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UNIVERSITY OF NORTHERN IOWA
UNIVERSITY RESIDENCE SYSTEM

FINANCIAL REPORT
JUNE 30, 2004

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

UNIVERSITY OF NORTHERN IOWA
UNIVERSITY RESIDENCE SYSTEM

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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 University Residence System, 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 University Residence System 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 University Residence System, 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 Dormitory Revenue Bonds, Series 1999, 2000, 2002 Refunding and 2003. 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
UNIVERSITY RESIDENCE SYSTEM

Balance Sheet
As of June 30, 2004

	Current Fund Revenue, Operating, & Maintenance Fund	Replacement Improvement Fund
- ASSETS -		
Current Assets:		
Cash and cash equivalents	\$ 1,314,521	\$ 917,822
Deposits with bond paying agents (Note 2)	-	-
Accounts receivable	448,943	-
Less allowance for doubtful accounts	(133,745)	-
Accrued interest receivable	52,801	-
Inventories	133,885	-
Prepaid expense	53,908	-
Total Current Assets	1,870,313	917,822
Investments (Note 3)	-	-
Property and equipment (Note 4)	-	-
Less accumulated depreciation	-	-
Net property and equipment	-	-
Debt issuance costs	-	-
Less accumulated amortization	-	-
Net debt issuance costs	-	-
	\$ 1,870,313	\$ 917,822
- LIABILITIES AND FUND BALANCES -		
Current Liabilities:		
Accounts payable	\$ 100,564	\$ 110,082
Deferred revenue	647,879	-
Salaries and wages payable	2,538	-
Compensated absences payable	551,328	-
Revenue bond interest payable	-	-
Current portion revenue bond principal (Note 5)	-	-
Total Current Liabilities	1,302,309	110,082
Long-Term Debt:		
Revenue bonds (Note 5)	-	-
Fund Balances:		
Net investment in plant	-	-
Unreserved, designated for specific purposes	568,004	807,740
Reserved for debt service	-	-
Total Fund Balances	568,004	807,740
	\$ 1,870,313	\$ 917,822

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 2000 Fund	Construction 2003 Fund	in Plant Residence System
\$ 1,913,552	\$ 16,351	\$ -	\$ 1,748,734	\$ -	\$ 370,092	\$ -
46,092	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,959,644</u>	<u>16,351</u>	<u>-</u>	<u>1,748,734</u>	<u>-</u>	<u>370,092</u>	<u>-</u>
-	3,330,772	-	2,007,187	-	1,003,437	-
-	-	-	-	-	-	55,221,352
-	-	-	-	-	-	24,874,813
-	-	-	-	-	-	<u>30,346,539</u>
-	-	-	-	-	-	193,912
-	-	-	-	-	-	30,599
-	-	-	-	-	-	<u>163,313</u>
<u>\$ 1,959,644</u>	<u>\$ 3,347,123</u>	<u>\$ -</u>	<u>\$ 3,755,921</u>	<u>\$ -</u>	<u>\$ 1,373,529</u>	<u>\$ 30,509,852</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 575,496	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
914,644	-	-	-	-	-	-
1,045,000	-	-	-	-	-	-
<u>1,959,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>575,496</u>	<u>-</u>
-	-	-	-	-	-	36,915,000
-	-	-	-	-	-	(6,405,148)
-	-	-	3,755,921	-	798,033	-
-	3,347,123	-	-	-	-	-
-	<u>3,347,123</u>	<u>-</u>	<u>3,755,921</u>	<u>-</u>	<u>798,033</u>	<u>(6,405,148)</u>
<u>\$ 1,959,644</u>	<u>\$ 3,347,123</u>	<u>\$ -</u>	<u>\$ 3,755,921</u>	<u>\$ -</u>	<u>\$ 1,373,529</u>	<u>\$ 30,509,852</u>

