

QUARTERLY FINANCIAL MANAGEMENT REPORT

EXECUTIVE SUMMARY

Net Assets

Total Assets increased 5.98% over the previous year. Cash increased 23.74%, as the percentage of revenues from student fees increased in proportion to the University's State appropriation. Construction activity and equipment purchases contributed to the increase in Capital Assets. Total liabilities decreased 9.56% as the debt obligation due the Higher Education Policy Commission declined and the long-term portion of the Compensated Absences Liability decreased.

State Budget Reduction

During the second quarter, the Governor ordered a 1.4% reduction in the University's State appropriations. The total decrease is \$155,000. Other budget adjustments were required to accommodate additional utility costs and other cost increases that exceeded the revenue that was realized from enrollment growth. The University cut departmental operating budgets \$323,000 to balance the budget. Much of the reduction will be absorbed through unfilled vacancies.

Revenues

As of March 31, 2004, total operating revenues were 98.3% of the total fiscal year 2004 budgeted revenues. This is 4.5% more than the percentage of budgeted revenues collected for the prior fiscal year. Federal and State grants for financial aid increased over the previous year. The tuition and fee revenues changed as enrollment increased.

Expenditures

Operating expenditures were 76% of the total fiscal year 2004 budget as of March 31, versus 75% for the prior year. Depreciation expense increased 19.7% compared to the budget because newly built or renovated buildings were depreciated for the first time.

Nonoperating Revenues and Expenditures

Investment income declined 15% or \$72,000 over the previous year. The amount of the State

appropriations decreased \$1,034,000.

Shaw and Thacher Halls Asbestos Problem

During March, delaminating asbestos was discovered in Shaw and Thacher Halls. These residence halls were closed to the students before they returned from spring break. Additional housing was found on campus or procured off-campus for many of the displaced students. Other students chose to commute from home. The student's belongings were passed through a decontamination process by an asbestos abatement contractor. The costs associated with housing the students and returning their belongings will be approximately \$700,000, including lost revenues. It will cost about \$1.8 million to abate the asbestos and restore the residence halls. The University will issue debt to finance the abatement and restoration.

EXPLANATORY NOTES

Net Assets

Assets

1. Appropriations due from primary government decreased \$382,000 compared to the previous year as funds allocated for capital projects were expended.
2. Grants and contracts receivable increased \$107,000. State scholarship support increased over the previous year, increasing the amount due from these programs.
3. Inventories decreased \$72,000. The bookstore is processing returns earlier than it did in previous years.
4. Restricted cash and cash equivalents declined 44% or \$3.8 million as work progressed on the projects funded by the bond issue. The investments purchased with funds from the bond issue matured in February. The income from these investments was \$56,000 for the quarter. The remaining money from the bond issue will be invested in short term commercial paper.
5. The \$6.4 million increase in capital assets compared to the previous year was caused by building purchases and building construction.

Liabilities

1. Accounts payable increased \$81,000 as work progressed on the construction projects.
2. The accrued liabilities were \$248,000 more than the previous year. Accrued payroll increased \$153,000 because the number of salaried employees who were paid in arrears increased. The \$95,000 increase in accrued interest payable was related to the 2003 bond issue.
3. Deferred revenues decreased \$220,000. Deferred revenues related to the HUD grant for the Ruth Scarborough Library renovation decreased.
4. The current portion of long-term liabilities increased \$177,000. The current portion of bonds payable increased \$105,000. The current portion of the compensated absences

liability increased \$45,000 over the previous year, and the current portion of the debt owed the Policy Commission increased \$27,000.

5. The compensated absences liability decreased \$455,000 compared to the previous year as the number of employees who were eligible for the insurance retirement benefits declined.

Operating Revenues

1. Tuition and Fee revenues were 97.9% of the budgeted amount compared to 94.4% for the third quarter of fiscal year 2003. Enrollment increased over the previous year.
2. Federal Revenues were 106% of the budgeted amount compared to 87.3% for the third quarter of fiscal year 2003. Federal Pell Grants increased from last year. Library HUD grant revenues totaling \$187,000 that were expended for furniture and did not exceed the \$1,000 capitalization threshold were recorded as operating revenues. The Federal Grants budget was increased \$187,000.

Operating Expenses

1. Student Services expenditures were 68.8% of the budget compared to 72.6% for the third quarter of fiscal year 2003. Savings were realized from several vacant positions.
2. Scholarship expenditures were 90.9% of the budget compared to 101.3% of the budget for the third quarter of fiscal year 2003. The Tuition discount increased 19% with the increase in State and Federal grants for scholarships and fellowships. An increase in the tuition discount reduces the scholarship expense line.
3. Library HUD grant revenues that did not exceed the \$1,000 capitalization threshold were recorded as operating expenses. The Operations and Maintenance budget was increased \$187,000.
4. Depreciation expense increased 19.7% compared to the budget because the Ruth Scarborough Library renovation, Frank Arts Center addition and Kenneth G. Boone Field House were depreciated for the first time.

Nonoperating Revenues and Expenses

1. The University's budget for the State appropriation from general funds is \$1,059,000 less than the amount allotted for fiscal year 2003. The Department of Administration decreased the allotment available for the second quarter of fiscal year 2004. The remaining revenue will be received in the fourth quarter.
2. Investment income declined \$72,000 or 15% because the University expended interest-earning funds to cover the shortfall in the quarterly allotment of appropriations. Investment pool earnings were lower than they were during fiscal year 2003.

Other Revenue, Expenses, Gains or Losses

The University received \$1.3 million from the Department of Housing and Urban Development for renovations to the Ruth Scarborough Library during the first three quarters of fiscal year 2004.

