

STATE OF COLORADO

UNIVERSITY OF NORTHERN COLORADO



FINANCIAL AND COMPLIANCE AUDIT
YEARS ENDED JUNE 30, 2017 AND 2016

LEGISLATIVE AUDIT COMMITTEE

Representative Tracy Kraft-Tharp – Chair

Senator Tim Neville – Vice-Chair

Senator Kerry Donovan
Senator Cheri Jahn
Representative Dan Nordberg

Representative Lori Saine
Senator Jim Smallwood
Representative Faith Winter

OFFICE OF THE STATE AUDITOR

Dianne E. Ray

State Auditor

Kerri L. Hunter

Deputy State Auditor

Monica Power

Contract Monitor

RubinBrown, LLP

Contractor

AN ELECTRONIC VERSION OF THIS REPORT IS AVAILABLE AT
WWW.STATE.CO.US/AUDITOR

A BOUND REPORT MAY BE OBTAINED BY CALLING THE
OFFICE OF THE STATE AUDITOR
303.869.2800

PLEASE REFER TO REPORT NUMBER 1737F-A WHEN REQUESTING THIS REPORT

TABLE OF CONTENTS

Report Summary	1
Description of the University	3
Financial Statements Report Section	
Independent Auditors' Report	4
Message from President Norton	7
Management's Responsibility for Financial Reporting	8
Management's Discussion and Analysis	9
Financial Statements	
Statements of Net Position.....	40
Statements of Revenues, Expenses, and Changes in Net Position.....	42
Statement of Cash Flows	44
Notes to the Financial Statements.....	46
Required Supplementary Information on PERA Pension Plan.....	92
Independent Auditors' report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	93
Required Auditor Communications	95
State-Funded Student Financial Assistance Reports.....	99

UNIVERSITY OF NORTHERN COLORADO

Report Summary

Year Ended June 30, 2017

Purpose and Scope

The Office of the State Auditor of the State of Colorado engaged RubinBrown LLP (RubinBrown) to conduct a financial and compliance audit of the University of Northern Colorado (the University) for the year ended June 30, 2017. RubinBrown performed this 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. We conducted the related fieldwork from May 2017 to November 2017.

The purpose and scope of our audit was to:

- Express an opinion on the financial statements of the University as of and for the year ended June 30, 2017. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Evaluate the University's compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.
- Evaluate the University's progress in implementing prior audit findings and recommendations.

The University's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, State of Colorado, are included in the Fiscal Year 2017 Statewide Single Audit Report issued under separate cover.

Audit Opinion and Reports

We expressed an unmodified opinion on the University's financial statements as of and for the year ended June 30, 2017.

We issued a report on the University's internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be deficiencies, significant deficiencies, or material weaknesses. A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses.

Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2016 did not include any findings.

UNIVERSITY OF NORTHERN COLORADO

Description of the University

Year Ended June 30, 2017

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

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

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

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

	Resident	Non Resident	Total
2017	7,525	1,465	8,990
2016	7,611	1,329	8,940
2015	7,706	1,247	8,953

The University’s number of faculty for the past three years was:

	Full-Time	Part-Time	Total
2017	485	305	790
2016	485	314	799
2015	490	280	770

Independent Auditors' Report

1900 16th Street
Suite 300
Denver, CO 80202

T 303.698.1883
F 303.777.4458

Members of the Legislative Audit Committee:

W rubinbrown.com
E info@rubinbrown.com

Report On The Financial Statements

We have audited the accompanying financial statements of the business-type activities of the University of Northern Colorado (the University) and its discretely presented component unit, collectively as an institution of higher education of the State of Colorado as and for the years ended June 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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) the University's discretely presented component unit, whose statements reflect total assets of \$122,183,217 and \$114,797,082 as of June 30, 2017 and 2016, respectively, and total revenues of \$18,061,105 and \$5,134,586, respectively for the years then ended. Those statements were audited by other auditors whose report has been furnished to us. Our opinion, insofar as it relates to amounts included for the Foundation, is based solely on the report of the other auditors. 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 from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component unit as of June 30, 2017 and 2016, and the respective changes in financial position, and where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As discussed in Note 1, the financial statements of the University, an institution of higher education in the State of Colorado, are intended to present the financial position, the changes in financial position and cash flows of the business-type activities of only the University. Financial results for the State of Colorado are presented in separate state-wide financial statements prepared by the Office of the State Controller and audited by the Office of the State Auditor. Complete financial information for the State of Colorado is available in these state-wide financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 36, the Schedules of the University's Proportionate Share of PERA Pension Liability, and the Schedule of the University's Contributions to PERA on page 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 on our consideration of the University's internal control over financial reporting and on 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 solely 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 effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

RubinBrown LLP

December 1, 2017

Message from President Norton

The University of Northern Colorado is proud to serve our students, community, state and country. Since our founding in 1889, UNC has been committed to this service and to the impact our students have on the world they inhabit, from the classroom to the orchestra, the operating room to the laboratory, the football field to the foreign service—and everywhere in between.

Our nearly 13,000 students hail from more than 58 Colorado counties, 47 states and 34 countries. On our Greeley campus, at one of our three Extended Campus sites, and even online, these students engage with peers and professors to shape a course of study and list of experiences that are distinctly their own.

Our size, program mix, and mission facilitate this personalized approach. We often say that UNC offers students the access and opportunities of a small college along with the nationally recognized programs, research funding and facilities that come with being one of Colorado's leading doctoral-granting universities. This mix of options and opportunities means UNC students have a unique opportunity to get a solid grounding in their chosen field while gaining a mentor-rich and individually tailored experience that helps them make their UNC degree distinctly their own.

In the past year, UNC has had much to celebrate—from the launch of its first-ever comprehensive campaign to the groundbreaking on its Campus Commons. We now have one of our largest student bodies in recent memory and offer more than 200 degree programs and certifications offered in six academic colleges.

In all these ways and for all these reasons, it continues to be an exciting and enriching time to be a UNC Bear.

As we continue our work, we are proud of and grateful for both your support and interest. Thank you.

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, 2017, were prepared by 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 judgment. Other financial information in the annual financial 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.



*Michelle F. Quinn
Senior Vice President
for Finance and Administration
and Chief Financial Officer*

Overview

Management's Discussion and Analysis

We are pleased to present this financial discussion and analysis of the University of Northern Colorado (the University or UNC). It is intended to make the University's financial statements easier to understand and to communicate its financial situation in an open and accountable manner. It provides an objective analysis of the University's financial position and results of operations as of and for the fiscal years ended June 30, 2017 and 2016, respectively, with comparative information for fiscal year 2015. University management is responsible for the completeness and fairness of this discussion and analysis, the financial statements, and related footnote disclosures.

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

Understanding the Financial Statements

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

- ***Independent Auditors' Report*** presents an unmodified opinion prepared by the University's auditors (an independent certified public accounting firm, RubinBrown LLP) on the fairness, in all material respects, of the University and its discretely presented component unit's respective financial position.
- ***Statement of Net Position*** presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University at a point in time (June 30, 2017 and 2016, respectively). Its purpose is to present a financial snapshot of the University. This statement aids readers in determining the assets available to continue the University's operations; evaluating how much the University owes to vendors, employees, investors, and lending institutions; and understanding the University's net position and its availability for expenditure by the University.
- ***Statement of Revenues, Expenses, and Changes in Net Position*** presents the total revenues earned and expenses incurred by the University for operating, nonoperating, and other related activities during a period of time (the years ended June 30, 2017 and 2016, respectively). Its purpose is to assess the University's operating results.
- ***Statement of Cash Flows*** presents University cash receipts and payments during a period of time (the years ended June 30, 2017 and 2016, respectively). Its purpose is to assess the University's ability to generate net cash flows and meet its payment obligations as they come due.
- ***Notes to the Financial Statements*** present additional information to support the financial statements and are commonly referred to as Notes. Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found. University management suggests that the readers of this annual report combine this financial analysis with relevant nonfinancial indicators to assess the overall health of the University. Examples of nonfinancial indicators include trend and quality of applicants, freshman class size, student retention, building condition, and campus safety.

Financial Highlights

In fiscal year 2015, the Government Accounting Standards Board (GASB) required the implementation of Statement No. 68, *Accounting and Financial Reporting of Pensions (GASB 68)*. This new standard requires a significant change in accounting for the Public Employees' Retirement Association of Colorado (PERA) pension plan (the Plan). Under GASB 68, the University is required to recognize a liability for its proportionate share of the Plan's underfunded status.

The University paid \$6.7 million in employer contributions to the PERA retirement plan in fiscal year 2017. Although GASB 68 requires that the University of Northern Colorado, and all other state agencies, recognize their proportionate share of the underfunded pension liability in their financial statements, the University is only statutorily obligated to pay the employer contribution, plus the Amortization Equalization Disbursement (AED), and the Supplemental Amortization Equalization Disbursement (SAED).

In fiscal year 2017, the third year of GASB 68, significant changes in the assumptions of the pension plan were updated, resulting in a much larger underfunded liability. These changes resulted in \$44.4 million in pension expense for University of Northern Colorado in fiscal year 2017 (\$6.7 million paid to PERA in cash under our statutory obligation, and \$37.7 million of non-cash expense from recognizing the University's proportionate share in compliance with GASB 68). The pension assumption changes also created large changes in the Pension Liability and related Deferred Outflows of Resources on the Statement of Net Position.

The information in the Management's Discussion and Analysis has been adapted to point out the effect of GASB 68 to help users of this document understand the impact of University operations versus the non-cash accounting presentation required by GASB 68.

Selected financial highlights for the fiscal year ended June 30, 2017, include:

- University assets total \$353.4 million, deferred outflows of resources total \$75.1 million, liabilities total \$432.3 million, and deferred inflows of resources total \$3.9 million resulting in a net position of (\$7.7 million). Of the ending net position, \$7.7 million is restricted for purposes for which the donor, grantor, or other external party intended and \$113.4 million is related to investments in capital assets. The remaining deficit of \$128.8 million, which is unrestricted net position, is comprised of a deficit of \$161.9 million from the implementation of *GASB 68: Accounting and Financial Reporting for Pensions* offset by \$33.1 million, which may be used to meet the University's ongoing obligations.
- Net position decreased \$29.8 million on the Statement of Revenues, Expenses, and Changes in Net Position. Of this current year decrease in net position, \$37.7 million was attributable to additional benefit expenses recognized as a result of the change in the net pension liability and related deferred outflows and inflows of resources. Increases of \$2.4 million from normal operations of the institution and \$5.5 million from the sale of University Apartments, partially offset the pension related decrease in net position.
- Total operating revenues of \$203.1 million, less total operating expenses of \$261.1 million, resulted in a net operating loss of \$58.0 million. This operating loss was partially offset by net nonoperating revenues of \$6.7 million and other changes of \$21.5 million, resulting in the \$29.8 million decrease in net position. Other changes of \$21.5 million include capital appropriations from the State of Colorado of \$15.2 million, a \$6.0 million gain on the disposal of capital assets (University Apartments), and capital gifts of \$0.3 million.

Summary of Changes in Net Position
as of June 30, 2017
(in millions)

Current year GASB 68 impact on net position	\$ (37.7)
Sale of University Apartments (\$6.6 cash proceeds less book value of \$1.1)	5.5
Current year impact from University operations	<u>2.4</u>
Total change in net position	<u>\$ (29.8)</u>
<u>Detail of current year change in net position:</u>	
Increase in cash and cash equivalents (primarily from sale of University Apartments)	\$ 7.1
Decrease in restricted investments for drawdown of energy performance lease funds	(7.9)
Increase in restricted cash from the Campus Commons bond issue	27.4
Decrease in accounts receivable primarily from collecting the State of Colorado Fee-For-Service contract	(0.9)
Net increase in student accounts receivable, loans, inventory, other assets and accrued liabilities	0.1
Increase in capital assets net of depreciation	7.4
Increase in compensated absences and other liabilities	(0.1)
Increase in accounts payable and unearned revenues	(3.6)
Increase in bonds and capital leases payable	(21.3)
Increase in net pension liability (GASB 68)	(96.9)
Net increase in deferred outflows and inflows related to pension (GASB 68)	59.2
Net decrease in deferred outflows and inflows related to bond refundings	<u>(0.3)</u>
Total current year change in net position	<u>\$ (29.8)</u>

Statement of Net Position

The Statement of Net Position is a financial snapshot of the University at June 30, 2017. It presents the fiscal resources of the University (assets), the consumption of net position that applies to future periods (deferred outflows of resources), the claims against those resources (liabilities), the acquisition of net position that applies to future periods (deferred inflows of resources), and the residual available for future operations (net position). Assets and liabilities are classified by liquidity as either current or noncurrent. Net Position is classified in three categories: net investment in capital assets, restricted, and unrestricted. The Statement of Net Position presents information on all of the University's assets, deferred outflows of resources, liabilities and deferred inflows of resources; with the difference between the financial statement elements reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the strength of the financial position of the University.

Condensed Statements of Net Position
as of June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets			
Current Assets	\$ 67,449,556	\$ 60,636,382	\$ 71,693,447
Capital	251,529,733	244,140,042	244,504,014
Other Noncurrent Assets	34,418,140	15,389,920	7,121,458
Total Assets	<u>353,397,429</u>	<u>320,166,344</u>	<u>323,318,919</u>
Deferred Outflows of Resources			
Deferred Amounts on Debt Refundings	2,831,843	3,055,605	3,279,368
Deferred Amount on Pensions (GASB 68)	72,284,159	15,347,693	5,570,712
Total Deferred Outflows of Resources	<u>75,116,002</u>	<u>18,403,298</u>	<u>8,850,080</u>
Liabilities			
Current Liabilities	34,186,542	31,207,571	30,936,397
Bonds/Notes Payable, Noncurrent	154,506,463	131,754,086	136,294,974
Net Pension Liability (GASB 68)	231,167,892	134,262,416	124,356,394
Other Noncurrent Liabilities	12,461,208	13,077,018	6,294,898
Total Liabilities	<u>432,322,105</u>	<u>310,301,091</u>	<u>297,882,663</u>
Deferred Inflows of Resources			
Deferred Amounts on Debt Refundings	859,854	897,375	934,896
Deferred Amount on Pensions (GASB 68)	3,038,983	5,308,778	1,711,348
Total Deferred Inflows of Resources	<u>3,898,837</u>	<u>6,206,153</u>	<u>2,646,244</u>
Net Position			
Net Investment in Capital Assets	113,419,470	104,481,541	102,659,407
Restricted - Nonexpendable	307,555	307,555	307,555
Restricted - Expendable	7,358,871	8,453,136	9,922,568
Unrestricted (GASB 68)	(161,922,716)	(124,223,501)	(120,497,030)
Unrestricted	33,129,309	33,043,667	39,247,592
Total Net Position	<u>\$ (7,707,511)</u>	<u>\$ 22,062,398</u>	<u>\$ 31,640,092</u>

Assets

Current Assets

Current assets increased \$6.8 million for fiscal year 2017 and decreased \$11.1, and \$11.6 million for fiscal years 2016 and 2015, respectively. In fiscal year 2017, the increase in current assets was primarily due to the increase in cash of \$7.1 million, offset by combined changes of (\$0.3 million) from student accounts receivable, other receivables, and loans.

The increase in cash was the result of the following: \$6.6 million of proceeds from the sale of University Apartments, \$7.9 million of restricted investments (an escrow fund holding the proceeds of the energy performance capital lease) were drawn down and placed in cash and cash equivalents, and \$4.1 million was collected from the State of Colorado for the final fiscal year 2016 Fee-For-Service contract payments. These increases in cash were offset by the following expenditures: \$4.1 million in University-funded capital projects, \$4.3 million of escrow funds expended on projects outlined in the energy performance lease, \$1.9 million expended on Campus Commons which was collected from the State of Colorado in July 2017, \$1.0 million expended on University operations, and other cash decreases of \$0.2 million.

Unrestricted cash and cash equivalents and capital assets are the largest portions of the University's total assets. At June 30, 2017, 2016, and 2015, cash and cash equivalents were \$53.2, \$46.1, and \$61.0 million which comprised 15.1%, 14.4%, and 18.9% of the University's total assets, respectively. The majority of the cash is held in the State Treasury and includes operating, restricted, agency, and other cash funds. Unrestricted cash and cash equivalents increased \$7.1 million in fiscal year 2017 and decreased \$14.9 and \$8.5 million in fiscal years 2016 and 2015, respectively. In all three fiscal years, management utilized reserves to cover deficits from operating activities and to invest in capital projects, which included addressing deferred maintenance.

In each year of the Capital Projects cash on the Cash and Cash Equivalents table, the balance at June 30 includes only the remaining cash expenditures expected to complete the projects approved from the prior fiscal years. On July 1, 2015, \$6.0 million was transferred from reserves to capital projects to fund the fiscal year 2016 Board-approved capital budget. On July 1, 2016, \$5.8 million was transferred from reserves to capital projects to fund the fiscal year 2017 Board-approved capital budget, and on July 1, 2017, \$7.4 million was transferred to fund the fiscal year 2018 capital budget.

At June 30, 2016, the capital project cash was in deficit because the University expended \$4.0 million on the energy performance lease and did not draw down cash from the escrow fund until fiscal year 2017 in accordance with the contract. Operating cash was artificially low at June 30, 2016, because the State of Colorado did not remit the final Fee-For-Service contract payment of \$4.1 million until July 2016. This annual payment is normally received prior to fiscal year end.

Strategic investments have been a combination of new cash invested and prior year cash balances committed to fund multi-year activities identified in UNC's nine core strategic plans. In fiscal years 2017, 2016, and 2015, the University added \$3.2, \$1.8, and \$2.8 million, respectively, to strategic investments, funded from a combination of operating cash and reserves. Strategic investment cash has historically been transferred to the appropriate funds at the beginning of each fiscal year, as necessary, to meet the budgeted requirements of that fiscal year.

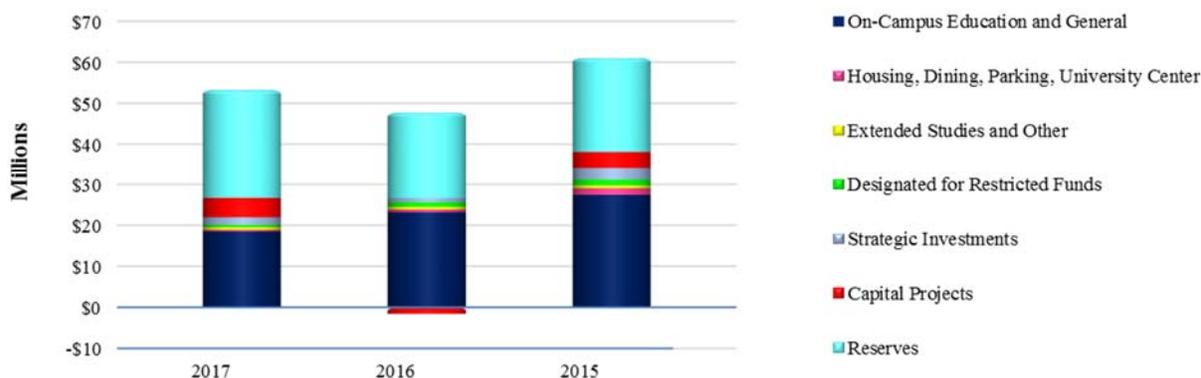
During the past two fiscal years, cash designated for restricted funds has been decreasing because the Department of Education required universities to calculate and remit the excess cash for the Federal Perkins Loan Program, which is scheduled to sunset on September 30, 2017. UNC remitted \$1.2 million in fiscal year 2017, and \$1.5 million in fiscal year 2016.

The University also holds \$0.8 million in restricted cash for bond covenants as a noncurrent asset in reserves, and currently has \$27.4 million of restricted cash from the proceeds of the Campus Commons bond issue.

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

Unrestricted Cash and Cash Equivalents			
as of June 30,			
	2017	2016	2015
Operating			
On-Campus Education and General	\$ 18,499,091	\$ 23,169,985	\$ 27,442,528
Housing, Dining, Parking, University Center	413,699	690,551	1,598,874
Extended Studies and Other	613,297	632,467	676,033
Designated for Restricted Funds	547,513	1,075,681	1,381,190
Strategic Investments	1,876,229	1,069,277	3,125,383
Capital Projects	4,698,472	(1,558,286)	3,865,202
Reserves	26,568,494	21,043,795	22,882,187
Total Unrestricted Cash and Cash Equivalents	\$ 53,216,795	\$ 46,123,470	\$ 60,971,397

Unrestricted Cash and Cash Equivalents



Student accounts receivable is the second largest current asset and is presented net of allowance for doubtful accounts. Net student accounts receivable as of June 30, 2017, 2016, and 2015, was \$6.9, \$6.2, and \$6.1 million, respectively. The net student accounts receivable increased \$0.7 million or 10.3% from fiscal year 2016 to 2017 and increased \$0.1 million, or 1.6%, from fiscal year 2015 to 2016. These changes in accounts receivable reflect the application of the allowance policy, which is a graduated increase in the allowance for uncollectible accounts based on the age of the outstanding account balance. Student share of undergraduate resident tuition increased 4.8% in fiscal year 2015, 5.8% in fiscal year 2016, and 8.4% in fiscal year 2017. The student share is the total tuition less the College Opportunity Fund stipend. UNC has seen an increase in the number of students utilizing the Bear Pay monthly payment plan, which has changed the timing on collection of accounts receivable.

Other receivables consist primarily of amounts due to the University from reimbursable grants and contracts. The majority of these are federal, state, or UNC Foundation agreements that have a very high probability of collection. The University spends the money first and then bills the sponsoring agency for reimbursement. Other receivables were \$5.3 million in fiscal year 2017, \$6.2 million in fiscal year 2016, and \$2.6 million in fiscal year 2015.

In fiscal year 2016, the University ended the year with \$4.1 million in accounts receivable from the State of Colorado for the June 2016 Fee-For-Service contract payment, which was the primary reason for the large increase between fiscal years 2015 and 2016. In fiscal year 2017, the University ended the year with \$1.9 million in accounts receivable from the State of Colorado for the Campus Commons capital appropriation.

Inventories, loans to students, and other assets make up the remainder of current assets and they have been essentially the same at \$2.0 - \$2.1 million from fiscal years 2015 to 2017, with some fluctuations in prepaid expenditures.

Capital Assets

Capital assets are defined as any asset used in operations with an initial useful life extending beyond one year. The University's single largest fiscal resource is its campus facilities. As of June 30, 2017, capital assets of \$542.7 million, net of \$291.2 million accumulated depreciation, totaled \$251.5 million. This is a \$7.4 million increase from fiscal year 2016, when capital assets of \$521.5 million, net of \$277.4 million accumulated depreciation, totaled \$244.1 million. Capital assets of \$505.5 million, net of \$261.0 million accumulated depreciation, totaled \$244.5 million at June 30, 2015. The capital asset increase of \$7.4 million from fiscal year 2016 to 2017 is primarily due to large construction projects started in 2017.

In fiscal year 2017, \$3.0 million of capital projects were completed and \$2.1 million of library materials were capitalized. The capitalized projects consisted of \$2.1 million for building and improvements, \$0.2 million for land improvements, \$0.6 million for equipment and vehicles, and \$0.1 million for historical collections. The building improvements included the Carter Hall window replacements, Brown Hall roof replacement, classroom shelter lock replacement, Cassidy Hall roof replacement, Ross cage washer, and various classroom renovations. The equipment and vehicles included medical equipment in Gunter Hall, laboratory equipment in Biology, new parking meters on campus, and new animal facility equipment. The land improvements included the creation of a healing garden, landscape, and irrigation improvements on campus.

