

STATE OF COLORADO  
UNIVERSITY OF NORTHERN COLORADO



FINANCIAL AND COMPLIANCE AUDITS

Years Ended June 30, 2011 and 2010



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**STATE OF COLORADO  
UNIVERSITY OF NORTHERN COLORADO**

**REPORT SUMMARY  
Year Ended June 30, 2011**

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**PURPOSE AND SCOPE OF AUDITS**

The Office of the State Auditor, State of Colorado, engaged Anderson & Whitney, P.C. to conduct an audit of the University of Northern Colorado (the University) for its fiscal year ended June 30, 2011. Anderson & Whitney, P.C. performed this audit in accordance with auditing standards generally accepted in the United States, and *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related field work from May through September 2011.

The purpose and scope of this audit was to:

- Express an opinion on the financial statements of the University as of and for the year ended June 30, 2011. This includes a review of internal control as required by auditing standards generally accepted in the United States and *Government Auditing Standards*.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditures of state funds.
- Report on the University's compliance and internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Express an opinion on the Statements of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs of the University for the years ended June 30, 2011 and 2010.
- Evaluate progress in implementing prior audit findings and recommendations.

**STATE OF COLORADO  
UNIVERSITY OF NORTHERN COLORADO**

**REPORT SUMMARY — Continued  
Year Ended June 30, 2011**

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**Audit Opinions and Reports**

We expressed an unqualified opinion on the University's financial statements as of and for the year ended June 30, 2011.

We issued a report on the University's compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards*. We did not note any material weaknesses or any material instances of noncompliance with legal or regulatory requirements based on our audit of the financial statements.

The University's Schedule of Expenditures of Federal Awards and applicable opinions thereon of the Office of the State Auditor, State of Colorado are included in the June 30, 2011, Statewide Single Audit Report issued under separate cover.

We also issued certain required communications related to the conduct of an audit including our responsibility under generally accepted auditing standards, significant accounting policies, audit adjustments, and accounting estimates. No delays or disagreements are reported. No audit adjustments were recorded by the University.

**SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS**

The audit report for the year ended June 30, 2010 included two recommendations. These recommendations were implemented.

**STATE OF COLORADO  
UNIVERSITY OF NORTHERN COLORADO**

**ORGANIZATION AND FUNCTION OF THE UNIVERSITY  
Year Ended June 30, 2011**

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

The Board of Trustees is the governing body of the University and is composed of seven members appointed by the Governor, with consent of the Senate, for four-year terms (effective for terms beginning July 1, 1987); one faculty member elected by the faculty; and one student member elected by the student body.

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

The University’s student enrollment not including extended studies (full-time equivalent) for the past three years as reported to the Colorado Department of Higher Education was:

	Resident	Nonresident	Total
2011	8,988	1,052	10,040
2010	8,904	1,035	9,939
2009	8,637	1,032	9,669

The University’s number of faculty for the past three years as reported to the Colorado Department of Higher Education was:

	Full-Time	Part-Time	Total Faculty
2011	498	217	715
2010	488	206	694
2009	458	179	637

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

**STATE OF COLORADO  
UNIVERSITY OF NORTHERN COLORADO**

**DISPOSITION OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2011**

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The following are the prior year audit recommendations and their dispositions as of June 30, 2011:

<u>Recommendation No.</u>		<u>Disposition</u>
1.	The University should strengthen its controls over disbursements by confirming that all check/EFT request forms are signed before payment is made.	Implemented
2.	The University should review the appropriateness of making contributions into two retirement plans for certain PERA-retirees who are still employed by the University and qualify for the optional retirement plan and determine whether this is consistent with University policy. If this practice is not consistent with policy, the University should identify and implement proper remedies.	Implemented

**INDEPENDENT AUDITORS' REPORTS,  
MANAGEMENT DISCUSSION AND ANALYSIS,  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**





Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the accompanying statement of net assets of the University of Northern Colorado (the University) and its discretely presented component units, collectively a blended component unit of the State of Colorado, as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our 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 auditors 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 auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors, 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, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011 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 read in conjunction with this report in considering the results of our audit.

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

*Anderson & Whitney, P.C.*

November 30, 2011

# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

**June 30, 2011 and 2010 (Unaudited)**

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### Overview

#### Management Discussion and Analysis

We are pleased to present this financial discussion and analysis of the University of Northern Colorado (the University or UNC). It is intended to make the University's financial statements easier to understand and communicate its financial situation in an open and accountable manner. It provides an objective analysis of the University's financial position and results of operations as of and for the years ended June 30, 2011 and 2010 (fiscal year 2011 and 2010 respectively), with comparative information for fiscal year 2009. University management is responsible for the completeness and fairness of this discussion and analysis, the financial statements, and related footnote disclosures.

The presented information relates to the financial activities of the University, a public comprehensive baccalaureate and specialized graduate research university, and focuses on the financial condition and results of operations as a whole. The financial statements for the University of Northern Colorado Foundation, Incorporated, and the University of Northern Colorado Foundation Student Housing, LLC I—legally separate organizations whose operations benefit the University — are discretely presented within UNC's financial statements. Unless otherwise noted, the information and financial data included in management's discussion and analysis relate solely to the University.

#### Understanding the Financial Statements

Financial highlights are presented in this discussion and analysis to help your assessment of the University's financial activities. Since this presentation includes highly summarized data, it should be read in conjunction with the financial statements, which have the following five other parts:

- ***Independent Auditors' Report*** presents an unqualified opinion prepared by the University's auditors (an independent certified public accounting firm, Anderson & Whitney, P.C.) on the fairness, in all material respects, of the University and its discretely presented component units' respective financial position.
- ***Statement of Net Assets*** presents the assets, liabilities, and net assets of the University at a point in time (June 30, 2011 and 2010). Its purpose is to present a financial snapshot of the University. This statement aids readers in determining the assets available to continue the University's operations; evaluating how much the University owes to vendors, investors, and lending institutions; and understanding the University's net assets and their availability for expenditure by the University.
- ***Statement of Revenues, Expenses, and Changes in Net Assets*** presents the total revenues earned and expenses incurred by the University for operating, nonoperating, and other related activities during a period of time (the years ended June 30, 2011 and 2010). Its purpose is to assess the University's operating results.
- ***Statement of Cash Flows*** presents University cash receipts and payments during a period of time (the years ended June 30, 2011 and 2010). Its purpose is to assess the University's ability to generate net cash flows and meet its payment obligations as they come due.
- ***Notes to the Financial Statements*** present additional information to support the financial statements and are commonly referred to as Note(s). Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found. We suggest that you combine this financial analysis with relevant nonfinancial

# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

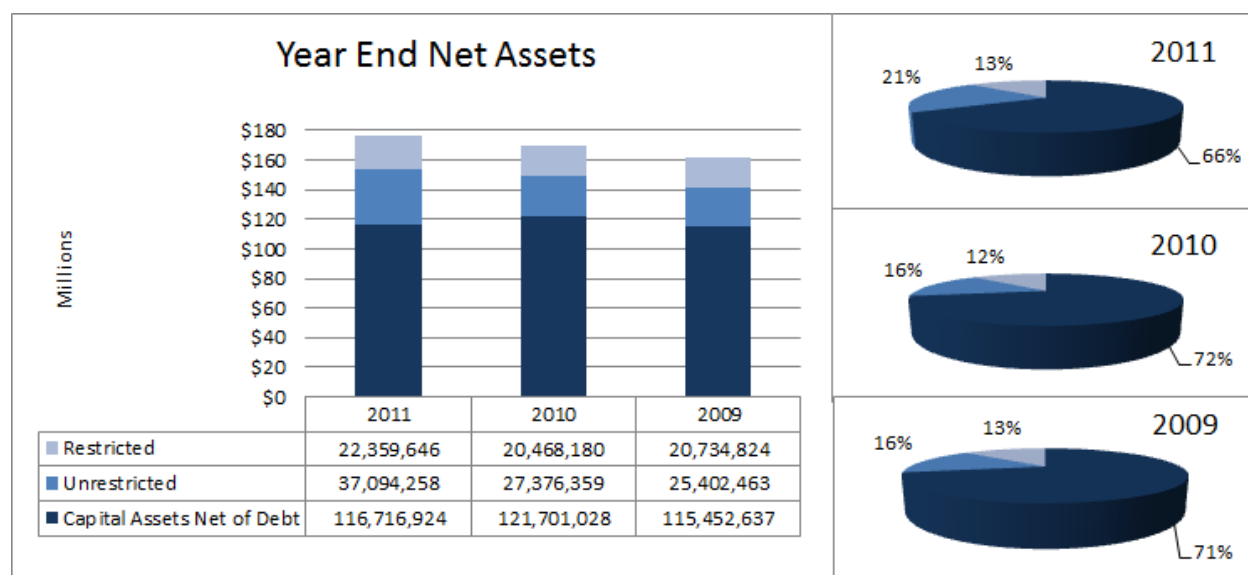
### June 30, 2011 and 2010 (Unaudited)

indicators to assess the overall health of the University. Examples of nonfinancial indicators include trend and quality of applicants, freshman class size, student retention, building condition, and campus safety.

#### Financial Highlights

Selected financial highlights for the fiscal year ending June 30, 2011 include:

- University assets total \$339.4 million, with liabilities of \$163.2 million, resulting in net assets of \$176.2 million. Of this amount, \$22.4 million or 13% is restricted for purposes for which the donor, grantor or other external party intended and \$116.7 million or 66% is related to investments in capital assets, net of related debt. The remaining \$37.1 million or 21% is unrestricted and may be used to meet the University's ongoing obligations.
- The largest single factor impacting the increase in net assets is the increase in cash and equivalents generated through increased revenues, cost savings, and an effort to set aside reserves. Cash and cash equivalents for fiscal year 2011 were \$67.0 million. Net cash provided by operating activities was \$10.2 million, net cash provided by noncapital financing activities was \$15.1 million, net cash used by capital and related financing activities was \$17.4 million and net cash provided by investing activities was \$1.1 million, for a net increase of \$9.0 million from fiscal year 2010.



- Total operating revenues of \$175.9 million, less total operating expenses of \$181.0 million, resulted in a net operating loss of \$5.1 million. This operating loss was offset by net nonoperating revenues of \$9.6 million, and other changes of \$2.1 million, which resulted in an increase in net assets of \$6.6 million.
- Operating and nonoperating revenue classifications were significantly impacted by the changes in the state's approach to funding higher education. College Opportunity Fund (COF) and Fee-for-Service (FFS) operating revenues were offset with State Fiscal Stabilization Funds (SFSF) nonoperating revenue over the past three years. In fiscal year 2011 the remaining SFSF funds have been utilized and as a result we are recognizing more COF and FFS revenue than we did in the previous two years, when the amount of SFSF was more pronounced. Although the changes did not have a net impact to

# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

### June 30, 2011 and 2010 (Unaudited)

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the University, it did have a significant impact on the operating income/loss and net nonoperating revenues/expenses categories on the Statement of Revenues, Expenses and Changes in Net Assets.

- The University and the UNC Foundation modified the reporting relationship of the alumni development and donor relations organizations. This strategic realignment has the aforementioned functions reporting to the President of the University. Through a memorandum of understanding the Foundation financially supported these activities with a \$1.6 million payment to the University.

#### **Statement of Net Assets**

The Statement of Net Assets is a financial snapshot of the University of Northern Colorado at June 30, 2011. 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. The Statement of Net Assets presents information on all of the University's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the strength of the financial position of the University.

# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011 and 2010 (Unaudited)

University of Northern Colorado Condensed Statement of Net Assets At June 30,			
	2011	2010	2009
<b>Assets</b>			
Current Assets	\$ 76,763,602	\$ 68,558,651	\$ 63,320,454
Capital	251,589,845	258,619,939	249,934,914
Other Noncurrent Assets	11,009,661	11,304,448	22,382,144
<b>Total Assets</b>	<b>\$ 339,363,108</b>	<b>\$ 338,483,038</b>	<b>\$ 335,637,512</b>
<b>Liabilities</b>			
Current Liabilities	\$ 24,377,097	\$ 26,456,815	\$ 27,951,960
Bonds/Notes Payable, Noncurrent	131,133,377	134,005,939	136,778,501
Other Noncurrent Liabilities	7,681,806	8,474,718	9,317,127
<b>Total Liabilities</b>	<b>\$ 163,192,280</b>	<b>\$ 168,937,472</b>	<b>\$ 174,047,588</b>
<b>Net Assets</b>			
Invested in Capital Assets			
Net of Related Debt	\$ 116,716,924	\$ 121,701,027	\$ 115,452,637
Restricted - Nonexpendable	307,555	307,555	307,555
Restricted - Expendable	22,052,091	20,160,625	20,427,269
Unrestricted	37,094,258	27,376,359	25,402,463
<b>Total Net Assets</b>	<b>\$ 176,170,828</b>	<b>\$ 169,545,566</b>	<b>\$ 161,589,924</b>

### Current Assets

The significant changes in current assets are in cash and cash equivalents and other receivables.

Unrestricted cash and cash equivalents at June 30, 2011, 2010, and 2009 comprise 19.5%, 16.9%, and 15.8%, of the University's total assets and total \$66.2, \$57.3, and \$53.0 million, respectively. The majority of the cash is held at the state treasury and is comprised of general, self-supported, restricted, agency and other cash funds. Cash and cash equivalents during fiscal year 2011, 2010, and 2009 increased \$9.0, \$4.3, and \$0.8 million, respectively.

The unrestricted cash and equivalents increase over the previous fiscal year was a result of increased revenues, cost savings initiatives, and efforts to increase reserves. The table below shows the increase from fiscal year 2010 to 2011 of \$10.0 million in reserves and \$1.3 million in innovation and multi-year budgeted funds, with decreases of \$1.5 million in projects and \$0.8 million in operating. The University also holds \$750,000 in restricted cash for bond covenants as a noncurrent asset in reserves.

The following table indicates the expected uses of unrestricted cash and cash equivalents:

# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

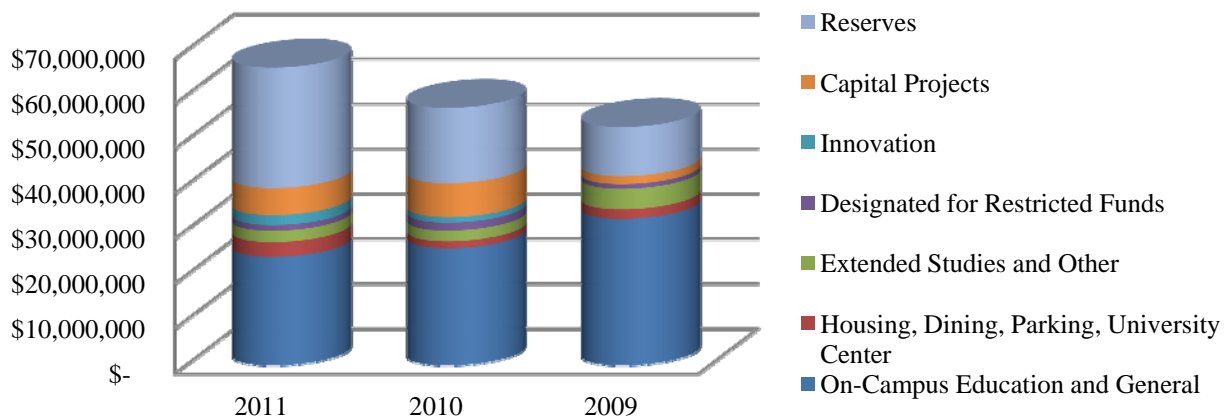
June 30, 2011 and 2010 (Unaudited)

### Unrestricted Cash and Cash Equivalents for June 30,

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating			
On-Campus Education and General	\$ 16,599,816	\$ 18,859,422	\$ 24,761,597
Housing, Dining, Parking, University Center	3,267,183	1,545,227	2,108,198
Extended Studies and Other	2,523,979	2,380,148	4,582,073
Designated for Restricted Funds	1,272,614	1,757,672	1,027,722
Innovation & Multi-Year Budgeted Funds *	9,740,993	8,436,950	7,832,004
Capital Projects	6,033,735	7,530,338	1,780,257
Reserves	26,789,230	16,760,960	10,925,853
<b>Total Cash and Equivalents</b>	<b>\$ 66,227,550</b>	<b>\$ 57,270,717</b>	<b>\$ 53,017,705</b>

\*A strategic plan to segregate cash related to innovation and multi-year funds was made for fiscal year 2011 cash balances. The 2009 and 2010 amounts were restated for comparison purposes.

