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UNIVERSITY OF NORTHERN IOWA
FIELD HOUSE REVENUE BOND FUNDS

FINANCIAL REPORT
JUNE 30, 2004

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

UNIVERSITY OF NORTHERN IOWA
FIELD HOUSE REVENUE BOND FUNDS

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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 balance sheet of the Field House Revenue Bond Funds, of the University of Northern Iowa, as of June 30, 2004, and the related statement of revenues, expenditures and changes in fund balances for the year then ended. 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 Field House 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, 2004 and changes in its financial position 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 Field House Revenue Bond Funds, of the University of Northern Iowa, as of June 30, 2004, and the revenues, expenditures and changes in fund balances 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 Field House Revenue Bonds, Series 1997, 2001 and 2004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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.

October 1, 2004

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

Financial Statements

UNIVERSITY OF NORTHERN IOWA
FIELD HOUSE REVENUE BOND FUNDS

Balance Sheet
As of June 30, 2004

	<u>Current Fund</u>
- ASSETS -	
Current Assets:	
Cash and cash equivalents	\$ (13,342)
Accounts receivable	5,972
Accrued interest receivable	41,868
Inventories	2,176
Prepaid expenses	10,722
Total Current Assets	<u>47,396</u>
Investments (Note 2)	-
Noncurrent receivables (Note 3)	<u>-</u>
Property and equipment (Note 4)	-
Less accumulated depreciation	<u>-</u>
Net property plant and equipment	<u>-</u>
Debt issuance costs	-
Less accumulated amortization	<u>-</u>
Net debt issuance costs	<u>-</u>
	<u>\$ 47,396</u>
- LIABILITIES AND FUND BALANCES -	
Current Liabilities:	
Accounts payable	\$ 6,731
Deferred revenue	109,228
Compensated absences payable	39,948
Deposits	2,000
Revenue bond interest payable	-
Current portion revenue bond principal (Note 5)	<u>-</u>
Total Current Liabilities	<u>157,907</u>
Long-Term Debt:	
Revenue bonds (Note 5)	<u>-</u>
Fund Balances:	
Net investment in plant	-
Unreserved, designated for specific purposes	(110,511)
Reserved for debt service	<u>-</u>
Total Fund Balances	<u>(110,511)</u>
	<u>\$ 47,396</u>

The accompanying notes are an integral part of this statement.

Plant Funds

Retirement of Indebtedness			Unexpended		Investment
Sinking Fund	Reserve Fund	Arbitrage Rebate Fund	Surplus Fund	Construction Fund	in Plant Field House
\$ 855,261	\$ 17,424	\$ -	\$ 769,565	\$ 407,572	\$ 13,409
1,300,098	-	-	-	-	-
-	-	-	-	67,195	-
-	-	-	-	-	-
-	-	-	36,709	-	-
<u>2,155,359</u>	<u>17,424</u>	<u>-</u>	<u>806,274</u>	<u>474,767</u>	<u>13,409</u>
-	2,349,949	-	2,981,267	7,609,975	-
<u>6,624,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,095,371</u>	<u>-</u>
-	-	-	-	-	23,778,097
-	-	-	-	-	8,359,521
-	-	-	-	-	<u>15,418,576</u>
-	-	-	-	-	464,917
-	-	-	-	-	69,577
-	-	-	-	-	<u>395,340</u>
<u>\$ 8,779,660</u>	<u>\$ 2,367,373</u>	<u>\$ -</u>	<u>\$ 3,787,541</u>	<u>\$15,180,113</u>	<u>\$15,827,325</u>
\$ -	\$ -	\$ -	\$ -	\$ 22,858	\$ 13,409
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
424,863	-	-	-	-	-
<u>450,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>874,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,858</u>	<u>13,409</u>
-	-	-	-	-	22,875,000
-	-	-	-	-	(7,061,084)
-	-	-	3,787,541	15,157,255	-
<u>7,904,797</u>	<u>2,367,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>7,904,797</u>	<u>2,367,373</u>	<u>-</u>	<u>3,787,541</u>	<u>15,157,255</u>	<u>(7,061,084)</u>
<u>\$ 8,779,660</u>	<u>\$ 2,367,373</u>	<u>\$ -</u>	<u>\$ 3,787,541</u>	<u>\$15,180,113</u>	<u>\$15,827,325</u>

