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UNIVERSITY *of* NORTHERN COLORADO

Message from President Norton

Annually reporting the University of Northern Colorado's finances is part of our obligation to be transparent and accountable, but it only begins to convey the impact of our institution.

As a public university, we have the opportunity and obligation to be a catalyst for community and economic development. Not only is the University of Northern Colorado an anchor of the upstate Colorado economy; our graduates are vital to this state's human infrastructure. Even harder to quantify are benefits from the university such as faculty expertise, concerts, cultural activities, theater and art shows, and athletic events.

We have been working over the past year with the American Council on Education and more than 400 colleges and universities on a national campaign about the value of higher education. For example, the typical bachelor's degree recipient can expect to earn 73 percent more over a 40-year working life than the typical high school graduate. College graduates also tend to have better health, rely less on government social programs, are less likely to be incarcerated and are more likely to engage in civic activities.

The benefits of an educated citizenry are the result of public investment in higher education—more than a century's investment in the case of Northern Colorado. As competition for public investment continues to grow, Coloradoans face some important choices. In the coming year, we must re-think how we make long-term higher education policy decisions and find a way to re-invest in higher education.

Sincerely,

Kay Norton
President

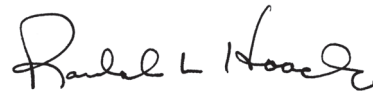


MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the University of Northern Colorado for the year ended June 30, 2006, were prepared by the management in conformity with generally accepted accounting principles.

The management of the University is responsible for the integrity and objectivity of these financial statements, which are presented on the accrual basis of accounting and, accordingly, include some amounts based upon judgement. Other financial information in the annual report is consistent with that in the financial statements. The system of internal accounting controls is designed to assure that the financial reports and the books of accounts properly reflect the transactions of the institution, in accordance with established policies and procedures as implemented by qualified personnel.

The Board of Trustees of the University of Northern Colorado monitors the financial and accounting operations of the institution, including the review and discussion of periodic financial statements, the evaluation and adoption of budgets and the reporting of independent certified public accountants.



*Randal L. Haack
Senior Vice President
for Finance and Administration
and Chief Financial Officer*



*Michelle F. Quinn
Assistant Vice President of Finance*

Independent Accountants' Report on Financial Statements and Supplementary Information

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the University of Northern Colorado (the University) and its discretely presented component units, collectively, a component unit of the State of Colorado, as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University of Northern Colorado Foundation, Incorporated (the Foundation) or the University of Northern Colorado Foundation Student Housing LLC I (the LLC), which collectively comprise the University's discretely presented component units. Those statements were audited by other accountants whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for the Foundation and the LLC, is based solely on the reports of the other accountants.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 audit provides a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other accountants, the financial statements referred to above present fairly, in all material respects, the financial position of the University and its discretely presented component units, as of June 30, 2006 and 2005, and their respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

September 22, 2006

BKD, LLP

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

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

Financial Highlights

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

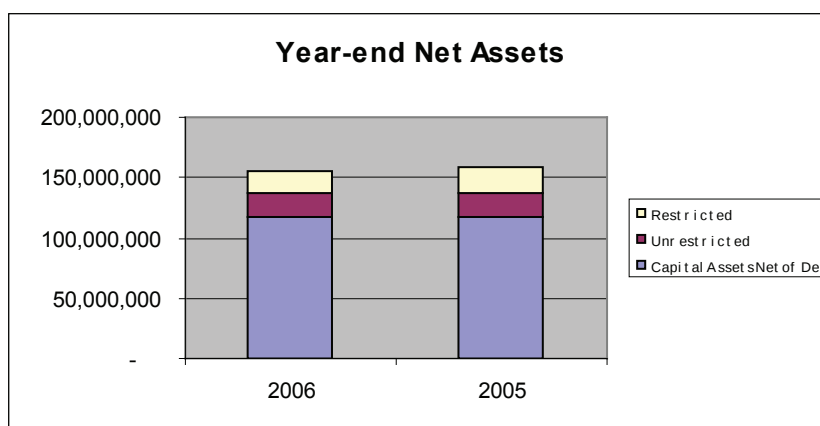
Selected financial highlights for the fiscal year ending June 30, 2006 include:

- University assets total \$330 million with liabilities of \$175.2 million resulting in net assets of \$154.8 million.

- Capital assets of \$182.2 million comprise 55% of University assets.

- Total revenue in 2006 was \$142.0 million including \$137.8 million of Operating Revenue which includes College Opportunity Fund stipends and State Fee-for-Service contract revenue. Total revenue in 2005 was \$131.8 million including \$95.3 million of Operating Revenue and \$33.6 million in state appropriation.

- Operating Expenses for 2006 and 2005 totaled \$141.5 million and \$127.5 million, respectively, including \$90.6 and \$82.8 million in personnel costs (64% and 65%).



MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Net Assets

The Statement of Net Assets is a financial snapshot of the University of Northern Colorado at June 30, 2006. It presents the fiscal resources of the University (assets), the claims against those resources (liabilities) and the residual available for future operations (net assets). Assets and liabilities are classified by liquidity as either current or non-current. Net assets are classified by the ways in which they may be used for future operations.

Condensed Statement of Net Assets			
At June 30			
	2006	2005	2004
Assets			
Current Assets	\$ 55,505,811	\$ 54,941,752	\$ 57,929,096
Capital	182,220,879	179,467,768	177,153,139
Other Noncurrent Assets	<u>92,310,548</u>	<u>9,616,626</u>	<u>12,496,121</u>
Total Assets	\$ <u>330,037,238</u>	\$ <u>244,026,146</u>	\$ <u>247,578,356</u>
Liabilities			
Current Liabilities	\$ 23,147,234	\$ 20,056,947	\$ 22,201,135
Bonds/Notes Payable	142,301,092	57,058,594	58,210,633
Other Noncurrent Liabilities	<u>9,823,105</u>	<u>8,745,912</u>	<u>9,216,860</u>
Total Liabilities	\$ <u>175,271,431</u>	\$ <u>85,861,453</u>	\$ <u>89,628,628</u>
Net Assets			
Invested in Capital Assets net of Related Debt	\$ 116,643,360	\$ 116,921,377	\$ 114,772,936
Restricted - Nonexpendable	307,555	307,555	381,540
Restricted - Expendable	17,604,788	21,398,187	23,316,737
Unrestricted	<u>20,210,104</u>	<u>19,537,574</u>	<u>19,478,515</u>
Total Net Assets	\$ <u>154,765,807</u>	\$ <u>158,164,693</u>	\$ <u>157,949,728</u>

Liquid Assets

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

Capital Assets

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Other Noncurrent Assets

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

Liabilities

The University's commitments of resources include: amounts owed to vendors; leases of equipment; and deferred revenue. Deferred revenues include amounts received for tuition and fees and certain auxiliary activities received by June 30, 2006 but related to services to be provided in fiscal year 2007 and amounts received from grant and contract sponsors that have not yet been earned. Compensated absences (employee accrued vacation) of \$3.0 million is another significant liability. The single largest liability, however, is outstanding bonds which totaled \$143.9 at June 30, 2006 and \$58.1 million at June 30, 2005.

Bonds/Notes Payable

In July 2001, UNC issued bonds totaling \$50.0 million par. These bonds advance refunded the previously issued 1997 bonds and provided funding for West Campus Dining improvements, Parking, and additional Auxiliary Facility Improvements. Ratings by Moody's Investor Service and Standard & Poor's, based on insured bonds, were Aaa and AAA respectively. The underlying ratings were A2 and A.

In July, 2005, the University issued an additional \$85.0 million in bonds with maturities from 2006 through 2040. Like the 2001 bonds, these were insured with ratings of Aaa by Moody's and AAA by Standard and Poor's. The underlying ratings remained unchanged with a stable outlook at the time of issuance. These bonds were issued for construction of new student housing, sports & recreation, and parking facilities. Bonds were issued in July due to favorable market conditions, although project work did not begin until late 2005. Bond proceeds are not expected to be fully expended until 2009.

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

	<u>Net Assets</u>		
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Capital Assets Net of Debt	\$ 116,643,360	\$ 116,921,377	\$ 114,772,936
Unrestricted	20,210,104	19,537,574	19,478,515
Auxiliary	7,274,009	10,215,143	12,992,845
Student Loans	9,084,499	9,635,579	9,259,012
Bond Reserve	750,000	750,000	750,000
Non-expendable	307,555	307,555	381,540
Other Restricted	<u>496,280</u>	<u>797,465</u>	<u>314,880</u>
Total Net Assets	\$ <u>154,765,807</u>	\$ <u>158,164,693</u>	\$ <u>157,949,728</u>

Net Assets

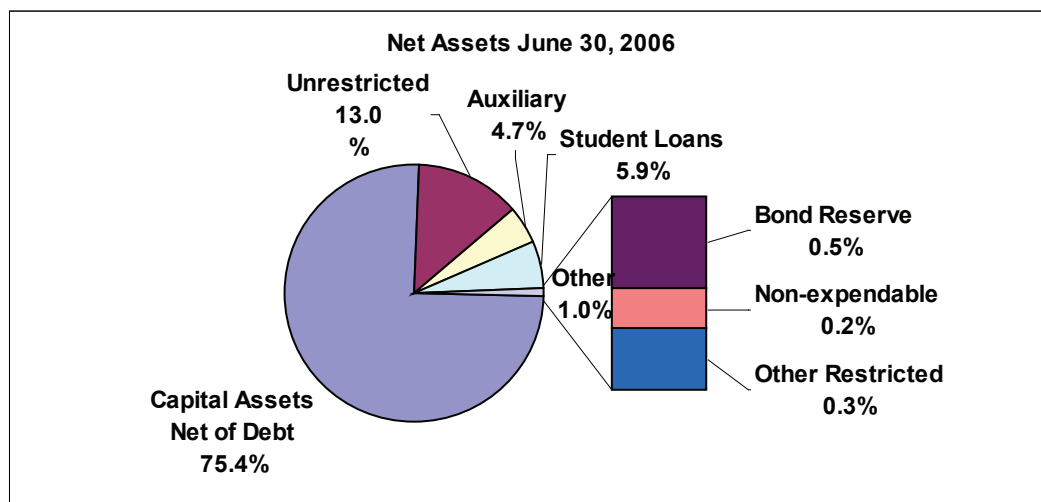
Net assets are the resources available for future operations, that is, assets reduced by liabilities. The University's largest class of assets is its capital assets, net of related debt, which comprises 75.4% of UNC's net assets.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the financial activity of the University over the fiscal year. The focus is on operating revenues and expenses.



