University of Colorado • Revenue Bond Funds

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

KPMG

KPMG LLP
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Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the accompanying statement of net assets of the Research Building Revolving Revenue Bond Funds (Bond Funds) of the University of Colorado (the University), a blended component unit of the State of Colorado, as of June 30, 2004, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying financial statements of the Bond Funds as of and for the year ended June 30, 2003, were audited by other auditors whose report thereon dated November 24, 2003, expressed an unqualified opinion on those statements.

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

The accompanying financial statements were prepared for the purpose of complying with covenants of the aforementioned bonds as described in note 1 and are not intended to be a complete presentation of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, or cash flows.

In our opinion, the 2004 financial statements referred to above present fairly, in all material respects, the net assets of the Bond Funds of the University as of June 30, 2004, and the revenues, expenses, changes in net assets, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The University has not presented management's discussion and analysis for its Bond Funds that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the 2004 financial statements of the Bond Funds of the University. The supplementary combining schedules of net assets as of June 30, 2004 and revenues, expenses, and changes in net assets for the year ended June 30, 2004 on pages 21 and 23, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements of the Bond Funds. The 2004 supplemental schedules have been subjected to the auditing procedures applied in the audit of the 2004 financial statements of the Bond Funds and, in our opinion, are fairly stated in all material respects in relation to the 2004 financial statements of the Bond Funds taken as a whole. The report of the other auditors referred to above, dated November 24, 2003, stated that the supplementary combining schedules of net assets as of June 30, 2003 and revenues, expenses, and changes in net assets for the year ended June 30, 2003 on pages 22 and 24, respectively, were subjected to auditing procedures applied in their audit of the 2003 basic financial statements and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as of and for the year ended June 30, 2003, taken as a whole.

KPMG LLP

December 15, 2004

UNIVERSITY OF COLORADO
RESEARCH BUILDING REVOLVING REVENUE BOND FUNDS
STATEMENTS OF NET ASSETS

June 30, 2004 and 2003

		2004	*2003*
Assets			
Current Assets			
Equity in pooled cash and investments	$	27,648,876	26,029,963
Due from other University operational units		–	260,710
Total Current Assets		27,648,876	26,290,673
Noncurrent Assets			
Capital assets, net		49,542,575	51,236,995
Total Assets	**$**	**77,191,451**	**77,527,668**
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	$	166,809	70,900
Accrued interest payable		58,177	68,761
Bonds payable		3,041,706	3,510,148
Other liabilities		84,587	22,355
Total Current Liabilities		3,351,279	3,672,164
Noncurrent Liabilities			
Bonds payable		15,164,579	18,213,166
Other liabilities		38,216	93,580
Total Noncurrent Liabilities		15,202,795	18,306,746
Total Liabilities	**$**	**18,554,074**	**21,978,910**
Net Assets			
Invested in capital assets, net of related debt	$	32,196,053	29,513,681
Restricted for expendable purposes		26,441,324	26,035,077
Total Net Assets	**$**	**58,637,377**	**55,548,758**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO
RESEARCH BUILDING REVOLVING REVENUE BOND FUNDS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended June 30, 2004 and 2003

		2004	*2003*
Operating Revenues			
Grants and contracts	$	8,405,019	8,612,549
Auxiliary enterprises		3,029,114	2,859,962
Other operating revenues		204,444	200,605
Total Operating Revenues		**11,638,577**	**11,673,116**
Operating Expenses			
Depreciation		3,509,195	3,636,721
Other operating expenses		5,464,826	5,734,272
Total Operating Expenses		**8,974,021**	**9,370,993**
Operating Income		**2,664,556**	**2,302,123**
Nonoperating Revenues (Expenses)			
Investment income		1,145,008	353,952
Interest expense on capital asset related debt		(935,377)	(1,103,180)
Other nonoperating revenues		21	87,293
Net Nonoperating Revenues (Expenses)		**209,652**	**(661,935)**
Income Before Other Revenues and Transfers		**2,874,208**	**1,640,188**
Capital gifts		–	247,462
Transfers from other University operational units		214,411	1,813,127
Total Other Revenues and Transfers		**214,411**	**2,060,589**
Increase in Net Assets		**3,088,619**	**3,700,777**
Net Assets, beginning of year		55,548,758	51,847,981
Net Assets, end of year	$	**58,637,377**	**55,548,758**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO
RESEARCH BUILDING REVOLVING REVENUE BOND FUNDS
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2004 and 2003

		2004	*2003*
Cash Flows from Operating Activities			
Grants and contracts	$	8,404,452	8,613,115
Payments to suppliers		(1,506,893)	(2,345,856)
Payments for utilities		(2,899,749)	(2,720,476)
Payments to employees		(577,377)	(555,577)
Payment for benefits		(116,753)	(108,090)
Auxiliary enterprise charges		3,029,114	2,859,962
Other receipts		204,465	287,898
Total Cash Flows Provided by Operating Activities		**6,537,259**	**6,030,976**
Cash Flows from Noncapital Financing Activities			
Transfers from other University funds		214,411	1,813,127
Cash Flows from Capital and Related Financing Activities			
Purchases and construction of capital assets		(1,814,776)	(1,015,598)
Capital gifts received		–	247,462
Principal paid on capital debt		(3,370,000)	(3,300,000)
Interest paid on capital debt		(1,092,989)	(1,252,790)
Total Cash Flows Used by Capital and Related Financing Activities		**(6,277,765)**	**(5,320,926)**
Cash Flows from Investing Activities			
Interest on investments		1,145,008	353,952
Total Cash Flows Used by Investing Activities		**1,145,008**	**353,952**
Net Increase in Cash and Cash Equivalents		**1,618,913**	**2,877,129**
Cash and Cash Equivalents, beginning of year		26,029,963	23,152,834
Cash and Cash Equivalents, end of year	$	**27,648,876**	**26,029,963**
Reconciliation of net operating income to net cash provided by operating activities:			
Operating income	$	2,664,556	2,302,123
Adjustments to reconcile net operating income to net cash used by operating activities			
Depreciation expense		3,509,195	3,636,721
Receipts of items classified as nonoperating revenues		21	87,293
Changes in assets and liabilities			
Due from other operational units		260,710	–
Accounts payable and accrued expenses		95,909	5,523
Other liabilities		6,868	(684)
Cash Flows Provided By Operating Activities	$	**6,537,259**	**6,030,976**

See accompanying notes to financial statements.