UNIVERSITY OF NORTHERN IOWA
FIELD HOUSE REVENUE BOND FUNDS

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2004

	<u>Current Fund</u>
	Operating Fund
Revenues:	
Revenue from operations	\$ 1,673,478
Investment income	25,351
Student activity fees	-
Legal settlements	-
Casualty reimbursement	-
Donations	-
	-
Total Revenues	1,698,829
Expenditures:	
Expenditures for operations	1,391,805
Interest on indebtedness	-
Depreciation expense	-
Amortization of debt issuance costs	-
Repairs and maintenance building & improvements	-
Buildings	-
Equipment	57,272
Supplies and services	-
	-
Total Expenditures	1,449,077
Revenues Over (Under) Expenditures	249,752
Other Financing Sources (Uses):	
Transfers from operating fund to other bond funds - nonmandatory	(355,104)
Transfers from surplus fund to sinking fund - nonmandatory	-
Transfers from other funds to bond funds - nonmandatory	-
Proceeds of revenue bonds	-
Issuance of revenue bonds payable	-
Transfer of revenue bonds payable	-
Expended for plant facilities	-
	-
Total Other Financing Sources (Uses)	(355,104)
Net Increase (Decrease) for the Year	(105,352)
Fund Balance at Beginning of Year	(5,159)
Fund Balance at End of Year	\$ (110,511)

The accompanying notes are an integral part of this statement.

Plant Funds

Retirement of Indebtedness			Unexpended		Investment
Sinking Fund	Reserve Fund	Arbitrage Rebate Fund	Surplus Fund	Construction Fund	in Plant Field House
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	(7,643)	-
1,083,445	-	-	-	-	-
-	-	-	1,490,000	-	-
-	-	-	2,411	-	-
7,924,399	-	-	-	7,449,262	-
<u>9,007,844</u>	<u>-</u>	<u>-</u>	<u>1,492,411</u>	<u>7,441,619</u>	<u>-</u>
-	-	-	-	-	-
729,699	-	-	-	-	-
-	-	-	-	-	563,032
-	-	-	-	-	15,539
-	-	-	77,808	-	-
-	-	-	2,148	862,004	-
-	-	-	87,944	-	-
-	-	-	43,987	-	-
<u>729,699</u>	<u>-</u>	<u>-</u>	<u>211,887</u>	<u>862,004</u>	<u>578,571</u>
<u>8,278,145</u>	<u>-</u>	<u>-</u>	<u>1,280,524</u>	<u>6,579,615</u>	<u>(578,571)</u>
-	-	-	355,104	-	-
76,652	-	-	(76,652)	-	-
-	-	-	-	-	703,984
-	1,254,423	-	-	8,577,640	167,937
-	-	-	-	-	(10,000,000)
(450,000)	-	-	-	-	450,000
-	-	-	-	-	1,009,368
<u>(373,348)</u>	<u>1,254,423</u>	<u>-</u>	<u>278,452</u>	<u>8,577,640</u>	<u>(7,668,711)</u>
7,904,797	1,254,423	-	1,558,976	15,157,255	(8,247,282)
-	1,112,950	-	2,228,565	-	1,186,198
<u>\$ 7,904,797</u>	<u>\$ 2,367,373</u>	<u>\$ -</u>	<u>\$ 3,787,541</u>	<u>\$ 15,157,255</u>	<u>\$ (7,061,084)</u>

UNIVERSITY OF NORTHERN IOWA
FIELD HOUSE REVENUE BOND FUNDS

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

These statements do not include any funds of the University of Northern Iowa which are not related to the issuance of the Field House Revenue Bonds, Series 1997, 2001 and 2004, and are not intended to present fairly the financial position and results of operations of the University of Northern Iowa as a whole in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for governmental colleges and universities.

Fund Accounting

In order to ensure the observance of limitations and restrictions placed on the use of available resources, the accounts of the University are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified, for accounting and reporting purposes, into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund. Funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group. Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the University retains control to use in achieving any of its institutional purposes.

Current Funds are used to account for transactions of substantially self-supporting activities that primarily perform a service to students, faculty or staff. Current funds may be subject to restriction by appropriation, outside agency or bond resolution as to the specified purposes for which they may be expended.

