

Report on the

University of North Alabama

Florence, Alabama

October 1, 2002 through September 30, 2003

Filed: August 20, 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
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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, 2002 through September 30, 2003.

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 9th day of August, 2004.

Cheryl S. McAlister
Notary Public

rb

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, 2003, 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, 2003, 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.

In accordance with ***Government Auditing Standards***, we have also issued our report dated June 11, 2004, 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

June 11, 2004

Management's Discussion and Analysis
(Required Supplementary Information)

University of North Alabama

Management's Discussion and Analysis

The purpose of this annual report is to provide readers with financial information about the activities and financial condition of the University. The report consists of three basic financial statements that provide information on the University as a whole: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements should be read in conjunction with the Notes to the Financial Statements. The following summary and management discussion of the results is intended to provide the readers with an overview of the financial statements.

The Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector institutions. Net assets, the difference between assets and liabilities, are one way to measure the financial health of the University. Net assets increased 5.5 % to \$57.5 million.

| | September 30, 2003 | September 30, 2002 |
|---------------------------------------|-----------------------|-----------------------|
| Current Assets | | |
| Cash and Short-term Investments | \$ 29,223,632 | \$ 27,143,074 |
| Receivables | 4,365,380 | 3,905,162 |
| Inventory Prepaid Expenses and Other | <u>2,026,742</u> | <u>3,188,570</u> |
| Total Current Assets | <u>35,615,754</u> | <u>34,236,806</u> |
| Non-Current Assets | | |
| Restricted Cash and Long-term Inv | 3,022,784 | 3,277,791 |
| Long-term Receivables | 1,614,115 | 1,657,791 |
| Capital Assets, Net of Depreciation | 42,140,991 | 40,733,630 |
| Other | <u>518,649</u> | <u>542,029</u> |
| Total Assets | <u>\$ 82,912,293</u> | <u>\$ 80,448,047</u> |
| Current Liabilities | | |
| Accounts Payable and Accrued Liab | \$ 1,663,005 | \$ 1,590,279 |
| Deferred Revenue | 7,742,836 | 7,005,623 |
| Deposits Held in Custody for Others | 457,428 | 399,964 |
| Long-term Liabilities-current Portion | <u>1,101,585</u> | <u>2,298,824</u> |
| Total Current Liabilities | <u>10,964,854</u> | <u>11,294,690</u> |
| Non-Current Liabilities | | |
| Long-term Liabilities | <u>14,442,452</u> | <u>14,697,650</u> |
| Total Liabilities | <u>25,407,306</u> | <u>25,992,340</u> |

Net Assets

| | | |
|---------------------------------|----------------------|----------------------|
| Invested in Physical Properties | \$ 29,403,332 | \$ 31,090,358 |
| Restricted | 6,885,404 | 6,032,473 |
| Unrestricted | <u>21,216,251</u> | <u>17,332,876</u> |
| Total Net Assets | <u>57,504,987</u> | <u>54,455,707</u> |
| Total Liab and Net Assets | <u>\$ 82,912,293</u> | <u>\$ 80,448,047</u> |

Cash and short-term investments increased by \$2.1 million. This was primarily due to an increase in cash and cash equivalents of \$5.0 million, as reflected in the Statement of Cash Flows, and a decrease in short-term investments of \$2.9 million. Short-term investments are defined as those with maturities less than one year and this fluctuation reflects movement of matured securities into cash earning a better return until higher yielding securities are purchased. The University is monitoring the investment portfolio to insure proper adherence to investment guidelines.

Receivables include grants, state appropriations, student notes, and various operating receivables. State appropriations receivable consists of the general appropriation from the State of Alabama. Overall current receivables increased approximately \$460,000. This increase is primarily due to an increase in student enrollment and tuition charges.

Long-term investments, which include both unrestricted cash and endowment investments, decreased by approximately \$255,000 due to the transfer of funds received from matured securities into cash and cash equivalents.

Capital assets increased by \$5.6 million due to new construction and purchases of property and equipment. The University purchased additional property adjacent to the campus that was within the Campus Master Plan. Construction continues on the Student Recreation Center and new on-campus student housing. The Student Recreation Center construction will be funded by the remaining proceeds from the General Revenue Bonds, Series 1999-A, and other sources. The student housing construction will be funded by \$11.9 million Student Housing Revenue Bonds, Series 2003, issued December 1, 2003. The University purchased ten shuttle buses, with the assistance of federal grant funds, at a cost of \$928,000. The federal portion of \$742,000 (80%) was matched by local funds of \$186,000 (20%). These additions, net of depreciation and some disposals are summarized in the footnotes to the financial statements.

Deferred revenue increased by 10.5% or \$.7 million. This reflects increased Fall 2003 enrollment along with increased tuition, fees, room and board revenue for the semester. Fall 2003 revenue from external federal student aid also increased this year.

Long-term liabilities - current portion decreased in fiscal 2003 due to a combination of increased current maturities of long-term debt and the refunding of \$1.2 million in notes payable to SouthTrust Bank. This refunding, plus a principal payment of \$53,000, decreased the note payable from \$2 million in 2002 to \$747,000 in 2003.

