds managed by the Foundation according to the custodial agreement between the University and the Foundation approved December 14, 1988. These securities are held in the Foundation's name as agent of the University and are not subject to custodial credit risk. Custodial credit risk categories are not available for the Foundation.

### *Interest Rate Risk – Investments*

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

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

### *Credit Quality Risk*

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

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

Maturities and credit ratings for the Universities investments held at June 30, 2006 are detailed below:

| Maturities and Credit Ratings by Investment Type | Fair Value | Duration to Maturity | Weighted-Average Maturity | S & P Credit Rating |
|---|---|---|---|---|
| University | | | | |
| Guaranteed investment contract | $ 82,350,992 | 3.5 years | N/A | AAA |
| U.S. Government obligations | 587,097 | 2.4 years | 2.36 years | AAA |
| Money market funds | 83,517 | N/A | N/A | N/A |
| Total investments at June 30, 2006 | $ 83,021,606 | | | |

## Note 4: Accounts, Contributions and Loans Receivable

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

| | 2006 | 2005 |
|---|---|---|
| The University | | |
| Student accounts receivable – current | $ 5,287,130 | $ 5,080,040 |
| Allowance for doubtful accounts | (1,991,921) | (735,289) |
| Subtotal student accounts receivable – net | 3,295,209 | 4,344,751 |
| Student loans receivable – current | 1,840,900 | 1,640,565 |
| Allowance for doubtful accounts | (198,455) | — |
| Subtotal current student loans receivable – net | 1,642,445 | 1,640,565 |
| Student loans receivable – noncurrent | 7,023,910 | 7,908,026 |
| Allowance for doubtful accounts | (973,714) | (1,098,332) |
| Subtotal noncurrent student loans receivable – net | 6,050,196 | 6,809,694 |

| | 2006 | 2005 |
|---|---|---|
| Other receivables – current | | |
| Sponsored programs – federal grants receivable | 1,196,597 | 1,241,600 |
| Sponsored programs – nonfederal grants receivable | 82,907 | 319,213 |
| Student loans program – federal grants receivable | 154,456 | 238,536 |
| Student loans program – nonfederal grants receivable | — | 7,134 |
| Interest receivable | 294,828 | — |
| Accounts receivable related party – the Foundation | 262,000 | 270,000 |
| Accounts receivable related party – the LLC | 400,804 | 384,718 |
| Other accounts receivable | 269,137 | — |
| Subtotal other receivables | 2,660,729 | 2,461,201 |
| Total of the Universities accounts, loans and other receivables | $ 13,648,579 | $ 15,256,211 |
| The Foundation | | |
| Contributions receivable in less than one year | $ 567,181 | $ 944,491 |
| Contributions receivable in one to five years | 279,058 | 835,580 |
| Contributions receivable in more than five years | 127,031 | 121,056 |
| Total contributions receivable | 973,270 | 1,901,127 |
| Less present value discounting | (93,833) | (176,083) |
| Net of the Foundation's contributions receivable | $ 879,437 | $ 1,725,044 |

### *Related Party Receivable*

Grants receivable from the Foundation to the University were approximately $262,000 and $270,000 at June 30, 2006 and 2005, respectively.

The University provided the LLC working capital funds in 2001. Interest earnings are being imputed on these funds and full payment of $500,000 is expected in 2012. The balance at June 30, 2006 and 2005, was approximately $401,000 and $385,000, respectively.

### *Foundation Contributions Receivable*

Foundation contributions receivable as of June 30, 2006 and 2005, are substantially restricted. These unconditional promises to give are to be received by the Foundation in future years and management considers them fully collectible. These receivables are reflected at the present value of estimated future cash flows, using a discount rate based on the five-year treasury bond ranging from 3.7% to 6.75%. Contributions receivable from four donors at June 30, 2006, represent approximately 50% of total contributions receivable.

