



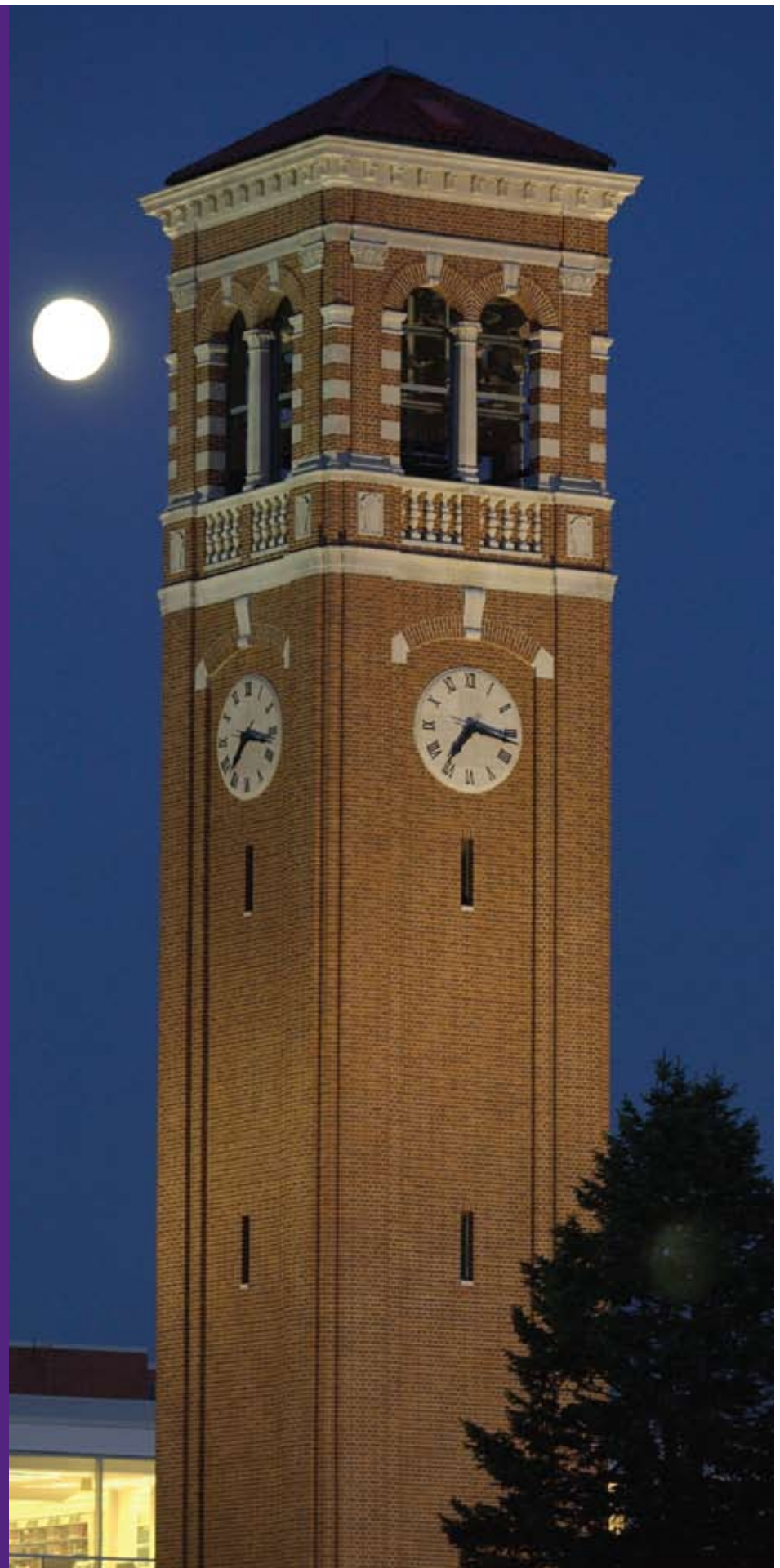
University of Northern Iowa

A public university
governed by the
Board of Regents,
State of Iowa

An enterprise fund of the
State of Iowa

2007-2008 Comprehensive Annual Financial Report

For the years ended
June 30, 2008 and 2007





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State of Iowa

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of the State of Iowa

2007-2008 Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2008

President of the University:
Benjamin J. Allen

Prepared by:
Financial Accounting
and Reporting Services

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**University of
Northern
Iowa**

A public university
governed by the
Board of Regents,
State of Iowa



2007-2008

Introductory Section



December 5, 2008

To President Allen,
Members of the Board of Regents, State of Iowa,
and Citizens of the State of Iowa

In accordance with Code of Iowa Sections 262.23 and 262.25, we are pleased to submit the Comprehensive Annual Financial Report of the University of Northern Iowa for the year ended June 30, 2008. The audit opinion letter of the Auditor of State appears in the Financial Section and expresses an unqualified opinion on the University's financial statements.