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION, FINANCIAL REPORTING ENTITY, AND GOVERNANCE

The University of Colorado (the University) is a comprehensive degree-granting research university in the State of Colorado established in 1861. It is governed by a nine-member Board of Regents (the Regents) elected by popular vote in the State of Colorado's (the State) general elections. Serving staggered six-year terms, one member is elected from each of the State's seven congressional districts with two Regents elected from the State at large. The University comprises the system offices and the following four accredited campuses, each with its unique mission as detailed below:

- University of Colorado at Boulder (CU-Boulder)
- University of Colorado Health Sciences Center (UCHSC)
- University of Colorado at Denver (CU-Denver)
- University of Colorado at Colorado Springs (CU-Colorado Springs)

The accompanying financial statements present the net assets, revenues, expenses, changes in net assets, and cash flows of the Research Building Revolving Revenue Bond Funds (Bond Funds) and are not intended to present the net assets, revenues, expenses, changes in net assets, and cash flows of the University as a whole. The primary purpose of these audited financial statements is to comply with the 1995 bond resolution. The financial statements include the financial activity associated with operating and maintaining the research facilities described in Table 1.1, Research Facilities. Detailed financial information of the University may be obtained at the Office of University Controller, 436 SYS, Boulder, CO 80301 or www.co.edu.

The Bond Funds have been established by the University to operate and maintain the Research Facilities, as described in Table 1.1, Research Facilities, specifically financed by the bonds in accordance with the outstanding Research Building Revolving Revenue Bonds resolutions. The Research Facilities do not constitute all facilities in which the University conducts research activities. Additional facilities at all four campuses, when combined with the Research Facilities pledged to the Bond Funds, comprise the entirety of the facilities in which the University conducts research.

TABLE 1.1 RESEARCH FACILITIES

CU-Boulder:
- Cooperative Institute for Research in Environmental Sciences (CIRES)/Ekeley Addition
- Joint Institute for Laboratory Astrophysics (JILA) Building
- JILA Addition Marine Street Research Center
- Marine Street Research Center
- Porter Biosciences Building Addition–Phase I/MCDB Project
- Research Laboratory Building No. 2 and No. 6
- Space Technology Building

CU-Health Sciences Center:
- Biomedical Research Building

The Bond Funds were established by the Research Building Revolving Fund Law (Revolving Fund Law), which authorized the Regents to establish and impose fees, rents, and other charges for the use of buildings within the University's Research Building System. The Revolving Fund Law also granted the Regents the authority to issue bonds for the purpose of obtaining funds for the planning, construction, and equipping of research buildings and facilities. The Bond Funds include outstanding bonds payable from the Research Building Revolving Fund Revenue Bonds Series 1995 and some portion of the Enterprise System Revenue Refunding Bonds Series 2001A.

TAX EXEMPT STATUS

The income generated by the University, as an instrumentality of the State, is generally excluded from federal income taxes under Section 115(a) of the Internal Revenue Code. The University also has a determination letter from the Internal Revenue Service stating it is exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Income generated from activities unrelated to the University's exempt purpose is subject to tax under Internal Revenue Code Section 511(a)(2)(B).

BASIS OF ACCOUNTING

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the Bond Funds financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred.

The University applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. In addition, the University has chosen to only apply Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins, issued on or before November 30, 1989, unless those pronouncements conflict with, or contradict, GASB pronouncements.

ACCOUNTING POLICIES

Cash and Cash Equivalents is defined for the purposes of reporting cash flows as equity in pooled cash and investments. The University Treasurer manages all deposits and investments of the University. Unless there are external restrictions, all such deposits and investments, including those deposits and investments arising from the Bond Funds, are pooled by the University Treasurer. To the extent permitted, the University pools cash balances for investment purposes.

University operational units, such as the Bond Funds, then have rights to the pooled deposits and investments. These rights are displayed as equity in pooled cash and investments.

Investments included in the Treasury pool are reported at fair value, which is determined primarily based on quoted market prices as of June 30, 2004 and June 30, 2003. Amortized costs (which approximate fair value) are used for money market investments.

The University's investment policies permit investments in fixed-income and equity securities. These policies are implemented using individual securities, mutual funds, and commingled funds.

Capital Assets are stated at cost at the date of acquisition or fair value at the date of donation. For equipment, the University's capitalization policy includes all items with a value of $5,000 or more, and estimated useful life of greater than one year.

Renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense. Major outlays for capital assets and improvements are capitalized as construction in progress throughout the building project. Interest incurred during the construction phase is included as part of the value of the construction in progress.

Depreciation is computed using the straight-line method and monthly convention over the estimated useful lives of the assets as displayed in Table 1.2, Asset Useful Lives.

TABLE 1.2 Asset Useful Lives

Asset Class	*Years*
Buildings	20–50*
Improvements other than buildings	10–40*
Equipment	3–20*

*Certain buildings are componentized and the components may have useful lives similar to Improvements or Equipment.

Net Assets are classified in the accompanying financial statements as follows:

Invested in capital assets, net of related debt represents the Bond Funds' total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted for expendable purposes represents net resources in which the Bond Funds are legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Internal Transactions occur between University operating units, including formal self-funded internal service units. Examples of self-funded operating units are telecommunications, cogeneration, and storerooms. Transactions include the recognition of revenues, expenses, receivables, and payables in the appropriate accounts of the operating units. Since the Bond Funds do not present the operations of the University as a whole, internal transactions are presented as Due from other University operational units and Transfers from other University operational units.

Classification of Revenues and Expenses in the Bond Funds financial statements as either operating or nonoperating has been made according to the following criteria:

Operating Revenues are derived from activities associated with providing goods and services for instruction, research, public service or related support to entities separate from the University and that are exchange transactions. Examples include sales and services of auxiliary enterprises, grants, and contracts.