Condensed Statement of Revenues, Expenses and Changes in Net Assets For the Year Ended June 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating revenue			
Net Tuition and Fees	\$ 75,469,238	\$ 42,975,646	\$ 40,019,579
Fee for Services	14,016,078	--	--
Grants and Contracts	19,406,898	20,383,430	20,056,915
Auxiliary	24,920,551	30,201,148	27,876,906
Other	<u>4,031,626</u>	<u>1,763,804</u>	<u>3,568,899</u>
Total Operating Revenues	\$ 137,844,391	\$ 95,324,028	\$ 91,522,299
Operating Expenses			
Education and General	\$ 107,813,020	\$ 96,514,044	\$ 95,595,980
Auxiliary	21,742,407	19,908,514	19,252,529
Depreciation	<u>11,984,452</u>	<u>11,092,760</u>	<u>10,212,966</u>
Total Operating Expenses	\$ 141,539,879	\$ 127,515,318	\$ 125,061,475
Operating Loss	\$ (3,695,488)	\$ (32,191,290)	\$ (33,539,176)
Non-operating Revenues			
State Appropriations	--	\$ 33,590,906	\$ 33,590,909
Net Asset Adjustments	--	(817,809)	
Other Revenues and Expenses	<u>(772,334)</u>	<u>(955,988)</u>	<u>(1,220,499)</u>
Loss Before Other Revenues/Expenses	(4,467,822)	(374,181)	(1,168,766)
Capital Appropriations	1,290,484	410,080	1,821,068
Net Other Items	<u>(221,548)</u>	<u>179,066</u>	<u>866,421</u>
Increase in Net Assets	(3,398,886)	214,965	1,518,723
Net Assets - Beginning of Year	<u>158,164,693</u>	<u>157,949,728</u>	<u>156,431,005</u>
Net Assets - End of Year	<u>\$ 154,765,807</u>	<u>\$ 158,164,694</u>	<u>\$ 157,949,728</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Total Revenues

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

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

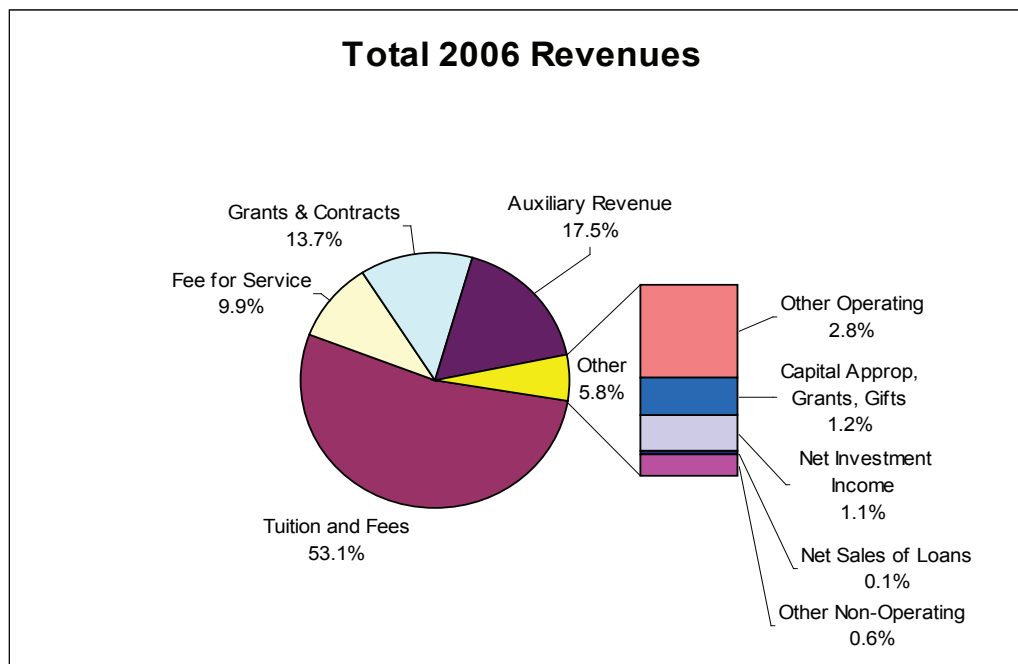
Operating Revenues

Operating revenue is derived from Tuition and Fees - \$75.5 million; Auxiliary Activity - \$24.9 million; Grants and Contracts - \$19.4 million; State-Fee-for-Service - \$14.0 million; and Other - \$4 million.

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

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

About 52% of the Operating Grants and Contract Revenue is federal and state financial aid with an additional 31% coming from federal grants for research, training, etc.



Grants and Contracts Revenues

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

MANAGEMENT DISCUSSION AND ANALYSIS

Expenses

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

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

Operating Expense By Function

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

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

Operating Expenses by Natural Class

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



MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Cash Flows

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

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

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

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

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

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

Economic Outlook

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

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

Student Headcount Enrollment

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

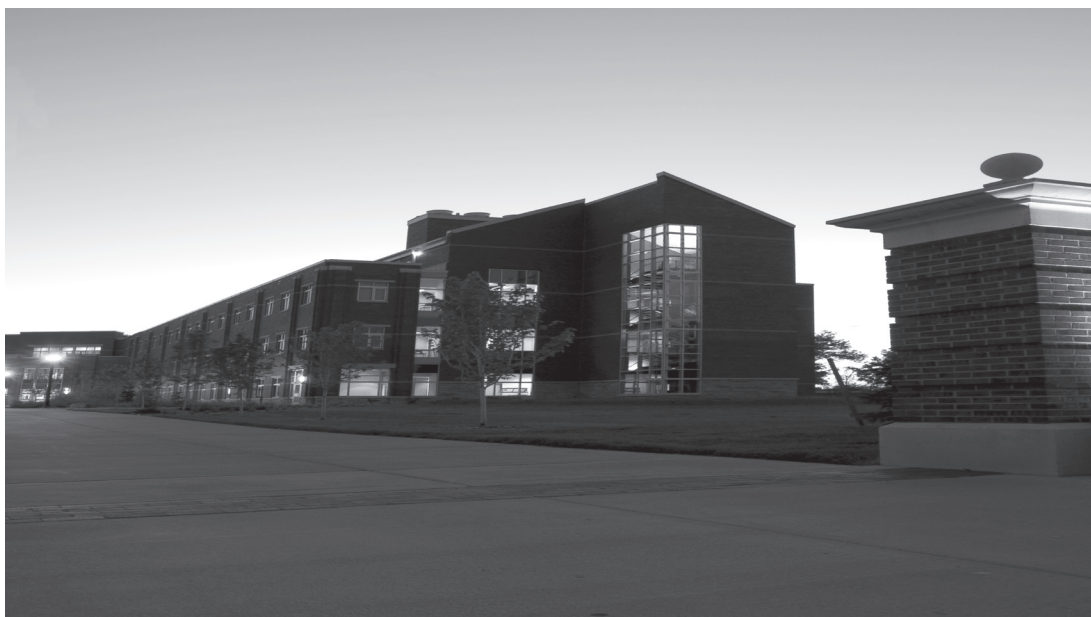
Resident FTE Enrollment

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

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

For additional information regarding this report please contact:

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



Financial Statements

STATEMENT OF NET ASSETS

June 30, 2006

		Component Units	
	UNIVERSITY OF NORTHERN COLORADO	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 46,607,122	\$ 2,034	\$ 161,594
Funds held in trust	--	--	1,750,604
Student accounts receivable, net	3,295,209	--	--
Contributions receivable, net	--	567,181	--
Other receivables, net	2,660,729	585,432	--
Investments	--	47,830,803	630
Inventories	875,507	--	--
Loans to students, net	1,642,445	--	--
Other current assets	<u>424,799</u>	<u>90,515</u>	<u>22,578</u>
Total Current Assets	<u>55,505,811</u>	<u>49,075,965</u>	<u>1,935,406</u>
Noncurrent Assets			
Restricted cash and cash equivalents	627,104	--	--
Restricted investments	83,021,606	--	--
Contributions receivable, net	--	312,256	--
Loans to students, net	6,050,196	--	--
Other Noncurrent Assets	2,611,642	--	5,557,558
Other long-term investments	--	215,784	--
Investments Restricted for endowment	--	46,344,952	--
Capital assets	<u>182,220,879</u>	<u>1,180,847</u>	<u>15,274,103</u>
Total Noncurrent Assets	<u>274,531,427</u>	<u>48,053,839</u>	<u>20,851,661</u>
TOTAL ASSETS	\$ <u>330,037,238</u>	\$ <u>97,129,804</u>	\$ <u>22,787,067</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities	\$ 13,777,987	\$ 463,728	\$ 709,708
Deferred revenue	4,949,845	--	130,961
Bonds/notes payable, current portion	1,612,276	--	140,000
Capital leases payable, current portion	379,687	--	--
Funds held for the University of Northern Co	--	691,438	62,408
Other current liabilities	<u>2,427,439</u>	<u>--</u>	<u>--</u>
Total Current Liabilities	<u>23,147,234</u>	<u>1,155,166</u>	<u>1,043,077</u>
Noncurrent liabilities			
Bonds/notes payable	142,301,092	--	23,725,311
Capital leases payable	3,732,315	--	--
Other long term liabilities	3,421,039	--	--
Annuity obligations	--	172,859	--
Compensated absence liabilities	<u>2,669,751</u>	<u>--</u>	<u>--</u>
Total Noncurrent Liabilities	<u>152,124,197</u>	<u>172,859</u>	<u>23,725,311</u>
TOTAL LIABILITIES	<u>175,271,431</u>	<u>1,328,025</u>	<u>24,768,388</u>
Net Assets			
Invested in capital net of related debt	116,643,360	1,180,847	--
Restricted for:			
Nonexpendable purposes			
Scholarships/Fellowships	306,155	46,344,952	--
Academic Support	1,400	--	--
Expendable purposes			
Auxiliary expenditures	7,274,009	--	--
Scholarships/Fellowships	256,817	38,373,891	--
Loans	9,084,499	--	--
Bond Reserves	750,000	--	--
Other	239,463	--	--
Unrestricted	<u>20,210,104</u>	<u>9,902,089</u>	<u>(1,981,321)</u>
TOTAL NET ASSETS	\$ <u>154,765,807</u>	\$ <u>95,801,779</u>	\$ <u>(1,981,321)</u>

