UNIVERSITY OF NORTHERN IOWA
STUDENT HEALTH SYSTEM REVENUE BOND FUNDS

FINANCIAL REPORT
JUNE 30, 2008

CARNEY,
ALEXANDER,
MAROLD & CO., L.L.P.
Certified Public Accountants

UNIVERSITY OF NORTHERN IOWA
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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 Student Health System Revenue Bond Funds, of the University of Northern Iowa, as of and for the year ended June 30, 2008, 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 Student Health System 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, 2008 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 Student Health System Revenue Bond Funds, of the University of Northern Iowa, as of June 30, 2008, 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 Student Health System Revenue Bonds, Series 2004. 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 Student Health System 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.

Members of American Institute of Certified Public Accountants

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.

Cerny, Alexander, Rauch & Co., L.L.P.

October 31, 2008

Basic Financial Statements

UNIVERSITY OF NORTHERN IOWA
STUDENT HEALTH SYSTEM REVENUE BOND FUNDS

Statement of Net Assets
As of June 30, 2008

- ASSETS -	
Current Assets:	
Cash and cash equivalents	$ 1,099,829
Accounts receivable, net	72,673
Interest receivable	18,788
Prepaid expenses	5,785
Inventories	29,421
Total Current Assets	1,226,496
Noncurrent Assets:	
Investments	1,094,153
Prepaid expenses	366
Debt issuance costs, net of amortization	60,538
Capital assets	4,277,677
Accumulated depreciation	(629,823)
Total Noncurrent Assets	4,802,911
Total Assets	$ 6,029,407
- LIABILITIES AND NET ASSETS -	
Current Liabilities:	
Accounts payable	$ 10,730
Salaries and wages payable	7,884
Compensated absences payable	46,735
Accrued interest payable	65,262
Revenue bonds payable, current portion	150,000
Total Current Liabilities	280,611
Noncurrent Liabilities:	
Compensated absences payable	46,779
Revenue bonds payable	3,290,000
Total Noncurrent Liabilities	3,336,779
Total Liabilities	3,617,390
Net Assets:	
Invested in capital assets, net of related debt	418,392
Restricted for debt service	289,980
Unrestricted	1,703,645
Total Net Assets	2,412,017
Total Liabilities and Net Assets	$ 6,029,407

The accompanying notes are an integral part of this statement.

UNIVERSITY OF NORTHERN IOWA
STUDENT HEALTH SYSTEM REVENUE BOND FUNDS

Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2008

Operating Revenues:	
Mandatory student fees	$ 2,206,233
Sales and services	717,203
Total Operating Revenues	2,923,436
Operating Expenses:	
Personnel services	1,954,273
Travel	26,144
Supplies	472,411
Contractual services	127,551
Equipment and repairs	35,360
Claims and miscellaneous	74,381
Licenses, permits and refunds	27,826
Depreciation expense	113,456
Total Operating Expenses	2,831,402
Operating Income	92,034
Nonoperating Revenues (Expenses):	
Investment income	104,850
Interest expense	(130,524)
Amortization expense	(3,783)
Net Nonoperating Revenues (Expenses)	(29,457)
Income Before Other Revenues (Expenses) and Transfers	62,577
Other Revenues (Expenses) and Transfers:	
Transfers from other University funds	417,201
Change in Net Assets	479,778
Net Assets at Beginning of Year	1,932,239
Net Assets at End of Year	$ 2,412,017

The accompanying notes are an integral part of this statement.

UNIVERSITY OF NORTHERN IOWA
STUDENT HEALTH SYSTEM REVENUE BOND FUNDS

Statement of Cash Flows
For the Year Ended June 30, 2008

Cash Flows From Operating Activities:	
Cash received from operations	$ 2,951,111
Cash paid for operations	(2,708,623)
Net Cash Provided By Operating Activities	242,488
Cash Flows From Capital Financing Activities:	
Acquisition of capital assets	(51,559)
Principal paid on capital debt	(145,000)
Interest paid on capital debt	(132,699)
Transfers from other University funds	417,201
Net Cash Provided by Capital Financing Activities	87,943
Cash Flows From Investing Activities:	
Interest on investments	85,909
Proceeds from sales of investments	1,877,205
Purchase of investments	(1,887,559)
Net Cash Provided By Investing Activities	75,555
Net Increase in Cash and Cash Equivalents	405,986
Cash and Cash Equivalents, Beginning of Year	693,843
Cash and Cash Equivalents, End of Year	$ 1,099,829

Reconciliation of Operating Income to Net Cash Provided By Operating Activities:

Operating Income	$ 92,034
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	113,456
Changes in assets and liabilities:	
Decrease in accounts receivable	27,675
Decrease in prepaid expenses	3,948
(Increase) in inventories	(422)
Increase in accounts payable	7,868
Increase in salaries and wages payable	5,075
(Decrease) in compensated absences payable	(7,146)
Net Cash Provided By Operating Activities	$ 242,488

Noncash Capital, Financing and Investing Activities:

A net unrealized gain increased the fair market value of the University's investments $5,048.