UNIVERSITY OF NORTHERN IOWA
UNIVERSITY RESIDENCE SYSTEM

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

	Current Fund Revenue, Operating, & Maintenance Fund	Replacement Improvement Fund
Revenues:		
Revenue from operations	\$ 23,774,707	\$ -
Other sources	-	-
Total Revenues	23,774,707	-
Expenditures:		
Expenditures for operations	18,935,113	-
Interest on indebtedness	-	-
Amortization of debt issuance costs	-	-
Repairs and maintenance	-	1,307,969
Buildings	-	-
Improvements other than buildings	-	408,481
Equipment	10,361	57,181
Supplies and services	-	1,119,507
Rebate interest expense	-	-
Administrative overhead	-	-
Depreciation	-	-
Total Expenditures	18,945,474	2,893,138
Revenues Over (Under) Expenditures	4,829,233	(2,893,138)
Other Financing Sources (Uses):		
Transfers from revenue fund to other funds - mandatory	(3,142,104)	250,000
Transfers from revenue fund to other funds - nonmandatory	(1,315,385)	-
Transfers from rebate fund to revenue fund - nonmandatory	19,131	-
Transfers from reserve fund to other funds - nonmandatory	-	80,000
Transfers from surplus fund to improvement fund - nonmandatory	-	2,500,000
Transfer of revenue bonds payable	-	-
Expended for plant facilities	-	-
Total Other Financing Sources (Uses)	(4,438,358)	2,830,000
Net Increase (Decrease) for the Year	390,875	(63,138)
Fund Balance at Beginning of Year	177,129	870,878
Fund Balance at End of Year	\$ 568,004	\$ 807,740

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 2000 Fund	Construction 2003 Fund	in Plant Residence System
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	18,844	-	-	-
-	-	-	18,844	-	-	-
-	-	-	-	-	-	-
1,797,104	-	-	-	-	-	-
-	-	-	-	-	-	10,256
-	-	-	-	22,183	-	-
-	-	-	-	-	6,959,744	-
-	-	-	-	-	-	-
-	-	-	609	-	10,649	-
-	-	(19,131)	-	-	-	-
-	-	-	604,586	-	-	-
-	-	-	-	-	-	1,363,564
1,797,104	-	(19,131)	605,195	22,183	6,970,393	1,373,820
(1,797,104)	-	19,131	(586,351)	(22,183)	(6,970,393)	(1,373,820)
2,812,104	80,000	-	-	-	-	-
-	-	-	1,315,385	-	-	-
-	-	(19,131)	-	-	-	-
-	(80,000)	-	-	-	-	-
(1,015,000)	-	-	(2,500,000)	-	-	-
-	-	-	-	-	-	1,015,000
-	-	-	-	-	-	7,435,767
1,797,104	-	(19,131)	(1,184,615)	-	-	8,450,767
-	-	-	(1,770,966)	(22,183)	(6,970,393)	7,076,947
-	3,347,123	-	5,526,887	22,183	7,768,426	(13,482,095)
\$ -	\$ 3,347,123	\$ -	\$ 3,755,921	\$ -	\$ 798,033	\$ (6,405,148)

UNIVERSITY OF NORTHERN IOWA
UNIVERSITY RESIDENCE SYSTEM

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 University Residence System, 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) Replacement, (2) Retirement of Indebtedness, (3) Unexpended Plant Fund and (4) Investment in Plant. Replacement represents funds to provide for repairs and renovations of buildings, improvements, and equipment, primarily pursuant to terms of bond indentures. 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 two construction funds from the 2000 and 2003 bond issues 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 pooled investment fund 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
UNIVERSITY RESIDENCE SYSTEM

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.

Deferred Revenue

Deferred revenue consists of revenue received in advance of an event, such as student fees or ticket sales related to future fiscal years.

Summer Session

Summer educational sessions begin and end at varying intervals that do not correspond to the University of Northern Iowa's fiscal year. Revenues and expenditures for summer sessions are matched to the appropriate fiscal year. Tuition and fees are allocated based on the load study distributions for all sessions, taking into consideration the number of undergraduate and graduate students and the total billings for the summer sessions. A similar allocation is made for Residence System billings.

Debt Issuance Costs

Debt issuance costs of \$193,912 are being amortized by the straight-line method over the terms of the revenue bond issues. Amortization expense for 2004 was \$10,256 resulting in unamortized debt issuance costs of \$163,313 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.