The University ended fiscal year 2017 with \$35.0 million in construction in progress. The larger projects in progress at year end, that will be completed and capitalized in fiscal year 2018, include energy performance upgrades across campus, and wireless and network upgrades. In fiscal year 2019, the new Campus Commons building will be completed and placed into service.

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

Capital Assets Net of Accumulated Depreciation						
as of June 30,						
	2017		2016		2015	
Land and Improvements	\$ 22,567,948	9.0%	\$ 23,388,336	9.6%	\$ 24,325,126	9.9%
Buildings and Improvements	175,124,238	69.6%	186,670,199	76.5%	193,330,246	79.1%
Construction In Progress	35,022,119	13.9%	14,209,319	5.8%	6,814,502	2.8%
Library Books	8,996,302	3.6%	8,600,536	3.5%	8,232,509	3.4%
Equipment	8,044,442	3.2%	9,546,164	3.9%	10,076,143	4.1%
Art and Historical Treasures	1,774,684	0.7%	1,725,488	0.7%	1,725,488	0.7%
Total Capital Assets net of Accumulated Depreciation	<u>\$ 251,529,733</u>	<u>100.0%</u>	<u>\$ 244,140,042</u>	<u>100.0%</u>	<u>\$ 244,504,014</u>	<u>100.0%</u>

Other Noncurrent Assets

Other noncurrent assets consist of loans to students, restricted cash, and investments. Restricted cash consists of a reserve required by bond covenants of \$0.8 million and \$27.4 million of proceeds from the Campus Commons bond issue. Restricted investments include \$1.0 million from the energy performance lease escrow fund. The remaining \$0.6 million are gifts directly donated to the University of Northern Colorado in the past, and cannot be legally transferred to the UNC Foundation. The value of this donation portfolio changes minimally each year based on the market gains or losses on the investments. In fiscal year 2016, the University invested the proceeds that were held in escrow for the \$8.9 million energy performance contract capital lease. The funds have been and will continue to be drawn down as the individual projects are completed.

Loans to students are included in other noncurrent assets. These are primarily Federal Perkins loans that are managed under the appropriate federal guidelines through a third party loan processor. Loans to students, net of allowance for doubtful accounts, that are due after June 30, totaled \$4.7, \$5.2, and \$5.8 million at June 30, 2017, 2016, and 2015, respectively. The Federal Perkins loan program was given a two year continuation in the Federal 2016 omnibus spending bill, which was passed on December 18, 2015. There are limitations on the disbursement of loans to students after October 1, 2017.

Liabilities

Non-Debt Related Liabilities

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

The net pension liability of \$231.2 million represents the University's proportionate share of the PERA State Division Trust Fund net pension liability. The liability increased \$96.9 million in fiscal year 2017 and \$9.9 million in fiscal year 2016. The University is required by GASB 68 to recognize its proportionate share of the net pension liability and its related deferred outflows and inflows of resources, but UNC is only statutorily obligated to pay the employer contribution, plus the AED and SAED. Detailed information on the changes in the Plan are included in *Note 10: Defined Benefit Pension Plan*.

Accounts payable and accrued liabilities increased \$2.4 million in fiscal year 2017. The largest portion of this liability is \$13.3 million of payroll earned in June 2017, which is payable to employees on July 1, 2017; therefore, it is an accrued liability at fiscal year-end. The payroll liability was \$12.8 million at June 30, 2016 and \$12.4 million at June 30, 2015. Accounts payable increased \$0.9 million from fiscal year 2016 to fiscal year 2017 for invoices related to capital construction projects.

Current unearned revenue of \$8.5 million includes tuition and fees and certain auxiliary revenues received by June 30, 2017, which are for services to be provided in fiscal year 2018. It also includes revenues received from grant and contract sponsors and the UNC Foundation that have not yet been earned. These amounts will be recognized as revenue in future periods after all conditions have been satisfied. Unearned revenue fluctuations each year are attributable to summer tuition and other activities.

Compensated absences are an estimate of the amounts payable to employees in the future for their vested rights under the various leave and retirement programs. This estimate is based on personnel policies that define vacation and sick leave to which the employees may be entitled (see *Note 1: Nature of Operations and Summary of Significant Accounting Policies*). The noncurrent liability for compensated absences was \$4.7, \$4.5, and \$4.4 million at June 30, 2017, 2016, and 2015, respectively.

University Debt

The largest liability for the University is outstanding bonds payable. The University has five fixed rate bond issues and one variable rate bond issue outstanding for a total principal of \$148.9 million. The carrying value of these bonds includes \$9.9 million in premiums that will be amortized over the remaining life of the bonds; consequently, the combined current and noncurrent liability on the Statement of Net Position is \$158.8 million.

New Debt and Refinancing of Debt

On November 9, 2016, University of Northern Colorado Board of Trustees issued \$23.5 million in fixed rate Institutional Enterprise Revenue Bonds, Series 2016A, at a \$4.1 million premium for total proceeds of \$27.6 million. The coupon rates of the bonds range from 3% - 5% with maturities of principal starting in 2020 and ending in 2046. Of the proceeds, \$27.4 million is for the construction of the Campus Commons, while the remaining \$0.2 million represents the cost of issuance.

On June 30, 2017, the University entered into an agreement with Wells Fargo Bank, N.A., to continue holding 100% of the Series 2011B Bonds for another term of 18 months, ending December 31, 2018. The agreement states that the bonds have to be redeemed in full on the first anniversary of the purchase date, which is December 31, 2019. The agreement was for the \$18.0 million of principal that remained outstanding at June 30, 2017. The schedule of principal maturities remained the same and will continue through June 1, 2036.

In fiscal year 2016, the University entered into an \$8.9 million energy performance contract with McKinstry Essention, LLC. The projects under this contract were financed with a capital lease through Banc of America Public Capital Corporation in the amount of \$8.9 million for a term of 15 years with annual payments of \$0.7 million. The payback in utility savings is expected to be realized over 14 years. The funds are held in escrow with BOKF, N.A. and invested in the Cavanal Hill U.S. Treasury Fund. The escrow fund has been and will continue to be drawn down as the individual projects within the larger contract are completed. At June 30, 2017, the escrow fund has a remaining balance of \$1.0 million.

On June 3, 2015, the University of Northern Colorado Board of Trustees issued the 2015A Institutional Enterprise Revenue Bonds at a total par amount of \$21.5 million bearing fixed interest rates of 4.0% to 5.0%, payable semiannually. Principal maturities begin June 1, 2036, and continue through June 1, 2040. Proceeds from the sale of these bonds were used to refund \$21.3 million of the remaining Series 2005 Auxiliary Revenue Refunding and Improvement bonds. This refunding will provide the University with an economic gain of \$2.2 million through future interest savings. The refunding also created a book gain of \$0.9 million, which is recorded as a deferred inflow of resources and will be amortized as a reduction to interest expense over the life of the 2015A issue.

Debt-Related Deferred Outflows and Inflows of Resources

In fiscal year 2014, *GASB 65: Reporting Items Previously Recorded as Assets and Liabilities* was implemented, and the deferred amounts resulting from refunding of bonds payable were reclassified into two new financial statement elements: deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent the future consumption of net position and deferred inflows of resources represent the acquisition of net position that applies to future periods. The University has \$2.8 million of deferred outflows of resources and \$0.9 million of deferred inflows of resources from the refunding activities of bonds payable.

The deferred amounts resulting from refunding bonds payable originate from the difference in the carrying value of the bonds (principal plus unamortized discount or premium) and the amount it costs to retire or refinance the bonds. A book loss on refunding is classified as a deferred outflow of resources and a book gain is classified as a deferred inflow of resources. As each is amortized, the expense or reduction of expense is recognized over the same time period that the University is realizing the economic gain from reduced interest expense related to the refunding transactions. Details of the deferred amounts on debt refundings are included in *Note 14: Deferred Outflows and Inflows of Resources*.

Bond Ratings

Moody's Investors Service assigned an "A2" underlying with a negative outlook and an "Aa2" enhanced rating with a stable outlook to the University's Series 2016A bonds. At the same time, Moody's downgraded the underlying ratings on the \$114.3 million of outstanding Institutional Enterprise and Auxiliary System Revenue Bonds to "A2" with a negative outlook and affirmed the "Aa2" enhanced rating with a stable outlook for the State of Colorado's Higher Education Revenue Bond Intercept Program. When a University qualifies to issue bonds under this program, the bonds are additionally secured by the State with a provision that the State Treasurer will pay the principal and interest on the revenue bonds if the institution of higher education is unable to make the payment on the due date.

The downgrade to "A2" cited the University's declining liquidity and rising fixed costs associated with an ambitious plan to grow enrollment by upwards of 20% by fall 2018. The enhanced rating outlook, based on the University's participation in the Colorado Higher Education Revenue Bond Intercept Program, remains at "Aa2" with a stable outlook, which is based on the State of Colorado's current rating and outlook.

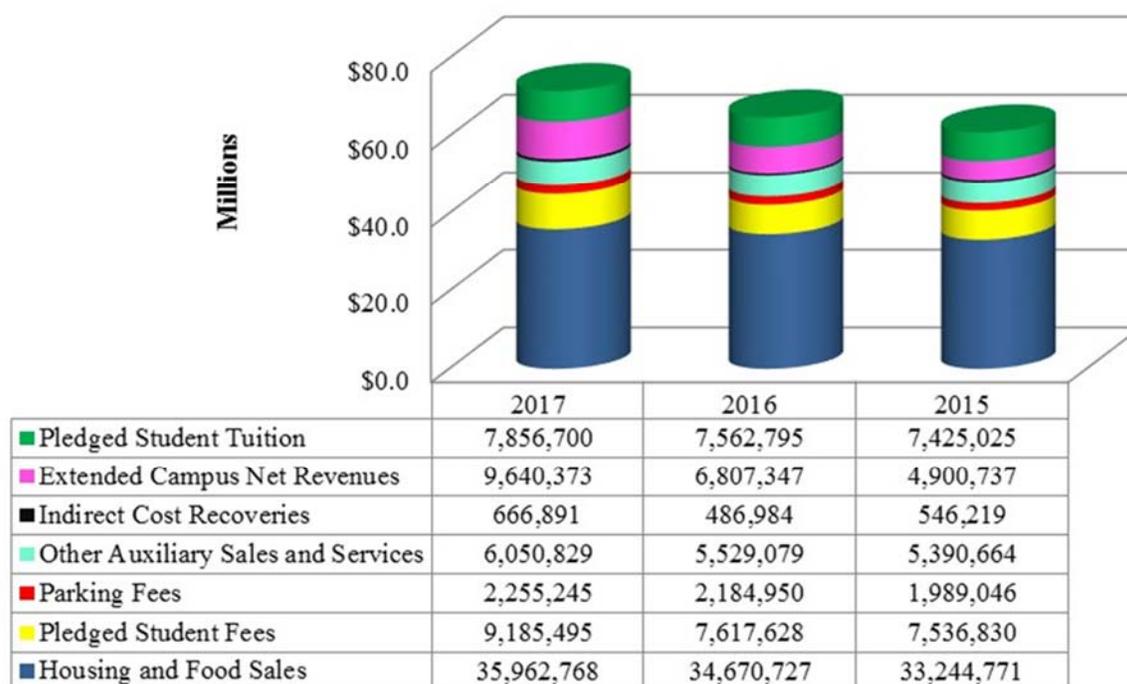
Standard and Poor's does not rate the 2016A, 2015A or the 2011B series bonds. They rated the series 2008, 2011A and 2014A with an "A" rating. On December 20, 2016, Standard and Poor's revised the outlook from stable to negative citing operating deficits, declining liquidity, and weak fundraising history relative to the University's peers, offset by the positives of FTE enrollment increases, experienced and stable management, and a manageable debt burden including the 2016A Campus Commons issue. The long term rating of "AA-/Stable" is based on the University's participation in the Colorado Higher Education Revenue Bond Intercept Program.

A summary of University debt and the related deferred outflows and inflows of resources is presented in the following table:

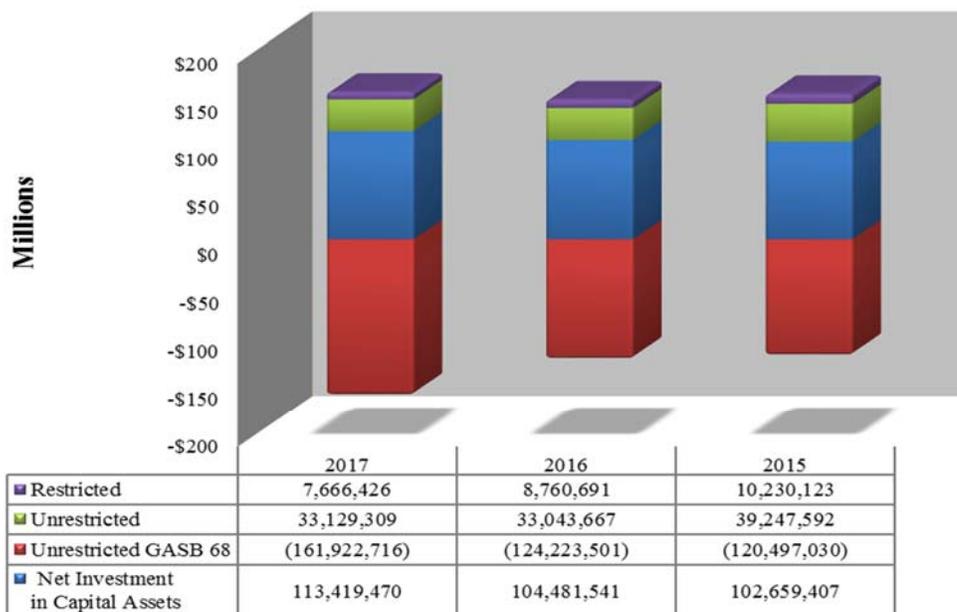
Summary of Debt Outstanding and Debt-Related Deferred Outflows and Inflows of Resources			
as of June 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenue Bonds	\$ 158,841,463	\$ 135,929,086	\$ 140,314,974
Deferred Outflows of Resources	(2,831,843)	(3,055,605)	(3,279,368)
Deferred Inflows of Resources	859,854	897,375	934,896
Capital Lease Obligations	8,554,668	10,210,194	3,489,566
Total	<u>165,424,142</u>	<u>143,981,050</u>	<u>141,460,068</u>
Less Current Portion of Debt	(5,235,828)	(5,830,526)	(5,645,895)
Total Long-Term Debt and Deferred Outflows and Inflows of Resources	<u>\$ 160,188,314</u>	<u>\$ 138,150,524</u>	<u>\$ 135,814,173</u>

The debt service payments on the revenue bonds are made from pledged revenues comprised of auxiliary housing, food service, parking and other sales, plus identified pledged student fees, Extended Campus net revenues, and a portion of student tuition revenues. A more detailed schedule, including debt coverage ratios, is included in *Note 8: Bonds, Capital Leases, and Notes Payable*.

Pledged Revenues for Bonds Payable



Year End Net Position



Net Position

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

Net Investment In Capital Assets

Net investment in capital assets is the gross cost of assets less accumulated depreciation and outstanding debt service related to the acquisition of the assets. It represents the University’s investment in campus facilities and equipment necessary to fulfill academic, student housing and food service, athletics, and other purposes related to the mission of the institution. This is the University’s largest class of net position, which comprises \$113.4, \$104.5, and \$102.7 million of the University’s net position for fiscal years 2017, 2016, and 2015, respectively. In the past three years, the University management has allocated a significant portion of unrestricted cash reserves to capital projects, primarily to address deferred maintenance on campus. The University capitalized \$5.1, \$9.7, and \$13.3 million of new assets in fiscal years 2017, 2016, and 2015, respectively, and ended fiscal year 2017 with \$35.0 million in construction in progress. In fiscal years 2015 and 2016, depreciation expense was greater than capital additions; therefore, the dollar value of net investment in capital assets did not change substantially. However, in fiscal year 2017 construction in progress on the Campus Commons is the primary reason capital additions are exceeding depreciation and the net investment in capital assets is beginning to increase.

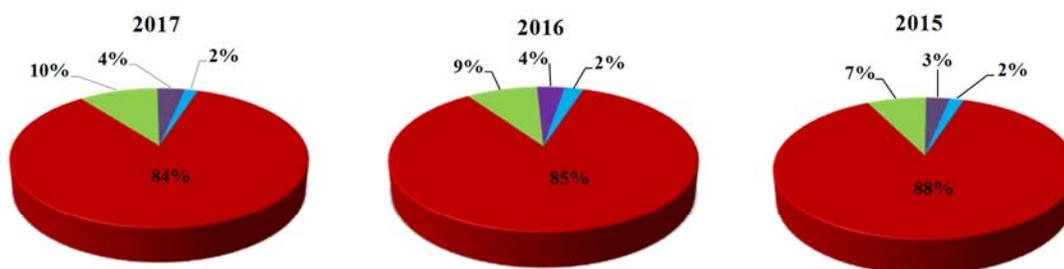
Restricted Nonexpendable

The University’s restricted nonexpendable net position is comprised of endowment funds for which the donor has required that the original principal be set aside for perpetual investment. The University’s restricted nonexpendable net position has remained at \$0.3 million for the last three fiscal years and includes only those endowment funds that cannot be legally transferred to the University of Northern Colorado Foundation, Incorporated. The majority of the endowment assets benefiting the University are held by the Foundation, which is a discretely presented component unit in the financial statements.

Restricted Expendable

The University's restricted expendable net position is comprised of resources that may be fully expended, but only for specific purposes identified by the donor or entity originally providing the funds. The majority of the restricted expendable net position category consists of revolving Federal Perkins loan funds and restricted bond reserves. A very small portion of net position identified as restricted expendable is generated from investment earnings on the restricted nonexpendable endowment net position described above. Allowable expenditures for these funds are scholarships and other academic support expenditures.

Restricted Expendable Net Position



	2017	2016	2015
Loans (Revolving Student Loan Funds)	6,222,832	7,211,775	8,690,538
Bond Reserve	750,000	750,000	750,000
Scholarships and Fellowships	264,553	290,430	300,497
Other	121,486	200,931	181,533

The University's restricted expendable net position at June 30, 2017, 2016, and 2015 was \$7.4, \$8.5, and \$9.9 million, respectively.

Unrestricted

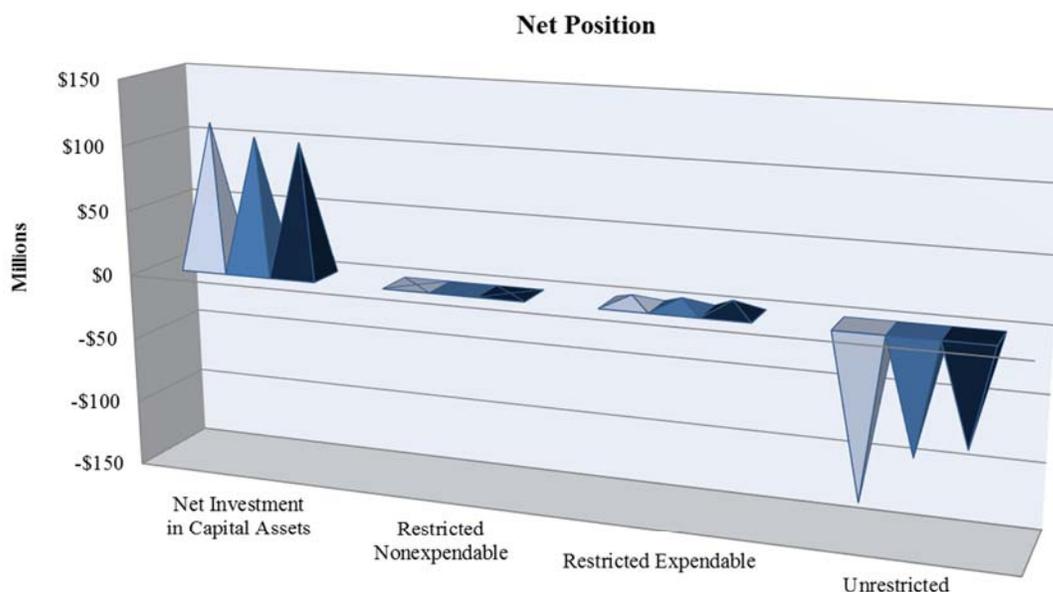
Unrestricted net position is usually available to be used for any lawful purpose under the full discretion of management. However, the University may place some limitations on future use by designating unrestricted net position for certain purposes during the annual budget process. Unrestricted net position of \$33.1 million includes operating funds and reserves. The deficit in unrestricted net position of \$161.9 million includes the PERA net pension liability and its related deferred outflows and inflows of resources.

The change in total net position is outlined in the following table:

Summary of Changes in Net Position	
as of June 30, 2017	
<i>(in millions)</i>	
Current year GASB 68 impact on net position ¹	\$ (37.7)
Sale of University Apartments	5.5
Current year impact from University operations	<u>2.4</u>
Total change in Net Position	<u><u>\$ (29.8)</u></u>
<u>¹Detail of GASB 68 Impact to Statement of Net Position</u>	
Deferred outflows of resources	\$ 56.9
Net pension liability	(96.9)
Deferred inflows of resources	<u>2.3</u>
GASB 68 impact on change in Net Position	<u><u>\$ (37.7)</u></u>

PERA made significant changes in actuarial assumptions and estimates in the retirement plan resulting in a large change in the liability and related deferred outflows and inflows of resources. The change in the discount rate used to calculate the collective net pension liability from 7.5% to 5.26% was the largest single factor causing the net pension liability for the State Division Trust Fund to increase from \$10.5 billion at December 31, 2015 to \$18.4 billion at December 31, 2016. The change in Net Position in the chart above demonstrates the impact of these changes on UNC's proportionate share of the PERA defined benefit pension plan. Detailed information on the other changes in the Plan are outlined in *Note 10: Defined Benefit Pension Plan*.

The following graph depicts a three-year history of net position by category:



	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted
June 30, 2017	113,419,470	307,555	7,358,871	(128,793,407)
June 30, 2016	104,481,541	307,555	8,453,136	(91,179,834)
June 30, 2015	102,659,407	307,555	9,922,568	(81,249,438)

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the financial activity of the University over the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. A key component of this statement is the differentiation between operating and nonoperating activities. The tables and charts related to the Statement of Revenue, Expenses, and Changes in Net Position that follow have been adjusted, for comparative purposes, to include the impact of *GASB 68: Accounting and Financial Reporting of Pensions*, which was implemented in fiscal year 2015.

Operating revenues are earned by providing goods and services to the various customers of the University. Operating expenses are paid to acquire or produce goods and services necessary to carry out the mission of the University. They are directly related to generating operating revenues.

Nonoperating revenues include investment income, state appropriations, Pell Grant revenue, capital grants and gifts, and gains or losses on the disposal of capital assets. These revenues are not earned from the sale of goods and services and are considered nonoperating. Nonoperating expenses include the repayment of prior federal capital contributions for the Federal Perkins Loan program, bond issue costs, and closing cost on the sale of property when applicable.

