



November 27, 1996

To President Koob, Members
of the Board of Regents, and
Citizens of the State of Iowa

In accordance with Iowa Code Sections 262.23 and 262.25, we are pleased to submit the Annual Financial Report for the University of Northern Iowa for the fiscal year ended June 30, 1996. The Controller's Office is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation. In that regard, we are confident that the information presented is accurate in all material respects and the necessary disclosures have been made which enable the reader to obtain an understanding of the University's financial activity and condition.

The report has been prepared in accordance with generally accepted accounting principles (GAAP) for governmental colleges and universities as promulgated by the Governmental Accounting Standards Board (GASB). As allowed by GASB, the financial statements are presented in conformity with GAAP as established by the American Institute of Certified Public Accountants (AICPA) and the National Association of College and University Business Officers (NACUBO). The report is presented in three sections as follows:

Introductory Section. Includes this transmittal letter, [Sources and Uses of Current Funds](#), a [Certificate of Achievement for Excellence in Financial Reporting](#), a listing of the [Governing Board](#), and the University's organizational chart.

Financial Section. Includes the independent auditor's report on the financial statements, the financial statements and notes to financial statements.

Statistical Section. Includes selected financial and nonfinancial data. This information is presented for the last ten years to facilitate the interpretation and analysis of trends affecting the financial health of the University. The Higher Education Price Index (HEPI) has been applied to certain financial data. This index adjusts for inflation to clarify actual dollar to constant dollar trends.

The University of Northern Iowa is governed by the State Board of Regents which holds the corporate powers of the University. Since the University is not deemed to be legally separate, the University is reported as part of the State of Iowa, the primary government, as required by generally accepted accounting principles. For reporting purposes, the University of Northern Iowa includes all departments, accounts, and activities of the University and its component unit. Please refer to Note A in the Notes to Financial Statements for a complete description of the reporting entity and the blended component unit.

Description of Institution. The University of Northern Iowa serves Iowa through a tripartite mission of education, research, and service. Northern Iowa has served Iowa continuously for over 120 years. Founded in 1876 as Iowa State Normal School, the school became Iowa State Teachers College in 1909, and State College of Iowa in 1961. In 1967, the College achieved full university status and was renamed the University of Northern Iowa.

Today, Northern Iowa is a comprehensive university of approximately 13,000 students and 800 faculty. The student body represents every county in Iowa, 39 states, and nearly 50 foreign countries. Over 95 percent of the students are from the State of Iowa.

The University offers over 120 undergraduate majors, and graduate programs at the Master's, Specialists, and Doctoral levels. Building on its traditional strength in teacher education, Northern Iowa offers nationally recognized programs in its colleges of Business Administration, Humanities and Fine Arts, Education, Natural Sciences, Social and Behavioral Sciences, and Graduate College.

The University is accredited by the North Central Association of Colleges and Universities. Individual programs are accredited by several national accrediting agencies. Northern Iowa is a member of the American Association of State Colleges and Universities (AACSC), the American Association of Colleges for Teacher Education (AACTE), and the Council of Graduate Schools in the United States.

Economic Condition and Outlook

The University of Northern Iowa is one of three state universities subject to the governance of the State Board of Regents. The State of Iowa has a long and respected tradition for its commitment to education and, accordingly, provides the largest portion of the University's unrestricted operating revenues. Despite economic highs and lows experienced by the State, state appropriations have remained relatively stable. However, the trend over the past ten year period indicates that student tuition and fees have increased at a faster rate than state appropriations, as noted in Schedules 2 and 4. In fiscal year 1986–87, each dollar of tuition was matched by \$3.21 of state appropriations. This compares to \$2.87 in fiscal year 1995–96.

As detailed in Schedule 9, the University has generally enjoyed a steady trend of increased enrollment. This trend peaked in Fall 1991 and 1992 when enrollment exceeded 13,000. The Fall 1995 enrollment of 12,802, for all student levels, is an increase of 230 over Fall 1994. Despite fluctuations, enrollment has increased 10.6% over the last ten-year period. Enrollment projections indicate a growth trend with enrollment approaching 13,857 by the year 2006. This represents a potential 6% increase over the next ten year period.