### Unrestricted Cash and Equivalents



Student accounts receivable of \$5.7 million is the second largest current asset and is presented net of allowance for doubtful accounts. This receivable has increased \$100 thousand from fiscal year 2010 to 2011 and a total of \$1.2 million over the previous three years. The fiscal year-end net accounts receivable balance was 2.0% higher at fiscal year-end 2011 than at fiscal year-end 2010 and 23.8% higher at fiscal year-end 2010 than at fiscal year-end 2009.

Other receivables decreased by \$1.0 million. This asset mostly consists of amounts due to the University from reimbursable grants and contracts. The majority of these are federal, state or UNC foundation agreements that have a very high probability of collection. The University spends the money first and then bills the sponsoring agency afterwards.

# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

**June 30, 2011 and 2010 (Unaudited)**

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### Capital Assets

Capital assets are defined as any asset used in operations with an initial useful life extending beyond one year. UNC's single largest fiscal resource is its campus facility. As of June 30, 2011, capital assets, net of \$201.6 million accumulated depreciation, total \$251.6 million. This is a \$7.0 million decrease from fiscal year 2010, when capital assets, net of \$187.0 million accumulated depreciation, totaled \$258.6 million. Capital assets, net of \$176.8 million accumulated depreciation, totaled \$249.9 million at June 30, 2009. The capital assets decrease of \$7.0 million from fiscal year 2010 to 2011 is primarily from a reduction in construction on campus. In fiscal year 2010 the west campus housing project was capitalized which significantly increased this asset category. During FY 2011 additional building improvements and capital purchases were \$8.5 million and there was depreciation of \$15.5 million. In addition there were \$19.8 million of construction projects completed and reclassified from construction in progress.

A summary of the capital asset balances is reflected in the table below. Additional information on additions, disposals, and transfers of capital assets can be found in Note 6.

Capital Assets Net of Accumulated Depreciation						
	June 30, 2011		June 30, 2010		June 30, 2009	
Land and Improvements	\$ 26,590,110	10.6%	\$ 27,409,726	10.6%	\$ 27,925,708	11.1%
Buildings and Improvements	205,350,591	81.5%	193,521,621	74.9%	180,348,712	72.2%
Construction In Progress	4,470,547	1.8%	21,501,130	8.3%	27,123,941	10.9%
Library Books	8,188,602	3.3%	8,564,291	3.3%	8,783,295	3.5%
Equipment	5,439,650	2.2%	6,072,826	2.3%	4,910,628	2.0%
Art and Historical Treasures	1,550,345	0.6%	1,550,345	0.6%	842,630	0.3%
Total Capital Assets	<u>\$ 251,589,845</u>	100.0%	<u>\$ 258,619,939</u>	100.0%	<u>\$ 249,934,914</u>	100.0%

### Other Noncurrent Assets

Noncapital related noncurrent assets consist of loans to students, restricted cash and investments, and other items like surety deposits and unamortized bond issue costs. Loans to students are primarily Perkins loans and are managed, under the appropriate federal guidelines, through a third party loan processor. Loans to students net of allowance for doubtful accounts, which are greater than one year, totaled \$7,232,221, \$7,400,264, and \$7,056,275, at June 30, 2011, 2010, and 2009, respectively.

The most significant change in other noncurrent assets is capital assets as described above and reflected in Note 6.



# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

**June 30, 2011 and 2010 (Unaudited)**

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### Liabilities

#### Non-Debt Related Liabilities

The University's non-debt obligations and commitments arising from past events that are expected to result in an outflow of resources include amounts owed to vendors, personnel commitments, and deferred revenue. Note 7 provides more detailed information for current liabilities expected to be paid within one year and noncurrent liabilities expected to be paid after one year.

In fiscal year 2003 the state of Colorado moved the June 30 pay date to July 1. Salaries and benefits payable in fiscal years 2011, 2010, and 2009 of \$10.7, \$11.6, and \$11.2 million, respectively, were considered a commitment in the current fiscal year even though they were not paid until the next fiscal year. Compensated absences estimate the amount payable to employees in the future for their vested rights under the various leave and retirement programs. This estimate is based on personnel policies that define vacation and sick leave to which employees may be entitled (see Note 1). The amount of compensated absences for fiscal years 2011, 2010, and 2009 are \$4.2, \$4.2, and \$4.3 million, respectively.

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities received by June 30, 2011, but related to services to be provided in fiscal year 2012; plus amounts received from grant and contract sponsors and the UNC foundation that have not yet been earned. These amounts will be recognized as revenue in future periods after all conditions have been satisfied.

The most significant change in non-debt related liabilities is the \$2.3 million decrease in accounts payable and accrued liabilities. This is made up of \$711.0 thousand less in accounts payable, \$938.0 thousand less in salaries and benefits, which consists mostly of a liability related to outstanding PERA obligations, and \$618.3 thousand of reduced retainage payable funds held until projects are completed and approved by University staff.

#### University Debt

The single largest liability for the University is outstanding bonds payable. The \$2.8 million decrease in bonds payable is the most significant change in University debt between fiscal years 2010 and 2011. This decrease is in accordance with the established debt repayment schedule. The following contains more information about outstanding bonds payable:

- During July 2001, the University 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. The outstanding debt related to this issuance is \$44.8 million. The University refunded these bonds in July 2011 (fiscal year 2012) as described in subsequent events note 18.
- During July 2005, the University issued an additional \$85.0 million in bonds with maturities from 2006 through 2040. These bonds provided funding for the west campus housing project, parking and athletics facility improvements. The outstanding debt related to this issuance is \$83.1 million.
- During May 2008, the University issued \$9.1 million in bonds for the purpose of currently refunding \$9.1 million of then-outstanding Series 1998 Auxiliary Refunding Revenue bonds. This current refunding was undertaken to reduce the total debt service payments and resulted in an economic gain of \$0.5 million. The outstanding debt related to this issuance is \$6.1 million.

# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

### June 30, 2011 and 2010 (Unaudited)

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

In July 2011 (Fiscal Year 2012) the University had two bond issuances. These issuances refinanced the 2001 bonds and acquired the Arlington Park student housing assets from the UNC Foundation Student Housing LLC component unit. More information regarding these issuances can be found in subsequent events note 18.

A summary of University debt is shown in the table below.

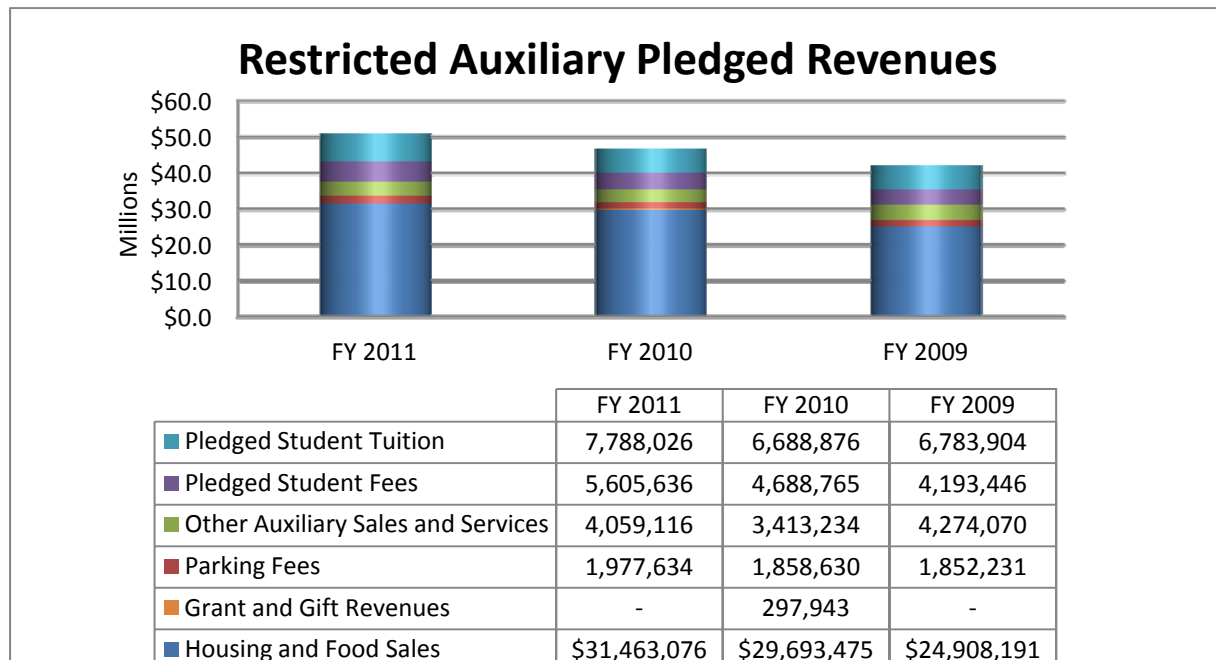
Summary of Debt			
June 30,			
	2011	2010	2009
Debt Outstanding:			
Revenue Bonds	\$ 133,973,377	\$ 136,745,939	\$ 138,788,501
Capital Lease Obligations	<u>2,419,331</u>	<u>3,251,901</u>	<u>3,935,745</u>
	136,392,708	139,997,840	142,724,246
Less Current Portion	<u>(3,428,065)</u>	<u>(3,475,485)</u>	<u>(2,712,486)</u>
Long-Term Debt	<u>\$ 132,964,643</u>	<u>\$ 136,522,355</u>	<u>\$ 140,011,760</u>

The bond debt payments are made from pledged revenues comprised of auxiliary housing, food service, parking and other sales, plus identified pledged student fee and student tuition revenues. A detailed schedule of actual and estimated revenues and expenses is included in the Other Financial, Enrollment, and Budget Data section of the annual report.

# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011 and 2010 (Unaudited)



### Net Assets

Total net assets increased by \$6.6, \$8.0, and \$0.9 million during fiscal year 2011, 2010 and 2009 with ending balances of \$176.2, \$169.6, and \$161.6 million, respectively. The three year increase in net assets from the beginning balance of \$160.7 million in fiscal year 2009 to the ending balance of \$176.2 million in fiscal year 2011 is \$15.4 million and represents 3.3% of total operating revenues for this period (operating revenues were \$175.9, \$145.4, and \$149.5 million respectively).

The University's net assets may have restrictions imposed by external parties, such as donors, or by their nature are invested in capital assets (property, plant, and equipment). To help understand the nature of the University's net assets, net assets are classified into the following categories:

- Invested in Capital Assets Net of Related Debt* - The University's largest class of net assets is its capital assets, net of related debt, which comprises 66.3%, 71.8%, and 71.4% of UNC's net assets for fiscal years 2011, 2010, and 2009, respectively. This net asset balance equals the cumulative amount expended for capital assets, less the outstanding debt incurred to finance those capital assets and the capital assets' related accumulated depreciation. These net capital assets represent the University's net investment in campus facilities and equipment necessary to fulfill academic, student housing and food service, athletics and other purposes.
- Restricted Nonexpendable* - The University's restricted nonexpendable net assets are endowment funds for which the donor has required that the original principal be set aside for perpetual investment. The University's restricted nonexpendable net assets have remained at \$0.3 million for the last three fiscal years and include only those endowment funds that cannot be legally

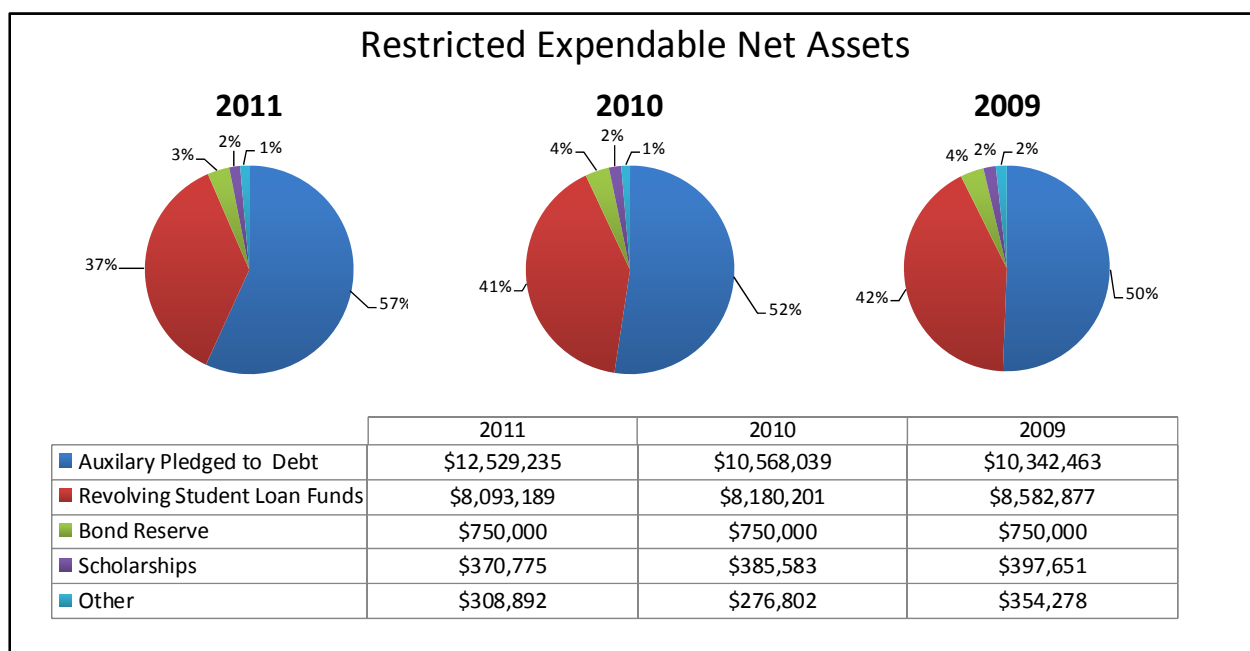
# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

### June 30, 2011 and 2010 (Unaudited)

transferred to the University of Northern Colorado Foundation, Inc. (the Foundation). The majority of the endowment assets benefiting the University are held by the Foundation, which is a discretely presented component unit in the financial statements.

- Restricted Expendable** – The University’s restricted expendable net assets are assets that may be fully expended but only for specific purposes identified by the donor or entity originally providing the funds. The majority of restricted expendable net assets include revolving Perkins loan funds, net auxiliary revenues pledged to outstanding bond debt and restricted bond reserves. Some net assets identified as restricted expendable are generated from investment earnings on restricted nonexpendable endowment net assets described above. Allowable expenditures for these funds are scholarships and other academic support expenditures.