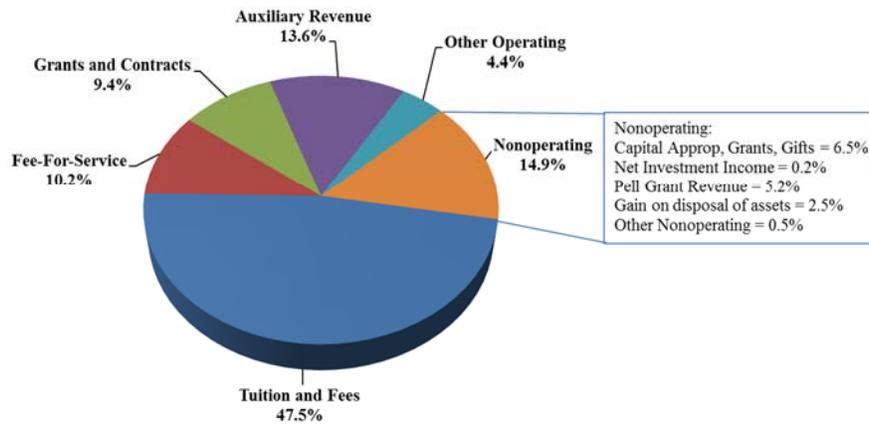
Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30,

	2017	2016	2015
Operating Revenues			
Net Tuition and Fees	\$ 113,365,937	\$ 105,880,660	\$ 102,175,619
Fee-For-Service	24,298,624	26,017,614	21,916,149
Grants and Contracts	22,368,236	21,082,569	21,851,247
Auxiliary	32,507,550	32,178,117	31,272,265
Other	10,581,679	9,899,094	9,847,995
Total Operating Revenues	<u>203,122,026</u>	<u>195,058,054</u>	<u>187,063,275</u>
Operating Expenses			
Education and General	179,340,496	167,557,545	164,222,993
Operating Expenses (GASB 68)	37,699,214	3,726,471	2,996,437
Auxiliary	26,685,703	26,132,382	26,929,160
Depreciation	17,396,751	17,454,932	17,069,138
Total Operating Expenses	<u>261,122,164</u>	<u>214,871,330</u>	<u>211,217,728</u>
Operating Loss	(58,000,138)	(19,813,276)	(24,154,453)
Nonoperating Revenues & Expenses			
Federal Grants and Contracts	12,430,273	12,071,525	12,732,959
Other Nonoperating Revenue	1,821,126	1,317,910	1,472,039
Other Nonoperating Expense	(1,900,011)	(1,513,636)	(149,799)
Nonoperating Capital Interest Expense	(5,618,012)	(5,121,899)	(5,295,433)
Net Nonoperating Revenue (Expense)	<u>6,733,376</u>	<u>6,753,900</u>	<u>8,759,766</u>
Gain (Loss) before Other Items	(51,266,762)	(13,059,376)	(15,394,687)
Capital Appropriations and Contributions	15,242,549	2,380,995	616,702
Capital Grants and Gifts	269,694	1,105,316	1,156,264
Gain on Disposal of Assets	5,996,298	-	166
Loss on Disposal of Assets	(11,688)	(4,629)	(1,218)
Total Other Changes	<u>21,496,853</u>	<u>3,481,682</u>	<u>1,771,914</u>
Increase (Decrease) in Net Position	(29,769,909)	(9,577,694)	(13,622,773)
Net Position - Beginning of Year	22,062,398	31,640,092	162,763,458
GASB 68 Adjustment to Net Position	-	-	(117,500,593)
Net Position - End of Year	<u>\$ (7,707,511)</u>	<u>\$ 22,062,398</u>	<u>\$ 31,640,092</u>

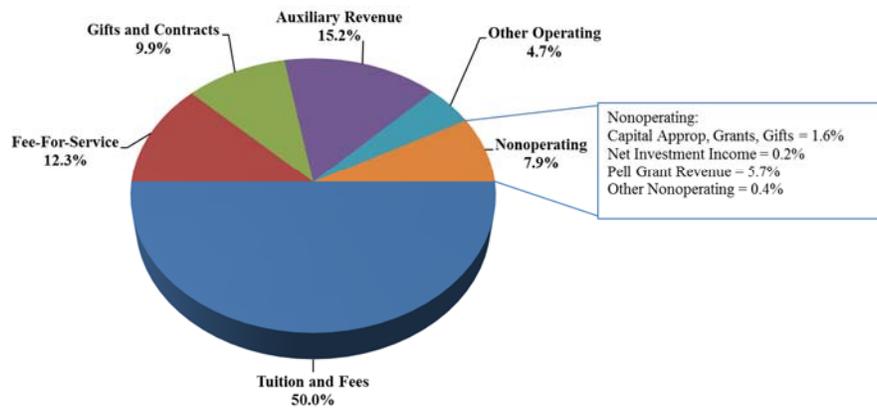
Total Revenues

Total University revenues of \$238.9, \$211.9 and \$203.0 million, in fiscal years 2017, 2016, and 2015, respectively, consist of operating revenue, Pell Grants, other nonoperating revenue, capital appropriations and contributions, gain on the disposal of assets, and capital grants and gifts. Total revenues increased \$27.0 million or 12.7% between fiscal years 2016 and 2017 and increased \$8.9 million, or 4.4%, between fiscal years 2015 and 2016, respectively.

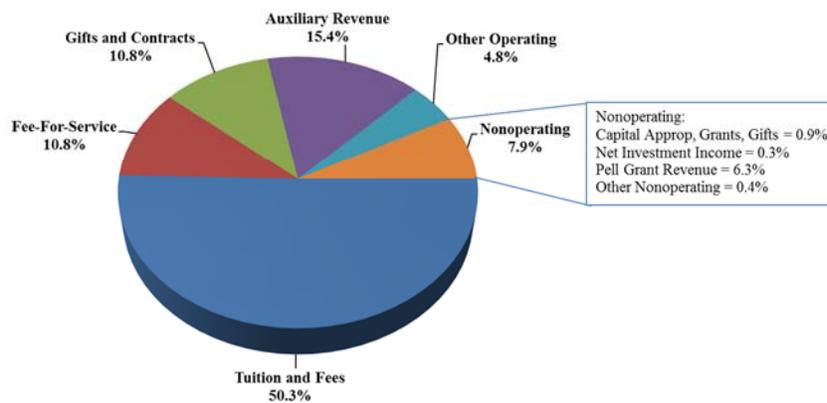
Total Revenue 2017



Total Revenue 2016



Total Revenue 2015



Operating Revenues

Operating revenue for fiscal years 2017, 2016, and 2015, of \$203.1, \$195.1, and \$187.1 million, respectively, is derived from tuition and fees, auxiliary activity, grants and contracts, the State Fee-For-Service contract, and other operating revenues. The proportion of operating revenue to total revenue for fiscal years 2017, 2016, and 2015 has been 85.0%, 92.0% and 92.1% respectively.

Tuition and fee revenue increased \$7.5 million between fiscal years 2016 and 2017 and increased \$3.7 million between fiscal years 2015 and 2016. These increases in revenue have come as a combination of tuition increases and enrollment growth. Some of this revenue is offset by increases in scholarships that flow through the scholarship allowance calculation.

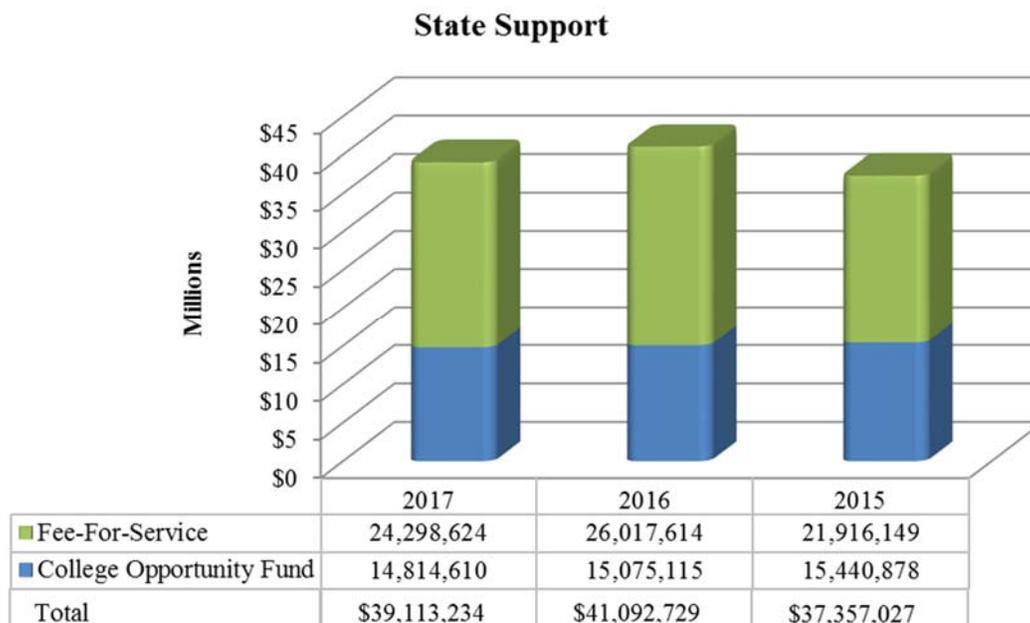
The FTE enrollment and credit hours referenced in this paragraph are based on the calculations UNC uses for bond compliance. Undergraduate full time equivalent headcount (FTE) is calculated using full time headcount plus part time credit hours divided by 12. Graduate FTE is calculated using full time headcount plus part time credit hours divided by 9. Annual credit hours are based on fall, interim, spring, and summer terms in that order. Undergraduate resident tuition increased 8.4%, 5.8%, and 4.8% in fiscal years 2017, 2016, and 2015, respectively. Undergraduate non-resident tuition increased 3.0%, 2.2%, and 1.6% in fiscal years 2017, 2016, and 2015, respectively. Graduate tuition is tiered by program of study. Graduate tuition increased in a range from 1.7% to 8.3% in fiscal year 2017, from 1.0% to 5.0% in fiscal year 2016, and from 1.3% to 3.0% in fiscal year 2015 depending on program of study. UNC's fall final undergraduate FTE increased 3.4% in fiscal year 2017 after two years of consecutive declines of 1.2% in fall 2016, and 4.8% in fall of 2015. UNC's fall final graduate FTE is on an upward trend with an increase of 10.6% in fiscal year 2017, following a 7.6% increase in fall of 2016, and a decrease of 4.9% in fiscal year 2015.

Tuition and fee revenue is shown net of \$27.3, \$23.4 and \$22.1 million in scholarship allowances for fiscal years 2017, 2016, and 2015, respectively. Auxiliary revenue for fiscal years 2017, 2016, and 2015 is net of \$7.5, \$6.6, and \$6.3 million in scholarship allowances, respectively. 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, and also general institutional scholarships. Approximately 72% of total financial aid is reclassified as a reduction to tuition and fees and auxiliary revenue because it is recognized in other revenue categories. The scholarship allowance calculation includes all scholarships, institution, state, and federal funds but the most significant increase has been in the UNC institutional scholarships, which were \$24.7, \$19.9, and \$18.0 million in fiscal years 2017, 2016, and 2015, respectively.

During fiscal years 2017, 2016, and 2015, the Colorado Department of Higher Education (CDHE) provided the University \$39.1, \$41.1, and \$37.3 million, respectively, in College Opportunity Fund (COF) and Fee-For-Service (FFS) contract revenue. COF is included in tuition revenue and FFS has a separate line on the financial statements. COF and FFS are both classified as operating revenue.

- The College Opportunity Fund provides a stipend to qualified undergraduate students. The students use the stipend to pay a portion of their tuition. The COF stipend provided to students was \$75 per credit hour in fiscal years 2017, 2016 and 2015, respectively. In fiscal years 2017, 2016, and 2015, the University applied \$14.8, \$15.1, and \$15.4 million of COF stipends against student tuition bills, respectively. This amount is included in tuition revenues on the Statement of Revenues, Expenditures, and Changes in Net Position.
- State FFS contract revenue helps support graduate and specialized undergraduate education services. These funds are in addition to tuition paid by students. During fiscal years 2017, 2016, and 2015, the Colorado Department of Higher Education provided the University \$24.3, \$26.0, and \$21.9 million, respectively.

The total amount of COF and FFS support has increased \$1.8 million since fiscal year 2015.



Auxiliary revenue increased \$0.3 million between fiscal years 2016 and 2017 and \$0.9 million between fiscal years 2015 and 2016.

In fiscal year 2017, room and board rates were increased by 2% and housing occupancy increased from 86.2% to 91.7%. The increase in auxiliary scholarship allowance (due to increases in financial aid awarded to students) of \$0.9 million offset the majority of the resulting revenue increase.

Fiscal year 2016 was the second year of the meal plan rate restructure and meal plan rates did not increase from the prior year. In fiscal year 2016, only Tier 5 housing (Turner suites) and Arlington Park had rate increases of 2%. Therefore, the fiscal year 2016 revenue increase was primarily attributable to an increase in housing occupancy from 82.4% to 86.2%. Scholarship allowance increased \$0.4 million from fiscal year 2015 to fiscal year 2016, which offset some of the increase in revenue.

Fiscal year 2015 housing occupancy increased to 82.4% from 80.4% the prior year, but the related revenue increase was mostly offset by a decrease in meal plan revenue due to a rate restructure. The increase in auxiliary scholarship allowance of \$1.3 million, due to increased financial aid applied to room and board, also decreased net auxiliary revenue in fiscal year 2015.

Auxiliary revenue is a major source of support for the University's debt service payments. A schedule of net pledged revenues and bond coverage ratios for debt service is included in *Note 8: Bonds, Capital Leases, and Notes Payable*.

Other operating revenues include the operating agreement between UNC and the Foundation, athletic camp fees, athletic game guarantees, accounts receivable service charges, and various other charges for services. This revenue has remained consistent between fiscal year 2015 and fiscal year 2016 at \$9.9 million. In fiscal year 2017, it increased to \$10.6 million because of a large game guarantee in athletics, a change in the timing of recognizing NCAA revenue, and a large increase in collection fees from UNC's third party loan processor. Generally, the largest single source of revenue in this classification is the unrestricted support of University scholarships from the UNC Foundation, which has been \$1.4, \$1.8, and \$1.7 million in fiscal years 2017, 2016, and 2015, respectively.

Grants and Contracts Revenue

At June 30, 2017, 2016, and 2015, grants and contracts revenue comprised \$34.8, \$33.2, and \$34.6 million or 14.6%, 15.6%, and 17.1%, of the University's total revenues, respectively. Grants and contracts revenue is presented in the table below in two categories: restricted and financial aid. The restricted sources are from sponsored programs and UNC Foundation support. Financial aid is received by the University from federal, state, foundation, and other private sponsors. The financial aid reported as revenue is based on generally accepted accounting principles for proper financial statement recognition and is not a comprehensive measure of all financial aid available to students. It does not include amounts received by students from third parties, institutional support, or loans.

Grants and Contracts Revenue			
For the Years Ended June 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Federal Grants	\$ 5,615,442	\$ 5,551,132	\$ 5,808,551
State and Local Grants	361,020	317,503	250,580
UNC Foundation Grants and Gifts	3,590,625	3,232,609	3,986,400
Other Private Grants	184,818	115,970	350,895
Total Restricted Grants and Contracts	<u>9,751,905</u>	<u>9,217,214</u>	<u>10,396,426</u>
Federal Financial Aid	845,962	724,816	710,580
Federal Pell Financial Aid	12,430,273	12,071,525	12,732,959
State and Non-Gov't Financial Aid	7,526,981	6,970,679	6,448,169
UNC Foundation Named & Endowed	3,634,571	3,403,829	3,475,000
UNC Foundation Scholarships	608,817	766,031	821,072
Total Financial Aid	<u>25,046,604</u>	<u>23,936,880</u>	<u>24,187,780</u>
Total Grants and Contract Revenue	<u>\$ 34,798,509</u>	<u>\$ 33,154,094</u>	<u>\$ 34,584,206</u>

Restricted Grants and Contracts

In fiscal year 2017, federal funding for restricted grants and contracts made up \$5.6 million, or 57.6% of the total restricted grants and contracts revenue. Federal funding increased \$0.1 million, or 1.2% from fiscal year 2016 to fiscal year 2017. The increase is attributed to new and continuing awards from the U.S. Department of Education (DOED), National Science Foundation (NSF) and U.S. Small Business Administration (SBA). UNC is a sub-recipient of these awards through other state agencies. The Colorado Department of Education, through their award with DOED, provided UNC with "Race to the Top (RTTT) Early Learning Challenge Fund" (\$0.04 million). Through a continued collaboration with Northwest Board of Cooperative Educational Services (BOCES), UNC increased activity on "Supporting Understanding through Meaningful Mathematical Instructional Tasks, SUMMIT", funded by NSF (\$0.04 million). The Colorado Office of Economic Development, through their funding from SBA, awarded UNC the "Portability Grant, Mine Shutdown Assistance" (\$0.02 million).

The fiscal year 2017 federal revenue came from the U.S. Department of Education (\$2.7 million), the Department of Health and Human Services (\$0.7 million), the National Science Foundation (\$0.5 million), other federal sources (\$0.6 million), and federal sub-recipient awards from other institutions (\$1.1 million).

UNC Foundation funds are generally donated for program support and scholarships. Grants and program support are included in the top portion of the Grants and Contracts Revenue table and was \$3.6, \$3.2, and \$4.0 million in fiscal years 2017, 2016, and 2015, respectively. UNC recognizes revenue and expense as the University utilizes the donor funds. The Foundation recognizes revenue when the funds are donated. Fiscal year 2017 UNC Foundation grants and gifts is a combination of \$0.7 million of specific project grants and \$2.9 million in gifts and endowment payouts utilized for program support in athletics and in the colleges within the University.

State, local, and private funding in restricted grants and contracts was \$0.5 million, or 5.6% of the total restricted grants and contracts revenue in fiscal year 2017. State, local, and private grants do not provide a significant source of restricted grants and contracts revenue.

Financial Aid

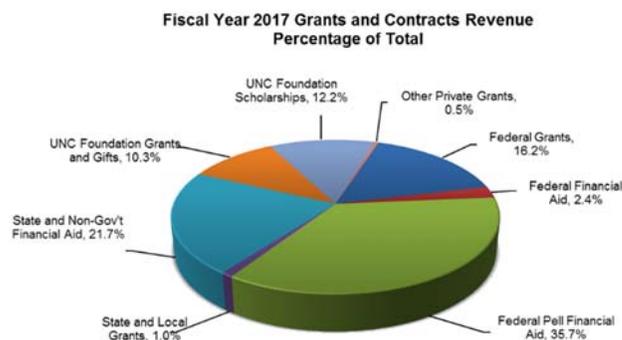
Total financial aid was 72.0%, 72.2%, and 69.9% of total grants and contracts revenue in fiscal years 2017, 2016, and 2015, respectively. Federal Pell Grant financial aid is considered nonoperating revenue, but is included in this analysis of all grants and contracts revenue.

The Federal Pell Grant Program is awarded to eligible students based on financial need. All students who are eligible for the Pell Grant are awarded the money; therefore, the University is not limited to a certain amount of Pell Grant awards in an academic or fiscal year. The variance in Pell Grant revenue from academic year to academic year is based on changes in the eligibility of our students and federal legislation. The Department of Education changed legislation to begin awarding summer Pell late in the summer of 2017. The University reviewed student's records and retroactively awarded Pell to eligible students from the start of summer term 2017. The summer Pell revenue of approximately \$0.3 million will be recognized in fiscal year 2018. Pell awards were \$12.4, \$12.1, and \$12.7 million in fiscal years 2017, 2016, and 2015, respectively.

State financial aid has grown from \$6.4 million in fiscal year 2015 to \$7.5 million in fiscal year 2017. These annual amounts are based on state appropriations and the allocation models used to distribute resources among the Colorado colleges and universities.

The UNC Foundation Named and Endowed Scholarships are from donations given by specific individuals or organizations for a specific type of scholarship, such as baseball or tennis in athletics, or a program like the Cumbres Learning Community, Early Childhood Education, Music, Chemistry or Math. Some of these are from annual donations and others are funded with the payout from an endowment.

The UNC Foundation Scholarships line item in the Grants and Contract Revenue chart represents annual donations that are primarily for athletic scholarships. It also includes donations for the Greeley Promise Scholarship Award and money raised through the annual phone-a-thon to support institutional financial aid awards.



Operating Expenses

For fiscal year 2017, total expenses of \$268.7 million included operating expenses of \$261.1 million and interest expenses and other losses of \$7.6 million. Operating expenses increased 21.5% in fiscal year 2017, 1.7% in fiscal year 2016 and 3.9% in fiscal year 2015. The change from fiscal year 2015 to 2016 was \$3.7 million, and the change from fiscal year 2016 to 2017 was \$46.2 million.

Natural Classification

Operating Expenses by Natural Classification For the Years Ended June 30,						
	2017		2016		2015	
Personnel Costs	\$146,460,017	56.2%	\$137,992,460	64.3%	\$134,503,560	63.7%
Personnel Costs (GASB 68)	37,699,214	14.4%	3,726,471	1.7%	2,996,437	1.4%
Cost of Goods Sold	4,886,868	1.9%	4,817,360	2.2%	5,044,030	2.4%
Other Current Expenses	54,679,314	20.9%	50,880,107	23.7%	51,604,563	24.4%
Depreciation	17,396,751	6.6%	17,454,932	8.1%	17,069,138	8.1%
Total Operating Expenses	<u>\$261,122,164</u>	<u>100.0%</u>	<u>\$214,871,330</u>	<u>100.0%</u>	<u>\$211,217,728</u>	<u>100.0%</u>

Natural classification is a method of grouping expenses according to the type of costs that are incurred. The classifications tell what was purchased rather than why an expense was incurred. Personnel costs are the University's largest expense and increased \$3.5 million from fiscal year 2015 to 2016 and \$8.5 million from fiscal year 2016 to 2017.

The largest portion of cost of goods sold expense in the University is in auxiliary services. Total cost of goods sold decreased \$0.2 million from fiscal year 2015 to 2016 and increased \$0.1 million from fiscal year 2016 to 2017. The changes in cost of goods sold are related to housing occupancy, meal plans sold, and the cost fluctuations from vendors who sell goods to the University. Other current expenditures represent all other operating expense, which includes supplies, purchased services, utilities, and travel. It decreased \$0.7 million, or 1.4%, from fiscal year 2015 to 2016 and increased \$3.8 million, or 7.5% from fiscal year 2016 to 2017.

Depreciation increased \$0.3 million since fiscal year 2015 as a result of investments in new capital assets.

Wages and Benefits For the Years Ended June 30,				
	2017	2016	2016 to 2017 Change	
			\$ Chg	% Chg
Faculty	\$ 46,185,324	\$ 44,431,228	\$ 1,754,096	3.9%
Administrative	31,140,083	28,574,710	2,565,373	9.0%
Graduate and Teaching Assistants	11,898,910	10,339,684	1,559,226	15.1%
Classified	19,209,302	18,751,492	457,810	2.4%
Student	6,758,569	6,261,136	497,433	7.9%
Other	905,622	1,061,605	(155,983)	-14.7%
Subtotal Wages	<u>116,097,810</u>	<u>109,419,855</u>	<u>6,677,955</u>	<u>6.1%</u>
Fringe Benefits	30,362,207	28,572,605	1,789,602	6.3%
Fringe Benefits (GASB 68)	37,699,214	3,726,471	33,972,743	911.7%
Total Wages and Benefits	<u>\$ 184,159,231</u>	<u>\$ 141,718,931</u>	<u>\$ 42,440,300</u>	<u>29.9%</u>

The University continues to work to achieve its overall compensation goals.

In fiscal year 2017, salaries were increased with an overall 3.0% salary pool. The pool included a 2.75% maintenance of effort increase for faculty and a 2.0% maintenance of effort increase for exempt staff. Classified staff received a non-base building increases of 2.0% consistent with what UNC has done when the State of Colorado has not approved a classified increase. The remainder of the 3.0% pool was utilized for faculty promotions, exempt increases to the minimum of their grade from the new human resources exempt compensation model, and classified increases to the minimum pay level of the employee's grade.