Nonoperating Revenues include all revenues that do not meet the definitions of operating revenues, capital revenues, or endowment additions. They are primarily derived from activities that are non-exchange transactions (e.g., gifts); from activities defined as such by GASB cash flow standards (e.g., investment income); and from sources defined as such by other GASB standards (e.g., state appropriations).

Operating expenses are paid to acquire or produce goods and services provided in return for operating revenues, and to carry out the mission of the University.

Nonoperating expenses are all expenses not deemed to be operating.

Application of Restricted and Unrestricted Resources is made on a case-by-case basis by management depending on overall program resources. Generally, management applies unrestricted resources then restricted resources when both restricted and unrestricted resources are available to pay an expense.

Reclassifications of certain prior year balances have been made to conform to the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

As noted earlier, the University pools its deposits and investments. Therefore, information on carrying amounts, bank balances and investment categorization for the Bond Funds is not available. Information on deposits and investments for the University as a whole follows.

DEPOSITS

The University's cash is detailed in Table 2.1, University Cash.

Deposits with the State's Treasurer represent amounts placed in the State's Treasurer's cash management program, which acts as the bank for all State agencies, except the University.

Deposits with U.S. and foreign financial institutions are made in accordance with University and State policy, including the Public Deposit Protection Act (PDPA). PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal insurance. Deposits collateralized under the PDPA are considered to be collateralized with securities held by the pledging institution in the University's name per Governmental Accounting Standards Board Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements* (GASB Statement No. 3). Deposits with foreign financial institutions are not considered to be PDPA eligible deposits and must be separately authorized as allowable depositories by the State. During the years ended June 30, 2004 and 2003, all deposits with foreign financial institutions were authorized.

TABLE 2.1 University Cash *(in thousands)*

		2004	2003
Cash on hand (petty cash and change funds)	$	272	279
Deposits with the State's Treasurer		–	19
Deposits with U.S. and foreign financial institutions		11,991	12,601
Total Cash	**$**	**12,263**	**12,899**

Table 2.2, University Deposit Bank Balances, provides information concerning the custodial credit risk for the University's bank balances for the deposits with U.S. and foreign financial institutions as of June 30, 2004 and 2003. The difference between book balances and bank balances are due to outstanding warrants and deposits in transit at year end.

INVESTMENTS

The University's investments generally include direct obligations of the U.S. Government and its agencies, commercial paper, corporate bonds, asset-backed securities, mortgage-backed securities, money market funds, commingled and mutual funds, repurchase agreements, guaranteed investment contracts, and equities. With respect to investments reported in the accompanying financial statements, the University is subject to market risk, which represents the exposure to changes in the market, such as changes in interest rates or a change in price or principal value of a security. In addition, these investments are exposed to custodial credit risk. Custodial credit risk is the exposure to the default of counterparties to investment transactions.

In accordance with GASB Statement No. 3, as amended by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* University investments have been categorized into the following three categories of custodial credit risk:

Category 1 – Investments that are insured or registered or investments that are held by the University in the University's name.

Category 2 – Investments that are uninsured or unregistered that are held by the counterparty's agent or trust department in the University's name.

TABLE 2.2 University Deposit Bank Balances
(in thousands)

Category of credit risk		*2004*	*2003*
Insured or collateralized with securities held by the University or its agent in the University's name	$	200	314
Collateralized with securities held by the pledging institution in the University's name		13,805	16,861
Uninsured or uncollateralized deposits with foreign financial institutions		49	82
Total Deposit Bank Balances	**$**	**14,054**	**17,257**

Category 3 – Investments that are uninsured or unregistered that are held by the counterparty's agent or trust department but not in the University's name.

Mutual funds and certain other investments, including trusts, are not categorized as to custodial credit risk because ownership is not evidenced by a security.

The investment policy approved by the Regents directs the University Treasurer to meet the following investment objectives:

- liquidity for daily operations,
- protection of the nominal value of assets, and
- generation of distributable earnings at a level commensurate with the time horizon of the investments.

A summary of the fair value of the University's investments as of June 30, 2004 and 2003 is shown in Table 2.3, University Investments.

For financial statement purposes, investment income is reported on a total return basis and is allocated among University operational units based on average daily balances, using amortized costs. Average daily balances approximated $547,105,000 and $482,129,000 for the years ended June 30, 2004 and 2003, respectively. The total return on this pool was 5.6 percent and 5.4 percent for the years ended June 30, 2004 and 2003, respectively.

SECURITY LENDING

The University treasurer, under the authority granted by the Regents, entered into an agreement with the trust department of its custodial bank to lend its fixed income and equity securities to certain qualified borrowers. Loans can be terminated on demand by either the University or the borrowers. The loans consist of two types: term and open. A term loan is for a fixed number of days while an open loan may be renewed by both parties daily.

The custodian, acting as lending agent, lends the University's securities for collateral of 102 percent to broker-dealers and other entities (borrowers) with a simultaneous agreement to return the collateral for the same security in the future. Acceptable forms of collateral are cash, irrevocable standby letters of credit, and obligations issued or guaranteed by the U.S. Government or its agencies. If the fair value of a loaned security increases, the borrower is required to deliver additional collateral to the custodian to protect the University. For both term and open loans collateralized by cash from the borrower, the collateral is invested in high-quality, U.S. dollar-denominated, short-term money market instruments that can have fixed, variable, or floating rates of interest. Collateral is invested in diversified instruments to provide adequate liquidity and to avoid concentration by issuer or industry except that no concentration limits are set for obligations of the U.S. Government or its agencies. The University does not have the ability to pledge or sell securities under a security lending agreement unless the borrower defaults. At June 30, 2004 and 2003, the University had no securities on loan.

The custodian provides indemnification to protect against a borrower's failure to perform or a borrower's default on a loan. There were no violations of legal or contractual provisions and no borrower or custodian has defaulted.

NOTE 3 – CAPITAL ASSETS

Table 3, Capital Assets, presents changes in capital assets and accumulated depreciation by major asset category for the years ended June 30, 2004 and 2003.

The total interest expense related to capital assets incurred by the Bond Funds during the years ended June 30, 2004 and 2003 approximated $935,000 and $1,103,000, respectively.