# State of Colorado
# University of Northern Colorado
## Notes to Financial Statements
## June 30, 2006 and 2005

## Note 5: Capital Assets

The following is a summary of capital asset activity for the year ended June 30, 2006:

| Capital Assets and Accumulated Depreciation | 2006 Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **The University** | | | | | |
| Capital assets | | | | | |
| Land | $ 8,748,386 | $ 348,435 | $ (5,500) | $ — | $ 9,091,321 |
| Land improvements | 10,161,478 | 187,727 | — | 958,424 | 11,307,629 |
| Non-depreciable land improvements | 5,071,865 | 137,591 | — | (762,075) | 4,447,381 |
| Buildings and improvements | 236,013,413 | 1,931,611 | (204,604) | 1,437,344 | 239,177,764 |
| Equipment and vehicles | 11,528,810 | 1,542,094 | (868,432) | — | 12,202,472 |
| Software | 1,874,228 | 251,387 | — | — | 2,125,615 |
| Library materials | 31,906,041 | 1,749,647 | (145,630) | — | 33,510,058 |
| Non-depreciable art/historical | 842,630 | — | — | — | 842,630 |
| Leasehold improvements | 495,403 | — | — | — | 495,403 |
| Construction in progress | 2,786,047 | 9,862,624 | (1,140,873) | (1,633,693) | 9,874,105 |
| Total capital assets | 309,428,301 | 16,011,116 | (2,365,039) | — | 323,074,378 |
| Less accumulated depreciation | | | | | |
| Land improvements | 4,615,906 | 499,066 | — | — | 5,114,972 |
| Buildings and improvements | 91,454,670 | 8,394,526 | (93,040) | — | 99,756,156 |
| Equipment and vehicles | 8,724,432 | 996,482 | (852,817) | — | 8,868,097 |
| Software | 318,433 | 664,962 | — | — | 983,395 |
| Library materials | 24,351,689 | 1,429,417 | (145,630) | — | 25,635,476 |
| Leasehold improvements | 495,403 | — | — | — | 495,403 |
| Total accumulated depreciation | 129,960,533 | 11,984,453 | (1,091,487) | — | 140,853,499 |
| Net capital assets | $ 179,467,768 | $ 4,026,663 | $ (1,273,552) | $ 0 | $ 182,220,879 |

The following is a summary of capital asset activity for the year ended June 30, 2005:

| | 2005 | | | | |
|---|---|---|---|---|---|
| Capital Assets and Accumulated Depreciation | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| **The University** | | | | | |
| Capital assets | | | | | |
| 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 |
| Total capital assets | 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 |
| Total accumulated depreciation | 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 |

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

| | 2006 | 2005 |
|---|---|---|
| **The Foundation** | | |
| Capital assets | | |
| Buildings and improvements | $ 1,135,742 | $ 345,529 |
| Equipment and vehicles | 143,546 | 62,296 |
| Construction in progress | — | 773,900 |
| Total capital assets | 1,279,288 | 1,181,725 |
| Less accumulated depreciation | 98,441 | 57,443 |
| Net capital assets | $ 1,180,847 | $ 1,124,282 |
| **The LLC** | | |
| Capital assets | | |
| Buildings and improvements | $ 16,506,410 | $ 16,504,604 |
| Equipment and vehicles | 867,431 | 862,518 |
| Total capital assets | 17,373,841 | 17,367,122 |
| Less accumulated depreciation | 2,099,738 | 1,563,296 |
| Net capital assets | $ 15,274,103 | $ 15,803,826 |

## Note 6: Liabilities

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

| | 2006 | 2005 |
|---|---|---|
| **The University** | | |
| Accounts payable and accrued liabilities | $ 13,777,987 | $ 12,364,796 |
| Current deferred revenue | | |
| Deferred revenue summer student tuition and fees | 3,996,754 | 3,500,738 |
| Deferred revenue restricted grants and contracts | 895,269 | 534,979 |
| Current portion deferred revenue of the LLC | 57,822 | 57,822 |
| Total current deferred revenue | 4,949,845 | 4,093,539 |
| Bonds, capital leases and notes payable | | |
| Current bonds, capital leases and notes payable | 1,991,963 | 1,545,057 |
| Noncurrent bonds, capital leases and notes payable | 146,033,407 | 61,123,778 |
| Total bonds, capital leases and notes payable | 148,025,370 | 62,668,835 |
| Other liabilities | | |
| Current | | |
| Deposits held | 1,055,873 | 1,040,965 |
| Current insurance liability | 646,376 | — |
| Line of credit payable | 1,880 | — |
| Deposits held in custody for agency funds | 370,100 | 392,444 |
| Current portion of compensated absences liability | 353,210 | 620,146 |
| Subtotal other current liabilities | 2,427,439 | 2,053,555 |
| Noncurrent | | |
| Long-term deposit liabilities held | 30,000 | 64,120 |
| Long-term insurance liability | 1,078,154 | — |
| Long-term deferred revenue of the LLC | 2,312,885 | 2,370,707 |
| Subtotal other noncurrent long-term liabilities | 3,421,039 | 2,434,827 |
| Noncurrent compensated absence liability | 2,669,751 | 2,245,901 |
| Total other liabilities | 8,518,229 | 6,734,283 |
| Total liabilities – The University | $ 175,271,431 | $ 85,861,453 |