* See accompanying notes to financial statements

STATEMENT OF NET ASSETS

June 30, 2005

Component Units

	UNIVERSITY OF NORTHERN COLORADO	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Stu- dent Housing LLC I
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 44,862,824	\$ 3,655	\$ 191,614
Funds held in trust	---	---	1,544,444
Student accounts receivable, net of allowance of \$735,289	4,344,751	---	---
Contributions receivable, net	---	944,491	---
Other receivables, net	2,461,201	527,572	7,487
Investments	---	44,428,987	---
Inventories	801,683	---	---
Loans to Students, net	1,640,565	---	---
Other current assets	<u>830,728</u>	<u>78,918</u>	<u>24,258</u>
Total Current Assets	<u>54,941,752</u>	<u>45,983,623</u>	<u>1,767,803</u>
Noncurrent Assets			
Restricted cash and cash equivalents	756,527	---	---
Restricted investments	683,595	---	---
Contributions receivable, net	---	780,553	---
Loans to students, net	6,809,694	---	---
Other non current assets	1,366,810	---	5,656,645
Other long-term investments	---	263,709	---
Investments restricted for endowment	---	44,411,409	---
Capital assets, net	<u>179,467,768</u>	<u>1,124,282</u>	<u>15,803,826</u>
Total Noncurrent Assets	<u>189,084,394</u>	<u>46,579,953</u>	<u>21,460,471</u>
TOTAL ASSETS	\$ <u>244,026,146</u>	\$ <u>92,563,576</u>	\$ <u>23,228,274</u>
LIABILITIES and NET ASSETS			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 12,364,796	750,516	731,582
Deferred revenue	4,093,539	---	55,089
Bonds/notes payable, current portion	1,087,039	---	105,000
Capital leases payable, current portion	458,018	---	---
Funds held for the University of Northern Colorado	---	796,157	---
Other current liabilities	<u>2,053,555</u>	---	<u>110,944</u>
Total Current Liabilities	<u>20,056,947</u>	<u>1,546,673</u>	<u>1,002,615</u>
Noncurrent liabilities:			
Bonds/notes payable	57,058,594	---	23,852,344
Capital lease payable	4,065,184	---	---
Other long term liabilities	2,434,827	---	---
Annuity obligations	---	139,568	---
Compensated absence liabilities	<u>2,245,901</u>	---	---
Total Noncurrent Liabilities	<u>65,804,506</u>	<u>139,568</u>	<u>23,852,344</u>
TOTAL LIABILITIES	<u>85,861,453</u>	<u>1,686,241</u>	<u>24,854,959</u>
NET ASSETS			
Invested in capital assets, net of related debt			
Restricted for:			
Nonexpendable purposes	116,921,377	1,124,282	---
Scholarships/fellowships			
Academic support	306,155	44,411,409	---
Expendable purposes	1,400	---	---
Auxiliary Expenditures			
Scholarships/fellowships	10,215,143	---	---
Loans	269,711	35,403,374	---
Bond reserve	9,635,579	---	---
Other	750,000	---	---
Unrestricted	527,754	---	---
TOTAL NET ASSETS	<u>19,537,574</u>	<u>9,938,270</u>	<u>(1,626,685)</u>
	<u>158,164,693</u>	<u>90,877,335</u>	<u>(1,626,685)</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2006

	Component Units		
	UNIVERSITY OF NORTHERN COLORADO	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
OPERATING REVENUES			
Student tuition and fees, net of scholarships	\$ 75,469,238	\$ --	--
Contributions	--	3,614,050	--
Contributed services	--	259,417	--
Rental income and fees	--	--	\$ 1,963,213
Federal grants and contracts	11,892,451	--	--
State fee for service	14,016,078	--	--
State and local grants and contracts	4,290,570	--	--
Nongovernmental grants and contracts	3,223,877	--	--
Sales and services of educational activities	359,600	--	--
Auxiliary operating revenue	24,920,551	--	--
Interest and dividends	--	2,580,721	--
Net realized and unrealized gains	--	5,961,368	--
Other operating revenue	3,672,026	1,534,561	--
Total Operating Revenue	\$ 137,844,391	\$ 13,950,117	\$ 1,963,213
OPERATING EXPENSES			
Education and general			
Instruction	50,786,114	--	--
Research	2,467,491	--	--
Public service	1,511,545	--	--
Academic support	12,687,079	--	--
Student services	16,408,932	--	--
Institutional support	7,759,832	--	--
Operation of plant	8,946,819	--	--
Scholarships and fellowships	7,245,208	--	--
Program	--	7,058,260	--
Management and general	--	1,139,226	--
Fund raising	--	828,187	--
Auxiliary operating expenditures	21,742,407	--	--
Operating expenses	--	--	629,517
Ground lease with UNC	--	--	61,571
Depreciation and amortization	11,984,452	--	591,883
Total Operating Expenses	141,539,878	9,025,673	1,282,971
Operating Income (Loss)	\$ (3,695,486)	\$ 4,924,444	\$ 681,242
NONOPERATING REVENUES (EXPENSES)			
Investment income (net of investment expense)	1,510,942	--	167,390
Interest on capital asset related debt	(3,262,509)	--	(1,202,268)
Sale of loans, net of expenses	149,226	--	--
Interest expense on lending LOC	(82,824)	--	--
Other nonoperating revenue	912,831	--	--
Net Nonoperating Revenue (Expense)	(772,334)	--	(1,034,878)
Income (loss) before other revenues, (expenses) gains or (losses)	(4,467,820)	4,924,444	(354,636)
Capital appropriations	1,290,484	--	--
Capital grants and gifts	344,692	--	--
Gain on impairment - insurance proceeds	707,211	--	--
Loss on disposal of capital assets	(1,273,452)	--	--
Increase (Decrease) in Net Assets	(3,398,887)	4,924,444	(354,636)
Net Assets (Deficit) - Beginning of Period	158,164,693	90,877,335	(1,626,685)
Net Assets (Deficit) - End of Period	\$ 154,765,807	\$ 95,801,779	\$ (1,981,321)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2005

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

STATEMENT OF CASH FLOWS

For the years ended June 30, 2006 and 2005

UNIVERSITY OF NORTHERN COLORADO

YEAR ENDED
JUNE 30, 2006

YEAR ENDED
JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received

Tuition and fees	\$ 76,208,984	\$ 42,246,758
Colorado State fee for service	14,016,078	NA
Sales of Services	25,386,478	31,463,247
Grants and Contracts	20,154,338	20,383,430
Student loans collected	2,044,093	2,103,047
Real property rental receipts	920,028	920,298
Other receipts	4,468,372	501,705

Cash Payments

Payments to or for employees	(86,744,163)	(84,591,480)
Payments to suppliers	(31,531,325)	(31,153,889)
Scholarships disbursed	(7,326,250)	(3,488,065)
Student loans disbursed	(1,616,101)	(2,209,252)
Net cash provided (used) by operating activities	<u>15,980,532</u>	<u>(23,824,201)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations, noncapital	--	33,590,906
Agency inflows	684,643	43,291,124
Agency outflows	(841,144)	(43,546,552)
Agency loan inflows	49,071,157	42,649,817
Agency loan outflows	(49,058,450)	(42,649,817)
Liquidation of Student Media Corporation	--	(817,809)
Net cash Provided (used) by noncapital financing activities	<u>(143,794)</u>	<u>32,517,669</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State appropriations, capital	1,290,484	410,080
Capital grants, contracts and gifts	344,692	277,118
Gain on impairment, insurance proceeds	623,755	---
Proceeds from capital debt	85,000,000	---
Proceeds from bond premium and discount	4,194,559	---
Expended for bond issuance	(1,274,462)	---
Acquisition and construction of capital assets	(15,036,217)	(13,507,576)
Principal paid on capital debt	(3,838,024)	(1,447,759)
Interest paid on capital debt	(2,939,137)	(3,115,368)
Net cash provided (used) by capital and related financing activities	<u>68,365,650</u>	<u>(17,383,505)</u>

CASH FLOWS FROM INVESTING

Investment earnings	1,229,095	1,239,454
Purchase of guaranteed investment contract	(86,198,293)	---
Proceeds from sale and maturity of investments	2,315,283	---
Net proceeds from sale of student loans	<u>66,402</u>	---
Net cash provided (used) by investing activities	<u>(82,587,513)</u>	<u>1,239,454</u>