Plant Funds are used to account for the transactions relating to investment in University properties. They include (1) Retirement of Indebtedness, (2) Unexpended Plant Fund 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. The Unexpended Plant Fund is comprised of a construction fund and the normal operating surplus fund. Investment in Plant represents the total of buildings, improvements and equipment and related liabilities.

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.

UNIVERSITY OF NORTHERN IOWA
FIELD HOUSE REVENUE BOND FUNDS

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (continued)

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.

Inventories

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

Plant 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 also does not capitalize interest costs during the construction period.

Debt Issuance Costs

Debt issuance costs of \$464,917 are being amortized by the straight-line method over the terms of the revenue bond issues. Amortization expense for 2004 was \$15,539 resulting in unamortized debt issuance costs of \$395,340 at June 30, 2004.

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 \$2,049,889 cash and cash equivalents balance of the Field House Revenue Bond Funds is combined with other University funds and consists of cash of \$0, pooled investments of \$1,624,882 and money market accounts of \$425,007. The money market accounts are not subject to risk categorization.

UNIVERSITY OF NORTHERN IOWA
FIELD HOUSE REVENUE BOND FUNDS

Notes to Financial Statements

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

(2) Investments:

The Field House Revenue Bond Funds investments at June 30, 2004, are categorized below by credit risk. As defined by GASB Statement No. 3, the three types of credit risk are:

Category 1 - Insured or registered securities or securities held by the University or by the University's agent in the University's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the University's name.

Category 3 - Uninsured and unregistered, with securities held by a counterparty in the University's name.

	Category			Fair Value
	1	2	3	
U.S. Government Agency Securities	\$ 4,088,346	\$ 7,359,590	\$ -	\$ 11,447,936
Corporate Notes and Bonds	-	1,493,255	-	1,493,255
				\$ 12,941,191

Note 3: Noncurrent Receivable

On February 27, 2004, the Board of Regents, State of Iowa and the University of Northern Iowa Foundation entered into an agreement to make gifts to the University of Northern Iowa of at least \$17,000,000, to be used solely and only to pay costs on constructing and equipping the McLeod Center on the University campus. Those costs could include principal and interest payments on the outstanding bonds. As of June 30, 2004, \$1,057,875 of the \$17,000,000 had been paid to the University.

The unconditional promise to pay is included on the financial statements as a receivable and donation revenue. The remaining payments are scheduled as follows:

In one year or less	\$ 1,300,098
Between one year and five years	12,587,008
More than five years	2,055,019
	15,942,125
Less discounts to net present value	(922,355)
Total discounted receivable	\$ 15,019,770
Less current portion	(1,300,098)
Noncurrent receivable	\$ 13,719,672

UNIVERSITY OF NORTHERN IOWA
FIELD HOUSE REVENUE BOND FUNDS

Notes to Financial Statements

Note 4: Property and Equipment

The property and equipment is carried at cost and at June 30, 2004 consisted of the following:

	Balance June 30, 2003	Additions	Disposals	Balance June 30, 2004	Accumulated Depreciation	Net Balance
Buildings	\$ 20,092,110	\$ 1,568,137	\$ -	\$ 21,660,247	\$ 6,653,721	\$ 15,006,526
Equipment	1,990,381	153,172	25,703	2,117,850	1,705,800	412,050
	<u>\$ 22,082,491</u>	<u>\$ 1,721,309</u>	<u>\$ 25,703</u>	<u>\$ 23,778,097</u>	<u>\$ 8,359,521</u>	<u>\$ 15,418,576</u>

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

Note 5: Revenue Bonds

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, 2004, 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 2.50% to 5.15% per year.