In fiscal year 2016, salaries were increased with an overall 3.0% salary pool. The pool included 1.5% to address faculty parity and merit, 2.0% to address exempt staff parity and merit, a 1.5% maintenance of effort increase for faculty, and a 1.0% maintenance of effort increase for exempt staff. Classified staff increases ranged from 1.0% to 2.0% as directed by the State of Colorado.

In fiscal year 2015, salaries were increased with an overall 3.0% salary pool consisting of 2.0% to address faculty and exempt staff parity and merit, a 1.0% maintenance of effort increase for faculty and exempt staff, and classified staff increases ranging from 2.0% to 4.5% as directed by the State of Colorado.

In addition to salary increases, each year the University assesses human resource allocations and makes targeted investments in positions consistent with the University-wide staffing plan. The annual staffing plan is a position-by-position assessment of the most effective way to accomplish University priorities. Vacant positions may be restructured or eliminated.

Included in the graduate and teaching assistant costs are tuition and fee waivers for graduate students and room and board waivers for resident assistants who live in the residence halls. These amounts increase annually with graduate tuition and fee increases and room and board rate increases. In fiscal year 2017, UNC increased the number of graduate assistantships offered to graduate students.

The increase in fringe benefits each year is primarily due to the changes in contribution rates to the Public Employees Retirement Association (PERA) retirement plan as well as retirement contributions to both PERA and the Optional Retirement Plan (ORP) on higher salary levels.

The statutory employer contribution was 10.15% for fiscal years 2015, 2016, and 2017 and is expected to remain constant. The Amortization Equalization Disbursement (AED) and the Supplemental Amortization Equalization Disbursement (SAED) percentages have increased from 3.8% and 3.5% at the beginning of fiscal year 2015, to the maximum of 5.0% for both categories at the end of fiscal year 2017.

The change in the net pension liability resulted in an additional \$37.7, \$3.7, and \$3.0 million of non-cash accounting-only benefit expense in fiscal years 2017, 2016, and 2015, respectively. Pursuant to generally accepted accounting principles, the University recognizes a proportionate share of the State Division Trust Fund PERA net pension liability with related deferred outflows and inflows of resources. The expense impact of these changes to the Statement of Net Position is recognized in benefit expense.

In calendar year 2016, the most recent measurement period of the PERA defined benefit pension plan, changes in underlying actuarial assumptions and estimates of the Plan were made including the rate of investment return and the discount rate used with the cash flow modeling. The reduction in the discount rate from 7.50% to 5.26% was the single largest factor that increased the net pension liability from \$10.5 billion to \$18.4 billion at December 31, 2016. UNC's proportionate share of this liability increased \$96.9 million from \$134.3 million in fiscal year 2016 to \$231.2 million in fiscal year 2017.

The amortization of this large change in actuarial assumptions and estimates must be expensed over 2.77 years; therefore, UNC had a total of \$37.7 million in non-cash pension expense in fiscal year 2017. The amortizations of these changes from fiscal year 2017 will likely create large amounts of pension expense in the upcoming two fiscal years as well. More information related to PERA is in *Note 10: Defined Benefit Pension Plan* and *Note 11: Other PERA Retirement Plans*.

Functional Classification

Operating Expenses by Functional Classification						
For the Years Ended June 30,						
	2017		2016		2015	
Instruction	\$ 90,159,624	34.5%	\$ 79,311,964	36.9%	\$ 78,279,035	37.1%
Research	4,056,537	1.5%	3,218,884	1.5%	2,583,079	1.2%
Public Service	1,858,284	0.7%	1,861,304	0.9%	1,743,671	0.8%
Academic Support	25,484,300	9.8%	20,548,582	9.6%	20,974,001	9.9%
Student Services	32,845,380	12.6%	28,059,534	13.1%	27,257,539	12.9%
Institutional Support	25,314,968	9.7%	15,117,300	7.0%	13,574,402	6.4%
Operation of Plant	20,100,905	7.7%	10,430,629	4.8%	10,032,241	4.8%
Scholarships and Fellowships	13,540,083	5.2%	12,385,714	5.8%	12,494,877	5.9%
Auxiliary Operating Expenditures	30,365,332	11.6%	26,482,487	12.3%	27,209,745	12.9%
Depreciation	17,396,751	6.7%	17,454,932	8.1%	17,069,138	8.1%
Total Operating Expenses	<u>\$261,122,164</u>	<u>100.0%</u>	<u>\$214,871,330</u>	<u>100.0%</u>	<u>\$211,217,728</u>	<u>100.0%</u>

Functional classification is a method of grouping expenses according to the purpose for which the costs are incurred. The classifications tell why an expense was incurred rather than what was purchased. There were increases in most of the functional categories, but the impact of GASB 68 has distorted the University's Operating Expenses by Functional Classification, so the following table is presented with the impact of GASB 68 removed, so the true changes in expense can be examined:

Operating Expenses by Functional Classification						
(without GASB 68)						
For the Years Ended June 30,						
	2017		2016		2015	
Instruction	\$ 80,605,146	36.1%	\$ 78,217,972	37.0%	\$ 77,395,890	37.2%
Research	3,865,729	1.7%	3,203,497	1.5%	2,570,772	1.2%
Public Service	1,660,219	0.7%	1,842,194	0.9%	1,727,866	0.8%
Academic Support	20,346,245	9.1%	20,010,610	9.5%	20,537,622	9.9%
Student Services	29,878,978	13.4%	27,755,844	13.1%	27,012,256	13.0%
Institutional Support	17,823,040	8.0%	14,447,727	6.8%	13,038,202	6.3%
Operation of Plant	11,621,056	5.2%	9,693,987	4.6%	9,445,508	4.5%
Scholarships and Fellowships	13,540,083	6.1%	12,385,714	5.9%	12,494,877	6.0%
Auxiliary Operating Expenditures	26,685,703	11.9%	26,132,382	12.4%	26,929,160	12.9%
Depreciation	17,396,751	7.8%	17,454,932	8.3%	17,069,138	8.2%
Total Operating Expenses	<u>\$223,422,950</u>	<u>100.0%</u>	<u>\$211,144,859</u>	<u>100.0%</u>	<u>\$208,221,291</u>	<u>100.0%</u>

GASB 68 Functional Expense for the Years Ended June 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Instruction	\$ 9,554,478	\$ 1,093,992	\$ 883,145
Research	190,808	15,387	12,307
Public Service	198,065	19,110	15,805
Academic Support	5,138,055	537,972	436,379
Student Services	2,966,402	303,690	245,283
Institutional Support	7,491,928	669,573	536,200
Operation of Plant	8,479,849	736,642	586,733
Scholarships and Fellowships	-	-	-
Auxiliary Operating Expenditures	3,679,629	350,105	280,585
Depreciation	-	-	-
Total Non-cash GASB 68 Expense	<u><u>\$37,699,214</u></u>	<u><u>\$ 3,726,471</u></u>	<u><u>\$ 2,996,437</u></u>

In fiscal year 2017, UNC management conducted a review of its functional accounting which resulted in some shifts in expenditures between instruction, academic support, student services, institutional support, and operation of maintenance and plant. The majority of these changes were in Extended Campus where some expenditures historically charged to instruction or general academic support were changed to student services, institutional support, and operation of plant. A change was also made to the functional allocation of the employee and dependent tuition waivers, which shifted costs from the other functional areas to institutional support. These changes better reflect the function of these activities in agreement with the definitions outlined in the National Association for College and University Business Officers' Financial Reporting and Accounting Manual.

When looking at expenditures without the impact of GASB 68, operating expenditures increased \$12.3 million dollars in fiscal year 2017 from fiscal year 2016. The increases were \$6.7 million dollars in wages, \$1.8 million in employee benefits, \$1.2 million in scholarships, and \$2.6 million in other operating expenditures. The wages and benefits increase spanned across all functional categories but was weighted slightly toward instruction because faculty received 2.75% maintenance of effort increases, whereas exempt and classified received 2.0%. UNC also increased the number of graduate assistantships in fiscal year 2017, and those positions were primarily in instruction and student services. In fiscal year 2017, the AED and SAED contribution rates reached their maximum of 5% in January of 2017, contributing to the increase in employee benefits expense, which is also recognized in all the functional categories in a proportional relationship to salaries.

Other increases by functional categories that are new, and not attributable to internal functional review reclassifications, include institutional support and student services increases from the addition of the new Campus Community and Climate division. The University moved positions from the UNC Foundation to UNC which increased institutional support. The UNC Foundation has increased the amount of the Memorandum of Understanding (MOU) to reimburse UNC for these positions, which is reflected in revenue. The University also addressed the legislation for Federal Labor Standards Act overtime by reviewing position descriptions and adjusting some employee salaries to the minimal level that does not require overtime. Many of these salaries were in the institutional support and student services areas.

Scholarships and fellowships increased \$1.2 million dollars from fiscal 2016 to fiscal 2017. Increases in UNC institutional scholarships are the largest factor impacting the change. Some of the larger nonpersonnel expenditures included in the \$2.6 million increase were for athletics travel in student services, course participant travel in instruction, computers for academic computing labs in academic support, and teaching and lab supplies in instruction.

A matrix in *Note 15: Operating Expenses by Function Compared with Operating Expenses by Natural Classification* demonstrates how much expense by natural classification is included in each functional classification and includes the impact of GASB 68.

Nonoperating Revenues and Expenses

The nonoperating financial statement line item titled “Federal grants and contracts revenue” is Pell grant revenue which is the largest portion of nonoperating revenue. The University received \$0.4 million more in fiscal year 2017 than in fiscal year 2016 and \$0.7 million less in fiscal year 2016 than in fiscal year 2015. The amount of Pell Grant revenue is based on student need and several other factors set by the federal government. The University Office of Financial Aid works with all eligible students to help them determine if they qualify for this aid. The Department of Education changed legislation to begin awarding Pell for summer term in late 2017. The financial aid office retroactively awarded approximately \$0.3 million for summer of 2017, which will be recognized in revenue in fiscal year 2018.

The University’s other nonoperating revenues are made up of investment income and activities that are not earned from the sale of goods and services, such as broadband lease revenue, purchasing card rebate revenue, and utility rebate revenue from the use of the west campus generator. The expenses in this category include the costs of issuing bonds, the refunds of the Federal Capital Contributions required by the Federal Perkins Loan program, and closing costs on the sale of property.

The lease and rebate revenues have remained constant at \$0.8 million for the past three fiscal years. Bond issue costs were \$0.2, \$0.0, and \$0.1 million in fiscal years 2017, 2016, and 2015 respectively. In fiscal year 2017 the University received a one-time endowment distribution from the NCAA for \$0.5 million, which required a spending plan which benefits the health and welfare of athletic students.

In nonoperating expenses in fiscal year 2017, the University returned \$1.2 million of Federal Capital Contributions to the Federal Perkins Loan Program in accordance with the annual excess liquid capital calculation due each year, and \$1.5 million was returned in fiscal year 2016. In fiscal year 2017, UNC sold University Apartments and recognized \$0.5 million in closing costs in nonoperating expenditures as part of the transaction.

In fiscal year 2017, interest on capital-related debt increased \$0.6 million due to the issue of the 2016A bonds for the construction of the Campus Commons. Interest on capital-related debt decreased \$0.2 million from fiscal year 2015 to fiscal year 2016 due to savings from refinancing the 2005 bond issue. In addition, the University has benefited from low market interest rates on the 2011B variable rate bonds for multiple years.

The interest on capital-related debt in the Statement of Revenues, Expenses, and Changes in Net Position is slightly different from what is reflected on the Statement of Cash Flows. The Statement of Cash Flows represents the cash payments, where the Statement of Revenues, Expenses, and Changes in Net Position includes both the cash payments and the non-cash amortization transactions related to bond refundings.

Other Changes

In fiscal year 2017, the University received a total of \$15.2 million in state capital appropriations. This included \$12.1 million for the Campus Commons, \$0.3 million for fire sprinkler upgrades, \$0.4 million for roof replacements, and \$2.4 million for wireless network upgrades. The University utilized \$0.2 million in donations for the Campus Commons and received two collections of albums and diaries for the historical archives.

Other changes in fiscal year 2017 includes the gain on the sale of University Apartments. The sale price was \$7.1 million and the book value was \$1.1 million for a gain of \$6.0 million. The transaction included \$0.5 million in closing costs which was recognized as a nonoperating expense.

In fiscal year 2016, the University received \$2.4 million in state capital appropriations for the Campus Commons design, fire sprinkler upgrades, and roof replacements. The University received \$1.1 million in capital grants and gifts for the construction of the Campus Commons, renovations to Gray Hall and a scoreboard for Jackson Field. The total Campus Commons appropriation is \$38.0 million. Construction began in the fall of 2016. The revenue is recognized in the Statement of Revenues, Expenses, and Changes in Net Position as expenditures are incurred rather than when a project is appropriated.

In fiscal year 2015 the University received \$0.6 million in state capital appropriations for fire sprinkler upgrades and roof replacements. The University received \$1.2 million in capital grants and gifts for the Kepner Financial Education Center, Gray Hall, and the Athletics scoreboard.

Note 16: Legislative Appropriations provides detailed information on capital appropriations from the State of Colorado.

Economic Outlook

The University's financial (or economic) position is impacted primarily by enrollment, but it is also affected by funding from the state legislature. The combination of tuition, fees, and auxiliary revenue generated from students is 64.5% of the University's operating revenue. The College Opportunity Fund plus the Fee-For-Service contract comprised 19.3% of the University's operating revenues in fiscal year 2017. The University received a decrease of \$2.0 million for these state-funded revenues in fiscal year 2017.

The economic outlook from Legislative Council is conservative, yet optimistic. They expect the U.S. and Colorado economies to continue to grow at a moderate and steady pace through 2019. The U.S. economy has strengthened in business performance, employment, and consumer spending, but it also has structural dynamics, such as the accelerating rate of demographic changes as baby boomers retire, that are acting as constraints on economic growth. Despite the constraining factors, the economic expansion in Colorado will remain one of the strongest in the country. The state's unemployment rate is one of the lowest in the nation, which contributes to high consumer confidence and more wage pressure than other areas of the nation. Colorado also has a diverse collection of businesses that make it better equipped to weather changes in individual industries. However, regions that have historically relied on coal and gas extraction, steel refining, and agriculture will continue to expand at weaker rates than the mountain and northern Front Range regions. The impacts of Hurricanes Harvey and Irma will cause disruptions in the national energy and agriculture markets and contribute to rising fuel and food prices in the short term, among other redistributions of national economic activity. Colorado's agriculture industry could benefit from widespread damage to Florida's agricultural industry and higher prices for agricultural products because the effects on agriculture and food price inflation are expected to take the longest to normalize after the natural disasters.

The University's management will continue to monitor the developments with the Legislative Council forecasts and the Governor's budget proposals for any potential impacts on higher education funding. University management continues to move forward to achieve long-term fiscal sustainability assuming limited state support.

Student Headcount Enrollment				
Fall Final (for Fiscal Year)	Under- Graduate	Graduate	Total	Percent Change
Fall 16 (FY17)	10,011	3,076	13,087	7.1%
Fall 15 (FY16)	9,430	2,786	12,216	1.4%
Fall 14 (FY15)	9,469	2,581	12,050	-5.2%
Fall 13 (FY14)	9,947	2,763	12,710	-2.8%
Fall 12 (FY13)	10,318	2,752	13,070	0.2%

The outlook for fall 2017 is that overall student headcount enrollment will increase 5.8% over fall 2016. At fall 2017 census, the University enrollment was 708 students greater than census the previous year. The University is experiencing growth in Extended Campus undergraduate and graduate enrollment. Extended Campus offers a variety of undergraduate and graduate degree, certificate, and licensure programs through three sites in Loveland, Denver, and Colorado Springs and through UNC Online. For undergraduate enrollment, new transfer students have increased 2.2%, while new first-time and continuing students have held steady. New first-time graduate students increased 5.4% and continuing graduate students increased 9.4%. Graduate students will be about 23.1% of our student body in fiscal year 2017, which is consistent with the University's growth strategy. The fall to fall persistence of all degree seeking undergraduates from fall 2016 to fall 2017 is 82.3%. These are positive indicators as the University continues to focus on increasing enrollment and moves into the fourth year of its five-year fiscal sustainability plan

The University is increasing enrollment by sharpening undergraduate recruitment strategies, and supporting student persistence and success. The Campus Commons is an integral part of improving our student support. Construction is underway and the building is expected to be open in January 2019.

For additional information regarding this report please contact:

Susan L. Simmers, MBA
 Assistant Vice President for Finance
 University of Northern Colorado
 501 20th Street, Campus Box 22
 Greeley, CO 80639
 (970) 351-2109
www.unco.edu/budget

(Page intentionally left blank)

FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

AS OF JUNE 30, 2017

	University of Northern Colorado	University of Northern Colorado Foundation, Incorporated
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 53,216,795	\$ 4,107,862
Student accounts receivable, net	6,853,821	-
Pledges receivable, net, current portion	-	1,425,223
Other receivables, net	5,271,393	129,343
Investments, current portion	-	2,000,000
Inventories	901,693	-
Loans to students, net, current portion	409,365	-
Other assets	796,489	67,167
Total Current Assets	<u>67,449,556</u>	<u>7,729,595</u>
Noncurrent Assets		
Restricted cash and cash equivalents	28,115,315	-
Restricted investments	1,559,893	-
Pledges receivable, net, noncurrent portion	-	3,549,625
Loans to students, net, noncurrent portion	4,742,932	-
Investments, noncurrent portion	-	110,002,852
Capital assets, net	251,529,733	901,145
Total Noncurrent Assets	<u>285,947,873</u>	<u>114,453,622</u>
TOTAL ASSETS	<u>353,397,429</u>	<u>122,183,217</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt refundings	2,831,843	-
Deferred amount on pensions	72,284,159	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>75,116,002</u>	<u>-</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	18,524,969	816,363
Unearned revenue	8,511,547	-
Bonds/notes payable, current portion	4,335,000	-
Capital leases payable, current portion	900,828	-
Funds held for the University of Northern Colorado	-	576,377
Other current liabilities	1,914,198	-
Total Current Liabilities	<u>34,186,542</u>	<u>1,392,740</u>
Noncurrent Liabilities		
Unearned revenue	90,000	-
Bonds/notes payable, noncurrent portion	154,506,463	-
Capital leases payable, noncurrent portion	7,653,840	-
Other noncurrent liabilities	64,802	-
Net pension liabilities	231,167,892	-
Annuity obligations	-	125,165
Compensated absence liabilities	4,652,566	-
Total Noncurrent Liabilities	<u>398,135,563</u>	<u>125,165</u>
TOTAL LIABILITIES	<u>432,322,105</u>	<u>1,517,905</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on debt refundings	859,854	-
Deferred amount on pensions	3,038,983	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,898,837</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	113,419,470	901,145
Restricted for:		
Nonexpendable		
Scholarships and fellowships	306,155	45,895,901
Academic support	1,400	-
Other	-	38,782,406
Expendable		
Scholarships and fellowships	264,553	4,917,710
Loans	6,222,832	-
Bond reserve	750,000	-
Other	121,486	19,793,504
Unrestricted	(128,793,407)	10,374,646
TOTAL NET POSITION	<u>\$ (7,707,511)</u>	<u>\$ 120,665,312</u>

See notes to the financial statements

FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

AS OF JUNE 30, 2016

	University of Northern Colorado	University of Northern Colorado Foundation, Incorporated
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 46,123,470	\$ 2,127,911
Student accounts receivable, net	6,212,773	-
Pledges receivable, net, current portion	-	2,656,428
Other receivables, net	6,165,775	135,441
Investments, current portion	-	4,750,000
Inventories	996,531	-
Loans to students, net, current portion	361,443	-
Other assets	776,390	91,931
Total Current Assets	<u>60,636,382</u>	<u>9,761,711</u>
Noncurrent Assets		
Restricted cash and cash equivalents	750,000	-
Restricted investments	9,451,163	-
Pledges receivable, net, noncurrent portion	-	4,452,645
Loans to students, net, noncurrent portion	5,188,757	-
Investments, noncurrent portion	-	99,617,900
Capital assets, net	244,140,042	964,826
Total Noncurrent Assets	<u>259,529,962</u>	<u>105,035,371</u>
TOTAL ASSETS	<u>320,166,344</u>	<u>114,797,082</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt refundings	3,055,605	-
Deferred amount on pensions	15,347,693	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>18,403,298</u>	<u>-</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	16,128,419	670,228
Unearned revenue	7,327,689	-
Bonds/notes payable, current portion	4,175,000	-
Capital leases payable, current portion	1,655,526	-
Funds held for the University of Northern Colorado	-	603,137
Other current liabilities	1,920,937	-
Total Current Liabilities	<u>31,207,571</u>	<u>1,273,365</u>
Noncurrent Liabilities		
Bonds/notes payable, noncurrent portion	131,754,086	-
Capital leases payable, noncurrent portion	8,554,668	-
Other noncurrent liabilities	64,802	-
Net pension liabilities	134,262,416	-
Annuity obligations	-	130,830
Compensated absence liabilities	4,457,548	-
Total Noncurrent Liabilities	<u>279,093,520</u>	<u>130,830</u>
TOTAL LIABILITIES	<u>310,301,091</u>	<u>1,404,195</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on debt refundings	897,375	-
Deferred amount on pensions	5,308,778	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,206,153</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	104,481,541	964,826
Restricted for:		
Nonexpendable		
Scholarships and fellowships	306,155	42,582,836
Academic support	1,400	-
Other	-	36,246,885
Expendable		
Scholarships and fellowships	290,430	4,485,485
Loans	7,211,775	-
Bond reserve	750,000	-
Other	200,931	19,498,897
Unrestricted	(91,179,834)	9,613,958
TOTAL NET POSITION	<u>\$ 22,062,398</u>	<u>\$ 113,392,887</u>

See notes to the financial statements

FINANCIAL STATEMENTS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	University of Northern Colorado	University of Northern Colorado Foundation, Incorporated
Operating Revenues		
Student tuition and fees, net	\$ 113,365,937	\$ -
Contributions	-	5,736,387
Contributed services	-	75,521
Federal grants and contracts	6,461,404	-
State and local grants and contracts	7,888,001	-
State Fee-For-Service contract	24,298,624	-
Nongovernmental grants and contracts	8,018,831	-
Sales and services of educational activities	364,316	-
Auxiliary operating revenue	32,507,550	-
Interest and dividends	-	1,954,570
Net realized and unrealized gain (loss)	-	9,891,331
Other operating revenue	10,217,363	403,296
Total Operating Revenues	203,122,026	18,061,105
Operating Expenses		
Educational and general		
Instruction	90,159,624	-
Research	4,056,537	-
Public service	1,858,284	-
Academic support	25,484,300	-
Student services	32,845,380	-
Institutional support	25,314,968	-
Operation of plant	20,100,905	-
Scholarships and fellowships	13,540,083	-
Program	-	9,664,369
Management and general	-	777,725
Fundraising	-	56,134
Pledges receivable write off	-	290,452
Auxiliary operating expenditures	30,365,332	-
Depreciation	17,396,751	-
Total Operating Expenses	261,122,164	10,788,680
Operating Income (Loss)	(58,000,138)	7,272,425
Nonoperating Revenues (Expenses)		
Investment income, net of investment expense	476,990	-
Interest on capital asset related debt	(5,618,012)	-
Federal grants and contracts revenue	12,430,273	-
Other nonoperating revenue (expense)	(555,875)	-
Net Nonoperating Revenues (Expenses)	6,733,376	-
Income (Loss) Before Other Revenues (Expenses) or Gains (Losses)	(51,266,762)	7,272,425
Capital appropriations	15,242,549	-
Capital grants and gifts	269,694	-
Gain (Loss) on disposal of capital assets	5,984,610	-
Total Other Changes	21,496,853	-
Increase (Decrease) in Net Position	(29,769,909)	7,272,425
Net Position, Beginning of Year	22,062,398	113,392,887
Net Position, End of Year	\$ (7,707,511)	\$ 120,665,312