Major Initiatives

Several major initiatives were undertaken in fiscal year 1995–96. A new, long-term Strategic Plan was developed by the University community and endorsed by the Iowa State Board of Regents. This document serves as a blueprint to guide the University's efforts and priorities in its academic and service missions. UNI continued a long-term effort to reorganize personnel and investment in infrastructure for information technology functions. Construction projects continued for new campus physical facilities to meet the University's academic and programmatic needs. The UNI Foundation continued to build a base of private funding support to provide the margin of excellence that cannot be met through other funding sources. Finally, UNI provides essential services in areas such as business development and technical assistance to businesses and communities throughout the State of Iowa.

Strategic Planning. The development of University goals and academic programs is guided by a long-range strategic plan. Under the direction of UNI President Robert Koob, a new plan, building on the success of preceding plans, was created by a University-wide committee and endorsed by the Iowa Board of Regents. Progress toward Strategic Plan goals and objectives is reviewed annually and presented for approval to the Iowa Board of Regents, the University's governing body.

Information Technology Initiatives. In 1995–96 the University reorganized the functional areas responsible for information technology into a new unit titled Information Technology Services. At the fiscal year's close, a nationwide search was underway for a vice president for information technologies, reporting to the Provost. Concurrent with this re-organization is the continued upgrade of campus computing and networking infrastructure, including the solicitation of vendor proposals for a new voice/data system.

Physical Facilities. During fiscal year 1995–96, construction reached the half-way point on a new **Recreation/Wellness facility** for the University community. This state-of-the-art, \$18 million facility will be constructed around the existing Physical Education Center. Completion is scheduled for Fall, 1997. A major refurbishment of the University Campanile was completed in the fiscal year. This project included the construction of a new plaza surrounding the structure. Construction also neared completion on an all-weather polyurethane outdoor athletic track. Planning continued on the new Performing Arts Center. At the close of the fiscal year, the architectural team was selected, the site evaluated and selected, and the building's architectural design and features selected and finalized. Construction is scheduled to begin during Fiscal Year 1996–97.

Capital Campaign. The University of Northern Iowa Foundation concluded a long-term, comprehensive capital campaign titled, "Leading, Building, Sharing." The Campaign surpassed its original \$25 million goal by over \$6 million. The private gifts made to the Campaign will: 1) fund \$9 million of an estimated \$17.6 million cost of the

Performing Arts Center; 2) fund the nearly completed outdoor track with an all-weather polyurethane surface; 3) create a base of endowed scholarships for UNI students; 4) create endowed professorships and provide additional funds for faculty support; 5) and create “centers of excellence” University-wide.

Service to Iowa. UNI provides comprehensive assistance and economic development for Iowa’s communities and small businesses. UNI’s “Service to Iowa” programs are a tangible link between the University and the State of Iowa’s needs. The centers serving clients, communities, and businesses are:

Agriculture-Based Industrial Lubricant (ABIL) Research Program. The ABIL Research Program studies and promotes agricultural-based oils such as soybean, corn, canola and sunflower for use in hydraulic and industrial applications.

Applied Technology Program. The Applied Technology Program transfers technology to entrepreneurs and small businesses throughout the state. Staff members provide services such as prototype development, product development and testing, plastics applications, process enhancements, business plan development, capital acquisition assistance and market planning. A major initiative is the Iowa Plastics Technology Center, which assists plastics manufacturers statewide.

Institute for Decision Making. The Institute for Decision Making has established a reputation as a first-rate, statewide economic development resource. Its mission is to strengthen Iowa’s economy by providing hands-on technical assistance to communities to help them create jobs, sustain economic growth and enhance the quality of life.