Bond principal matures as follows:

For Year Ended June 30,	Principal	Interest	Total
2005	\$ 450,000	\$ 896,613	\$ 1,346,613
2006	1,320,000	922,936	2,242,936
2007	1,465,000	879,760	2,344,760
2008	1,510,000	833,708	2,343,708
2009	850,000	794,729	1,644,729
2010 - 2014	4,785,000	3,452,635	8,237,635
2015 - 2019	5,940,000	2,332,840	8,272,840
2020 - 2024	6,430,000	811,681	7,241,681
2025	575,000	12,650	587,650
Total	<u>\$23,325,000</u>	<u>\$10,937,552</u>	<u>\$34,262,552</u>

Long-term debt activity for the year ended June 30, 2004 is summarized as follows:

Bonds payable, June 30, 2003	\$13,760,000
Bonds retired on July 1, 2003	(435,000)
Bonds issued on March 1, 2004	10,000,000
Bonds payable, June 30, 2004	<u>\$23,325,000</u>

UNIVERSITY OF NORTHERN IOWA
FIELD HOUSE REVENUE BOND FUNDS

Notes to Financial Statements

Note 5: Revenue Bonds (continued)

Field House Revenue Bonds were issued in 1997 for the replacement of the air-supported fabric roof with a self-supported roof. In 2001, additional bonds were issued to make repairs to the roof and the structure of the building. In 2004, additional bonds were issued for the construction, equipment and furnishings of a multi-purpose arena adjacent to the UNI-Dome and for improving and remodeling the UNI-Dome. The bond issues included funding for a pre-funded debt service reserve and for issuance costs.

Note 6: 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 employees' 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, 2004, a liability for accrued vacation and sick leave, including accrued retirement and FICA contributions was recognized at \$39,948.

Note 7: 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 2004, the University's required and actual contribution amounted to \$9,129,734. Employees' required and actual contribution amounted to \$4,680,161.

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, Des Moines, Iowa.

Plan members are required to contribute 3.7% of their annual covered salary and the University is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The University's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$310,463, \$309,095, and \$299,673, respectively, equal to the annual required contributions.

UNIVERSITY OF NORTHERN IOWA
FIELD HOUSE REVENUE BOND FUNDS

Notes to Financial Statements

Note 7: Retirement Programs (continued)

The detail information of plan contributions allocable to the Field House Revenue Bond Funds is not readily available. No retirement plan provisions changes occurred during the year that affected the University or employee required contributions.

Note 8: 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, 2004, 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 field house operations 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.

Note 9: 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.

As long as any Field House Revenue Bonds are outstanding, the University covenants to keep the Field House, including buildings, equipment, and food and merchandise inventories, insured against loss or damage by fire, lightning, windstorm, and all other risks included in extended coverage insurance. The University covenants to purchase coverage in an amount which would normally be carried by private companies engaged in a similar kind of business.

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.

UNIVERSITY OF NORTHERN IOWA
FIELD HOUSE REVENUE BOND FUNDS

Notes to Financial Statements

Note 9: Risk Management (continued)

Business Interruption. The University self-funds business interruption insurance with the exception of purchased commercial insurance on the Field House, Residence System and the Performing Arts Center.

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 \$4,000 or less. The University is authorized to approve claims of \$4,000 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 the Field House (UNI-Dome), with a deductible of \$150,000 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.

UNIVERSITY OF NORTHERN IOWA
FIELD HOUSE REVENUE BOND FUNDS

Notes to Financial Statements

Note 9: Risk Management (continued)

The following schedule presents the changes in claims liabilities for medical and dental insurance for professional staff and unemployment compensation for the last two fiscal years ended June 30, 2004 and 2003:

	June 30, 2004	June 30, 2003
Amount of claims liabilities accrued at beginning of year	\$ 1,434,521	\$ 1,435,031
Claims incurred and contingent liabilities accrued for the previous and current year and any changes in amounts estimated for prior years	12,078,186	12,499,082
Payments on claims during the fiscal year	12,018,369	12,499,592
Amount of claims liabilities at end of year	\$ 1,494,338	\$ 1,434,521

The above schedule represents data for the entire University. Information for the Field House 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 person in an insurance pool. Each Regents' institution is assessed a premium of \$18 to \$22 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.

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 10: Other Commitments, Claims, and Contingencies

Commitments: At June 30, 2004, the University had outstanding plant fund contract commitments for construction of \$534,942 in the Field House Revenue Bond Funds.

There were no other material claims or contingencies outstanding as of June 30, 2004. Also, there were no known contingent liabilities of a material nature at the date of this report.