| | 2006 | 2005 |
|---|---|---|
| **The Foundation** | | |
| Accounts payable and accrued liabilities | $ 463,728 | $ 750,516 |
| Funds held for the University | 691,438 | 796,157 |
| Long-term debt | | |
| Current portion annuity obligations | 23,612 | 23,612 |
| Noncurrent portion annuity obligations | 149,247 | 115,956 |
| Total long-term debt | 172,859 | 139,568 |
| Total liabilities – the Foundation | $ 1,328,025 | $ 1,686,241 |
| **The LLC** | | |
| Accounts payable and accrued liabilities | $ 709,708 | $ 731,582 |
| Unearned revenues | 130,961 | 55,089 |
| Tenant security deposits | 62,408 | 110,944 |
| Long-term debt | | |
| Current portion long-term debt | 140,000 | 105,000 |
| Noncurrent portion long-term debt | 23,725,311 | 23,852,344 |
| Total long-term debt | 23,865,311 | 23,957,344 |
| Total liabilities – the LLC | $ 24,768,388 | $ 24,854,959 |

# State of Colorado
# University of Northern Colorado
## Notes to Financial Statements
## June 30, 2006 and 2005

### *Long-term Liabilities*

The following is a summary of long-term liability activity for the University for the years ended June 30, 2006 and 2005:

| | 2006 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Bonds, notes and capital leases | | | | | |
| Bonds payable | $ 58,133,808 | $ 89,180,521 | $ (3,400,961) | $ 143,913,368 | $ 1,612,276 |
| Notes payable | 11,825 | — | (11,825) | 0 | 0 |
| Capital leases payable | 4,523,202 | — | (411,200) | 4,112,002 | 379,687 |
| Total | 62,668,835 | 89,180,521 | (3,823,986) | 148,025,370 | 1,991,963 |
| Other long-term liabilities | 2,492,649 | 1,078,154 | (91,942) | 3,478,861 | 57,822 |
| Accrued compensated | 2,866,046 | 486,478 | (329,563) | 3,022,961 | 353,210 |
| Total other liabilities | 5,358,695 | 1,564,632 | (421,505) | 6,501,822 | 411,032 |
| Total long-term liabilities | $ 68,027,530 | $ 90,745,153 | $ (4,245,491) | $ 154,527,192 | $ 2,402,995 |

| | 2005 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Bonds, notes and capital leases | | | | | |
| 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 | 4,838,983 | — | (315,781) | 4,523,202 | 458,018 |
| Total | 64,116,594 | — | (1,447,759) | 62,668,835 | 1,545,057 |
| Other liabilities | | | | | |
| Other liabilities | 2,718,441 | — | (225,792) | 2,492,649 | 57,822 |
| Accrued compensated absences | 2,818,794 | 47,252 | — | 2,866,046 | 620,145 |
| Total other liabilities | 5,537,235 | 47,252 | (225,792) | 5,358,695 | 677,967 |
| Total long-term liabilities | $ 69,653,829 | $ 47,252 | $ (1,673,551) | $ 68,027,530 | $ 2,223,024 |