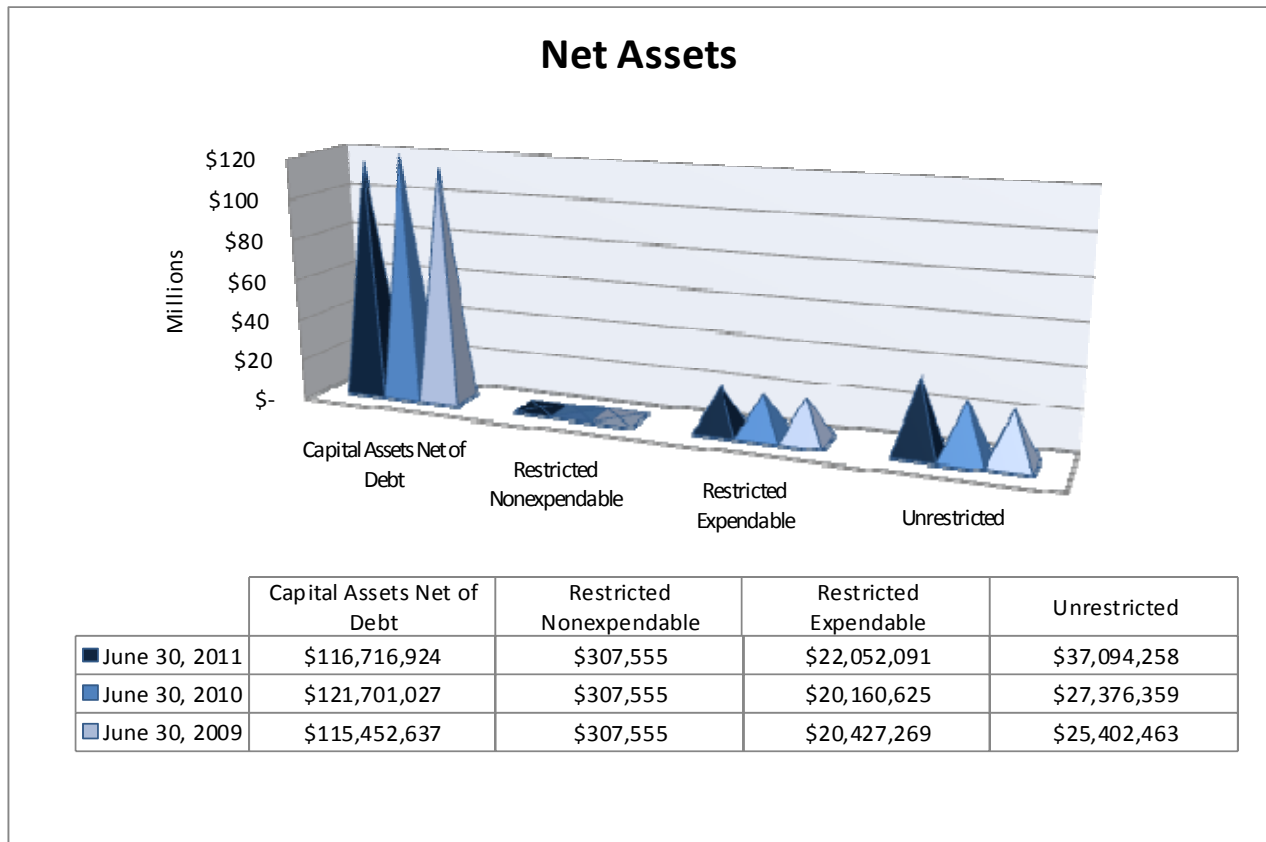
As restricted expendable net assets are often generated in one fiscal year and expended in the following year, this amount remains relatively stable from year to year. The University’s restricted expendable net assets at June 30, 2011, 2010, and 2009 were \$22.1, \$20.2, and \$20.4 million, respectively.

- Unrestricted** - Unrestricted net assets are usually available for spending for any lawful purpose under the full discretion of management. However, the University may place some limitations on future use by designating unrestricted net assets for certain purposes during the annual budget process. Unrestricted net assets of \$37.1 million include: departmental operating funds, inventory, self-funded operation working capital, and reserves.

# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011 and 2010 (Unaudited)



### 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. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. A key component of this statement is the differentiation of operating and nonoperating activities.

Operating revenues are earned by providing goods and services to the various customers and constituencies of the University. Operating expenses are paid to acquire or produce goods and services necessary to carry out the mission of the University for which the University earns operating revenues.

Nonoperating revenues include investment income, state appropriations, federal funds received from the State Fiscal Stabilization program, Pell grant revenue, and gains or losses on the disposal of assets. These revenues are not earned from the sale of goods and services, and are therefore, considered nonoperating.

# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011 and 2010 (Unaudited)

	2011	2010	2009
University of Northern Colorado Condensed Statement of Revenues, Expenses and Changes in Net Assets For the Year Ended June 30,			
Operating Revenues			
Net Tuition and Fees	\$ 93,322,869	\$ 79,990,155	\$ 79,206,461
Fee-for-Service	23,809,625	9,954,461	19,169,232
Grants and Contracts	17,999,479	18,737,068	18,491,727
Auxiliary	31,244,162	28,844,960	26,463,559
Other	9,487,684	7,841,158	6,146,136
Total Operating Revenues	<u>\$ 175,863,819</u>	<u>\$ 145,367,802</u>	<u>\$ 149,477,115</u>
Operating Expenses			
Education and General	\$ 139,771,455	\$ 136,521,499	\$ 126,867,818
Auxiliary	25,643,845	25,962,992	23,115,374
Depreciation	15,565,632	15,017,068	14,013,492
Total Operating Expenses	<u>\$ 180,980,932</u>	<u>\$ 177,501,559</u>	<u>\$ 163,996,684</u>
Operating Gain (Loss)	\$ (5,117,113)	\$ (32,133,757)	\$ (14,519,569)
Nonoperating Revenues			
Other Revenues and Expenses	\$ 9,624,394	\$ 29,317,717	\$ 12,756,376
Gain(Loss) before Other Items	<u>\$ 4,507,281</u>	<u>\$ (2,816,040)</u>	<u>\$ (1,763,193)</u>
Capital Appropriations & Contributions	2,125,498	10,127,645	2,608,927
Net Other Items	(7,517)	644,037	-
Increase (Decrease) in Net Assets	<u>6,625,262</u>	<u>7,955,642</u>	<u>845,734</u>
Net Assets- Beginning of Year	<u>169,545,566</u>	<u>161,589,924</u>	<u>160,744,190</u>
Net Assets- End of Year	<u>\$ 176,170,828</u>	<u>\$ 169,545,566</u>	<u>\$ 161,589,924</u>

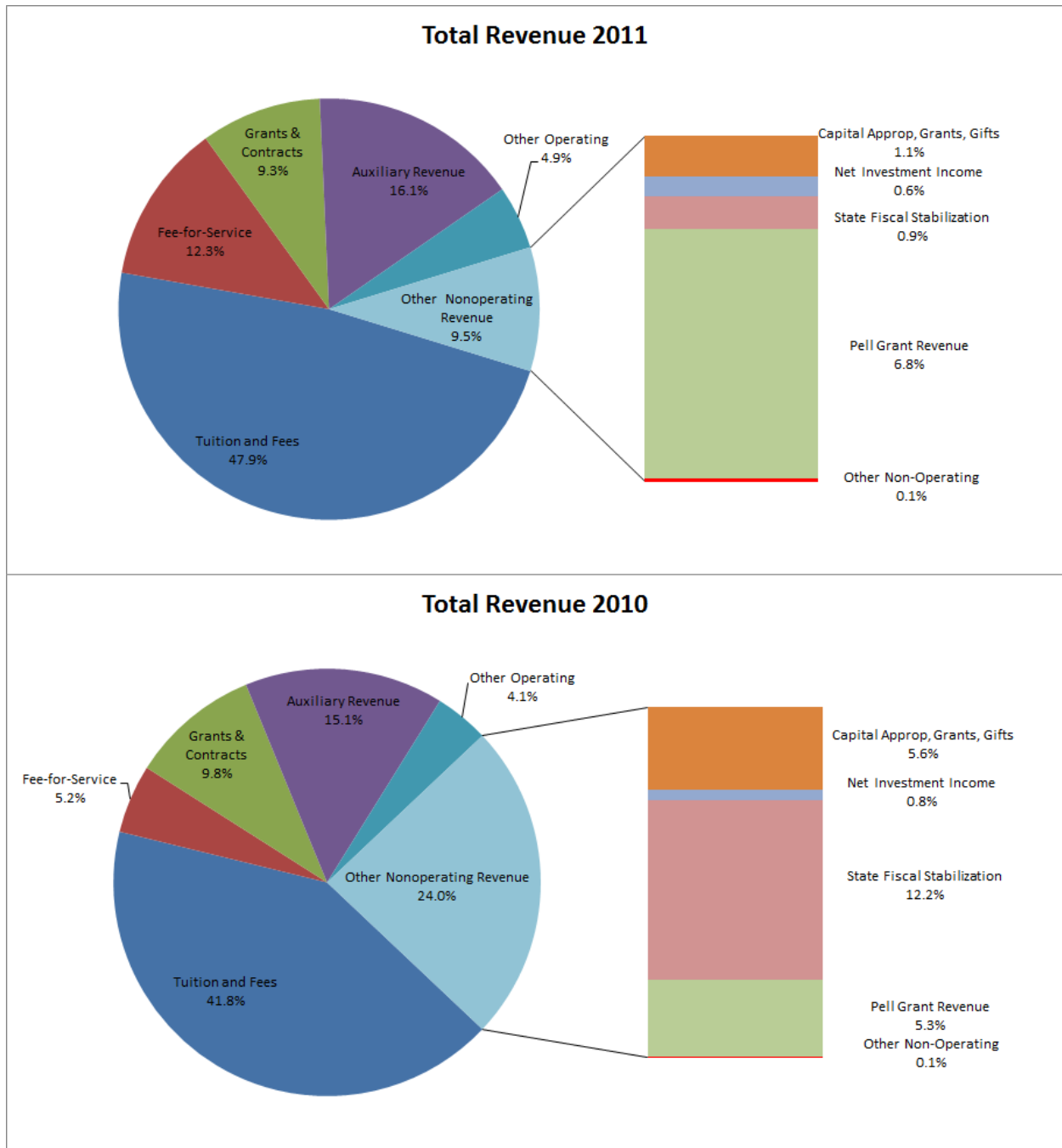
### Operating Revenues

Operating revenue for fiscal year 2011, 2010, and 2009 of \$175.9, \$145.4, and \$149.5 million, respectively is derived from tuition and fees, auxiliary activity, grants and contracts, state Fee-for-Service, and other operating revenues.

# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011 and 2010 (Unaudited)



Tuition and fee revenues increased \$13.3 million as a result of growth in student enrollment, tuition, and an increase in the portion of College Opportunity Funds provided for student tuition by the State. Tuition and fees is the University's largest source of revenue and is shown net of \$16.0, \$13.3, and \$9.8 million scholarship allowances for fiscal years 2011, 2010, and 2009, respectively. Auxiliary revenue for fiscal years 2011, 2010, and 2009 is net of \$5.0, \$5.4, and \$2.8 million in scholarship allowances, respectively.

# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

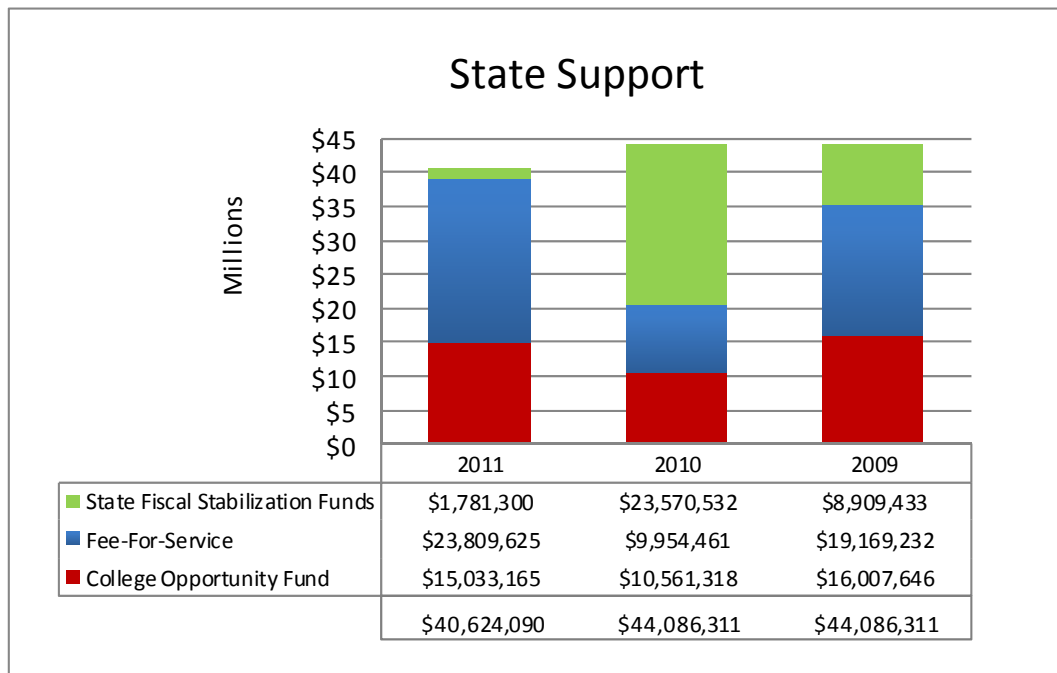
### June 30, 2011 and 2010 (Unaudited)

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, and also general institutional scholarships.

During fiscal years 2011, 2010, and 2009 the Colorado Department of Higher Education (CDHE) provided the University \$40.6, \$44.1, and \$44.1 million, respectively in College Opportunity Fund (COF), Fee-for-Service (FFS), and State Fiscal Stabilization Funds (SFSF). COF and FFS are classified as operating revenue and the SFSF is classified as nonoperating revenue

- The College Opportunity Fund provides a stipend to qualified undergraduate students. The students use the stipend to pay a portion of their tuition. The COF stipend provided to students was \$62, \$44, and \$68 per credit hour respectively for fiscal years 2011, 2010, and 2009. In fiscal years 2011, 2010, and 2009, the University applied \$15.0, \$10.6, and \$16.0 million of COF stipends against student tuition bills, respectively. This amount is included in tuition revenues.
- State Fee-for-Service contract revenue helps support graduate and specialized education services. These funds are in addition to tuition paid by students. During fiscal years 2011, 2010, and 2009 the Colorado Department of Higher Education (CDHE) provided the University \$23.8, \$10.0, and \$19.2 million, respectively.
- State Fiscal Stabilization Funds (SFSF), provided through the American Recovery and Reinvestment Act (ARRA), were granted to the Office of the Governor. One hundred and fifty million dollars of these funds were designated for use in higher education. UNC received \$1.8, \$23.6, and \$8.9 million, respectively in 2011, 2010, and 2009. These funds are classified as nonoperating revenue but are described in this section to demonstrate the total University support from the State of Colorado.

The total amount of appropriated revenue for COF, FFS, and SFSF combined was \$3.5 million lower between 2010 and 2011 and was the same between 2009 and 2010.





# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

### June 30, 2011 and 2010 (Unaudited)

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Auxiliary revenues increased \$2.4 million between 2010 and 2011 and \$2.4 million between 2009 and 2010. Increases in housing and food service contract rates and higher student housing occupancy were the primary sources. Auxiliary revenue is a major source of support for the University's debt service payments. A detailed schedule of actual and estimated revenues and expenses for debt service is included in the Other Financial, Enrollment, and Budget Data section of the annual report.

Other operating revenues increased \$1.6 million between fiscal year 2010 and fiscal year 2011 and \$1.7 million between fiscal year 2009 and fiscal year 2010. The change in reporting structure of alumni and major gifts from the Foundation to UNC resulted in a memorandum of understanding between our organizations and the majority of the increase. The other changes were related to the same areas as previous years; athletic camp fees, accounts receivable service charges, Bear Logic computer sales, and various other charges for services.

#### **Grants and Contract Revenue**

Grants and contract revenue includes financial aid received from the state and federal government and makes up 16.1% of the total University revenue or 9.2% when excluding federal Pell grants. About 60.5% of this revenue is federal and state financial aid. Financial aid revenue increased 16.5% from fiscal year 2010; and the increase between fiscal year 2009 and fiscal year 2010 was 29.4%. Grants and contract revenue decreased 1.6% from fiscal year 2010; between fiscal year 2009 and fiscal year 2010, the increase was 6.7%. Federal Pell financial aid is considered nonoperating revenue, but is included in this analysis of all grants and contract revenue.