Iowa Waste Reduction Center (IWRC). The IWRC provides free, confidential on-site environmental assistance to Iowa small businesses. On-site visits are followed by reports regarding regulatory compliance and a pollution prevention plan for the facility. The IWRC is actively involved in applied research, seeking practical solutions for the small business.

Management and Professional Development Center. The Management and Professional Development Center provides education and training (at UNI or the work site) tailored to the individual needs of public and private sector organizations. Staff members have extensive experience in industry.

Market Development Program. The Market Development Program helps small businesses grow by helping them identify marketing strategies to penetrate domestic and international markets. This is accomplished through long-term market research and technical assistance provided by University staff with private industry experience.

Metal Casting Center. The Metal Casting Center provides a testing and applied research center where Iowa metal casting industries can come for consultation and assistance in new technologies. UNI is one of only 30 universities in the country recognized for excellence by the Foundry Education Foundation.

Small Business Development Center. The Small Business Development Center provides technical assistance to small businesses, linking resources to identify and resolve issues in marketing, accounting, finance, information management and organizational development.

Financial Information

Internal Control Structure and Budgetary Controls. Management of the University is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements are routinely made to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

The adequacy of internal control procedures is reviewed by the Office of Auditor of State as an integral part of the annual audit. In addition, the University’s Operations Auditor periodically reviews specific internal control procedures.

Management also maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the State Board of Regents. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by account and function within an individual fund. Budgetary control is also exercised over sponsored projects as defined in grant and contractual agreements with external agencies. The University also maintains an encumbrance accounting system as a significant element of the budgetary control system. At year end, legally encumbered amounts for the General Educational Fund are carried to the next fiscal year without reversion of appropriations. For further information on encumbrances refer to Note A of the Notes to Financial Statements.

As demonstrated by the statements included in the financial section of this report, University management continues to meet its responsibility for sound fiscal management.

University Functions. The University accounts for operations through the fund groups described in Note A. The following schedule presents a comparison of educational and general revenues for the fiscal year ended June 30, 1996 to the prior year's revenues. All amounts in this letter are expressed in thousands.

Current Funds Revenues—Educational and General				
	Amount	Percent of Total	Increase (Decrease) from 1995	Percent of Increase (Decrease)
Unrestricted				
Tuition & Fees	\$ 32,160	27.6	1,745	5.7
Federal Appropriations	345	0.3	144	71.6
State Appropriations	71,748	61.7	3,552	5.2
State Appropriations-Tuition Replacement	3,867	3.3	13	0.3
Federal Grants & Contracts	572	0.5	24	4.4
State Grants & Contracts	278	0.2	62	28.7
Other Gifts, Grants & Contracts	737	0.6	164	28.6
Investment Income	1,475	1.3	152	11.5
Services of Educational Activities	<u>5,245</u>	<u>4.5</u>	<u>355</u>	7.3
Total Unrestricted	<u>116,427</u>	<u>100.0</u>	<u>6,211</u>	
Restricted				
Federal Appropriations	2,083	12.3	879	73.0
State Appropriations	87	0.5	(8)	(8.4)
Federal Grants & Contracts	9,958	58.7	(652)	(6.1)
State Grants & Contracts	3,197	18.9	101	3.3
Other Gifts, Grants & Contracts	1,599	9.4	250	18.5
Endowment Income	<u>37</u>	<u>0.2</u>	<u>22</u>	146.7
Total Restricted	<u>16,961</u>	<u>100.0</u>	<u>592</u>	
Total Revenues - Educational & General	\$ <u>133,388</u>		<u>6,803</u>	

Changes in revenue were highlighted by:

- Tuition and fee revenue increased by \$1.745 million which was primarily the result of a 4.14% increase in the basic fees for fiscal year 1995–96.
- State Appropriations increased \$3.552 million which was the direct result of appropriations for salary increases and programs.
- Investment Income increased \$.152 million due to additional principal invested during the year from Academic Building Construction Fund balances.
- Restricted Grants and Contracts increased overall \$.592 million simply due to an increase in the number of funded projects.