### *Bonds Payable*

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

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

| | 2006 | 2005 |
|---|---|---|
| The University | | |
| 3.5%-6.0%; the Auxiliary Revenue Refunding Bonds; issued April 1, 1998 in the original amount of $10,630,000; and maturing in varying annual amounts through June 1, 2024 | | |
| Outstanding bond principal | $ 9,830,000 | $ 9,965,000 |
| Less unamortized discount | (103,267) | (109,085) |
| | 9,726,733 | 9,855,915 |
| 3.0%-5.5%; the Auxiliary Revenue Refunding and Improvement Bonds; issued July 31, 2001 in the original amount of $50,000,000; and maturing in varying amounts through June 1, 2031 | | |
| Outstanding bond principal | 47,985,000 | 48,330,000 |
| Less unamortized discount | (326,578) | (339,688) |
| Less unamortized loss on refunding | (1,364,233) | (1,440,019) |
| | 46,294,189 | 46,550,293 |
| 3.25%-5.00%; the Auxiliary Revenue Refunding and Improvement Bonds; issued July 28, 2005 in the original amount of $85,000,000; and maturing in varying amounts through June 1, 2040 | | |
| Outstanding bond principal | 83,810,000 | — |
| Add unamortized premium | 4,127,606 | — |
| Less unamortized loss on refunding | (45,160) | — |
| | 87,892,446 | — |

| | 2006 | 2005 |
|---|---|---|
| 3.4%-6.0%; the Auxiliary Revenue Refunding and Improvement Bonds; issued April 1, 1994 in the original amount of $17,150,000; and maturing through June 1, 2008 | | |
| Outstanding bond principal | — | 1,745,000 |
| Add unamortized discount | — | (17,400) |
| | — | 1,727,600 |
| Total outstanding bond principal | 141,625,000 | 60,040,000 |
| Add total unamortized premium (discount) | 3,697,761 | (466,173) |
| Less unamortized loss on refunding | (1,409,393) | (1,440,019) |
| | $ 143,913,368 | $ 58,133,808 |

The Universities debt service payments required for bonds payable as of June 30, 2006 are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2007 | $ 1,600,000 | $ 6,907,233 | $ 8,507,233 |
| 2008 | 1,650,000 | 6,851,497 | 8,501,497 |
| 2009 | 1,935,000 | 6,787,285 | 8,722,285 |
| 2010 | 2,015,000 | 6,707,745 | 8,722,745 |
| 2011 | 2,760,000 | 6,623,620 | 9,383,620 |
| 2012-2016 | 15,690,000 | 31,220,925 | 46,910,925 |
| 2017-2021 | 19,840,000 | 27,076,025 | 46,916,025 |
| 2022-2026 | 25,370,000 | 21,535,000 | 46,905,000 |
| 2027-2031 | 32,295,000 | 14,619,500 | 46,914,500 |
| 2032-2036 | 20,995,000 | 7,600,000 | 28,595,000 |
| 2037-2040 | 17,475,000 | 2,237,750 | 19,712,750 |
| Total | $ 141,625,000 | $ 138,166,580 | $ 279,791,580 |

### *Defeased Bonds*

In August 1986, the Board of Trustees of the University in-substance defeased the Colorado State College Housing System Revenue Bonds of 1966 and the University of Northern Colorado Facilities Revenue Bonds Series 1972, by placing a portion of the proceeds of the Auxiliary Refunding and Construction Revenue Bonds Series 1986 in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the in-substance defeased bonds are not included in the University's financial statements. At June 30, 2006, $310,000 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, 2006, $20,285,000 of these outstanding bonds are considered in-substance defeased.

In July 2005, the Board of Trustees of the University in-substance defeased the Auxiliary Facilities System Revenue Bonds Series 1994 by placing a portion of the proceeds of the Auxiliary Facilities System Revenue Refunding and Improvement Bonds Series 2005 in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the in-substance defeased bonds are not included in the University's financial statements. At June 30, 2006, $1,045,000 of these outstanding bonds are considered in-substance defeased. The reacquisition price exceeded the net carrying amount of the Series 1994 bonds by $66,758. This amount is being netted against the Series 2005 debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the Series 2005 debt. This advance refunding was undertaken to reduce the total debt service payments over the next three years and resulted in an economic gain of $42,508.