Long-term liabilities decreased due to scheduled principal payments.

The increase in the University's net assets of 5.5 % reflects growth that occurred during the year. The University's physical assets have grown due to additional grant funding and continued use of previously secured bond financing. Restricted net assets increased as a result of state and other external funding. Unrestricted net assets increased primarily due to funds set aside for proration reserve, capital projects and future debt service.

The Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the University, as well as the non-operating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

| | For the Year Ended September 30, | |
|-----------------------------------|----------------------------------|----------------------|
| | 2003 | 2002 |
| Operating Revenue | | |
| Student Tuition and Fees | \$ 15,971,481 | \$ 14,277,673 |
| Auxiliary | 3,950,678 | 4,127,983 |
| Grants and Contracts | 7,412,440 | 6,286,883 |
| Athletic Revenue | 461,262 | 395,579 |
| Other | <u>1,101,290</u> | <u>1,284,489</u> |
| Total Operating Rev | \$ 28,897,151 | \$ 26,372,607 |
| Operating Expenses | <u>(49,461,836)</u> | <u>(45,935,900)</u> |
| Net Operating Income/(Loss) | <u>(20,564,685)</u> | <u>(19,563,293)</u> |
| Non-Operating Revenues/(Expenses) | | |
| State Appropriations | 22,103,492 | 21,411,022 |
| Gifts (Including Endowment) | 6,275 | 64,327 |
| Capital Grants, Contr, and Gifts | 1,463,031 | 1,999,372 |
| Investment Income/(Loss) | 1,019,804 | 531,063 |
| Other Income and Expense | <u>(978,637)</u> | <u>(761,952)</u> |
| Total Non-Op Rev-Net | <u>23,613,965</u> | <u>23,243,832</u> |
| Increase in Net Assets | 3,049,280 | 3,680,539 |
| Net Assets Beg of Yr | \$ <u>54,455,707</u> | \$ <u>50,775,168</u> |
| Net Assets End of Yr | \$ <u>57,504,987</u> | \$ <u>54,455,707</u> |

The main categories of revenue for the University are: tuition and fees, state appropriations, auxiliary activities and grants and contracts.

Tuition and fees increased by 12.0% in 2003. The increase was due to an average tuition rate increase of approximately 9.6%, increases in technology and parking fees and an enrollment increase of 3.9% (based on the fall semesters).

Auxiliary 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 entities are intended to be self-supporting, and charge a fee for their goods or services. Revenue from residence halls, apartments, food services, university health services, rental property, and other student related activities are included in this total.

Grants and contracts revenue increased by \$1.1 million as a result of additional federal, state and local grants and contracts.

Operating expenses increased by \$3.5 million, or 7.7%.

State appropriations increased 3.2% over the previous year. This included \$144,000 in funds appropriated to the University from the Knight v. Alabama court decree.

Endowment gifts reflect revenue to the University endowments. The majority of endowments established for the past decade are held in the UNA Foundation. The gifts reported in the University are additions to existing University endowments.

Capital grants, contracts and gifts for FY 2003 included federal transportation grants to facilitate the purchase of ten shuttle buses and a state grant for parking lot resurfacing. Prior year revenue was derived from state and federal sources for various construction projects, including a portion for the construction of the University entranceway and the conversion of campus streets into pedestrian walkways.

The investment income increase is a result of the net effect of a reduction in the interest rate earned on University cash accounts and an increase in unrealized gains and losses on investment in marketable securities.

Operating Expenses by Functional Classification

Functional classifications are the traditional categories that universities have used to report annual expenditures. They represent the type of programs and services that the University provides.

Instructional expense grew by \$1.6 million from FY 2002 to FY 2003. The addition of faculty members in departments including math, biology and nursing, additional staffing due to increased enrollment. A cost-of-living salary increase for all University personnel also contributed to the increase. Purchases of non-capitalized equipment increased significantly over the prior year as well.

Research expenditures remained consistent with the previous year.

Public service expenditures increased with the addition in FY 2003 of grants for the Alabama Math, Science and Technology Initiative (AMSTI).

Academic support expenditures remained consistent with the previous year.

Student services expense increased due to a cost-of-living salary adjustment, increases in expenses related to student recruiting efforts through Enrollment Management and additional scholarship awards in athletics (based on increased fund-raising activities and tuition increases).

The increase in Institutional support expenditures from the previous year is due to additional salary expense from cost-of-living salary adjustments and increased computer maintenance charges.

Operation and maintenance of plant expenditures grew primarily due to increased utilities expense required by plant expansion.

Scholarship expenses grew due to the increase in the tuition rate and additional Pell awards.

Auxiliary expenditures represent increases in salary, utilities, meal ticket expenses (offset by increased revenue) and the replacement of an HVAC system in LaGrange Hall.

Operating Expenses by Natural Classification

Operating expenses when summarized by natural classification categorizes expenditures across functional programs.

Salaries increased due to a cost-of-living adjustment (3%) for all personnel, the addition of instructional positions and additional part-time personnel hired to cover classes added due to increased enrollment. Supplies and Other expenses increased due to additional meal ticket expenses (offset by additional meal ticket revenue), added expenses for enrollment management recruiting and the addition of new programs. Plant and Equipment expenses grew due to increased expenditures for capital renovation and additional purchases of equipment. Financial aid expense grew due to the increase in the tuition rate and additional Pell awards.