UNIVERSITY OF NORTHERN IOWA
FIELD HOUSE REVENUE BOND FUNDS

Notes to Financial Statements

Note 11: Subsequent Events

At its September 15, 2004 meeting, the Board of Regents, State of Iowa approved a 28E Agreement between the University of Northern Iowa and the City of Cedar Falls, Iowa. Under the terms of the Agreement, the City of Cedar Falls will transfer \$500,000 of City funds received from the Black Hawk County Landfill to the University to assist with construction costs of the McLeod Center. Of the amount transferred, \$300,000 is repayable and \$200,000 is forgivable if all the conditions in the Agreement are met. The \$300,000 portion is repayable in the amount of \$15,000 per year for twenty years. The loan is not interest bearing. The University agreed to transfer to the City \$15,000 of its annual rebate from the Black Hawk County Landfill to make the required payments. The City and the University simultaneously executed a Joint Use 28E Agreement permitting City use of University facilities, which may include the Wellness and Recreation Center Complex and outdoor athletic field.

On October 29, 2004 an agreement was signed between the Board of Regents, State of Iowa and the University of Northern Iowa Foundation. In the agreement, the Foundation agreed to transfer \$2,660,000 of gift income to the University to assist with the construction of the McLeod Center according to the following schedule: April 25, 2006, \$1,000,000; May 25, 2006, \$1,000,000; and June 25, 2006, \$660,000. This agreement is in addition to the \$17,000,000 gift funding agreement that was signed on February 27, 2004 (see Note 3).

Supplementary Information

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 Field House Revenue Bond Funds, of the University of Northern Iowa, for the year ended June 30, 2004, 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 1, 2004

UNIVERSITY OF NORTHERN IOWA
FIELD HOUSE REVENUE BOND FUNDS

Schedule of Revenues and Expenditures - Current Operating Fund
For the Year Ended June 30, 2004

	UNI-Dome Operations	UNI-Dome Concessions	Total
Revenues:			
Concession stand operations	\$ -	\$ 747,630	\$ 747,630
University support of field house	731,164	-	731,164
Rental income from public	176,170	800	176,970
Commissions - merchandise	14,779	2,935	17,714
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Total Revenue From Operations	922,113	751,365	1,673,478
Investment income	25,351	-	25,351
	<hr/>	<hr/>	<hr/>
Total Revenues	<u>\$ 947,464</u>	<u>\$ 751,365</u>	<u>\$ 1,698,829</u>
Expenditures:			
Salaries, wages and employee benefits	\$ 475,665	\$ 80,178	\$ 555,843
Operating supplies and expense	171,865	344,652	516,517
Insurance	41,209	2,189	43,398
Administrative overhead	35,561	-	35,561
Utilities	240,486	-	240,486
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Total Expenditures For Operations	964,786	427,019	1,391,805
Equipment	57,272	-	57,272
	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>\$ 1,022,058</u>	<u>\$ 427,019</u>	<u>\$ 1,449,077</u>
Revenues Over (Under) Expenditures	<u>\$ (74,594)</u>	<u>\$ 324,346</u>	<u>\$ 249,752</u>

See auditors' report on supplementary information.

UNIVERSITY OF NORTHERN IOWA
FIELD HOUSE REVENUE BOND FUNDS

Insurance Coverage
As of June 30, 2004
(Unaudited)

Insurer	Policy No.	Term of Policy
Travelers Insurance	CMB-257T486	9-1-03 to 9-1-04
Transcontinental Insurance Co.	LLP223624031	7-1-03 to 7-1-04
The St. Paul Companies	#IM06302916	10-29-03 to 10-29-04

See auditors' report on supplementary information.

Coverage	Amount
Real property - Hudson Road & 22nd Street, Cedar Falls, IA (UNI Dome)	
Fire, Extended Coverage, and Vandalism:	
Base structure	\$42,364,847
Extra expense and business interruption	\$1,128,750
Deductible	\$150,000
UNI-Dome Concessions:	\$1,000,000
Dram Shop Coverage	each common cause
Miscellaneous Property Floater	\$15,180
No one item over \$30,000 in value	
\$500 deductible	

UNIVERSITY OF NORTHERN IOWA
FIELD HOUSE REVENUE BOND FUNDS

Student Enrollment
(Unaudited)

Enrollment at the University of Northern Iowa for the 2003 - 2004 academic year and the 2003 summer session was as follows:

Terms	Number of Students*
Summer, 2003	5,982
First semester, 2003-2004	13,441
Second semester, 2003-2004	12,415

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

See auditors' report on supplementary information.