UNIVERSITY OF NORTHERN IOWA
UNIVERSITY RESIDENCE SYSTEM

Notes to Financial Statements

Note 2: Deposits with Bond Paying Agents

As of June 30, 2004, \$46,092 in cash and investments were on deposit with various bond paying agents for the purpose of paying current obligations of bond principal and interest as follows:

Unredeemed bonds from prior periods	\$ 30,000
Unredeemed interest coupons from prior periods	16,092
	\$ 46,092

Note 3: Cash and Cash Equivalents, Deposits and Investments

(1) Cash and Cash Equivalents and Deposits With Bond Paying Agents:

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 \$6,281,072 cash and cash equivalents balance of the Residence System is combined with other University funds and consists of cash of \$0, pooled investments of \$5,895,438 and money market accounts of \$385,634. The money market accounts are not subject to risk categorization.

Deposits with bond paying agents consist of carrying values and bank balances of \$46,092 on deposit with the trust department of the Bank of New York. The bond paying agent cash at the Bank of New York is fully insured.

The deposits with the Bank of New York were covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa as outlined above.

(2) Investments:

The Residence System 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 Securities	\$ -	\$ 5,337,959	\$ -	\$ 5,337,959
U.S. Government Agencies Securities	500,312	503,125	-	1,003,437
				\$ 6,341,396

UNIVERSITY OF NORTHERN IOWA
UNIVERSITY RESIDENCE SYSTEM

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	\$ 42,485,571	\$ 6,959,744	\$ -	\$ 49,445,315	\$ 22,132,352	\$ 27,312,963
Improvements other than buildings	1,559,511	-	-	1,559,511	478,944	1,080,567
Infrastructure	1,315,610	408,481	-	1,724,091	688,222	1,035,869
Equipment	2,424,893	67,542	-	2,492,435	1,575,295	917,140
	<u>\$ 47,785,585</u>	<u>\$ 7,435,767</u>	<u>\$ -</u>	<u>\$ 55,221,352</u>	<u>\$ 24,874,813</u>	<u>\$ 30,346,539</u>

The cost of land used for student residence halls and married housing facilities of the University Residence System 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 3.00% to 6.50% per year.

Bond principal matures as follows:

For Year Ended June 30,	Principal	Interest	Total
unredeemed from prior periods	\$ 30,000	\$ 16,093	\$ 46,093
2005	1,015,000	1,773,223	2,788,223
2006	1,260,000	1,718,866	2,978,866
2007	1,615,000	1,647,441	3,262,441
2008	1,685,000	1,565,970	3,250,970
2009	1,765,000	1,485,293	3,250,293
2010 - 2014	10,070,000	6,152,889	16,222,889
2015 - 2019	12,775,000	3,571,295	16,346,295
2020 - 2024	7,745,000	743,724	8,488,724
Total	<u>\$ 37,960,000</u>	<u>\$ 18,674,794</u>	<u>\$ 56,634,794</u>

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

Bonds payable, June 30, 2003	\$ 39,570,000
Bonds retired in fiscal year 2004	(1,610,000)
Bonds issued in fiscal year 2004	-
Bonds payable, June 30, 2004	<u>\$ 37,960,000</u>

UNIVERSITY OF NORTHERN IOWA
UNIVERSITY RESIDENCE SYSTEM

Notes to Financial Statements

Note 5: Revenue Bonds (continued)

Residence System Revenue Bonds were issued for the construction, renovation, and equipping of residence halls, food service buildings, and apartment housing. 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 \$551,328.

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.

The detail information of plan contributions allocable to the Residence System is not readily available. No retirement plan provisions changes occurred during the year that affected the University or employee required contributions.

UNIVERSITY OF NORTHERN IOWA
UNIVERSITY RESIDENCE SYSTEM

Notes to Financial Statements

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 was \$0. The liability is periodically recalculated to provide the best estimate of its amount. The latest calculation of this liability resulted in a decrease of \$29,059 from the prior amount. The reduction included \$9,928 remitted by the University to the Internal Revenue Service with an arbitrage rebate return filed for the Series 1999 bonds. Funding of any future liability will be provided by residence 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 Residence System Revenue Bonds are outstanding, the University covenants to keep the Residence System, 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.

