
UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

FINANCIAL REPORT
JUNE 30, 2006

 **CARNEY,
ALEXANDER,
MAROLD & Co., L.L.P.**
Certified Public Accountants

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Table of Contents

	Page
Independent Auditors' Report	1 - 2
Basic Financial Statements:	
Statement of Net Assets	3
Statement of Revenues, Expenses and Changes in Fund Net Assets	4
Statement of Cash Flows	5 - 6
Notes to Financial Statements	7 - 16
Supplementary Information:	
Independent Auditors' Report on Supplementary Information	17
Combining Fund Financial Statements:	
Combining Statement of Net Assets	18
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	19
Student Enrollment (Unaudited)	20



500 E. 4th Street, Suite 300
PO Box 1290 Waterloo, Iowa 50704-1290
Telephone (319) 233-3318 Fax (319) 233-1346
E-mail cam@carneycpa.com

Independent Auditors' Report

To the Members of the Board of Regents, State of Iowa
and Officials of the University of Northern Iowa

We have audited the accompanying statement of net assets, and the related statements of revenues, expenses and changes in fund net assets and cash flows, of the Academic Building Revenue Bond Funds, of the University of Northern Iowa, as of and for the year ended June 30, 2006, which collectively comprise the Bond Funds' basic financial statements listed in the table of contents. These financial statements are the responsibility of University officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the 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.

As discussed in Note 1, the financial statements present only the Academic Building Revenue Bond Funds of the University of Northern Iowa and do not purport to, and do not, present fairly the financial position of the University of Northern Iowa as of June 30, 2006 and changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academic Building Revenue Bond Funds, of the University of Northern Iowa, as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the University of Northern Iowa was not in compliance with the accounting requirements of the Board of Regents, State of Iowa Resolution for the issuance of the Academic Building Revenue Bonds, Series 1994 Refunding, 1994, 1996 Refunding, 2002 Refunding, 2003 Refunding, 2003A Refunding, 2005 Refunding and 2005. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

The University of Northern Iowa has not presented Management's Discussion and Analysis for the Academic Building Revenue Bond Funds that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the University of Northern Iowa, the members of the Board of Regents, citizens of the State of Iowa and other parties to whom the University of Northern Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Corney, Alexander, Brand & Co., L.L.P.

September 29, 2006

Basic Financial Statements

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Statement of Net Assets
As of June 30, 2006

- ASSETS -

Current Assets:	
Cash and cash equivalents	\$ 1,970,146
Deposits with bond paying agents	3,216,000
Investments	10,180,934
Due from governmental agencies	34,727
Interest receivable	130,823
Debt issuance costs, net of amortization	<u>383,189</u>
Total Current Assets	<u>15,915,819</u>
Noncurrent Assets:	
Investments	4,190,302
Construction in progress	1,954,636
Capital assets	69,009,248
Accumulated depreciation	<u>(26,870,158)</u>
Total Noncurrent Assets	<u>48,284,028</u>
Total Assets	<u><u>\$ 64,199,847</u></u>

- LIABILITIES AND NET ASSETS -

Current Liabilities:	
Overdraft of cash - due to other funds in pooled cash fund	\$ 10,886
Accounts payable	365,032
Rebate payable, U.S. Government	30,517
Accrued interest payable	1,343,334
Revenue bonds payable	<u>2,883,621</u>
Total Current Liabilities	4,633,390
Noncurrent Liabilities:	
Revenue bonds payable	<u>39,854,127</u>
Total Liabilities	<u>44,487,517</u>
Net Assets:	
Invested in capital assets, net of related debt	11,319,004
Restricted for debt service	<u>8,393,326</u>
Total Net Assets	<u>19,712,330</u>
Total Liabilities and Net Assets	<u><u>\$ 64,199,847</u></u>

The accompanying notes are an integral part of this statement.