The accompanying notes are an integral part of this statement.

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Student Health System 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 to construct additions to, remodel, refurbish and equip the Student Health Center on the campus of the University of Northern Iowa. The revenue bonds are issued on behalf of the University.

The financial statements of the Student Health System Revenue Bond Funds of the University of Northern Iowa (University) include only the financial position and operating activities of the Student Health System 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 Student Health System 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.

Note 1: Summary of Significant Accounting Policies (continued)

The University's accounts and transactions include those related to the Student Health System 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 payment of principal, interest and rebated interest. Unexpended is comprised of the normal operating surplus fund. Investment in Plant represents the total of buildings, improvements and equipment and related liabilities.

The Current Fund, including the Operating Fund established by the bond resolution, is classified as a University Auxiliary Enterprise to account for transactions of substantially self-supporting activities that primarily perform a service to students, faculty and staff.

Operations Fund (Revenue Fund)

The Operations Fund is used to account for all financial activity of the System, except those required to be accounted for in another fund. In accordance with the provisions and terms of the bond resolution, the excess of revenues over expenditures in the fund is irrevocably assigned as collateral for the payment of the principal and interest on the bonds.

Sinking Fund

The bond resolution provides that equal semi-annual installments shall be set aside from the net profits and income derived from the System 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.

Surplus Fund (System Fund)

The bond resolution provides that all remaining revenues and income of the System are deposited to the Surplus Fund. Monies deposited to the Surplus Fund are (a) transferred and credited to the Sinking Fund to prevent or remedy a default in the payment of principal and interest on the outstanding bonds; or (b) transferred and credited to the Reserve Fund whenever any deficiency may exist. Until so used, monies credited to the Fund may be used for any lawful purpose, including (1) to pay principal of and interest on any other obligations which by their terms shall be payable from the net revenues and which have been issued for the purposes of extensions and improvements to the System; (2) to retire the bonds in advance of maturity; (3) to pay for extraordinary repairs or replacements to the System; or (4) for any lawful System purpose.

Arbitrage Rebate Fund

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

Note 1: Summary of Significant Accounting Policies (continued)

Reserve Fund

The bond resolution provides that the fund shall be maintained in an amount equal to the Reserve Fund Requirement. All monies credited to the Reserve Fund shall be used solely for the purpose of paying principal at maturity of or interest on the Bonds and any Parity Bonds for which there are insufficient funds available in the Sinking Fund. All amounts in excess of the Reserve Fund Requirement shall be transferred to the Revenue Fund.

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.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Use of Estimates

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

Investments and Investment Income

Investments in marketable securities are recorded at their fair value, as established by the major securities markets. Purchases and sales of investments are accounted for on the settlement basis. Investment income is recorded on the accrual basis. Realized and unrealized gains and losses are reported as investment income. 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.

Note 1: Summary of Significant Accounting Policies (continued)

Investments and Investment Income (continued)

As of June 30, 2008, the investment pool entitled "Treasurer's Temporary Investment" contained an investment in Commonfund's Intermediate Term Fund which had a market value of $20,968,584. On or about September 30, 2008, Commonfund experienced a number of requests for full redemption of its Intermediate Term Fund due to liquidity problems in worldwide capital markets. In an effort to protect the remaining participants, Commonfund imposed a 30% restriction on redemptions. On October 1st the University placed an order and it withdrew 30% of its available funds. Commonfund has frozen the remaining 70% of available funds, $13,985,996, for an indefinite period of time until there is an active market in fixed income securities. Commonfund estimated it will take 9-12 months to maximize recoveries. The University will redeem remaining funds in the Intermediate Term Fund as permitted by Commonfund. The University does not believe the Intermediate Term Fund has suffered a permanent impairment.

Capital Assets

Property, buildings, and equipment 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 does not capitalize interest costs during the construction period.