Responsibility for the accuracy of the information and for the completeness and fairness of its presentation, including all disclosures, rests with the management of the University. We believe the information presented is accurate in all material respects and necessary disclosures have been made which enable the reader to obtain an understanding of the University's financial activity.

This report has been prepared in accordance with United States generally accepted accounting principles (GAAP) for governmental colleges and universities as promulgated by the Governmental Accounting Standards Board (GASB). See accompanying Notes to Financial Statements for a full disclosure of the accounting principles observed.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE UNIVERSITY

Description of the Institution. The University of Northern Iowa serves Iowa through a tripartite mission of education, research, and service. The University of Northern Iowa has served Iowa continuously for 131 years. Founded in 1876 as Iowa State Normal School, the School became Iowa State Teacher's College in 1909, and State College of Iowa in 1961. In 1967, the College achieved full university status and was renamed the University of Northern Iowa.

The University of Northern Iowa is a comprehensive university with 12,908 students and 1,733 full-time faculty and staff. Ninety percent of the students are from the State of Iowa. The student body represents every county in Iowa, 46 states, and 61 foreign countries. Approximately 85% of UNI's freshmen rank in the top 50% of their high school class, with about 57% ranking in the top 30%.

The University of Northern Iowa is dedicated to providing a personalized learning environment, founded on a strong liberal arts curriculum. It is committed to being an intellectually and culturally diverse community. The University focuses both on undergraduate education and on selected master's, doctoral and other graduate programs. It is characterized by excellence in three areas: teaching and learning; research, scholarship, and creative work; and service. Through its varied endeavors, UNI shares its expertise with, and provides service to, individuals, communities, and organizations throughout the state, the nation, and the world. Building on its traditional strength in teacher education, the University of Northern Iowa offers nationally recognized programs in its colleges of Business Administration, Education, Humanities and Fine Arts, Natural Sciences, Social and Behavioral Sciences, and Graduate College.

The University is accredited by the North Central Association of Colleges and Universities. Individual programs are accredited by several national accrediting agencies. The University is a member of the American Association of State Colleges and Universities (AASCU), the American Association of Colleges for Teacher Education (AACTE), and the Council of Graduate Schools in the United States.

ECONOMIC CONDITION AND OUTLOOK

National Economic Outlook for 2008-2009

A growing financial crisis has rippled through national and foreign financial markets. Losses that grew out of foreclosures in the subprime mortgage market have resulted in failures of a number of commercial and investment banks and in trillions of dollars in investment losses in the equity, bond, and housing markets. The U.S. Congress reacted to the financial crisis with a \$700 billion bailout of the financial sector, an \$800 billion bailout of troubled assets, and an \$85 billion bailout of insurance giant American International Group. Nationally, consumers are troubled by fallen home prices, resetting interest rates, depressed investment and retirement account values, a softening labor market, high food and energy prices, high personal debt levels, and the probable recession. A 'flight to quality' to Treasuries has driven interest rates to the lowest levels since 2003. The Federal Reserve Bank lowered the federal funds rate to 1.00% and the discount rate to 1.25% in October 2008.

On November 28, 2008 the National Bureau of Economic Research (NBER) determined the United States is in a recession which began in December 2007. The NBER defines a recession as "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP growth, real personal income, employment (non-farm payrolls), industrial production, and wholesale-retail sales."

Real GDP growth and unemployment forecasts predict a recession. According to the November 21, 2008 forecast of major economic indicators published by Wells Fargo Economics, real GDP was -0.3% in the third quarter of 2008 and it is projected to be -4.2% during the fourth quarter of 2008 and -2.5% during the first quarter of 2009. The unemployment rate was 6.0% during the third quarter of 2008; it is projected to be 6.8% during the fourth quarter of 2008, 7.5% during the first quarter of 2009, 8.0% during the second quarter of 2009, 8.3% during the third quarter of 2009, and 8.5% during the fourth quarter of 2009.

