

University of Northern Iowa

A public university governed by the Board of Regents, State of Iowa



2002-2003

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the years ended
June 30, 2003 and 2002

University of Northern Iowa

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For the years ended June 30, 2003
and June 30, 2002

*Issued by the University of Northern Iowa
Cedar Falls, Iowa*

Office of the Controller

*Gary B. Shontz
Controller and Secretary/Treasurer*

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University of Northern Iowa



INTRODUCTORY SECTION

2002-2003



November 26, 2003

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

In accordance with Code of Iowa Sections 262.23 and 262.25, we are pleased to submit the Comprehensive Annual Financial Report of the University of Northern Iowa for the year ended June 30, 2003.

The report is presented in three sections as follows:

- The **Introductory Section** includes this transmittal letter, the Government Finance Officers Association (GFOA) Certificate of Achievement for the fiscal year 2002 Comprehensive Annual Financial Report, a listing of the governing board, and the University's organizational chart.
- The **Financial Section** includes the independent auditor's report on the Financial Statements, Management's Discussion and Analysis (MD&A), the Financial Statements, and Notes to Financial Statements. This letter is intended to be read with the MD&A.
- The **Statistical Section** includes selected financial and nonfinancial data. The 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 used to convert certain financial data to constant dollars. This conversion eliminates the effect of inflation and facilitates the determination of financial trends.

The Controller's Office is responsible for both the accuracy of the presented data, and the completeness and fairness of the presentation. We believe the information presented is accurate in all material respects and necessary disclosures have been made which enable the reader to obtain an understanding of the University's financial activity.

This report has been prepared in accordance with United States generally accepted accounting principles (GAAP) for governmental colleges and universities as promulgated by the Governmental Accounting Standards Board (GASB). See accompanying Notes to Financial Statements for a full disclosure of the accounting principles observed.

PROFILE OF THE UNIVERSITY

Description of the Institution. The University of Northern Iowa serves Iowa through a tripartite mission of education, research, and service. The University of Northern Iowa has served Iowa continuously for 127 years. Founded in 1876 as Iowa State Normal School, the School became Iowa State Teacher's 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, the University of Northern Iowa is a comprehensive university of approximately 13,441 students and 2,147 employees. Ninety-two percent of the students are from the State of Iowa. Typically, the student body represents every county in Iowa, 48 states, and 75 foreign countries. More than 90 percent of UNI's freshmen rank in the top 50 percent of their high school class, with about 60 percent ranking in the top 30 percent.

The University offers over 100 undergraduate majors, and graduate programs at the Master's, Specialist, and Doctoral levels. Building on its traditional strength in teacher education, the University of 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. The University is a member of the American Association of State Colleges and Universities (AASCU), the American Association of Colleges for Teacher Education (AACTE), and the Council of Graduate Schools in the United States.

ECONOMIC CONDITION AND OUTLOOK

A national recession, which officially began in March 2001 and ended in November 2001, has adversely affected the economy of the State of Iowa. While the economy in Iowa and the nation as a whole struggles with economic recovery, Iowa's personal income is rebounding better than the nation as a whole. Personal income for calendar year 2002 grew by 4.0% in Iowa while it grew by just 2.8% in the nation as a whole. For the first two quarters in 2003, personal income in Iowa grew at the rate of 3.6% and 4.1%, while the nation as a whole experienced growth of 3.2% and 2.8%. Improving income in the farm sector was a major contributor to personal income growth in 2002.

Unemployment in Iowa is below the rate of the nation as a whole. Throughout most of the decade, Iowa's unemployment rate has been between one and two percentage points below the national average.

The national recession has impacted the State's ability to fund the University. Appropriations to the University were lower in the 2002, 2003 and 2004 fiscal years than in the 2001 fiscal year. The Board of Regents, State of Iowa has partially managed the decline in revenue by initiating tuition increases that are much larger than the historical average. Management of the University has dealt with declining state appropriations with targeted and across the board budget cuts and by reducing enrollment to match available resources.