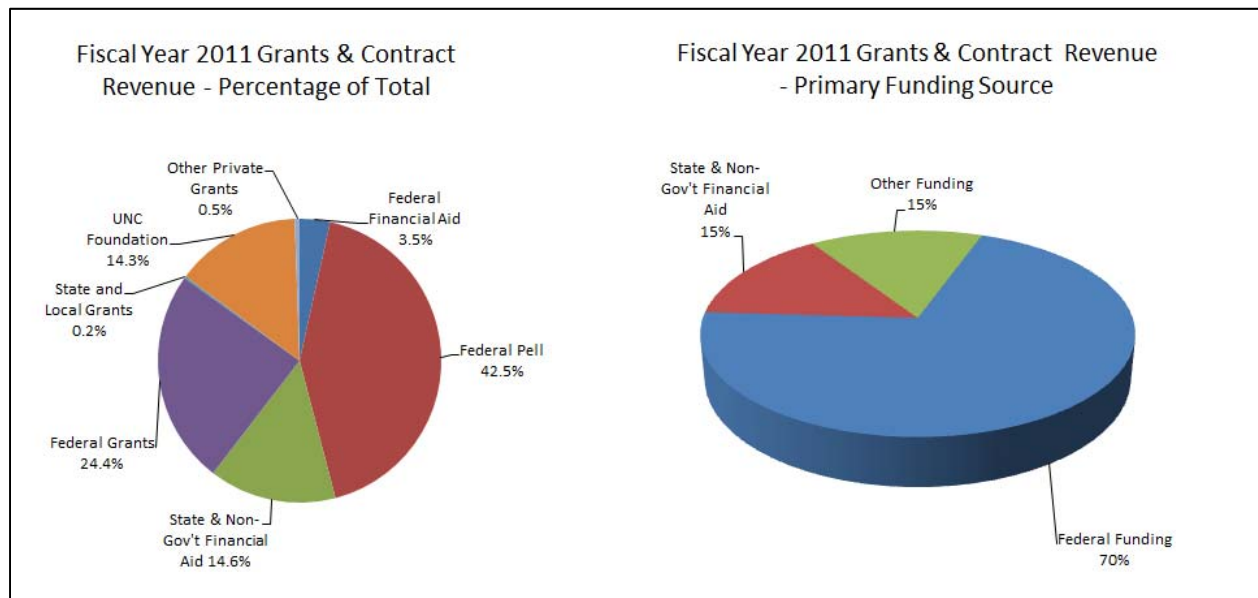
The most significant change in grants and contract revenue was the \$3.2 million dollar increase in Pell grants from fiscal year 2010 to fiscal year 2011. The federal government increased the dollar amount of the Pell awards to students and the University had a significant increase in Pell-eligible students accepting awards. Financial aid from the state of Colorado decreased \$.6 million, which is reflective of state budget reductions. The \$2.5 million increase in total grants and contract revenue from 2010 to 2011 was from additional financial aid, federal grants and support from the UNC Foundation.

# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011 and 2010 (Unaudited)

Grants & Contract Revenue			
	2011	2010	2009
Federal Financial Aid	\$ 1,082,902	\$ 1,036,118	\$ 933,096
Federal Pell Financial Aid	13,285,570	10,074,848	5,834,954
State & Non-Gov't Financial Aid	4,543,445	5,124,015	5,774,710
	<u>18,911,917</u>	<u>16,234,981</u>	<u>12,542,760</u>
Federal Grants	7,648,178	7,709,644	7,267,583
State and Local Grants	66,917	233,228	543,090
UNC Foundation	4,487,355	4,506,633	3,666,700
Other Private Grants	170,683	127,430	306,548
	<u>12,373,133</u>	<u>12,576,935</u>	<u>11,783,921</u>
Total Grants & Contract Revenue	<u>\$ 31,285,050</u>	<u>\$ 28,811,916</u>	<u>\$ 24,326,681</u>



# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

**June 30, 2011 and 2010 (Unaudited)**

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### Operating Expenses

For fiscal year 2011, total expenses of \$187.7 million included operating expenses of \$181.0 million and interest expenses and other losses of \$6.7 million. Operating expenses increased from fiscal year 2010 by \$3.5 million or 2.0%. There were increases in most of the functional categories with the most significant in Student Services, Scholarships and Fellowships, and Depreciation. Personnel costs increased slightly this year due to additional personnel costs associated with the alumni and development organizations becoming University employees, as well as increased funding for graduate and teaching assistants. There were also increases in operating expenses and cost of goods sold. Between fiscal year 2010 and 2009, operating expenses increased by \$13.5 million as a result of increased personnel costs across all functional areas, scholarship awards, and depreciation expenses.

Below is a summary of the significant changes from fiscal year 2010 to 2011:

- As part of managing costs due to reductions in funding from the State, the University did not give raises to employees in fiscal year 2011 or in fiscal year 2010.
- Personnel costs increased \$837 thousand for graduate and teaching assistant wages and scholarships, and \$1.3 million of additional professional wages and benefits related to the alumni and donor relation staff. Personnel cost increases were offset with decreases realized through a hiring freeze and other cost savings measures.
- Increases in other current expenses consist of \$257 thousand in utility costs, \$271 thousand in bad debt expense, \$399 thousand in advertising, and \$260 thousand in rent with a decrease of \$369 thousand related to the memorandum of understanding with the UNC Foundation (see note 13).
- Depreciation expense increased \$0.5 million, which is reflective of the capitalization of west campus housing and other building improvements made this year.

Operating Expenses by Natural Class						
	2011		2010		2009	
Personnel Costs	\$ 112,894,916	62.4%	\$ 112,360,819	63.3%	\$ 106,608,088	65.0%
Cost of Goods Sold	4,450,397	2.5%	3,613,667	2.0%	9,337,807	5.7%
Other Operating Expense	48,069,987	26.6%	46,510,005	26.2%	34,037,297	20.8%
Depreciation	15,565,632	8.5%	15,017,068	8.5%	14,013,492	8.5%
Total Operating Expenses	<u>\$ 180,980,932</u>	<u>100.0%</u>	<u>\$ 177,501,559</u>	<u>100.0%</u>	<u>\$ 163,996,684</u>	<u>100.0%</u>

# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011 and 2010 (Unaudited)

Operating Expenses by Function						
	2011		2010		2009	
Instruction	\$ 64,542,638	35.6%	\$ 63,903,417	36.1%	\$ 60,159,710	36.7%
Research	2,999,559	1.7%	3,450,700	1.9%	3,034,464	1.9%
Public Service	2,017,375	1.1%	1,814,955	1.0%	2,300,092	1.4%
Academic Support	19,382,304	10.7%	19,233,255	10.8%	16,724,792	10.2%
Student Services	21,587,036	11.9%	19,759,991	11.1%	18,285,114	11.1%
Institutional Support	9,008,519	5.0%	8,878,558	5.0%	8,873,255	5.4%
Operation of Plant	8,514,133	4.7%	8,452,738	4.8%	8,076,677	4.9%
Scholarships and Fellowships	11,719,891	6.5%	11,027,885	6.2%	9,413,714	5.8%
Auxiliary Operating Expenditures	25,643,845	14.2%	25,962,992	14.6%	23,115,374	14.1%
Depreciation	15,565,632	8.6%	15,017,068	8.5%	14,013,492	8.5%
Total Operating Expenses	<u>\$ 180,980,932</u>	<u>100.0%</u>	<u>\$ 177,501,559</u>	<u>100.0%</u>	<u>\$ 163,996,684</u>	<u>100.0%</u>

### Nonoperating Revenues and Expenses

The University's nonoperating revenues and expenses are primarily investment income, interest on capital debt, and federal and state support. Investment income is primarily earned from interest proceeds on the cash held by the State Treasurer for University operations. Investment income decreased \$0.4 million in fiscal year 2011 primarily because of low interest rates and earnings from the State Treasurer. In fiscal year 2010 the University held an investment in which it received income for part of the year. This investment was liquidated to finalize projects for which it was established. In fiscal year 2011 there was no longer an investment and this contributed to the decrease in related income.

The interest on capital debt represents the interest paid on capital bonds and leases payable. This interest increased \$0.7 million in fiscal year 2011. In the past three fiscal years, a significant portion of the interest was capitalized as part of the construction of the west campus residence halls and the renovation of Butler Hancock. Since these projects are now capitalized, no interest is capitalized and the interest related to the borrowing for these projects will be expensed.

As discussed earlier in the operating revenue section, UNC received State Fiscal Stabilization Funds (SFSF) of \$1.8, \$23.6 and \$8.9 million in fiscal years 2011, 2010, and 2009, respectively.

The nonoperating financial statement line item titled "Federal grant and contract revenue – Pell" is the largest portion of nonoperating revenue. The University received \$3.2 million more in fiscal year 2011 compared to fiscal year 2010. The amount of Pell revenue is based on student need and several other factors set by the federal government. The University financial aid office works with all eligible students to help them qualify for this aid.

# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

**June 30, 2011 and 2010 (Unaudited)**

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### Other Changes

Capital appropriations of \$0.2 million were also received and were used for state appropriated building improvement projects, including the interior renovation of Butler Hancock, reroofing Candelaria, Butler Hancock and McKee and emergency maintenance on the west campus switch gear. The State Treasury issued certificates of participation (COP) during November 2008 and during 2011, 2010 and 2009, UNC received \$2.0, \$9.4 and \$1.2 million, respectively for the interior renovation of the Butler Hancock athletic facility. The completion of the COP project and drawdown of the remaining funds, which were significantly drawn down in the prior year during the majority of the renovation, comprised the major portion of the \$8.7 million decrease in total other changes on the Statement of Revenues, Expenses and Changes in Net Assets.

### **Economic Outlook**

The University's financial (or economic) position is impacted by legislation and funding from the State Legislature. State revenue estimates are improving, but Colorado continues to work toward balancing the budget which means further reductions in higher education funding are expected. State Fiscal Stabilization Funds (SFSF) provided through the American Recovery and Reinvestment Act (ARRA) are exhausted and UNC's state funding was reduced \$7.8 million dollars for fiscal year 2012. University management anticipates further cuts in fiscal 2013 in the range of \$2 million to \$6 million.

In June of 2010, the legislature passed Senate Bill 10-003, commonly referred to as tuition flexibility legislation. All Colorado public higher education institutions were required to submit a financial accountability plan to the Colorado Commission on Higher Education if they desire to increase tuition above 9% over the next five years. The UNC Board of Trustees approved the submission of a financial accountability plan for the University that will allow the institution future flexibility in tuition pricing strategies established under Senate Bill 10-003. The Colorado Commission on Higher Education approved UNC's submission for fiscal 2012 and fiscal 2013.

Continued slow economic growth at the national level adds uncertainty to the speed of economic recovery in Colorado. The projection for employment and personal income growth in Colorado is minimal over the next year. There is anticipation that the national economy will improve but labor market circumstances and the ability of families to save for college education remain uncertain. Changes in federal legislation eliminated Pell awards for the summer of 2012. This development is expected to impact our student's financial ability to enroll in summer term. UNC increased the institutional aid budget for fiscal 2012 by \$1.9 million more than we expended in fiscal 2011 in an effort to support an increased number of students experiencing economic challenges.

To continue our response to the uncertain economic times and declining state support, the University has made efforts to take control of things within its capability. During fiscal year 2012 the University will:

- Continue to refine our strategic enrollment management pricing and financial aid strategies
- Update fundraising priorities
- Develop equity and diversity, research, sustainability and community/civic engagement plans
- Identify \$3.1 million of sustainable cost savings (\$1.9 million already identified and removed from the fiscal 2012 budget)

# UNIVERSITY OF NORTHERN COLORADO

## MANAGEMENT DISCUSSION AND ANALYSIS

### June 30, 2011 and 2010 (Unaudited)

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Although the economy is uncertain, UNC's enrollment continues to move in an upward trend. The table below shows a history of annual headcount for UNC:

Student Enrollment				
Fall Final (for Fiscal Year)	Undergraduate	Graduate	Total	Percent Change
Fall 10 (FY 11)	10,464	2,556	13,020	2.43%
Fall 09 (FY 10)	10,297	2,414	12,711	1.70%
Fall 08 (FY 09)	10,109	2,389	12,498	-1.61%
Fall 07 (FY 08)	10,441	2,261	12,702	-4.95%
Fall 06 (FY 07)	10,823	2,541	13,364	

Fall 2011 census information indicates that the University is experiencing modest increases in enrollments.

UNC is moving forward with comprehensive university-wide planning to align our financial resources with our strategic priorities of building exemplary academic programs, advancing our research focus, and enhancing our community relationships.

For additional information regarding this report please contact:

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Greeley, CO 80639  
(970) 351-2237  
[www.unco.edu](http://www.unco.edu)

**UNIVERSITY OF NORTHERN COLORADO**  
**STATEMENT OF NET ASSETS**

June 30, 2011

	<b>Component Units</b>		
	<b>University of Northern Colorado</b>	<b>University of Northern Colorado Foundation, Inc.</b>	<b>University of Northern Colorado Foundation Student Housing LLC I</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 66,227,550	\$ 2,315,095	\$ 98,716
Funds held in trust	—	—	966,942
Student accounts receivable, net of allowance of \$4,249,940	5,657,657	—	—
Pledged receivable, net	—	640,012	—
Other receivables	2,546,264	331,115	—
Investments	—	30,708,018	—
Inventories	1,176,501	—	—
Loans to students, net	426,756	—	—
Other assets	728,874	100,568	12,538
Total Current Assets	<u>76,763,602</u>	<u>34,094,808</u>	<u>1,078,196</u>
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents	750,000	—	—
Restricted investments	679,707	—	—
Pledged receivable, net	—	465,348	—
Loans to students, net	7,232,221	—	—
Other noncurrent assets	2,347,733	—	5,764,105
Investments permanently restricted for endowment	—	65,173,727	—
Capital assets, net	251,589,845	995,803	13,134,638
Total Noncurrent Assets	<u>262,599,506</u>	<u>66,634,878</u>	<u>18,898,743</u>
<b>TOTAL ASSETS</b>	<u>339,363,108</u>	<u>100,729,686</u>	<u>19,976,939</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	12,718,835	1,294,302	624,908
Deferred revenue	6,476,415	16,667	122,285
Bonds/notes payable, current portion	2,840,000	—	385,000
Capital leases payable, current portion	588,065	—	—
Funds held for the University of Northern Colorado	—	685,955	—
Other current liabilities	1,753,782	—	—
Total Current Liabilities	<u>24,377,097</u>	<u>1,996,924</u>	<u>1,132,193</u>
<b>Noncurrent Liabilities</b>			
Bonds/notes payable	131,133,377	—	22,845,249
Capital leases payable	1,831,266	—	—
Other long-term liabilities	2,073,775	—	—
Annuity obligations	—	186,201	—
Compensated absence liabilities	3,776,765	—	—
Total Noncurrent Liabilities	<u>138,815,183</u>	<u>186,201</u>	<u>22,845,249</u>
<b>TOTAL LIABILITIES</b>	<u>163,192,280</u>	<u>2,183,125</u>	<u>23,977,442</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	116,716,924	995,803	—
Restricted for:			
Nonexpendable			
Scholarships and fellowships	306,155	32,945,594	—
Academic support	1,400	—	—
Other	—	32,228,133	—
Expendable			
Auxiliary expenditures	12,529,235	—	—
Scholarships and fellowships	370,775	5,092,311	—
Loans	8,093,189	—	—
Bond reserve	750,000	—	—
Other	308,892	13,624,336	—
Unrestricted	37,094,258	13,660,384	(4,000,503)
<b>TOTAL NET ASSETS (Deficit)</b>	<u>\$ 176,170,828</u>	<u>\$ 98,546,561</u>	<u>\$ (4,000,503)</u>

See Notes to Financial Statements

**UNIVERSITY OF NORTHERN COLORADO**  
**STATEMENT OF NET ASSETS**

June 30, 2010

	<b>Component Units</b>		
	<b>University of Northern Colorado</b>	<b>University of Northern Colorado Foundation, Inc.</b>	<b>University of Northern Colorado Foundation Student Housing LLC I</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 57,270,717	\$ 1,571,622	\$ 55,955
Funds held in trust	—	—	920,602
Student accounts receivable, net of allowance of \$3,072,224	5,544,502	—	—
Pledged receivable, net	—	748,668	—
Other receivables	3,551,478	367,096	—
Investments	—	27,401,445	—
Inventories	1,029,832	—	—
Loans to students, net	382,129	—	—
Other assets	779,993	109,191	14,250
Total Current Assets	<u>68,558,651</u>	<u>30,198,022</u>	<u>990,807</u>
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents	750,000	—	—
Restricted investments	694,512	—	—
Pledged receivable, net	—	793,071	—
Loans to students, net	7,400,264	—	—
Other noncurrent assets	2,459,672	—	6,018,828
Investments permanently restricted for endowment	—	56,198,766	—
Capital assets, net	258,619,939	1,022,522	13,593,175
Total Noncurrent Assets	<u>269,924,387</u>	<u>58,014,359</u>	<u>19,612,003</u>
<b>TOTAL ASSETS</b>	<u>338,483,038</u>	<u>88,212,381</u>	<u>20,602,810</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	14,990,862	1,424,195	631,472
Deferred revenue	5,318,809	16,667	97,170
Bonds/notes payable, current portion	2,740,000	—	330,000
Capital leases payable, current portion	735,485	—	—
Funds held for the University of Northern Colorado	—	696,076	—
Other current liabilities	2,671,659	—	—
Total Current Liabilities	<u>26,456,815</u>	<u>2,136,938</u>	<u>1,058,642</u>
<b>Noncurrent Liabilities</b>			
Bonds/notes payable	134,005,939	—	23,205,473
Capital leases payable	2,516,416	—	—
Other long-term liabilities	2,139,666	—	—
Annuity obligations	—	207,787	—
Compensated absence liabilities	3,818,636	—	—
Total Noncurrent Liabilities	<u>142,480,657</u>	<u>207,787</u>	<u>23,205,473</u>
<b>TOTAL LIABILITIES</b>	<u>168,937,472</u>	<u>2,344,725</u>	<u>24,264,115</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	121,701,027	1,022,522	—
Restricted for:			
Nonexpendable			
Scholarships and fellowships	306,155	28,272,014	—
Academic support	1,400	—	—
Other	—	27,926,752	—
Expendable			
Auxiliary expenditures	10,568,039	—	—
Scholarships and fellowships	385,583	4,182,914	—
Loans	8,180,201	—	—
Bond reserve	750,000	—	—
Other	276,802	14,277,431	—
Unrestricted	27,376,359	10,186,023	(3,661,305)
<b>TOTAL NET ASSETS (Deficit)</b>	<u>\$ 169,545,566</u>	<u>\$ 85,867,656</u>	<u>\$ (3,661,305)</u>