State and Local Economy

Introduction. Iowa's economy is supported by a diverse mix of agricultural, manufacturing, trade, service, and governmental employment. During the past ten years, finance and insurance and agriculture have become a more significant percent of the state gross domestic product, while manufacturing and wholesale and retail trade have become a less significant percent. In 1997, the largest industries in the Iowa gross domestic product were manufacturing (22.6%), wholesale and retail trade (13.3%), government (11.3%), and finance and insurance (8.0%). Agriculture accounted for 6.5%. In 2007, the largest industries in the Iowa domestic product were manufacturing (21.0%), wholesale and retail trade (11.6%), government (11.6%) and finance and insurance (10.7%). Agriculture decreased to 6.0% of the Iowa gross domestic product.

According to the Iowa Department of Agriculture and Land Stewardship's Quick Facts on Iowa Agriculture, there were 88,400 farms in the state consisting of 31.5 million acres in 2007. The average farm size in that year was 356 acres and the average dollar value per acre was \$3,400. In 2007, corn production was 2.37 billion bushels, soybean production was 439 million bushels, cattle and calves marketed were 2.35 million head, hogs marketed were 32.9 million head, sheep and lambs marketed were 276 thousand head, milk production was 4.28 billion pounds, egg production was 13.9 billion, and turkey production was 274 million pounds. Market values of agricultural production in 2007 follow: corn crop, \$9.47 billion; soybeans crop, \$4.78 billion; cattle and calves, \$2.55 billion; hogs, \$4.15 billion; sheep and lambs, \$33.3 million; dairy, \$532 million; eggs, \$407 million; and turkeys, \$123 million. Iowa's total cash receipts for farm commodities totaled \$22.3 billion in 2007. Currently the 30 ethanol plants in Iowa produce well over 2 billion gallons annually.

Farmland Values. The dollar value of Iowa farmland continues to rise. According to The Agricultural Newsletter published by the Federal Reserve Bank of Chicago, the annual percentage change in the dollar value of “good” Iowa farmland was 15% in 2007-08, 18% in 2006-07, 8% in 2005-06, 11% in 2004-05, and 12% in 2003-04.

Personal Income and Per-Capita Personal Income. According to the October 2008 outlook prepared by the University of Iowa Institute for Economic Research, personal income in Iowa will grow by 5.3% in 2008 and 5.0% in 2009. According to the Bureau of Economic Analysis, Iowa’s personal income, seasonally adjusted, grew at the rate of 1.8%, 1.4%, 0.9%, and 1.6%, respectively, during the four quarters of the 2007-08 fiscal year. The growth is similar to the nation as a whole, with personal income growth of 1.3%, 1.2%, 0.8%, and 1.8%, respectively. In 2007, Iowa’s average per-capita income, as reported by BEA, was \$35,023. The average per-capita income in the nation was \$38,611.

Employment. Over the past ten years, Iowa’s unemployment rate has been between 0.6 and 1.9 percentage points below the national average. According to Economagic.com, Iowa’s seasonally adjusted percent unemployed for the State was 4.0% in June 2008 compared with 3.8% in June 2007, 3.8% in June 2006, 4.4% in June 2005, and 4.7% in June 2004. In June 2008, there were 1,605,337 employed Iowans compared with 1,597,377 in June 2007. While Iowa’s personal income lags that of the nation, its high levels of employment help maintain median household income at levels only slightly below the national average. According to the U.S. Census Bureau, Iowa median household income was \$44,491 in 2006. The national median household income was reported as \$48,451.

Manufacturing. According to Economagic.com, Iowa’s manufacturing employment averaged 231,133 for 2006, which was the sector’s highest level of employment since the late 1990’s. It averaged 229,508 in 2007 and 228,950 for the first 10 months of 2008. The decline is largely attributed to the sale of Maytag to Whirlpool, where 1,800 workers lost their jobs. In October, Whirlpool announced the layoff of 440 workers at its Middle Amana factory. In 2008, Winnebago Industries laid off workers in three Iowa cities.