### *Capital Lease Obligations*

Assets under capital leases at June 30, 2006 and 2005 include equipment totaling $4,523,202 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 University debt service payments, including interest, required for these capital leases payable as of June 30, 2006 are detailed below:

| Fiscal Years Ending June 30, | Lease Payments |
|---|---|
| University | |
| 2007 | $ 551,347 |
| 2008 | 490,189 |
| 2009 | 488,323 |
| 2010 | 488,324 |
| 2011 | 488,323 |
| 2012-2016 | 2,359,497 |
| 2017-2021 | 243,064 |
| Total minimum lease payments | 5,109,067 |
| Less amount representing interest | (997,065) |
| | $ 4,112,002 |

### *Other Long-term Liabilities and Deferred Revenues*

### The University – Related Party Lease Agreement with the LLC

On August 1, 2001, the University entered into a ground lease agreement with the LLC for the site of a student housing facility. The lease period is for 46 years and total lease payments are $2,655,000. The University received an advance lease payment of $2,155,000 from the proceeds of the debt issued by the LLC to finance the LLC's student housing facility. The remaining $500,000 was retained by the LLC for operating purposes and is disclosed as Related Party Loan Receivable in Note 4. The advance was initially recorded as deferred revenue and is amortized annually as lease revenue over the term of the ground lease.

The University recognized $54,263 in rental revenue and $3,559 in interest revenue for each of fiscal years 2006 and 2005 and will recognize an equal amount annually for the remaining 40 years.

### The Foundation – Annuity Obligations

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

The Foundation has also been named irrevocable remainder beneficiary for trusts administered by third-party corporate trustees. For this arrangement, the assets are added to the Foundation's investment pool and a contribution is recorded at the estimated present value of the remainder interest. These life income arrangements are re-valued annually to reflect changes in the remainder interest estimates. The Foundation does not have use of the funds until the expiration of the lifetime recipient's interest. Investment assets held in the charitable remainder trusts and charitable gift annuities totaled $215,784 and $263,709 at June 30, 2006 and 2005, respectively.

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

| **Fiscal Years Ending June 30,** | | |
|---|---|---|
| Foundation | | |
| 2007 | $ | 23,612 |
| 2008 | | 23,612 |
| 2009 | | 20,996 |
| 2010 | | 14,120 |
| 2011 | | 14,120 |
| After 2011 | | 76,399 |
| | $ | 172,859 |

### The LLC – Other Long-term Debt

The Colorado Educational and Cultural Facilities Authority (the Authority), a political subdivision of the State of Colorado, loaned the proceeds of a $24,320,000 bond issue to the LLC to finance the construction of a student housing facility. The loan is repayable in amounts sufficient to provide timely payment of the bond principal and interest. Interest rates on the bonds range from 3.375% to 5.375% and interest is payable semi-annually on January 1 and July 1. Bond principal is payable in annual installments beginning in July 2003. The loan is collateralized by the revenue generated from operation of the facility. At June 30, 2006, the balance outstanding on the loan was $23,865,311, which is net of an original issue discount of $259,689.

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

| Fiscal Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 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 | 330,000 | 1,158,727 | 1,488,727 |
| 2012-2016 | 2,290,000 | 5,520,756 | 7,810,756 |
| 2017-2021 | 2,965,000 | 4,865,327 | 7,830,327 |
| 2022-2026 | 3,785,000 | 4,025,063 | 7,810,063 |
| 2027-2031 | 4,830,000 | 2,952,938 | 7,782,938 |
| 2032-2036 | 6,170,000 | 1,573,446 | 7,743,446 |
| 2037-2038 | 2,935,000 | 152,340 | 3,087,340 |
| | $ 24,125,000 | $ 24,983,579 | $ 49,108,579 |

## Note 7: Operating Leases

The University leases property and equipment under operating leases expiring in various years through 2011. Rental expense under these agreements, for the years ended June 30, 2006 and 2005 was $54,339 and $70,766, respectively

The University's future minimum lease payments under noncancelable operating leases as of June 30, 2006 are detailed below:

| Fiscal Years Ending June 30, | | |
|---|---|---|
| 2007 | $ | 42,696 |
| 2008 | | 27,554 |
| 2009 | | 25,122 |
| 2010 | | 23,638 |
| 2011 | | 10,481 |
| Later years | | 4,770 |
| | $ | 134,261 |

## Note 8: Defined Benefit Pension Plan

### *Plan Description*

A significant number of the University's employees participate in a defined benefit pension plan (the Plan). The Plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The Plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the Plan is placed with the Board of Trustees of PERA. Changes to the Plan require legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting www.copera.org.