See Notes to Financial Statements



**UNIVERSITY OF NORTHERN COLORADO**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

*For the Year Ended June 30, 2011*

	<b>Component Units</b>		
	<b>University of Northern Colorado</b>	<b>University of Northern Colorado Foundation, Inc.</b>	<b>University of Northern Colorado Foundation Student Housing LLC I</b>
<b>Operating Revenues</b>			
Student tuition and fees, net	\$ 93,322,869	\$ —	\$ —
Contributions	—	4,894,976	—
Contributed services	—	48,701	—
Rental income and fees	—	—	2,156,130
Federal grants and contracts	8,731,080	—	—
State and local grants and contracts	4,610,362	—	—
State fee-for-service	23,809,625	—	—
Nongovernmental grants and contracts	4,658,037	—	—
Sales and services of educational activities	469,919	—	—
Auxiliary operating revenue	31,244,162	—	—
Interest and dividends	—	2,570,136	—
Net realized and unrealized gain	—	13,896,044	—
Other operating revenue	<u>9,017,765</u>	<u>610,342</u>	<u>—</u>
Total Operating Revenues	<u>175,863,819</u>	<u>22,020,199</u>	<u>2,156,130</u>
<b>Operating Expenses</b>			
Educational and general			
Instruction	64,542,638	—	—
Research	2,999,559	—	—
Public service	2,017,375	—	—
Academic support	19,382,304	—	—
Student services	21,587,036	—	—
Institutional support	9,008,519	—	—
Operation of plant	8,514,133	—	—
Scholarships and fellowships	11,719,891	—	—
Program	—	6,932,545	—
Management and general	—	812,827	—
Fundraising	—	1,570,922	—
Pledged receivable write off	—	25,000	—
Auxiliary operating expenditures	25,643,845	—	—
Operating expenses	—	—	856,447
Ground lease with University of Northern Colorado	—	—	57,717
Depreciation and amortization	<u>15,565,632</u>	<u>—</u>	<u>519,900</u>
Total Operating Expenses	<u>180,980,932</u>	<u>9,341,294</u>	<u>1,434,064</u>
<b>Operating Income (Loss)</b>	<u>(5,117,113)</u>	<u>12,678,905</u>	<u>722,066</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income, net of investment expense	1,071,364	—	90,699
State fiscal stabilization fund	1,781,300	—	—
Interest on capital asset related debt	(6,699,799)	—	(1,151,963)
Federal grant and contract revenue	13,285,570	—	—
Other nonoperating revenue	<u>185,959</u>	<u>—</u>	<u>—</u>
Net Nonoperating Revenues (Expenses)	<u>9,624,394</u>	<u>—</u>	<u>(1,061,264)</u>
<b>Income (Loss) Before Other Revenues (Expenses), Gains (Losses)</b>	4,507,281	12,678,905	(339,198)
Capital appropriations	172,104	—	—
Capital contribution - certificates of participation	1,953,394	—	—
Capital grants and gifts	—	—	—
Loss on disposal of capital assets	<u>(7,517)</u>	<u>—</u>	<u>—</u>
<b>Total Other Charges</b>	<u>2,117,981</u>	<u>—</u>	<u>—</u>
<b>Increase in Net Assets</b>	6,625,262	12,678,905	(339,198)
<b>Net Assets (Deficit), Beginning of Year</b>	<u>169,545,566</u>	<u>85,867,656</u>	<u>(3,661,305)</u>
<b>Net Assets (Deficit), End of Year</b>	<u>\$ 176,170,828</u>	<u>\$ 98,546,561</u>	<u>\$ (4,000,503)</u>

*See Notes to Financial Statements*

**UNIVERSITY OF NORTHERN COLORADO**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

*For the Year Ended June 30, 2010*

	Component Units		
	University of Northern Colorado	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
<b>Operating Revenues</b>			
Student tuition and fees, net	\$ 79,990,155	\$ —	\$ —
Contributions	—	3,969,736	—
Contributed services	—	224,797	—
Rental income and fees	—	—	2,114,477
Federal grants and contracts	8,745,762	—	—
State and local grants and contracts	5,357,243	—	—
State fee-for-service	9,954,461	—	—
Nongovernmental grants and contracts	4,634,063	—	—
Sales and services of educational activities	382,826	—	—
Auxiliary operating revenue	28,844,960	—	—
Interest and dividends	—	2,478,951	—
Net realized and unrealized gain	—	6,272,812	—
Other operating revenue	<u>7,458,332</u>	<u>1,510,207</u>	<u>—</u>
Total Operating Revenues	<u>145,367,802</u>	<u>14,456,503</u>	<u>2,114,477</u>
<b>Operating Expenses</b>			
Educational and general			
Instruction	63,903,417	—	—
Research	3,450,700	—	—
Public service	1,814,955	—	—
Academic support	19,233,255	—	—
Student services	19,759,991	—	—
Institutional support	8,878,558	—	—
Operation of plant	8,452,738	—	—
Scholarships and fellowships	11,027,885	—	—
Program	—	6,893,407	—
Management and general	—	1,290,436	—
Fundraising	—	1,324,328	—
Pledged receivable write off	—	550,000	—
Auxiliary operating expenditures	25,962,992	—	—
Operating expenses	—	—	801,566
Ground lease with University of Northern Colorado	—	—	57,717
Depreciation and amortization	<u>15,017,068</u>	<u>—</u>	<u>508,408</u>
Total Operating Expenses	<u>177,501,559</u>	<u>10,058,171</u>	<u>1,367,691</u>
<b>Operating Income (Loss)</b>	<u>(32,133,757)</u>	<u>4,398,332</u>	<u>746,786</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income, net of investment expense	1,496,808	—	91,153
State fiscal stabilization fund	23,570,532	—	—
Interest on capital asset related debt	(5,977,001)	—	(1,165,493)
Federal grant and contract revenue	10,074,848	—	—
Other nonoperating revenue	<u>152,530</u>	<u>—</u>	<u>—</u>
Net Nonoperating Revenues (Expenses)	<u>29,317,717</u>	<u>—</u>	<u>(1,074,340)</u>
<b>Income (Loss) Before Other Revenues (Expenses), Gains (Losses)</b>	<u>(2,816,040)</u>	<u>4,398,332</u>	<u>(327,554)</u>
Capital appropriations	727,006	—	—
Capital contribution - certificates of participation	9,400,639	—	—
Capital grants and gifts	702,755	—	—
Loss on disposal of capital assets	<u>(58,718)</u>	<u>—</u>	<u>—</u>
<b>Total Other Charges</b>	<u>10,771,682</u>	<u>—</u>	<u>—</u>
<b>Increase in Net Assets</b>	7,955,642	4,398,332	(327,554)
<b>Net Assets (Deficit), Beginning of Year</b>	<u>161,589,924</u>	<u>81,469,324</u>	<u>(3,333,751)</u>
<b>Net Assets (Deficit), End of Year</b>	<u>\$ 169,545,566</u>	<u>\$ 85,867,656</u>	<u>\$ (3,661,305)</u>

*See Notes to Financial Statements*

**UNIVERSITY OF NORTHERN COLORADO**  
**STATEMENT OF CASH FLOWS**

*For the Year Ended June 30, 2011 and 2010*

	<u>2011</u>	<u>2010</u>
<b>Operating Activities</b>		
Cash received		
Tuition and fees	\$ 92,847,629	\$ 78,535,307
Colorado state fee-for-service	23,809,625	9,954,461
Sales and services of educational activities	621,132	480,562
Sales and services of auxiliary activities	31,519,361	28,653,061
Grants and contracts	18,580,914	18,795,151
Student loans collected	1,077,790	1,279,400
Other receipts	9,248,985	7,191,598
Cash payments		
Payments to/for employees	(112,892,632)	(87,806,804)
Payments to/for employees – funded by state fiscal stabilization	(1,781,300)	(23,570,532)
Payments to suppliers	(40,009,991)	(37,297,197)
Scholarships disbursed	(11,719,892)	(10,839,175)
Student loans disbursed	<u>(1,075,109)</u>	<u>(1,730,616)</u>
Net cash provided (used) by operating activities	<u>10,226,512</u>	<u>(16,354,784)</u>
<b>Noncapital Financing Activities</b>		
State fiscal stabilization nonoperating funds	1,781,300	23,570,532
Federal grant and contract – Pell	13,285,570	10,074,848
Real property rental receipts	120,649	116,173
Agency inflows – campus organizations and scholarships	10,819,711	8,638,619
Agency outflows – campus organizations and scholarships	(10,915,270)	(8,647,538)
Agency loan inflows – student loans	77,719,580	64,696,415
Agency loan outflows – student loans	<u>(77,719,580)</u>	<u>(64,696,415)</u>
Net cash provided by noncapital financing activities	<u>15,091,960</u>	<u>33,752,634</u>
<b>Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(7,041,865)	(17,333,086)
Prepaid 2011A Bond issue costs	(158,244)	-
Principal paid on capital leases	(832,570)	(705,771)
Principal paid on bonds payable	(2,740,000)	(2,010,000)
Interest paid on capital debt	<u>(6,659,043)</u>	<u>(5,986,867)</u>
Net cash used by capital and related financing activities	<u>(17,431,722)</u>	<u>(26,035,724)</u>
<b>Investing Activities</b>		
Investment earnings	1,070,083	1,543,233
Proceeds from sale and maturity of investments	—	11,347,653
Net proceeds from sale of student loans	<u>—</u>	<u>—</u>
Net cash provided by investing activities	<u>1,070,083</u>	<u>12,890,886</u>
<b>Increase in Cash and Cash Equivalents</b>	8,956,833	4,253,012
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>58,020,717</u>	<u>53,767,705</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 66,977,550</u>	<u>\$ 58,020,717</u>

*See Notes to Financial Statements*

**UNIVERSITY OF NORTHERN COLORADO**  
**STATEMENT OF CASH FLOWS**

*For the Year Ended June 30, 2011 and 2010*

	<u>2011</u>	<u>2010</u>
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities</b>		
Operating income (loss)	\$ (5,117,113)	\$ (32,133,758)
Depreciation and amortization expense	15,565,632	15,089,824
Student loan cancellations	128,954	108,655
Changes in operating assets and liabilities		
Student accounts receivable, net	13,562	(1,128,310)
Other receivables, net	879,907	334,066
Loans to students, net	(5,538)	(408,044)
Inventories	(146,669)	(82,575)
Other current assets	258,819	(165,397)
Accounts payable	(662,246)	809,793
Accrued payroll	(937,959)	356,159
Deferred revenues	1,157,026	80,931
Other liabilities	(877,270)	838,257
Accrued compensated absences	(30,593)	(54,385)
	<u>\$ 10,226,512</u>	<u>\$ (16,354,784)</u>
Net cash provided (used) by operating activities		
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets</b>		
Cash and cash equivalents	\$ 66,227,550	\$ 57,270,717
Restricted cash and cash equivalents	<u>750,000</u>	<u>750,000</u>
Total cash and cash equivalents	<u>\$ 66,977,550</u>	<u>\$ 58,020,717</u>
<b>Supplemental Cash Flows Information</b>		
Accounts payable incurred for capital asset purchase	\$ 642,464	\$ 4,393,255
Capital assets financed by state capital contribution	\$ 172,104	\$ 727,006
Construction in progress financed by state COP	\$ 480,119	\$ 9,400,639
2011A Bond issue costs prepaid June 2011 and reimbursed July 2011	\$ 158,243	\$ ---
Capitalized bond issue and premium costs	\$ ---	\$ 13,193
Capital lease incurred for purchase of capital assets	\$ ---	\$ 21,928
Capital gifts	\$ ---	\$ 702,755
Loss on disposal of assets	\$ 7,517	\$ 58,718

*See Notes to Financial Statements*

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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

#### **Nature of Operations and Governance**

The University of Northern Colorado (the University or UNC) is a public institution of higher education with a broad general curriculum, as well as preparation for selected professions within the fields of business, education, health services, music and related areas; and pre-professions such as pre-law, pre-medicine and others. The University is an institution of the state of Colorado with operations funded largely through student tuition, fees and the state of Colorado College Opportunity Fund. The University also engages in research, offers student financial aid and provides other services which are funded through grants and contracts, including grants from the University of Northern Colorado Foundation, Incorporated (the Foundation).

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

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

#### **Reporting Entity and Component Units**

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

In accordance with accounting principles generally accepted in the United States of America, the financial statements present the University (primary government) and its discretely presented component units. The component units are included in the University's reporting entity because of the significance of their operational and financial relationships with the University in accordance with Statement No. 39 of the Governmental Accounting Standards Board, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement 14*. Financial statements of the discretely presented component units can be obtained from their respective administrative offices. The University has the following discretely presented component units:

#### **The University of Northern Colorado Foundation, Incorporated**

The University of Northern Colorado Foundation, Incorporated (the Foundation), is a legally separate, tax-exempt component unit of the University, incorporated under Article 40, Title 7 of the Colorado Revised Statutes of 1973. The Foundation was established in February 1966 to promote the welfare, development and growth of the University, and also to permit the Foundation to engage in activities as may be beyond the scope of the Board of Trustees of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, the funds that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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### **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. At June 30, 2011, the LLC had a 46-year ground lease with the University under which "net available cash flows" from the operations, as defined in the lease agreement, are paid to the University as rent. At June 30, 2011, the LLC was considered a component unit of the University and is discretely presented in the University's financial statements. On July 1, 2011, the University purchased the Arlington Park student housing facility and dissolved the LLC. This fiscal year 2012 subsequent event also resulted in the termination of the ground lease (see Note 18).

### **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, 2011 and 2010, 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

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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extent possible under gift agreements. The Foundation manages certain endowments for the University in accordance with its investment policy.

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

### Accounts Receivable

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

### Inventories

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

### Loans to Students

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$2,200,076 and \$2,091,226 at June 30, 2011 and 2010, 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 is presented below:

<b><u>University interest capitalized and expensed</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Total interest expense incurred on borrowings for projects	\$ -	\$ 600,690
Interest expense capitalized related to self-funded projects	48,018	59,350
Interest expense capitalized related to state certificates of participation	480,119	329,340
Interest income from investment of bond proceeds for projects	-	(33,092)
Net interest cost capitalized	<u>\$ 528,137</u>	<u>\$ 956,288</u>
Interest capitalized	\$ 528,137	\$ 956,288
Interest charged to expense	<u>6,529,926</u>	<u>5,826,279</u>
<b>Total interest incurred</b>	<b><u>\$ 7,058,063</u></b>	<b><u>\$ 6,782,567</u></b>

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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

### **Classification of Revenues**

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

***Operating Revenues*** – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances; (2) sales and services of auxiliary enterprises; (3) contracts and grants for research activities; 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 Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements and Management's Discussion and Analysis*, such as state appropriations and investment income.

Pell grants of \$13,285,570 and \$10,074,848 at June 30, 2011 and 2010, respectively, are recorded as nonoperating revenue as defined by the 2007 amendment of the GASB Comprehensive Implementation Guide regarding nonoperating presentation of Pell grants (Question 7.72.10).



# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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### **Tax-Exempt Status and Income Taxes**

As a Colorado state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, any income unrelated to the exempt purpose of the University is subject to tax under Section 511(a)(2)(B) of the Internal Revenue Code.

The University had no income tax liability related to income generated from activities unrelated to the University's exempt purposes as of June 30, 2011 or 2010.

### **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.

### **Compensated Absences Accrued Liability**

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

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

Compensated absences liabilities are computed using the regular pay and termination pay rates in effect at the financial statements date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

### **Scholarship Discounts and Allowances**

Student tuition, fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third-parties making payments on behalf of the students. Certain governmental grants, such as Pell grants and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded scholarship allowances. The scholarship allowances on tuition and fees and housing were approximately \$21.0 million and \$18.7 million for the years ended June 30, 2011 and 2010, respectively.

### **Bad Debt Allowance**

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

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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### Reclassifications – The Foundation

Certain reclassifications for the University of Northern Colorado Foundation, Inc. have been made on the Statement of Revenues, Expenses, and Changes in Net Assets for the year ended June 30, 2010 to conform to the 2011 presentation. Investment management fees were reclassified from interest and dividends into net realized and unrealized gains. Investment consultant fees were reclassified from interest and dividends into management and general expenses.

## 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 most institutions of higher education, with the exception of the University of Colorado. Monies deposited in the state treasury are invested until the cash is needed.

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

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

<b>Unrestricted Cash and Cash Equivalents</b>	<b>2011</b>	<b>2010</b>
<b>The University</b>		
Cash on hand	\$ 39,397	\$ 47,081
Cash with U.S. financial institutions	446,883	254,297
Cash with Colorado state treasurer	64,748,474	55,788,626
Unrealized gain (loss) – cash with state treasurer	<u>992,796</u>	<u>1,180,713</u>
Total unrestricted cash and cash equivalents	<u>\$ 66,227,550</u>	<u>\$ 57,270,717</u>

### Restricted Cash and Cash Equivalents

The University holds restricted cash of \$750,000 at June 30, 2011 and 2010 with the state treasurer to meet required bond covenants related to the Auxiliary Revenue Refunding and Improvement bonds.

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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### **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, 2011 and 2010, 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's investments on June 30, 2011 are certain endowments held at the Foundation and are restricted by the donors. These investments are subject to Colorado Revised Statutes Title 15, Article 1, Part 11 "Uniform Prudent Management of Institutional Funds" or UPMIFA.

Fair value of investments held at June 30, 2011 and 2010 are detailed in the following table:

<b>Investment Types</b>	<b>2011</b>	<b>2010</b>	<b>Maturity</b>
<b><u>The University</u></b>			
Fixed Income U.S. Government Obligations	\$ 505,314	\$ 634,724	1-5 years
Fixed Income U.S. Government Obligations	153,737	50,891	Less than 1 year
Money Market Funds	<u>20,656</u>	<u>8,897</u>	Less than 1 year
Total University Restricted Investments	<u>\$ 679,707</u>	<u>\$ 694,512</u>	

### **Custodial Credit Risk – Investments**

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

The balances of the University's investments are endowment funds managed by the Foundation according to the custodial agreement between the University and the Foundation approved on December 14, 1988. These securities are held in the Foundation's name as agent of the University and are not subject to custodial credit risk.

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

### Interest Rate Risk – Investments

Interest rate risk is the risk that changes in the market rate of interest 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 method uses 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 following.

### 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 & Poors rating of AAA at the time of purchase. Credit quality risk is not available for the Foundation.

Maturities and credit ratings for the University's investments held at June 30, 2011 and 2010 are detailed below:

2011				
Maturities and Credit Ratings by Investment Type	Fair Value	Duration to Maturity	Weighted-Average Maturity	S & P Credit Rating
<b>The University</b>				
U.S. Government Obligations	\$ 659,051	2.4 years	2.6 years	AAA
Money Market Funds	<u>20,656</u>	N/A	N/A	N/A
<b>Total Investments at June 30, 2011</b>	<u>\$ 679,707</u>			
2010				
Maturities and Credit Ratings by Investment Type	Fair Value	Duration to Maturity	Weighted-Average Maturity	S & P Credit Rating
<b>The University</b>				
U.S. Government Obligations	\$ 685,615	1.6 years	1.7 years	AAA
Money Market Funds	<u>8,897</u>	N/A	N/A	N/A
<b>Total Investments at June 30, 2010</b>	<u>\$ 694,512</u>			

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

UNC Foundation's investments held at June 30, 2011 and 2010 are detailed below:

<b>Investment Types</b>	<b>2011</b>	<b>2010</b>
<b><u>The Foundation</u></b>		
Cash and cash equivalents	\$ 2,375,670	\$ 4,192,936
Equities	38,563,820	41,336,713
Fixed Income, Bonds	31,387,429	21,503,954
Mutual funds, alternative and other investments	<u>23,554,826</u>	<u>16,566,608</u>
Total Foundation Investments	<u>\$ 95,881,745</u>	<u>\$ 83,600,211</u>

### Note 4: Accounts, Contributions and Loans Receivable

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

	<b>2011</b>	<b>2010</b>
<b>The University</b>		
Student accounts receivable – current	\$ 9,907,597	\$ 8,616,726
Allowance for doubtful accounts	<u>(4,249,940)</u>	<u>(3,072,224)</u>
Subtotal student accounts receivable – net	<u>5,657,657</u>	<u>5,544,502</u>
Student loans receivable – current	1,679,997	1,539,055
Allowance for doubtful accounts	<u>(1,253,241)</u>	<u>( 1,156,926)</u>
Subtotal current student loans receivable – net	<u>426,756</u>	<u>382,129</u>
Student loans receivable – noncurrent	8,179,057	8,334,564
Allowance for doubtful accounts	<u>(946,836)</u>	<u>(934,300)</u>
Subtotal noncurrent student loans receivable – net	<u>7,232,221</u>	<u>7,400,264</u>
Other receivables – current		
Sponsored programs – federal grants receivable	764,201	1,261,882
Sponsored programs – nonfederal grants receivable	28,965	135,608
Student loans program – federal loans receivable	167,172	167,172
Accounts receivable related party – the Foundation	1,184,796	1,207,562
Other accounts receivable	<u>401,130</u>	<u>779,254</u>
Subtotal other receivables – current	<u>2,546,264</u>	<u>3,551,478</u>
Total of the University's accounts, loans and other receivables	<u>\$ 15,862,898</u>	<u>\$ 16,878,373</u>

### Related Party Receivable

Gifts and grants receivable from the Foundation to the University were approximately \$1,184,796 and \$1,207,562 at June 30, 2011 and 2010, respectively.

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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### Foundation Contributions and Pledges Receivable

Foundation gifts of cash and other assets received without donor stipulations are reported as unrestricted support. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted support. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Unconditional gifts expected to be collected within one year are reported at their net realizable value.

Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. An allowance for uncollectible contributions is established by Foundation management based on past collection experience and current economic conditions.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

### Note 5: Other Assets

Inventories and other current and noncurrent assets are shown in the accompanying Statement of Net Assets at June 30 and are detailed below:

	<u>2011</u>	<u>2010</u>
<b>The University</b>		
Inventories for supply use	\$ 888,242	\$ 880,419
Inventories for resale	<u>288,259</u>	<u>149,413</u>
Total inventories	<u>\$ 1,176,501</u>	<u>\$ 1,029,832</u>
Prepaid expenses	\$ 650,848	\$ 701,967
Current portion bond issuance costs	<u>78,026</u>	<u>78,026</u>
Total other current assets	<u>\$ 728,874</u>	<u>\$ 779,993</u>
Athletics conference surety deposit	\$ 200,000	\$ 250,000
Loan receivable related party – the LLC	481,234	465,147
Noncurrent portion bond issuance costs	<u>1,666,499</u>	<u>1,744,525</u>
Total other noncurrent assets	<u>\$ 2,347,733</u>	<u>\$ 2,459,672</u>
<b>The Foundation</b>		
Prepaid expenses and other current assets	<u>\$ 100,568</u>	<u>\$ 109,191</u>
<b>The LLC</b>		
Prepaid expenses and other current assets	<u>\$ 12,538</u>	<u>\$ 12,966</u>
Funds held in trust, net of current portion	\$ 2,602,966	\$ 2,758,538
Bond issuance costs	1,077,416	1,118,850
Prepaid ground lease	<u>2,083,723</u>	<u>2,141,440</u>
Total other noncurrent assets	<u>\$ 5,764,105</u>	<u>\$ 6,018,828</u>

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

### Note 6: Capital Assets

The following is a summary of University capital asset activity for the year ended June 30, 2011:

Capital Assets and Accumulated Depreciation	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets					
Land	\$ 10,270,198	\$ —	\$ —	\$ —	\$ 10,270,198
Land improvements	20,463,228	76,270	—	5,940	20,545,438
Non-depreciable land improvements	4,264,026	—	—	—	4,264,026
Buildings and improvements	329,207,729	3,389,849	—	19,819,176	352,416,754
Equipment and vehicles	14,777,516	1,000,576	(680,345)	—	15,097,747
Software	2,845,639	—	(5,035)	—	2,840,604
Library materials	39,690,318	1,281,827	(249,559)	—	40,722,586
Non-depreciable art/historical	1,550,345	—	—	—	1,550,345
Leasehold improvements	1,059,732	—	—	—	1,059,732
Construction in progress	<u>21,501,130</u>	<u>2,794,533</u>	<u>—</u>	<u>(19,825,116)</u>	<u>4,470,547</u>
Total capital assets	<u>445,629,861</u>	<u>8,543,055</u>	<u>(934,939)</u>	<u>—</u>	<u>453,237,977</u>
Less accumulated depreciation					
Land improvements	8,087,379	845,392	—	—	8,932,771
Buildings and improvements	135,686,107	11,380,056	—	—	147,066,163
Equipment and vehicles	9,049,016	1,479,137	(672,827)	—	9,855,326
Software	2,501,313	147,098	(5,036)	—	2,643,375
Library materials	31,126,027	1,657,516	(249,559)	—	32,533,984
Leasehold improvements	<u>560,080</u>	<u>56,433</u>	<u>—</u>	<u>—</u>	<u>616,513</u>
Total accumulated depreciation	<u>187,009,922</u>	<u>15,565,632</u>	<u>(927,422)</u>	<u>—</u>	<u>201,648,132</u>
Net capital assets	<u>\$ 258,619,939</u>	<u>\$ (7,022,577)</u>	<u>\$ (7,517)</u>	<u>\$ —</u>	<u>\$ 251,589,845</u>

The following is a summary of University capital asset activity for the year ended June 30, 2010:

Capital Assets and Accumulated Depreciation	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets					
Land	\$ 10,270,198	\$ —	\$ —	\$ —	\$ 10,270,198
Land improvements	20,266,572	196,656	—	—	20,463,228
Non-depreciable land improvements	4,264,026	—	—	—	4,264,026
Buildings and improvements	305,272,755	1,935,806	—	21,999,168	329,207,729
Equipment and vehicles	16,778,914	2,558,318	(4,559,716)	—	14,777,516
Software	2,524,180	339,055	(17,596)	—	2,845,639
Library materials	38,485,930	1,447,180	(242,792)	—	39,690,318
Non-depreciable art/historical	842,630	707,715	—	—	1,550,345
Leasehold improvements	860,009	199,723	—	—	1,059,732
Construction in progress	<u>27,123,941</u>	<u>16,376,357</u>	<u>—</u>	<u>(21,999,168)</u>	<u>21,501,130</u>
Total capital assets	<u>426,689,155</u>	<u>23,760,810</u>	<u>(4,820,104)</u>	<u>—</u>	<u>445,629,861</u>
Less accumulated depreciation					
Land improvements	7,221,464	865,915	—	—	8,087,379
Buildings and improvements	124,924,043	10,762,064	—	—	135,686,107
Equipment and vehicles	12,019,783	1,530,232	(4,500,999)	—	9,049,016
Software	2,372,683	146,226	(17,596)	—	2,501,313
Library materials	29,702,635	1,666,184	(242,792)	—	31,126,027
Leasehold improvements	<u>513,633</u>	<u>46,447</u>	<u>—</u>	<u>—</u>	<u>560,080</u>
Total accumulated depreciation	<u>176,754,241</u>	<u>15,017,068</u>	<u>(4,761,387)</u>	<u>—</u>	<u>187,009,922</u>
Net capital assets	<u>\$ 249,934,914</u>	<u>\$ 8,743,742</u>	<u>\$ (58,717)</u>	<u>\$ —</u>	<u>\$ 258,619,939</u>

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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

	<u>2011</u>	<u>2010</u>
<b>The Foundation</b>		
Capital assets		
Buildings and improvements	\$ 1,137,742	\$ 1,137,742
Equipment and vehicles	<u>209,748</u>	<u>188,188</u>
Total capital assets	1,347,490	1,325,930
Less accumulated depreciation	<u>(351,687)</u>	<u>(303,408)</u>
Net capital assets	<u>\$ 995,803</u>	<u>\$ 1,022,522</u>
<b>The LLC</b>		
Capital assets		
Buildings and improvements	\$ 16,858,368	\$ 16,839,544
Furniture and Equipment	<u>1,025,091</u>	<u>1,007,180</u>
Total capital assets	17,883,459	17,846,724
Less accumulated depreciation	<u>(4,748,821)</u>	<u>(4,253,549)</u>
Net capital assets	<u>\$ 13,134,638</u>	<u>\$ 13,593,175</u>



# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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### Note 7: Liabilities

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

	<u>2011</u>	<u>2010</u>
<b>The University</b>		
Accounts payable	\$ 1,361,610	\$ 2,072,641
Accrued salaries and benefits	10,659,544	11,597,502
Accrued interest expense	567,873	572,583
Other accrued liabilities	<u>129,808</u>	<u>748,136</u>
<b>Total accounts payable and accrued liabilities</b>	<b><u>12,718,835</u></b>	<b><u>14,990,862</u></b>
Current deferred revenue		
Deferred revenue – summer student tuition and fees	5,808,052	5,076,176
Deferred revenue – restricted grants and contracts	140,574	177,392
Deferred revenue – foundation contract	461,967	---
Current portion deferred broadband lease	8,000	7,419
Current portion deferred revenue of the LLC	<u>57,822</u>	<u>57,822</u>
<b>Total current deferred revenue</b>	<b><u>6,476,415</u></b>	<b><u>5,318,809</u></b>
Bonds, capital leases and notes payable		
Current bonds, capital leases and notes payable	3,428,065	3,475,485
Noncurrent bonds, capital leases and notes payable	<u>132,964,643</u>	<u>136,522,355</u>
<b>Total bonds, capital leases and notes payable</b>	<b><u>136,392,708</u></b>	<b><u>139,997,840</u></b>
Other liabilities		
Current		
Deposits held	740,624	755,576
Current insurance liability	21,253	870,865
Deposits held in custody for agency funds	587,324	651,916
Current portion of compensated absences liability	<u>404,581</u>	<u>393,302</u>
Subtotal other current liabilities	<u>1,753,782</u>	<u>2,671,659</u>
Noncurrent		
Long-term deposit liabilities held	30,000	30,000
Long-term deferred revenue broadband lease	20,000	28,069
Long-term deferred revenue of the LLC	<u>2,023,775</u>	<u>2,081,597</u>
Subtotal other noncurrent long-term liabilities	<u>2,073,775</u>	<u>2,139,666</u>
Noncurrent compensated absence liability	<u>3,776,765</u>	<u>3,818,636</u>
<b>Total other liabilities</b>	<b><u>7,604,322</u></b>	<b><u>8,629,961</u></b>
<b>Total liabilities – the University</b>	<b><u>\$ 163,192,280</u></b>	<b><u>\$ 168,937,472</u></b>

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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