See notes to the financial statements

FINANCIAL STATEMENTS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	University of Northern Colorado	University of Northern Colorado Foundation, Incorporated
Operating Revenues		
Student tuition and fees, net	\$ 105,880,660	\$ -
Contributions	-	7,696,256
Contributed services	-	151,076
Federal grants and contracts	6,275,948	-
State and local grants and contracts	7,288,182	-
State Fee-For-Service contract	26,017,614	-
Nongovernmental grants and contracts	7,518,439	-
Sales and services of educational activities	463,225	-
Auxiliary operating revenue	32,178,117	-
Interest and dividends	-	2,033,795
Net realized and unrealized gain (loss)	-	(5,182,733)
Other operating revenue	9,435,869	436,192
Total Operating Revenues	<u>195,058,054</u>	<u>5,134,586</u>
Operating Expenses		
Educational and general		
Instruction	79,311,964	-
Research	3,218,884	-
Public service	1,861,304	-
Academic support	20,548,582	-
Student services	28,059,534	-
Institutional support	15,117,300	-
Operation of plant	10,430,629	-
Scholarships and fellowships	12,385,714	-
Program	-	10,631,956
Management and general	-	688,465
Fundraising	-	280,072
Pledges receivable write off	-	55,403
Auxiliary operating expenditures	26,482,487	-
Depreciation	17,454,932	-
Total Operating Expenses	<u>214,871,330</u>	<u>11,655,896</u>
Operating Income (Loss)	<u>(19,813,276)</u>	<u>(6,521,310)</u>
Nonoperating Revenues (Expenses)		
Investment income, net of investment expense	488,870	-
Interest on capital asset related debt	(5,121,899)	-
Federal grants and contracts revenue	12,071,525	-
Other nonoperating revenue (expense)	(684,596)	-
Net Nonoperating Revenues (Expenses)	<u>6,753,900</u>	<u>-</u>
Income (Loss) Before Other Revenues (Expenses) or Gains (Losses)	(13,059,376)	(6,521,310)
Capital appropriations	2,380,995	-
Capital grants and gifts	1,105,316	-
Loss on disposal of capital assets	(4,629)	-
Total Other Changes	<u>3,481,682</u>	<u>-</u>
Increase (Decrease) in Net Position	(9,577,694)	(6,521,310)
Net Position, Beginning of Year	<u>31,640,092</u>	<u>119,914,197</u>
Net Position, End of Year	<u>\$ 22,062,398</u>	<u>\$ 113,392,887</u>

See notes to the financial statements

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>
Operating Activities		
<u>Cash Received</u>		
Tuition and fees	\$ 112,954,296	\$ 105,789,093
State Fee-For-Service contract	28,393,986	21,922,252
Sales and services of educational activities	108,664	560,471
Sales and services of auxiliary activities	32,473,061	31,841,071
Grants and contracts	6,185,212	6,499,722
Federal financial aid	682,180	624,048
State financial aid	7,526,981	6,970,679
UNC Foundation grants	690,154	420,127
UNC Foundation gifts	2,900,471	2,812,482
UNC Foundation scholarships	4,243,388	4,169,860
Other receipts	10,601,132	9,167,560
Student loans collected	898,156	1,145,773
<u>Cash Payments</u>		
Payments to or for employees	(144,800,363)	(137,114,039)
Payments to suppliers	(45,253,699)	(43,408,323)
Scholarships disbursed	(13,540,083)	(12,385,528)
Student loans disbursed	(556,363)	(628,298)
Net cash provided (used) by operating activities	<u>3,507,173</u>	<u>(1,613,050)</u>
Noncapital Financing Activities		
Federal Pell grant nonoperating funds	12,430,273	12,071,525
Other nonoperating revenues (expenses) - rental, lease, other	152,651	(684,596)
Agency inflows - campus organizations and scholarships	10,524,583	9,257,294
Agency outflows - campus organizations and scholarships	(10,505,015)	(9,247,965)
Agency inflows - student loans	79,578,238	76,382,351
Agency outflows - student loans	(79,578,238)	(76,382,351)
Net cash provided (used) by noncapital financing activities	<u>12,602,492</u>	<u>11,396,258</u>
Capital and Related Financing Activities		
Acquisition and construction of capital assets	(25,575,180)	(16,953,178)
Net proceeds from disposal of capital assets	6,585,067	-
Proceeds from state capital appropriations	13,312,880	2,380,995
Proceeds from UNC Foundation for capital gifts	220,498	991,127
Proceeds from 2016 bonds issued	27,558,906	-
Proceeds from energy performance capital lease	-	8,850,000
Bond refinancing costs paid	(193,592)	32,695
Principal paid on bonds payable	(4,175,000)	(4,020,000)
Principal paid on capital leases	(1,655,526)	(2,129,372)
Interest paid on capital debt and notes payable	(6,097,337)	(5,432,227)
Net cash provided (used) by capital and related financing activities	<u>9,980,716</u>	<u>(16,279,960)</u>
Investing Activities		
Investment and utilization of proceeds in escrow for energy performance capital lease	7,891,269	(8,850,000)
Investment earnings (loss)	476,990	498,825
Net cash provided (used) by investing activities	<u>8,368,259</u>	<u>(8,351,175)</u>
Increase (Decrease) in Cash and Cash Equivalents	34,458,640	(14,847,927)
Cash and Cash Equivalents, Beginning of Year	<u>46,873,470</u>	<u>61,721,397</u>
Cash and Cash Equivalents, End of Year	<u>\$ 81,332,110</u>	<u>\$ 46,873,470</u>

See notes to the financial statements

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>
Reconciliation of Net Operating Income(Loss) to Net Cash Provided		
(Used) by Operating Activities		
Operating income (loss)	\$ (58,000,138)	\$ (19,813,276)
Depreciation expense	17,396,751	17,454,932
Changes in the net pension liability and related deferred outflows and inflows	37,699,214	3,726,471
Student loan cancellations	64,230	116,280
Changes in operating assets and liabilities		
Student accounts receivable, net	(684,146)	(140,310)
Other receivables, net	2,814,108	(3,592,233)
Inventories	333,672	102,385
Loans to students, net	94,838	515,718
Other current assets	(20,099)	(314,827)
Accounts payable	589,486	(509,146)
Accrued payroll	1,724,502	838,351
Unearned revenues	1,183,858	(438,095)
Other current liabilities	97,921	358,354
Accrued compensated absences	212,976	82,346
Net cash provided (used) by operating activities	<u>\$ 3,507,173</u>	<u>\$ (1,613,050)</u>
Reconciliation of Cash and Cash Equivalents to the		
Statement of Net Position		
Cash and cash equivalents	\$ 53,216,795	\$ 46,123,470
Restricted cash and cash equivalents	28,115,315	750,000
Total cash and cash equivalents	<u>\$ 81,332,110</u>	<u>\$ 46,873,470</u>

See notes to the financial statements

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

Nature of Operations and Governance

The University of Northern Colorado (the University or UNC) is a public institution of higher education offering a broad general curriculum, along with preparation for selected professions within the fields of business, education, health services, and music. UNC also offers programs for 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. As an institution of the State of Colorado, the University's operations and activities are funded in part through Fee-For-Service contracts with the state.

The University also engages in research, offers student financial aid, and provides other services which are funded through grants and contracts, including grants from the University of Northern Colorado Foundation, Incorporated.

The 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.

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.

The financial statements present the University (primary government) and its discretely presented component unit in accordance with generally accepted accounting principles in the United States of America. The component unit is included in the University's reporting entity because of the significance of its operational and financial relationships with the University, in accordance with Statement No. 61 of the Governmental Accounting Standards Board (GASB), The Financial Reporting Entity. Financial statements of the discretely presented component unit can be obtained from its administrative office. The University has the University of Northern Colorado Foundation, Incorporated (the Foundation) as a discretely presented component unit.

The University of Northern Colorado Foundation, Incorporated

The University of Northern Colorado Foundation, Incorporated is a legally separate, tax-exempt component unit of the University, incorporated under Article 40, Title 7 of the Colorado Revised Statutes of 1973. The Foundation was established in February 1966 to promote the welfare, development, and growth of the University and also to permit the Foundation to engage in activities that may be beyond the scope of the Board of Trustees of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources 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 be used only 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.

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 Foundation reports under Financial Accounting Standards Board (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 financial information in the University's financial reporting for these differences.

Unrestricted Cash and Cash Equivalents

For purposes of reporting cash flows, the University defines cash and cash equivalents as cash on hand, demand deposit accounts with financial institutions, pooled cash with the State Treasury, and all highly liquid investments with original maturities of three months or less. As of June 30, 2017, cash equivalents consisted primarily of funds invested through the State Treasury cash management program.

Restricted Cash and Cash Equivalents

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

Investments and Investment Income

Investments in equity and debt securities are carried at fair value. Fair value is determined using quoted market prices. Investment income consists of interest and dividend income plus the current year change in unrealized gain (loss) on the fair value of investments. The University's investments generally include direct obligations of the U.S. government and its agencies, money market funds, mutual funds, and guaranteed investment contracts. Endowments are pooled to the extent possible under gift agreements. The Foundation manages certain 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 is recorded net of estimated uncollectible amounts.

Inventories

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

Loans to Students

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$2,482,651 and \$2,220,689 at June 30, 2017, and 2016, respectively.

Capital Assets

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

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

Total interest is presented in the following table:

University Interest Capitalized and Expensed	2017	2016
Interest expense capitalized related to self-funded projects	(277,456)	(129,136)
Interest charged to expense for bonds and capital leases	5,895,468	5,251,035
Total interest	<u>\$5,618,012</u>	<u>\$5,121,899</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 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 life of the asset, generally 40 years for buildings and improvements, 20 years for land improvements, 3 years for software, 10 years for library books, and 3-10 years for equipment and vehicles. Depreciation expense is not allocated among functional categories.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position contains a separate section for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows and inflows of resources, represent the consumption and acquisition of net position that applies to future periods; therefore, they are not recognized as an outflow or inflow of resources (expense/or deduction to expense) until that time.

Capital Leases Payable

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.

Unearned Revenue

The University prorates the summer session revenues on a 50% split between two fiscal years. 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 unearned revenue. Unearned revenue also include amounts received from grant and contract sponsors that have not yet been earned.

Classification of Revenues

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

Operating Revenues

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

Nonoperating Revenues

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, investment income, and other revenue sources that are defined as nonoperating revenues by *GASB 9: Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and *GASB 34: Basic Financial Statements and Management's Discussion and Analysis*.

Pell grants of \$12,430,273 and \$12,071,525 at June 30, 2017, and 2016, respectively, are recorded as nonoperating revenue as defined by the 2007 amendment of the GASB Comprehensive Implementation Guide regarding nonoperating presentation of Pell grants (Question 7.72.10).

Tax-Exempt Status and Income Taxes

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

The University had income tax liability related to income generated from activities unrelated to the University's exempt purposes of \$9,178 and \$2,466 as of June 30, 2017, and 2016, respectively. These activities include the taxable portion of sponsorship agreements that are considered advertising by the Internal Revenue Service tax code definitions. It also includes taxable income related to the rental of campus facilities for weddings, conferences, and other activities unrelated to the mission of the institution.

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 position during the reporting period. Actual results could differ from those estimates. Significant estimates have been made regarding compensated absences expense, scholarship allowances, and bad debt allowances for accounts receivable as described below.

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

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the financial statement 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 Statement of Revenues, Expenses, and Changes in Net Position. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental financial aid programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded scholarship allowances. The scholarship allowances on tuition and fees and housing were approximately \$34.8 and \$30.0 million for the fiscal years ended June 30, 2017, and 2016, respectively.

Bad Debt Allowance

Bad debt is recorded as a contra-revenue. It is estimated using information about the age of the accounts receivable balance and historical collection rates.

Note 2: Cash and Cash Equivalents

Unrestricted Cash and Cash Equivalents

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

<u>Unrestricted Cash and Cash Equivalents</u>	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 53,419	\$ 52,473
Cash with U.S. financial institutions	18,868,712	13,902,272
Cash with Colorado State Treasury	34,322,029	31,953,340
Unrealized gain (loss) - cash with State Treasury	<u>(27,365)</u>	<u>215,385</u>
Total unrestricted cash and cash equivalents	<u>\$ 53,216,795</u>	<u>\$ 46,123,470</u>

Restricted Cash and Cash Equivalents

The University holds restricted cash of \$0.8 million with the State Treasury to meet required bond covenants related to the auxiliary revenue refunding and improvement bonds. The remaining \$27.4 million held by the State Treasury is the unexpended proceeds from the Campus Commons bond issue.

State Treasury Pool

The University deposits the majority of its cash with the Colorado State Treasury as required by Colorado Revised Statutes (C.R.S.). The State Treasury pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Money deposited in the State Treasury is invested until the cash is needed. As of June 30, 2017, the University had total cash on deposit with the State Treasury of \$62.4 million (\$34.3 million unrestricted and \$28.1 million restricted), which represented approximately 0.92% of the total \$6,770.2 million fair value of deposits in the State Treasury Pool (Pool).

On the basis of the University's participation in the Pool, the University reports an increase or decrease in cash for its share of the Treasury's unrealized gains and losses on the Pool's underlying investments. The State Treasury does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Additional information on investments of the State Treasury pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2017.

Custodial Credit Risk – Cash and Cash Equivalents

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

At June 30, 2017, all of the cash and cash equivalents held by the State Treasury and U.S. financial institutions were therefore not subject to custodial credit risk. The State Treasury Pool was not subject to foreign currency risk or concentration of credit risk in fiscal year 2017.

Interest Rate Risk

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of the investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings.

Credit Quality Risk

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations from the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government.

Note 3: Investments

University of Northern Colorado

The University's investments on June 30, 2017, include certain endowments held at the Foundation which are restricted by the donors. In fiscal year 2016, the \$8.9 million of proceeds from the energy performance capital lease was invested with the escrow agent, BOKF, N.A. in the Cavanal Hill U.S. Treasury Fund, which is a money market portfolio of U.S. Government Obligations. These investments are subject to Colorado Revised Statutes Title 15, Article 1, Part 11 "Uniform Prudent Management of Institutional Funds Act" or UPMIFA.

Fair value of investments held at June 30, are detailed in the table below:

Investment Types	2017	2016	Maturity
Fixed Income U.S. Government Obligations	\$ 414,913	\$ 481,463	1-5 years
Fixed Income U.S. Government Obligations	126,045	102,092	Less than 1 year
Money Market Funds - Capital Lease Escrow	985,012	8,850,301	N/A
Money Market Funds	33,923	17,307	N/A
Total University Restricted Investments	\$ 1,559,893	\$ 9,451,163	

Fair Value Measurements

GASB 72: Fair Value Measurement and Application, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.
- Level 2: Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the University's assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the University's data.

When available, quoted prices are used to determine fair value by the University. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. The University Level 1 investments primarily consist of investments in mutual funds and cash equivalents, which are classified as Level 1. The University's fixed income obligations are classified as Level 2.

The University investment custodians generally use a multi-dimensional relational model when determining the value of fixed income securities (Level 2). Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others.

Custodial Credit Risk – Investments

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

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

Interest Rate Risk – Investments

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

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

Credit Quality Risk

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. Credit risk applies only 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. The 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 have a Moody's rating of Aaa or better and a Standard & Poor's rating of AA+ or better. Credit quality risk is not available for the Foundation.

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

Maturities and Credit Ratings by Investment Type	2017			
	Fair Value	Duration to Maturity	Weighted - Average	S&P Credit Rating
U.S. Government Obligations	\$ 540,958	2.40 yrs	2.52 yrs	AA+
Money Market Funds - Capital Lease Escrow	985,012	N/A	N/A	N/A
Money Market Funds	33,923	N/A	N/A	N/A
Total University Investments as of June 30	<u>\$ 1,559,893</u>			

Maturities and Credit Ratings by Investment Type	2016			
	Fair Value	Duration to Maturity	Weighted - Average	S&P Credit Rating
U.S. Government Obligations	\$ 583,555	2.64 yrs	2.79 yrs	AA+
Money Market Funds - Capital Lease Escrow	8,850,301	N/A	N/A	N/A
Money Market Funds	17,307	N/A	N/A	N/A
Total University Investments as of June 30	<u>\$ 9,451,163</u>			

University of Northern Colorado Foundation

Recently Adopted Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendment applies to reporting entities that elect to measure the fair value of an investment using the net asset value ("NAV") per share (or its equivalent) practical expedient. The amendment removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The amendment also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendment is effective for all years beginning after December 15, 2016. Earlier application is permitted and entities should apply the amendment in this update retrospectively to all periods presented. As the Foundation measures certain assets using the NAV practical expedient, upon adoption of ASU No. 2015-07, the fair value of these assets were removed from the fair value hierarchy in all periods presented in the Foundation's financial statements. The Foundation will continue to disclose information on these investments for which fair value is measured at NAV as a practical expedient.

Fair Value of Financial Instruments

The carrying amount reported on the Foundation's Statement of Financial Position for cash and cash equivalents, accounts payable and accrued expenses, and certain other liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments. The following methods and assumptions were used by the Foundation in estimating fair value of its other financial instruments:

Pledges – The fair value of pledges is determined by discounting multi-year pledges to net present value using a discount rate commensurate with the payment terms of the pledge. The Foundation also takes into consideration past collection experience and other relevant factors.

Beneficial interest in long-term trusts held by others – The fair value of the beneficial interest in long-term trusts held by others is determined by the fair value of the underlying investments held by the third-party trustees, less the net present value of future cash outflows to lifetime recipients.

Life insurance policies – The fair value of life insurance policies is based upon the estimated cash surrender value of the underlying insurance policy.

Obligations under gift annuity agreements – The fair value of obligations under gift annuity agreements is based upon the payments to be made over the estimated remaining lives of the income beneficiaries and is discounted to present value using discount rates ranging from 2.4% to 5.8%.

Assets held for others – The fair value of assets held for others is determined by the fair value of the underlying investments held by the Foundation, which are securities valued as described on the next page.

Investments – The Foundation values its investments at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted in active markets but are corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest level priority to Level 3 inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The following is a description of the valuation methodologies used for assets measured at fair value:

Equity securities and mutual funds (cash, equities, fixed income, commodities) – Valued at the closing price as reported on the active market on which the individual securities or funds are traded.

Fixed income (individual bonds) – Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings.

Student-managed funds – These funds are managed by students through a class offered at the University. It comprises equity securities, mutual funds, and individual bonds, which are valued as described above.

Beneficial interest in long-term trusts held by others – Valued based on the underlying investments held by the trusts, less the net present value of future cash outflows to lifetime recipients.

Alternative Investments: low correlated hedge, real estate, illiquid credit, and private equity – Valued at net asset value (NAV) of the limited partnership investments as provided by the investment manager. The definition of NAV includes an ownership interest in partners' capital to which a proportionate share of the investment's net assets is attributed.

There were no changes to the valuation techniques used during the period.

The UNC Foundation's investments held at June 30, are detailed below:

University of Northern Colorado Foundation Summary of Investments as of June 30,		
	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 390,986	\$ 442,950
Equities	47,995,736	41,707,187
Fixed income	19,619,610	18,733,869
Alternative investments	21,849,037	14,638,203
Other	<u>22,147,483</u>	<u>28,845,691</u>
Total Foundation Investments	<u>\$ 112,002,852</u>	<u>\$ 104,367,900</u>

The UNC Foundation's investments by level at June 30, are detailed below:

University of Northern Colorado Foundation Investments by Level as of June 30, 2017				
<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash equivalent mutual funds	\$ 390,986	\$ -	\$ -	\$ 390,986
Equities				
Large cap	20,400,840	-	-	20,400,840
International	12,996,075	-	-	12,996,075
Small/mid cap	9,011,113	-	-	9,011,113
Emerging markets	5,587,708	-	-	5,587,708
Fixed income				
Floating rate corp loans	8,343,340	-	-	8,343,340
Domestic	7,670,285	-	-	7,670,285
High yield	-	3,031,104	-	3,031,104
Opportunistic	-	574,881	-	574,881
Student-managed funds	-	2,555,542	-	2,555,542
Stock/bond mixed mutual funds	971,189	-	-	971,189
Alternative investments				
Limited partnerships	5,395,964	-	-	5,395,964
Commodities	3,732,740	-	-	3,732,740
Other equities	<u>1,001,165</u>	<u>-</u>	<u>-</u>	<u>1,001,165</u>
Total Investments	<u>75,501,405</u>	<u>6,161,527</u>	<u>-</u>	<u>81,662,932</u>
Beneficial interest in long-term trusts held by others	-	-	7,490,883	7,490,883
Alternative investments measured at NAV	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,849,037</u>
Total	<u>\$ 75,501,405</u>	<u>\$ 6,161,527</u>	<u>\$ 7,490,883</u>	<u>\$ 111,002,852</u>

In addition to the investments valued at fair value on a recurring basis, the University of Northern Colorado Foundation, Incorporated, holds another limited partnership investment valued on a non-recurring basis at a value of \$1,000,000 as of June 30, 2017. This investment cannot be redeemed by the Foundation. The value of the investment in this category is based on the initial partnership contribution.

University of Northern Colorado Foundation				
Investments by Level				
as of June 30, 2016				
Description	Level 1	Level 2	Level 3	Total
Investments				
Cash equivalent mutual funds	\$ 442,950	\$ -	\$ -	\$ 442,950
Equities				
Large cap	18,404,573	-	-	18,404,573
International	10,781,498	-	-	10,781,498
Small/mid cap	7,420,503	-	-	7,420,503
Emerging markets	5,100,613	-	-	5,100,613
Fixed income				
Floating rate corp loans	7,705,453	-	-	7,705,453
Domestic	1,585,972	5,993,497	-	7,579,469
High yield	-	2,848,085	-	2,848,085
Opportunistic	-	600,862	-	600,862
Student-managed funds	-	2,409,676	-	2,409,676
Stock/bond mixed mutual funds	930,419	-	-	930,419
Alternative investments				
Low correlated hedge	-	-	-	-
Limited partnerships	5,776,703	-	-	5,776,703
Commodities	4,038,012	-	-	4,038,012
Real estate	-	-	-	-
Illiquid credit	-	-	-	-
Private equity	-	-	-	-
Total Investments	62,186,696	11,852,120	-	74,038,816
Beneficial interest in long-term trusts				
held by others	-	-	6,796,726	6,796,726
Alternative investments measured at NAV	-	-	-	22,532,358
Total	\$ 62,186,696	\$ 11,852,120	\$ 6,796,726	\$ 103,367,900

In addition to the investments valued at fair value on a recurring basis, the University of Northern Colorado Foundation, Incorporated, holds another limited partnership investment valued on a non-recurring basis at a value of \$1,000,000 as of June 30, 2016. This investment cannot be redeemed by the Foundation. The value of the investment in this category is based on the initial partnership contribution.