Prior to January 1, 2006, state employees and employees of local school districts were members of the combined State and School Division of PERA. On January 1, 2006, that combined division was segregated into a State Division and a separate School Division. PERA's financial statements at December 31, 2005, presented the state and school portions of the trust as a single division.

Employees hired by the state after January 1, 2006, are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the state's Deferred Compensation Committee, rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA, rather than the defined benefit plan. PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

Defined benefit plan members vest after five years of service, and if they were hired before July 1, 2005, most are eligible for retirement benefits at age 50 with 30 years of service, at age 60 with 20 years of service, or at age 65 with 5 years of service. Persons hired on or after July 1, 2005, (except state troopers, plan members, inactive plan members and retirees) are eligible for retirement benefits at any age with 35 years of service, at age 55 with 30 years of service, at age 60 with 20 years of service or at age 65 with 5 years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of 5 years of service credit, and their age plus years of service equals 80 or more. State troopers and judges comprise a small percentage of plan members, but have higher contribution rates, and state troopers 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 5 or more years of service credit, 6 months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their eligible children under the age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse, then financially dependent parents will receive a survivor's benefit.

### *Funding Policy*

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

Most employees contribute 8.0% (10.0% for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the Plan. From July 1, 2005 to December 31, 2005, the state contributed 10.15% (12.85% for state troopers and 13.66% for the Judicial Branch) of the employee's salary. From January 1, 2006 through June 30, 2006, the state contributed these same percentage amounts plus an additional .5% for the Amortization Equalization Disbursement discussed below. During all of fiscal year 2005-06, 1.02% of the employees total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2005, the State and School Division of PERA was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

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

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

The University's contributions to the Defined Benefit Plan and the Health Care Trust Fund for the fiscal years ending June 30, 2006 and 2005 were $3,422,213 and $3,280,917, respectively. These contributions met the contribution requirement for each year.

## Note 9: Optional Retirement Plan

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

The ORP is a defined contribution plan with three vendors, Travelers/CitiStreet. TIAA_CREF, and VALIC, providing a range of investment accounts for participants. For fiscal years 2005 and 2004, the employee contributed 8% and the University contributed 11.5%. The University's contribution to the ORP for the years ended June 30, 2006 and 2005, was $3,353,042 and $3,084,598, 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.

## Note 10: Voluntary Tax-Deferred Retirement Plans

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

## Note 11: Postretirement Healthcare and Life Insurance Benefits

### *Health Care Program*

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 and established the program and the Health Care Fund. The program was converted to a trust fund in 1999. 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 2005-06, 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.

The Health Care Trust Fund is maintained by an employer's contribution as discussed above in Note 8 – Funding policy.

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical and prescription benefit plans, and with several health maintenance organizations providing services within Colorado. As of December 31, 2005, there were 41,080 enrollees in the plan.

### *Life Insurance Program*

During fiscal year 2005-06, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident, in which 41,180 members participated. Active members may join the Unum Provident Plan and continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for 13,375 members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

### 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.

| | Fiscal Year 2006 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Employee and Personal Services | Operating and Travel | Cost of Goods Sold | Depreciation | Inter-Governmental Distributions | Prizes and Awards | Total Operating Expenses |
| Instruction | $ 45,394,614 | $ 5,111,056 | $ 240,677 | $ — | $ 37,782 | $ 1,985 | $ 50,786,114 |
| Research | 1,826,867 | 639,709 | — | — | — | 915 | 2,467,491 |
| Public service | 867,231 | 503,398 | 139,987 | — | — | 929 | 1,511,545 |
| Academic support | 9,581,311 | 3,104,190 | 1,383 | — | — | 195 | 12,687,079 |
| Student services | 9,897,138 | 6,114,254 | 383,363 | — | 2,568 | 11,609 | 16,408,932 |
| Institutional support | 7,351,161 | (3,883,556) | 4,137,353 | — | 154,418 | 456 | 7,759,832 |
| Operation of plant | 7,850,458 | 1,096,259 | — | — | 102 | — | 8,946,819 |
| Scholarship/fellowship | 21 | 7,245,187 | — | — | — | — | 7,245,208 |
| Auxiliaries | 7,613,950 | 10,062,034 | 4,066,423 | — | — | — | 21,742,407 |
| Depreciation | — | — | — | 11,984,452 | — | — | 11,984,452 |
| Total | $ 90,382,751 | $ 29,992,531 | $ 8,969,186 | $ 11,984,452 | $ 194,870 | $ 16,089 | $ 141,539,879 |