STATEMENT OF CASH FLOWS

For the years ended June 30, 2006 and 2005

continued

UNIVERSITY OF NORTHERN COLORADO

	YEAR ENDED JUNE 30, 2006	YEAR ENDED JUNE 30, 2005
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating Loss	\$ (3,695,488)	\$ (32,191,290)
Depreciation and amortization expense	11,984,452	11,092,760
Other revenues and additions	912,831	920,299
Provision for accrued, nonoperating activities		
Agency fund receipts - nonoperating	136,597	---
Nonoperating receipts receivable	1,910,301	---
Nonoperating bond interest expense payable	(323,370)	---
Changes in operating assets and liabilities		
Receivables, net	1,607,633	(974,286)
Inventories and prepaid expenses	361,735	(1,715,712)
Accounts Payable	438,391	(1,067,779)
Accrued payroll		(104,274)
Deferred revenues	856,306	139,192
Other liabilities	1,367,294	29,636
Compensated absences	<u>423,850</u>	<u>47,253</u>
Net Cash Provided by (Used in) Operating Activities	<u>15,980,532</u>	<u>(23,824,201)</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets		
Cash and Cash Equivalents	\$ 46,607,122	\$ 44,862,824
Restricted cash and cash equivalents	<u>627,104</u>	<u>756,527</u>
Total cash and cash equivalents	<u>\$ 47,234,226</u>	<u>\$ 45,619,351</u>
Supplemental Cash Flows information- Accounts Payable incurred for cap asset purchase	\$ 974,800	\$ 767,167

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

Nature of Operations and Governance

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

The Board of Trustees is the governing body of the University and is comprised of seven members appointed by the Governor plus one faculty 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 state appropriations. In accordance with Section 23-1-104, C.R.S., unspent revenues earned by the University in excess of appropriated amounts are retained by the University for future use.

Reporting Entity and Component Units

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

In accordance with accounting principles generally accepted in the United States of America, the financial statements present the University (primary government) and its discretely presented component units (DPCU). The component units are included in the University's reporting entity because of the significance of their operational and financial relationships with the University in accordance with Statement No. 39 of the Governmental Accounting Standards Board *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement 14*. Financial statements of 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, Inc. (UNC Foundation)

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

NOTES TO FINANCIAL STATEMENTS

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

University of Northern Colorado Foundation Student Housing LLC I

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

Basis of Accounting and Presentation

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

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

The Foundation and the Housing 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 Housing 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 State Treasurer and all highly liquid investments with an original maturity when purchased of three months or less. At June 30, 2006 and 2005, cash equivalents consisted primarily of funds invested through the State Treasurer's Cash Management Program.

Restricted Cash and Cash Equivalents

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

NOTES TO FINANCIAL STATEMENTS

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 the investments.

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

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

Accounts Receivable

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

Inventories

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

Loans to Students

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$1,172,169 and \$1,098,332 at June 30, 2006 and 2005, respectively.

Capital Assets



Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation if acquired by gift. The University's capitalization policy includes all items with a value of \$5,000 or more, and an estimated useful life of 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

NOTES TO FINANCIAL STATEMENTS

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

University interest capitalized and expensed	2006	2005
Total interest expense incurred on borrowing for projects	\$ 3,693,021	\$ 186,618
Interest income for investment of proceeds of borrowing for projects	(3,346,476)	(26,511)
Net interest cost capitalized	346,545	160,107
Interest charged to expense	<u>3,262,509</u>	<u>3,115,368</u>
Total interest accrued	\$ <u>3,609,054</u>	\$ <u>3,275,475</u>

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, 20 years for land improvements, 3 years for software, 10 years for library books and 3 to 10 years for equipment and vehicles. Depreciation expense is not allocated among functional categories.

Capital Lease Liabilities

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

Deferred Revenues



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

NOTES TO FINANCIAL STATEMENTS

Classification of Revenues

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

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

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

Tax Exempt Status and Income Taxes

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

Use of Estimates

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

Bad Debt Allowances

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

Compensated Absences Accrued Liabilities

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

NOTES TO FINANCIAL STATEMENTS

are paid in full upon separation whereas only a portion of sick leave is paid upon specific types of separation, such as retirement.

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

Scholarship Discounts and Allowances

Student tuition, fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state or non-governmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance. Student support provided from grant revenues to pay for expenditures other than tuition, fees and other student charges, are recorded as student aid operating expenses. The scholarship allowances on tuition and fees and housing were approximately \$9.2 million and \$8.8 million for each of the years ended June 30, 2006 and 2005, respectively.

Reclassifications

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

Note 2: Cash and Cash Equivalents

Unrestricted Cash and Cash Equivalents

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

For financial reporting purposes all of the State Treasurers' investments are reported at fair value, which is determined based on quoted market prices at fiscal year end. The University reports its share of the Treasurer's unrealized gains or losses based on its participation in the State Treasurer's pool. The



unrealized gains/losses included in income reflect only the change in fair value for the fiscal year. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment or income related to participation in the pool. Detailed information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

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

NOTES TO FINANCIAL STATEMENTS

Unrestricted Cash and Cash Equivalents	2006	2005
<i>University:</i>		
Cash on hand	\$ 39,856	\$ 33,133
Cash with U.S. Financial Institutions	2,293,289	284,267
Cash with Colorado State Treasurer	44,737,714	44,566,974
Unrealized gain (loss) Cash with State Treasurer	(463,737)	(21,550)
Total Cash and Cash Equivalents	\$ 46,607,122	\$ 44,862,824

Restricted Cash and Cash Equivalents

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

Restricted cash and cash equivalents	2006	2005
<i>University:</i>		
Restricted cash with State Treasurer	\$ 750,000	\$ 756,527
Unrealized gain(loss) restricted cash with State Treasurer	(122,896)	-
Total University restricted cash and cash equivalents	\$ 627,104	\$ 756,527

Custodial Credit Risk – Cash and Cash Equivalents

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

NOTES TO FINANCIAL STATEMENTS

Note 3: Investments

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

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

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

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

Investment types	June 30, 2006	Maturity	June 30, 2005	Maturity
<i>University:</i>				
Guaranteed Investment Contract	\$ 82,350,992	3.5 years to termination	\$ -	NA
Fixed Income U.S. Government obligations	-	6 - 10 years	50,141	6 - 10 years
Fixed Income U.S. Government obligations	313,414	1 - 5 years	475,030	1 - 5 years
Fixed Income U.S. Government obligations	273,682	Less than 1 year	124,555	Less than 1 year
Money Market funds	83,517	Less than 1 year	33,869	Less than 1 year
Total University Investments	\$ 83,021,606		\$ 683,595	
<i>Foundation:</i>				
Fixed Income U.S. Government obligations	\$ 7,186,465		\$ 5,362,440	
Fixed Income Corporate Notes	18,238,553		17,136,597	
Equity securities	52,266,577		58,151,638	
Other Investments	11,699,944		8,453,430	
Total Foundation Investments	\$ 94,391,539		\$ 89,104,105	

NOTES TO FINANCIAL STATEMENTS

Custodial Credit Risk - Investments

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

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

Interest Rate Risk - Investments

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

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

Credit Quality Risk

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

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

Maturities and credit ratings for University investments held at June 30, 2006 are detailed as follows:

Maturities and Credit Ratings by Investment Type	Fair Value	Duration to Maturity	Weighted-Average Maturity	S&P Credit Rating
<i>University:</i>				
Guaranteed investment contract	\$ 82,350,992	3.5 years	na	AAA
U.S. Government obligations	587,097	2.4 years	2.36 years	AAA
Money Market funds	83,517	na	na	na
Total Investments at 6/30/2006	\$ 83,021,606			

NOTES TO FINANCIAL STATEMENTS

Note 4: Accounts, Contributions and Loans Receivable

Accounts receivable are shown net of allowances for doubtful accounts in the accompanying statements of net assets. Net accounts receivable at June 30, 2006 and 2005 are detailed below:

Net Accounts Receivable	June 30, 2006	June 30, 2005
<i>University:</i>		
Student Accounts Receivable	\$ 5,287,130	\$ 5,080,040
Allowance for doubtful accounts	(1,991,921)	(735,289)
Subtotal student accounts receivable - net	3,295,209	4,344,751
Student Loans Receivable - Current	1,840,900	1,640,565
Allowance for doubtful accounts	(198,455)	-
Subtotal current student loans receivable - net	1,642,445	1,640,565
Student Loans Receivable - Noncurrent	7,023,910	7,908,026
Allowance for doubtful accounts	(973,714)	(1,098,332)
Subtotal noncurrent loans receivable - net	6,050,196	6,809,694
Other accounts receivable - Current		
Sponsored Programs Federal grants receivable	1,196,597	1,241,600
Sponsored Programs Nonfederal grants receivable	82,907	319,213
Student Loan Program Federal grants receivable	154,456	238,536
Student Loan Nonfederal grants receivable	-	7,134
Interest receivable	294,828	-
Accounts receivable related party - Foundation	262,000	270,000
Accounts receivable related party - Housing LLC	400,804	384,718
Other accounts receivable	269,137	-
Subtotal other accounts receivable	2,660,729	2,461,201
Total University accounts and loans receivable	\$ 13,648,579	\$ 15,256,211
<i>Foundation:</i>		
Contributions receivable in less than one year	\$ 567,181	\$ 944,491
Contributions receivable in one to five years	279,058	835,580
Contributions receivable in more than five years	127,031	121,056
Total contributions receivable	973,270	1,901,127
Less present value discounting	(93,833)	(176,083)
Net Foundation contributions receivable	\$ 879,437	\$ 1,725,044

NOTES TO FINANCIAL STATEMENTS

Related Party Receivables:

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

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

Foundation Contributions Receivable:

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



NOTES TO FINANCIAL STATEMENTS

Note 5: Capital Assets

The following are summaries of capital asset activity for the years ended June 30, 2006 and 2005:

