

Report on the

# **University of North Alabama**

**Florence, Alabama**

**October 1, 2001 Through September 30, 2002**

**Filed: January 16, 2004**



## **Department of Examiners of Public Accounts**

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*Ronald L. Jones, Chief Examiner*



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Ronald L. Jones  
Chief Examiner

State of Alabama  
Department of  
**Examiners of Public Accounts**

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Honorable Ronald L. Jones  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-14, I submit this report on the University of North Alabama for the period October 1, 2001 through September 30, 2002.

**SCOPE AND OBJECTIVES**

This report encompasses an audit of financial statements of the University of North Alabama (the "University") and reviews of compliance by the University with applicable laws and regulations of the State of Alabama and federal financial assistance programs. The audit was conducted in accordance with generally accepted government auditing standards for financial audits. The objectives of the audit were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the University has complied with applicable laws and regulations.

**CONTENTS OF REPORT**

This report includes the following segments:

1. **Report to the Chief Examiner** – contains items pertaining to state legal compliance, agency operations and other matters.
2. **Independent Auditor's Report** – reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations.
3. **Management's Discussion and Analysis** – a component of required supplementary information prepared by the management of University of North Alabama introducing the basic financial statements and providing an analytical overview of the University's financial activities for the year. This information is supplementary information required by the Governmental Accounting Standards Board (GASB).

4. **Financial Statements** – includes basic financial statements (Exhibits 1 through 3) and Notes to the Financial Statements.
5. **Supplementary Information** – includes the Schedule of Expenditures of Federal Awards (Exhibit 4), which details federal awards expended during the audit period and Notes to the Schedule of Expenditures of Federal Awards.
6. **Additional Information** – contains basic information related to the University (Exhibit 5) and the following reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits:

**Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards** (Exhibit 6) – a report on internal control related to the financial statements and a report on whether the University has complied with laws and regulations which could have a direct and material effect on the University's financial statements.

**Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133** (Exhibit 7) – a report on internal control over compliance with requirements of laws, regulations, contracts and grants applicable to major federal programs and an opinion on whether the University complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.

**Schedule of Findings and Questioned Costs** (Exhibit 8) – a report summarizing the results of the audit findings relating to the financial statements as required by **Government Auditing Standards** and findings and questioned costs for federal awards as required by OMB Circular A-133.

#### **AUDIT COMMENTS**

The University of North Alabama is a comprehensive, regional, state university, offering undergraduate and graduate degrees, and serving both residential and commuting students. The University shares the broad purpose of all institutions of higher learning for the discovery, preservation, and transmission of knowledge through teaching, research, and public service. Within this broad purpose, the University recognizes a primary obligation of service to the people and the needs of the state and region. The governing control of the University is vested in a Board of Trustees established by action of the State Legislature. The board is composed of the Governor as president ex officio, the State Superintendent as a member ex officio, and nine members. The Chief administrative officer of the University is the President.

Sworn to and subscribed before me this  
the 22nd day of December, 2003.

Anna Comer

Notary Public

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MY COMMISSION EXPIRES Aug 17 2007

Respectfully submitted,

Lola Fuqua-Haney

Lola Fuqua-Haney  
Examiner of Public Accounts

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## **Independent Auditor's Report**

We have audited the accompanying basic financial statements of the University of North Alabama, a component unit of the State of Alabama, as of and for the year ended September 30, 2002, as listed in the table of contents as Exhibits 1 through 3. These financial statements are the responsibility of the University of North Alabama's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the University of North Alabama as of September 30, 2002, and its changes in financial position, including cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the University of North Alabama adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 34, ***Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments***, GASB Statement Number 35, ***Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities***, GASB Statement Number 37, ***Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus***, and GASB Statement Number 38, ***Certain Financial Statement Note Disclosures***, as of October 1, 2001. This resulted in a change in the format and content of the basic financial statements.

In accordance with ***Government Auditing Standards***, we have also issued our report dated October 6, 2003, on our consideration of the University of North Alabama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be read in conjunction with this report in considering the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the University of North Alabama, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 4) is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

October 6, 2003

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*Management's Discussion and Analysis*  
*(Required Supplementary Information)*

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# **University of North Alabama Management's Discussion and Analysis Fiscal Year Ended September 30, 2002**

This section of the University of North Alabama annual financial report presents a discussion and analysis of the financial performance of the university during the fiscal year ended September 30, 2002. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes.

This annual report is prepared in accordance with new reporting requirements issued by the Governmental Accounting Standards Board (GASB). In June 1999, GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which established the new format. In November 1999, GASB issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which applies the new reporting to public colleges and universities. These financial statements differ significantly from prior University financial statements. Prior year statements focused on the accountability of funds, while these statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole, presented in a single column format. Since this is a transition year for this format, only one year of financial data is presented. In future years, a comparative analysis will be presented.

The three basic financial statements required by the newly adopted reporting standards are:

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

According to the requirements of GASB Statements 34 and 35, equity is now reported as "Net Assets" rather than "Fund Balance". The University's net assets are an indicator of the University's financial health. Over time, increases or decreases in net assets are an indicator of the improvement or erosion of the University's financial health, when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The prior year ending fund balance was restated to incorporate new reporting requirements for capital assets, and fall semester revenue and expenses. This resulted in a prior period adjustment of \$46.6 million to beginning net assets. The components of this adjustment are included in Note 1.

## **Statement of Net Assets**

The Statement of Net Assets includes all assets and liabilities. It is prepared using the accrual basis of accounting; whereby, revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

### ***Current Assets***

Cash and cash equivalents consist of cash in the University bank accounts and investments in cash equivalents of operating funds held by investment managers.

Short-term investments consist of investments in instruments with maturities of less than one year. The investments are recorded at fair value and consist of funds for operational purposes and for the construction of the Student Recreation Facility.

Accounts receivables relate primarily to student tuition and fee billings and auxiliary enterprise sales, such as food service, bookstore, and residence halls. In addition, receivables include amounts due from grant awards, financial aid, and amounts due from the State of Alabama for capital projects.

Prepaid expenses are costs that relate to activities applicable to future periods. Included are fall semester scholarships, bond issuance costs, payroll expenses and auxiliary service operations.

### ***Non-Current Assets***

Non-current cash and cash equivalents consist of funds in University bank accounts restricted for endowment purposes.

Endowment investments are marketable securities. These investments are recorded at market value and are managed and held by investment managers. Student loans receivable consist of the long-term portion of loans from the Federal Perkins Loan and Federal Nursing Loan programs. The program requires that all funds collected on these loans be used only for the purpose of generating new loans to students.

Net capital assets, consisting of land, buildings, improvements, equipment, library holdings, and construction in progress, totaled \$85.4 million at September 30, 2002. The amount reported is net of accumulated depreciation of \$44.6 million.