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2006

Operating Revenues:	
Tuition and fees, net of scholarship allowances of \$5,793,420	<u>\$ 52,365,035</u>
Total Operating Revenues	<u>52,365,035</u>
Operating Expenses:	
Depreciation expense	<u>1,725,231</u>
Total Operating Expenses	<u>1,725,231</u>
Operating Income	<u>50,639,804</u>
Nonoperating Revenues (Expenses):	
State appropriations - tuition replacement	4,187,924
Investment income	412,356
Interest expense	(1,849,884)
Amortization expense	(28,424)
Other expenses	(7,500)
Repairs and maintenance	(65,970)
Rebate interest expense	<u>(26,484)</u>
Net Nonoperating Revenues (Expenses)	<u>2,622,018</u>
Income Before Transfers	53,261,822
Transfers:	
Transfers to other University funds	<u>(53,492,300)</u>
Change in Net Assets	(230,478)
Net Assets at Beginning of Year	<u>19,942,808</u>
Net Assets at End of Year	<u><u>\$ 19,712,330</u></u>

The accompanying notes are an integral part of this statement.

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Statement of Cash Flows
For the Year Ended June 30, 2006

Cash flows from operating activities:	
Tuition and fees	\$ 52,365,035
Net cash provided by operating activities	<u>52,365,035</u>
Cash flows from capital financing activities:	
State appropriations - tuition replacement	4,269,608
Acquisition of capital assets	(1,336,868)
Principal paid on capital debt	(10,715,927)
Interest paid on capital debt	(2,112,633)
Proceeds from capital debt	12,663,941
Transfers to other University funds	(52,365,035)
Other capital and related financing receipts (payments)	(133,004)
Net cash used by capital financing activities	<u>(49,729,918)</u>
Cash flows from investing activities:	
Interest on investments	416,198
Proceeds from sale and maturities of investments	1,856,843
Purchase of investments	(11,618,852)
Net cash used by investing activities	<u>(9,345,811)</u>
Net decrease in cash and cash equivalents	(6,710,694)
Cash and cash equivalents, beginning of year	<u>8,669,954</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,959,260</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating Income	\$ 50,639,804
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,725,231
Net cash provided by operating activities	<u><u>\$ 52,365,035</u></u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:	
Cash and cash equivalents classified as current assets	\$ 1,970,146
Cash and cash equivalents classified as current liabilities	<u>(10,886)</u>
Total cash and cash equivalents	<u><u>\$ 1,959,260</u></u>

The accompanying notes are an integral part of this statement.

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Statement of Cash Flows
For the Year Ended June 30, 2006

Noncash Capital, Financing and Investing Activities:

\$5,070,000 of capital debt was refinanced with the issuance of the \$5,110,000 Academic Building Revenue Refunding Bonds, Series 2005. The refunding bonds were issued April 1, 2005 and the prior bonds were called July 1, 2005.

A net unrealized loss decreased the fair market value of the University's investments \$94,130.

Capital assets with a book value of \$1,127,265 were transferred to other University funds.

The accompanying notes are an integral part of this statement.

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Academic Building Revenue Bond Funds were created by resolution of the Board of Regents, State of Iowa which authorized the issuance of revenue bonds to be used for the construction, renovation and equipping of academic buildings, libraries, and administrative and service buildings on the campus of the University of Northern Iowa. The revenue bonds are issued on behalf of the University.

The financial statements of the Academic Building Revenue Bond Funds of the University of Northern Iowa (University) include only the financial position and operating activities of the Academic Building Revenue Bond Funds. These fund financial statements present only a portion of the funds of the University.

Basis of Presentation

Basic Financial Statements - The Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Fund Net Assets and the Statement of Cash Flows report information on all of the activities of the Academic Building Revenue Bond Funds. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Assets presents assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Revenues, Expenses and Changes in Fund Net Assets demonstrates how net assets changed during the fiscal year.

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, non-capital financing, capital financing and investing activities.