The following useful lives are used:

Buildings	40-50 years
Equipment	5-20 years

The following thresholds are used to define capital assets:

Buildings	$ 25,000
Equipment	$ 5,000

Inventories

Inventories, consisting mainly of supplies and merchandise, are primarily valued at the lower of cost (first in, first out) or market.

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 revenues include state appropriations, gifts, and investment income. Nonoperating expenses include interest expense, amortization expense, and loss on disposal of capital assets.

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 $1,099,829 cash and cash equivalents balance of the Student Health System Revenue Bond Funds is combined with other University funds and consists of cash of $0 and pooled investments of $1,099,829.

(2) Investments:

Statement of Invested Assets

Investment Type	Fair Value
Fixed Income:	
U.S. Government Agency	$ 1,094,153

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, 2008, the Student Health System Revenue Bond Funds fixed income assets that are not government guaranteed represented 100% 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	$ 1,094,153

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. Except for Treasury or Agency debentures, pass-throughs or REIMICs, no more than 5% of the operating portfolio can be invested in securities of a single issuer.

Credit Risk Concentration

Issuers 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 Home Loan Bank	$ 1,094,153	100%

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

Interest Rate Risk

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

Interest Rate Sensitivity - Duration

Investment Type	Fair Value	Duration
Fixed Income:		
U.S. Government Agency	$ 1,094,153	1.23

Note 3: Accounts Receivable

Accounts receivable is summarized as follows:

Student accounts	$ 62,986
Other	31,844
	94,830
Less allowance for doubtful accounts	(22,157)
	$ 72,673

Note 4: Debt Issuance Costs

Debt issuance costs at June 30, 2008 are as follows:

Debt issuance costs	$ 76,933
Less accumulated amortization	(16,395)
Net debt issuance costs	$ 60,538

Amortization expense for fiscal year 2008 was $3,783.

Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2008 is summarized as follows:

	Beginning Balance	Additions	Disposals & Transfers	Ending Balance	Accumulated Depreciation	Book Value
Depreciable assets:						
Buildings	$ 4,139,475	$ 36,656	$ -	$ 4,176,131	$ 574,663	$ 3,601,468
Equipment	93,629	7,917	-	101,546	55,160	46,386
	$ 4,233,104	$ 44,573	$ -	$ 4,277,677	$ 629,823	$ 3,647,854

Note 5: Capital Assets (continued)

Depreciation activity for the year ended June 30, 2008 is summarized as follows:

	Beginning Balance	Additions	Disposals & Transfers	Ending Balance
Buildings	$ 477,986	$ 96,677	$ -	$ 574,663
Equipment	38,381	16,779	-	55,160
	$ 516,367	$ 113,456	$ -	$ 629,823

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

Note 6: 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, 2008, the amount of this liability included in the arbitrage rebate fund was $0. The liability is periodically recalculated to provide the best estimate of its amount. The latest calculation of this liability resulted in no change from the prior amount. Funding of any future liability will be provided by the student health system operations as the liability becomes payable.

Note 7: Salaries and Wages Payable

All non-student University employees are paid the last working day of each month. Certain bargaining unit employees submit time sheets verifying hours worked up to the middle of the month. Student employees submit time sheets verifying hours worked and are paid bi-weekly. Accrued salaries and wages payable at June 30, 2008 was $7,884.

Note 8: Compensated Absences Payable

University employees accumulate vacation and sick leave under provisions of Chapter 70A of the Code of Iowa. These accumulated benefits may be liquidated under specific circumstances. Accumulated vacation is paid at the employee's hourly rate upon retirement, death, or termination.

With certain exceptions, accumulated sick leave is paid at the employee's hourly rate to a maximum of $2,000 on retirement. As of June 30, 2008, a liability for accrued vacation and sick leave, including accrued retirement and FICA contributions was recognized at $93,514.

Note 9: Retirement Programs

Teachers Insurance and Annuity Association - The University of Northern Iowa contributes to the Teachers Insurance and Annuity Association (TIAA) retirement program, a defined contribution plan administered by TIAA. The plan provides individual annuities for each plan participant. The Board of Regents, State of Iowa establishes and amends the plan's provision and contribution requirements. As required by Board policy, all eligible University employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA, each employee contributes 3 1/3% of the first $4,800 of earnings and 5% on the balance of earnings through the fifth year of employment. Likewise, the University is required to contribute 6 2/3% of the first $4,800 of earnings and 10% on earnings above the $4,800 through the fifth year of employment. Upon completion of five years of service, the participant contributes 5% and the University 10% on all earnings.