### ***Current Liabilities***

Accounts payable and accrued liabilities represent amounts due at September 30, 2002, for goods and services received prior to the end of the fiscal year and includes the current portion of the University's compensated absence liability.

Deferred revenue represents payments received for goods and services, tuition and fees, or room and board relating to a future period. Included in deferred revenue at September 30, 2002, are fall tuition and fees, fall room and board, athletic ticket sales, and grants where funding has been received but not expended.

Current portion of debt obligations represents the portion of the University's long-term debt which is payable within the next fiscal year. This amount, when added to the corresponding portion of long-term debt, totals \$16.4 million and represents the outstanding debt of the university at September 30, 2002.

### ***Non-Current Liabilities***

Long-term debt and other obligations consist primarily of bonds and other obligations for which the principal is due more than one year from September 30, 2002. Also included is the long-term portion of the University's compensated absence liability.

### ***Net Assets***

Net assets represent the difference between University assets and liabilities. Total net assets at September 30, 2002 are \$54.6 million. For fiscal year 2002, the University's continued financial strength resulted in the growth of its net assets by \$3.8 million.

Restricted non-expendable net assets consist of endowment contributions that have been restricted by outside parties, with specific spending restrictions on the endowment earnings.

Restricted expendable net assets are also restricted by donors or grant agencies, and consist of income from endowment funds, contributions, grants from third party agencies, and certain loan funds.

Included in restricted net assets at September 30, 2002, (in thousands) are:

Non-expendable endowment funds	\$ 2,060
Scholarship funds	1,270
Loan funds	2,130
Grant funds	<u>572</u>
<b>Total restricted net assets</b>	<b><u>\$ 6,032</u></b>

Unrestricted net assets represent those balances from operational activities that have not been restricted by parties external to the University such as donors or grant agencies. This includes funds that have been designated by the University's governing board for specific purposes and amounts that have been contractually committed for goods and services that have not yet been received. Funds internally committed for capital projects in various stages of planning and completion account for approximately 33% of the unrestricted net assets. Also included are working capital balances maintained for operational and auxiliary enterprise activities.

Included in unrestricted net assets at September 30, 2002, (in thousands) are:

Capital project funds, contractual commitments and reserves	\$ 5,330
Operational and auxiliary enterprise working capital	10,622
Quasi endowment funds	<u>1,535</u>
<b>Total unrestricted net assets</b>	<b><u>\$ 17,487</u></b>

## **Statement of Revenues, Expenses and Changes in Net Assets**

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. Annual State appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles. Due to this classification of revenues from state aid, and the dependency of public universities on state aid and gifts, an operating loss will result. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

### ***Operating Revenues***

Tuition and fees includes all tuition and fees assessed for educational purposes totaling \$17.0 million, less scholarship allowance of \$2.8 million. This allowance represents the portion of aid provided to students in the form of reduced tuition.

Grants and contracts include all non-capital restricted revenues made available by government and private agencies. Grant revenues are recorded only to the extent the funds have been expended for exchange transactions. Non-exchange revenues are recorded when received, or when eligibility criteria have been met.

Operating revenue from grants and contracts for the year ended September 30, 2002, (in thousands) are categorized as follows:

Federal Sources	
Financial Aid	\$4,631
Small Business Development Center	73
Department of Children s Affairs	62
Other Federal Agencies	<u>166</u>
<b>Total Federal Sources</b>	<b>\$4,932</b>
State Sources	
Alabama Department of Education	577
Alabama Department of Youth Services	290
Other State Agencies	<u>131</u>
<b>Total State Sources</b>	<b>\$ 998</b>
Other Sources	<u>356</u>
<b>Total All Sources</b>	<b><u>\$6,286</u></b>

Auxiliary enterprise revenue consists of income from various enterprise entities that exist predominantly to furnish goods or services to students, faculty, staff or the general public. These enterprise entities are intended to be self-supporting, and charge a fee for their goods or services. These enterprises include residence halls, apartments, food services, university health services, rental property, and other student related activities. The revenue reported includes \$4.4 million in auxiliary revenue, net of a room and board allowance totaling \$95,890.

Other operating revenue includes athletic income, miscellaneous rentals and sales, and other student related charges.

### ***Operating Expenses***

Operating expenses for the fiscal year totaled \$46 million, and are shown below classified by function. Expenditures for instructional activities represent 37.8% of total University operating expenses.

Instruction	\$17,000,377	38%
Research	880,000	2%
Public Service	828,943	2%
Academic Support	3,193,672	7%
Student Services	4,186,278	9%
Institutional Support	4,825,939	11%
Operation & Maintenance of Plant	3,847,835	9%
Depreciation	3,550,530	8%
Scholarships and Related Expenses	3,422,042	7%
Auxiliary Activities	3,637,050	6%
Other Expenditures	\$ 629,702	1%



### ***Non-Operating Revenues (Expenses)***

State appropriations are made available each year by the State of Alabama from the Education Trust Fund (ETF) for the support, maintenance, and development of public education in Alabama. The University received \$21.4 million in appropriations for the year ended September 30, 2002.

Investment income includes earnings from pooled endowment cash and plant investments, net of the unrealized gains or losses on those investments.

Interest on capital asset related debt consists of the interest paid for fiscal year 2001-2002 on bond indebtedness.

### ***Other Revenues***

Capital grants, contracts, and gifts include bond issue funding from the State of Alabama, funding from the U. S. Department of Transportation and the Tennessee Valley Authority. This funding was used for various construction projects, including a portion of the construction of the university entranceway and the conversion of campus streets into pedestrian walkways.

Additions to permanent endowments consists of gifts received by the university where the donor has specified that only the investment earnings from this gift can be expended for the purpose designated by the donor. The principal cannot be expended.

## **Statement of Cash Flows**

The Statement of Cash Flows provides information about cash inflows and outflows during the period. It classifies cash flows as those related to operating, noncapital financing, capital financing, and investing activities. This statement assists users to assess the university's ability to generate future net cash flows, to meet obligations as they come due, and to assess its need for external financing.

### ***Cash Flows from Operating Activities***

Cash receipts from operating activities consist primarily of tuition, grants, contracts, food service, and housing revenues. Cash outlays include payment of wages, benefits, supplies, utilities, and scholarships.

### ***Cash Flows from Non-Capital Financing Activities***

State appropriation is the primary source of non-capital financing. The new accounting standards require this source of revenue to be reported as non-operating although the university's budget depends on this funding to continue the current level of operations.

### ***Cash Flows from Capital and Related Financing Activities***

Cash flows from capital and related financing activities consist of the proceeds from a short-term loan for the purchase of the Appleby Property and Lion's Gate Apartments, and State funding from the Alabama Public School and College Authority (APSCA) for various capital projects. Financing receipts are offset by capital expenditures totaling \$5.6 million that represent various construction projects undertaken during the year.