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, non-capital 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.

| | 2003 | 2002 |
|--|----------------------|----------------------|
| Cash Provided (Used) By: | | |
| Operating Activities | \$ (15,229,409) | \$ (14,380,242) |
| Non-capital Financing Activities | 22,109,767 | 21,448,061 |
| Capital and Related Financing Activities | (3,114,106) | (1,345,737) |
| Investing Activities | <u>1,247,698</u> | <u>2,201,960</u> |
| Net Increase (Decrease) in Cash | 5,013,950 | 7,924,042 |
| Cash, Beginning of Year | <u>21,007,843</u> | <u>13,083,801</u> |
| Cash, End of Year | <u>\$ 26,021,792</u> | <u>\$ 21,007,843</u> |

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.

State appropriation is the primary source of non-capital financing. 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 consist of drawdowns of bond proceeds to continue the construction of the student recreation center, the receipt of federal transportation funds, and proceeds from the sale of property. 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

Construction on the Student Recreation Center continued in 2003 with funding from the remaining proceeds of the General Revenue Bonds, Series 1999-A.

The University repaid \$1.2 million of the \$2 million borrowed from SouthTrust Bank to fund the purchase of an apartment complex and the purchase and renovation of a structure to be used for student housing. The University determined that the renovation was not cost effective and funds borrowed for the project were no longer needed.

Subsequent to the end of the fiscal year, the University (on December 1, 2003) issued approximately \$11.9 million in bonds for the purpose of funding the construction of new student housing on two University-owned sites. These bonds are secured by student housing revenue and general fees of the University. Construction has begun on the student housing facilities which are projected to open in Fall 2004.

Economic and Enrollment Factors That Will Affect the Future

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

Decisions made at the State level significantly affect the University. A decrease in State revenues projected for FY 2004 is expected to have an adverse impact on the University's financial outlook in terms of decreased state appropriation. An additional expense of approximately \$800,000 annually has been passed on to the University by the State in the form of requiring the University to fund insurance expense for its retirees through the Public Education Employees Health Insurance Plan (PEEHIP). This expense was previously paid by the State.

As has been previously noted, the University recorded a slight increase in enrollment in Fall 2003. University administrators continue to work toward identifying factors contributing to attracting and retaining students and following through with strategies to address these factors.

Statement of Net Assets

September 30, 2003

ASSETS

Current Assets

| | |
|---------------------------|----------------------|
| Cash and Cash Equivalents | \$ 25,859,337.17 |
| Short-Term Investments | 3,364,294.49 |
| Accounts Receivable | 4,119,336.89 |
| Inventories | 28,174.29 |
| Notes Receivable | 246,043.17 |
| Stadium Use Agreement | 23,380.61 |
| Other Assets | 1,975,186.96 |
| Total Current Assets | <u>35,615,753.58</u> |

Noncurrent Assets

| | |
|---|-------------------------|
| Restricted Cash and Cash Equivalents | 162,455.25 |
| Other Long-Term Investments | 2,860,328.86 |
| Notes Receivable | 1,614,115.45 |
| Stadium Use Agreement | 518,648.76 |
| Capital Assets: | |
| Land | 3,452,253.89 |
| Improvements Other Than Buildings | 7,611,177.77 |
| Buildings | 52,826,494.54 |
| Equipment and Furniture | 6,902,264.19 |
| Construction in Progress | 3,372,899.07 |
| Library Holdings | 16,269,425.05 |
| Less: Accumulated Depreciation | (48,293,523.40) |
| Total Capital Assets, Net of Depreciation | <u>42,140,991.11</u> |
| Total Noncurrent Assets | <u>47,296,539.43</u> |
| Total Assets | <u>\$ 82,912,293.01</u> |

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

LIABILITIES

Current Liabilities

| | |
|--|----------------------|
| Accounts Payable and Accrued Liabilities | \$ 1,663,005.24 |
| Deferred Revenue | 7,742,835.85 |
| Deposits | 62,315.00 |
| Deposits for Others | 395,112.57 |
| Stadium Use Payable | 23,380.61 |
| Notes Payable | 747,008.20 |
| Bonds Payable | 270,000.00 |
| Compensated Absences | 61,195.96 |
| Total Current Liabilities | <u>10,964,853.43</u> |

Noncurrent Liabilities

| | |
|------------------------------|----------------------|
| Stadium Use Payable | 518,648.76 |
| Bonds Payable | 13,350,000.00 |
| Compensated Absences | 573,803.48 |
| Total Noncurrent Liabilities | <u>14,442,452.24</u> |

| | |
|-------------------|----------------------|
| Total Liabilities | <u>25,407,305.67</u> |
|-------------------|----------------------|

NET ASSETS

| | |
|---|-------------------------|
| Invested in Capital Assets, Net of Related Debt | 29,403,332.54 |
| Restricted for: | |
| Nonexpendable: | |
| Scholarships and Fellowships | 2,071,473.38 |
| Expendable: | |
| Scholarships and Fellowships | 1,724,829.75 |
| Research | 298,271.41 |
| Instructional Department Uses | 568,118.27 |
| Loans | 2,152,025.81 |
| Other | 70,685.29 |
| Unrestricted | <u>21,216,250.89</u> |
| Total Net Assets | <u>\$ 57,504,987.34</u> |

Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended September 30, 2003

OPERATING REVENUES

| | |
|--|----------------------|
| Student Tuition and Fees (Net of Scholarship Allowances of \$3,557,902.60) | \$ 15,971,481.30 |
| Federal Grants and Contracts | 5,816,669.71 |
| State and Local Grants and Contracts | 1,017,015.96 |
| Nongovernmental Grants and Contracts | 578,754.06 |
| Athletic Revenue | 461,262.02 |
| Auxiliary Enterprises: | |
| Residential Life (Net of Scholarship Allowances of \$121,029.26) | 1,788,735.43 |
| Food Service | 1,091,353.92 |
| Vending | 63,000.00 |
| Bookstore | 81,961.18 |
| Other | 925,627.31 |
| Other Operating Revenues | 1,101,289.89 |
| Total Operating Revenues | <u>28,897,150.78</u> |

OPERATING EXPENSES

| | |
|--|---------------------------|
| Instruction | 18,608,364.36 |
| Institutional Support | 5,069,193.82 |
| Public Service | 1,280,951.40 |
| Academic Support | 3,215,245.51 |
| Student Services | 4,340,395.15 |
| Research | 896,051.14 |
| Operation and Maintenance | 4,191,667.63 |
| Scholarships and Financial Aid | 3,660,049.81 |
| Depreciation | 3,689,954.62 |
| Auxiliary Enterprises: | |
| Residential Life | 2,053,166.06 |
| Food Service | 1,067,728.32 |
| Bookstore | 87,243.12 |
| Other | 882,667.62 |
| Administrative Fees and Collection Costs | 54,320.69 |
| Other Expenditures | 364,837.23 |
| Total Operating Expenses | <u>49,461,836.48</u> |
| Operating Income (Loss) | <u>\$ (20,564,685.70)</u> |

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

NONOPERATING REVENUES (EXPENSES)

| | |
|---|--------------------------------|
| State Appropriations | \$ 22,103,492.42 |
| Investment Income (Net of Investment Expense of \$49,319.69) | 1,019,803.94 |
| Interest on Capital Asset - Related Debt | (769,313.21) |
| Other Nonoperating Revenues | 21,100.00 |
| Other Nonoperating Expenses | (230,423.68) |
| Net Nonoperating Revenues (Expenses) | <u>22,144,659.47</u> |
| Income Before Other Revenues, Expenses, Gains, or Losses | <u>1,579,973.77</u> |
| Capital Appropriations - PSCA | 800,000.00 |
| Capital Grants and Gifts | 663,031.14 |
| Additions to Permanent Endowments | 6,275.00 |
| Total Other Revenues | <u>1,469,306.14</u> |
| Changes in Net Assets | <u>3,049,279.91</u> |
| Total Net Assets - Beginning of Year, as Restated (See Note 15) | <u>54,455,707.43</u> |
| Total Net Assets - End of Year | <u><u>\$ 57,504,987.34</u></u> |

Statement of Cash Flows

For the Year Ended September 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|------------------------|
| Tuition and Fees | \$ 15,517,996.26 |
| Grants and Contracts | 9,224,730.00 |
| Payments to Suppliers | (9,642,569.91) |
| Payments to Employees | (24,954,346.40) |
| Payments for Scholarships | (4,024,974.74) |
| Payments for Benefits | (5,100,576.29) |
| Payments for Utilities | (1,842,133.96) |
| Loans Issued to Students | (207,149.00) |
| Collection of Loans to Students | 269,397.83 |
| Auxiliary Enterprise Charges: | |
| Athletics | 409,105.02 |
| Residence Halls | 1,854,708.72 |
| Food Service | 1,145,717.49 |
| Vending | 63,000.00 |
| Bookstore | 81,961.18 |
| Other | 920,771.71 |
| Other Receipts (Payments) | 1,054,952.68 |
| Net Cash Provided (Used) by Operating Activities | <u>(15,229,409.41)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|---|----------------------|
| State Appropriations | 22,103,492.42 |
| Private Gifts for Endowment Purposes | 6,275.00 |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>22,109,767.42</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|--|-----------------------|
| Capital Appropriations - PSCA | 800,000.00 |
| Deposit with Trustee | 2,971,807.10 |
| Proceeds from Sale of Capital Assets | 321,100.00 |
| Capital Grants and Gifts Received | 663,031.14 |
| Purchases of Capital Assets | (5,627,739.58) |
| Principal Paid on Capital Debt | (1,472,991.80) |
| Interest Paid on Capital Debt | (769,313.21) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(3,114,106.35)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|---------------------|
| Proceeds from Sales and Maturities of Investments | 762,159.87 |
| Interest on Investments | 1,019,803.94 |
| Purchase of Investments | (534,265.58) |
| Net Cash Provided (Used) by Investing Activities | <u>1,247,698.23</u> |

| | |
|--|-------------------------|
| Net Increase (Decrease) in Cash and Cash Equivalents | 5,013,949.89 |
| Cash and Cash Equivalents - Beginning of Year | 21,007,842.53 |
| Cash and Cash Equivalents - End of Year | <u>\$ 26,021,792.42</u> |