During fiscal year 2008, the University's required and actual contribution amounted to $10,135,929. Employees' required and actual contribution amounted to $5,005,931.

Iowa Public Employees Retirement System - The University contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.9% of their annual covered salary and the University is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The University's contribution to IPERS for the year ended June 30, 2008 was $446,185, equal to the annual required contributions..

The detail information of plan contributions allocable to the Student Health System Revenue Bond Funds is not readily available. No retirement plan provisions changed during the year that affected the University or employee required contributions.

Note 10: OPEB (Other Postemployment Benefits)

The University provided postemployment health care benefits to eligible retirees and their dependents. These benefits included a self-funded indemnity medical plan available to early retirees and Medicare-eligible retirees and a fully insured HMO plan available to early retirees only. Retirees were charged the same rate as active employees for these health care benefits, which resulted in an implicit rate subsidy. In accordance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Plans Other Than Pension Plans, the University employed an independent actuary to determine its annual OPEB cost. The actuary determined the University's Annual Required Contribution of the plan was $1,114,000. The University contributed $658,000 to the plan on a pay-as-you-go basis, resulting in a Net OPEB Obligation of $456,000 as of June 30, 2008.

The actuarial valuation was determined for the University as a whole. Detail information about the Net OPEB Obligation allocable to revenue bond funds was not available.

Note 11: 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, 2008, 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 3.00% to 4.40% per year.

The bonds mature as follows:

For Year Ended June 30,	Principal	Interest	Total
2009	$ 150,000	$ 128,274	$ 278,274
2010	155,000	123,699	278,699
2011	160,000	118,974	278,974
2012	165,000	114,098	279,098
2013	170,000	108,989	278,989
2014 - 2018	945,000	451,453	1,396,453
2019 - 2023	1,155,000	246,439	1,401,439
2024 - 2028	540,000	23,980	563,980
Total	$ 3,440,000	$ 1,315,906	$ 4,755,906

Long-term debt activity for the year ended June 30, 2008 is summarized as follows:

Bonds payable, June 30, 2007	$ 3,585,000
Bonds retired on July 1, 2007	(145,000)
Bonds payable, June 30, 2008	$ 3,440,000

Student Health System Revenue Bonds were issued to construct additions to, remodel, refurbish and equip the UNI Student Health Center. The bond issues included funding for a pre-funded debt service reserve and for issuance costs.

Note 12: Debt Service Coverage

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

Year Ended	Gross Revenues	Less Operating Expenses	Net Available Revenues	Surplus Fund Balance	Annual Debt Service	Actual Coverage
2008	$3,445,487	$2,725,307	$ 720,180	$ 1,688,740	$ 280,524	8.57
2007	3,246,720	2,649,829	596,891	1,263,191	279,874	6.64
2006	3,069,110	2,493,099	576,011	986,132	284,224	5.50

Required coverage = 1.20 of annual debt service requirements

Note 13: Risk Management

It is the 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.

Extra Expense. The University purchased $10,000,000 in extra expense insurance for all buildings on campus.

Business Income. The University purchased business income insurance for the McLeod Center, Field House, Residence System, Maucker Union, Student Health Center, and the Gallagher-Bluedorn Performing Arts Center. The University self-funds business income insurance for other buildings.

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

Fidelity Bond. The State purchased an employee fidelity bond whereby the first $100,000 in losses are the responsibility of the University. Losses between $100,000 and $2,000,000 are insured. The University also purchased a $500,000 employee fidelity bond with a $10,000 deductible.

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

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.

Note 13: Risk Management (continued)

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.

Group Life, LTD, and Accidental Death and Disability Insurance. The University purchased commercial insurance for group term life insurance and long-term disability insurance. The University purchased commercial insurance on a pooled basis for accidental death and disability.

Medical and Dental-Commercial Insurance. The State of Iowa purchased commercial health and dental insurance for general service staff of the University. The University and employees share the cost of the premium and reimburse the State for the coverage.

Medical and Dental-Self Insured. The University self-funds on behalf of its departments for losses related to its professional employees. Employees share the cost of the coverage. The University insures its medical claims with 120% aggregate stop-loss insurance.