## **Significant Capital Asset and Debt Activity**

### ***Continuing Capital Projects Started Prior to FY 2001-2002***

During the current fiscal year the university completed construction of several capital projects. The Student Parking Facility, with a capacity of 700 vehicles, was completed during the current fiscal year. Construction was started on this facility during FY 1999 - 2000. The total cost, capitalized in the current fiscal year, was \$6,702,525. This total includes construction costs, architectural and engineering fees, and other site preparation costs. Funding for this project was obtained from the issuance of General Revenue Bonds, Series 1999-A.

Also completed in the current fiscal year were two phases of the pedestrian walkway construction, both started in FY 2000-2001. The total cost of this project included \$1,024,510 for Phase I and \$1,491,180 for Phase II, both of which were completed and capitalized during the current fiscal year. Funding for this project was obtained from a combination of sources, including the Federal Transit Administration, the Federal Highway Administration, and State and local funds.

Phase III, the final phase of this project, was also completed during the current fiscal year. This phase consisted of a continuation of the pedestrian walkway construction and the completion of the University entranceway and fountain. The total cost capitalized this fiscal year for Phase III was \$1,103,589. A private contribution of \$600,000, supplemented by State and local funds was utilized to fund this project.

### ***New Capital Projects Started in FY 2001-2002***

The exterior renovation of Floyd Science Building was started and completed during the current fiscal year, at a total cost of \$605,567. Funding for this project was provided by a Federal grant from the Tennessee Valley Authority and State and local funds.

The construction of a Student Recreation Center was also started during the current fiscal year. The total construction cost is estimated to be \$3.9 million. This construction will be funded by the remaining proceeds from the General Revenue Bonds, Series 1999-A, and other sources.

The University also purchased a new IBM 390 mainframe computer during the current fiscal year, using funds previously collected through Student Technology Fees.

### ***Debt Activity in FY 2001-2002***

The University borrowed \$2,000,000 from SouthTrust Bank during the current fiscal year, to temporarily fund the purchase of a 16unit apartment complex and the purchase and renovation of an existing structure to be used for student housing.

### **Economic Factors That Will Affect the Future**

The level of State support, compensation increases, student tuition and fee increases, and energy costs directly affect the university's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

State revenues have decreased due to a slowdown in the economy. This reduction in State revenues will most likely result in smaller increases in state appropriation for higher education. The specific financial impact on the university is uncertain.

### **Enrollment Factors**

The University experienced a slight decrease in enrollment levels for the past two fall semesters. The University's administration has initiated an ongoing effort to identify the factors contributing to this trend, and to formulate a strategy to address the situation.

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## *Statement of Net Assets*

### *September 30, 2002*

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#### **ASSETS**

##### **Current Assets**

Cash and Cash Equivalents	\$ 20,883,734.53
Deposit with Bond Trustee	2,972,742.80
Short-Term Investments	3,286,595.16
Accounts Receivable	3,640,545.18
Inventories	23,681.00
Notes Receivable	264,616.69
Stadium Use Agreement	22,320.39
Other Assets	3,142,569.97
Total Current Assets	<u>34,236,805.72</u>

##### **Noncurrent Assets**

Restricted Cash and Cash Equivalents	124,108.00
Other Long-Term Investments	3,153,683.06
Notes Receivable	1,657,790.76
Stadium Use Agreement	542,029.37
Capital Assets:	
Land	3,709,253.89
Improvements Other Than Buildings	5,845,659.64
Buildings	52,928,431.75
Equipment and Furniture	5,781,086.85
Construction in Progress	1,404,750.87
Library Holdings	15,707,458.95
Less: Accumulated Depreciation	<u>(44,645,214.85)</u>
Total Capital Assets, Net of Depreciation	<u>40,731,427.10</u>
Total Noncurrent Assets	<u>46,209,038.29</u>
Total Assets	<u>\$ 80,445,844.01</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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**LIABILITIES****Current Liabilities**

Accounts Payable and Accrued Liabilities	\$ 1,655,106.39
Deferred Revenue	6,786,350.24
Deposits	58,035.00
Deposits for Others	341,928.86
Stadium Use Payable	22,320.39
Notes Payable	2,000,000.00
Bonds Payable	220,000.00
Compensated Absences	56,503.62
Total Current Liabilities	<u>11,140,244.50</u>

**Noncurrent Liabilities**

Stadium Use Payable	542,029.37
Bonds Payable	13,620,000.00
Compensated Absences	535,620.36
Total Noncurrent Liabilities	<u>14,697,649.73</u>

Total Liabilities	<u>25,837,894.23</u>
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**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	31,088,155.48
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	2,060,719.88
Expendable:	
Scholarships and Fellowships	1,270,019.51
Research	463,492.21
Instructional Department Uses	40,502.68
Loans	2,129,520.80
Other	68,218.40
Unrestricted	<u>17,487,320.82</u>
Total Net Assets	<u>\$ 54,607,949.78</u>

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***Statement of Revenues, Expenses and Changes in Net Assets***  
***For the Year Ended September 30, 2002***

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**OPERATING REVENUES**

Student Tuition and Fees (Net of Scholarship Allowances of \$2,744,369.42)	\$ 14,277,673.03
Federal Grants and Contracts	4,932,409.49
State and Local Grants and Contracts	998,279.79
Nongovernmental Grants and Contracts	356,194.68
Athletic Revenue	395,578.58
Auxiliary Enterprises:	
Residential Life (Net of Scholarship Allowances of \$725,428.58)	1,651,739.65
Food Service	962,277.93
Vending	65,526.46
Bookstore	76,024.55
Other	1,435,575.36
Other Operating Revenues	1,284,488.60
Total Operating Revenues	<u>26,435,768.12</u>

**OPERATING EXPENSES**

Instruction	17,000,377.15
Institutional Support	4,825,939.30
Public Service	828,943.11
Academic Support	3,193,671.99
Student Services	4,186,277.62
Research	880,562.52
Operation and Maintenance	3,847,835.29
Scholarships and Financial Aid	3,422,042.07
Depreciation	3,550,529.71
Auxiliary Enterprises:	
Residential Life	1,506,815.34
Food Service	939,378.39
Bookstore	62,569.85
Other	1,128,286.11
Administrative Fees and Collection Costs	35,755.35
Other Expenditures	593,946.69
Total Operating Expenses	<u>46,002,930.49</u>
Operating Income (Loss)	<u>\$ (19,567,162.37)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	\$ 21,422,023.65
Investment Income (Net of Investment Expense of \$434,639.78)	676,173.62
Interest on Capital Asset - Related Debt	(761,952.03)
Net Nonoperating Revenues (Expenses)	<u>21,336,245.24</u>
Income Before Other Revenues, Expenses, Gains, or Losses	<u>1,769,082.87</u>
Capital Appropriations - PSCA	810,666.20
Capital Grants and Gifts	1,188,705.37
Additions to Permanent Endowments	<u>64,327.50</u>
Total Other Revenues	<u>2,063,699.07</u>
Changes in Net Assets	<u>3,832,781.94</u>
Total Net Assets - Beginning of Year	<u>50,775,167.84</u>
Total Net Assets - End of Year	<u><u>\$ 54,607,949.78</u></u>