TABLE 2.3 University Investments *(in thousands)*

Investment Type		*2004*	*2003*
Category of Risk No. 1			
U.S. government and agency securities	$	123,773	68,233
Corporate securities and commercial paper		101,921	100,068
Repurchase agreements		41,397	3,410
Certificates of deposit		6,146	6,777
Subtotal Category of Risk No. 1		273,237	178,488
Uncategorized		504,301	489,194
Total Investments	$	777,538	667,682

TABLE 3. Capital Assets

Category	*Balance 2003*	*Additions*	*Transfers*	*Balance 2004*
Nondepreciable Capital Assets				
Construction in progress	$ 1,106,376	1,702,052	(1,357,428)	1,451,000
Depreciable Capital Assets				
Buildings	90,492,904	112,723	1,357,428	91,963,055
Less Accumulated Depreciation				
Buildings	(40,362,285)	(3,509,195)	–	(43,871,480)
Net Depreciable Capital Assets	50,130,619	(3,396,472)	1,357,428	48,091,575
Total Net Capital Assets	**$ 51,236,995**	**(1,694,420)**	**–**	**49,542,575**

Category	*Balance 2002*	*Additions*	*Transfers*	*Balance 2003*
Nondepreciable Capital Assets				
Construction in progress	$ 619,259	981,514	(494,397)	1,106,376
Depreciable Capital Assets				
Buildings	89,998,507	–	494,397	90,492,904
Less Accumulated Depreciation				
Buildings	(36,725,564)	(3,636,721)	–	(40,362,285)
Net Depreciable Capital Assets	53,272,943	(3,636,721)	494,397	50,130,619
Total Net Capital Assets	**$ 53,892,202**	**(2,655,207)**	**–**	**51,236,995**

NOTE 4 – BONDS PAYABLE

The revenue bonds consist of multiple issues to finance construction, repair, and enhancement of the Research Facilities of the University. A general description of each revenue bond issue, original issuance amount, and the amounts outstanding as of June 30, 2004 and 2003 are presented in Table 4.1, Revenue Bonds Detail. As shown in Table 4.1, there are two remaining series of revenue bonds applicable to the Bond Funds. Certain series include portions that are not applicable to the Bond Funds. Only portions applicable to the Bond Funds have been included in Table 4.1.

The Bond Funds revenue bonds are secured by a pledge of net revenues of the Bond Funds, including: all rents and charges generated from buildings and facilities, net of applicable operating expenses; allocated investment earnings on balances in the Bond Funds; and to the extent necessary, indirect cost recoveries received by the University on grants and contracts performed by the University. As of

TABLE 4.1 Revenue Bonds Detail

Issuance Description	*Original Issuance Amount*	*Outstanding Balance allocated to Bond Funds 2004*	*2003*
Research Building Revolving Fund (RBRF) Revenue Bonds, Refunding Series 1995 – Used to refund a portion of the Series 1986 and all of Series 1990	$ 11,055,000	2,865,000	4,050,000
Enterprise System Revenue Bonds, Refunding Series 2001A – Used to refund all of the Student Recreation Center and Refunding Series 1989, Auxiliary Facilities System Refunding Series 1992A, RBRF Series 1989, and RBRF Series 1992 and a portion of the Enterprise System Tax Exempt Commercial Paper (includes premium)	34,840,000	15,341,285	17,673,314
Total Revenue Bonds	$ 45,895,000	18,206,285	21,723,314
Less premium on Refunding Series 2001A		(436,285)	(583,314)
Total Outstanding Revenue Bond Principal		**$ 17,770,000**	**21,140,000**

June 30, 2004 and 2003, net pledged revenues (net income) approximated $108,925,000 and $98,967,000, respectively.

The Enterprise System Bonds are secured by a pledge of all net revenues of certain auxiliary enterprise facilities and further secured by a subordinate pledge of Bond Funds net revenues as defined above. As of June 30, 2004 and 2003, total net pledged revenues for the University as a whole, including the subordinate pledge, approximate $147,636,000 and $117,127,000, respectively.

All University revenue bonds are special limited obligations of the Regents and are payable solely from the pledged revenues (or the Net Income of the Facilities as defined in the bond resolutions). The revenue bonds are not secured by any encumbrance, mortgage, or other pledge of property, except pledged revenues, and do not constitute general obligations of the Regents.

Table 4.2, Changes in Bonds Payable, presents changes in bonds payable for the Bond Funds for years ended June 30, 2004 and 2003.

SCHEDULED PRINCIPAL AND INTEREST PAYMENTS

Principal payments on the Refunding Series 1995 Bonds are payable each June 1 in varying amounts until all outstanding bonds are retired. The Refunding Series 1995 Bonds require semiannual interest payments on June 1 and December 1.

Future minimum payments for Refunding Series 1995 revenue bonds are presented in Table 4.3, Future Minimum Payments for Refunding Series 1995 Bonds.

As shown in Table 4.1, Refunding Series 2001A has a portion of the revenue bonds that is not allocated to the Bond Funds. Principal and interest payments on the Refunding Series 2001A, as a whole, are payable each June 1 and December 1 until all outstanding bonds are retired. Scheduled aggregate principal and interest payments, including mandatory sinking fund payments, on the Refunding Series 2001A, as a whole, for the years subsequent to June 30, 2004 are presented in Table 4.4, Future Minimum Payments and Mandatory Sinking Fund Payments for Refunding Series 2001A Bonds (as a whole).

Optional Redemption Provisions

The Refunding Series 1995 Bond Resolutions contain provisions that allow the Regents to redeem a specified amount of bonds prior to their stated maturity date. As of June 30, 2004 and 2003, remaining principal eligible for optional prior redemption on June 30, 2005 is $2,240,000 at a price of 100 percent of principal redeemed plus accrued interest.