2006

Capital assets and accumulated depreciation	Beginning Balance June 30, 2005	Additions	Disposals	Transfers	Ending balance June 30, 2006
University:					
Capital Assets:					
Land	\$ 8,748,386	\$ 348,435	\$ (5,500)	\$ -	\$ 9,091,321
Land improvements	10,161,478	187,727	-	958,424	11,307,629
Non-depreciable land improvements	5,071,865	137,591	-	(762,075)	4,447,381
Buildings and improvements	236,013,413	1,931,611	(204,604)	1,437,344	239,177,764
Equipment and vehicles	11,528,810	1,542,094	(868,432)	-	12,202,472
Software	1,874,228	251,387	-	-	2,125,615
Library materials	31,906,041	1,749,647	(145,630)	-	33,510,058
Non-depreciable art/historical	842,630	-	-	-	842,630
Leasehold improvements	495,403	-	-	-	495,403
Construction in progress	<u>2,786,047</u>	<u>9,862,624</u>	<u>(1,140,873)</u>	<u>(1,633,693)</u>	<u>9,874,105</u>
Total Capital Assets	309,428,301	16,011,116	(2,365,039)	-	323,074,378
Less accumulated depreciation:					
Land improvements	4,615,906	499,066	-	-	5,114,972
Buildings and improvements	91,454,670	8,394,526	(93,040)	-	99,756,156
Equipment and vehicles	8,724,432	996,482	(852,817)	-	8,868,097
Software	318,433	664,962	-	-	983,395
Library materials	24,351,689	1,429,417	(145,630)	-	25,635,476
Leasehold improvements	<u>495,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>495,403</u>
Total accumulated depreciation	<u>129,960,533</u>	<u>11,984,453</u>	<u>(1,091,487)</u>	-	<u>140,853,499</u>
Net Capital Assets at June 30	\$ <u>179,467,768</u>	\$ <u>4,026,663</u>	\$ <u>(1,273,552)</u>	\$ -	\$ <u>182,220,879</u>



NOTES TO FINANCIAL STATEMENTS

2005

Capital assets and accumulated depreciation	Beginning Balance June 30, 2004	Additions	Disposals	Transfers	Ending balance June 30, 2005
University:					
Capital Assets:					
Land	\$ 8,071,344	\$ 677,042	\$ -	\$ -	\$ 8,748,386
Land improvements	9,084,651	170,803	-	906,024	10,161,478
Non-depreciable land improvements	4,971,439	100,426	-	-	5,071,865
Buildings and improvements	221,124,836	2,256,457	-	12,632,120	236,013,413
Equipment and vehicles	11,062,125	1,445,764	(968,448)	(10,631)	11,528,810
Software	-	1,863,597	-	10,631	1,874,228
Library materials	30,422,972	1,643,346	(160,277)	-	31,906,041
Non-depreciable art/historical	842,630	-	-	-	842,630
Leasehold improvements	495,403	-	-	-	485,403
Construction in progress	<u>11,040,692</u>	<u>5,358,660</u>	<u>(75,161)</u>		<u>2,786,047</u>
Total Capital Assets	297,116,092	13,516,095	(1,203,886)	-	309,428,301
Less accumulated depreciation:					
Land improvements	4,242,874	373,032	-	-	4,615,906
Buildings and improvements	83,290,108	8,164,562	-	-	91,454,670
Equipment and vehicles	8,785,130	880,173	(934,903)	(5,968)	8,724,432
Software	-	312,465	-	5,968	318,433
Library materials	23,149,438	1,362,527	(160,276)	-	24,351,689
Leasehold improvements	<u>495,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>495,403</u>
Total accumulated depreciation	<u>119,962,953</u>	<u>11,092,759</u>	<u>(1,095,179)</u>	-	<u>129,960,533</u>
Net Capital Assets at June 30	\$ 177,153,139	\$ 2,423,336	\$ (108,707)	\$ -	\$ 179,467,768

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

	2006	2005
Foundation:		
Capital Assets:		
Buildings and Improvements	\$ 1,135,742	\$ 345,529
Equipment and vehicles	146,546	62,296
Construction in progress	---	<u>773,900</u>
Total capital assets	1,279,288	1,181,725
Less accumulated depreciation	<u>98,441</u>	<u>57,443</u>
Net capital assets at June 30	\$ 1,180,847	\$ 1,124,282
Housing LLC:		
Capital Assets:		
Buildings and improvements	\$ 16,506,410	\$ 16,504,604
Equipment and vehicles	867,431	862,518
Total Capital Assets	\$ 17,373,841	17,367,122
Less accumulated depreciation	<u>2,099,738</u>	<u>1,563,296</u>
Net Capital Assets at June 30	\$ 15,274,103	\$ 15,803,826

NOTES TO FINANCIAL STATEMENTS

Note 6: Liabilities

The following is a summary of liabilities for the year ended June 30, 2006 and 2005:

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



NOTES TO FINANCIAL STATEMENTS

Liabilities (continued)	June 30, 2006	June 30, 2005
Foundation:		
Accounts payable and accrued liabilities	\$ 463,728	\$ 750,516
Funds held for the University	691,438	796,157
Long-term debt:		
Current portion annuity obligations	23,612	23,612
Noncurrent portion annuity obligations	149,247	115,956
Total long-term debt	172,859	139,568
Total liabilities - Foundation	1,328,025	1,686,241
Housing LLC		
Accounts payable and accrued liabilities	709,708	731,582
Unearned revenues	130,961	55,089
Tenant security deposits	62,408	110,944
Long-term debt:		
Current portion long-term debt	140,000	105,000
Noncurrent portion long-term debt	23,725,311	23,852,344
Total long-term debt	23,865,311	23,957,344
Total liabilities - Housing LLC	\$ 24,768,388	\$ 24,854,959

Long-term liabilities

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

2006

Long-term Liabilities	Beginning Balance June 30, 2005	Additions	Deductions	Ending Balance June 30, 2006	Current Portion June 30, 2006
University:					
Bonds, notes and capital leases					
Bonds Payable	\$ 58,133,808	\$ 89,180,521	\$(3,400,961)	\$ 143,913,368	\$ 1,612,276
Notes Payable	11,825	-	(11,825)	-	-
Capital Leases Payable	4,523,202	-	(411,200)	4,112,002	379,687
Total bonds, notes, capital leases	62,668,835	89,180,521	(3,823,986)	148,025,370	1,991,963
Other liabilities					
Other long-term liabilities	2,492,649	1,078,154	(91,942)	3,478,861	57,822
Accrued compensated absences	2,866,046	486,478	(329,563)	3,022,961	353,210
Total other liabilities	5,358,695	1,149,642	(421,505)	6,501,822	411,032
Total long-term liabilities	\$ 68,027,530	\$ 90,330,163	\$ (4,245,491)	\$ 154,527,192	\$ 2,402,995

NOTES TO FINANCIAL STATEMENTS

2005

<u>Long-term Liabilities</u>	Beginning Balance June 30, 2004	Additions	Deductions	Ending Balance June 30, 2005	Current Portion June 30, 2005
<i>University:</i>					
Bonds, notes and capital leases					
Bonds Payable	\$ 59,258,809	\$ -	\$ (1,125,001)	\$ 58,133,808	\$ 1,079,486
Notes Payable	18,802	-	(6,977)	11,825	7,554
Capital Leases Payable	<u>4,838,983</u>	-	<u>(315,781)</u>	<u>4,523,202</u>	<u>458,018</u>
Total bonds, notes, capital leases	64,116,594	-	(1,447,759)	62,668,835	1,545,057
Other liabilities					
Other long-term liabilities	2,718,441	--	(225,792)	2,492,649	57,822
Accrued compensated absences	<u>2,818,794</u>	<u>47,252</u>	--	<u>2,866,046</u>	<u>620,145</u>
Total other liabilities	5,537,235	47,252	(225,792)	5,358,695	677,967
Total long-term liabilities	\$ 69,653,829	\$ 47,252	\$ (1,673,551)	\$ 68,027,530	\$ 2,223,024

Bonds Payable

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

The following is a summary of bonds payable for the years ended June 30, 2006 and 2005:

Bonds Payable	June 30, 2006	June 30, 2005
<i>University:</i>		
3.50% - 6.00% Auxiliary Facilities System Revenue Refunding Bonds issued April 1, 1998 in the original amount of \$10,630,000 and maturing in varying amounts through June 1, 2024		
Outstanding Bond Principal	\$ 9,830,000	\$9,965,000
Less unamortized discount	<u>(103,267)</u>	<u>(109,085)</u>
Bonds payable less unamortized discount	<u>9,726,733</u>	<u>9,855,915</u>
3.00% - 5.50% Auxiliary Facilities System Revenue Refunding and Improvement Bonds issued July 31, 2001 in the original amount of \$50,000,000 and maturing in varying amounts through June 1, 2031		
Outstanding bond principal	47,985,000	48,330,000
Less unamortized discount	(326,578)	(339,688)
Less unamortized loss on refunding	<u>(1,364,233)</u>	<u>(1,440,019)</u>
Bonds Payable less unamortized discount and loss on refunding	<u>46,294,189</u>	<u>46,550,293</u>

NOTES TO FINANCIAL STATEMENTS

Bonds Payable, continued June 30, 2006 June 30, 2005

University:

3.25 - 5.00% Auxiliary Facilities System Revenue Refunding and Improvement Bonds issued July 28, 2005 in the original amount of \$85,000,000 and maturing in varying amounts through June 1, 2040

Outstanding Bond Principal	\$ 83,810,000	\$ na
Add unamortized premium	4,127,606	--
Less unamortized loss on refunding	<u>(45,160)</u>	--
Bonds payable plus unamortized discount and less loss on refunding	<u>87,892,446</u>	

3.40% - 6.00% Auxiliary Facilities Sytem Revenue Refunding and Improvement Bonds issued April 1, 1994 in the original amount of \$17,150,000 with \$740,000 maturing in 2007 and \$305,000 maturing in 2008.