# ***Statement of Cash Flows***

## ***For the Year Ended September 30, 2002***

### **CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 14,263,472.65
Grants and Contracts	7,124,615.86
Payments to Suppliers	(8,205,465.42)
Payments to Employees	(23,762,094.00)
Payments for Scholarships	(3,648,229.96)
Payments for Benefits	(5,021,147.63)
Payments for Utilities	(1,741,170.89)
Loans Issued to Students	(317,826.54)
Collection of Loans to Students	277,618.92
Auxiliary Enterprise Charges:	
Athletics	362,404.42
Residence Halls	2,285,116.42
Food Service	962,277.93
Vending	65,526.46
Bookstore	76,024.55
Other	1,435,575.36
Other Receipts (Payments)	1,306,947.30
Net Cash Provided (Used) by Operating Activities	<u>(14,536,354.57)</u>

### **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	21,422,023.65
Private Gifts for Endowment Purposes	64,327.50
Interest Paid on Stadium Use Agreement	(27,288.65)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>21,459,062.50</u>

### **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Appropriations - PSCA	810,666.20
Deposit with Trustee	1,402,964.42
Proceeds from Capital Debt	2,000,000.00
Capital Grants and Gifts Received	1,188,705.37
Purchases of Capital Assets	(5,596,066.37)
Principal Paid on Capital Debt	(417,343.00)
Interest Paid on Capital Debt	(734,663.37)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,345,736.75)</u>

### **CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	2,226,042.88
Interest on Investments	676,173.62
Purchase of Investments	(555,145.54)
Net Cash Provided (Used) by Investing Activities	<u>2,347,070.96</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,924,042.14
Cash and Cash Equivalents - Beginning of Year	13,083,800.39
Cash and Cash Equivalents - End of Year	<u>\$ 21,007,842.53</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.



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**Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:**

Operating Income (Loss) \$ (19,567,162.37)

**Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:**

Depreciation Expense	3,550,529.71
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables	1,026,839.82
(Increase)/Decrease in Inventories	(14,403.19)
(Increase)/Decrease in Note Receivables	(40,207.62)
(Increase)/Decrease in Other Assets	(152,137.37)
Increase/(Decrease) in Accounts Payable	223,317.47
Increase/(Decrease) in Accrued Liabilities	24,644.55
Increase/(Decrease) in Compensated Absences	(7,128.58)
Increase/(Decrease) in Deferred Revenue	403,408.60
Increase/(Decrease) in Deposits	7,610.00
Increase/(Decrease) in Deposits Held for Others	8,334.41

Net Cash Provided (Used) by Operating Activities \$ (14,536,354.57)

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### *Note 1 – Summary of Significant Accounting Policies*

The financial statements of the University of North Alabama are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the University of North Alabama are described below.

In June 1999, the Governmental Accounting Standards Board approved Statement Number 34, ***Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments***. GASB amended Statement Number 34 in November of 1999 by issuing Statement Number 35, ***Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*** (hereinafter referred to as the "Statement"). GASB Number 35 amended GASB Number 34 to require public colleges and universities to use the guidance for special-purpose governments engaged only in business-type activities, engaged only in governmental activities, or engaged in both governmental and business-type activities in their separately issued reports. The Statement provides for significant changes in the financial reporting for public colleges and universities. The University of North Alabama has elected to follow the Business-Type Activities (BTA) Model. Some of the significant changes include:

- ◆ A Management's Discussion and Analysis (MD&A) section providing an analysis of the University's overall financial position and results of operations.
- ◆ A single column presentation of the University's activities with required basic financial statements consisting of:
  1. Statement of Net Assets
  2. Statement of Revenues, Expenses, and Changes in Net Assets
  3. Statement of Cash Flows
- ◆ Recording of Depreciation Expense on all Capital Assets
- ◆ Accounting and Reporting of Revenues Net of Discounts and Allowances

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The University of North Alabama has implemented the provisions of the Statement in the current fiscal year.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2002***

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#### **A. Reporting Entity**

The University of North Alabama is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, "The Financial Reporting Entity," states that a primary government is financially accountable for a component unit if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama and the Governor appoints the University of North Alabama's Board of Trustees. In addition, the University receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the University of North Alabama is considered for financial reporting purposes to be a component unit of the State of Alabama.

#### **B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements of the University of North Alabama have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The University of North Alabama follows all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs).

It is the policy of the University to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted net assets are available.

The Statement of Revenues, Expenses, and Changes in Net Assets distinguishes between operating and nonoperating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the University of North Alabama. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the University of North Alabama's principal activities, such as investment income and from all nonexchange transactions, such as state appropriations.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### **C. Assets, Liabilities, and Net Assets**

##### **1. Cash and Cash Equivalents**

The University has defined cash to include currency on hand and demand deposits with financial institutions. Cash also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the University may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

Restricted cash and cash equivalents consist of funds in University bank accounts restricted for endowment purposes.

##### **2. Investments**

Investments are reported at fair value based on quoted market prices.

##### **3. Receivables**

Accounts receivable relate to amounts due from federal grants, state appropriations, third party tuition, auxiliary enterprise sales, such as food service, bookstore and residence halls. Notes receivable relate to amounts due from students for tuition and fee billings. No allowance for doubtful accounts has been established.

##### **4. Inventories**

The inventories are comprised of consumable supplies and are valued at cost. Inventories are valued using the first in/first out (FIFO) method.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### **5. Capital Assets**

Capital assets with a unit cost of over \$5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at fair market value at the date of donation. Land and Construction in Progress are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized.

The method of depreciation and useful lives of the capital assets are as follows:

Assets	Depreciation Method	Useful Lives
Buildings and Improvements	Straight Line	50 years
Improvements other than Buildings	Composite	25 years
Equipment	Composite	5 – 10 years
Library Materials	Composite	10 years

#### **6. Long-Term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond/Warrant premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2002***

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#### **7. Compensated Absences**

The Board of Trustees determines annual and sick leave policies for the University's employees. The annual and sick leave policies adopted by the University are as follows:

No liability is recorded for sick leave. Staff and department-head employees earn and accumulate annual leave at the following rates:

Years of Employment	Number of Days Each Year	Maximum Days Accumulation
Up to 2 years	10 days	25 days
After 2 years	12 days	25 days
After 3 years	13 days	25 days
After 4 years	14 days	25 days
After 5 years	15 days	25 days
After 6 years	16 days	25 days
After 7 years	17 days	25 days
After 8 years	18 days	25 days
After 9 years	19 days	25 days
After 10 years	20 days	25 days

Faculty of the University do not earn sick or annual leave. Payment is not made to employees for unused sick leave at termination or retirement.