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY2004</u>
State Appropriation- Operating	\$88,497,226	\$91,829,144	\$84,828,889	\$82,815,878	\$78,377,656
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
Mandatory Tuition and Fees, per Head	\$2,988	\$3,130	\$3,440	\$4,118	\$4,916
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
Fall Head Count	13,553	13,774	14,070	13,926	13,441

MAJOR INITIATIVES

Major initiatives of the University of Northern Iowa are guided by the University's strategic plan. The University's strategic plan, "Focused on Excellence," has eight goals:

1. Provide intellectually stimulating and challenging experiences for students that broaden and deepen their perspective and awareness.
2. Support creative and intellectually rigorous teaching and scholarship.
3. Expand the involvement of the University in addressing creative local, state, national, and global needs that also enrich the educational experiences offered by the University.
4. Strengthen a University culture characterized by diversity, collegiality, and mutual respect.
5. Foster a supportive living, learning, and working environment with services and programs that promote individual well being and organizational effectiveness.
6. Enhance the quality, diversity, and number of human resources available to meet the needs of the University.
7. Continue to improve the capital, physical, and informational resources at the University.
8. Establish strong, mutual beneficial relationships with external constituencies.

Progress toward strategic plan goals and objectives is measured through “performance indicators,” or quantitative measures against an established baseline for each goal. Periodic updates of this progress are presented to the Board of Regents, State of Iowa.

FINANCIAL INFORMATION

Internal Control Structure. Management of the University is responsible for establishing and maintaining a system of internal controls. In fulfilling this responsibility, estimates and judgments are routinely made to assess the expected benefits and related costs of internal control policies and procedures. The objective of internal control is 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 United States 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.

Budgetary Controls. The objective of budgetary control is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Regents, State of Iowa. Budgetary control is established by account and function. A position control system is used to manage the staff salary budget. Budgetary control is also exercised over sponsored projects as defined in grant and contract agreements with external agencies. In addition, capital projects are controlled by Board approved budgets. The University also maintains an encumbrance accounting system as a significant element of the budgetary control system.

Cash Management. The cash management function is the responsibility of the University Treasurer. The Vice President for Administration and Finance and the Board of Regents, State of Iowa provide appropriate oversight. University funds may be invested in obligations of the U.S. Government and its agencies, certificates of deposit, bankers acceptances, commercial paper, short-term corporate debt, repurchase agreements, investments authorized for IPERS, open-end management investment companies, and the Common Fund for Non-Profit Organizations. The three goals of the investment policy, in order of importance, are: 1) safety of funds, 2) liquidity, and 3) return.

A custodial bank is utilized to safe-keep investments and to provide payment and collection services for investment transactions. All investment transactions occur on a delivery versus payment basis. University deposits are insured or collateralized in accordance with Chapter 12C of the [Code of Iowa](#).

Debt Administration. Revenue bonds were issued in the amount of \$27.2 million during the year. Residence System revenue bonds were issued to renovate Towers Center. Academic Building Revenue Refunding Bonds were issued to refund bonds issued in 1992 and 1993 to take advantage of lower interest rates. Dormitory Revenue Refunding Bonds were issued to refund bonds issued in 1964, 1967, and 1992 for the same reason. The bonds are backed by University revenue.

Risk Management. It is the general policy of the University not to purchase commercial insurance, with the exception of coverage required by bond covenants, for the risks of losses to which it is exposed. Instead, University management believes that it is more economical to manage its risks internally and to depend on the State Contingent Fund. For further information refer to the Notes to Financial Statements.

OTHER INFORMATION

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 Comprehensive Annual Financial Report for the year ended June 30, 2002. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a University must publish an easily readable and efficiently organized annual financial report whose contents conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This is the eleventh consecutive year the University of Northern Iowa has received this award. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA. We are committed to continue this effort, and we intend to maintain a highly qualified and professional staff to make this certification possible.