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

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

Operating Income (Loss) \$ (20,564,685.70)

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

| | |
|---|--------------|
| Depreciation Expense | 3,689,954.62 |
| Changes in Assets and Liabilities: | |
| (Increase)/Decrease in Receivables | (490,095.43) |
| (Increase)/Decrease in Inventories | (4,493.29) |
| (Increase)/Decrease in Note Receivables | 62,248.83 |
| (Increase)/Decrease in Other Assets | 1,167,383.01 |
| Increase/(Decrease) in Accounts Payable | 97,477.55 |
| Increase/(Decrease) in Accrued Liabilities | (24,644.55) |
| Increase/(Decrease) in Compensated Absences | 42,875.46 |
| Increase/(Decrease) in Deferred Revenue | 737,212.88 |
| Increase/(Decrease) in Deposits | 4,280.00 |
| Increase/(Decrease) in Deposits Held for Others | 53,077.21 |

Net Cash Provided (Used) by Operating Activities \$ (15,229,409.41)

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Notes to the Financial Statements

For the Year Ended September 30, 2003

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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2003

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.

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, and 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.

Notes to the Financial Statements

For the Year Ended September 30, 2003

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.

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 |

Notes to the Financial Statements

For the Year Ended September 30, 2003

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.

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 does 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, 2003, have been deferred.

Notes to the Financial Statements

For the Year Ended September 30, 2003

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.

Notes to the Financial Statements

For the Year Ended September 30, 2003

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 |
|-----------------------------|----------------------|-----------------------|
| U. S. Government Securities | \$ 935.70 | \$ 935.70 |
| Corporate Bonds | 24,530.40 | 24,530.40 |
| Pooled Investments | 2,835,798.46 | 2,835,798.46 |
| Repurchase Agreements | 3,363,358.79 | 3,363,358.79 |
| Total Investments | <u>\$</u> | <u>\$6,224,623.35</u> |

Notes to the Financial Statements

For the Year Ended September 30, 2003

Note 3 – Receivables

Receivables are summarized as follows:

| | |
|----------------------------|-----------------------|
| <u>Accounts Receivable</u> | |
| Federal and State Agencies | \$ 679,195.87 |
| Third-Party Contracts | 1,173,954.78 |
| Students | 2,108,346.86 |
| Other | 157,839.38 |
| Total Accounts Receivable | <u>4,119,336.89</u> |
| <u>Notes Receivable</u> | |
| Current | 246,043.17 |
| Noncurrent | 1,614,115.45 |
| Total Notes Receivable | <u>\$1,860,158.62</u> |

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2003, was as follows:

| | Beginning Balance | Prior Period Adjustment/ Reclassification | Additions | Deductions | Ending Balance |
|-----------------------------------|------------------------|---|---------------------|-------------------|------------------------|
| Land | \$ 3,709,253.89 | \$ | \$ 43,000.00 | \$300,000.00 | \$ 3,452,253.89 |
| Improvements Other Than Buildings | 5,845,659.64 | 1,214,486.05 | 551,032.08 | | 7,611,177.77 |
| Buildings | 52,928,431.75 | | 133,188.99 | 235,126.20 | 52,826,494.54 |
| Equipment | 5,781,086.85 | 65,848.01 | 1,107,062.42 | 51,733.09 | 6,902,264.19 |
| Library Holdings | 15,707,458.95 | | 610,821.84 | 48,855.74 | 16,269,425.05 |
| Construction in Progress | 1,404,750.87 | (1,214,486.05) | 3,182,634.25 | | 3,372,899.07 |
| Total | <u>85,376,641.95</u> | <u>65,848.01</u> | <u>5,627,739.58</u> | <u>635,715.03</u> | <u>90,434,514.51</u> |
| Less: Accumulated Depreciation | | | | | |
| Improvements Other Than Buildings | 2,025,650.95 | 11,020.64 | 269,768.22 | | 2,306,439.81 |
| Buildings | 24,423,244.53 | | 1,226,592.75 | 4,702.52 | 25,645,134.76 |
| Equipment | 3,485,062.59 | 63,645.28 | 575,548.99 | 51,733.09 | 4,072,523.77 |
| Library Holdings | 14,711,256.78 | | 1,607,024.02 | 48,855.74 | 16,269,425.06 |
| Total Accumulated Depreciation | <u>44,645,214.85</u> | <u>74,665.92</u> | <u>3,678,933.98</u> | <u>105,291.35</u> | <u>48,293,523.40</u> |
| Capital Assets, Net | <u>\$40,731,427.10</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$42,140,991.11</u> |

Notes to the Financial Statements

For the Year Ended September 30, 2003

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.