#### **8. Deferred Tuition and Fee Revenue**

Tuition and fee revenues received but related to the period after September 30, 2002, have been deferred.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### **9. Net Assets**

Net assets are required to be classified for accounting and reporting purposes into the following net asset categories:

- ◆ **Invested in Capital Assets, Net of Related Debt** - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.
- ◆ **Restricted:**
  - ✓ **Nonexpendable** - Net assets subject to externally imposed stipulations that they be maintained permanently by the University of North Alabama. Such assets include the University of North Alabama's permanent endowment funds.
  - ✓ **Expendable** - Net assets whose use by the University of North Alabama is subject to externally imposed stipulations that can be fulfilled by actions of the University of North Alabama pursuant to those stipulations or that expire by the passage of time. These include funds held in federal loan programs.
- ◆ **Unrestricted** - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees.

#### **10. Federal Financial Assistance Programs**

The University participates in various federal programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U. S. Office of Management and Budget Revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the Office of Management and Budget (OMB) Compliance Supplement.

#### **11. Scholarship Allowances and Student Aid**

Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the University and the amount that is paid by the student and/or third parties making payments on behalf of the student. The University uses the alternate method as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### *Note 2 – Deposits and Investments*

##### *Deposits*

The University's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

The statement of net assets classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

##### *Investments*

The University's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or are held by the University or its agent in the University's name.

	<u>Category</u> 1	Fair Value
Corporate Bonds	\$ 32,123.02	\$ 32,123.02
Pooled Investments	3,134,018.06	3,134,018.06
Repurchase Agreements	3,274,137.14	3,274,137.14
Total Investments	<u>\$</u>	<u>\$6,440,278.22</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### Note 3 – Receivables

Receivables are summarized as follows:

<u>Accounts Receivable</u>	
Federal and State Agencies	\$ 265,697.64
Third-Party Contracts	1,068,022.82
Students	1,064,262.06
Other	1,242,562.66
Total Accounts Receivable	<u>3,640,545.18</u>
<u>Student Receivables</u>	
Current	264,616.69
Noncurrent	1,657,790.76
Total Student Receivables	<u>\$1,922,407.45</u>

#### Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2002, was as follows:

	Beginning Balance	Prior Period Adjustment/ Reclassification	Additions	Deductions	Ending Balance
Land	\$ 3,539,003.89	\$ (296,250.00)	\$ 466,500.00	\$	\$ 3,709,253.89
Improvements Other Than Buildings	7,531,485.06	(1,738,075.42)	52,250.00		5,845,659.64
Buildings	39,010,533.73	12,767,086.18	1,150,811.84		52,928,431.75
Equipment	11,674,509.07	(5,950,037.61)	503,804.34	447,188.95	5,781,086.85
Library Holdings	15,184,811.95		589,093.74	66,446.74	15,707,458.95
Construction in Progress	10,056,392.15	(11,485,247.73)	2,833,606.45		1,404,750.87
Total	<u>86,996,735.85</u>	<u>(6,702,524.58)</u>	<u>5,596,066.37</u>	<u>513,635.69</u>	<u>85,376,641.95</u>
Less: Accumulated Depreciation					
Improvements Other Than Buildings	1,801,725.34		223,925.61		2,025,650.95
Buildings	23,190,186.44		1,233,058.09		24,423,244.53
Equipment	3,409,451.43		522,800.11	447,188.95	3,485,062.59
Library Holdings	13,206,957.62		1,570,745.90	66,446.74	14,711,256.78
Total Accumulated Depreciation	<u>41,608,320.83</u>		<u>3,550,529.71</u>	<u>513,635.69</u>	<u>44,645,214.85</u>
Capital Assets, Net	<u>\$45,388,415.02</u>	<u>\$ (6,702,524.58)</u>	<u>\$2,045,536.66</u>	<u>\$</u>	<u>\$40,731,427.10</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### *Note 5 – Defined Benefit Pension Plan*

##### *A. Plan Description*

The University contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all employees of the University are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of the University of North Alabama. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Teachers' Retirement System was established as of October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefit provisions are established by the *Code of Alabama 1975*, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### **B. Funding Policy**

Employees, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Teachers' Retirement System. As of January 1, 2001, full-time law enforcement officers (as defined by Act Number 2000-669, Acts of Alabama, Page 1335) are required by statute to contribute 6 percent of their salary to the Teachers' Retirement System. The University of North Alabama is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the University of North Alabama and its employees equal the required contributions for each year as follows:

Fiscal Year Ended September 30,	2002	2001	2000	1999
Total Percentage of Covered Payroll	10.96%	11.38%	11.38%	9.03%
<b>Contributions:</b>				
Percentage Contributed by the University of North Alabama	5.96%	6.38%	6.38%	4.03%
Percentage Contributed by the Employees	5.00%	5.00%	5.00%	5.00%
Contributed by University	\$1,313,463.69	\$1,412,717.49	\$1,418,282.04	\$1,032,057.51
Contributed by Employees	1,104,649.22	1,109,288.92	1,113,453.06	835,282.87
Total Contributions	<u>\$2,418,112.91</u>	<u>\$2,522,006.41</u>	<u>\$2,531,735.10</u>	<u>\$1,867,340.38</u>

#### **Note 6 – Construction and Other Significant Commitments**

The University is in the process of completing the construction of the University Student Recreation Center. The total construction cost is estimated to be \$3,900,000.00. This construction will be funded by the remaining proceeds from the General Revenue Bonds, Series 1999-A, and other sources.

As of September 30, 2002, the University of North Alabama had been awarded approximately \$893,866.00 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### *Note 7 – Accounts Payable*

Accounts payable and accrued liabilities represent amounts due at September 30, 2002, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	\$ 350,185.21
Benefits	249,200.94
Interest Payable	313,706.02
Supplies	474,431.91
Other	267,582.31
Total	<u>\$1,655,106.39</u>

#### *Note 8 – Lease Obligations*

##### *Operating Leases*

The University is obligated under a certain lease accounted for as an operating lease. Operating leases do not give rise to property rights. During the fiscal year ended September 30, 2002, the University paid a total of \$49,127.00 for operating leases.