	<u>2011</u>	<u>2010</u>
<b>The Foundation</b>		
Accounts payable and accrued liabilities	\$ 1,294,302	\$ 1,424,195
Deferred revenue	16,667	16,667
Funds held for the University	<u>685,955</u>	<u>696,076</u>
	<u>1,996,924</u>	<u>2,136,938</u>
Long-term debt		
Annuity obligations	<u>186,201</u>	<u>207,787</u>
Total liabilities – the Foundation	<u>\$ 2,183,125</u>	<u>\$ 2,344,725</u>
<b>The LLC</b>		
Accounts payable and accrued liabilities	<u>\$ 624,908</u>	<u>\$ 631,472</u>
Unearned revenues	<u>122,285</u>	<u>97,170</u>
Notes payable – UNC	481,233	465,147
Bond payable		
Current portion bond payable	385,000	330,000
Noncurrent portion bond payable	<u>22,364,016</u>	<u>22,740,326</u>
Total long-term debt	<u>23,230,249</u>	<u>23,535,473</u>
Total liabilities – The LLC	<u>\$ 23,977,442</u>	<u>\$ 24,264,115</u>

### Long-Term Liabilities

The following is a summary of long-term liability activity for the University for the years ended June 30, 2011 and 2010:

	<u>2011</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds, notes and capital leases					
Bonds payable	\$ 136,745,939	\$ --	\$ (2,772,562)	\$ 133,973,377	\$ 2,840,000
Capital leases payable	<u>3,251,901</u>	<u>--</u>	<u>(832,570)</u>	<u>2,419,331</u>	<u>588,065</u>
Total	<u>139,997,840</u>	<u>--</u>	<u>(3,605,132)</u>	<u>136,392,708</u>	<u>3,428,065</u>
Other long-term liabilities	2,204,907	--	(65,310)	2,139,597	65,822
Accrued compensated absences	<u>4,211,938</u>	<u>55,225</u>	<u>(85,817)</u>	<u>4,181,345</u>	<u>404,581</u>
Total other liabilities	<u>6,416,845</u>	<u>55,225</u>	<u>(151,127)</u>	<u>6,320,942</u>	<u>470,403</u>
Total long-term liabilities	<u>\$ 146,414,685</u>	<u>\$ 55,225</u>	<u>\$ (3,756,259)</u>	<u>\$ 142,713,650</u>	<u>\$ 3,898,468</u>

	<u>2010</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds, notes and capital leases					
Bonds payable	\$ 138,788,501	\$ --	\$ (2,042,562)	\$ 136,745,939	\$ 2,740,000
Capital leases payable	<u>3,935,745</u>	<u>21,928</u>	<u>(705,772)</u>	<u>3,251,901</u>	<u>735,485</u>
Total	<u>142,724,246</u>	<u>21,928</u>	<u>(2,748,334)</u>	<u>139,997,840</u>	<u>3,475,485</u>
Other long-term liabilities	2,227,241	35,488	(57,822)	2,204,907	65,241
Accrued compensated absences	<u>4,266,324</u>	<u>6,822</u>	<u>(61,208)</u>	<u>4,211,938</u>	<u>393,302</u>
Total other liabilities	<u>6,493,565</u>	<u>42,310</u>	<u>(119,030)</u>	<u>6,416,845</u>	<u>458,543</u>
Total long-term liabilities	<u>\$ 149,217,811</u>	<u>\$ 64,238</u>	<u>\$ (2,867,364)</u>	<u>\$ 146,414,685</u>	<u>\$ 3,934,028</u>

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

### Bonds Payable

Bonds payable are secured by certain tuition, 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. The University has pledged these revenues through 2040 to repay \$131,790,000 in Auxiliary revenue bonds. Annual principal and interest payments on the bonds are expected to require less than 20% of these revenues. Principal and interest for the current year was approximately \$9.3 million and total pledged revenues were approximately \$46.6 million. 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:

<b>The University</b>	<b>2011</b>	<b>2010</b>
3.0%-5.5%, 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. These bonds were refunded on July 1, 2011 (see note 18).		
Outstanding bond principal	\$ 46,040,000	\$ 46,460,000
Less unamortized discount	(261,045)	(274,150)
Less deferred amount on refunding	<u>( 985,279)</u>	<u>(1,061,070)</u>
Subtotal net bonds payable 2001 issue	<u>44,793,676</u>	<u>45,124,780</u>
3.25%-5.00%, 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	79,620,000	80,890,000
Add unamortized premium	3,488,991	3,614,954
Less deferred amount on refunding	<u>—</u>	<u>—</u>
Subtotal net bonds payable 2005 issue	<u>83,108,991</u>	<u>84,504,954</u>
3.25%-5.00%, Auxiliary Revenue Refunding bonds, issued May 22, 2008, in the original amount of \$9,145,000, and maturing in varying amounts through June 1, 2024.		
Outstanding bond principal	6,130,000	7,180,000
Add unamortized premium	112,960	121,705
Less deferred amount on refunding	<u>(172,250)</u>	<u>(185,500)</u>
Subtotal net bonds payable 2008 issue	<u>6,070,710</u>	<u>7,116,205</u>
Total outstanding bond principal	131,790,000	134,530,000
Add total unamortized premium (discount)	3,340,906	3,462,509
Less deferred amount on refunding	<u>(1,157,529)</u>	<u>(1,246,570)</u>
	<u>\$ 133,973,377</u>	<u>\$ 136,745,939</u>

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

The University's debt service payments required for bonds payable as of June 30, 2011, are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 2,840,000	\$ 6,453,356	\$ 9,293,356
2013	2,965,000	6,335,731	9,300,731
2014	3,080,000	6,212,831	9,292,831
2015	3,315,000	6,063,781	9,378,781
2016	3,465,000	5,918,094	9,383,094
2017-2021	19,965,000	26,950,294	46,915,294
2022-2026	25,395,000	21,509,232	46,904,232
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
<b>Total</b>	<b>\$ 131,790,000</b>	<b>\$ 103,900,569</b>	<b>\$ 235,690,569</b>

As noted above, on July 1, 2011, the University refunded the 2001 series bonds. A revised schedule of bond debt service is provided in note 18 regarding subsequent events.

### Capital Lease Obligations

Assets under capital leases at June 30, 2011 and 2010 include equipment totaling \$6,277,411 for both years. 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, 2011, are detailed below:

<b>Fiscal Years Ending June 30,</b>	<b>Lease Payments</b>
<b>The University</b>	
2012	\$ 680,438
2013	498,565
2014	493,289
2015	489,151
2016	365,145
2017-2021	<u>162,042</u>
Total minimum lease payments	2,688,630
Less amount representing interest	<u>(269,299)</u>
Amount representing principal for future minimum lease payments	<u>\$ 2,419,331</u>

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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### 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 the University received an advance lease payment of \$2,155,000 from the proceeds of the debt issued by the LLC to finance the LLC's student housing facility. The advance was initially recorded as deferred revenue to the University and is amortized annually as lease revenue over the term of the ground lease. The University recognized \$57,822 in rental revenue for fiscal years 2011 and 2010.

On July 1, 2011, the University purchased the Arlington Park Housing Facility and refinanced the related bonds. This subsequent event results in the termination of the ground lease during fiscal year 2012. The remaining balance of the deferred ground lease (\$2,081,597) reduces the University's capitalized investment in the student housing facility at July 1, 2011 (see note 18).

Also, on August 1, 2001, the University advanced \$500,000 to the LLC for operating purposes. This loan receivable is identified as an other noncurrent asset - related party loan receivable in Note 5. Interest earnings are being imputed on these funds and full payment of the loan is expected in 2012. The University recognized \$16,086 of imputed interest revenue for fiscal years 2011 and 2010. The loan principal balance at June 30, 2011 and 2010 was \$481,233 and \$465,147, respectively.

On July 1, 2011, the University purchased the Arlington Park Housing Facility and refinanced the related bonds. This subsequent event results in the termination of this related party loan receivable during fiscal year 2012. The remaining balance of the loan receivable increases the University's capitalized investment in the student housing facility at July 1, 2011 (see note 18).

#### **The Foundation – Charitable Gift Annuity Obligations**

The Foundation has entered into several charitable gift annuity contracts. These contracts require the Foundation to make fixed payments to the beneficiaries over their lifetimes. Under a charitable gift annuity contract, the assets received by the Foundation are not held in trust separately from other investments of the Foundation. On the date each charitable gift annuity was established, the Foundation recorded a contribution equal to the difference between the amount transferred from the donor and the present value of the future cash flows expected to be paid to the specified beneficiaries using a discount rate equal to the then current applicable federal rate. At the end of these contracts, the majority of these assets are to be endowed and are included in permanently restricted net assets.

Assets held under gift annuity contracts	\$ 309,218
Less associated liabilities	<u>(186,201)</u>
Net Present value of assets held under contract	<u>\$ 123,017</u>

#### **The LLC – Other Long-Term Debt**

The Colorado Educational and Cultural Facilities Authority (the Authority), a political subdivision of the state of Colorado, loaned the proceeds of a \$24,320,000 bond issue to the LLC to finance the construction of the Arlington Park 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, 2011, the

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

balance outstanding on the loan was \$22,975,000, which is net of the unamortized discount of \$243,674.

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

<b>Fiscal Years Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 385,000	\$ 1,143,877	\$ 1,528,877
2013	445,000	1,126,113	1,571,113
2014	465,000	1,106,089	1,571,089
2015	485,000	1,084,708	1,569,708
2016	510,000	1,059,969	1,569,969
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
<b>Total</b>	<b>\$ 22,975,000</b>	<b>\$ 19,089,870</b>	<b>\$ 42,064,870</b>

These bonds were refinanced by the University on July 1, 2011 when the University purchased the Arlington Park student housing facility from the LLC. The University's revised debt schedule, which includes the 2011B Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds, is included in the subsequent events (see note 18).

### Note 8: Operating Leases

The University leases property and equipment under operating leases expiring in various years through 2020. Rental expense under these agreements for the years ended June 30, 2011 and 2010 was \$826,013 and \$595,466, respectively.

The University's future minimum lease payments under non-cancelable operating leases as of June 30, 2011, are detailed below:

<b>Fiscal Years Ending June 30,</b>	
2012	\$ 835,845
2013	451,332
2014	463,842
2015	379,408
2016	278,966
2017-2021	<u>1,004,977</u>
	<u>\$ 3,414,370</u>

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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### Note 9: Defined Benefit Pension Plan

#### Plan Description

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

New employees, excluding four-year college and university employees, are allowed 60 days to elect to participate in PERA's defined contribution plan. If that election is not made, the employee is automatically enrolled in the plan to which he or she last contributed or, if there was no prior participation, to the defined benefit plan. Prior to legislation passed during the 2006 session, University of Northern Colorado employees and other state higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, University of Northern Colorado employees and other state higher education employees, excluding community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan.

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. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to the defined contribution plan is the same as the contributions to the PERA defined benefit plan.

Plan members (except State troopers) are eligible to receive a monthly retirement benefit when they meet age and service requirements based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For employees hired before January 1, 2007, age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010 if the member has less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

Members with five years of service credit at January 1, 2011, are also eligible for retirement benefits without a reduction for early retirement based on the original hire date, as follows:

- Hired before January 1, 2007 – age 55 and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 and age plus years of service equals 85 or more. For members hired before January 1, 2007, age plus years of service increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

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.

Most members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods if the salaries used were from the last three years of employment. For retirements after January 1, 2009, four periods are used and are ranked from lowest to highest with the maximum increase between years limited to 15 percent. For members hired on or after January 1, 2007, the maximum increase between ranked periods is 8 percent. Notwithstanding any other provisions, members first eligible for retirement after January 2, 2011 have a maximum increase between periods of 8 percent.

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 - the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 - the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)
- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.



# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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

### **Funding Policy**

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

Most employees contribute 8.0 percent (10.0 percent for State troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2010 Senate Bill 10-146 requires members in the State and Judicial Divisions to pay 2.5 percent additional member contributions through June 30, 2011. Employer contributions for members in these two divisions will be reduced by 2.5 percent. Senate Bill 11-076 continued these contribution rates through June 30, 2012.

- From July 1, 2010, to December 31, 2010, the University contributed 11.35% of the employee's salary.
- From January 1, 2011, through June 30, 2011, the University contributed 12.25%.
- During all of Fiscal Year 2010-11, 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, 2010, the division of PERA in which the state participates has a funded ratio of 62.8 percent and a 47 year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 61.3 percent.

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 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

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

In the 2010 legislative session, the general assembly extended both the AED and SAED. The AED will continue to increase at a rate of .4 percent of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. The SAED will continue to increase by one-half percentage point from

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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calendar years 2014 through 2017. Both the AED and SAED will be reduced by one-half percent point when funding levels reach 103 percent, and both will be increased by one-half percent point when the funding level subsequently falls below 90 percent. Neither the AED or the SAED may exceed 5 percent.

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

The University's contributions to the PERA defined benefit plan and/or the defined contribution plan for the fiscal years ending June 30, 2011, 2010, and 2009, were \$4,233,731, \$5,447,110, and \$4,484,963, respectively. These contributions met the contribution requirement for each year.

### **Note 10: Other PERA Retirement Plans**

#### **Defined Contribution Plan**

The PERA Defined Contribution Retirement Plan was established January 1, 2006 as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. New member contributions to the plan vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for state troopers) of their salary. For Fiscal Years 2009-10 and 2010-11 the legislature temporarily increased the required contribution rate to 10.5 percent (12.5 percent for State Troopers). At December 31, 2010, the plan had 3,479 participants.

#### **Defined Compensation Plan**

The PERA Deferred Compensation Plan (457) was established July 1, 2009 as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA where all costs of administration and funding are borne by the plan participants. In calendar year 2010, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of \$16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional \$5,500 contribution in 2010 for total contributions of \$22,000. Contributions and earnings are tax deferred. At December 31, 2010, the plan had 18,215 participants.

PERA also offers a voluntary 401k plan entirely separate from the defined benefit pension plan, the deferred compensation plan, and the defined contribution plan. Certain agencies and institutions of the State offered 403(b) or 401(a) plans.

### **Note 11: University Retirement Plans**

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.

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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The ORP is a defined contribution plan with three vendors: Metlife, TIAA-CREF, and VALIC. These vendors provide a range of investment accounts for participants. For fiscal years 2011 and 2010, the employee contributed 8% and the University contributed 11.5%. The University's contribution to the ORP for the years ending June 30, 2011 and 2010 was \$4,909,503 and \$4,767,817, respectively. All contributions are immediately invested in the employee's account. Normal retirement age for the ORP is age 65. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

The University provides a 403(b) deferred compensation plan to the University President. The Board of Trustees approved a contribution of \$46,000 that was paid in fiscal years 2011 and 2010. The contribution to be paid in fiscal year 2012 is expected to be \$46,000.

### **Note 12: Postretirement Healthcare and Life Insurance Benefits**

#### **Health Care Plan**

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting [www.copera.org](http://www.copera.org).

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund which is maintained by employer's contributions as discussed above in Note 9 – Funding Policy. Beginning July 1, 2004, state agencies / institutions are required to contribute 1.02% of gross covered wages to the Health Care Trust Fund. The University of Northern Colorado contributed \$366,326, \$414,816, and \$365,992 as required by statute in fiscal years 2011, 2010, and 2009, respectively. In each year the amount contributed was 100% of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2010, there were 48,455 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2010, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.35 billion, a funded ratio of 17.5%, and a 42-

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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year amortization period. The actuarial valuation was based on the entry age cost method, an 8 % investment rate of return, a 4.5% projection of salary increases (assuming a .75% inflation rate), a 3.5% annual medical claims increase, no post-retirement benefit increases, and a level dollar amortization on an open basis over 30 years.

### **Colorado Higher Education Insurance Benefits Alliance (CHEIBA)**

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool which allows for post-employment health coverage until the retiree is eligible for Medicare. As of June 30, 2011, there were 20 participants in post-retirement coverage from the eight member higher education institutions, of which 7 are from UNC.

CHEIBA financial statements are prepared under accounting principles generally accepted in the United States using the accrual basis of accounting, following governmental accounting standards for a business type activity. The financial statements can be obtained by contacting the University's Human Resource Department at 970-351-2718. Contributions are recognized in the period due. Benefits and refunds are recognized and paid when due according to the participating plans. The fair value of CHEIBA's investments is based on quoted market prices from national securities exchanges.