Exports. According to the Foreign Trade Division of the U.S. Department of Census, Iowa’s export shipments of merchandise in 2007 totaled \$9.6 billion. Iowa’s export shipments grew 50% from 2004 to 2007. In 2007, Iowa exported merchandise valued at \$3.2 billion to Canada, \$1.6 billion to Mexico, \$749 million to Japan, \$452 million to the Federal Republic of Germany, and \$278 million to China. Other top markets included the United Kingdom, France, Russia, Brazil, and South Korea. Iowa’s leading export category was tractors. Other top export categories were corn, soybeans, swine, aluminum alloy plates, and front-end shovel loaders.

Real Gross Domestic Product. The real gross domestic product is the U.S. Commerce Department’s measure of the value of all goods and services produced in a given year. It is expressed in base-year prices for the year 2000. According to the Bureau of Economic Analysis, Iowa’s real gross domestic product was \$107.02 billion in 2007 and \$105.27 billion in 2006, an increase of 1.7%. The growth rate in Iowa’s real gross domestic product between 2004 and 2007 was 6.1%. The nation’s real gross domestic product was \$11.47 trillion in 2007 and \$11.24 trillion in 2006, an increase of 2.0%. The growth rate in the nation’s real gross domestic product between 2004 and 2007 was 8.4%.

Nonagricultural Economy. Over the past 10 years, significant changes have occurred in the mix of nonfarm wage and salary employment. According to the Bureau of Labor Statistics, Iowa total nonfarm employment grew by 5.5%, jobs in the financial activities grew by 19.4%, jobs in education and health services grew by 17.1%, jobs in construction grew by 15.1%, jobs in professional and business services grew by 14.8%, jobs in leisure and hospitality grew by 11.5%, jobs in government grew by 6.7%, and jobs in other services grew by 4.7%. Jobs in trade, transportation, and utilities as well as jobs in natural resources and mining experienced no growth. Jobs in information services decreased 6.4% and manufacturing jobs decreased 9.3%.

Waterloo-Cedar Falls Metropolitan Statistical Area. The Waterloo-Cedar Falls Metropolitan Statistical Area (MSA) consists of Black Hawk, Bremer, and Grundy counties. Per capita personal income in 2006 was \$31,949. From 1996 to 2006, the per capital personal income in the MSA reflected an average annual growth rate of 4.2%, while the average annual growth rate for the nation was 4.3%. The 1996-2006 average annual growth rate of total personal income was 4.2%, while the average annual growth rate for the nation

was 5.4%. In 2006, components of total personal income were: net earnings, 65.5%; dividends, interest, and rent, 17.0%; and personal current transfer receipts, 17.5%. From 1996 to 2006 net earnings increased on average 4.4% each year; dividends, interest, and rent increased on average 2.9%; and personal current transfer receipts increased on average 5.1%. The average annual growth rate of earnings from 1996 to 2006 was 4.4%, while the average annual growth rate of the nation was 5.5%.

State Economic Outlook for 2008-2009

The national recession is currently being experienced in the State of Iowa. The Iowa Leading Indicators Index has fallen for six straight months. Iowa's average weekly unemployment insurance claims are up 22.5% from April. Factory overtime work has been curtailed. The new factory orders index has dropped from 59.5% in April 2008 to 48.2% in September 2008. Stock prices of Iowa publicly traded companies have declined. Manufacturers in Iowa are reporting very weak business conditions. It is anticipated Iowa's unemployment rate will exceed 5.0% in early 2009.

The weak Iowa economy is affecting the budget of the State of Iowa. On November 21st, Governor Culver asked state departments to cut \$40 million of spending during the fiscal year. The Board of Regents, State of Iowa was asked to permanently reduce university budgets by \$7.0 million. The University of Northern Iowa General Fund appropriation was reduced by \$1,020,000.

The Governor and Iowa lawmakers face the challenge of balancing the FY2009 budget and establishing a FY2010 budget that does not exceed 99% of State General Fund revenue as determined by the Revenue Estimating Conference at its December 12th meeting.

MAJOR INITIATIVES

Major initiatives of the University of Northern Iowa are guided by the University's strategic plan. The University's strategic plan, "Focused on Excellence," has five goals:

1. Provide intellectually challenging and character-building experiences for undergraduate and graduate students in a personalized learning environment.
2. Maintain a faculty distinguished by their creative and intellectually rigorous teaching and scholarship.
3. Focus the involvement of the University in addressing critical local, state, national, and global needs.
4. Promote a University culture characterized by diversity, collegiality, and mutual respect, organizational effectiveness, and shared responsibility.
5. Provide and maintain appropriate resources including staffing for effective and efficient University operations.