The following is a schedule by fiscal year of future minimum rental payments required under operating leases for facilities that have an initial or remaining noncancelable lease term in excess of one year as of September 30, 2002:

Fiscal Years	Principal	Interest	Total
2002-2003	\$ 22,320.39	\$ 26,806.61	\$ 49,127.00
2003-2004	23,380.60	25,746.40	49,127.00
2004-2005	24,491.18	24,635.82	49,127.00
2005-2006	25,654.51	23,472.49	49,127.00
2006-2007	26,873.10	22,253.90	49,127.00
2007-2012	154,769.29	90,865.71	245,635.00
2012-2018	239,961.41	54,800.59	294,762.00
2018-2019	46,899.28	2,227.72	49,127.00
Total Minimum Payments Required	<u>\$564,349.76</u>	<u>\$270,809.24</u>	<u>\$835,159.00</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### **Note 9 – Short-Term Debt**

During the year, the University borrowed \$2,000,000.00 from SouthTrust Bank to temporarily fund the purchase of a 16-unit apartment complex and the purchase and renovation of an existing structure to be used for student housing. Short-term activity for the year ended September 30, 2002, is summarized below:

	Beginning Balance	Proceeds	Repayment	Ending Balance
Note Payable	\$0	\$2,000,000.00	\$0	\$2,000,000.00

#### **Note 10 – Long-Term Liabilities**

Long-term liabilities activity for the year ended September 30, 2002, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Notes and Bonds:</b>					
Notes Payable	\$ 242,343.00	\$	\$242,343.00	\$	\$
Revenue Bonds	14,015,000.00		175,000.00	13,840,000.00	220,000.00
Total Notes and Bonds	14,257,343.00		417,343.00	13,840,000.00	220,000.00
<b>Other Liabilities</b>					
Compensated Absences	599,252.56	51,509.27	58,637.85	592,123.98	56,503.62
Total Other Liabilities	599,252.56	51,509.27	58,637.85	592,123.98	56,503.62
Total Long-Term Liabilities	\$14,856,595.56	\$51,509.27	\$475,980.85	\$14,432,123.98	\$276,503.62

The Revenue Bonds were issued in July 2001 by the Board of Trustees to provide funds for construction of additional residential facilities.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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A trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenue from student tuition and fees sufficient to pay the annual debt service are pledged to secure the bonds. Principal and interest maturity requirements on bond debt are as follows:

Fiscal Year	Revenue Bonds		Totals
	Principal	Interest	
2002-2003	\$ 220,000.00	\$ 701,843.76	\$ 921,843.76
2003-2004	270,000.00	691,541.26	961,541.26
2004-2005	325,000.00	678,735.01	1,003,735.01
2005-2006	385,000.00	663,100.01	1,048,100.01
2006-2007	450,000.00	644,296.26	1,094,296.26
2007-2012	3,545,000.00	2,788,547.55	6,333,547.55
2012-2017	6,660,000.00	1,504,591.30	8,164,591.30
2017-2019	1,985,000.00	60,383.13	2,045,383.13
Totals	<u>\$13,840,000.00</u>	<u>\$7,733,038.28</u>	<u>\$21,573,038.28</u>

#### **Bond Issuance Costs and Discounts**

The University has bond issuance costs as well as bond discounts in connection with the issuance of its 1999 Revenue Bonds. The issuance costs and bond discount are being amortized using the straight-line method over the life of the bonds.

	Issuance Costs	Discount
Total Issuance Costs and Discount	\$135,737.22	\$264,417.15
Amount Amortized Prior Years	14,987.65	29,196.07
Balance Issuance Costs and Discount	120,749.57	235,221.08
Current Amount Amortized	6,786.86	13,220.86
Balance Issuance Costs and Discount	<u>\$113,962.71</u>	<u>\$222,000.22</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### **Note 11 – Risk Management**

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties. The University pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The University purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the University has fidelity bonds on the University's president, vice president of business and administrative affairs, controller, financial systems manager as well as on all other university personnel who handle funds.

Employee health insurance for the University of North Alabama is provided through Blue Cross/Blue Shield of Alabama. The plan was established to provide a uniform plan of health insurance for employees of the University. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The University contributes a specified amount monthly to the plan for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the University's coverage in any of the past three fiscal years.

Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the University.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### **Note 12 – Endowments**

If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board of Trustees is required to consider the University's "long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic condition." Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The Board of Trustees chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the policy established by the Board, 3-6 percent of the average market value of endowment investments at the end of the previous three years has been authorized for expenditure. The remaining amount, if any, is retained to be used in future years when the amount computed using the spending policy exceeds the investment income. At September 30, 2002, net depreciation of \$139,821.00 limited the amount available to be spent to realized earnings, of which \$39,845.00 is restricted to specific purposes.

#### **Note 13 – Related Parties**

##### **University of North Alabama Foundation, Inc.**

University of North Alabama Foundation, Inc., was incorporated as a non-profit corporation to promote scientific, literary, and educational purposes, the advancement of the University of North Alabama, and for the encouragement and support of its students and faculty. This report contains no financial statements of the University of North Alabama Foundation, Inc.

##### **University of North Alabama Alumni Association**

The University of North Alabama Alumni Association was created to promote scientific, literary, and educational purposes, advancement of the University of North Alabama, and for the encouragement and support of its students and faculty. This report contains no financial statements of the University of North Alabama Alumni Association.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2002*

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#### **Note 14 – Net Asset Restatement**

In connection with the implementation of GASB Statements Number 34 and Number 35, the following adjustments have been made to reflect the cumulative effect of this accounting change. In addition, other prior period adjustments have been made as outlined below:

Beginning Net Assets September 30, 2001	\$ 97,373,501.09
<u>Adjustments Due to Accounting Change</u>	
Tuition, Fees, and Housing	2,762,271.26
Accumulated Depreciation	(41,608,320.83)
Prepaid Student Aid	(360,952.77)
Salary Expense	(345,726.22)
Interest Expense	(307,740.29)
Sub-Total	(39,860,468.85)
<u>Other Prior Period Adjustments</u>	
Reduce Capitalized Plant and Equipment	(6,702,524.57)
Reverse FSEOG Indirect Cost Revenue	(9,346.00)
Reverse Restricted Deferred Revenue	(25,993.83)
Total Adjustments	(46,598,333.25)
Net Assets October 1, 2001, as Restated	\$ 50,775,167.84

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## *Supplementary Information*