Fund Financial Statements - In order to ensure the observance of limitations and restrictions placed on the use of resources available to the University, the accounts of the University are maintained in accordance with the principles of "fund accounting" under which resources for various projects are classified for accounting and reporting purposes into funds according to the activities or objectives specified.

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (continued)

The University's accounts and transactions include those related to the Academic Building Revenue Bonds issued by the University. These fund financial statements reflect only those accounts and transactions related to these bonds. These accounts and transactions are included as a portion of the University's Plant Funds. Plant Funds are used to account for the transactions relating to investment in University properties. Plant Funds include the following funds: (1) Retirement of Indebtedness, (2) Unexpended and (3) Investment in Plant. Retirement of Indebtedness represents bond sinking, reserve and arbitrage rebate funds to provide for the payment of principal, interest and rebated interest. Unexpended is comprised of a construction fund. Investment in Plant represents the total of buildings, improvements and equipment and related liabilities.

The Current Fund, including the Revenue Fund established by the bond resolution, is classified under the University General Educational Fund.

Revenue Fund

The Revenue Fund is used to account for student fees and charges such as tuitions, rates and fees levied against the students attending the University. In accordance with the provisions and terms of the bond resolution, these student fees and charges are irrevocably assigned as collateral to the payment of the principal and interest on the bonds. Student fees and charges that remain after the required transfers to the Sinking and Reserve Funds are transferred to the other University General Educational Fund accounts.

Construction Fund

The bond resolution provides that the balance of bond proceeds remaining after first making required deposits to the Academic Building Revenue Sinking Fund shall be deposited to the Construction Fund. The funds are to be held as a trust fund and disbursed, together with such other funds as may be lawfully available for the purpose, to pay for project costs.

Arbitrage Rebate Fund

Monies credited to the Arbitrage Rebate Fund shall be used for the payment of arbitrage rebates and related administrative expenses.

Bond Reserve Fund (Reserve Fund)

The bond resolution provides that semi-annual installments will be credited to the Bond Reserve Fund from the student fees and charges remaining after first making the required payments into the Academic Building Revenue Reserve Sinking Fund, in an amount equal to 12% of the principal and interest due in the current fiscal year until the Bond Reserve Fund is equal to the maximum annual principal and interest coming due in any succeeding fiscal year. However, amounts credited to the Bond Reserve Fund in excess of the maximum amount of principal and interest due in any succeeding fiscal year shall be deposited in the University's General Educational Fund. All monies credited to the Bond Reserve Fund shall be used for the payment of principal and interest on the bonds issued and outstanding.

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (continued)

Bond Sinking Fund (Sinking Fund)

The bond resolution provides for semi-annual installments to be set aside from the student fees and charges derived from the Revenue Fund to the Sinking Fund sufficient for the principal and interest payment that will become due and payable on and prior to the next succeeding July 1. The Sinking Fund shall be used solely for and is pledged for the purpose of paying the principal and interest of the bonds.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and are reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with United States generally accepted accounting principles. Revenues are recorded when earned and expenses are recorded when the liability is incurred.

Purchases of facilities and equipment providing future benefits are capitalized and depreciated.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost which approximates fair value due to their short-term nature. Cash and cash equivalents represent amounts in cash accounts or the Funds' share of the investment pool of the University entitled "Treasurer's Temporary Investments." Any negative balances are the result of timing differences. The General Fund of the University is responsible for any negative balances until the timing differences are resolved.

Investments and Investment Income

Investments are stated at fair value. With the exception of funds specifically invested for bond issues and endowment funds, all other monies are pooled in an investment pool entitled "Treasurer's Temporary Investments." Investment income on the investment pool is allocated to the activities that participate in the pool.

Capital Assets

Property and buildings are stated at cost at the date of acquisition or fair market value at date of donation. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives of the respective assets and recorded in the Plant Accounts. The University also does not capitalize interest costs during the construction period.