The following schedule presents a comparison of educational and general expenditures and mandatory transfers for the fiscal year ended June 30, 1996 to prior year's expenditures and transfers.

Current Funds Expenditures & Mandatory Transfers—Educational & General				
	Amount	Percent of Total	Increase (Decrease) from 1995	Percent of Increase (Decrease)
Unrestricted				
Instruction	\$ 46,447	41.7	1,876	4.2
Research	722	0.6	(8)	(1.1)
Public Service	5,372	4.8	337	6.7
Academic Support	18,291	16.4	1,504	9.0
Student Services	4,026	3.6	673	20.1
Institutional Support	13,688	12.3	1,009	8.0
Operation & Maintenance of Plant	13,170	11.8	889	7.2
Scholarships & Fellowships	4,735	4.2	503	11.9
Mandatory Transfers	<u>5,137</u>	<u>4.6</u>	<u>339</u>	<u>7.1</u>
Total Unrestricted	<u>111,588</u>	<u>100.0</u>	<u>7,122</u>	
Restricted				
Instruction	875	5.2	114	15.0
Research	1,331	7.8	(198)	(12.9)
Public Service	7,872	46.5	830	11.8
Academic Support	598	3.5	(39)	(6.1)
Student Services	125	0.7	48	62.3
Scholarships & Fellowships	6,307	37.2	(72)	(1.1)
Mandatory Transfers	<u>(147)</u>	<u>(0.9)</u>	<u>(91)</u>	<u>62.5</u>
Total Restricted	<u>16,961</u>	<u>100.0</u>	<u>592</u>	
Total Expenditures & Transfers - Educational & General	\$ <u>128,549</u>		<u>7,714</u>	

Changes in expenditures and mandatory transfers were highlighted by:

- All functional categories generally increased over the previous year due to an overall 4.48% increase in salary, wage, and fringe benefit expense. Other changes are explained below.
- Academic Support increased \$.270 due to purchases from computer fee accounts. The Library, in particular, had an increase in computer technology expense that coincides with the Library expansion project.
- Student Services increased \$.271 due primarily to Financial Aid Work Award funds which were transferred to the Student Services budget.
- Institutional Support increased primarily due to an additional \$.554 expended over last year for health insurance claim expense.
- Scholarships & Fellowships increased \$.503 due to the International Student Program and a greater number of awards compared to the previous year.

Auxiliary Enterprise Operations. The University's Auxiliary Enterprise Fund is comprised primarily of the Residence System, J.W. Maucker Student Union, Intercollegiate Athletics, and the Field House. While the auxiliary enterprises are managed as essentially self-supporting activities, the General Educational Fund provides support to certain auxiliaries where the emphasis is on student service rather than direct reimbursement for all activities. This support is provided to J.W. Maucker Union, Intercollegiate Athletics, and the Field House.

The major auxiliaries operate under formally approved budgets which, in the case of auxiliaries funded by bond

issues, provide for all mandatory transfers to improvement funds, bond reserve funds, and debt service funds. Management’s objective is to maintain Plant Fund reserves at levels adequate to properly maintain and improve auxiliary facilities through renovation, alteration, and equipment replacement.

Debt Administration. Outstanding revenue bonds totaled \$72.986 million at fiscal year–end. This amount consists of \$56.566 million in Academic Building Revenue Bonds, \$14.960 million in Residence System Bonds, \$.095 million in Student Union Bonds, and \$1.365 million in Field House Bonds.

Revenue bonds totaled \$75.356 million outstanding for the previous fiscal year. The net decrease of \$2.370 million is detailed in Note H of the Notes to Financial Statements.

Cash Management. It is the responsibility of the Board of Regents and its Banking Committee to set investment policy in accordance with Chapter 12C of the Code of Iowa. The Board delegates management and oversight responsibility at the University to the Vice President of Administration and Finance and Treasurer. Investment transactions are reviewed monthly by the Operations Auditor.