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

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

### Note 13: Operating Expenses by Function Compared with Operating Expenses by Natural Classification

For the Years Ended June 30, 2011 and 2010

	2011		2010	
<b>Functional Classification</b>				
Instruction	\$ 64,542,638	35.6%	\$ 63,903,417	36.1%
Research	2,999,559	1.7%	3,450,700	1.9%
Public Service	2,017,375	1.1%	1,814,955	1.0%
Academic Support	19,382,304	10.7%	19,233,255	10.8%
Student Services	21,587,036	11.9%	19,759,991	11.1%
Institutional Support <sup>1</sup>	9,008,519	5.0%	8,878,558	5.0%
Operation and Maintenance of Plant	8,514,133	4.7%	8,452,738	4.8%
Scholarships and Fellowships	11,719,891	6.5%	11,027,885	6.2%
Auxiliary	25,643,845	14.2%	25,962,992	14.6%
Depreciation	15,565,632	8.6%	15,017,068	8.5%
Total Operating Expenses	\$ 180,980,932	100.0%	\$ 177,501,559	100.0%
<b>Natural Classification</b>				
Wages and Benefits	\$ 112,894,916	62.3%	\$ 112,360,819	63.3%
Cost of Sales <sup>2</sup>	4,450,397	2.5%	3,613,667	2.0%
Other Current Expenses <sup>2,3</sup>	27,014,552	15.0%	26,746,618	15.1%
Scholarships/Financial Aid <sup>3</sup>	11,719,891	6.5%	11,027,885	6.2%
Utilities	5,728,391	3.1%	5,471,615	3.1%
Travel	3,607,153	2.0%	3,263,887	1.8%
Depreciation	15,565,632	8.6%	15,017,068	8.5%
Total Operating Expenses	\$ 180,980,932	100.0%	\$ 177,501,559	100.0%
<b>Wages and Benefits</b>				
Faculty	\$ 36,310,841	32.2%	\$ 36,486,752	32.5%
Administrative <sup>1</sup>	22,105,142	19.6%	21,555,061	19.2%
Graduate & Teaching Assistants	7,698,225	6.8%	6,844,462	6.1%
Classified	19,360,383	17.1%	20,075,402	17.9%
Student	5,975,564	5.3%	5,541,789	4.9%
Other	1,229,029	1.1%	1,162,128	1.0%
Fringe Benefits	20,215,732	17.9%	20,695,225	18.4%
Total Wages and Benefits	\$ 112,894,916	100.0%	\$ 112,360,819	100.0%

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

<sup>1</sup> A new memorandum of understanding with the UNC Foundation on July 1, 2010 affected the functional and natural classification of expenses.

<sup>2</sup> Cost of Sales and Other Current Expenses for fiscal year 2010 have been reclassified.

<sup>3</sup> Certain loan expenses for 2010 were reclassified as other current expenses.

The strategic realignment of the alumni and development organizations to report to the President of the University was the basis for the new memorandum of understanding with the UNC Foundation. As part of this reorganization, the staff in these organizations became University employees. This increased institutional support by \$0.9 million in fiscal year 2011. This change also had an impact on administrative salaries and other natural expenses. The table below shows the change in natural expense as a result of this change.

Alumni and Development Natural Expenses		
	<u>2011</u>	<u>2010</u>
Administrative Exempt Salaries	\$ 952,475	\$ —
Student Wages	39,924	—
Other Wages/Compensation	16,112	—
Fringe Benefits	259,633	—
Other Current Expenses	135,663	750,000
Purchased Services	170,003	—
Supplies	74,885	—
Travel	26,912	—
Total	<u>\$ 1,675,607</u>	<u>\$ 750,000</u>

### Note 14: Legislative Appropriations

#### Appropriated Funds

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

For the years ended June 30, 2011 and 2010, appropriated expenditures were within the authorized spending authority of \$114,785,455 and \$110,596,183, respectively. Actual appropriated revenues earned totaled \$114,785,455 and \$110,596,183, respectively. Actual appropriated expenditures and transfers totaled \$114,785,455 and \$110,596,183, respectively. The net increase in appropriated fund balance was \$0 for both fiscal years.

#### Capital Construction State Appropriations

Capital construction state appropriations are recognized only to the extent of current expenditures of \$1,607,429. At June 30, 2011, there were unexpended capital construction state appropriations of \$1,827,227. State appropriations for capital construction include University cash funded projects, controlled maintenance, and certificates of participation issued by the state treasury.

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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### *University Cash Funded Appropriated Projects*

During the 2009 regular session of the Colorado General Assembly, Senate Bill 09-290 was passed. This bill changed the statutes that affected higher education capital construction. It provided greater flexibility and changed the way higher education capital construction is approved and recorded for State budgeting. During the transition in implementing this bill it was determined that projects previously appropriated under the prior statutory rules would continue to follow those rules and would continue to be recorded on the State's budget as appropriated cash projects. At June 30, 2011 the University has current contra expenses of \$ (37,950) and unexpended appropriations of \$1,819,530 for the Butler Hancock interior renovation.

### *Controlled Maintenance*

The University makes approved expenditures for various controlled maintenance projects. At June 30, 2011 the University has current expenses of \$172,104 and unexpended appropriations of \$7,697 to reroof several buildings.

### *State Treasury Certificates of Participation*

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

The University of Northern Colorado's Butler Hancock interior renovation project has received its full allocation of \$11,591,235 from the lease purchase agreement as a state appropriation. UNC has received \$1,473,275 and \$9,071,300 in contributed capital and \$480,119 and \$329,340 of contributed capital interest as of June 30, 2011 and 2010, respectively. Parsons Hall was provided as collateral.

## **Note 15: Commitments and Contingencies**

### **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.

# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

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### Note 16: Risk Management

The University is subject to risks of loss from liability for accident, property damage and personal injury. To mitigate these risks the University has purchased the following insurance:

- General liability covered by Philadelphia for \$3,000,000 with no deductible;
- Professional liability covered by Philadelphia for \$3,000,000 with a \$25,000 deductible;
- Automobile liability covered by Philadelphia for \$1,000,000 with no deductible;
- Errors and omissions covered by Westchester for \$3,000,000 with a \$25,000 deductible;
- Employment practices liability covered by Westchester for \$3,000,000 with a \$50,000 deductible;
- Workers compensation covered by Pinnacol Assurance for \$500,000/\$500,000/\$500,000 with a \$1,000 deductible;
- Umbrella liability covered by Philadelphia for \$2,000,000 with a self-insured retention of \$10,000;
- Fidelity (employee dishonesty) covered by Philadelphia for \$500,000 with a \$1,000 deductible;
- Other property covered by One Beacon for \$500,000,000 with a \$25,000 deductible.

The University became fully insured through several insurance companies in 2006 and is covered by insurance for everything above its reserve and deductible. The coverage in fiscal year 2011 is consistent with previous years and there have been no significant reductions in coverage. There have been no settlements exceeding coverage. The University uses a fringe benefit and risk management fund to pay expenses related to workers compensation and other liability insurance. The University's liability on June 30, 2011 and 2010 was \$21,253 and \$24,624, respectively.

### Note 17: Other Disclosures

#### Multi-Year Employment Contracts

During 2011, the University maintained four multi-year employment contracts for coaches. The intent of the multi-year terms (either three or four years) is to allow the coaches sufficient time to recruit and build successful athletic teams. These contracts are subject to termination for just cause and fund availability.

### Note 18: Subsequent Events

On July 1, 2011, the University refinanced its 3.0%-5.5% 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. The refunding 2011A Institutional Enterprise Revenue Refunding Bonds, Series 2011A bonds were issued at fixed rate of 2.0% to 5.0%, in the original amount of \$41,690,000, and maturing in varying amounts through June 1, 2031.

Outstanding bond principal	\$ 41,690,000
Plus unamortized premium	3,011,186
Less deferred amount on refunding	<u>(1,795,766)</u>
Subtotal net bonds payable 2011A issue	<u>\$ 42,905,420</u>



# UNIVERSITY OF NORTHERN COLORADO

## NOTES TO FINANCIAL STATEMENTS

As of July 1, 2011, the University's debt service payments required for fixed rate bonds payable is as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 3,010,000	\$ 5,819,532	\$ 8,829,532
2013	2,945,000	5,889,675	8,834,675
2014	3,020,000	5,805,425	8,825,425
2015	3,240,000	5,672,225	8,912,225
2016	3,345,000	5,570,487	8,915,487
2017-2021	19,065,000	25,519,413	44,584,413
2022-2026	23,960,000	20,622,325	44,582,325
2027-2031	30,385,000	14,194,444	44,579,444
2032-2036	20,995,000	7,600,000	28,595,000
2037-2040	17,475,000	2,237,750	19,712,750
<b>Total</b>	<b>\$ 127,440,000</b>	<b>\$ 98,931,276</b>	<b>\$ 226,371,276</b>

Also, on July 1, 2011, the University purchased the Arlington Park student housing facility and dissolved the LLC. This fiscal year 2012 subsequent event resulted in the termination of the ground lease between the LLC and the University.

The University issued Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds (Series 2011B) to complete this purchase. These bonds were issued at a variable rate projected at 3.5%, in the original amount of \$21,130,000, and maturing in variable amounts through June 1, 2036.

Outstanding bond principal	\$ 21,130,000
Plus unamortized premium	—
Less deferred amount on refunding	<u>(1,400,259)</u>
Subtotal net bonds payable 2011B issue	<u>\$ 19,729,741</u>

As of July 1, 2011, the University's debt service payments required for variable rate bonds payable is provided below using a 3.5% projected interest rate:

Year Ending June 30	Principal	Interest	Total
2012	\$ 0	\$ 677,921	\$ 677,921
2013	575,000	739,550	1,314,550
2014	595,000	719,425	1,314,425
2015	615,000	698,600	1,313,600
2016	640,000	677,075	1,317,075
2017-2021	3,550,000	3,033,625	6,583,625
2022-2026	4,210,000	2,367,400	6,577,400
2027-2031	5,005,000	1,576,925	6,581,925
2032-2036	5,940,000	637,875	6,577,875
<b>Total</b>	<b>\$ 21,130,000</b>	<b>\$ 11,128,396</b>	<b>\$ 32,258,396</b>



Report on Internal Control over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Members of the Legislative Audit Committee:

We have audited the financial statements of the University of Northern Colorado, a blended component unit of the State of Colorado as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other accountants audited the financial statements of the University of Northern Colorado Foundation, Incorporated (the Foundation) and the University of Northern Colorado Foundation Student Housing LLC I (the LLC), which collectively comprise the University's discretely presented component units, as described in our report on the University's financial statements. The financial statements of the Foundation and the LLC were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatement on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### Compliance

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

\* \* \* \* \*

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

*Anderson & Whitney, P.C.*

November 30, 2011



### Required Auditor Communications

Members of the Legislative Audit Committee:

We have audited the financial statements of University of Northern Colorado for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. Professional standards require that we provide you with the following information related to our audit.

#### **OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS**

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

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

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

#### **QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES**

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

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

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

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. This includes investments (Note 3), liabilities (Note 7), and subsequent events (Note 18).

**AUDIT ADJUSTMENTS**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. No audit adjustments were recommended.

**MANAGEMENT REPRESENTATIONS**

We have received certain representations from management that are included in the management representation letter dated November 30, 2011.

**DISAGREEMENTS WITH MANAGEMENT**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

**CONSULTATIONS WITH OTHER ACCOUNTANTS**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

**MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

**DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

\* \* \* \* \*

This information is intended solely for the use of the Legislative Audit Committee and is not intended and should not be used by any others than these specified parties.

November 30, 2011

*Anderson & Whitney, P.C.*

**STATE-FUNDED STUDENT ASSISTANCE PROGRAM**



Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the accompanying statements of appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs of the University of Northern Colorado, a component unit of the State of Colorado, for the years ended June 30, 2011 and 2010. 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 conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present 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 years ended June 30, 2011 and 2010 on the basis of accounting described in Note 1.

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

*Anderson & Whitney, P.C.*

November 30, 2011

**STATE OF COLORADO  
UNIVERSITY OF NORTHERN COLORADO  
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS  
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS**

**Year Ended June 30, 2011**

	CLEAP	SLEAP	Colorado Need-based Grants	Colorado Work-Study	Governor's Opportunity Scholarship	Total Financial Aid
Appropriations:						
Original Official Allocation	\$ 112,784	\$ 198,510	\$ 3,286,256	\$ 945,168	\$ 85,600	\$ 4,628,318
Additional Allocation	9,908	11,015	25,000	-	-	45,923
Total Appropriations	122,692	209,525	3,311,256	945,168	85,600	4,674,241
Total Expenditures	122,692	209,525	3,311,256	945,168	85,600	4,674,241
Reversions to State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statement.



**STATE OF COLORADO  
UNIVERSITY OF NORTHERN COLORADO  
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS  
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS**

**Year Ended June 30, 2010**

	CLEAP	SLEAP	Colorado Need-based Grants	Colorado Work-Study	Governor's Opportunity Scholarship	Total Financial Aid
Appropriations:						
Original Official Allocation	\$ 112,784	\$ 198,510	\$ 3,741,017	\$ 945,168	\$ 350,000	\$ 5,347,479
Additional Allocation	-	-	-	-	(96,143)	(96,143)
Total Appropriations	112,784	198,510	3,741,017	945,168	253,857	5,251,336
Total Expenditures	112,784	198,510	3,741,017	945,168	253,857	5,251,336
Reversions to State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statement.

**STATE OF COLORADO  
UNIVERSITY OF NORTHERN COLORADO**

**NOTES TO STATEMENTS OF APPROPRIATIONS, EXPENDITURES, TRANSFERS,  
AND REVERSIONS OF THE STATE-FUNDED STUDENT ASSISTANCE PROGRAMS**

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**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 Government 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 service is performed. This basis differs from accounting principles generally accepted in the United States primarily because appropriations are presented instead of revenue and because assets, liabilities, and net assets are not included in the financial statement.

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**Note 2 – Description of Programs:**

For the year ended June 30, 2011, the University of Northern Colorado obtained authorization to award federal student financial aid of \$13,302,175 in the Pell Grant Program, \$223,291 in the Supplemental Educational Opportunity Grant Program and \$364,452 in the College Work-Study Program. Federal capital contributions of \$0 were received by the Perkins Loan Program.

For the year ended June 30, 2010, the University of Northern Colorado obtained authorization to award federal student financial aid of \$10,102,374 in the Pell Grant Program, \$229,562 in the Supplemental Educational Opportunity Grant Program and \$400,827. in the College Work-Study Program. Federal capital contributions of \$0 were received by the Perkins Loan Program.

The Office of Financial Aid is responsible for administration of these programs. This responsibility includes application processing, eligibility determination, and financial aid packaging, as well as insuring 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.

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**STATE OF COLORADO  
UNIVERSITY OF NORTHERN COLORADO**

**NOTES TO STATEMENTS OF APPROPRIATIONS, EXPENDITURES, TRANSFERS,  
AND REVERSIONS OF THE STATE-FUNDED STUDENT ASSISTANCE PROGRAMS**

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**Note 3 – Colorado Leveraging Educational Assistance Partnership and Supplemental  
Colorado Leveraging Educational Assistance Partnership:**

For the year ended June 30, 2011, the Colorado Leveraging Educational Assistance Partnership (CLEAP) and Supplemental Colorado Leveraging Educational Assistance Partnership (SLEAP) grant consists of \$201,421 of state funds and \$130,796 of federal funds.

For the year ended June 30, 2010, the Colorado Leveraging Educational Assistance Partnership (CLEAP) and Supplemental Colorado Leveraging Educational Assistance Partnership (SLEAP) grant consists of \$183,973 of state funds and \$127,321 of federal funds.

The amounts shown for each program on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance program is the combined state and federal total for that program.

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Independent Auditors' Report on Internal Controls

Members of the Legislative Audit Committee:

We have audited the statements of appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs of the University of Northern Colorado, a component unit of the State of Colorado for the years ended June 30, 2011 and 2010, and have issued our report thereon dated November 30, 2011

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

In planning and performing our audits of the statements of appropriations, expenditures, and reversions of the State-Funded Student Assistance Programs of the University of Northern Colorado for the years ended June 30, 2011 and 2010, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

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

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

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

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

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

This report is intended for the information and use of the Legislative Audit Committee, the Board of Trustees and management of the University of Northern Colorado, and for filing with the Colorado Commission on Higher Education and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson & Whitney, P.C.*

November 30, 2011

The electronic version of this report is available on the Web site of the  
Office of the State Auditor  
**[www.state.co.us/auditor](http://www.state.co.us/auditor)**

A bound report may be obtained by calling the  
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**303-869-2800**

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Report Control Number 2108-11