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***Schedule of Expenditures of Federal Awards***  
***For the Year Ended September 30, 2002***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>Student Financial Aid-Cluster</u></b>		
<b><u>U. S. Department of Education</u></b>		
<b><u>Direct Programs</u></b>		
Federal Pell Grant Program	84.063	
Federal Pell Grant Program	84.063	
Federal Pell Grant Program Administrative Allowance	84.063	
Federal Pell Grant Program Administrative Allowance	84.063	
Federal Work-Study Program	84.033	
Federal Work-Study Program	84.033	
Federal Supplemental Educational Opportunity Grants	84.007	
Federal Supplemental Educational Opportunity Grants	84.007	
Federal Family Education Loans	84.032	
Total Student Financial Aid (M)		
<b><u>U. S. Department of Education</u></b>		
<b><u>Passed Through Alabama Commission on Higher Education</u></b>		
Leveraging Educational Assistance Partnership	84.069	
<b><u>U. S. Department of Education</u></b>		
<b><u>Office of Postsecondary Education</u></b>		
Child Care Access Means Parents in School	84.335A	
<b><u>U. S. Department of Education</u></b>		
<b><u>Office of Educational Research and Improvement</u></b>		
<b><u>Passed Through The University of Hawaii at Manoa</u></b>		
Fund for the Improvement of Education	84.215J	
<b><u>U. S. Department of Education</u></b>		
<b><u>Office of Special Education and Rehabilitative Service</u></b>		
<b><u>Passed Through The University of Alabama at Birmingham</u></b>		
Special Education - Technical Assistance and Dissemination to Improve Service and Results for Children with Disabilities - Deaf Blind Centers	84.326C	H326C990011-00
<b><u>U. S. Department of Education</u></b>		
<b><u>Office of Postsecondary Education</u></b>		
<b><u>Passed Through The University of South Alabama</u></b>		
Preparing Tomorrow's Teachers to Use Technology	84.342A	
Total U. S. Department of Education		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
07/01/2001-06/30/2002	\$ 3,850,381.00	\$ 3,850,381.00	\$ 3,850,381.00	\$ 3,850,381.00
07/01/2002-06/30/2003	4,311,444.00	4,311,444.00	1,970,783.00	1,970,783.00
07/01/2001-06/30/2002	7,975.00	7,975.00	7,975.00	7,975.00
07/01/2000-06/30/2001	5.00	5.00	5.00	5.00
07/01/2001-06/30/2002	400,000.00	400,000.00	189,099.67	189,099.67
07/01/2002-06/30/2003	251,403.00	251,403.00	70,291.64	70,291.64
07/01/2001-06/30/2002	174,227.00	174,227.00	272,636.00	272,636.00
07/01/2002-06/30/2003	175,000.00	175,000.00	57,760.00	57,760.00
07/01/2001-06/30/2002			10,619,327.95	10,619,327.95
			17,038,259.26	17,038,259.26
07/01/2001-06/30/2002	61,000.00	30,500.00	30,500.00	30,500.00
10/01/2001-09/30/2005	63,708.00	63,708.00	32,392.00	32,392.00
09/01/1992-08/31/2002	21,700.00	21,700.00	900.82	900.82
10/01/2000-02/28/2002	7,150.00	7,150.00	6,924.50	6,924.50
09/15/2001-09/14/2002	\$ 59,000.00	\$ 16,000.00	15,603.20	15,603.20
			\$ 17,124,579.78	\$ 17,124,579.78

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***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2002***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>Research and Development</u></b>		
<b><u>U. S. Department of Health and Human Services</u></b>		
<b><u>Center of Disease Control</u></b>		
Occupational Safety and Health - Training Grants	93.263	
Occupational Safety and Health - Training Grants	93.263	
<b><u>Research and Development</u></b>		
<b><u>U. S. Department of Health and Human Services</u></b>		
<b><u>Center of Disease Control</u></b>		
<b><u>Passed Through The University of Alabama at Birmingham</u></b>		
Occupational Safety and Health - Training Grants	93.263	T42/CCT410429-08
Total U. S. Department of Health and Human Services		
<b><u>National Aeronautics and Space Administration</u></b>		
<b><u>Aerospace Education Service Program</u></b>		
<b><u>Goddard Space Flight Center</u></b>		
Earth System Science On-Line Course	43.001	NAG5-9085
<b><u>National Aeronautics and Space Administration</u></b>		
<b><u>George C. Marshall Space Flight Center</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
AMSTI - Alabama Math, Science, and Technology Initiative	N/A	NAG8-1863
Total National Aeronautics and Space Administration		
<b><u>National Science Foundation</u></b>		
Mathematical and Physical Sciences	47.049	ESI-9811646
<b><u>U. S. Department of State Acting Through the U. S. Information</u></b>		
<b><u>Agency Bureau of Educational and Cultural Affairs</u></b>		
Western University Development Project	19.000	IA-ASPS-G8190286
Total Research and Development		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
07/01/2001-06/30/2002	\$ 30,089.00	\$ 30,089.00	\$ 17,689.69	\$ 17,689.69
07/01/2002-06/30/2003	30,089.00	30,089.00	8,292.99	8,292.99
07/01/2001-06/30/2002	9,979.00	9,979.00	7,060.67	7,060.67
			33,043.35	33,043.35
02/01/2000-10/31/2003	32,574.00	32,574.00	33,119.25	33,119.25
06/01/2002-05/31/2003	188,000.00	188,000.00	23,206.41	23,206.41
			56,325.66	56,325.66
05/20/1998-05/20/2001	7,500.00	7,500.00	1,320.22	1,320.22
09/23/1998-05/31/2002	\$ 557,536.00	\$ 297,736.00	34,867.18	34,867.18
			\$ 125,556.41	\$ 125,556.41

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***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2002***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>OTHER FEDERAL AWARDS</u></b>		
<b><u>Small Business Administration</u></b>		
<b><u>Passed Through The University of Alabama at Birmingham</u></b>		
Small Business Development Center	59.037	02-7620-0001-22
<b><u>U. S. Department of Defense</u></b>		
<b><u>Defense Logistics Agency Passed Through</u></b>		
<b><u>The University of Alabama at Birmingham</u></b>		
Procurement Technical Assistance for Business Firms	12.002	SP4800-01-2-0102
<b><u>U. S. Department of Justice</u></b>		
<b><u>Bureau of Justice Assistance</u></b>		
<b><u>Passed Through Alabama Department of Economic and</u></b>		
<b><u>Community Affairs and Passed Through The City of Florence</u></b>		
Bryne Formula Grant Program	16.579	00-DB-02-032
<b><u>Appalachian Regional Commission</u></b>		
<b><u>Passed Through Shoals Entrepreneurial Center</u></b>		
<b><u>Appalachian Regional Development</u></b>		
Shoals Entrepreneurial Center Training Program	23.001	AL-12937-C2
<b><u>Appalachian Regional Commission</u></b>		
<b><u>Passed Through Alabama Department of Children's Affairs</u></b>		
<b><u>Appalachian Area Development</u></b>		
Office of School Readiness Pre-Kindergarten Program	23.002	OSR-ARC 2001-07
Total Appalachian Regional Commission		
<b><u>U. S. Department of Transportation</u></b>		
<b><u>Federal Highway Administration</u></b>		
Highway Planning and Construction	20.205	TCSE-TCSE(001)-069



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Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2001-09/30/2002	\$ 71,992.00	\$ 71,992.00	\$ 71,991.40	\$ 71,991.40
10/01/2001-09/30/2002	25,964.00	16,812.00	16,182.00	16,182.00
04/01/2001-03/31/2002	49,840.00	36,090.00	23,607.97	23,607.97
10/01/2000-05/31/2002	34,950.00	23,050.00	2,537.78	2,537.78
09/01/2001-08/31/2002	75,000.00	75,000.00	60,118.70	60,118.70
			62,656.48	62,656.48
04/01/2000-09/30/2003	\$ 1,088,750.00	\$ 871,000.00	\$ 224,401.76	\$ 224,401.76