Outstanding bond principal	na	1,745,000
Add unamortized discount	--	<u>(17,400)</u>
Bonds payable less unamortized discount	--	<u>1,727,600</u>

Total outstanding bond principal	141,625,000	60,040,000
Add total unamortized premium/discount	3,697,761	(466,173)
Less unamortized loss on refunding	<u>(1,409,393)</u>	<u>(1,440,019)</u>

Total Bonds Payable less unamortized discount, plus unamortized premium and less loss on refunding **\$ 143,913,368 \$ 58,133,808**

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

Bonds Payable Debt Service - Fiscal year ending June 30	Principal	Interest	Total
2007	\$ 1,600,000	\$ 6,907,233	\$ 8,507,233
2008	1,650,000	6,851,497	8,501,497
2009	1,935,000	6,787,285	8,722,285
2010	2,015,000	6,707,745	8,755,745
2011	2,760,000	6,623,620	9,383,620
2012 - 2016	15,690,000	31,220,925	46,910,925
2017 - 2021	19,840,000	27,076,025	46,916,025
2022 - 2026	25,370,000	21,535,000	46,905,000
2027 - 2031	32,295,000	14,619,500	46,914,500
2032 - 2036	20,995,000	7,600,000	28,595,000
2037 - 2040	17,475,000	2,237,750	19,712,750
	<u>\$ 141,625,000</u>	<u>\$ 138,166,580</u>	<u>\$ 279,791,580</u>

NOTES TO FINANCIAL STATEMENTS

Defeased Bonds

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

In July 2001, the Board of Trustees of the University in-substance defeased the Auxiliary Facilities System Revenue Bonds Series 1997 by placing a portion of the proceeds of the Auxiliary Facilities System Revenue Refunding and Improvement Bonds Series 2001 in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the in-substance defeased bonds are not included in the University's financial statements. At June 30, 2006, \$20,285,000 of these outstanding bonds are considered in-substance defeased.

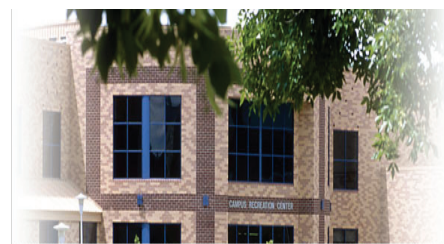
In July 2005, the Board of Trustees of the University in-substance defeased the Auxiliary Facilities System Revenue Bonds Series 1994 by placing a portion of the proceeds of the Auxiliary Facilities System Revenue Refunding and Improvement Bonds Series 2005 in an irrevocable trust to provide for all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

Capital Lease Obligations

Assets under capital leases at June 30, 2006 and 2005 include equipment totaling \$4,523,202 and \$5,240,368, respectively. These agreements provide that any obligations payable after the current fiscal year are contingent upon funds for that purpose being available.

University debt service payments, including interest, required for these capital leases payable as of June 30, 2006 are detailed below:

Bonds Payable Debt Service Fiscal year ending June 30	Lease Payment
2007	\$551,347
2008	490,189
2009	488,323
2010	488,324
2011	488,323
2012 - 2016	2,359,497
2017 - 2021	243,064
Total minimum lease payments	5,109,067
Less amount representing interest	(997,065)
Present value of future minimum lease payments	4,112,002



NOTES TO FINANCIAL STATEMENTS

Other Long-Term Liabilities and Deferred Revenues

University- Related Party Lease Agreement with the LLC

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

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

Foundation – Annuity Obligations

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

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

Foundation estimated future maturities of annuity obligations are detailed below:

Annuity obligations		
Fiscal year ending June 30		Lease payments
Foundation:	2007	\$ 23,612
	2008	23,612
	2009	20,996
	2010	14,120
	2011	14,120
	After 2011	76,399
Total annuity obligations Foundation		\$ 172,859



The LLC – Other Long-term Debt:

The Colorado Educational and Cultural Facilities Authority (the Authority), a political subdivision of the State of Colorado, loaned the proceeds of a \$24,320,000 bond issue to the LLC to finance the construction of a student housing facility. The loan is repayable in amounts sufficient to provide timely payment of the bond principal and interest. Interest rates on the bonds range from 3.375% to 5.375% and interest is payable semi-annually on January 1 and July 1. Bond principal is payable

NOTES TO FINANCIAL STATEMENTS

in annual installments beginning in July 2003. The loan is collateralized by the revenue generated from operation of the facility. At June 30, 2006, the balance outstanding on the loan was \$23,865,311, which is net of an original issue discount of \$259,689.

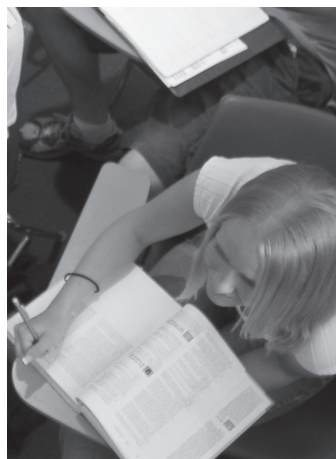
Housing LLC debt service payments for long-term debt for each of the next five years and thereafter are detailed below:

Housing LLC Debt Service Fiscal year ending June 30	Principal	Interest	Total
2007	140,000	1,194,467	1,334,467
2008	180,000	1,188,643	1,368,643
2009	225,000	1,180,880	1,405,880
2010	275,000	1,170,992	1,445,992
2011	330,000	1,158,727	1,488,727
2012-2016	2,290,000	5,520,756	7,810,756
2017-2021	2,965,000	4,865,327	7,830,327
2022-2026	3,785,000	4,025,063	7,810,063
2027-2031	4,830,000	2,952,938	7,782,938
2032-2036	6,170,000	1,573,446	7,743,446
2037-2038	<u>2,935,000</u>	<u>152,340</u>	<u>3,087,340</u>
Total Debt Service - Housing LLC	\$ 24,125,000	\$ 24,983,579	\$ 49,108,579

Note 7: Operating Leases

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

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



Operating lease payments fiscal years ending June 30

<i>University:</i>	2007	\$ 42,696
	2008	27,554
	2009	25,122
	2010	23,638
	2011	10,481
	Later years	<u>4,770</u>
Total minimum lease payments - University		\$ 134,261

Note 8: Defined Benefit Pension Plan

Plan Description

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

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

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

Defined benefit plan members vest after five years of service, and if they were hired before July 1, 2005, most are eligible for retirement benefits at age 50 with 30 years of service, at age 60 with 20 years of service, or at age 65 with 5 years of service. Persons hired on or after July 1, 2005, (except state troopers, plan members, inactive plan members, and retirees) are eligible for retirement benefits at any age with 35 years of service, at age 55 with 30 years of service, at age 60 with 20 years of service, or at age 65 with 5 years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of 5 years of service credit, and their age plus years of service equals 80 or more. State troopers and judges comprise a small percentage of plan members but have higher contribution rates, and state troopers are eligible for retirement benefits at different ages and years of service. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit.

Members disabled, who have 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 will receive a survivor's benefit.

Funding Policy

The contribution requirements of plan members and their employers are established, and may be



amended, by the General Assembly. Salary subject to PERA contribution is gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

Most employees contribute 8.0 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. From July 1, 2005, to December 31, 2005, the state contributed 10.15 percent (12.85 percent for state troopers and 13.66 percent for the Judicial Branch) of the employee's salary. From January 1, 2006, through June 30, 2006, the state contributed these same percentage amounts plus an additional .5 percent for the Amortization Equalization Disbursement discussed below. During all of Fiscal Year 2005-06, 1.02 percent of the employees total salary was allocated to the Health Care Trust Fund.

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

In the 2004 legislative session, the general assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 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, along with other significant provisions affecting the plan, the general assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. The SAED will be terminated when each division's trust fund reaches 100 percent funding. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries and used by the employer to pay the SAED.

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

NOTE 9: Optional Retirement Plan

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

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



respectively. All contributions are immediately invested in the employee's account. Normal retirement age for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

NOTE 10: Voluntary Tax-Deferred Retirement Plans

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

NOTE 11: Postretirement Healthcare and Life Insurance Benefits

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. The program was converted to a trust fund in 1999. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During Fiscal Year 2005-06, the premium subsidy was \$115.00 for those with 20 years of service credit (\$230.00 for members under age 65 and not eligible for Medicare), and it was reduced by 5 percent for each year of service fewer than 20.