The following useful lives are used:

Buildings	40-50 years
-----------	-------------

The following thresholds are used to define capital assets:

Buildings	\$ 25,000
-----------	-----------

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (continued)

Summer Session

The University operates summer sessions during May, June, and July. Revenues and expenditures for the summer sessions are recorded in the appropriate fiscal year. Designated tuition and mandatory student fees are allocated based on the load study distributions supplied by the University Registrar. Residence System revenues and expenditures for the noted summer sessions are also recorded in the appropriate fiscal year.

Debt Issuance Costs

Upon the sale of revenue bonds, debt issuance costs are amortized by the straight-line method over the term of the bond issuance.

Operating and Nonoperating Activities

Operating Activities as reported on the statement of revenues, expenses, and changes in fund net assets are transactions that result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nonoperating Activities include state appropriations, gifts, and investment income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2: Cash and Cash Equivalents and Investments

(1) Cash and Cash Equivalents:

The deposits of the University were covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. In the unlikely event a bank fails, the State Treasurer first determines the amount of the loss and validates the amount of applicable FDIC insurance. He is empowered by this chapter to cover the remaining loss from the state sinking fund for public deposits in banks. If the balance in that sinking fund is inadequate to pay the entire loss, he is empowered to make assessments against other banks to insure that there will be no loss of public funds. The \$1,959,260 cash and cash equivalents balance of the Academic Building Revenue Bond Funds is combined with other University funds and consists of cash of \$0, pooled investments of \$1,230,639 and money market accounts of \$728,621. The money market accounts are not subject to risk categorization.

Deposits with bond paying agents consist of carrying values and bank balances of \$3,216,000 on deposit with the trust department of the Depository Trust Corporation. The bond paying agent cash at the Depository Trust Corporation is fully insured.

The deposits with the Depository Trust Corporation were covered by federal depository insurance.

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Notes to Financial Statements

Note 2: Cash and Cash Equivalents and Investments (continued)

(2) Investments:

Statement of Invested Assets

Investment Type	Fair Value
Fixed Income:	
U.S. Government Treasuries, Notes, Bonds	\$ 5,188,212
U.S. Government Agency	9,183,024
	\$ 14,371,236

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the University. As of June 30, 2006, the Academic Building Revenue Bond Funds fixed income assets that are not government guaranteed represented 64% of the portfolio. The following table summarizes the exposure levels and credit qualities:

Credit Risk - Quality Ratings

Investment Type	Agency
Fixed Income:	
U.S. Government Agency	\$ 9,183,024

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue.

Credit Risk Concentration

Any one issuer that represents 5% or more of the total assets (except for U.S. Government, Pooled and Mutual Funds)

Investment Type	Fair Value	% of Assets
Federal National Mortgage Association	\$ 3,569,681	25%
Federal Home Loan Bank	3,442,344	24%
Federal Home Loan Mortgage Corporation	2,170,999	15%

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the duration. It is widely used in the management of fixed income portfolios in that it quantifies to a much greater degree the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve.

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Notes to Financial Statements

Note 2: Cash and Cash Equivalents and Investments (continued)

Interest Rate Sensitivity - Duration

Investment Type	Fair Value	Duration
Fixed Income:		
U.S. Government Treasuries, Notes, Bonds	\$ 5,188,212	1.13
U.S. Government Agency	9,183,024	0.63
Total	\$14,371,236	0.81

Note 3: Deposits with Bond Paying Agents

As of June 30, 2006, \$3,216,000 in cash was on deposit with various bond paying agents for the purpose of paying current obligations of bond principal and interest as follows:

Bond principal payable July 1, 2006	\$ 2,763,621
Bond interest payable July 1, 2006	452,379
	\$ 3,216,000

Note 4: Due From Governmental Agencies

Due from governmental agencies is summarized as follows:

State Government	\$ 34,727
	\$ 34,727

Note 5: Debt Issuance Costs

Debt issuance costs at June 30, 2006 are as follows:

Debt issuance costs	\$ 514,263
Less accumulated amortization	(131,074)
Net debt issuance costs	\$ 383,189

Amortization expense for fiscal year 2006 was \$28,424.