Within the context of the strategic plan, President Allen has set forth three major goals for the University:

1. Be recognized as the premier undergraduate educational institution in the state.
2. Be recognized as a national leader on pre-K through 12 education issues.
3. Be recognized as a key player in Iowa's cultural and economic development.

Progress toward strategic plan goals and objectives is measured through "performance indicators," or quantitative measures against an established baseline for each goal. Periodic updates of this progress are presented to the Board of Regents, State of Iowa.

FINANCIAL INFORMATION

Internal Controls. Management of the University is responsible for establishing and maintaining a system of internal controls. In fulfilling this responsibility, estimates and judgments are routinely made to assess the expected benefits and related costs of internal control policies and procedures. The objective of internal control is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with

United States generally accepted accounting principles. The Office of Auditor of State reviews our internal control procedures as an integral part of the annual audit.

Budgetary Controls. The objective of budgetary control is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Regents, State of Iowa. Budgetary control is established by account and function. A position control system is used to manage the staff salary budget. Budgetary control is also exercised over sponsored projects as defined in grant and contract agreements with external agencies. In addition, capital projects are controlled by Board approved budgets. The University also maintains an encumbrance accounting system as a significant element of the budgetary control system.

Long-Term Financial Planning. The success of the University's strategic plan is closely tied to the development of long-term financial plans at all levels of the organization. University officials are continually seeking ways to increase new revenue from public and private sources as well as identifying internal reallocations and cost containment ideas to meet the goals and objectives of the University strategic plan.

Cash Management. The cash management function is the responsibility of the University Treasurer. The Vice President for Administration and Finance and the Board of Regents, State of Iowa provide appropriate oversight. University funds may be invested in obligations of the U.S. Government and its agencies, certificates of deposit, bankers' acceptances, commercial paper, short-term corporate debt, repurchase agreements, investments authorized for IPERS, open-end management investment companies, and the Common Fund for Non-Profit Organizations. The three goals of the investment policy, in order of importance, are: 1) safety of funds, 2) liquidity, and 3) return.

A custodial bank is utilized to safe-keep investments and to provide payment and collection services for investment transactions. All investment transactions occur on a delivery versus payment basis. University deposits are insured or collateralized in accordance with Chapter 12C of the Code of Iowa.

Debt Administration. Revenue bonds were issued in the amount of \$12.0 million during the year. Academic Building Revenue Bonds were issued to improve the Electrical Distribution Loop System, renovate Sabin Hall, and for various deferred maintenance projects.

Risk Management. It is the general policy of the University not to purchase commercial insurance, with the exception of coverage required by bond covenants, for the risks of losses to which it is exposed. Instead, University management believes it is more economical to manage its risks internally and to depend on the State Contingent Fund. For further information, refer to the Notes to Financial Statements.

OTHER INFORMATION

Independent Audit. State law, federal guidelines, and certain bond indentures require the University's accounting and financial records be audited each year. The Auditor of State is required by Chapter 11 of the Code of Iowa to annually audit all departments of the State. The accompanying financial statements of the University of Northern Iowa have been audited by the Auditor of State in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. His report appears in the Financial Section of this report.

As a recipient of federal financial awards, the University is responsible for ensuring compliance with all applicable laws and regulations relating to such assistance. A combination of State and University policies and procedures, integrated with the University's internal controls, provides for this compliance. The Auditor of State conducts an annual single audit under the requirements set forth in the Single Audit Act of 1984, the Single Audit Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Additionally, University of Northern Iowa internal auditors perform fiscal and compliance audits. The reports resulting from these audits are shared with the University's management; the Board of Regents, State of Iowa; and the Auditor of State.

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a “Certificate of Achievement for Excellence in Financial Reporting” to the University of Northern Iowa for its Comprehensive Annual Financial Report for the year ended June 30, 2007. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

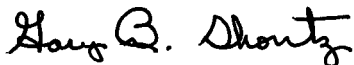
In order to be awarded a Certificate of Achievement, a University must publish an easily readable and efficiently organized annual financial report whose contents conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This is the sixteenth consecutive year the University of Northern Iowa has received this prestigious award. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

Acknowledgements. Appreciation is expressed to the staff of Financial Accounting and Reporting Services, Office of University Marketing and Public Relations, and other University offices for their efforts in assisting in the preparation of this report.