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

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



Life Insurance Program

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

Note 12: Natural Classifications with Functional Classifications

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

2006

Functional Classifications	Employee and Personal Services	Operating and Travel	Cost of Goods Sold	Depreciation	Inter-Governmental Distributions	Prizes and Awards	Total Operating Expenses
Instruction	\$45,394,614	\$5,111,056	\$ 240,677	\$ --	\$ 37,782	\$ 1,985	\$ 50,786,114
Research	1,826,867	639,709	-	-	-	915	2,467,491
Public Service	867,231	503,398	139,987	-	-	929	1,511,545
Academic Support	9,581,311	3,104,190	1,383	-	-	195	12,687,079
Student Services	9,897,138	6,114,254	383,363	-	2,568	11,609	16,408,932
Institutional Support	7,351,161	(3,883,556)	4,137,353	-	154,418	456	7,759,832
Operation of Plant	7,850,458	1,096,258	-	-	102	-	8,946,819
Scholarship/Fellowships	21	7,245,187	-	-	-	-	7,245,208
Auxiliaries/Hospitals	7,613,950	10,062,034	4,066,423	-	-	-	21,742,407
Depreciation	-	-	-	11,984,452	-	-	11,984,452
TOTAL EXPENSES	\$90,382,751	\$29,992,531	\$8,969,186	\$11,984,452	\$ 194,870	\$ 16,089	\$ 141,539,879

2005

Functional Classifications	Employee and Personal Services	Operating and Travel	Cost of Goods Sold	Depreciation	Inter-Governmental Distributions	Prizes and Awards	Total Operating Expenses
Instruction	\$41,912,746	\$5,224,856	\$ 139	\$ -	\$ 115,915	\$ 2,748	\$ 47,256,404
Research	2,070,634	601,977	-	-	75,968	7,350	2,755,929
Public Service	850,206	354,746	104,278	-	-	747	1,309,977
Academic Support	8,269,232	2,689,690	145	-	5,812	301	10,965,180
Student Services	9,653,222	5,314,357	168,754	-	-	7,433	15,143,766
Institutional support	6,975,824	(5,102,996)	4,339,879	-	-	435	6,213,142
Operation of Plant	6,294,441	3,086,891	99	-	-	150	9,381,581
Scholarship/Fellowships	-	3,488,065	-	-	-	-	3,488,065
Auxiliaries/Hospitals	6,792,422	8,853,764	4,259,862	-	-	2,466	19,908,514
Depreciation	-	-	-	11,092,760	-	-	11,092,760
TOTAL EXPENSES	\$89,818,727	\$24,511,350	\$8,873,156	\$11,092,760	\$ 197,695	\$ 21,630	\$127,515,318

Note 13: Legislative Appropriations

Appropriated Funds

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

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

Capital Construction State Appropriations

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

Controlled Maintenance Projects

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

Note 14: Commitments and Contingencies

Construction Commitments

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

Government Grants

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

Note 15: Risk Management

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

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

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

Note 16: Other Disclosures

Gain on Impairment

In December 2005, part of the Michener Library was flooded due to a burst pipe. In accordance with the Governmental Accounting Standards Board Statement 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the University used the restoration cost approach to compute the impairment loss of \$46,662 on the library. The University received an insurance recovery of \$754,872, the proceeds of which are being used to fund building repairs. The insurance recovery has resulted in a net gain of \$707,212. This amount is reflected as a gain on impairment in

the Statement of Revenues, Expenses and Other Changes in Net Assets.

Other Losses

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

Multi-year Employment Contracts

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



OTHER FINANCIAL, ENROLLMENT AND BUDGET DATA

ACTUAL AND PROJECTED REVENUES AND EXPENDITURES*
 Auxiliary Revenue, Student Recreation Center, Women's Resource Center, Health and
 Counseling Center Projects

	Actual	Actual	Estimated
	FY 2004-05	FY 2005-06	2006-07
Operating Revenues			
Housing and Food Contracts	\$ 19,848,474	\$ 20,990,469	\$ 22,663,285
Short Term Room and Board	1,218,494	1,601,759	1,492,093
Student Fees	3,739,216	4,753,887	4,683,973
Parking Fees	1,542,182	1,638,690	1,872,845
Other Auxiliary Sales and Services	4,752,403	3,769,830	3,619,028
Gross Revenues	31,100,769	32,754,635	34,331,224
Expenditures			
Cost of Sales	3,398,360	3,371,869	3,155,175
Personal Services	8,282,160	8,381,452	9,591,772
Other Current Expenses	7,383,851	8,378,846	8,832,477
Utilities	2,244,935	2,840,027	3,437,307
Travel and Subsistence	27,565	41,727	71,910
Capital Outlay, Operations	44,734	92,304	20,000
Current Expenses	21,381,605	23,106,225	25,108,641
NET REVENUES	9,719,164	9,648,410	9,222,583
Transfers (or available for transfer)			
Debt Service	4,190,954	5,388,133	8,129,060
Less: Capitalized Interest			(2,600,000)
Net Debt Service	4,190,954	5,388,133	5,529,060
Capital Maintenance	3,408,928	2,210,411	1,510,531
Administrative Overhead	2,119,282	2,049,867	2,182,892
Total Transfers	\$ 9,719,164	\$ 9,648,411	\$ 9,222,583
NET REVENUE/DEBT SERVICE	2.32	1.79	1.67

ACTUAL AND PROJECTED REVENUES AND EXPENDITURES*

Auxiliary Revenue, Student Recreation Center, Women's Resource Center, Health and Counseling Center Projects

Estimated FY 2007-08	Estimated FY 2008 - 09	Estimated FY 2009 - 2010	
\$ 23,241,000	\$ 24,668,000	27,524,000	(1)
1,544,000	1,598,000	1,654,000	(2)
4,801,000	4,921,000	5,044,000	(3) (4)
2,078,000	2,283,000	2,488,000	(5)
3,761,000	3,855,000	3,951,000	(3)
35,425,000	37,325,000	40,661,000	
3,234,000	3,315,000	3,398,000	(3)
9,880,000	10,176,000	10,639,000	(6)
8,708,000	8,926,000	10,049,000	(3) (7)
3,850,000	4,043,000	4,518,000	(8) (7)
72,000	72,000	72,000	
20,000	20,000	20,000	
25,764,000	26,552,000	28,696,000	
9,661,000	10,773,000	11,965,000	
8,501,497	8,722,286	8,722,745	
(1,560,000)	(959,000)	(155,000)	
6,941,497	7,763,286	8,567,745	
871,503	1,057,714	1,258,225	
1,848,000	1,952,000	2,139,000	
\$ 9,661,000	10,773,000	11,965,000	
1.39	1.39	1.40	

*Assumptions for 2007-08 through 2009-2010

(1) Assumes 96% to 96.5% occupancy. Assumes 6% room and board increase for FY08 and FY09. Assumes 7.3% room and board increase for FY2010.

(2) Estimated using a 3.5% growth rate.

(3) Estimated using a 2.5% growth rate

(4) Student Fee Referenda were approved by students in Spring of 2006 to increase student fees by \$44 per student (FY06 only) for sports and recreation facility improvements.

(5) Parking Decal assumed to be increased \$20 each for FY08, FY09 and FY10

(6) Estimated using a 3% growth rate.

(7) Costs will increase due to changed facilities in FY09-10

(8) Estimated using a 12% increase in FY07-08, 5% growth rate in other years.

Source: The University's Administrative Staff

AUXILIARY SERVICES

BUDGET REQUEST SUMMARY - FY 2006-2007

REVENUE, EXPENSE, TRANSFERS:

	2004-05 Actual	2005-06 Approved Budget	2006-07 Operating Changes	2006-07 Requested Budget
Revenue				
Revenue	\$ 26,482,775	\$ 27,288,059	\$ 1,933,861	\$ 29,221,920
Less cost of Sales	3,262,989	2,943,448	96,997	3,040,445
Adjusted Gross Revenue	23,219,786	24,344,611	1,836,864	26,181,475
Expense				
Total Professional Services	1,037,297	1,182,862	305,490	1,488,352
Total Support Services	5,468,587	6,634,524	212,404	6,846,928
Total Personnel	6,505,884	7,817,386	517,894	8,335,280
Total OCE and Travel	9,621,436	11,243,266	885,605	12,128,871
Total Capital Outlay	39,745	106,024	(86,024)	20,000
Total Expenses	16,167,065	19,166,676	1,317,475	20,484,151
Adjusted Gross Revenue Over/(Under) Expenses	7,052,721	5,177,935	519,389	5,697,324
Mandatory Transfers				
*Debt Service	3,186,843	3,182,913	2,967,734	6,150,647
Interest from Bond Proceeds			(2,600,000)	(2,600,000)
Non-mandatory Transfers				
Deferred Maintenance Transfers	3,225,878	1,312,821	103,308	1,416,129
Enterprise Fee	640,000	682,201	48,347	730,548
Total Transfers	\$ 7,052,721	\$ 5,177,935	\$ 519,389	\$ 5,697,324
Balance	0	0	0	0

*Based on Pledged Net Revenue

INSTITUTIONAL INFORMATION

FACULTY AND OTHER EMPLOYEES

Faculty members are encouraged and expected to take an active part in all aspects of college life and governance. The University faculty interacts with the Board of Trustees in establishing courses of study, requirements for admission, and conditions for graduation. Table 1 provides information about the full-time teaching faculty of the University for the Fall semester, 2006.

FULL TIME TEACHING FACULTY

	Total	Doctorate	Tenured
Full Professors	146	142	139
Associate Professors	94	75	75
Assistant Professors	98	75	0
Instructors/Lecturers	108	30	0
TOTAL	446	322	214

TABLE 1

MATRICULATION AND RETENTION RATE

The matriculation rate is the ratio of newly enrolled freshmen to newly admitted freshmen. This ratio has been relatively constant since 2000. The fluctuations in the matriculation rate are due to increased competition among Colorado institutions for new freshmen, and increases in non-resident freshmen admissions which typically have lower matriculation rates than resident freshmen. The retention rate is the proportion of new freshmen who return to UNC for a second year, and the retention rates for new freshmen are summarized in Table 2. The increased retention rates for new freshmen, since 2000, are due to greater emphasis in recruiting students with better academic preparation and providing improved student support programs.

FRESHMAN MATRICULATION AND RETENTION RATE

Year	Matriculation %	Retention %
2006	41.5%	68.4%
2005	41.4	70.0
2004	43.3	71.1
2003	42.0	71.9
2002	39.5	69.9
2001	40.9	69.2
2000	38.9	69.5

TABLE 2

STUDENT HOUSING OCCUPANCY

Recent Student housing occupancy is summarized in Table 3 for academic years 2000-01 through 2005-06.

STUDENT HOUSING OCCUPANCY

Academic Year	Design Capacity	Occupancy Rate
2005-06	3181	95.37%
2004-05	3100	94.00
2003-04	3101	94.94
2002-03	3029	94.89
2001-02	3029	95.12
2000-01	3056	90.56

TABLE 3

TUITION AND FEES

A major source of revenue to the University is student tuition and fees. Tuition at the University is divided into two basic categories, depending upon residency in the State. The University's undergraduate tuition for the 2005-06 academic year was \$3,192 for residents (see note below), and \$11,736 for non-residents. Graduate tuition for the 2005-06 academic year was \$4,968 (see note below) for residents and \$14,688 for non-residents. Table 4 provides information as to the annual tuition and fees for undergraduates and graduates at the University since the 2000-01 academic year.