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Notes to Financial Statements

Note 6: Capital Assets

Capital assets activity for the year ended June 30, 2006 is summarized as follows:

	Beginning Balance	Additions	Disposals & Transfers	Ending Balance	Accumulated Depreciation	Book Value
<u>Nondepreciable assets:</u>						
Construction						
in progress	\$ 357,746	\$ 1,596,890	\$ -	\$ 1,954,636	\$ -	\$ 1,954,636
<u>Depreciable assets:</u>						
Buildings	70,165,417	-	(1,156,169)	69,009,248	26,870,158	42,139,090
	<u>\$ 70,523,163</u>	<u>\$ 1,596,890</u>	<u>\$ (1,156,169)</u>	<u>\$ 70,963,884</u>	<u>\$ 26,870,158</u>	<u>\$ 44,093,726</u>

Depreciation activity for the year ended June 30, 2006 is summarized as follows:

	Beginning Balance	Additions	Disposals & Transfers	Ending Balance
Buildings	\$ 25,173,830	\$ 1,725,231	\$ (28,903)	\$ 26,870,158
	<u>\$ 25,173,830</u>	<u>\$ 1,725,231</u>	<u>\$ (28,903)</u>	<u>\$ 26,870,158</u>

The cost of land used for the academic buildings is not shown on the balance sheet. This land is included in the general books and records of the University of Northern Iowa.

Note 7: Rebate Payable, U.S. Government

Interest paid to bondholders is not includable in their gross income for Federal or Iowa income tax purposes. In order to maintain this exemption, the University must comply with certain provisions of the Internal Revenue Code and the bond resolutions arbitrage certificate. These provisions require that the excess of the actual investment earnings of the bond funds over the allowable earnings be set aside in a rebate fund to provide for a liability to the United States government.

As of June 30, 2006, the amount of this liability was \$30,517 and was related to the 2003A Refunding and 2005 bond issues. The liability is periodically recalculated to provide the best estimate of its amount. The latest calculation of this liability resulted in an increase of \$26,484 from the prior amount. Funding of any future liability will be provided by the tuition replacement appropriations as the liability becomes payable.

Another provision in the bond resolution arbitrage certificate requires that the proceeds from the bonds be spent according to a fixed time table in the arbitrage certificate. If these spending requirements are not met, the University would have a liability to the United States government that is based on the actual amount that was underspent.

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Notes to Financial Statements

Note 8: Revenue Bonds Payable

As provided in the various bond resolutions, the University has the right to redeem certain bonds prior to the maturity dates, under stated conditions.

The principal and interest due July 1, 2006, has been recorded as bonds payable and accrued interest in Retirement of Indebtedness Funds. This meets the bond resolution requirement that the funds for the Sinking Fund's payment of bonds and interest due July 1 be deposited in the Retirement of Indebtedness Funds during the current fiscal year even though actual payment will not occur until July 1 of the subsequent fiscal year.

The bonds outstanding bear interest at rates ranging from 2.00% to 8.25% per year.

The bonds mature as follows:

For Year Ended June 30,	Principal	Interest	Total
2007	\$ 2,883,621	\$ 2,066,516	\$ 4,950,137
2008	2,788,066	1,717,959	4,506,025
2009	3,122,302	2,226,120	5,348,422
2010	3,185,227	1,801,268	4,986,495
2011	3,301,630	1,941,364	5,242,994
2012 - 2016	15,886,902	6,899,988	22,786,890
2017 - 2021	5,405,000	1,836,420	7,241,420
2022 - 2026	4,205,000	863,000	5,068,000
2027 - 2028	1,960,000	84,150	2,044,150
Total	<u>\$42,737,748</u>	<u>\$19,436,785</u>	<u>\$62,174,533</u>