The Refunding Series 1995 Bonds are subject to an extraordinary redemption provision prior to maturity if the Regents elect to not repair or replace an insured building and the net insurance proceeds are greater than $1,000,000. The insur-

TABLE 4.2 Changes in Bonds Payable

Type	*Balance 2003*	*Retirements*	*Balance 2004*	*Current Portion*
Refunding Series 1995	$ 4,050,000	1,185,000	2,865,000	625,000
Refunding Series 2001A	17,090,000	2,185,000	14,905,000	2,295,000
Plus Unamortized Premiums	583,314	147,029	436,285	121,706
Total Bonds Payables	**$ 21,723,314**	**3,517,029**	**18,206,285**	**3,041,706**

Type	*Balance 2002*	*Retirements*	*Balance 2003*	*Current Portion*
Refunding Series 1995	$ 5,270,000	1,220,000	4,050,000	1,185,000
Refunding Series 2001A	19,170,000	2,080,000	17,090,000	2,185,000
Plus Unamortized Premiums	722,715	139,401	583,314	140,148
Total Bonds Payables	**$ 25,162,715**	**3,439,401**	**21,723,314**	**3,510,148**

TABLE 4.3 Future Minimum Payments for Refunding Series 1995 Bonds

Years Ending June 30	*Interest Rates*	*Principal*	*Interest*	*Total*
2005	6.00%	$ 625,000	150,165	775,165
2006	5.10%	665,000	112,665	777,665
2007*	5.00%	695,000	78,750	773,750
2008*	5.00%	730,000	44,000	774,000
2009*	5.00%	150,000	7,500	157,500
Total		**$ 2,865,000**	**393,080**	**3,258,080**

* Total Principal payments in years 2007 through 2009 are mandatory sinking fund payments.

TABLE 4.4 Minimum Payments and Mandatory Sinking Fund Payments for Refunding Series 2001A Bonds (as a whole)

Year Ending June 30	*Interest Rates*	*Principal*	*Interest*	*Total*
2005	5.00%	$ 3,550,000	1,299,195	4,849,195
2006	5.00%	3,665,000	1,121,695	4,786,695
2007	5.00%	3,840,000	938,445	4,778,445
2008	5.75%	4,025,000	746,445	4,771,445
2009	5.00%	2,895,000	515,008	3,410,008
2010–2014	4.75–5.50%	3,550,000	1,240,180	4,790,180
2015–2016	5.00–5.10%	430,000	357,052	787,052
2017–2021*	5.375%	1,315,000	677,249	1,992,249
2022–2025*	5.375%	1,325,000	263,375	1,588,375
2026	5.375%	375,000	20,156	395,156
Total		**$ 24,970,000**	**7,178,800**	**32,148,800**

*Total Principal payments in years 2017 through 2025 are mandatory sinking fund payments.

ance proceeds must be placed into the Bond Funds and must be used to redeem a proportionate share of the outstanding bonds payable.

The Refunding Series 2001A Resolutions contain provisions that allow the Regents to redeem a specified amount of the bonds prior to their stated maturity date. The optional redemption provisions allow the University to redeem $4,020,000 at a price of 100 percent on or after June 1, 2011.

ENTERPRISE SYSTEM BONDS SUBORDINATED DEBT

The University has issued various bonds under its Enterprise System credit (collectively, the Enterprise System Bonds) to refund certain obligations of the University and to finance new construction. Revenues pledged to repay Enterprise System Bonds include, but are not limited to, the revenues of the Bond Funds. The pledge of the Bond Funds revenues to the repayment of the Enterprise System Bonds is subordinate to the repayment of the outstanding Research Building Revolving Fund Revenue Bonds, Refunding Series 1995 (the Prior Lien Bonds). After the payment of certain operating and maintenance expenses and of principal and interest on the Prior Lien Bonds, the University may use the Bond Funds revenues for the payment of principal and interest on the Enterprise System Bonds.

EXTINGUISHMENT OF DEBT

Previous revenue bond issues considered to be extinguished through in-substance defeasance under generally accepted accounting principals are not included in the accompanying financial statements. The amount of debt in this category for the University as a whole, covered by assets placed in trust to be used solely for future payments, amounted to approximately $4,396,000 and $14,735,000 as of June 30, 2004 and 2003, respectively.

BOND RESOLUTION REQUIREMENTS

Pledge of Net Income

The Refunding Series 1995 Bonds are secured by an irrevocable and first lien on the Net Income of the Research Facilities, while any portion of the bonds remains outstanding. Net Income is defined as the difference between Gross Pledged Revenues and the annual operation and maintenance expenses of the Research Facilities, excluding reserve transfers. Gross Pledged Revenues consist of:

- All revenues derived by the University from the operations of the Research Facilities, including, but not limited to, the rents or charges for use of the Research Facilities;
- All investment earnings accumulated on the Bond Funds' cash and investment balances; and, to the extent necessary,
- Amounts accruing to the University from Indirect Cost Recoveries on all sponsored programs at any of the four campuses of the University.

The bond resolutions allow the Regents the right, subject to certain conditions, to issue additional bonds which are payable from the Net Income of the Research Facilities. However, additional bonds, if any, may only have a lien on a parity with, not superior to, the existing lien.

Debt Service Coverage

The Refunding Series 1995 bond resolutions specify debt service coverage requirements for the Research Facilities. The debt service coverage provisions require Net Income, as defined above, to be equal to 200 percent of the current year's debt service (principal and interest payments).

The components of debt service coverage calculation as defined in the bond resolution, for the years ended June 30, 2004 and 2003, including all indirect cost recoveries available to the University, is presented in Table 4.5, Components of Debt Service Coverage for Refunding Series 1995 Bonds.

In the applicable bond resolutions, the Regents have pledged to impose fees, rates, and charges sufficient to pay all obligations required under the provisions of the Bond Resolutions.

Required Reserves

The Refunding Series 1995 bond resolutions require the Regents to establish a Minimum Reserve in accordance with the applicable Resolution. The Minimum Reserve under each of the bond resolutions is equal to the maximum principal and interest due in any calendar year for the particular bond issue. The bond resolutions allow the Regents to elect to fund the Minimum Reserve through a surety bond or letter of credit. As of the years ending June 30, 2004 and 2003, the University owned a surety bond of $1,581,165, which exceeds the Minimum Reserve.

Other Bond Resolution Requirements

In addition to the other requirements listed in this note, the Refunding Series 1995 bond resolutions require the Regents to maintain compliance with various additional covenants while the Refunding Series 1995 Bonds are outstanding. These covenants, among other things, restrict the disposition of the Research Facilities, require the Regents to maintain adequate insurance, require the Regents to continue to operate the Research Facilities, and require an annual audit of the Bond Funds.