Fiscal Year	Resident		Non-Resident		Fees*
	Undergrad	Grad	Undergrad	Grad	
2005-06	\$3,192**	\$4,968**	\$11,736	\$14,688	\$645
2004-05	2,850	3,360	11,740	12,250	520
2003-04	2,732	3,193	11,859	12,609	509
2002-03	2,290	2,708	10,584	11,268	661
2001-02	2,155	2,549	9,825	10,459	687
2000-01	2,072	2,451	9,357	9,961	710

TABLE 4

*Health Insurance optional and not included.

**This reflects only student share of tuition. Tuition charges for undergraduate residents also include the amount which the student may elect to have paid from the College Opportunity Fund. See below

COLLEGE OPPORTUNITY FUND

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

COF STIPEND

Fiscal Year	Resident FTE Amount	Amount*
2005-06	\$2,400	\$21,160,800

TABLE 5

*The amount shown in the total paid from the COF for Fall 05, Spring 06 and Summer 06. The actual amount included in tuition will vary to reflect the allocation of summer between fiscal years.

FEE FOR SERVICE

Fiscal Year	Contract Amount
2005-06	\$14,016,078

TABLE 6

STATE APPROPRIATIONS

Through fiscal year 2004-05, the appropriation to the University was provided by the Colorado General Assembly from its General Fund pursuant to a budget process and request by the University. Table 7 shows State appropriations in terms of dollars and percentage of total revenues to the University for fiscal years ending 2001 through 2005.

STATE APPROPRIATIONS

Fiscal Year	State Appropriations	Percent of Revenues
2004-05	\$ 33,590,906	25.50%
2003-04	33,590,909	25.95
2002-03	36,974,939	26.39
2001-02	42,352,302	25.56
2000-01	46,733,469	33.99

TABLE 7

FALL 2006 Enrollment Trends

New Freshman Trends
Fall 2002 - Fall 2006

	Fall 2002	Fall 2003	Fall 2004	Fall 2005	Fall 2006
Applicants	6,961	7,172	6,953	7,318	7,581
Admits	5,002	5,063	5,632	6,025	6,074
% Accepted	71.9%	70.6%	81.0%	82.3%	80.1%
Enrolled	1,974	2,128	2,436	2,494	2,521
% Yield	39.5%	42.0%	43.3%	41.4%	41.5%
GENDER					
Male	701	791	964	1,007	1,058
Female	1,273	1,337	1,472	1,487	1,463
ETHNICITY					
Native American	10	25	35	36	40
African American	37	48	69	72	83
Asian American	82	69	110	80	78
Hispanic	121	155	218	223	222
Total Minorities	250	297	432	411	423
White	1,652	1,753	1,925	1,992	1,978
International	3	4	2	7	10
Uncoded	69	74	77	84	110
Total Non-Minorities	1,724	1,831	2,004	2,083	2,098
RESIDENCY					
Residents	1,738	1,880	2,172	2,233	2,272
Non-Residents	236	248	264	261	249
AGE					
Less than 18	115	111	137	113	110
18	1,589	1,725	2,001	2,084	2,084
19	215	229	253	244	264
20-24	28	38	34	41	41
Total Under 25	1,947	2,103	2,425	2,482	2,499
Total 25 and Above	27	25	11	12	22
COLLEGE					
Education and Behavioral Sciences	4	18	96	321	122
Humanities and Social Sciences	731	782	757	241	475
Monfort College of Business	174	155	232	277	197
Natural and Health Sciences	225	277	394	428	326
Performing & Visual Arts	235	221	236	162	145
Undeclared	605	675	721	1,065	1,256
AVERAGES					
CCHE Index	101.2	102.1	103.7	104.9	104.3
ACT - Composite	22.5	22.4	22.0	22.2	22.1
SAT - Combined	1046	1048	1035	1052	1049
High School GPA	3.25	3.32	3.20	3.24	3.24
High School Rank	62.5	63.3	59.7	61.5	61.5

FALL 2006 Enrollment Trends

New Transfers Trends
Fall 2002 - Fall 2006

	Fall 2002	Fall 2003	Fall 2004	Fall 2005	Fall 2006
Applicants	1,996	2,159	2,066	2,100	1,806
Admits	1,478	1,585	1,539	1,515	1,344
% Accepted	75.2%	73.4%	74.5%	72.1%	74.4%
Enrolled	846	953	905	907	764
% Yield	57.2%	60.1%	58.8%	59.9%	56.8%

GENDER

Male	350	398	372	375	318
Female	496	555	533	532	446

ETHNICITY

Native American	11	14	25	18	19
African American	25	29	27	45	27
Asian American	16	19	32	22	20
Hispanic	77	86	70	89	64
Total Minorities	129	148	154	174	130
White	662	740	657	683	570
International	3	5	10	4	3
Uncoded	52	60	84	46	61
Total Non-Minorities	717	805	751	733	634

RESIDENCY

Residents	744	831	755	794	630
Non-Residents	102	122	150	113	134

AGE

Less than 19	17	24	21	20	20
19	200	229	257	247	232
20	215	222	195	225	180
21	123	137	109	117	110
22-24	121	142	149	119	115
Total Traditional	676	754	731	728	657
Total Non-Traditional (25+)	170	199	174	179	107

COLLEGE

Education and Behavioral Sciences	10	11	57	142	79
Humanities and Social Sciences	352	432	340	123	175
Monfort College of Business	77	73	78	96	63
Natural and Health Sciences	140	190	197	211	173
Performing & Visual Arts	75	55	54	20	13
Undeclared	192	192	179	315	261

AVERAGES

Transfer GPA	2.93	2.92	2.97	2.93	2.93
Transfer Hours	38.5	41.1	40.6	40.9	40.9
Age	23.1	23.1	22.9	22.6	22.6

FALL 2006 Enrollment Trends

New Graduate Student Trends
Fall 2002 - Fall 2006

	FY 01-02	FY 02-03	FY 03-04	Fy 04-05	FY 05-06
Applicants	1,825	2,019	1,968	1,822	1,976
Admits	1,422	1,476	1,358	1324	1,328
% Accepted	77.9%	73.1%	69.0%	72.7%	67.2
Enrolled	972	1,023	931	858	908
% Yield	68.4%	69.3%	68.6%	64.8%	68.4%

DEGREE LEVEL

Licensure	113	65	106	67	63
Master's	728	824	696	658	673
Specialist	53	38	32	26	54
Doctoral	78	96	97	107	118

GENDER

Male	269	269	237	235	247
Female	703	754	694	623	661

ETHNICITY

Native American	8	14	13	8	12
African American	10	18	19	10	22
Asian American	14	17	17	13	12
Hispanic	40	38	40	44	54
Total Minorities	72	87	89	75	100
White	784	814	731	656	707
International	37	43	29	25	42
Uncoded	79	79	82	102	59
Total Non-Minorities	900	936	842	783	808

RESIDENCY

Residents	793	814	756	689	714
Non-Residents	179	209	175	169	194

COLLEGE

Education and Behavioral Sciences	627	681	567	509	529
Humanities and Scoial Sciences	92	114	123	95	46
Natural and Health Sciences	202	164	178	190	280
Performing & Visual Arts	43	57	42	44	49
Graduate Interdisciplinary	8	7	21	20	4

FALL 2006 Enrollment Trends

Total Enrollment Trends
Fall 2002 - Fall 2006

Total Enrollment	Fall 2002 10,982	Fall 2003 11,380	Fall 2004 11,851	Fall 2005 12,121	Fall 2006 12,016
CLASSIFICATION					
Freshman	3,075	3,242	3,615	3,771	3,899
Sophomores	1,989	1,973	2,128	2,292	2,131
Juniors	2,005	2,013	1,966	2,084	1,981
Seniors	2,289	2,365	2,385	2,360	2,451
Total Undergraduates	9,358	9,593	10,094	10,307	10,462
Undeclared	168	198	171	156	252
Teacher Licensure	91	128	101	96	9
Master's	985	1,047	1,050	1,075	872
Specialist	34	36	29	47	32
Doctoral	266	302	345	392	345
Total Graduate Students	1,544	1,711	1,696	1,766	1,510
Non-Degree	80	76	61	48	44
GENDER					
Male	4,187	4,320	4,592	4,745	4,616
Female	6,795	7,060	7,259	7,376	7,000
ETHNICITY					
Native American	70	94	133	138	162
African American	211	229	252	306	311
Asian American	395	359	392	379	372
Hispanic	774	807	869	926	953
Total Minorities	1,450	1,489	1,646	1,749	1,798
White	8,971	9,232	9,472	9,651	9,388
International	134	123	122	142	125
Uncoded	427	536	611	579	705
Total Non-Minorities	9,532	9,891	10,205	10,372	10,218
COLLEGE					
Humanities and Social Sciences	4,806	4,905	4,278	1,867	3,190
Monfort College of Business	1,174	1,069	1,116	1,265	1,196
Education & Behavioral Sciences	816	1,001	1,560	2,777	1,431
Natural & Health Sciences	1,670	1,772	2,276	2,804	2,644
Performing & Visual Arts	1,127	1,100	1,114	888	899
Graduate Interdisciplinary	7	20	38	1	8
Undeclared	1,382	1,513	1,469	2,519	2,648
RESIDENCY					
Residents	9,711	10,153	10,588	10,865	10,736
Non-Residents	1,271	1,227	1,263	1,256	1,280
FTE STUDENTS					
Residents	8,475	8,782	9,139	9,344	9,376
Non-Residents	1,157	1,107	1,138	1,110	1,137
Total FTE Students	9,632	9,889	10,278	10,454	10,513

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