Notes to the Financial Statements

For the Year Ended September 30, 2003

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, | 2003 | 2002 | 2001 | 2000 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Percentage of Covered Payroll | 10.02% | 10.96% | 11.38% | 11.38% |
| Contributions: | | | | |
| Percentage Contributed by the University of North Alabama | 5.02% | 5.96% | 6.38% | 6.38% |
| Percentage Contributed by the Employees | 5.00% | 5.00% | 5.00% | 5.00% |
| Contributed by University | \$1,160,831.06 | \$1,313,463.69 | \$1,412,717.49 | \$1,418,282.04 |
| Contributed by Employees | 1,141,755.67 | 1,104,649.22 | 1,109,288.92 | 1,113,453.06 |
| Total Contributions | <u>\$2,302,586.73</u> | <u>\$2,418,112.91</u> | <u>\$2,522,006.41</u> | <u>\$2,531,735.10</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, 2003, the University of North Alabama had been awarded approximately \$1,331,139.66 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.

Notes to the Financial Statements

For the Year Ended September 30, 2003

Note 7 – Accounts Payable

Accounts payable and accrued liabilities represent amounts due at September 30, 2003, for goods and services received prior to the end of the fiscal year.

| | |
|--------------------|-----------------------|
| Salaries and Wages | \$ 360,547.11 |
| Benefits | 299,384.72 |
| Interest Payable | 309,411.09 |
| Supplies | 542,247.65 |
| Other | 151,414.67 |
| Total | <u>\$1,663,005.24</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, 2003, 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, 2003:

| Fiscal Years | Principal | Interest | Total |
|---------------------------------|---------------------|---------------------|---------------------|
| 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>\$542,029.37</u> | <u>\$244,002.63</u> | <u>\$786,032.00</u> |

Notes to the Financial Statements

For the Year Ended September 30, 2003

Note 9 – Short-Term Debt

During fiscal year end September 30, 2002, 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, 2003, is summarized below:

| | Beginning Balance | Proceeds | Repayment | Ending Balance |
|--------------|----------------------|----------|----------------|-------------------|
| Note Payable | \$2,000,000.00 | \$ | \$1,252,991.80 | \$747,008.20 |

Note 10 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2003, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|-----------------------------|----------------------|--------------|--------------|-------------------|--------------------|
| Bonds Payable: | | | | | |
| Revenue Bonds | \$13,840,000.00 | \$ | \$220,000.00 | \$13,620,000.00 | \$270,000.00 |
| Total Bonds Payable | 13,840,000.00 | | 220,000.00 | 13,620,000.00 | 270,000.00 |
| Other Liabilities | | | | | |
| Compensated Absences | 592,123.98 | 108,886.81 | 66,011.35 | 634,999.44 | 61,195.96 |
| Total Other Liabilities | 592,123.98 | 108,886.81 | 66,011.35 | 634,999.44 | 61,195.96 |
| Total Long-Term Liabilities | \$14,432,123.98 | \$108,886.81 | \$286,011.35 | \$14,254,999.44 | \$321,195.96 |

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

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 | |
| 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 | \$13,620,000.00 | \$7,031,194.52 | \$20,651,194.52 |

Notes to the Financial Statements

For the Year Ended September 30, 2003

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 | \$113,962.71 | \$222,000.22 |
| Amount Amortized Prior Years | | |
| Balance Issuance Costs and Discount | 113,962.71 | 222,000.22 |
| Current Amount Amortized | 6,786.86 | 13,220.86 |
| Balance Issuance Costs and Discount | \$107,175.85 | \$208,779.36 |

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.

Notes to the Financial Statements

For the Year Ended September 30, 2003

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.

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, 2003, net appreciation totaled \$213,241.41, of this amount \$37,297.00, is available to be spent and 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.

Notes to the Financial Statements

For the Year Ended September 30, 2003

Note 14 – Subsequent Event

On December 1, 2003, the University issued \$11.9 million in Student Housing Revenue Bonds to fund the construction of the new on-campus student housing. These bonds are secured by student housing revenue and general fees of the University.

Note 15 – Net Asset Restatement

The following prior period adjustments have been made as outlined below:

| | |
|--|-------------------------|
| Net Assets Reported as of September 30, 2002 | \$ 54,607,949.78 |
| Increase in Deferred Revenue | (219,272.73) |
| Increase in Equipment | 65,848.01 |
| Increase in Accumulated Depreciation | (63,645.28) |
| Decrease in Rebate Liability | 64,827.65 |
| Total Prior Period Adjustments | <u>(152,242.35)</u> |
| Adjusted Net Assets as of September 30, 2002 | <u>\$ 54,455,707.43</u> |