Events of Default

An event of default will have occurred under the Refunding Series 1995 bond resolutions, in general, if (a) any payment of principal or interest on the Refunding Series 1995 Bonds is not made when due; (b) the Regents are unable to fulfill their obligations under the Refunding Series 1995 bond resolutions; or (c) the Regents have defaulted in the performance of any covenant, condition, agreement, or provision contained in any of the bond resolutions.

To the best of their knowledge, the Regents and management of the University are unaware of any noncompliance with the bond resolution requirements and any event of default as of June 30, 2004 or 2003.

TABLE 4.5 Components of Debt Service Coverage for Refunding Series 1995 Bonds

	2004	*2003*
Total debt service		
Principal	$ 1,185,000	1,220,000
Interest	209,415	270,415
Total Debt Service	**$ 1,394,415**	**1,490,415**
Net Income		
Research Facilities Revenues	$ 3,317,534	3,100,576
Indirect cost recoveries credited to bond funds	8,405,018	8,612,549
Indirect cost recoveries not credited to bond funds	102,092,632	93,317,497
Less applicable operation and maintenance expenses	(4,889,720)	(6,063,794)
Net Income	**$108,925,464**	**98,966,828**

NOTE 5 – AUXILIARY ENTERPRISES REVENUE

The Bond Funds lease space in the Research Facilities to organizations both external and internal to the University. This rental income received from users of the Research Facilities is recognized as auxiliary enterprises revenue and represents a significant component of Pledged Revenues.

Lessees of the Research Facilities typically include governmental agencies, joint ventures between the University and the federal government, and centers and institutes operated as part of the University. Original lease terms for external organizations typically have longer maturities and escalation clauses associated with inflation indices. In addition, certain University departments lease space in the Research Facilities on a predominately short-term basis (year to year).

A summary of estimated minimum future rentals (excluding indirect cost recoveries to be credited to the Bond Funds) for leases, utilizing lease rates in effect at June 30, 2004, for the five years subsequent to June 30, 2004, is presented in Table 5, Future Auxiliary Enterprises Revenue.

NOTE 6 – RETIREMENT PLANS AND INSURANCE PROGRAMS

Employees of the University eligible for retirement benefits participate in one of three retirement plans. Eligible student employees participate in a student retirement plan that is funded solely by contributions from the student employees. The student retirement plan is a defined contribution plan

TABLE 5. Future Auxiliary Enterprises Revenue

Years Ending June 30	*Estimated Future Lease Rentals*
2005	$ 3,124,133
2006	972,222
2007	539,419
2008	549,345
2009	233,335
Total	**$ 5,418,454**

administered by a consortium of higher educational institutions in the State. All other eligible employees of the University participate in one of the two additional plans, the Public Employees' Retirement Association (PERA) plan and the University's optional retirement plan.

PERA DEFINED BENEFIT PENSION PLAN

The PERA plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost-sharing multiple-employer plan administered by PERA. PERA was established by State statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require legislation by the General Assembly. The State plan and other employers' plans are included in PERA's financial statements, which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203 or at www.copera.org.

Plan members vest after five years of service and are eligible for retirement benefits at age fifty with thirty years of service, age sixty with twenty years of service, or at age sixty-five with five years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least fifty-five and have a minimum of five years of service credit, and their age plus years of service equals eighty or more. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of twelve consecutive months of service credit.

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

The total payroll of employees covered by PERA was $208,913,000 and $221,103,000 for the years ended June 30, 2004 and 2003, respectively. Employees contribute 8 percent of their gross covered wages to an individual account in the plan. During the years ended June 30, 2004, 2003, and 2002, the University contributed a total of 10.15 percent, 9.9 percent, and 9.9 percent, respectively, of the employee's gross covered wages to PERA in accordance with the following allocations and amounts detailed in Table 6.1, University Contributions to PERA. These contributions met the contribution requirement for each year.

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

VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

On January 1, 2001, the Matchmaker Program established a State match for PERA members' voluntary contributions to tax-deferred retirement plans. For calendar years 2001 and 2002, the match was 100 percent of up to 3 percent of the employee's gross covered wages paid during the month. For calendar year 2003, the match was 100 percent of up to 2 percent of the employee's gross covered wages paid during the month. For calendar year 2004 through May 31, 2004, the match was 100 percent of up to 1 percent of the employee's gross covered wages paid during the month. The PERA Board sets the level of the match annually, based on the actuarial funding of the defined benefit pension plan. Two percent of gross salary plus 50 percent of any reduction in the

TABLE 6.1 University Contributions to PERA *(in thousands)*

Program	*Basis*	*2004*	*2003*	*2002*
Health Care Trust Fund	1.1 percent after January 1, 2003; 1.64 between December 31, 2002 and January 1, 2002; and 1.42 percent before January 1, 2002	$ 2,298	3,037	3,278
Matchmaker Program (see Voluntary Tax Deferred Retirement Plans below)	Through May 31, 2004, the amount needed to meet the match requirement established by the PERA Board	1,690	3,184	3,572
Defined Benefit Plan	The balance remaining	17,217	15,978	14,355
Total University Contribution		**$ 21,205**	**22,199**	**21,205**

overall contribution rate due to overfunding of the pension plan was available for the match. While the plan was not overfunded in the current year, the maximum one-year change in the match rate is statutorily limited to one percent, and therefore, the match changed from 2 percent to 1 percent at January 1, 2004. Legislation passed in the 2004 session of the General Assembly terminated the match for pay periods ending after May 31, 2004. The match will resume when the actuarial value of the defined benefit plan assets are 110 percent of actuarially accrued plan liabilities.

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

UNIVERSITY OPTIONAL RETIREMENT PLAN

Under the University's optional retirement plan, certain members of the University participate in a defined contribution retirement plan administered by the University for the benefit of full-time faculty and unclassified staff members. The Constitution of the State assigns the authority to establish and amend plan provisions to the Regents. The contribution requirements of plan members and the University are established and may be amended by the Regents. For the years ended June 30, 2004 and 2003, the University's contribution to the defined contribution retirement plan was equal to 10 percent of covered payroll and the employee contribution was equal to 5 percent of covered payroll. The University's contribution under the optional retirement plan during the years ended June 30, 2004 and 2003, approximated $44,388,000 and $43,001,000, respectively. The employee's contribution under the optional retirement plan approximated $21,877,000 and $21,234,000, during the years ended June 30, 2004 and 2003, respectively.