Long-term debt activity for the year ended June 30, 2006 is summarized as follows:

Bonds payable, June 30, 2005	\$ 37,890,054
Bonds retired on July 1, 2005	(2,882,306)
Bonds called on July 1, 2005	(5,070,000)
Bonds issued on October 1, 2005	12,800,000
 Bonds payable, June 30, 2006	 <u>\$42,737,748</u>

Academic Building Revenue Bonds were issued primarily for the construction, renovation, and equipping of academic buildings, libraries, and administrative and service buildings. The bond issues included funding for a pre-funded debt service reserve and for issuance costs. A number of the bond issues refinanced previous issues to take advantage of lower interest rates.

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Notes to Financial Statements

Note 9: Debt Service Coverage

The debt service coverage for the current and two prior years is as follows:

Year Ended	Pledged General Fund Tuition	Maximum Debt Service	Actual Coverage
2006	\$ 58,158,455	\$ 5,391,685	10.79
2005	57,835,715	4,772,450	12.12
2004	54,446,784	4,824,025	11.29

Required coverage = 1.25 of maximum debt service requirements

Note 10: Student Tuition and Fees

Under the provisions of the bond resolutions all student fees and charges received by the University shall be deposited to a special fund which is designated as the "Academic Building Revenue Fund." Specific amounts are to be retained by these funds to retire outstanding bonds and for the payment of interest. The balance of the receipts is to be transferred to the University of Northern Iowa for its general operations.

Note 11: Risk Management

It is the general policy of the University of Northern Iowa not to purchase commercial insurance for the risks of certain losses to which it is exposed. Instead, management believes it is more economical to manage certain risks internally. It is also the policy of the Board of Regents, State of Iowa and the State of Iowa not to purchase commercial insurance for the risks of certain losses to which they are exposed.

Losses are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The University is exposed to various risks of loss related to a number of matters enumerated below.

Business Interruption. The University purchased business interruption insurance for the Field House, Residence System and the Performing Arts Center. The University self-funds business interruption insurance for other buildings.

Errors and Omissions. The University self-funds errors and omissions insurance.

General Liability and Property Loss. The State of Iowa self-funds, on behalf of the University, losses related to general liability (tort claims), and expenses (casualty losses) with the exception of expenses belonging to auxiliary enterprises. Claims for torts are filed with the State Appeal Board, while casualty losses are filed with the Executive Council.

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Notes to Financial Statements

Note 11: Risk Management (continued)

The Board of Regents, State of Iowa entered into an agreement with the Department of Management, the State Appeal Board, and the Attorney General for resolution of tort claims of \$5,000 or less. The University is authorized to approve claims of \$5,000 or less, paying for the claims from institutional funds up to an annual limit of \$50,000. When a tort claim is filed against the State, the State Appeal Board has the authority to approve or reject ordinary claims less than ten years from occurrence and tort claims not over \$5,000. Tort claims settled or allowed in excess of \$5,000 must have the unanimous approval of all the members of the State Appeal Board, the Attorney General, and the District Court of the State of Iowa for Polk County. Torts may be paid without limit from the State's general fund.

A contingent fund exists under Section 29C.20 of the Code of Iowa to provide compensation for loss or damage to state property (casualty losses). By agreement with the State, claims in excess of \$5,000 or an annual aggregate of \$10,000 may be submitted to the Executive Council for consideration. If a loss exceeds \$500,000, it is necessary to seek an appropriation from the General Assembly.

The University has purchased commercial property insurance, including earthquake and flood coverage, for its facilities. There is a \$2,000,000 deductible on general University buildings. Additional coverage is provided for Auxiliary Enterprises, such as the Residence System, Maucker Union, and the Field House, with deductibles ranging from \$25,000 to \$100,000 per occurrence.

In all the above instances of commercial insurance, claims settled have not exceeded coverage for the last three years.