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number |
|--|------------------------------------|--|
| <u>Student Financial Aid-Cluster</u> | | |
| <u>U. S. Department of Education</u> | | |
| <u>Direct Programs</u> | | |
| Federal Pell Grant Program | 84.063 | |
| Federal Pell Grant Program | 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 Perkins Loan Program-Federal Capital Contributions | 84.038 | |
| Federal Family Education Loans | 84.032 | |
| Total Student Financial Aid (M) | | |
| <u>U. S. Department of Education</u> | | |
| <u>Passed Through Alabama Commission on Higher Education</u> | | |
| Leveraging Educational Assistance Partnership | 84.069 | |
| <u>U. S. Department of Education</u> | | |
| <u>Office of Postsecondary Education</u> | | |
| Child Care Access Means Parents in School | 84.335A | |
| <u>U. S. Department of Education</u> | | |
| <u>Office of Elementary and Secondary Education</u> | | |
| <u>Passed Through the Alabama State Department of Education</u> | | |
| <u>Division of Instructional Services</u> | | |
| Reading First State Grants | 84.357A | |
| <u>U. S. Department of Education</u> | | |
| <u>Office of Elementary and Secondary Education</u> | | |
| <u>Passed Through the Alabama State Department of Education</u> | | |
| <u>Student Instructional Services Curriculum Assistance Section</u> | | |
| Eisenhower Professional Development State Grants - | | |
| Alabama Math, Science, and Technology Initiative (AMSTI) (M) | 84.281 | |
| Total U. S. Department of Education | | |

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|-----------------|------------------|-----------------------|------------------|
| | Total | Federal Share | | |
| 07/01/2003-06/30/2004 | \$ 3,477,265.00 | \$ 3,477,265.00 | \$ 1,970,783.00 | \$ 1,970,783.00 |
| 07/01/2002-06/30/2003 | 4,310,909.00 | 4,310,909.00 | 2,340,126.00 | 2,340,126.00 |
| 07/01/2002-06/30/2003 | 8,450.00 | 8,450.00 | 8,450.00 | 8,450.00 |
| 07/01/2003-06/30/2004 | 251,403.00 | 251,403.00 | 62,256.25 | 62,256.25 |
| 07/01/2002-06/30/2003 | 251,403.00 | 251,403.00 | 181,111.06 | 181,111.06 |
| 07/01/2003-06/30/2004 | 184,275.00 | 184,275.00 | 103,100.00 | 103,100.00 |
| 07/01/2002-06/30/2003 | 175,000.00 | 175,000.00 | 115,650.00 | 115,650.00 |
| 07/01/2002-06/30/2003 | 619.00 | 619.00 | 619.00 | 619.00 |
| 07/01/2002-06/30/2003 | | | 12,158,395.78 | 12,158,395.78 |
| | | | 16,940,491.09 | 16,940,491.09 |
| 07/01/2002-06/30/2003 | 35,000.00 | 17,500.00 | 17,500.00 | 17,500.00 |
| 10/01/2002-09/30/2003 | 31,584.00 | 31,854.00 | 28,484.76 | 28,484.76 |
| 03/15/2003-09/15/2003 | 32,945.00 | 32,945.00 | 23,453.43 | 23,453.43 |
| 05/01/2003-05/31/2004 | \$ 446,832.00 | \$ 446,832.00 | 365,247.80 | 365,247.80 |
| | | | \$ 17,375,177.08 | \$ 17,375,177.08 |

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number |
|--|------------------------------------|--|
| <u>Research and Development</u> | | |
| <u>U. S. Department of Health and Human Services</u> | | |
| <u>Center of Disease Control</u> | | |
| Occupational Safety and Health - Training Grants | 93.263 | |
| Occupational Safety and Health - Training Grants | 93.263 | |
| <u>U. S. Department of Health and Human Services</u> | | |
| <u>Center of Disease Control</u> | | |
| <u>Passed Through the University of Alabama at Birmingham</u> | | |
| <u>Occupational Safety and Health - Training Grants</u> | | |
| Educational Resource Training Grants | 93.263 | T42/CCT410429-09-1 |
| Total U. S. Department of Health and Human Services | | |
| <u>National Aeronautics and Space Administration</u> | | |
| <u>Aerospace Education Service Program</u> | | |
| <u>Goddard Space Flight Center</u> | | |
| Earth System Science On-Line Course | 43.001 | NAG5-9085 |
| <u>National Aeronautics and Space Administration</u> | | |
| <u>Passed Through Alabama Department of Education</u> | | |
| <u>Student Instructional Services Curriculum Assistance Section</u> | | |
| AMSTI - Alabama Math, Science, and Technology Initiative | 43.001 | NAG8-1863 |
| Total National Aeronautics and Space Administration | | |
| Total Research and Development | | |
| <u>OTHER FEDERAL AWARDS</u> | | |
| <u>Small Business Administration</u> | | |
| <u>Passed Through the University of Alabama at Birmingham</u> | | |
| Small Business Development Center | 59.037 | 03-603001-Z-001-23 |
| <u>U. S. Department of Defense</u> | | |
| <u>Defense Logistics Agency</u> | | |
| <u>Passed Through the University of Alabama at Birmingham</u> | | |
| Procurement Technical Assistance for Business Firms | 12.002 | SP4800-02-2-0102 |

| Assistance Period | Budget | | Revenue Recognized | Expenditures |
|-----------------------|--------------|------------------|-----------------------|--------------|
| | Total | Federal Share | | |
| 07/01/2003-06/30/2004 | \$ 29,528.00 | \$ 29,528.00 | \$ 9,322.82 | \$ 9,322.82 |
| 07/01/2002-06/30/2003 | 32,735.00 | 32,735.00 | 19,120.17 | 19,120.17 |
| 07/01/2001-06/30/2003 | 9,979.00 | 9,979.00 | 2,250.00 | 2,250.00 |
| | | | 30,692.99 | 30,692.99 |
| 02/01/2000-10/31/2003 | 32,574.00 | 32,574.00 | 12,641.13 | 12,641.13 |
| 06/01/2002-05/31/2005 | 1,412,571.00 | 1,412,571.00 | 145,898.00 | 145,898.00 |
| | | | 158,539.13 | 158,539.13 |
| | | | 189,232.12 | 189,232.12 |
| 10/01/2002-09/30/2003 | 71,993.00 | 71,993.00 | 71,993.00 | 71,993.00 |
| 10/01/2002-09/30/2003 | \$ 26,594.00 | \$ 26,594.00 | \$ 16,114.80 | \$ 16,114.80 |