By Board policy, the University funds may be invested in the following instruments: 1) obligations of the United States government, its agencies and instrumentalities, 2) certificates of deposit and other evidences of deposits at federally insured depository institutions, 3) prime bankers’ acceptances, 4) commercial paper or other short–term corporate debt, 5) repurchase agreements, 6) investments authorized for the Iowa Public Employee Retirement System, 7) open–end management investment companies organized in trust form registered with the Securities and Exchange Commission under the Investment Company Act of 1940, and 8) the Common Fund for Non–Profit Organizations. The primary goals of the investment policy, in order of priority, are: 1) safety of principal, 2) maintaining the necessary liquidity to match expected liabilities, and 3) obtaining a reasonable return.

The University operates an unrestricted portfolio, a restricted portfolio, and an endowment portfolio. The University uses professional managers for endowment funds and a portion of unrestricted funds. Restricted funds and the remaining unrestricted funds are invested by the University Controller. Investment performance is measured using the time–weighted total return method prescribed by the Investment Counsel Association of America. Board policy requires that institutional treasurers adopt a “buy and hold” philosophy. For that reason, it is understood that institutional portfolios may not perform as well as the indices. However, performance of the institution’s portfolio is evaluated relative to, and expected to compare favorably with, the following indices:

For the Operating Portfolio:

- 1) 91–Day Treasury Bills
- 2) Merrill Lynch 1–3 yr. Government
- 3) Merrill Lynch 1–3 yr. Government/Agency

For the Restricted Portfolio:

- 1) Merrill Lynch 1–3 yr. Government

For the Endowment Portfolio:

- 1) Standard and Poor’s 500 Stock Index
- 2) Lehman Intermediate Government/Corporate Index
- 3) MSCI EAFE Index

The average yields were as follows:

■ Operating portfolio	4.90 percent
■ Restricted portfolio	5.40 percent
■ Endowment portfolio	20.24 percent

The University’s investment performance ranks favorably on a weighted basis with the above noted indices.

Risk Management. The State of Iowa self-funds on behalf of the University for losses related to workers' compensation of all University employees, general liability (tort claims), and property (casualty losses) other than that belonging to auxiliary enterprises. For further information refer to Note K of the Notes to the Financial Statements.

Other Information

Independent Audit. The Office of Auditor of State is required by Chapter 11 of the Code of Iowa to annually audit all departments of the State. The accompanying financial statements of the University of Northern Iowa have been audited by the Office of Auditor of State in accordance with generally accepted auditing standards and Chapter 11 of the Code of Iowa.

In addition, the Office of Auditor of State conducts a single audit under the requirements set forth in the Single Audit Act and OMB Circular A-128, Audits of State and Local Governments. This report is issued under separate cover.

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the University of Northern Iowa for its Annual Financial Report (AFR) for the fiscal year ended June 30, 1995. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized AFR, whose contents conform to program standards. Such AFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The University of Northern Iowa has received a Certificate of Achievement for the last four consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgements. Appreciation is expressed to the Office of the Controller, Office of Public Relations, and other University offices for their efforts in assisting us in the preparation of this report.

This report expresses our commitment to maintain our financial statements in conformance with the highest standards of financial accountability. This commitment also extends to the presentation of informative and accurate statistical information. We believe the report clearly conveys that the University of Northern Iowa is a fiscally sound and dynamically managed institution that is positioned to meet the educational and service needs of the citizenry.