The following schedule presents the changes in claims liabilities for medical and dental insurance for professional staff and unemployment compensation for the fiscal year ended June 30, 2008:

Amount of claims and contingent liabilities accrued at beginning of year	$ 1,711,791
Claims incurred and contingent liabilities accrued for the previous and current year and any changes in amounts estimated for prior years	12,525,454
Payments on claims during the fiscal year	(12,217,140)
Amount of claims liabilities at end of year	$ 2,020,105

The above schedule represents data for the entire University. Information for the Student Health System alone is not readily available.

Motor Vehicle Liability. Institutions governed by the Board of Regents, State of Iowa cooperatively self-fund collision, comprehensive, property damage, and liability losses related to motor vehicle liability up to $250,000 per claim in an insurance pool. Each Regents' institution is assessed a premium of $28 to $38 per rated vehicle per month. Losses in excess of $250,000 are self-funded by the State, as provided in Chapter 669 of the Code of Iowa.

Note 13: Risk Management (continued)

Unemployment Compensation. The University self-funds unemployment compensation claims received from Iowa Workforce Development on a reimbursement basis.

Workers' Compensation. The State of Iowa self-funds on behalf of the University losses related to workers' compensation for all University employees. The University pays a quarterly assessment for this coverage.

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

Note 14: Other Commitments, Claims, and Contingencies

Commitments: At June 30, 2008, the University had outstanding plant fund contract commitments for construction of $0 in the Student Health System Revenue Bond Funds.

There were no other material claims or contingencies outstanding as of June 30, 2008. Also, there were no known contingent liabilities of a material nature at the date of this report.

Supplementary Information

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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 Student Health System Revenue Bond Funds, of the University of Northern Iowa, for the year ended June 30, 2008, 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, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information, except for that portion marked "unaudited", 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.

October 31, 2008

Members of American Institute of Certified Public Accountants

UNIVERSITY OF NORTHERN IOWA
STUDENT HEALTH SYSTEM REVENUE BOND FUNDS

Combining Statement of Net Assets
As of June 30, 2008

	Current Fund
- ASSETS -	Operating Fund
Current Assets:	
Cash and cash equivalents	$ -
Accounts receivable, net	72,673
Interest receivable	18,788
Prepaid expenses	5,785
Inventories	29,421
Total Current Assets	126,667
Noncurrent Assets:	
Investments	-
Prepaid expenses	366
Debt issuance costs, net of amortization	-
Capital assets	-
Accumulated depreciation	-
Total Noncurrent Assets	366
Total Assets	$ 127,033
- LIABILITIES AND NET ASSETS -	
Current Liabilities:	
Accounts payable	$ 10,730
Salaries and wages payable	7,884
Compensated absences payable	46,735
Accrued interest payable	-
Revenue bonds payable, current portion	-
Total Current Liabilities	65,349
Noncurrent Liabilities:	
Compensated absences payable	46,779
Revenue bonds payable	-
Total Noncurrent Liabilities	46,779
Total Liabilities	112,128
Net Assets:	
Invested in capital assets, net of related debt	-
Restricted for debt service	-
Unrestricted	14,905
Total Net Assets	14,905
Total Liabilities and Net Assets	$ 127,033

See auditors' report on supplementary information.

Plant Funds					
Retirement of Indebtedness			Unexpended	Investment in Plant	
Sinking Fund	Reserve Fund	Arbitrage Rebate Fund	Surplus Fund	Student Health	Total
$ 215,262	$ (1,923)	$ -	$ 886,490	$ -	$ 1,099,829
-	-	-	-	-	72,673
-	-	-	-	-	18,788
-	-	-	-	-	5,785
-	-	-	-	-	29,421
215,262	(1,923)	-	886,490	-	1,226,496
-	291,903	-	802,250	-	1,094,153
-	-	-	-	-	366
-	-	-	-	60,538	60,538
-	-	-	-	4,277,677	4,277,677
-	-	-	-	(629,823)	(629,823)
-	291,903	-	802,250	3,708,392	4,802,911
$ 215,262	$ 289,980	$ -	$ 1,688,740	$ 3,708,392	$ 6,029,407
$ -	$ -	$ -	$ -	$ -	$ 10,730
-	-	-	-	-	7,884
-	-	-	-	-	46,735
65,262	-	-	-	-	65,262
150,000	-	-	-	-	150,000
215,262	-	-	-	-	280,611
-	-	-	-	-	46,779
-	-	-	-	3,290,000	3,290,000
-	-	-	-	3,290,000	3,336,779
215,262	-	-	-	3,290,000	3,617,390
-	-	-	-	418,392	418,392
-	289,980	-	-	-	289,980
-	-	-	1,688,740	-	1,703,645
-	289,980	-	1,688,740	418,392	2,412,017
$ 215,262	$ 289,980	$ -	$ 1,688,740	$ 3,708,392	$ 6,029,407