Net investment earnings consist of the following for the years ended June 30,

University of Northern Colorado Foundation		
Investment Earnings		
as of June 30,		
	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 1,954,570	\$ 2,033,795
Realized and unrealized gains (losses) on investments, net of taxes	9,534,760	(4,026,524)
Less investment management fees	(323,338)	(358,030)
	<u>\$ 11,165,992</u>	<u>\$ (2,350,759)</u>

The following are reconciliations of the beginning and ending balances for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ending June 30, 2017 and 2016:

University of Northern Colorado Foundation		
Level 3 Investment Changes		
as of June 30,		
Beneficial Interest in Long-Term Trusts Held by Others		
	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 6,796,726	\$ 7,580,774
Net investment income (loss)	694,157	(784,048)
Purchases and contributions	-	-
Distributions	-	-
	<u>\$ 7,490,883</u>	<u>\$ 6,796,726</u>

The following tables include information on investments in certain entities that calculate net asset value:

University of Northern Colorado Foundation					
Investments in Certain Entities that Calculate Net Asset Value					
as of June 30, 2017					
<u>Fund Description</u>	<u>Investment Strategy</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Low correlated hedge	Equity long/short (a)	\$ 5,662,335	\$ -	Monthly, quarterly, semi-annually*	60-100 days
Low correlated hedge	Multi-strategy (b)	9,790,649	-	Quarterly, semi-annually*	95 days, annual one-year lock up
Private equity	Illiquid credit (c)	2,194,558	1,268,068	Upon fund termination	N/A
Private equity	Venture capital (d)	1,323,406	736,347	Upon fund termination	N/A
Real estate	Global opportunities (e)	<u>2,878,089</u>	<u>1,898,078</u>	Upon fund termination	N/A
Total		<u>\$21,849,037</u>	<u>\$ 3,902,493</u>		
*Subject to restrictions					

University of Northern Colorado Foundation					
Investments in Certain Entities that Calculate Net Asset Value					
as of June 30, 2016					
<u>Fund Description</u>	<u>Investment Strategy</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Low correlated hedge	Equity long/short (a)	\$ 5,372,335	\$ -	Monthly, quarterly, semi-annually*	60-100 days
Low correlated hedge	Multi-strategy (b)	9,265,868	-	Quarterly, semi-annually*	95 days, annual one-year lock up
Private equity	Illiquid credit (c)	2,248,967	1,377,179	Upon fund termination	N/A
Private equity	Venture capital (d)	1,908,095	736,347	Upon fund termination	N/A
Real estate	Global opportunities (e)	<u>3,737,093</u>	<u>1,898,078</u>	Upon fund termination	N/A
Total		<u>\$22,532,358</u>	<u>\$ 4,011,604</u>		
*Subject to restrictions					

The following restriction information corresponds to the *Investments in Certain Entities that Calculate Net Asset Value* charts on the previous page:

- (a) This category includes hedge funds that invest in long-term and short-term equity funds. Hedge fund managers seek diversification in styles, geography, and strategies. The fair values of the investments in this category have been calculated using the NAV of the Foundation's ownership in the partners' capital.
- (b) This category includes hedge funds that pursue multiple strategies through equity and debt funds to diversify risk and reduce volatility. The composite portfolio for this category includes event-driven, market neutral, credit opportunities, distressed securities, and various arbitrage-based approaches. Some of these investments cannot be redeemed by the Foundation prior to the termination of the partnership. The fair values of the investments in this category have been calculated using the NAV of the Foundation's ownership in the partners' capital.
- (c) This category includes private equity limited partnerships invested in distressed debt and illiquid credit instruments. These investments cannot be redeemed by the Foundation prior to the termination of the partnership. The fair values of the investments in this category have been calculated using the NAV of the Foundation's ownership in the partners' capital.
- (d) This category includes a private equity limited partnership invested in buyout, venture capital, and special situation funds. These investments cannot be redeemed by the Foundation prior to the termination of the partnership. The fair values of the investments in this category have been calculated using the NAV of the Foundation's ownership in the partners' capital.
- (e) This category includes real estate limited partnerships invested in other real estate funds with a global focus. The real estate funds' composite portfolio in this category includes domestic, European-focused, opportunistic, and global diversification real estate funds. These investments cannot be redeemed by the Foundation prior to the termination of the partnership. The fair values of the investments in this category have been calculated using the NAV of the Foundation's ownership in the partners' capital.

Note 4: Accounts, Contributions, and Loans Receivable

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

<u>Accounts, Contributions, and Loans Receivable</u>	<u>2017</u>	<u>2016</u>
Student accounts receivable - current	\$ 17,434,642	\$ 15,639,960
Allowance for doubtful accounts	(10,580,821)	(9,427,187)
Subtotal student accounts receivable - net	<u>6,853,821</u>	<u>6,212,773</u>
Student loans receivable - current	2,291,690	1,875,771
Allowance for doubtful accounts	(1,882,325)	(1,514,328)
Subtotal student loans receivable - net	<u>409,365</u>	<u>361,443</u>
Student loans receivable - noncurrent	5,343,258	5,895,118
Allowance for doubtful accounts	(600,326)	(706,361)
Subtotal noncurrent student loans receivable - net	<u>4,742,932</u>	<u>5,188,757</u>
Other receivables - current		
Sponsored programs - federal grants receivable	574,657	530,084
Sponsored programs - nonfederal grants receivable	18,729	51,968
Student loans program - federal loans receivable	167,172	167,172
Accounts receivable related party - the Foundation	815,527	614,911
Accounts receivable - State of Colorado	1,929,669	4,095,362
Other accounts receivable	1,765,639	706,278
Subtotal other receivables - current	<u>5,271,393</u>	<u>6,165,775</u>
Total University accounts, loans & other receivables	<u>\$ 17,277,511</u>	<u>\$ 17,928,748</u>

Related Party Receivable

Gifts and grants receivable from the Foundation to the University were \$0.8 million at June 30, 2017 and \$0.6 million at June 30, 2016.

Foundation Contributions and Pledges Receivable

Foundation gifts of cash and other assets received without donor stipulations are reported as unrestricted contributions. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted contributions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net position is reclassified to unrestricted net position and reported in the Statement of Activities as net position released from restrictions.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the net present value of estimated future cash flows. The discounted rate used in this calculation is the five-year U.S. Treasury Constant Maturities rate as of June 30 of the fiscal year in which the commitment was made. An allowance for uncollectible contributions is established by Foundation management based on management's analysis of specific pledge receivables.

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

Note 5: Other Assets

Inventories and other current and noncurrent assets are shown as of June 30:

Other Assets	2017	2016
The University		
Inventories for supply use	\$ 759,767	\$ 840,824
Inventories for resale	141,926	155,707
Total inventories	901,693	996,531
Prepaid expenses	796,489	776,390
Total other current assets	796,489	776,390
The Foundation		
Prepaid expenses and other current assets	\$ 67,167	\$ 91,931

Note 6: Capital Assets

On February 15, 2017, the University sold University Apartments, a 98 unit student housing complex. The sales price was \$7,100,000 and the property had a book value of \$1,103,702 resulting in a gain on the sale of \$5,996,298. The sales transaction included closing costs of \$514,933, netting the University \$6,585,067 in cash.

NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of University capital asset activity as of June 30:

Capital Assets and Accumulated Depreciation	Beginning Balance	2017			Ending Balance
		Additions	Disposals	Transfers	
Capital Assets					
Land	\$ 10,270,198	\$ -	\$ -	\$ -	\$ 10,270,198
Land improvements	22,009,755	-	(252,904)	189,497	21,946,348
Non-depreciable land improvements	4,264,026	-	-	-	4,264,026
Buildings and improvements	395,134,891	6,600	(3,938,105)	2,097,105	393,300,491
Equipment and vehicles	25,030,632	637,768	(12,984)	-	25,655,416
Software	2,972,869	-	(6,495)	-	2,966,374
Library materials	44,851,834	2,108,865	(479,049)	-	46,481,650
Non-depreciable art/historical	1,725,488	49,196	-	-	1,774,684
Leasehold improvements	1,059,732	-	-	-	1,059,732
Construction in progress	14,209,318	23,099,403	-	(2,286,602)	35,022,119
Total capital assets	<u>521,528,743</u>	<u>25,901,832</u>	<u>(4,689,537)</u>	<u>-</u>	<u>542,741,038</u>
Less accumulated depreciation					
Land improvements	13,316,697	855,086	(154,538)	-	14,017,245
Buildings and improvements	208,464,692	12,638,705	(2,927,144)	-	218,176,253
Equipment and vehicles	15,496,310	2,124,453	(7,790)	-	17,612,973
Software	2,961,026	4,648	(1,299)	-	2,964,375
Library materials	36,251,298	1,713,099	(479,049)	-	37,485,348
Leasehold improvements	898,678	56,433	-	-	955,111
Total accumulated depreciation	<u>277,388,701</u>	<u>17,392,424</u>	<u>(3,569,820)</u>	<u>-</u>	<u>291,211,305</u>
Net capital assets	<u>\$ 244,140,042</u>	<u>\$ 8,509,408</u>	<u>\$ (1,119,717)</u>	<u>\$ -</u>	<u>\$ 251,529,733</u>

Capital Assets and Accumulated Depreciation	Beginning Balance	2016			Ending Balance
		Additions	Disposals	Transfers	
Capital Assets					
Land	\$ 10,270,198	\$ -	\$ -	\$ -	\$ 10,270,198
Land improvements	21,971,370	-	-	38,385	22,009,755
Non-depreciable land improvements	4,264,026	-	-	-	4,264,026
Buildings and improvements	389,119,355	-	-	6,015,536	395,134,891
Equipment and vehicles	24,242,834	1,224,139	(799,709)	363,368	25,030,632
Software	3,030,564	6,495	(64,190)	-	2,972,869
Library materials	42,992,697	2,052,850	(193,713)	-	44,851,834
Non-depreciable art/historical	1,725,488	-	-	-	1,725,488
Leasehold improvements	1,059,732	-	-	-	1,059,732
Construction in progress	6,814,502	13,812,105	-	(6,417,289)	14,209,318
Total capital assets	<u>505,490,766</u>	<u>17,095,589</u>	<u>(1,057,612)</u>	<u>-</u>	<u>521,528,743</u>
Less accumulated depreciation					
Land improvements	12,397,954	918,743	-	-	13,316,697
Buildings and improvements	195,789,109	12,675,583	-	-	208,464,692
Equipment and vehicles	14,185,589	2,105,802	(795,081)	-	15,496,310
Software	3,011,666	13,549	(64,189)	-	2,961,026
Library materials	34,760,188	1,684,823	(193,713)	-	36,251,298
Leasehold improvements	842,246	56,432	-	-	898,678
Total accumulated depreciation	<u>260,986,752</u>	<u>17,454,932</u>	<u>(1,052,983)</u>	<u>-</u>	<u>277,388,701</u>
Net capital assets	<u>\$ 244,504,014</u>	<u>\$ (359,343)</u>	<u>\$ (4,629)</u>	<u>\$ -</u>	<u>\$ 244,140,042</u>

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

Foundation Capital Assets	2017	2016
Capital assets		
Buildings and improvements	\$ 1,279,878	\$ 1,279,138
Equipment and vehicles	93,647	175,653
Total capital assets	<u>1,373,525</u>	<u>1,454,791</u>
Less accumulated depreciation	<u>(472,380)</u>	<u>(489,965)</u>
Net investment in capital assets	<u>\$ 901,145</u>	<u>\$ 964,826</u>

Note 7: Liabilities and Unearned Revenue

The following is a summary of liabilities as of June 30:

The University Liabilities and Unearned Revenue	2017	2016
Accounts payable and accrued liabilities		
Accounts payable	\$ 3,789,463	\$ 2,867,543
Accrued salaries and benefits	13,251,384	12,800,838
Accrued interest expense	499,107	415,690
Other accrued liabilities	985,015	44,348
Total accounts payable and accrued liabilities	<u>18,524,969</u>	<u>16,128,419</u>
Current unearned revenue		
Summer tuition and other activities	7,676,870	6,665,924
Restricted grants and contracts	385,056	212,098
Auxiliary and housing	430,735	434,175
Broadband lease	18,886	15,492
Total current unearned revenue	<u>8,511,547</u>	<u>7,327,689</u>
Other current liabilities		
Deposits held	1,168,421	951,318
Insurance liability	134,584	354,994
Deposits held in custody for agency funds	199,760	221,150
Compensated absences liability	411,433	393,475
Subtotal other current liabilities	<u>1,914,198</u>	<u>1,920,937</u>
Other noncurrent liabilities		
Unearned revenue	90,000	-
Long-term deposit liabilities held	64,802	64,802
Compensated absences liability	4,652,566	4,457,548
Net pension liability	231,167,892	134,262,416
Subtotal other noncurrent liabilities	<u>235,975,260</u>	<u>138,784,766</u>
Bonds, capital leases and notes payable		
Current bonds and capital leases	5,235,828	5,830,526
Noncurrent bonds, capital leases	162,160,303	140,308,754
Total bonds, capital leases and notes payable	<u>167,396,131</u>	<u>146,139,280</u>
Total liabilities and unearned revenue	<u>\$ 432,322,105</u>	<u>\$ 310,301,091</u>

The Foundation – Liabilities and Unearned Revenue

The following is a summary of Foundation liabilities as of June 30:

<u>The Foundation Liabilities and Unearned Revenue</u>	<u>2017</u>	<u>2016</u>
Accounts payable and accrued liabilities	\$ 816,363	\$ 670,228
Funds held for the University	576,377	603,137
Annuity obligations	125,165	130,830
Total liabilities and unearned revenue	<u>\$ 1,517,905</u>	<u>\$ 1,404,195</u>

Charitable Gift Annuity Obligations

The Foundation has entered into several charitable gift annuity contracts. These contracts require the Foundation to make fixed payments to the beneficiaries over their lifetimes. Under a charitable gift annuity contract, the assets received by the Foundation are not held in trust separately from other investments of the Foundation. On the date each charitable gift annuity was established, the Foundation recorded a contribution equal to the difference between the amount transferred from the donor and the present value of the future cash flows expected to be paid to the specified beneficiaries, using a discount rate equal to the then current Applicable Federal Rate. These rates ranged from 2.4% to 5.8%. At the end of these contracts, the majority of these assets are to be endowed and are included in permanently restricted net position at June 30 as follows:

<u>Charitable Gift and Annuity Contracts</u>	<u>2017</u>	<u>2016</u>
Assets held under gift contracts	\$ 179,263	\$ 180,049
Less associated liabilities	(125,165)	(130,830)
Present value of assets held under contracts	<u>\$ 54,098</u>	<u>\$ 49,219</u>

Note 8: Bonds, Capital Leases, and Notes Payable

Bonds, Capital Leases, and Notes Payable

The following table provides a summary of Bonds, Capital Leases, and Notes Payable liabilities as of June 30:

<u>Bonds, Capital Leases, and Notes Payable</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Balance 2017</u>	<u>Balance 2016</u>
Fixed Rate Bonds	2.0% - 5.0%	2046	\$ 130,865,000	\$ 110,910,000
Fixed Rate - Unamortized Premiums			9,931,463	6,314,086
Total Fixed Rate Bonds			<u>140,796,463</u>	<u>117,224,086</u>
Variable Rate Bonds	1.012% ¹ - 1.435% ²	2036	18,045,000	18,705,000
Capital Leases Payable	1.49% - 6.02%	2031	8,554,668	10,210,194
Total Bonds, Capital Leases and Notes Payable			<u>\$ 167,396,131</u>	<u>\$ 146,139,280</u>

¹ as of 6/30/2016
² as of 6/30/2017

The interest rate on the Series 2011B variable rate demand bonds is calculated monthly based on 70% of the one month London Interbank Offered Rate (LIBOR) that is published two business days prior to the reset date plus a spread factor of 0.80. The interest rate on the Series 2011B as of June 30, 2017 was 1.435%. The 2011B bond issue documents utilize a projected annual interest rate of 3.5%.

Changes in Bonds, Capital Leases, and Notes Payable

The table below presents the summary of changes in bonds, capital leases, and notes payable for the fiscal year ended June 30:

Changes in Bonds, Capital Leases, and Notes Payable	2017				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds Payable	\$ 129,615,000	\$ 23,470,000	\$ 4,175,000	\$ 148,910,000	\$ 4,335,000
Plus unamortized premiums	6,314,086	4,088,906	471,529	9,931,463	-
Total revenue bonds payable	135,929,086	27,558,906	4,646,529	158,841,463	4,335,000
Capital leases payable	10,210,194	-	1,655,526	8,554,668	900,828
Total Bonds, Capital Leases, and Notes Payable	\$ 146,139,280	\$ 27,558,906	\$ 6,302,055	\$ 167,396,131	\$ 5,235,828

Changes in Bonds, Capital Leases, and Notes Payable	2016				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds Payable	\$ 133,635,000	\$ -	\$ 4,020,000	\$ 129,615,000	\$ 4,175,000
Plus unamortized premiums	6,679,974	-	365,888	6,314,086	-
Total revenue bonds payable	140,314,974	-	4,385,888	135,929,086	4,175,000
Capital leases payable	3,489,566	8,850,000	2,129,372	10,210,194	1,655,526
Total Bonds, Capital Leases, and Notes Payable	\$ 143,804,540	\$ 8,850,000	\$ 6,515,260	\$ 146,139,280	\$ 5,830,526

Revenue and Refunding Bonds

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2017, are detailed in the table “Revenue Bond Detail”. The fixed rate revenue bonds interest is payable semi-annually and principal payments are paid annually (Series 2008, 2011A, 2014A, 2015A, and 2016A). The variable rate demand bond interest is paid monthly and principal is remitted annually (Series 2011B). The bonds are not secured by any encumbrance, mortgage, or other pledge of property, except pledged revenues.

Bond provisions require the University to maintain compliance with certain rate covenants related to the bonds. The Master Enterprise Bond Resolution authorizing the issuance of Institutional Enterprise Revenue Bonds, and adopted by the University’s Board of Trustees, specifies debt service coverage requirements. The debt service coverage provisions require net pledged revenues to be equal to the combined principal and interest payments of the revenue bonds due during any subsequent fiscal year for the life of the associated revenue bonds. These debt service requirements are detailed in the table “Combined Fixed and Variable Rate Bond Debt Service Requirements” in this footnote.

The Master Enterprise Bond Resolution also includes a covenant which provides that during the period in which the bonds are outstanding and subject to applicable law, the University will continue to impose such fees and charges as are included within the gross revenue and will continue the present operation and use of the University’s facilities. The University will continue to maintain reasonable fees, rental rates, and other charges for the use of all facilities and for services rendered by the University and will return annually gross revenues sufficient to pay all amounts required with respect to prior bond obligations, to pay operation and maintenance expenses, and to pay the annual debt service requirements of the bonds and any parity obligations payable from net revenues. The University believes it is in compliance with all existing pledged revenue requirements of its outstanding bonds.

The 2008 Bonds payable are secured by a first lien, but not necessarily an exclusive first lien, derived from 10% of gross general fund tuition revenues, net student fee revenues, and net auxiliary facility system revenues.

NOTES TO THE FINANCIAL STATEMENTS

The 2011A, 2011B, 2014A, 2015A, and 2016A bonds are also secured by a pledge of the revenues derived from net Extended Campus revenues and gross facility and administrative indirect cost recoveries. The University has pledged these revenues through 2046 to repay \$148,910,000 in auxiliary revenue bonds plus interest. As of June 30, total pledged revenue and the associated debt service coverage are summarized in the table below:

Net Pledged Revenue Available for Revenue Bond Debt Service	2017	2016
Gross auxiliary facility and student fee revenues	\$ 53,454,337	\$ 50,002,384
Less auxiliary facility and student fee operating expenses	<u>32,560,916</u>	<u>33,265,689</u>
Net auxiliary and student fee facility revenue	20,893,421	16,736,695
Other pledged tuition and revenue		
10% of tuition revenue	7,856,700	7,562,795
Indirect cost recoveries	666,891	486,984
Extended campus net revenue	<u>9,640,373</u>	<u>6,807,347</u>
Subtotal other pledged tuition and revenue	<u>18,163,964</u>	<u>14,857,126</u>
Total Net Pledged Revenue	<u><u>\$ 39,057,385</u></u>	<u><u>\$ 31,593,821</u></u>
Net prior bonds debt service (2008 bonds)	638,744	640,619
Series 2011A, 2011B, 2014A, 2015A and 2016A	9,818,593	9,171,649
Total Net Debt Service	<u><u>\$ 10,457,337</u></u>	<u><u>\$ 9,812,268</u></u>
Prior debt service coverage (2008 bonds)	45.01x	37.93x
2011A, 2011B, 2014A, 2015A and 2016A bond debt service coverage	3.91x	3.37x
Total net debt service as a percentage of gross auxiliary facilities and student fee revenues	19.6%	19.6%
Total net debt service as a percentage of total net pledged revenues	26.8%	31.1%

Revenue Bond Activity

On November 9, 2016, University of Northern Colorado Board of Trustees issued \$23,470,000 in fixed rate Institutional Enterprise Revenue Bonds, Series 2016A, at a \$4,088,906 premium for total proceeds of \$27,558,906. The coupon rates of the bonds range from 3% - 5% with maturities of principal starting in 2020 and ending in 2046. \$27,365,314 of the proceeds are for the construction of the Campus Commons, while the remaining \$193,592 represents the cost of issuance.

Moody's Investors Service assigned an "A2" underlying with a negative outlook and an "Aa2" enhanced rating with a stable outlook to the University's Series 2016A bonds. At the same time, Moody's downgraded the underlying ratings on the \$114.3 million of outstanding Institutional Enterprise and Auxiliary System Revenue Bonds to "A2" with a negative outlook and affirmed the "Aa2" enhanced rating with a stable outlook for the State of Colorado's Higher Education Revenue Bond Intercept Program. When a University qualifies to issue bonds under this program, the bonds are additionally secured by the State with a provision that the State Treasurer will pay the principal and interest on the revenue bonds if the institution of higher education is unable to make the payment on the due date.

The downgrade to "A2" cited the University's declining liquidity and rising fixed costs associated with an ambitious plan to grow enrollment by upwards of 20% by fall 2018. The enhanced rating outlook, based on the University's participation in the Colorado Higher Education Revenue Bond Intercept Program, remains at "Aa2" with a stable outlook, which is based on the State of Colorado's current rating and outlook.

Standard and Poor's does not rate the 2016A, 2015A or the 2011B series bonds. They rated the series 2008, 2011A and 2014A with an "A" rating. On December 20, 2016, Standard and Poor's revised the outlook from stable to negative citing operating deficits, declining liquidity, and weak fundraising history relative to the University's peers, offset by the positives of FTE enrollment increases, experienced and stable management, and a manageable debt burden including the 2016A Campus Commons issue. The long term rating of "AA-/Stable" is based on the University's participation in the Colorado Higher Education Revenue Bond Intercept Program.

The underlying rating for UNC's credit program is "A/Negative". The 2011B variable rate bonds are not rated by either agency.

On June 3, 2015, the University issued at par \$21,510,000 Series 2015A Institutional Enterprise Revenue Refunding Bonds for the purpose of currently refunding \$21,335,000 of the outstanding Series 2005 Auxiliary Revenue Refunding and Improvement bonds. The Series 2015A bonds bear fixed interest rates of 4.00% to 5.00%, payable semiannually. Principal maturities begin June 1, 2036, and continue through June 1, 2040. The current refunding resulted in a decrease in payments to service the new debt versus the old debt of \$3,453,708, an economic gain of \$2,248,062, and a deferred amount on refunding of \$938,023. The deferred amount on refunding is being amortized as a deferred inflow of resources over the remaining life of the new debt.

The proceeds of \$21,355,742 from the 2015A issue were deposited to the Series 2005 Escrow Account and the Series 2005 bonds were called in June 2015, pursuant to the terms and provisions of the escrow agreement by and between the Board of Trustees of UNC and U.S. Bank National Association, as escrow agent.

