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# Iowa Legislative Fiscal Bureau

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## Regent Fund Balances - FY 1993

### ISSUE

A review of fund balances retained by the 3 institutions of higher education under the control of the State Board of Regents.

### AFFECTED AGENCIES

State University of Iowa (SUI)  
Iowa State University (ISU)  
University of Northern Iowa (UNI)

### CODE AUTHORITY

Section 262.9(9), Code of Iowa

### BACKGROUND

Each institution receives various sources of income, such as State appropriations, tuition revenue, interest, indirect cost recoveries, sales and services, and endowments (giving by donors). Because expenses of the institutions are not directly correlated with the timing of income, it is possible to invest various moneys and obtain interest revenue. For purposes of the annual financial reports issued by the institutions, the accounting standards set by the National Association of College and University Business Officers (NACUBO) as endorsed by the Government Accounting Standards Board and Financial Accounting Standards Board are adhered to. Each of the funds specified on Attachment I has assets, liabilities, and fund balances.

### CURRENT SITUATION

Each institution's total fund balances increased from FY 1992 to FY 1993. These moneys are inclusive of indirect cost reimbursement income and Treasurer's Temporary Investment (TTI) income, but not income or fund balances of affiliated organizations or foundations related to an institution. In most instances, income derived from these investments are expended for projects classified as TTI projects. In certain instances, such as endowments, income from investments are required to be expended on items similar to those stipulated by the typical

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endowment to an institution. Iowa State University and the University of Northern Iowa predicted less income from investment of fund balances for FY 1994 because of anticipated reduction in interest rates, while the University of Iowa predicted the same amount of income for FY 1994.

The Board of Regents (BOR) employs fund managers to invest unobligated funds. The fund managers are Invesco and Warburg Pincus. Annually, these 2 entities report orally to the Board of Regents, as well as filing Quarterly Investment and Cash Management reports.

- For FY 1993, the combined unrestricted and restricted investment portfolios totaled \$519.1 million and endowment portfolios totaled \$60.0 million.
- SUI has \$347.9 million and \$32.3 million
- ISU has \$132.3 million and \$23.9 million
- UNI has \$37.8 million and \$1.5 million

These totals will not equal the financial information on the attached table since the fund managers employed by the BOR are not responsible for investment of all funds available to the institution. In addition, the fund balances include assets such as buildings and land. Liabilities such as accounts payable, salaries payable, deferred revenue, bonds payable, and notes payable are subtracted from the assets to achieve the fund balances.

The investments attributable to the foundations affiliated with the Regent institutions are not included in these totals. The Board has an investment policy to which the institutions and third party investment managers must adhere. The investment policy can be found in the Board of Regents Procedural Guide in Section 7.34. The policy is available upon request.

Fund balances may be allocated or unallocated. Allocated fund balances include the equity in auxiliary enterprises, the reserve for encumbrances, and any other reserves established in accord with the action of the BOR or in accord with the requirements of external agencies. Generally, unallocated fund balances are funds the institution may use at its own discretion upon approval by the BOR.

### **BUDGET IMPACT**

This *Issue Review* is provided for informational purposes only. It would appear that the investment policies set forth by the BOR are carefully determined, based upon the expertise of the various third party money managers selected to perform the investments, as well as the restrictions placed upon those investments, such as types, maturity rates, and goals of earning the rate of inflation or greater. Specifying the use of investment returns not mandated by endowments or other requirements for certain projects deemed a priority by the General Assembly would be possible if desired by the General Assembly.

**Regent Fund Balances - FY 1993**

<u>Institution</u>	<u>Fund</u>	<u>Total Fund balance*</u>	<u>Major Assets</u>	<u>Description/Other</u>	<u>Investment Income</u>	<u>Investment Earnings</u>
SUI	Current Fund - unrestricted	\$ 114,732,804	Cash assets of \$12.7 million. Investment assets of \$83.6 million.	Includes General Education Fund, Health Care Units, Organized activities, Auxiliary Enterprises, and Stores and Services.	\$6,649,591	64.9% is retained for Treasurer's Temporary Investment (TTI) projects, 25.8% is retained for the U.S. Pool Distribution, and 9.3% is retained for specific investments required by the Auxiliary Enterprises commitments.
	Current Fund - restricted	21,428,275	Investment assets of \$50.8 million and a negative cash balance of \$40.9 million.		794,552	Investment income is retained for TTI projects.
	Student Loan Fund	35,331,708	Cash assets of \$819,560. Investment assets of \$1.9 million and notes receivable of \$34.0 million.		95,787	Investment income is retained for TTI projects.
	Endowments	33,843,379	Investment assets of \$28.6 million and a wholly owned subsidiary asset of \$5.2 million.		1,650,446	Investment income is retained for projects required by the endowment commitments.
	Plant Fund				10,204,893	15.3% is retained for TTI projects, 9.2% is retained for U.S. Pool Distribution, and 75.5% is retained for specific investments relating to the plant.
	Unexpended	97,608,857	Cash assets of \$2.2 million, investment assets of \$105.8 million, and Trustee deposit assets of \$10.2 million.			
	Renewals and Replacement	12,769,817	Cash assets of \$2.6 million and investment assets of \$10.3 million.			