UNIVERSITY OF NORTHERN IOWA
STUDENT HEALTH SYSTEM REVENUE BOND FUNDS

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2008

	Current Fund
	Operating Fund
Operating Revenues:	
Mandatory student fees	$ 2,206,233
Sales and services	717,203
Total Operating Revenues	2,923,436
Operating Expenses:	
Personnel services	1,954,273
Travel	26,144
Supplies	472,411
Contractual services	127,551
Equipment and repairs	34,804
Claims and miscellaneous	74,381
Licenses, permits and refunds	27,826
Depreciation expense	-
Total Operating Expenses	2,717,390
Operating Income (Loss)	206,046
Nonoperating Revenues (Expenses):	
Investment income	88,854
Interest expense	-
Amortization expense	-
Net Nonoperating Revenues (Expenses)	88,854
Income (Loss) Before Other Revenues (Expenses) and Transfers	294,900
Other Revenues (Expenses) and Transfers:	
Additions to capital assets - buildings	-
Additions to capital assets - equipment	(7,917)
Mandatory transfers	(280,524)
Non-mandatory transfers	(446,765)
Transfers from other University funds	417,201
Transfer of revenue bonds payable	-
Total Other Revenues (Expenses) and Transfers	(318,005)
Change in Net Assets	(23,105)
Net Assets at Beginning of Year	38,010
Net Assets at End of Year	$ 14,905

See auditors' report on supplementary information.

Plant Funds					
Retirement of Indebtedness			Unexpended	Investment in Plant	
Sinking Fund	Reserve Fund	Arbitrage Rebate Fund	Surplus Fund	Student Health	Total
$ -	$ -	$ -	$ -	$ -	$ 2,206,233
-	-	-	-	-	717,203
-	-	-	-	-	2,923,436
-	-	-	-	-	1,954,273
-	-	-	-	-	26,144
-	-	-	-	-	472,411
-	-	-	-	-	127,551
-	-	-	556	-	35,360
-	-	-	-	-	74,381
-	-	-	-	-	27,826
-	-	-	-	113,456	113,456
-	-	-	556	113,456	2,831,402
-	-	-	(556)	(113,456)	92,034
1,938	(40)	-	14,098	-	104,850
(130,524)	-	-	-	-	(130,524)
-	-	-	-	(3,783)	(3,783)
(128,586)	(40)	-	14,098	(3,783)	(29,457)
(128,586)	(40)	-	13,542	(117,239)	62,577
-	-	-	(36,656)	36,656	-
-	-	-	-	7,917	-
280,524	-	-	-	-	-
(1,938)	40	-	448,663	-	-
-	-	-	-	-	417,201
(150,000)	-	-	-	150,000	-
128,586	40	-	412,007	194,573	417,201
-	-	-	425,549	77,334	479,778
-	289,980	-	1,263,191	341,058	1,932,239
$ -	$ 289,980	$ -	$ 1,688,740	$ 418,392	$ 2,412,017

UNIVERSITY OF NORTHERN IOWA
STUDENT HEALTH SYSTEM REVENUE BOND FUNDS

Schedule of Revenues and Expenses - Current Operating Fund
For the Year Ended June 30, 2008

Revenues:	
Mandatory student fees	$ 2,206,233
Sales and services	717,203
Investment income	88,854
Total Revenues	$ 3,012,290

Expenses:	
Personnel services	$ 1,954,273
Travel	26,144
Supplies	472,411
Contractual services	127,551
Equipment and repairs	42,721
Claims and miscellaneous	74,381
Licenses, permits and refunds	27,826
Total Expenses	$ 2,725,307

See auditors' report on supplementary information.

UNIVERSITY OF NORTHERN IOWA
STUDENT HEALTH SYSTEM REVENUE BOND FUNDS

Student Enrollment
(Unaudited)

Enrollment at the University of Northern Iowa for the 2007 - 2008 academic year and the 2007 summer session was as follows:

Terms	Number of Students*
Summer, 2007	5,463
First semester, 2007-2008	12,609
Second semester, 2007-2008	11,768

* These are figures at the end of the second week of each academic period, including resident, extension, and correspondence students.

See auditors' report on supplementary information.