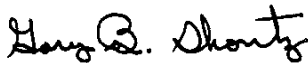
Independent Audit. The Auditor of State is required by Chapter 11 of the Code of Iowa to audit annually all departments of the State. The accompanying financial statements of the University of Northern Iowa have been audited by the Auditor of State in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. His report appears elsewhere within.

In addition, the Auditor of State conducts a single audit under the requirements set forth in the Single Audit Act of 1984, the Single Audit Amendments of 1996, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Acknowledgements. Appreciation is expressed to the Office of the Controller, Office of University Marketing and Public Relations, and other university offices for their efforts in assisting 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. 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
Secretary/Treasurer



Thomas G. Schellhardt
Vice President for Administration
and Finance

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, 2002

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.



President

Executive Director

The Governing Board

2002-03

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

Board of Regents, State of Iowa

Officers of the Board

Owen J. Newlin, President
Gregory S. Nichols, Executive Director

Members of the Board (As of June 30, 2003)

Term Expires

David G. Neil, La Porte City	April 30, 2005
Owen J. Newlin, Des Moines	April 30, 2005
Dr. Deborah A. Turner, Des Moines	April 30, 2005
Dr. Amir I. Arbisser, Davenport	April 30, 2007
Mary Ellen Becker, Oskaloosa	April 30, 2007
Sue Erickson Nieland, Sioux City	April 30, 2007
Neala R. Arnold, Hawarden	April 30, 2009
Robert N. Downer, Iowa City	April 30, 2009
John D. Forsyth, Des Moines	April 30, 2009

Officers of the University (As of June 30, 2003)

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

Vice President and Provost
Aaron M. Podolefsky, B.A., M.A., Ph. D.

Vice President for Administration and Finance
Thomas G. Schellhardt, B.S., M.S.

Vice President for Educational and Student Services
C. Renee Romano, B.A., M.S. Ed., Ph. D.

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

Vice President for University Advancement
William D. Calhoun, Jr., B.A., M.A.

Executive Assistant/Director of External Relations
Patricia L. Gadelmann, B.A., M.A., Ed.D.

Board of Regents, State of Iowa

President
Robert D. Koob

Assistant to the President for Compliance and Equity Management
Winston Burt

Operations Auditor
Tim McKenna

Executive Assistant to the President
Brenda Buzynski

Academic Affairs and Provost

Aaron Podolefsky, Provost

Associate Provost,
Academic Affairs

Associate Vice President,
Academic Affairs

Associate Vice President,
Info Technology Services

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
Behavioral Sciences

Dean, Graduate College

Dean, Continuing Education
& Special Programs

Dean, Library Services

Academic Administrative
Services Coordinator

Editor, *North American
Review*

Director, Information
Management & Analysis

Educational and Student Services

C. Renee Romano, Vice President

Associate Vice President

Information Technology
Coordinator

Director, Academic Advising
Services

Director, Enrollment
Management & Admissions

Interim Director,
The Career Center

Director, Financial Aid

Director, Maucker Union and
Student Activities

Director, Residence

Registrar

Director, University Health
Services

Director, Multicultural
Education

Director, Leadership Studies

Administration and Finance

Tom Schellhardt, Vice President

Assistant Vice President
and Budget Director

Executive Assistant to the
Vice President

Information Technology
Coordinator

Operations Improvement
Director

Athletic Director

Controller

Director, Facilities Planning

Director, Human Resource
Services

Director, Physical Plant

Director, Public Safety

Director, Purchasing

University Advancement

Bill Calhoun, Vice President

Assistant Vice President
Marketing & Public Relations

Director, Foundation
Accounting

Director, Alumni Relations

Director, Central Development

Director, Collegiate
Development

Director, Systems
Administration

Special Assistant to the
Vice President

Special Asst. to the President for Board & Governmental Relations

Patricia Geadelmann

Associate Director,
Governmental Relations

**University of Northern Iowa
Administrative Organization
2002-2003**