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	Indebtedness Retirement	35,555,597	Investment assets of \$45.8 million and Trustee deposit assets of \$7.3 million.			
	Plant Investment	1,100,093,354	Land assets of \$149.4 million, Building assets of \$711.0 million, and equipment assets of \$417.4 million.			
	Agency Fund	0	Cash assets of \$18.1 million, investment assets of \$42.6 million, and Accounts Receivable of \$40.4 million.		2,480,513	Investment income is retained for TTI projects.
	<b>Total</b>	<u>\$ 1,451,363,791</u>		Compared to FY 1992, this is an increase of 7.3%. The largest increases were in Trustee deposits, 92.9%; Wholly owned subsidiary assets, 12.2%; and Accounts Receivable, 8.3%. All 4 categories within Plant Investment Fund increased Fund Balances.	<u>\$ 21,875,782</u>	
<b>ISU</b>	Current Fund - unrestricted	\$ 27,955,550	Investment assets of \$43.4 million and Accounts Receivable of \$6.0 million.	Includes long-term liabilities. Also includes enterprise, internal service, and other proprietary activities.	\$ 916,873	Investment income is retained for TTI projects.
	Current Fund - restricted	10,603,168	Cash assets of \$4.0 million and Accounts Receivable assets of \$3.5 million.		138,098	Investment income is retained for TTI projects.

**Regent Fund Balances - FY 1993**

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	Student Loan Fund	20,788,285	Cash assets of \$1.4 million and Notes Receivable of \$19.0 million.	Restricted funds, used for scholarships and loans to students.	11,201	Investment income is retained for TTI projects.
	Endowments	15,675,981	Investment assets of \$15.7 million.	Restricted funds, used for scholarships and loans to students.	1,761,307	Investment income is retained for the specified endowment projects.
	Plant Fund				6,963,182	
	Unexpended	3,101,643	Cash assets of \$3.4 million and Investment assets of \$12.2 million.	Funds acquired through debt for the purpose of acquisition or construction of major capital assets.		Investment income is retained for specific projects relating to capital assets.
	Renewals and Replacement	20,851,711	Cash assets of \$5.0 million and Investment assets of \$15.4 million.	Includes revenue bonds, mandated surplus, and improvement funds, as well as internally designated funds such as TTI.		92.8% of investment income is retained for specific projects relating to renewal and replacement. 7.2% is retained for TTI projects.
	Indebtedness Retirement	21,359,801	Negative cash assets of \$3.9 million and Investment assets of \$24.8 million.			Investment income is retained for retirement of indebtedness.
	Plant Investment	533,731,883	Plant and Equipment assets of \$714.5 million.			Investment income is retained for TTI projects.
	Agency Fund	0	Cash assets of \$11.9 million and Investment assets of \$30.9 million.		293,627	70.4% of investment income is retained for TTI projects and 29.6% is for specific
	Total	<u>\$ 654,068,022</u>		Compared to FY 1992, this is an increase of 6.1%. The largest increases were in Investment assets, 15.5%; Notes Receivable, 5.9%; and Plant and Equipment assets, 4.3%.	<u>\$ 10,084,288</u>	

**Regent Fund Balances - FY 1993**

<u>Institution</u>	<u>Fund</u>	<u>Total Fund balance*</u>	<u>Major Assets</u>	<u>Description/Other</u>	<u>Investment Income</u>	<u>Investment Earnings</u>
UNI	Current Fund - unrestricted	\$ 3,110,880	Cash assets of \$310,155. Investment assets of \$5.0 million.		\$ 1,609,321	Retains investment earnings relating to general education and extension and continuing education accounts. Earnings on other educational activities, as well as Student Fee supported activities and Miscellaneous Auxiliaries are for TTI.
	Current Fund - restricted	954,062	Funds of \$2.3 million due from U.S. Government.		36,060	Investment earnings are for TTI, except certain grant
	Student Loan Fund	8,361,691	Cash assets of \$38,871. Investment assets of \$727,103. Notes receivable of \$7.5 million.		27,315	Retains investment earnings.
	Endowments	1,351,690	Investment assets of \$1.4 million.		0	Retains investment earnings on in restricted accounts.
	Plant Fund				516,159	State appropriated Plant Fund investment earnings are retained by the General Education Fund. Bond debt retain investment earnings for retirement of debt. Investment earnings from other Plant Funds are retained for TTI.
	Unexpended	9,029,369	Cash assets of \$401,652. Investment assets of \$15.4 million.			

**Regent Fund Balances - FY 1993**

<u>Institution</u>	<u>Fund</u>	<u>Total Fund balance*</u>	<u>Major Assets</u>	<u>Description/Other</u>	<u>Investment Income</u>	<u>Investment Earnings</u>
	Renewals and Replacement	3,842,616	Cash assets of \$129,049. Investment assets of \$3.0 million.			
	Indebtedness Retirement	5,983,671	Cash assets of \$61,393. Investment assets of \$6.7 million and deposits with bond paying agents of \$3.4 million.			
	Plant Investment	151,941,178	Land assets of \$19.0 million, Building assets of \$136.7 million, Equipment assets of \$19.1 million, and Library assets of			
	Agency Fund	0	Cash assets of \$341,825. Investment assets of \$6.2 million.		166,970	Investment earnings are allocated to purposes that benefit students.
	<b>Total</b>	<u>\$ 184,575,156</u>		Compared to FY 1992, this is an increase of 5.2%. The largest increases were in funds due from U.S. Government, 153.3%; funds due from other funds, 14.2%; Building assets, 9.0%; and Equipment	<u>\$2,355,825</u>	
	<b>Grand Total</b>	<u><u>\$ 2,290,006,969</u></u>			<u><u>\$34,315,895</u></u>	

\*Total fund balances include reductions due to liabilities.