# State of Colorado
# University of Northern Colorado
## Notes to Financial Statements
## June 30, 2006 and 2005

| | Fiscal Year 2005 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | 4,259,862 | — | — | 2,466 | 19,908,514 |
| Depreciation | — | — | — | 11,092,760 | — | — | 11,092,760 |
| Total | $ 82,818,727 | $ 24,511,350 | $ 8,873,156 | $ 11,092,760 | $ 197,695 | $ 21,630 | $ 127,515,318 |

## Note 13: Legislative Appropriations

### *Appropriated Funds*

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

For the years ended June 30, 2006 and 2005, appropriated expenditures were within the authorized spending authority of $84,028,044 and $79,216,557, respectively. Actual appropriated revenues earned totaled $83,818,640 and $71,711,567, respectively. Actual appropriated expenditures and transfers totaled $81,956,684 and $66,166,046, respectively. The net increase in appropriated fund balance was $1,861,956 and $5,545,521, respectively.

### *Capital Construction State Appropriations*

Capital construction state appropriations are recognized only to the extent of current expenditures of $1,307,893. At June 30, 2006, there were unexpended capital construction state appropriations of $1,702,293.

### *Controlled Maintenance Projects*

The University makes approved expenditures for various controlled maintenance projects. There was one completed controlled maintenance project added to the University for the year ended June 30, 2006. This project was the water main repair.

## Note 14: Commitments and Contingencies

### *Construction Commitments*

As of June 30, 2006, the University has construction commitments of $9,084,312 for sports and recreation facilities, parking improvement and housing projects.

### *Government Grants*

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

## Note 15: Risk Management

The University is subject to risks of loss from liability for accident, property damage and personal injury. These risks were previously managed by the State Division of Risk Management.

In 2005, the University engaged the services of a commercial insurance broker with the intent of opting out of state risk management services. On September 1, 2005, the University purchased $250,000,000 commercial property, $1,000,000 commercial auto and $100,000 commercial crime coverage. On July 1, 2006, the University purchased $3,000,000 errors and omissions, $3,000,000 general liability and $1,000,000 workers compensation coverage. The University continues to purchase insurance coverage for employee health benefits, the cost of which is shared with the employee.

When the University opted out of the state risk pool, an independent actuarial analysis was performed to estimate unpaid losses. An estimated liability of approximately $1.7 million has been recognized at June 30, 2006. The unfunded noncurrent portion of this estimated liability of $1,078,154 is recorded as operating expense in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2006.

## Note 16: Other Disclosures

### *Gain on Impairment of Asset*

In December 2005, part of the Michener Library was flooded due to a burst pipe. In accordance with the Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* the University used the restoration cost approach to compute the impairment loss of $46,662 on the library. The University received an insurance recovery of $754,872, the proceeds of which are being used to fund building repairs. The insurance recovery has resulted in a net gain of $707,212. This amount is reflected as a gain on impairment in the Statement of Revenues, Expenses and Other Changes in Net Assets.

### *Other Losses*

During prior fiscal years, the University capitalized to construction-in-progress approximately $1,100,000 in architectural and engineering costs associated with the expected renovation of Bishop Lehr Hall. At June 30, 2006, it became evident that the capital appropriations necessary to continue the Bishop Lehr project would not be made to the University. Accordingly, the $1,100,000 construction-in-progress has been written off as a loss and is shown as a loss on disposal of assets on the Statement of Revenues, Expenses and Other Changes in Net Assets.

### *Multi-year Employment Contracts*

During 2006, the University entered into four multi-year employment contracts for coaches. The intent of the multi-year terms (either three or four years) is to allow the coaches sufficient time to recruit and build successful athletic teams. These contracts are subject to termination for just cause and fund availability.