Note 12: Other Commitments, Claims, and Contingencies

Commitments: At June 30, 2006, the University had outstanding plant fund contract commitments for construction of \$7,675,609 in the Academic Building Revenue Bond Funds.

There were no other material claims or contingencies outstanding as of June 30, 2006. Also, there were no known contingent liabilities of a material nature at the date of this report.

Supplementary Information



500 E. 4th Street, Suite 300
PO Box 1290 Waterloo, Iowa 50704-1290
Telephone (319) 233-3318 Fax (319) 233-1346
E-mail cam@carneycpa.com

Independent Auditors' Report on Supplementary Information

To the Members of the Board of Regents, State of Iowa
and Officials of the University of Northern Iowa

Our report on our audit of the basic financial statements of the Academic Building Revenue Bond Funds, of the University of Northern Iowa, for the year ended June 30, 2006, appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis 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, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Carney, Alexander Marold & Co., L.L.P.

September 29, 2006

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Combining Statement of Net Assets
As of June 30, 2006

	Current Fund
- ASSETS -	
Current Assets:	
Cash and cash equivalents	\$ -
Deposits with bond paying agents	-
Investments	-
Due from governmental agencies	-
Interest receivable	-
Debt issuance costs, net of amortization	-
Total Current Assets	-
Noncurrent Assets:	
Investments	-
Construction in progress	-
Capital assets	-
Accumulated depreciation	-
Total Noncurrent Assets	-
Total Assets	\$ -
- LIABILITIES AND NET ASSETS -	
Current Liabilities:	
Overdraft of cash - due to other funds in pooled cash fund	\$ -
Accounts payable	-
Rebate payable, U.S. Government	-
Accrued interest payable	-
Revenue bonds payable	-
Total Current Liabilities	-
Noncurrent Liabilities:	
Revenue bonds payable	-
Total Liabilities	-
Net Assets:	
Invested in capital assets, net of related debt	-
Restricted for capital projects	-
Restricted for debt service	-
Total Net Assets	-
Total Liabilities and Net Assets	\$ -

See auditors' report on supplementary information.

Plant Funds

Retirement of Indebtedness			Unexpended	Investment	
Sinking	Reserve	Arbitrage	Construction	in Plant	
Fund	Fund	Rebate Fund	Fund	Academic	Total
				Building	
\$ 845,405	\$ -	\$ 30,517	\$ 1,094,224	\$ -	\$ 1,970,146
3,216,000	-	-	-	-	3,216,000
-	2,769,775	-	7,411,159	-	10,180,934
34,727	-	-	-	-	34,727
130,823	-	-	-	-	130,823
-	-	-	-	383,189	383,189
<u>4,226,955</u>	<u>2,769,775</u>	<u>30,517</u>	<u>8,505,383</u>	<u>383,189</u>	<u>15,915,819</u>
-	2,418,437	-	1,771,865	-	4,190,302
-	-	-	-	1,954,636	1,954,636
-	-	-	-	69,009,248	69,009,248
-	-	-	-	(26,870,158)	(26,870,158)
-	<u>2,418,437</u>	-	<u>1,771,865</u>	<u>44,093,726</u>	<u>48,284,028</u>
<u>\$ 4,226,955</u>	<u>\$ 5,188,212</u>	<u>\$ 30,517</u>	<u>\$ 10,277,248</u>	<u>\$ 44,476,915</u>	<u>\$ 64,199,847</u>
\$ -	\$ 10,886	\$ -	\$ -	\$ -	\$ 10,886
-	-	-	365,032	-	365,032
-	-	30,517	-	-	30,517
1,343,334	-	-	-	-	1,343,334
2,883,621	-	-	-	-	2,883,621
<u>4,226,955</u>	<u>10,886</u>	<u>30,517</u>	<u>365,032</u>	<u>-</u>	<u>4,633,390</u>
-	-	-	-	39,854,127	39,854,127
<u>4,226,955</u>	<u>10,886</u>	<u>30,517</u>	<u>365,032</u>	<u>39,854,127</u>	<u>44,487,517</u>
-	-	-	-	11,319,004	11,319,004
-	-	-	9,912,216	(9,912,216)	-
-	5,177,326	-	-	3,216,000	8,393,326
-	<u>5,177,326</u>	-	<u>9,912,216</u>	<u>4,622,788</u>	<u>19,712,330</u>
<u>\$ 4,226,955</u>	<u>\$ 5,188,212</u>	<u>\$ 30,517</u>	<u>\$ 10,277,248</u>	<u>\$ 44,476,915</u>	<u>\$ 64,199,847</u>