This report expresses our commitment to maintain our financial statements in conformance with the highest standards of financial accountability. We believe the report clearly conveys that the University of Northern Iowa is a fiscally sound and dynamically managed institution that is positioned to meet the educational and service needs of the citizenry.

Respectfully submitted,



Gary B. Shontz
Controller, University Secretary
and Treasurer



Thomas G. Schellhardt
Vice President for Administration
and Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

University of Northern Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

The Governing Board

2007-08

The University of Northern Iowa, together with the State University of Iowa, the Iowa State University of Science and Technology, the Iowa Braille and Sight Saving School, and the Iowa School for the Deaf, is governed by the Board of Regents, State of Iowa consisting of nine members.

Board of Regents, State of Iowa

Officers of the Board

David W. Miles, President
Jack B. Evans, President Pro Tem
Robert Donley, Executive Director

Members of the Board (As of June 30, 2008)

	<u>Term Expires</u>
Greta Johnson, Ames	April 30, 2009
Robert N. Downer, Iowa City	April 30, 2009
Ruth R. Harkin, Cumming	April 30, 2009
Bonnie J. Campbell, Des Moines	April 30, 2011
Michael G. Gartner, Des Moines	April 30, 2011
Rose Vasquez, Des Moines	April 30, 2011
Jack B. Evans, Cedar Rapids	April 30, 2013
Craig A. Lang, West Des Moines	April 30, 2013
David W. Miles, West Des Moines	April 30, 2013

Officers of the University (As of June 30, 2008)

President of the University
Benjamin J. Allen, B.S., M.A., Ph. D.

Interim Vice President and Provost
James F. Lubker, B.S., M.A., Ph. D.

Vice President for Administration and Finance
Thomas G. Schellhardt, B.S., M.S.

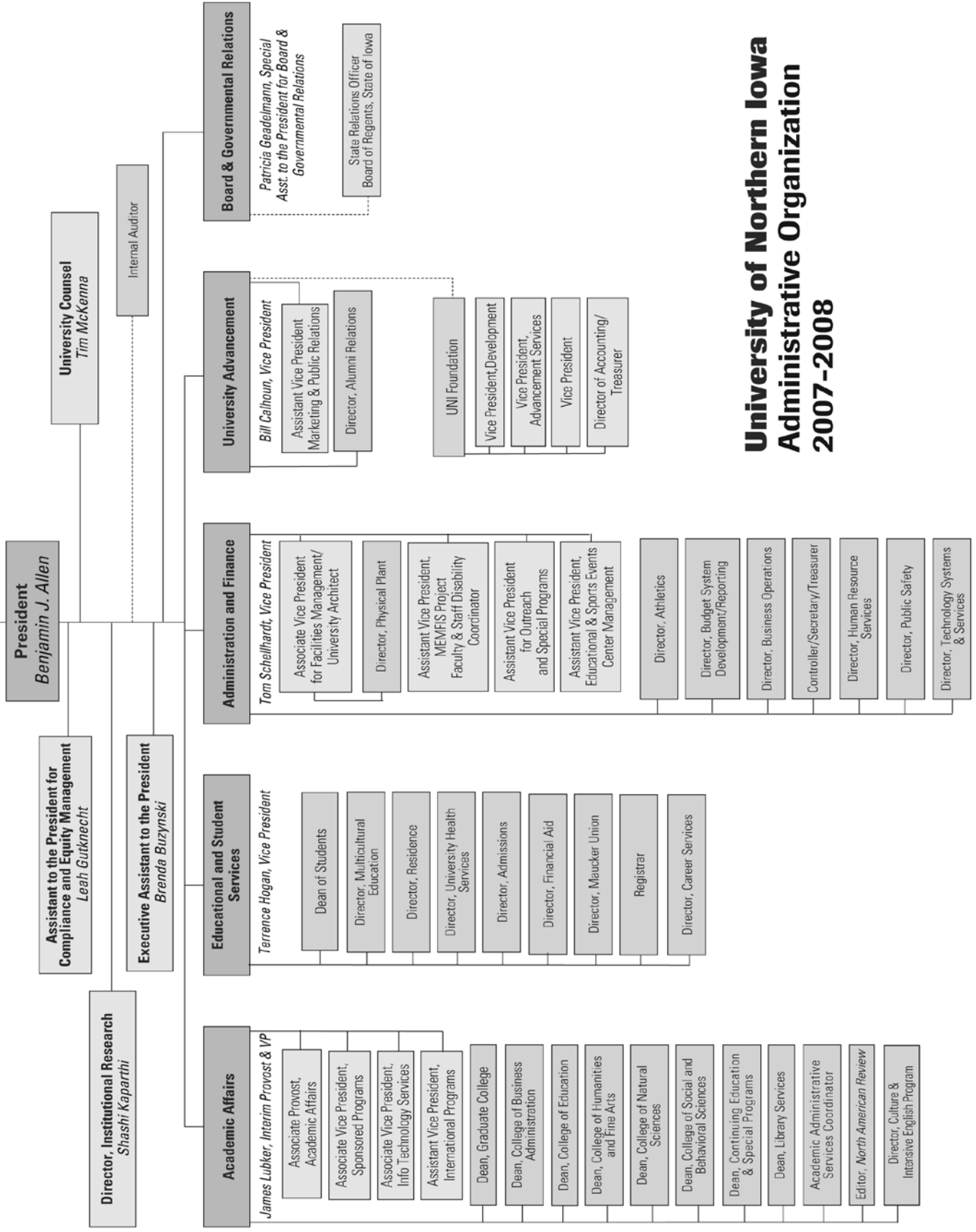
Vice President for Educational and Student Services
Terrance Hogan, B.S.C., M.A., Ph.D.