BKD LLP

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

Members of the Legislative Audit Committee:

We have audited the financial statements of the University of Northern Colorado (the University) 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, 2006, and have issued our report thereon dated September 22, 2006. 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*.

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

Members of the Legislative Audit Committee:

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 Recommendation No. 1 through 3.

This report is intended solely for the information and use of the Legislative Audit Committee, the Board of Trustees, the management of the University, 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 22, 2006

BKD LLP

# 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, 2006, 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.

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

Members of the Legislative Audit Committee:

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

Retainage on construction in progress
Deferred grant revenue
Accounts receivable and accounts payable
Capitalized interest
Reclassification of cash equivalents to investments
Write-off of previously capitalized expenses

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 deferred revenue, internal charge allocations to the University's departments and programs, capitalized interest, retainage on construction in progress, and accounts receivable and accounts payable. The effect of the uncorrected misstatements, had they been recorded, would have been to decrease current assets by $98,120, increase noncurrent assets by $250,415, increase current liabilities by $333,550, increase change in net assets by $37,869 and decrease beginning net assets by $219,124 for the year ended June 30, 2006.

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

\s\ **BKD,** LLP

September 22, 2006

# 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, 2006. The Statement is the responsibility of the University's management. Our responsibility is to express an opinion on the Statement based on our audit.

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

As described in notes to the Statement, the Statement was prepared in the format as set forth in the *Colorado Handbook for State-Funded Student Assistance Programs* issued by the Colorado Commission on Higher Education (CCHE), 2006 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, 2006, in conformity with the provisions of the CCHE *Colorado Handbook for State-Funded Student Assistance Programs,* as described in Note 1 to the Statement.

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

Members of the Legislative Audit Committee:

In accordance with *Government Auditing Standards,* we have also issued a report dated September 22, 2006, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

\s\ **BKD, LLP**

September 22, 2006

# 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, 2006

| | CLEAP | SLEAP | Student Grant Program | Colorado Graduate Program | Work Study Program | Graduate Fellowship Program | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Appropriations | | | | | | | | | | | | | | |
| Original | $ 111,748 | $ 281,299 | $ 1,319,958 | $ 122,500 | $ 859,176 | $ — | $ — | $ 979,576 | $ 93,666 | $ 466,821 | $ — | $ — | $ — | $4,234,744 |
| Adjustments | 1,036 | 123,221 | 28,800 | — | — | — | — | (14,471) | (1) | — | — | — | — | 138,585 |
| Total | 112,784 | 404,520 | 1,348,758 | 122,500 | 859,176 | — | — | 965,105 | 93,665 | 466,821 | — | — | — | 4,373,329 |
| Expenditures | 112,784 | 404,520 | 1,348,758 | 122,500 | 859,176 | — | — | 965,105 | 93,665 | 466,821 | — | — | — | 4,373,329 |
| Reversions to State General Fund | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |

# 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, 2006

### Note 1: Summary of Significant Accounting Policies

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

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

### Note 2: Description of Programs

In addition to the student assistance awards made during the year, the University of Northern Colorado obtained authorizations to award federal student financial aid of $5,082,093 in the Pell Grant Program, $224,585 in the Supplemental Educational Opportunity Grant Program, $364,988 in the College Work-Study Program and $9,000 in the Robert C. Byrd Scholarship. Federal capital contributions of $0 were received by the Perkins Loan Program.

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

### Note 3: Colorado Leveraging Educational Assistant Partnership and Supplemental Colorado Leveraging Educational Assistance Partnership

The Colorado Leveraging Educational Assistance Partnership (CLEAP) and Supplemental Colorado Leveraging Educational Assistance Partnership (SLEAP) grant consists of $285,871 of state funds and $231,433 of federal funds. The amount shown for each program on the Statement of Appropriations, Expenditures, Transfers and Reversions of the State-Funded Student Assistance program is the combined state and federal total for that program.

The electronic version of this report is available on the Web site of the
Office of the State Auditor
**www.state.co.us/auditor**

A bound report may be obtained by calling the
Office of the State Auditor
**303 869-2800**

Please refer to the Report Control Number below when requesting this report.

**Report Control Number 1807**