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2006

	Current Fund
	Revenue Fund
Operating Revenues:	
Tuition and fees, net of scholarship allowances of \$5,793,420	\$ 52,365,035
Total Operating Revenues	52,365,035
Operating Expenses:	
Depreciation expense	-
Total Operating Expenses	-
Operating Income (Loss)	52,365,035
Nonoperating Revenues (Expenses):	
State appropriations - tuition replacement	-
Investment income	-
Interest expense	-
Amortization expense	-
Other expenses	-
Repairs and maintenance	-
Rebate interest expense	-
Net Nonoperating Revenues (Expenses)	-
Income (Loss) Before Transfers	52,365,035
Transfers:	
Additions to capital assets - buildings	-
Non-mandatory transfers	-
Transfers to other University funds	(52,365,035)
Transfer of revenue bonds payable	-
Net Transfers	(52,365,035)
Change in Net Assets	-
Net Assets at Beginning of Year	-
Net Assets at End of Year	\$ -

See auditors' report on supplementary information.

Plant Funds						
Retirement of Indebtedness			Unexpended	Investment		
Sinking	Reserve	Arbitrage	Construction	in Plant		Total
Fund	Fund	Rebate Fund	Fund	Academic		
				Building		
\$ -	\$ -	\$ -	\$ -	\$ -		\$ 52,365,035
-	-	-	-	-		52,365,035
-	-	-	-	1,725,231		1,725,231
-	-	-	-	1,725,231		1,725,231
-	-	-	-	(1,725,231)		50,639,804
4,187,924	-	-	-	-		4,187,924
526,000	(113,644)	-	-	-		412,356
(1,849,884)	-	-	-	-		(1,849,884)
-	-	-	-	(28,424)		(28,424)
(7,500)	-	-	-	-		(7,500)
-	-	-	(65,970)	-		(65,970)
-	-	(26,484)	-	-		(26,484)
2,856,540	(113,644)	(26,484)	(65,970)	(28,424)		2,622,018
2,856,540	(113,644)	(26,484)	(65,970)	(1,753,655)		53,261,822
-	-	-	(1,596,890)	1,596,890		-
(11,327)	642,700	26,484	11,932,822	(12,590,679)		-
-	-	-	-	(1,127,265)		(53,492,300)
(2,883,621)	-	-	-	2,883,621		-
(2,894,948)	642,700	26,484	10,335,932	(9,237,433)		(53,492,300)
(38,408)	529,056	-	10,269,962	(10,991,088)		(230,478)
38,408	4,648,270	-	(357,746)	15,613,876		19,942,808
\$ -	\$ 5,177,326	\$ -	\$ 9,912,216	\$ 4,622,788		\$ 19,712,330

UNIVERSITY OF NORTHERN IOWA
ACADEMIC BUILDING REVENUE BOND FUNDS

Student Enrollment
(Unaudited)

Enrollment at the University of Northern Iowa for the 2005 - 2006 academic year and the 2005 summer session was as follows:

Terms	Number of Students*
Summer, 2005	5,198
First semester, 2005-2006	12,513
Second semester, 2005-2006	11,609

* These are figures at the end of the second week of each academic period, including graduate and undergraduate students.

See auditors' report on supplementary information.