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003***

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number |
|--|------------------------------------|--|
| <u>U. S. Department of Justice</u> | | |
| <u>Bureau of Justice Assistance</u> | | |
| <u>Passed Through Alabama Department of Economic and Community Affairs and Passed Through the City of Florence</u> | | |
| Bryne Formula Grant Program | 16.579 | 00-DB-02-032 |
| <u>Appalachian Regional Commission</u> | | |
| <u>Passed Through Alabama Department of Children's Affairs</u> | | |
| <u>Appalachian Area Development</u> | | |
| Office of School Readiness Pre-Kindergarten Program | 23.002 | OSR-ARC 2001-07 |
| <u>U. S. Department of Transportation</u> | | |
| <u>Federal Transit Administration</u> | | |
| <u>Passed Through Alabama Department of Transportation</u> | | |
| Capital Investment Grants - UNA Buses (M) | 20.500 | AL-03-0042-00 |
| <u>U. S. Department of Transportation</u> | | |
| <u>National Highway Traffic Safety Administration</u> | | |
| <u>Passed Through Alabama Department of Economic and Community Affairs and Passed Through the North Alabama Highway Safety Office</u> | | |
| State and Community Highway Safety | 20.600 | |
| Total U. S. Department of Transportation | | |
| <u>U. S. Department of Agriculture</u> | | |
| <u>Food and Nutrition Service</u> | | |
| <u>Passed Through State of Alabama Department of Education</u> | | |
| National School Lunch Program | 10.555 | |
| State Administrative Expenses for Child Nutrition | 10.560 | |
| Total U. S. Department of Agriculture | | |
| Total Federal Awards | | |

(M) = Major Programs

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 | | |
| 04/01/2001-03/31/2005 | \$ 222,666.67 | \$ 168,500.00 | \$ 23,633.98 | \$ 23,633.98 |
| 09/01/2001-08/31/2002 | 75,000.00 | 75,000.00 | 123.20 | 123.20 |
| 03/01/2001-12/30/2003 | 940,152.00 | 752,122.00 | 742,522.00 | 742,522.00 |
| 05/06/2003-06/30/2003 | 2,000.00 | 2,000.00 | 944.30 | 944.30 |
| | | | 743,466.30 | 743,466.30 |
| 10/01/2002-09/30/2003 | 12,369.73 | 12,369.73 | 12,369.73 | 12,369.73 |
| 10/01/2002-09/30/2003 | \$ 59.00 | \$ 59.00 | 59.00 | 59.00 |
| | | | 12,428.73 | 12,428.73 |
| | | | \$ 18,432,169.21 | \$ 18,432,169.21 |

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2003***

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, 2003. 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 | \$1,855,858.97 |
| Nursing Student Loans | 93.364 | \$ 4,299.65 |

Note 3 – Student Financial Aid

The Federal Supplemental Educational Opportunity Grant Program funds of \$1,590.00 of award 2002-2003 were carried forward and spent in the 2003-2004 award year.

Additional Information

Board Members and Officials
October 1, 2002 through September 30, 2003

| Board Members | | | Term Expires |
|--|---|--|---------------------|
| Hon. Don Siegelman, Governor | Ex-Officio President Since 1/18/99 - 1/21/03 | State of Alabama State Capitol 600 Dexter Avenue Montgomery, AL 36130 | |
| Hon. Bob Riley, Governor | Ex-Officio President Since 1/21/03 | 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 nd 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 |

Board Members and Officials
October 1, 2002 through September 30, 2003

| Board Members | | | Term Expires |
|------------------------|--------|--|---------------------|
| Hon. Marc McCreary | Member | 1115 Wills Avenue Florence, AL 35630 | 2007 |
| Hon. Brenda Morrow | Member | 801 Chestnut Drive Russellville, AL 35653 | 2003 |
| Hon. Ben T. Richardson | Member | 1914 Virginia Avenue Scottsboro, AL 35769 | 2003 |

Officials

| | | |
|--|--|---|
| 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***

We have audited the financial statements of the University of North Alabama as of and for the year ended September 30, 2003, and have issued our report thereon dated June 11, 2004. 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.

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

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

June 11, 2004

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

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, 2003. 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, 2003.

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.

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

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

June 11, 2004

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2003

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 |
| 84.281 | Eisenhower Professional Development State Grants |
| 20.500 | Capital Investment Grant |

Dollar threshold used to distinguish Between Type A and Type B programs: \$608,770.00

Auditee qualified as low-risk auditee? X Yes No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

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