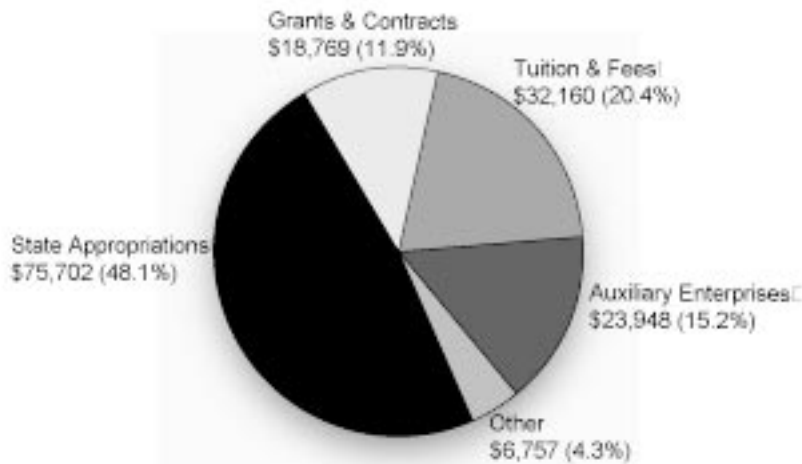
Respectfully submitted,

Gary B. Shontz
Controller and
University Secretary

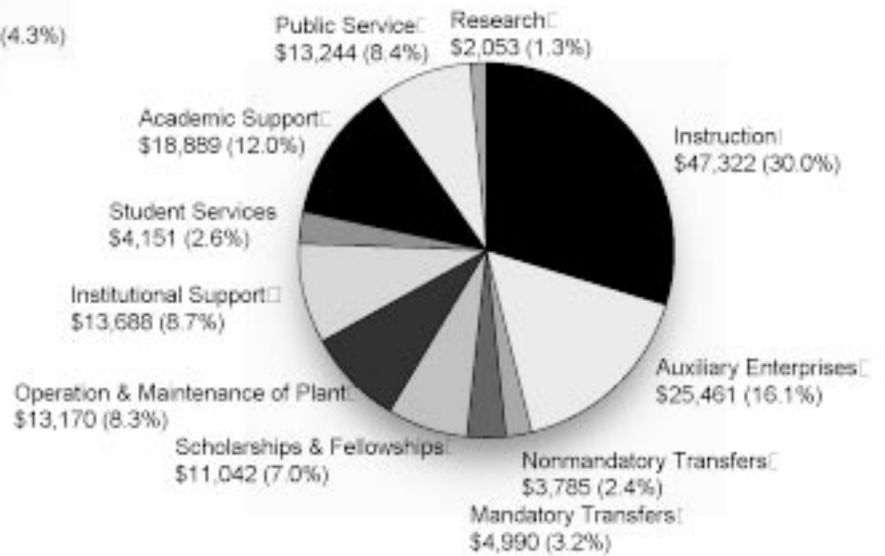
John Conner
Vice President for Administration
and Finance and Treasurer

University of Northern Iowa
Sources and Uses of Current Funds
 June 30, 1996
 (expressed in thousands)

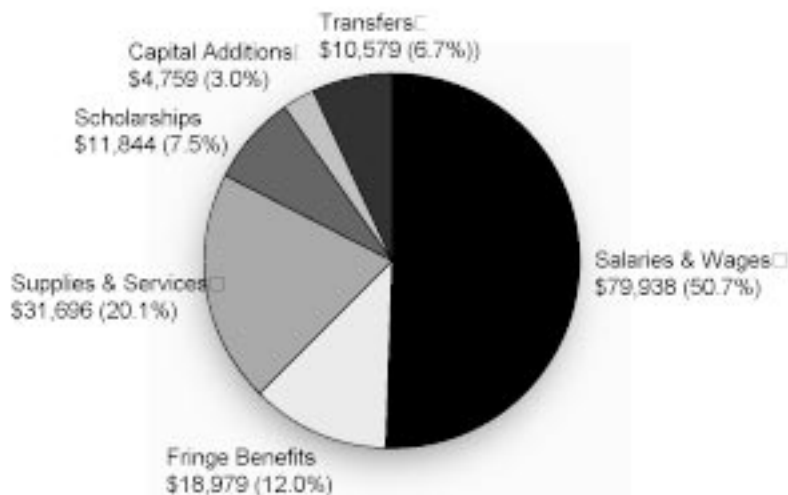
Revenues
 (by source)



Expenditures & Transfers
 (by function)



Expenditures & Transfers
 (by object)



Certificate of Achievement for Excellence in Financial Reporting

Presented to

University of Northern
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1995

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Arthur R. Lynch
President

Jeffrey L. Essler
Executive Director

The Governing Board

1995-96

The University of Northern Iowa, together with the State University of Iowa, Iowa State University, the Iowa Braille and Sight Saving School, and the Iowa School for the Deaf, is governed by the Iowa State Board of Regents consisting of nine members.