On July 1, 2011, the University issued at par \$21,130,000 Series 2011B Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds for the purpose of currently refunding \$22,975,000 of the outstanding Series 2001A Colorado Educational and Cultural Facilities Authority, Student Housing LLC I, Revenue Bonds (Arlington Park). Principal maturities began June 1, 2013, and continue through June 1, 2036.

On June 30, 2017, the University entered into an agreement with Wells Fargo Bank, N.A., to continue holding 100% of the Series 2011B Bonds for another term of 18 months, ending December 31, 2018. The agreement states that the bonds have to be redeemed in full on the first anniversary of the purchase date, which is December 31, 2019. The agreement was for the \$18,045,000 of principal that remained outstanding at June 30, 2017. The schedule of principal maturities remained the same and will continue through June 1, 2036.

The interest rate on the Series 2011B variable rate demand bonds is calculated monthly based on 70% of the one month London Interbank Offered Rate (LIBOR) that is published two business days prior to the reset date plus a spread factor of 0.80. This spread factor is subject to the maintenance of the current ratings assigned by Moody's and Standard & Poor's to the long-term, unenhanced Parity Bonds of the Board. In the event of a change in this credit rating, the applicable spread shall increase by the table set forth in the Article I Section 1.01(c)(a) of the First Supplement and Amendment to the Second Supplemental Resolution.

The interest rate on the Series 2011B as of June 30, 2017, was 1.435% and 1.012% as of June 30, 2016. The 2011B bond issue documents utilize a projected annual interest rate of 3.5%.

NOTES TO THE FINANCIAL STATEMENTS

Revenue Bond Detail	Original Issuance	Outstanding Balance 2017	Outstanding Balance 2016
<u>Fixed Rate Revenue Bonds</u>			
Series 2008 3.25%-5.00%, Auxiliary Revenue Refunding Bonds, issued May 22, 2008, in the original amount of \$9,145,000, and maturing in varying amounts through June 1, 2024.	\$ 9,145,000	\$ 3,815,000	\$ 4,280,000
Series 2011A 2.00%-5.00% Auxiliary Facilities System Revenue Refunding Bonds issued July 1, 2011, in the original amount of \$41,690,000 and maturing in varying amounts through June 1, 2031.	41,690,000	33,630,000	35,065,000
Series 2014A 2.00%-5.00% Institutional Enterprise Revenue Refunding Bonds, issued April 2, 2014, in the original amount of \$52,465,000 and maturing in varying amounts through June 1, 2035. Proceeds from the sale of these bonds were used to advance refund a portion of the Auxiliary Facilities System Revenue Refunding and Improvement Bonds, Series 2005.	52,465,000	48,440,000	50,055,000
Series 2015A 4.00%-5.00% Institutional Enterprise Revenue Refunding Bonds, issued June 3, 2015, in the original amount of \$21,510,000 and maturing in varying amounts from June 1, 2036 to June 1, 2040. Proceeds from the sale of these bonds were used to refund the unrefunded portion of the Auxiliary Facilities System Revenue Refunding and Improvement Bonds, Series 2005.	21,510,000	21,510,000	21,510,000
Series 2016A 3.00%-5.00% Institutional Enterprise Revenue Refunding Bonds, issued November 9, 2016, in the original amount of \$23,470,000 and maturing in varying amounts from June 1, 2020 to June 1, 2046. Proceeds from the sale of these bonds are being used to fund the Campus Commons building.	23,470,000	23,470,000	-
Total Fixed Rate Revenue Bonds	148,280,000	130,865,000	110,910,000
Add unamortized premium		9,931,463	6,314,086
Total Outstanding Fixed Rate Revenue Bonds Payable	<u>\$148,280,000</u>	<u>\$ 140,796,463</u>	<u>\$117,224,086</u>
<u>Variable Rate Revenue Bonds</u>			
Series 2011B Variable Rate Demand Institutional Enterprise Revenue Refunding Bonds. Issued July 1, 2011, in the original amount of \$21,130,000 and maturing June 1, 2036. These bonds are held by Wells Fargo Bank, NA and are payable upon demand after December 31, 2019. These bonds refunded all of the outstanding Colorado Educational and Cultural Facilities Authority, Student Housing LLC Revenue Bonds (Arlington Park).	\$ 21,130,000	\$ 18,045,000	\$ 18,705,000
Total Outstanding Variable Rate Revenue Bonds	21,130,000	18,045,000	18,705,000
Total bonds before premium, discount and deferred amounts	169,410,000	148,910,000	129,615,000
Add total unamortized premium		9,931,463	6,314,086
Total Outstanding Revenue Bonds Payable	<u>\$169,410,000</u>	<u>\$ 158,841,463</u>	<u>\$135,929,086</u>

Debt Service Requirements on Revenue Bonds

The future minimum revenue bonds debt service requirements as of June 30, are reported in the tables below:

Fixed Rate Bonds Debt Service Requirements		
Year Ending June 30	Principal	Interest
2018	3,650,000	5,989,288
2019	3,810,000	5,834,138
2020	4,425,000	5,670,988
2021	4,580,000	5,510,188
2022	4,800,000	5,296,088
2023-2027	27,700,000	22,789,981
2028-2032	31,220,000	15,518,000
2033-2037	25,890,000	9,041,150
2038-2042	19,125,000	3,450,600
2043-2046	5,665,000	725,250
Total	\$ 130,865,000	\$ 79,825,671

Variable Rate Bonds Debt Service Requirements		
Year Ending June 30	Principal	Interest
2018	685,000	259,009
2019	710,000	249,177
2020	735,000	238,986
2021	760,000	228,436
2022	785,000	217,527
2023-2027	4,360,000	910,443
2028-2032	5,180,000	574,858
2033-2036	4,830,000	176,333
Total	\$ 18,045,000	\$ 2,854,769

The University calculates the interest for the 2011B variable rate bonds using a rate of 1.435% in effect on June 30, 2017, the financial statement date. The stated interest rate is 3.5%.

Combined Fixed and Variable Rate Bond Debt Service Requirements			
Year Ending June 30	Principal	Interest	Total
2018	4,335,000	6,248,297	\$ 10,583,297
2019	4,520,000	6,083,315	10,603,315
2020	5,160,000	5,909,974	11,069,974
2021	5,340,000	5,738,624	11,078,624
2022	5,585,000	5,513,615	11,098,615
2023-2027	32,060,000	23,700,424	55,760,424
2028-2032	36,400,000	16,092,858	52,492,858
2033-2037	30,720,000	9,217,483	39,937,483
2038-2042	19,125,000	3,450,600	22,575,600
2043-2046	5,665,000	725,250	6,390,250
Total	\$ 148,910,000	\$ 82,680,440	\$ 231,590,440

Capital Lease Obligations

Assets under capital leases at June 30, 2017, include equipment totaling \$8,554,668. These agreements provide that any obligations payable after the current fiscal year are contingent upon funds for that purpose being available.

On July 31, 2015, the University paid off its capital lease obligation to Clayton Holdings LLC in the amount of \$628,237.

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

Capital Lease Minimum Payments

<u>Fiscal Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 900,828	\$ 215,317	\$ 1,116,145
2019	518,137	199,531	717,668
2020	532,248	185,420	717,668
2021	546,743	170,925	717,668
2022	561,633	156,035	717,668
2023-2027	3,046,104	466,960	3,513,064
2028-2031	2,448,975	197,944	2,646,919
Total	<u>\$8,554,668</u>	<u>\$1,592,132</u>	<u>\$10,146,800</u>

Note 9: Operating Leases

The University leases property and equipment under operating leases expiring in various years through 2025. Rental expense under these agreements for the year ended June 30, 2017, was \$1,452,304. The University's future minimum lease payments under non-cancelable operating leases as of June 30, are detailed below:

<u>Fiscal Years Ending June 30,</u>	<u>Lease Payments</u>
2018	\$ 1,546,975
2019	1,008,931
2020	633,274
2021	64,194
2022	46,769
2023-2025	58,130
	<u>\$ 3,358,273</u>

Note 10: Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions

University of Northern Colorado participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description

Eligible employees of the University of Northern Colorado are provided with pensions through the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers, waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained, and the benefit structure under which contributions were made.

NOTES TO THE FINANCIAL STATEMENTS

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure, who began eligible employment before January 1, 2007, receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure, who began eligible employment after January 1, 2007, receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Funding Policy

Contributions

Eligible employees and the University of Northern Colorado are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees, with the exception of State Troopers, are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below:

	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	CY14	CY15	CY16	CY17		
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Employer Contribution Rate ¹	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S., Section 24-51-208(1)(f) ¹	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S., Section 24-51-411 ¹	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411 ¹	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate to the SDTF ¹	16.43%	17.33%	17.33%	18.23%	18.23%	19.13%

¹ Rates are expressed as a percentage of salary as defined in C.R.S., § 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the University of Northern Colorado is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the University of Northern Colorado were \$6,692,426 and \$6,286,794 for the years ended June 30, 2017 and 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the University of Northern Colorado reported a liability of \$231,167,892 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll-forward the total pension liability to December 31, 2016. The University of Northern Colorado’s proportion of the net pension liability was based on its contributions to the SDTF for the calendar year 2016 relative to the total contributions of participating employers to the SDTF.

At December 31, 2016, the University of Northern Colorado proportion was 1.26 percent, which was a decrease of 0.016 from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the University of Northern Colorado recognized pension expense of \$44,387,517 (\$6.7 million of payroll contributions and \$37.7 million of amortizations and accruals related to net pension liability). The University of Northern Colorado reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,309,248	\$ -
Changes of assumptions or other inputs	58,810,606	720,822
Net difference between projected and actual earnings on pension plan investments	7,804,178	-
Change in Proportionate Share	-	2,290,197
Difference in Total Employer Contribution and Proportionate Share Contribution	-	27,964
Contributions subsequent to the measurement date	3,360,127	-
Total	\$ 72,284,159	\$ 3,038,983

The amount of \$3,360,127 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ 35,114,403
2019	28,537,791
2020	2,151,751
2021	81,104
2022	-
Thereafter	-

Actuarial assumptions

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90-9.57%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%
Discount rate	7.50%
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 - 9.17%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	5.26%
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back one year, and Females set back two years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back two years for males and set back two years for females) was assumed.

The actuarial assumptions used in the December 31, 2015, valuation were based on the results of an actuarial experience study for the period January 1, 2008, through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013, and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

NOTES TO THE FINANCIAL STATEMENTS

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

Discount rate

The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the Plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The Annual Increase Reserve (AIR) balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the Plan’s fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the Plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SDTF’s fiduciary net position was projected to be depleted in 2039 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2039 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2039 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

Sensitivity of the University of Northern Colorado’s proportionate share of the net pension liability to changes in the discount rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	286,315,741	231,167,892	185,859,686

Pension plan fiduciary net position

Detailed information about the SDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Payables to the pension plan

The University of Northern Colorado did not report payables to the SDTF at June 30, 2017.

Note 11: Other PERA Retirement Plans

Defined Contribution Retirement Plan (DC Plan)

Plan Description

Employees of the State of Colorado that were hired on or after January 1, 2006, and employees of certain community colleges that were hired on or after January 1, 2008, which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan).

The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA’s comprehensive annual financial report as referred to above.

Funding Policy

All participating employees in the PERA DC Plan, with the exception of State Troopers, are required to contribute 8.00 percent of their PERA-includable salary and the State of Colorado is required to contribute 10.15 percent of PERA-includable salary on behalf of these employees. All participating State Troopers are required to contribute 10.00 percent of their PERA-includable salary and the State of Colorado is required to contribute 12.85 percent of PERA-includable salary on behalf of these employees. Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows:

	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	CY14	CY15		CY16		CY17
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Amortization Equalization Disbursement (AED) as specified in C.R.S., Section 24-41-4111 ¹	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-4111 ¹	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate for AED and SAED¹	7.30%	8.20%	8.20%	9.10%	9.10%	10.00%

¹Rates are expressed as a percentage of salary as defined in C.R.S., § 24-51-101(42).

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed \$13,060,000 and the State of Colorado recognized pension contributions of \$10,382,000 for the PERA DC Plan.

401(k) Defined Contribution Plan (Voluntary Investment Program)

Plan Description

Employees of the University of Northern Colorado that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at <https://www.copera.org/investments/pera-financial-reports>.

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions.

457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the Plan participants. In calendar year 2016, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of \$18,000. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional \$6,000 contribution in 2016. Special 457(b) catch-up contributions allow a participant for three years prior to the normal retirement age to contribute the lesser of (1) Twice the annual limit (\$36,000 in 2015, 2016, and 2017), or (2) The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions). Contributions and earnings are tax deferred. At December 31, 2016, the Plan had 17,921 participants.

Note 12: University Retirement Plans

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

The ORP is a defined contribution plan with three vendors: MetLife, TIAA-CREF, and VALIC. These vendors provide a range of investment accounts for participants. For fiscal year 2017, the employee contributed 8 percent and the University contributed 11.5 percent. The University's contributions to the ORP were \$6,721,859 in fiscal year 2017 and \$6,317,626 in fiscal year 2016. All contributions are immediately invested in the employee's account. Normal retirement age for the ORP is 65. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

The University provides a 403(b) deferred compensation plan to the University President and the Vice President for Finance and Administration, Chief Financial Officer. The Board of Trustees approved a contribution of \$54,500 for fiscal year 2017 for the President and \$24,000 for the Chief Financial Officer. The contributions to be paid in fiscal year 2018 is expected to be the same as fiscal year 2017.

Note 13: Post-Retirement Healthcare and Life Insurance Benefits

Health Care Trust Fund

Plan Description

The University of Northern Colorado contributes to the Health Care Trust Fund (HCTF), a cost sharing multiple employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The University of Northern Colorado is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the University are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016, and 2015, the University contributions to the HCTF were \$362,737, \$362,781, and \$389,910 respectively, equal to the required contributions for each year.

Note 14: Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position contains separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements represent the consumption or availability of net position that applies to future periods; therefore, it will not be recognized as an outflow or inflow until that time. Deferred outflows, when amortized over the allowable period, increase expense while deferred inflows decrease expense.

Deferred inflows and outflows result from deferred amounts on refunding bonds and transactions related to the University of Northern Colorado share of the Colorado Public Employees' Retirement Association (PERA) net pension liability. Additional information on the University's debt portfolio can be found in *Note 8: Bonds, Capital Leases, and Notes Payable*. Additional information related to the PERA pension plan and related net pension liability can be found in *Note 10: Defined Benefit Pension Plan*.

The deferred amounts resulting from refunding bond issues result from the difference in the carrying value of the refunded debt and its reacquisition price. These amounts are deferred and amortized over the life of the refunding debt. The following schedules outline the deferred outflows and deferred inflows of resources related to University of Northern Colorado's debt refunding activity:

2017							
Deferred Amounts on Debt Refundings							
Issue	Year of Maturity	Description	Original Deferred Amount on Refunding	Original Amortization Period in Years	Remaining Amortization Period in Years	Deferred Amount Remaining at June 30	Current Fiscal Year Amortization Expense
Deferred Outflows of Resources							
Series 2008	2024	Refunding of Series 1998	\$ 213,110	16	7	\$ 92,750	\$ 13,250
Series 2011A	2031	Refunding Series 1997 and 2001	1,795,766	20	14	1,085,079	118,447
Series 2011B	2036	Refunding of Arlington Park Bonds	1,303,400	25	19	977,550	54,308
Series 2014A	2035	Advance refunding of a portion of Series 2005	799,172	21	18	676,464	37,757
Total Deferred Outflows of Resources			<u>\$4,111,448</u>			<u>\$ 2,831,843</u>	<u>\$ 223,762</u>
Deferred Inflows of Resources							
Series 2015A	2040	Refunding of the remaining balance of Series 2005	(938,023)	25	23	(859,854)	(37,521)
Total Deferred Inflows of Resources			<u>\$ (938,023)</u>			<u>\$ (859,854)</u>	<u>\$ (37,521)</u>
Total Expense on Statement of Revenues, Expenses and Changes in Net Position							<u>\$ 186,241</u>

2016							
Deferred Amounts on Debt Refundings							
Issue	Year of Maturity	Description	Original Deferred Amount on Refunding	Original Amortization Period in Years	Remaining Amortization Period in Years	Deferred Amount Remaining at June 30	Current Fiscal Year Amortization Expense
Deferred Outflows of Resources							
Series 2008	2024	Refunding of Series 1998	\$ 213,110	16	8	\$ 106,000	\$ 13,250
Series 2011A	2031	Refunding Series 1997 and 2001	1,795,766	20	15	1,203,526	118,448
Series 2011B	2036	Refunding of Arlington Park Bonds	1,303,400	25	20	1,031,858	54,308
Series 2014A	2035	Advance refunding of a portion of Series 2005	799,172	21	19	714,221	37,756
Total Deferred Outflows of Resources			<u>\$4,111,448</u>			<u>\$ 3,055,605</u>	<u>\$ 223,762</u>
Deferred Inflows of Resources							
Series 2015A	2040	Refunding of the remaining balance of Series 2005	(938,023)	25	24	(897,375)	(37,521)
Total Deferred Inflows of Resources			<u>\$ (938,023)</u>			<u>\$ (897,375)</u>	<u>\$ (37,521)</u>
Total Expense on Statement of Revenues, Expenses and Changes in Net Position							<u>\$ 186,241</u>

The deferred outflows and deferred inflows of resources that are related to the PERA net pension liability result from circumstances that affect the net pension liability such as:

- Changes in benefit terms
- Changes in economics and demographic assumptions
- Differences between economic and demographic assumptions and actual experience
- Differences between expected and actual investment returns

Deferred outflows and deferred inflows of resources can also result from changes in University of Northern Colorado's proportionate share of the net pension liability, which is based on University of Northern Colorado's contributions as a percentage of total employer contributions during the measurement period of the Plan.

NOTES TO THE FINANCIAL STATEMENTS

Deferred inflows of resources or deferred outflows of resources are amortized to expense over a five-year period or the average remaining service period of plan members, which changes annually. The PERA net pension liability has a measurement date of December 31 annually. Each year the contributions that University of Northern Colorado makes after the Plan measurement date from January 1 to June 30, will be recorded as a deferred outflow of resources and will be recognized as a reduction of the net pension liability in the following fiscal year. The following is a summary of the deferred outflows and deferred inflows of resources related to University of Northern Colorado's proportionate share of the PERA net pension liability:

2017				
Deferred Amounts Related to Net Pension Liability				
Description	Amortization Period	Cumulative Deferred Amount	Deferred Amount Remaining at June 30	Current Fiscal Year Amortization Expense
Deferred Outflows of Resources				
Pension investment results	Five years	\$ 13,928,306	\$ 7,804,178	\$ 2,785,661
Pension experience results	Service life	5,249,634	2,309,248	1,872,034
Pension changes in assumptions	Service life	92,039,937	58,810,606	33,226,331
Pension contributions after measurement date*	See footnote	-	3,360,127	-
Total Deferred Outflows of Resources		<u>\$ 111,217,877</u>	<u>\$ 72,284,159</u>	<u>\$ 37,884,026</u>
Deferred Inflows of Resources				
Pension experience results	Service life	\$ (14,132)	\$ -	\$ (4,297)
Pension changes in assumptions	Service life	(2,457,743)	(720,822)	(868,460)
Pension changes in proportionate share	Service life	(8,544,843)	(2,290,197)	(2,836,752)
Pension employer contribution difference	Service life	(85,595)	(27,964)	(57,631)
Total Deferred Inflows of Resources		<u>\$ (11,102,313)</u>	<u>\$ (3,038,983)</u>	<u>\$ (3,767,140)</u>
Total Expense on Statement of Revenues, Expenses and Changes in Net Position				<u>\$ 34,116,886</u>
*Deferred Outflows of Resources originating from pension contributions made after the measurement date (January 1, 2017 to June 30, 2017) will be recognized as a reduction to net pension liability in the following year. Each year the contributions from January 1 to June 30 will be recorded as a Deferred Outflow of Resources.				

2016				
Deferred Amounts Related to Net Pension Liability				
Description	Amortization Period	Cumulative Deferred Amount	Deferred Amount Remaining at June 30	Current Fiscal Year Amortization Expense
Deferred Outflows of Resources				
Pension investment results	Five years	\$ 13,522,783	\$ 10,184,316	\$ 2,704,557
Pension experience results	Service life	3,023,438	1,955,086	1,068,353
Pension contributions after measurement date*	See footnote	-	3,208,291	-
Total Deferred Outflows of Resources		<u>\$ 16,546,221</u>	<u>\$ 15,347,693</u>	<u>\$ 3,772,910</u>
Deferred Inflows of Resources				
Pension experience results	Service life	\$ (14,132)	\$ (4,296)	\$ (4,919)
Pension changes in assumptions	Service life	(2,457,743)	(1,589,283)	(868,460)
Pension changes in proportionate share	Service life	(7,133,094)	(3,715,199)	(2,507,662)
Total Deferred Inflows of Resources		<u>\$ (9,604,969)</u>	<u>\$ (5,308,778)</u>	<u>\$ (3,381,041)</u>
Total Expense on Statement of Revenues, Expenses and Changes in Net Position				<u>\$ 391,869</u>
*Deferred Outflows of Resources originating from pension contributions made after the measurement date (January 1, 2016 to June 30, 2016) will be recognized as a reduction to net pension liability in the following year. Each year the contributions from January 1 to June 30 will be recorded as a Deferred Outflow of Resources.				

Note 15: Operating Expenses by Function Compared with Operating Expenses by Natural Classification

For the Year Ended June 30, 2016								
	Wages and Benefits	Cost of Sales	Other Current Expenses	Scholarships and Fellowships	Utilities	Travel	Depreciation	Total
Instruction	\$ 72,842,640	\$ 121,193	\$ 4,998,369	\$ -	\$ -	\$1,349,762	\$ -	\$ 79,311,964
Research	2,234,421	-	642,956	-	-	341,507	-	3,218,884
Public Service	1,161,396	142,982	493,614	-	1,850	61,462	-	1,861,304
Academic Support	14,731,781	27,541	5,552,058	-	151	237,051	-	20,548,582
Student Services	18,230,078	132,821	6,966,370	-	247,969	2,482,296	-	28,059,534
Institutional Support	9,537,941	-	5,303,509	-	-	275,850	-	15,117,300
Operation of Plant	6,577,850	-	1,400,033	-	2,440,326	12,420	-	10,430,629
Scholarships	-	-	-	12,385,714	-	-	-	12,385,714
Auxiliary	16,402,824	4,392,823	2,929,705	-	2,725,547	31,588	-	26,482,487
Depreciation	-	-	-	-	-	-	17,454,932	17,454,932
Total Operating Expenses	\$141,718,931	\$ 4,817,360	\$ 28,286,614	\$12,385,714	\$5,415,843	\$4,791,936	\$17,454,932	\$214,871,330

For the Year Ended June 30, 2017								
	Wages and Benefits	Cost of Sales	Other Current Expenses	Scholarships and Fellowships	Utilities	Travel	Depreciation	Total
Instruction	\$ 83,858,595	\$ 29,194	\$ 4,582,811	\$ -	\$ -	\$1,689,024	\$ -	\$ 90,159,624
Research	2,772,363	-	925,662	-	-	358,512	-	4,056,537
Public Service	1,192,807	113,769	519,464	-	1,959	30,285	-	1,858,284
Academic Support	18,995,791	17,536	6,236,320	-	69	234,584	-	25,484,300
Student Services	21,975,941	132,411	7,696,360	-	269,165	2,771,503	-	32,845,380
Institutional Support	20,048,907	(127,236)	5,092,307	-	-	300,990	-	25,314,968
Operation of Plant	15,363,023	665	2,154,398	-	2,570,898	11,921	-	20,100,905
Scholarships	-	-	-	13,540,083	-	-	-	13,540,083
Auxiliary	19,951,804	4,720,529	2,971,358	-	2,689,623	32,018	-	30,365,332
Depreciation	-	-	-	-	-	-	17,396,751	17,396,751
Total Operating Expenses	\$184,159,231	\$ 4,886,868	\$ 30,178,680	\$13,540,083	\$5,531,714	\$5,428,837	\$17,396,751	\$261,122,164

In fiscal year 2017, University management conducted a review of functional accounting in conjunction with the National Association of University and College Business Officers (NACUBO) functional definitions for Integrated Postsecondary Education Data System (IPEDS) reporting. As a result of this review, positions in Extended Campus which performed student services functions such as recruiting, registration, and financial aid functions historically charged to Academic Support were changed to student services. Some positions in Extended Campus that provided direct support to instruction that were historically charged to academic support were reclassified to instruction.