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.

UNIVERSITY OF NORTHERN IOWA
UNIVERSITY RESIDENCE SYSTEM

Notes to Financial Statements

Note 9: Risk Management (continued)

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 Residence System, with a deductible of \$10,000 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
UNIVERSITY RESIDENCE SYSTEM

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 and contingent 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 Residence 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 \$1,930,139 in the Residence System.

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.

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 University Residence System, 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
UNIVERSITY RESIDENCE SYSTEM

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

	Revenues	Salaries, Wages and Benefits	Repairs and Maintenance	Utilities
Single Student Residence Halls:				
Residence Hall Program Administration	\$ -	\$ 217,528	\$ 144	\$ -
Facilities Administration	-	1,385,679	3,403	-
Bartlett Hall	944,056	292,551	77,892	98,924
Lawther Hall	952,700	244,008	63,372	73,144
Campbell Hall	1,254,457	360,414	68,353	115,139
Hagemann Hall	864,347	276,742	64,503	56,677
Noehren Hall	1,492,406	388,695	63,487	110,792
Bender Hall	856,156	272,855	90,117	84,167
Residence on the Hill (R.O.T.H.)	934,732	213,082	19,895	102,952
Rider Hall	898,370	268,747	36,756	64,075
Shull Hall	816,374	286,072	31,992	71,454
Dancer Hall	862,609	248,894	85,053	67,604
Social Educational Programming	15,038	9,820	-	-
Residence Summer Conference	502,720	2,540	-	-
Total Single Student Residence Halls	10,393,965	4,467,627	604,967	844,928
Dining Services:				
Dining Services Administration	7,134	474,602	2,732	-
Food Stores Administration	-	168,161	3,146	-
Crunch Break	31,842	6,272	418	-
Commodities	48,029	9,558	448	-
Biscotties	458,488	143,187	912	-
23rd Street Market	641,502	99,861	3,798	-
Commons Dining Service	1,555,266	895,918	39,340	94,581
Rialto (Towers Dining Service)	2,692,188	430,961	39,347	56,473
Piazza (Redeker Dining Service)	4,333,703	1,428,852	87,601	202,140
Fresh Beginnings	53	818,506	9,099	47,534
Apple Cart	58,747	9,744	418	-
JW's Pizza	292	-	2,038	-
Maucker Cash Sales	(58,123)	-	-	-
Blimpies	259,062	140,456	4,137	-
Chats (Freshens)	362,742	103,629	8,396	-
Prexy's	532,284	335,408	6,243	-
Maucker Union Catering	113,018	129,841	3,356	-
Commons Catering	580,993	154,261	2,208	-
Maucker Union Catering Off-Premise	1,063	-	-	-
Total Dining Services	11,618,283	5,349,217	213,637	400,728
Family Housing:				
Family Housing Administration	-	165,727	-	6,728
Family Housing Operations	1,589,306	2,958	112,709	172,508
Total Family Housing	1,589,306	168,685	112,709	179,236

See auditors' report on supplementary information.