Iowa State Board of Regents

Officers of the Board

Owen J. Newlin, President
R. Wayne Richey, Executive Director

Members of the Board (As of June 30, 1996)

	<u>Term Expires</u>
Thomas C. Dorr, Marcus	June 30, 1997
Aileen F. Mahood, Ida Grove	June 30, 1997
John E. Tyrrell, Manchester	June 30, 1997
Thomas M. Collins, Cedar Rapids	Resigned May 8, 1996
Owen J. Newlin, Des Moines	June 30, 1999
Nancy C. Pellett, Atlantic	June 30, 1999
Ellengray G. Kennedy, Bancroft	June 30, 2001
Roger Lande, Muscatine	June 30, 2001
Beverly A. Smith, Waterloo	June 30, 2001

Officers of the University (As of June 30, 1996)

President of the University
Robert D. Koob, B.A., Ph. D.

Vice President and Provost
Nancy A. Marlin, B.A., M.S., Ph. D.

Vice President for Administration and Finance and Treasurer
John E. Conner, B.S., M.A.

Vice President for Educational and Student Services
Sue E. Follon, B.S., M.A., Ed. D.

Controller and University Secretary
Gary B. Shontz, B.B.A., M.A.E., Ed. S.

Vice President for University Advancement
J. Joe Mitchell, B.A., M.S. Ed., Ed.D.

Director of Governmental Relations
Patricia L. Gadelmann, B.A., M.A., Ed.D.

Executive Assistant to the President
Richard H. Stinchfield, B.A., M.A., M.B.A., Ph. D.

Robert D. Koob

President

Patricia Geadelmann

Director of Governmental Relations

Doris Miller

Administrative Assistant

Tim McKenna

Operations Auditor

Academic Affairs and Provost

Nancy Marlin, Provost

Associate Vice President

Assistant Vice President

Assistant Vice President,
International Programs

Dean, College of Business
Administration

Dean, College of Education

Dean, College of Humanities and
Fine Arts

Dean, College of Natural Sciences

Dean, College of Social and
Behaviorial Sciences

Dean, Graduate College

Dean, Continuing Education &
Special Programs

Director, Center for the
Enhancement of Teaching

Director, Library

Editor, *North American Review*

Director, Womens Studies

Educational and Student Services

Sue Follon, Vice President

Associate Vice President

Director, Academic Advising
Services

Director, Enrollment Management &
Admissions

Director, Placement and Career
Services

Director, Financial Aid

Director, Maucker Union and
Student Activities

Director, Residence

Registrar

Director, University Health Services

Director, Multicultural Education

Administration and Finance

John Conner, Vice President

Assistant Vice President and
Budget Director

Assistant to the
Vice President

Athletic Director

Controller

Director, Facilities Planning

Director, Information Systems and
Computing Services

Director, Personnel Services

Director, Physical Plant

Director, Public Safety

Development

Joe Mitchell, Vice President

Director, Special Gifts and
Assistant Vice President

Director, Alumni Relations

Director, Annual Giving

Director, Athletic Development

Director, Conferences &
Visitor Services

Director, Corporate/
Foundation Relations

Director, Major Gifts

**Communication and Outreach
Services**

*Rick Stinchfield, Executive Assistant to the
President*

Director, Affirmative Action

Director, Community Services

Director, Office of
Telecommunications

Director, Public Relations

Planning Administrator

**University of Northern Iowa
Administrative Organization
1995-96**