The administrative overhead allocation charged to Extended Campus was historically charged to instruction, but it represents institutional support for campus services such as human resources, accounts payable, purchasing, and general accounting; therefore, it was reclassified to institutional support. The academic overhead allocation charged to Extended Campus was historically charged to instruction and it was moved to academic support. The leases of three buildings used for Extended Campus that were historically charged to academic support were changed to operation of maintenance and plant. The Education Innovation Institute was moved from institutional support to institutes and research centers. The UNC ticket office was moved from public service to institutional support. The following table demonstrates the increases and decreases in the functional expenditures that resulted from the accounting review:

Functional Accounting Review Reclassification Summary For the Year Ended June 30, 2017			
	Personnel Expenses	Non-Personnel Expenses	Total Expenses
	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)
Instruction	\$ (665,546)	\$ (816,003)	\$ (1,481,549)
Research	103,975	4,702	108,677
Public Service	(100,250)	(76,883)	(177,133)
Academic Support	(987,221)	(781,489)	(1,768,710)
Student Services	510,266	339,732	849,998
Institutional Support	1,138,776	428,724	1,567,500
Operation of Plant	-	901,217	901,217
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

In addition to the changes reflected in the functional review chart, the allocation method of the employee and dependent waivers within the fringe benefit pool was changed resulting in an increase in institutional support and a decrease to other functional areas.

Summary of Wages and Benefits

Wages and Benefits For the Year Ended June 30,				
	2017	2016	2016 to 2017 Change	
			\$ Chg	% Chg
Faculty	\$ 46,185,324	\$ 44,431,228	\$ 1,754,096	3.9%
Administrative	31,140,083	28,574,710	2,565,373	9.0%
Graduate and Teaching Assistants	11,898,910	10,339,684	1,559,226	15.1%
Classified	19,209,302	18,751,492	457,810	2.4%
Student	6,758,569	6,261,136	497,433	7.9%
Other	905,622	1,061,605	(155,983)	-14.7%
Subtotal Wages	<u>116,097,810</u>	<u>109,419,855</u>	<u>6,677,955</u>	<u>6.1%</u>
Fringe Benefits	30,362,207	28,572,605	1,789,602	6.3%
Fringe Benefits (GASB 68)	37,699,214	3,726,471	33,972,743	911.7%
Total Wages and Benefits	<u>\$ 184,159,231</u>	<u>\$ 141,718,931</u>	<u>\$ 42,440,300</u>	<u>29.9%</u>

Note 16: Legislative Appropriations

Appropriated Funds

The Colorado State Legislature establishes spending authority to the University in its annual Long Appropriations Bill. For the year ended June 30, 2017, the University had a total appropriation of \$39,113,234, and appropriated expenditures were within the authorized spending authority.

The University's appropriated funds consisted of \$14,814,610 received from students who qualified for stipends from the College Opportunity Fund and \$24,298,624 as Fee-For-Service contract revenue. All other revenues and expenses reported by the University represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include tuition and fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues, and other revenue sources.

State Capital Appropriations

Capital appropriations from the state generally fall into three categories; capital construction, cash-funded appropriated projects, and controlled maintenance. The revenue is recognized in the Statement of Revenues, Expenses, and Changes in Net Position to the extent of expenditures in the current year. UNC recognized \$15,242,549 and \$2,380,995 in capital appropriations revenue in fiscal years 2017 and 2016, respectively.

The following table outlines the projects that are currently appropriated for the University of Northern Colorado, the cumulative amount expended on those projects through June 30, 2017, and the unexpended balance:

State Capital Appropriations				
<u>Project</u>	<u>Category</u>	<u>Total Appropriation</u>	<u>Expended as of 6/30/2017</u>	<u>Balance Remaining as of 6/30/2017</u>
Campus Commons	State Appropriation - Capital Construction	\$ 38,000,000	\$ 13,662,675	\$ 24,337,325
Campus Commons	State Appropriation - Cash Funded	35,533,668	1,059,851	34,473,817
Subtotal Campus Commons		<u>73,533,668</u>	<u>14,722,526</u>	<u>58,811,142</u>
Campus Wireless	State Appropriation - Capital Construction	2,412,750	2,392,314	20,436
Fire Sprinkler Upgrade	State Appropriation - Controlled Maintenance	3,198,128	1,650,840	1,547,288
Fire Sprinklers McKee Hall	State Appropriation - Controlled Maintenance	996,364	5,233	991,131
Roof Replacements	State Appropriation - Controlled Maintenance	508,306	508,306	-
Total		<u>\$ 80,649,216</u>	<u>\$ 19,279,219</u>	<u>\$ 61,369,997</u>
Summary by Category:				
	State Appropriation - Capital Construction	\$ 40,412,750	\$ 16,054,989	\$ 24,357,761
	State Appropriation - Cash Funded	35,533,668	1,059,851	34,473,817
	State Appropriation - Controlled Maintenance	4,702,798	2,164,379	2,538,419
		<u>\$ 80,649,216</u>	<u>\$ 19,279,219</u>	<u>\$ 61,369,997</u>

The campus wireless project is expected to be completed in fiscal year 2018 and controlled maintenance projects are expected to be completed in fiscal year 2019. The Campus Commons broke ground ceremoniously in October 2016, and construction began in November 2016. The building is expected to be completed in January 2019.

Note 17: Commitments and Contingencies

Government Grants

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The utilization 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.

Collateral for State Treasury Certificates of Participation

On November 6, 2008, the State Treasury entered into a lease purchase agreement under which a trustee issued \$230,845,000 of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008. The University's Butler-Hancock interior renovation project was funded with \$11,591,235 from the lease purchase agreement as a state appropriation and Parsons Hall was provided as collateral.

Note 18: Risk Management

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

- General liability covered by Philadelphia for an aggregate of \$3,000,000 and per occurrence of \$1,000,000 with no deductible.
- Professional liability covered by Philadelphia for \$3,000,000 with a \$25,000 deductible.
- Automobile liability covered by Philadelphia for \$1,000,000 with no deductible.
- Errors and omissions covered by RSUI Group, Inc. for \$3,000,000 with a \$25,000 deductible.
- Employment practices liability covered by RSUI Group, Inc. for \$3,000,000 with a \$50,000 deductible.
- Workers compensation covered by Pinnacol Assurance for \$500,000/\$500,000/\$500,000 with a \$1,000 deductible.
- Umbrella liability covered by Philadelphia for \$2,000,000 with a self-insured retention of \$10,000.
- Fidelity (employee dishonesty) covered by Travelers for \$3,000,000 with a \$25,000 deductible.
- Other property covered by Midwestern Higher Education Compact for \$500,000,000 with a \$50,000 deductible.

The University became fully insured through several insurance companies in 2006 and is covered by insurance for everything above its reserve and deductible. The coverage in fiscal year 2017 is consistent with previous years and there have been no significant reductions in coverage. There have been no settlements exceeding coverage. The University uses a fringe benefit and risk management fund to pay expenses related to workers compensation and other liability insurance. The University's liability on June 30, 2017 was \$134,584, which represents deductibles based on an analysis of claims.

Note 19: Other Disclosures

Multi-Year Employment Contracts

During 2017 the University maintained four multi-year employment contracts for athletic coaches. The intent of the multi-year terms (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 funds availability.

Federal Perkins Loan Program

The University participates in the Federal Perkins Loan Program, under which loans are provided to eligible students and repayments are made directly to the University to provide funding for future eligible participants in the program. Effective October 1, 2017, the Department of Education has stipulated that new loans may not be disbursed under the program. Pursuant to GASB accounting standards, the University has recorded previous contributions from the Federal Government for this program as revenue (and related restricted net position) in the period that the funds were received. The closure of this program, while not certain or determinable at this point, could result in the University recording an obligation to refund previous Federal contributions received under this program to the Department of Education.

In fiscal year 2017 the University returned \$1.2 million of Federal capital contributions to the Federal Perkins Loan Program in accordance with the annual excess liquid capital calculation due in December of each year.

The University of Northern Colorado has \$0.8 million in cash, \$0.6 million in current accounts receivable, \$4.2 million in noncurrent accounts receivable, and a restricted net position of \$5.6 million in the Federal Perkins Loan Funds at June 30, 2017.

Innovation UNC

In June 2016, the Board of Trustees for the University of Northern Colorado formed a new Nonprofit Corporation named Innovation UNC. The articles of incorporation were filed pursuant to § 7-122-101, and § 7-122-102 of the Colorado Revised Statutes (C.R.S.). The purpose of Innovation UNC is to develop discoveries and technologies resulting from science and technology research at the University of Northern Colorado. Innovation UNC is a separate legal entity with a separate employer identification number and it is a blended component unit of University of Northern Colorado. There was an immaterial amount of financial activity on the entity in fiscal year 2017.

Note 20: Subsequent Events

Management evaluates subsequent events through the date that the financial statements are available for issuance.

SUPPLEMENTARY INFORMATION

University of Northern Colorado
 Schedule of Required Supplementary Information
 June 30, 2017

Schedule of University's Proportionate Share of PERA Pension Liability*

Measurement Date*	Proportion of Collective Net Pension Liability (A)	Proportionate Share of Collective Net Pension Liability (B)	Covered Payroll (C)	Proportionate Share (B/C)	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability
December 31, 2014	1.32%	\$ 124,356,394	\$ 35,490,833	350.39%	59.84%
December 31, 2015	1.27%	\$ 134,262,416	\$ 35,609,043	377.05%	56.11%
December 31, 2016	1.26%	\$ 231,167,892	\$ 36,078,990	640.73%	42.59%

Schedule of University's Contributions to PERA Pension*

As of June 30*	Statutorily Required Contributions	Contributions in Relation to Statutorily Required Contributions	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions Recognized as a Percentage of Covered Payroll
2015	\$ 6,451,658	\$ 5,990,532	\$ -	\$35,762,254	16.75%
2016	\$ 6,691,529	\$ 6,286,794	\$ -	\$ 35,566,846	17.68%
2017	\$ 7,047,703	\$ 6,692,426	\$ -	\$ 36,058,201	18.56%

*GASB Statement No. 68 was implemented during fiscal year 2015. As information becomes available, each subsequent year will be added until a full 10-year trend is compiled.

**Independent Auditors' Report On
Internal Control Over Financial
Reporting And On Compliance And Other
Matters Based On An Audit Of Financial
Statements Performed In Accordance
With *Government Auditing Standards***

Members of the Legislative Audit Committee:

We have audited, in accordance with the 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, the financial statements of the business-type activities and the aggregate discretely presented component unit of the University of Northern Colorado (the University), an institution of higher education of the State of Colorado, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 1, 2017. Our report includes a reference to other auditors who audited the financial statements of the University of Northern Colorado Foundation (the Foundation) as described in our report on the University's financial statements. The financial statements of the Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance And Other Matters

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

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RubinBrown LLP

December 1, 2017

To the Members of the Legislative Audit Committee
University of Northern Colorado
Greeley, Colorado

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of the University of Northern Colorado (the University), an institution of higher education in the State of Colorado, as of and for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in the engagement letter dated April 24, 2017 and our meeting with University Management and the Office of the State Auditor on May 1, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

During our audit, we did not identify any control deficiencies that are required to be reported to management or those charged with governance.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements.

The University has not adopted any significant new accounting policies in the current year. We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the University's financial statements were:

- Management's estimate of the allowance for uncollectible student accounts receivable is based on a review of the aged student accounts receivable and a historical collection percentage of such amounts. We evaluated the key factors and assumptions used to develop management's estimate of the allowance for uncollectible student accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the useful lives of property and equipment is based on the historic economic lives of similar assets. We evaluated the key factors and assumptions used to develop management's estimate of the useful lives of property and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability related to its pension plan is based on actuarial assumptions and other inputs as described in Note 10 to the financial statements. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

We reviewed and tested management's procedures and underlying supporting documentation in the areas discussed above and evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole. We concluded that the accounting estimates and management judgments appeared to consider all significant factors and resulted in appropriate accounting recognition.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

- Investments in Note 3 to the financial statements
- Bonds, Capital Leases and Notes Payable in Note 8 to the financial statements
- Defined Benefit Pension Plan in Note 10 to the financial statements

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We identified one misstatement during our audit procedures related to the capitalization of construction period interest, which resulted in an overstatement of interest expense and an understatement of construction in progress of approximately \$734,000 as of and for the year ended June 30, 2017. Management has determined that this amount is not material to the users of the financial statements, and has not corrected the amount in the current period. There were no corrected or other uncorrected misstatements detected as a result of audit procedures that were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We encountered no such disagreements during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 1, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the University's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with the governance of the group.

Quality of component auditor's work

There were no instances in which our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.

Other Matters

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We applied certain limited procedures to Management's Discussion and Analysis, the schedule of the University's proportionate share of the net pension liability and schedule of the University contributions to the pension, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures included inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use the members of the Legislative Audit Committee, Office of the State Auditor, Board of Trustees of the University of Northern Colorado and management of the University of Northern Colorado, and is not intended to be, and should not be, used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee this report is a public document.

Very truly yours,

RubinBrown LLP

December 1, 2017

UNIVERSITY OF NORTHERN COLORADO
STATE OF COLORADO STATE-FUNDED STUDENT
ASSISTANCE PROGRAMS
For The Year Ended June 30, 2017

Introduction

University of Northern Colorado (the University) is a state-supported institution of higher education which has its primary campus located in Greeley, Colorado.

The financial and compliance audit of the various state-funded student assistance programs of the University for the year ended June 30, 2017 was directed toward the objectives and criteria set forth in the University's financial aid policies (as updated for the 2016-17 fiscal year) and those contained in the *2016-17 Audit Guide, Colorado Funded Student Aid*, issued by the Colorado Department of Higher Education (DHE). The state student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2017.

State-Funded Student Assistance Programs

The various state-funded student assistance programs at the University include the Colorado Student Grant Program (which includes the Colorado Graduate Grant and the Colorado Need-Based Grant programs), Colorado Merit Program, and the Colorado Work-Study Program.

The state-funded student assistance awards made by the University were \$7,526,981 during the year ended June 30, 2017.

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

During the fiscal year ended June 30, 2017, the University obtained authorizations to award federal student financial aid funds of approximately \$12.4 million in the Pell Grant Program, \$264 thousand in the Supplemental Educational Opportunity Grant Program and \$416 thousand in the Federal Work-Study Program. Additionally, the University had cumulative contributions to the Perkins and Nursing loan programs totaling \$8.3 million at June 30, 2017. In addition to these programs, the University also received funding through the Direct Loan Program. Authorizations were not applicable to these programs given Direct Loans are available to any eligible student.

During the fiscal year ended June 30, 2017, the University obtained authorizations to award Colorado student financial aid funds of approximately \$5.9 million in the Colorado Student Grant Program, \$1.3 million in the Colorado Work-Study Program, and \$280 thousand in the Colorado Merit Program.

The related Statement of Allocations, Expenditures, and Reversions of state-funded student financial assistance programs is present on page 105 of this report.

REPORT SUMMARY
PURPOSE AND SCOPE OF AUDIT
SUMMARY OF CURRENT YEAR COMMENTS

Our audit of the state-funded student assistance programs was performed in accordance with the financial compliance elements of “Standards for Audits of Governmental Organizations, Programs, Activities, and Functions,” issued by the Comptroller General of the United States, as revised through 2004. The purpose of the audit was to formulate an opinion on the statement of appropriations, expenditures, transfers and reversions for the year ended June 30, 2017, and to determine if these programs were administered in accordance with applicable laws, regulations, terms of agreements and Governing Board and DHE directives that were set forth in internal University policies and in the DHE’s *2016-17 Audit Guide, Colorado Funded Student Aid* and DHE’s Financial Aid Policy.

Our examination included:

- Expressing an opinion on the Statement of Appropriations, Expenditures, and reversions.
- Evaluation of the University’s policies, procedures and practices used to administer these programs.
- Determination of the University’s compliance with applicable sections of Colorado Revised Statutes 23-3.3 et.seq. and approved Governing Board Policies.

The current-year audit covered the period July 1, 2016 through June 30, 2017, and fieldwork was performed during the period June 1, 2017 through September 30, 2017 at the campus Business and Student Financial Aid offices.

The audit report for the year ended June 30, 2017 contains no findings related to state-funded student assistance programs. See the Required Statements, Comments and Recommendations section of this report.

SUMMARY OF PROGRESS IN IMPEMEMTING PRIOR AUDIT RECOMMENDATIONS

There were no matters noted in the audit report for the year ended June 30, 2015.



**Independent Auditor's Report
On The Statement of Allocations, Expenditures
And Reversions of the State-Funded Student
Financial Assistance Programs**

Members of the Legislative Audit Committee

Report on the Statement

We have audited the accompanying Statement of Allocations, Expenditures and Reversions of the State-Funded Student Assistance Programs (the Statement) of University of Northern Colorado (the University), for the year ended June 30, 2017, and the related notes to the Statement, in accordance with the requirements of *2016-17 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid*, issued by the Colorado Department of Higher Education (CDHE).

Management's Responsibility for the Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with accounting principles generally accepted in the United States of America and requirements of CDHE; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgement, including the assessment of risk of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying Statement of Allocations, Expenditures and Reversions of the State-Funded Student Assistance Programs of the University presents fairly, in all material respects, the appropriations, expenditures and reversions of the state-funded student assistance programs of the University for the year ended June 30, 2017, pursuant to the *2016-17 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid*, issued by CDHE, and in conformity with the provisions of the University's policies.

Emphasis of a Matter

As described in the notes to the Statement, the Statement was prepared in accordance with the format as set forth in the *2016-17 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid*, issued by CDHE, and in conformity with the University's policies for the purpose of complying with the requirements of the state-funded student financial assistance programs. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study program and does not present certain transactions that would be included in the Statement if it was presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America. Accordingly, the accompanying statement is not intended to, and does not, present the financial position, changes in financial position or cash flows of the University in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions, 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

This report is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the University of Northern Colorado Board of Trustees, management of the University and CDHE and is not intended to be, and should not be, used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee, this report is a public document.

RubinBrown LLP

December 1, 2017

UNIVERSITY OF NORTHERN COLORADO

STATEMENT OF ALLOCATIONS, EXPENDITURES AND REVERSIONS
For The Year Ended June 30, 2017

	Colorado Need-Based Grant	Colorado Graduate Grant	Colorado Work-Study	Colorado Merit Aid	Total Colorado Financial Aid
Appropriations					
Original	\$ 5,605,233	\$ 235,527	\$ 1,196,335	\$ 279,886	\$ 7,316,981
Additional funds reallocated by CDHE	100,000	—	110,000	—	210,000
Funds released to CDHE	—	—	—	—	—
Total Appropriations	5,705,233	235,527	1,306,335	279,886	7,526,981
Total Expenditures	5,705,233	235,527	1,306,335	279,886	7,526,981
Reversions	\$ —	\$ —	\$ —	\$ —	\$ —

UNIVERSITY OF NORTHERN COLORADO

NOTES TO STATEMENT OF ALLOCATIONS, EXPENDITURES, AND REVERSIONS

For The Year Ended June 30, 2017

1. Basis Of Accounting And Presentation

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

All student aid is expensed on a cash basis, except for the College Work-Study (CWS) programs. The CWS program is on the accrual basis in that the expense is recognized when the services are performed.

The Statement of Allocations, Expenditures, and Reversions has been prepared in accordance with the format as set forth in *2016-17 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid*, issued by the Colorado Department of Higher Education (CDHE), and in conformity with the University's policies. The purpose of this Statement is to present, in summary form, the state-funded student financial assistance activities of the University for the fiscal year ended June 30, 2017

2. Contingent Liabilities

The student financial assistance program is subject to periodic program reviews by CDHE. If disallowances should occur as a result of these program reviews, the University could be required to repay the disallowed amounts.

UNIVERSITY OF NORTHERN COLORADO

State Of Colorado State-Funded Student Assistance Programs
Notes To Statement Of Appropriations, Expenditures, Transfers And Reversions
(Continued)

3. Other Required Disclosures

The University's packaging priority for need-based financial aid applicants is required to give the highest priority to the neediest students. Students with the lowest expected family contribution and the earliest date of filing a completed application are given top priority for available funds. Priority is not given on the basis of new or continuing student status, but on the date the application is completed. The student catalog further outlines additional eligibility requirements set forth for specific federal and state assistance programs including U.S. citizenship, Colorado residency and meeting satisfactory academic progress guidelines.

CDHE's Financial Aid Policy and Guidelines for State Financial Assistance Programs does not allow institutions receiving allocations for financial aid programs to transfer funds between those programs.



RubinBrown LLP
Certified Public Accountants
& Business Consultants

1900 16th Street
Suite 300
Denver, CO 80202

T 303.698.1883
F 303.777.4458

W rubinbrown.com
E info@rubinbrown.com

**Independent Auditor's Report On
Compliance And Internal Control Over
Compliance With Requirements That Could Have
A Direct and Material Effect on Each
State-Funded Student Assistance Program**

Members of the Legislative Audit Committee

Report on Compliance for Each State-Funded Student Assistance Program

We have audited the compliance of University of Northern Colorado (the University) with the types of compliance requirements described in the *2016-17 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado Funded Student Aid*, issued by the Colorado Department of Higher Education (CDHE) that could have a direct and material effect on each of the University's state-funded student assistance programs for the year ended June 30, 2017. The University's state-funded student assistance programs are identified in the accompanying Statement of Allocations, Expenditures, and Reversions.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, terms of agreements and University policies applicable to each of its state-funded student financial assistance programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the University's compliance for each of its state-funded student financial assistance programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *2016-17 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado Funded Student Aid*, issued by CDHE.

Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state-funded student assistance program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state-funded student financial assistance program. However, our audit does not provide a legal determination of the University's compliance with those requirements.

Opinion on Each State-Funded Student Financial Assistance Program

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its state-funded student assistance programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above and University policies applicable to each state-funded student financial assistance program. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each state-funded student assistance program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the audit requirements of CDHE, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state-funded student assistance program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state-funded student assistance program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state-funded student financial assistance program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of CDHE and University policies. Accordingly, this report is not suitable for any other purposes.

RubinBrown LLP

December 1, 2017

UNIVERSITY OF NORTHERN COLORADO

**STATE OF COLORADO STATE-FUNDED STUDENT
ASSISTANCE PROGRAMS**
REQUIRED STATEMENTS, COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2017

**Reference
Number**

Comments And Recommendations

No matters are reportable.

UNIVERSITY OF NORTHERN COLORADO

**STATE OF COLORADO STATE-FUNDED STUDENT
ASSISTANCE PROGRAMS**
DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS
For The Year Ended June 30, 2017

Reference Number	Comments And Recommendations	Status
	No matters are reportable.	