Participants in the University's optional retirement plan choose to invest all contributions with one or more of three designated vendors. In addition, participants in the University's optional retirement plan are covered under federal Social Security (FICA). Federal Social Security regulations required both the employer and employee to contribute 6.2 percent of covered payroll to the plan during the years ended June 30, 2004 and 2003.

Health Insurance Programs

The University's contributions to the various health insurance programs approximated $30,379,000 and $23,510,000 during the years ended June 30, 2004 and 2003, respectively.

NOTE 7 – POST-EMPLOYMENT BENEFITS

UNIVERSITY POST-EMPLOYMENT HEALTH CARE AND LIFE INSURANCE PLAN

The University provides certain post-retirement health care and life insurance benefits for retired employees in accordance with the Regents' authority. Substantially all of the University's employees may become eligible for those benefits if they reach normal retirement age while working for the University. During the years ended June 30, 2004 and 2003, approximately 3,051 and 3,750 retirees, respectively, met the eligibility requirements and are receiving benefits. Under this program, the University subsidizes a portion of health care and life insurance premiums by charging them as a current expense. These costs approximated $3,275,000 and $2,321,000 during the years ended June 30, 2004 and 2003, respectively.

PERA POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Health Care Program

The PERACare (formerly know as the PERA Health Care Program) began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the PERACare and the Health Care Fund. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During the years ended June 30, 2004 and 2003, the premium subsidy was $115 for those with twenty years of service credit ($230 for members under age sixty-five), and it was reduced by 5 percent for each year of service fewer than twenty. Medicare eligibility also affects the premium subsidy.

The Health Care Trust Fund is maintained by an employer's contribution (see Note 6, PERA Defined Benefit Pension Plan).

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans, and with health maintenance organizations providing services within Colorado. As of December 31, 2003, there were approximately 37,100 enrollees in the plan.

Life Insurance Program

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

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Contracts have been entered into for the purpose of planning, acquiring, constructing, and equipping certain building additions and other projects related to the Bond Fund Research Facilities with outstanding amounts totaling approximately $196,000 and $344,000 as of June 30, 2004 and 2003, respectively. These additions will be funded or financed by donor contributions, appropriations from the State, and other resources.

Substantial amounts related to research are received and expended by the Bond Funds under federal and state grants and contracts, and are subject to audit by cognizant governmental agencies. University management believes that any liabilities arising from such audits will not have a material effect on the Bond Funds' financial position.

The University is a defendant in a number of legal actions. While the final outcome of many of these legal actions cannot be determined at this time, management is of the opinion that the ultimate liability not covered by insurance, if any, for these legal actions will not have a material effect on the Bond Funds' financial position or operations.

RESEARCH BUILDING REVOLVING REVENUE BOND FUNDS
SUPPLEMENTARY SCHEDULES

UNIVERSITY OF COLORADO
RESEARCH BUILDING REVOLVING REVENUE BOND FUNDS
SUPPLEMENTARY SCHEDULES
COMBINING SCHEDULE OF NET ASSETS
June 30, 2004

			Plant Funds			
		Current Unrestricted Funds	*Unexpended*	*Retirement of Indebtedness*	*Investment in Plant*	*Total*
Assets						
Equity in pooled cash and investments (current)	$	1,383,577	26,017,017	248,282	–	27,648,876
Capital assets, net (noncurrent)		–	(859,763)	–	50,402,338	49,542,575
Total Assets	$	**1,383,577**	**25,157,254**	**248,282**	**50,402,338**	**77,191,451**
Liabilities						
Current Liabilities						
Accounts payable and accrued expenses	$	21,455	145,354	–	–	166,809
Accrued interest payable		–	–	58,177	–	58,177
Bonds payable		–	–	–	3,041,706	3,041,706
Other liabilities		7,877	76,710	–	–	84,587
Total Current Liabilities		29,332	222,064	58,177	3,041,706	3,351,279
Noncurrent Liabilities						
Bonds payable		–	–	–	15,164,579	15,164,579
Other liabilities		38,216	–	–	–	38,216
Total Noncurrent Liabilities		38,216	–	–	15,164,579	15,202,795
Total Liabilities	$	**67,548**	**222,064**	**58,177**	**18,206,285**	**18,554,074**
Net Assets						
Invested in capital assets, net of related debt	$	–	–	–	32,196,053	32,196,053
Restricted for expendable purposes		1,316,029	24,935,190	190,105	–	26,441,324
Total Net Assets	$	**1,316,029**	**24,935,190**	**190,105**	**32,196,053**	**58,637,377**

See accompanying independent auditors' report.

UNIVERSITY OF COLORADO
RESEARCH BUILDING REVOLVING REVENUE BOND FUNDS
SUPPLEMENTARY SCHEDULES
COMBINING SCHEDULE OF NET ASSETS

June 30, 2003

		Current Unrestricted Funds	*Plant Funds*			
			Unexpended	*Retirement of Indebtedness*	*Investment in Plant*	*Total*
Assets						
Equity in pooled cash and investments (current)	$	927,753	24,959,136	143,074	–	26,029,963
Due from other operational units (current)		175,000	85,710	–	–	260,710
Capital assets, net (noncurrent)		–	–	–	51,236,995	51,236,995
Total Assets	**$**	**1,102,753**	**25,044,846**	**143,074**	**51,236,995**	**77,527,668**
Liabilities						
Current Liabilities						
Accounts payable and accrued expenses	$	32,069	38,831	–	–	70,900
Accrued interest payable		–	–	68,761	–	68,761
Bonds payable		–	–		3,510,148	3,510,148
Other liabilities		8,275	14,080	–	–	22,355
Total Current Liabilities		40,344	52,911	68,761	3,510,148	3,672,164
Noncurrent Liabilities						
Bonds payable		–	–	–	18,213,166	18,213,166
Other liabilities		35,988	–	57,592	–	93,580
Total Noncurrent Liabilities		35,988	–	57,592	18,213,166	18,306,746
Total Liabilities	**$**	**76,332**	**52,911**	**126,353**	**21,723,314**	**21,978,910**
Net Assets						
Invested in capital assets, net of related debt	$	–	–	–	29,513,681	29,513,681
Restricted for expendable purposes		1,026,421	24,991,935	16,721	–	26,035,077
Total Net Assets	**$**	**1,026,421**	**24,991,935**	**16,721**	**29,513,681**	**55,548,758**

See accompanying independent auditors' report.