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***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2002***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>U. S. Department of Transportation</u></b>		
<b><u>Federal Transit Administration</u></b>		
<b><u>Passed Through Alabama Department of Transportation</u></b>		
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	AL-03-0033-00
<b><u>U. S. Department of Transportation</u></b>		
<b><u>National Highway Traffic Safety Administration</u></b>		
<b><u>Passed Through Alabama Department of Economic and Community Affairs and Passed Through The North Alabama Highway Safety Office</u></b>		
Safety Incentive Grants for Use of Seatbelts	20.604	00-SB-OP-003
Total U. S. Department of Transportation		
<b><u>U. S. Department of Agriculture</u></b>		
<b><u>Food and Nutrition Service</u></b>		
<b><u>Passed Through State of Alabama Department of Education</u></b>		
National School Lunch Program	10.555	
State Administrative Expenses for Child Nutrition	10.560	
Total U. S. Department of Agriculture		
Tennessee Valley Authority	62.000	97BKY-196484
Total Federal Awards		

(M) = Major Programs

(N/A) = Not Available

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/1998-09/30/2003	\$ 990,800.00	\$ 794,000.00	\$ 160,171.04	\$ 160,171.04
08/20/2001-06/30/2002	1,000.00	1,000.00	891.29	891.29
			385,464.09	385,464.09
10/01/2001-09/30/2002	11,001.29	11,001.29	11,001.29	11,001.29
10/01/2001-09/30/2002	550.00	550.00	550.00	550.00
			11,551.29	11,551.29
11/01/1996-05/25/2002	\$ 250,000.00	\$ 250,000.00	250,000.00	250,000.00
			\$ 18,071,589.42	\$ 18,071,589.42

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2002***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the University of North Alabama and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**Note 2 – Loans Outstanding**

The University of North Alabama had the following loan balances outstanding at September 30, 2002. These loan balances outstanding are not included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	Amount Outstanding
Federal Perkins Loan Program	84.038	\$1,917,038.01
Nursing Student Loans	93.364	\$ 5,369.44

**Note 3 – Student Financial Aid**

The Federal Supplemental Educational Opportunity Grant Program funds of \$1,591.00 of award 2001-2002 were carried forward and spent in the 2002-2003 award year.

The Federal Work-Study Program funds of \$100,000.00 were transferred to and spent in Federal Supplemental Educational Opportunity Grant Program for the 2001-2002 award period and \$40,000.00 of the 2001-2002 award was carried forward and spent in the 2002-2003 award year.

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## *Additional Information*

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***Board Members and Officials***  
***October 1, 2001 through September 30, 2002***

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<b>Board Members</b>			<b>Term Expires</b>
Hon. Don Siegelman, Governor	Ex-Officio President Since 01/18/1999	State of Alabama State Capitol 600 Dexter Avenue Montgomery, AL 36130	
Hon. Edward R. Richardson, State Superintendent of Education	Ex-Officio Member	State Department of Education 438 State Office Building Montgomery, AL 36130	
Hon. David B. Abramson	Member	29310 County Road 14 Florence, AL 35633	2007
Hon. Billy Don Anderson	Member President Pro Tempore 06/2002-06/2004	126 Clear View Drive Sheffield, AL 35660	2012
Hon. Huston Cobb, Jr.	Member	11880 2 <sup>nd</sup> Street Leighton, AL 35646	2003
Hon. Ronnie Flippo	Member	400 Marian Way Florence, AL 35634	2012
Hon. Steven F. Pierce	Member	P. O. Box 2849 Florence, AL 35630	2012
Hon. Allen Long	Member	220 Cypress Forest Drive Florence, AL 35633	2007
Hon. Marc McCreary	President Pro Tempore 06/2000-06/2002	1115 Wills Avenue Florence, AL 35630	2007

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***Board Members and Officials***  
***October 1, 2001 through September 30, 2002***

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<b>Board Members</b>			<b>Term Expires</b>
Hon. Brenda Morrow	Member	801 Chestnut Drive Russellville, AL 35653	2003
Hon. Ben T. Richardson	Member	1914 Virginia Avenue Scottsboro, AL 35769	2003
<b><u>Officials</u></b>			
Mr. Robert L. Potts	President	University of North Alabama UNA Box 5004 Florence, AL 35632	
Dr. William Steven Smith, Interim Term Effective May 1, 2001-October 1, 2002	Director of Business Affairs/Interim Vice President for Fiscal Affairs	University of North Alabama UNA Box 5003 Florence, AL 35632	
Ms. Donna Ford Tipps, Interim Term Effective May 1, 2001-October 1, 2002	Director of Financial Affairs/Interim Controller	University of North Alabama UNA Box 5001 Florence, AL 35632	

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# ***Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

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We have audited the financial statements of the University of North Alabama as of and for the year ended September 30, 2002, and have issued our report thereon dated October 6, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

## **Compliance**

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

## **Internal Control Over Financial Reporting**

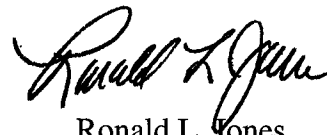
In planning and performing our audit, we considered the University of North Alabama's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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***Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of Financial  
Statements Performed in Accordance With  
Government Auditing Standards***

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This report is intended solely for the information and use of management, other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

October 6, 2003

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# ***Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133***

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## **Compliance**

We have audited the compliance of the University of North Alabama with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2002. The University of North Alabama's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University of North Alabama's management. Our responsibility is to express an opinion on the University of North Alabama's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University of North Alabama's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University of North Alabama's compliance with those requirements.

In our opinion, the University of North Alabama complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2002.

## **Internal Control Over Compliance**

The management of the University of North Alabama is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University of North Alabama's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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## ***Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133***

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

October 6, 2003

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2002***

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**Section I - Summary of Examiner's Results**

**Financial Statements**

Type of opinion issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None reported

Type of opinion issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes      X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.033, 84.007, 84.038, 84.032 and 93.364	Student Financial Assistance

Dollar threshold used to distinguish Between Type A and Type B programs: \$300,000.00

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2002***

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**Section II – Financial Statement Findings (GAGAS)**

<b>Ref. No.</b>	<b>Type of Finding</b>	<b>Finding/Noncompliance</b>	<b>Questioned Costs</b>
		The audit did not disclose any findings or questioned costs required to be reported.	

**Section III – Federal Awards Findings and Questioned Costs**

<b>Ref. No.</b>	<b>CFDA No.</b>	<b>Program</b>	<b>Finding/Noncompliance</b>	<b>Questioned Costs</b>
			The audit did not disclose any findings or questioned costs required to be reported.	