Cost of Food For Resale	Insurance	Supplies	Telephone	Miscellaneous	Total Expenditures	Revenues Over Expenditures
\$ -	\$ -	\$ 1,696	\$ 384	\$ 37,193	\$ 256,945	\$ (256,945)
-	1,638	2,698	2,942	1,956	1,398,316	(1,398,316)
-	11,475	20,130	58,473	22,804	582,249	361,807
-	13,342	25,779	70,260	29,583	519,488	433,212
-	14,303	28,698	86,370	35,255	708,532	545,925
-	9,682	20,360	56,373	27,789	512,126	352,221
-	16,180	34,190	98,174	40,587	752,105	740,301
-	13,664	20,667	62,328	28,211	572,009	284,147
-	12,111	14,053	54,054	25,727	441,874	492,858
-	9,691	19,075	58,256	23,390	479,990	418,380
-	9,674	19,254	58,009	26,580	503,035	313,339
-	13,660	20,156	62,095	26,001	523,463	339,146
68	-	5,089	-	17,715	32,692	(17,654)
-	-	12	-	88	2,640	500,080
<u>68</u>	<u>125,420</u>	<u>231,857</u>	<u>667,718</u>	<u>342,879</u>	<u>7,285,464</u>	<u>3,108,501</u>
112,251	54	586	1,164	38,692	630,081	(622,947)
-	648	5,483	-	1,137	178,575	(178,575)
14,020	-	786	-	102	21,598	10,244
19,413	-	1,020	-	150	30,589	17,440
230,621	-	12,235	503	2,675	390,133	68,355
342,674	-	21,269	252	3,791	471,645	169,857
427,260	4,092	38,658	1,690	5,934	1,507,473	47,793
191,939	8,498	32,395	1,833	20,428	781,874	1,910,314
1,271,197	10,596	99,793	2,221	67,982	3,170,382	1,163,321
13,580	-	36,300	594	11,425	937,038	(936,985)
19,866	-	1,407	-	107	31,542	27,205
-	-	-	-	16	2,054	(1,762)
-	-	-	-	370	370	(58,493)
83,989	-	9,472	1,024	44,435	283,513	(24,451)
117,616	-	31,102	189	38,822	299,754	62,988
184,292	-	49,687	709	57,228	633,567	(101,283)
39,880	-	6,621	471	4,976	185,145	(72,127)
131,525	703	18,049	-	20,801	327,547	253,446
-	-	-	-	-	-	1,063
<u>3,200,123</u>	<u>24,591</u>	<u>364,863</u>	<u>10,650</u>	<u>319,071</u>	<u>9,882,880</u>	<u>1,735,403</u>
-	-	538	1,719	15	174,727	(174,727)
-	20,532	14,839	97,407	60,133	481,086	1,108,220
-	20,532	15,377	99,126	60,148	655,813	933,493

UNIVERSITY OF NORTHERN IOWA
UNIVERSITY RESIDENCE SYSTEM

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

	Revenues	Salaries, Wages and Benefits	Repairs and Maintenance	Utilities
Administration:				
Residence System Administration	\$ 62,265	\$ 545,468	\$ 4,848	\$ -
DOR Res Net Program	8,355	93,552	-	-
Residence Marketing	-	54,962	55	-
Residence Scholar Program	-	-	-	-
I.D. System Operations	23,947	911	893	-
Retirement Incentive Program	-	108,006	-	-
Income From Investments	78,586	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Administration	173,153	802,899	5,796	-
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$23,774,707</u>	<u>\$10,788,428</u>	<u>\$ 937,109</u>	<u>\$ 1,424,892</u>

Percent of Excess To:
Current year's debt service
Maximum future debt service

See auditors' report on supplementary information.

Cost of Food For Resale	Insurance	Supplies	Telephone	Miscellaneous	Total Expenditures	Revenues Over Expenditures
\$ -	\$ 485	\$ 8,654	\$ 9,989	\$ 167,291	\$ 736,735	\$ (674,470)
-	-	677	1,152	12,018	107,399	(99,044)
-	-	388	261	17,728	73,394	(73,394)
-	-	-	-	82,800	82,800	(82,800)
-	-	10,283	-	896	12,983	10,964
-	-	-	-	-	108,006	(108,006)
-	-	-	-	-	-	78,586
-	485	20,002	11,402	280,733	1,121,317	(948,164)
<u>\$ 3,200,191</u>	<u>\$ 171,028</u>	<u>\$ 632,099</u>	<u>\$ 788,896</u>	<u>\$ 1,002,831</u>	<u>\$ 18,945,474</u>	<u>\$ 4,829,233</u>

171.73%
144.28%

UNIVERSITY OF NORTHERN IOWA
UNIVERSITY RESIDENCE SYSTEM

Insurance Coverage
As of June 30, 2004
(Unaudited)

Insurer	Policy No.	Term of Policy
EMC Insurance Co.	T22406004	9/01/03 to 9/01/04
Travelers Insurance Co.	#CMB-257T486	9/01/03 to 9/01/04
Taylor Insurance Service	LLP223617063	11/17/03 to 11/17/04
Kemper National Insurance	#3F-824-683-01	6/30/03 to 6/30/04

See auditors' report on supplementary information.