UNIVERSITY OF COLORADO
RESEARCH BUILDING REVOLVING REVENUE BOND FUNDS
SUPPLEMENTARY SCHEDULES
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2004

	Current Unrestricted Funds	*Plant Funds*			*Total*
		Unexpended	*Retirement of Indebtedness*	*Investment in Plant*	
Operating Revenues					
Grants and contracts	$ 8,405,019	–	–	–	8,405,019
Auxiliary enterprises	3,029,114	–	–	–	3,029,114
Other operating revenues	204,444	–		–	204,444
Total Operating Revenues	11,638,577	–	–	–	11,638,577
Operating Expenses					
Depreciation	–	–	–	3,509,195	3,509,195
Other operating expenses	5,189,294	3,753,854	–	(3,478,322)	5,464,826
Total Operating Expenses	5,189,294	3,753,854	–	30,873	8,974,021
Operating Income (Loss)	**6,449,283**	**(3,753,854)**	**–**	**(30,873)**	**2,664,556**
Nonoperating Revenues (Expenses)					
Investment income	83,842	874,278	186,888	–	1,145,008
Interest expense on capital asset related debt	–	–	(1,082,406)	147,029	(935,377)
Other nonoperating revenues	21	–	–	–	21
Net Nonoperating Revenues (Expenses)	83,863	874,278	(895,518)	147,029	209,652
Income (Loss) Before Other Revenues and Transfers	**6,533,146**	**(2,879,576)**	**(895,518)**	**116,156**	**2,874,208**
Transfers (to) from other university funds	(6,243,538)	2,822,831	1,068,902	2,566,216	214,411
Increase (Decrease) in Net Assets	**289,608**	**(56,745)**	**173,384**	**2,682,372**	**3,088,619**
Net Assets, beginning of year	1,026,421	24,991,935	16,721	29,513,681	55,548,758
Net Assets, end of year	**$ 1,316,029**	**24,935,190**	**190,105**	**32,196,053**	**58,637,377**

See accompanying independent auditors' report.

UNIVERSITY OF COLORADO
RESEARCH BUILDING REVOLVING REVENUE BONDS FUNDS
SUPPLEMENTARY SCHEDULES
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended June 30, 2003

	Current Unrestricted Funds	*Plant Funds*			*Total*
		Unexpended	*Retirement of Indebtedness*	*Investment in Plant*	
Operating Revenues					
Grants and contracts	$ 8,612,549	–	–	–	8,612,549
Auxiliary enterprises	2,859,962	–	–	–	2,859,962
Other operating revenues	200,605	–	–	–	200,605
Total Operating Revenues	**11,673,116**	**–**	**–**	**–**	**11,673,116**
Operating Expenses					
Depreciation	–	–	–	3,636,721	3,636,721
Other operating expenses	5,762,677	9,484,360	–	(9,512,765)	5,734,272
Total Operating Expenses	**5,762,677**	**9,484,360**	**–**	**(5,876,044)**	**9,370,993**
Operating Income (Loss)	**5,910,439**	**(9,484,360)**	**–**	**5,876,044**	**2,302,123**
Nonoperating Revenues (Expenses)					
Investment income	27,082	281,289	45,581	–	353,952
Interest expense on capital asset related debt	–	–	(1,242,581)	139,401	(1,103,180)
Other nonoperating revenues	16,633	70,660	–	–	87,293
Net Nonoperating Revenues (Expenses)	43,715	351,949	(1,197,000)	139,401	(661,935)
Income (Loss) Before Other Revenues and Transfers	**5,954,154**	**(9,132,411)**	**(1,197,000)**	**6,015,445**	**1,640,188**
Capital gifts	–	247,462	–	–	247,462
Transfers (to) from other university funds	(5,805,887)	11,571,220	1,244,079	(5,196,285)	1,813,127
Total Other Revenues and Transfers	(5,805,887)	11,818,682	1,244,079	(5,196,285)	2,060,589
Increase (Decrease) in Net Assets	**148,267**	**2,686,271**	**47,079**	**819,160**	**3,700,777**
Net Assets, beginning of year	878,154	22,305,664	(30,358)	28,694,521	51,847,981
Net Assets, end of year	**$ 1,026,421**	**24,991,935**	**16,721**	**29,513,681**	**55,548,758**

See accompanying independent auditors' report.

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Research Building Revolving Revenue Bond Funds of the University of Colorado (the University), a blended component unit of the State of Colorado, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 15, 2004.

In connection with our audit, nothing came to our attention that caused us to believe that the University failed to comply with the terms, covenants, provisions, or conditions of the Revenue Bonds Refunding Series 1995 bond resolution insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

In accordance with the respective bond resolution discussed above, a schedule of debt service coverage for the Refunding Series 1995 Bonds for the year ended June 30, 2004 is shown on page 27.

This report is intended solely for the information and use of the Board of Regents and management of the University, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 15, 2004

UNIVERSITY OF COLORADO
RESEARCH BUILDING REVOLVING REVENUE BOND FUNDS
SUPPLEMENTARY SCHEDULES
SCHEDULE OF DEBT SERVICE COVERAGE FOR REFUNDING SERIES 1995 BONDS

Year Ended June 30, 2004

Total Debt Service		
Principal	$	1,185,000
Interest		209,415
Total Debt Service	**$**	**1,394,415**
Net Income		
Research Facilities Revenues	$	3,317,534
Indirect cost recoveries credited to bond funds		8,405,018
Indirect cost recoveries not credited to bond funds		102,092,632
Less applicable operation and maintenance expenses		(4,889,720)
Net Income	**$**	**108,925,464**
Ratio of Net Income to Total Debt Service		**7,812%**

UNIVERSITY OF COLORADO

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