Coverage	Amount
Blanket Employee Dishonesty \$10,000 deductible	\$550,000
Theft, Disappearance and Destruction Gilchrist only: Checks only Gilchrist Cash and checks other than payroll Money Gilchrist \$10,000 deductible	\$550,000 \$50,000
All Risk/Replacement Cost \$10,000 deductible	
Residence Halls	
Buildings and Contents	\$183,830,272
Blanket Coverage	\$250,000,000
Business Interruption	\$18,925,200
Hillside Courts, College Courts, Jennings Drive Courts	
Buildings and Contents	\$46,244,911
Blanket Coverage	\$250,000,000
Business Interruption	\$2,520,026
Flood and Earthquake \$2,000,000 deductible	\$50,000,000
Liquor Liability: Dram Shop Coverage	\$150,000 each common cause
State employees blanket bond, \$100,000 deductible	\$2,000,000 per employee

UNIVERSITY OF NORTHERN IOWA
UNIVERSITY RESIDENCE SYSTEM

Student Residence Halls and Married Housing Occupancy
Year Ended June 30, 2004
(Unaudited)

	First Semester Fall, 2003	Second Semester Spring, 2004	Summer Session, 2004
Single Women Residence Halls:			
Hagemann Hall:			
Design capacity	398	398	-
Occupancy as of the end of third week of classes	344	318	-
Lawther Hall:			
Design capacity	449	449	-
Occupancy as of the end of third week of classes	386	347	-
Coeducational Residence Halls:			
Bartlett Hall:			
Design capacity	369	368	352
Occupancy as of the end of third week of classes and for summer, as of the end of first week of June session	309	300	114
Bender Hall:			
Design capacity	595	595	-
Occupancy as of the end of third week of classes	347	294	-
Campbell Hall:			
Design capacity	580	579	-
Occupancy as of the end of third week of classes	500	467	-
Dancer Hall:			
Design capacity	595	595	-
Occupancy as of the end of third week of classes	350	304	-
Noehren Hall:			
Design capacity	711	711	-
Occupancy as of the end of third week of classes	592	556	-
Rider Hall:			
Design capacity	424	424	-
Occupancy as of the end of third week of classes	360	333	-
Shull Hall:			
Design capacity	418	418	-
Occupancy as of the end of third week of classes	367	339	-

See auditors' report on supplementary information.

UNIVERSITY OF NORTHERN IOWA
UNIVERSITY RESIDENCE SYSTEM

Student Residence Halls and Married Housing Occupancy
Year Ended June 30, 2004
(Unaudited)

	First Semester Fall, 2003	Second Semester Spring, 2004	Summer Session, 2004
Coeducational Residence Halls: (continued)			
Residence on the Hill (R.O.T.H.):			
Design capacity	383	383	378
Occupancy as of the end of third week of classes and for summer, as of the end of first week of June session	263	243	65
Total Single Residence Halls:			
Design capacity	4,922	4,920	730
Occupancy as of the end of third week of classes and for summer, as of the end of first week of June session	3,818	3,501	179
Married Housing:			
College Courts:			
Design capacity	48	48	48
Occupancy as of the end of third week of classes and for summer, as of the end of first week of June session	48	48	48
Hillside Courts:			
Design capacity	275	275	275
Occupancy as of the end of third week of classes and for summer, as of the end of first week of June session	275	269	273
Jennings Drive Courts:			
Design capacity	40	40	40
Occupancy as of the end of third week of classes and for summer, as of the end of first week of June session	40	38	40
Total Married Housing:			
Design capacity	363	363	363
Occupancy as of the end of third week of classes and for summer, as of the end of first week of June session	363	355	361
Total All Housing:			
Design capacity	5,285	5,283	1,093
Occupancy as of the end of third week of classes and for summer, as of the end of first week of June session	4,181	3,856	540

See auditors' report on supplementary information.

UNIVERSITY OF NORTHERN IOWA
UNIVERSITY RESIDENCE SYSTEM

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 students.

See auditors' report on supplementary information.