Controller, University Secretary and Treasurer
Gary B. Shontz, B.B.A., M.A.E., Ed. S.

Vice President for University Advancement
William D. Calhoun, Jr., B.A., M.A.

Special Assistant to the President for Board and Governmental Relations
Patricia L. Geadelmann, B.A., M.A., Ed. D.

Board of Regents, State of Iowa



**University of Northern Iowa
Administrative Organization
2007-2008**



**University of
Northern
Iowa**

A public university
governed by the
Board of Regents,
State of Iowa



2007-2008

Financial Section



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Members of the
Board of Regents, State of Iowa:

We have audited the accompanying statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows, of the University of Northern Iowa, Cedar Falls, Iowa, and its discretely presented component unit as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the component unit of the University, which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the component unit, is based on the report of the other auditor.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component unit were not audited in accordance with Government Auditing Standards. 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 our audits and the report of the other auditor provide a reasonable basis for our opinions.

As discussed in Note A, the financial statements of the University of Northern Iowa are intended to present the financial position and the changes in financial position and cash flows of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of the University of Northern Iowa. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years ended June 30, 2008 and 2007 in conformity with U.S. generally accepted accounting principles.

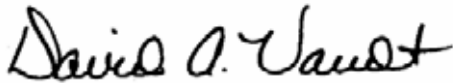
In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Northern Iowa and its discretely presented component unit at June 30, 2008 and 2007, and the respective changes in their financial position and their cash flows, where applicable, for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note AB, since June 30, 2008 the University of Northern Iowa's endowment investment portfolio has incurred significant declines in the value reported in the accompanying financial statements due to a global financial crisis that persists as of the date of this report. The amount and extent of recovery, if any, the period over which recovery may occur and the amount of losses, if any, the University of Northern Iowa will recognize in future financial statements are indeterminable.

Management's Discussion and Analysis and the Schedule of Funding Progress on pages 13 through 23 and page 71, respectively, are not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We did not audit the data included in the statistical section and, accordingly, express no opinion on it.

Our report on the University of Northern Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters required by Government Auditing Standards will be issued under separate cover. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 5, 2008

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis

Years Ended 2008 and 2007

This section of the University of Northern Iowa comprehensive annual financial report presents management's discussion and analysis of the financial performance of the University for the two years ended June 30, 2008 and 2007. This discussion should be read in conjunction with the accompanying letter of transmittal, financial statements, and footnotes. The financial statements, footnotes, and this discussion are the responsibility of University management.

This information is presented to assist the reader in understanding the University's financial position and operating activities, accomplishments and challenges. We are also presenting financial information about the University of Northern Iowa Foundation (the Foundation). The Foundation is a legally separate support organization that raises and holds funds to support the University and its mission. The Foundation is a discretely presented component unit of the University.

2008 FINANCIAL HIGHLIGHTS

- The 2008 Session of the Iowa General Assembly provided General Educational Fund appropriations to the University totaling \$103,262,445 for FY2009. This is a 10.1 percent increase over FY2008 appropriations totaling \$93,783,372. Included in the FY2009 appropriation is a \$4,000,000 appropriation for the Iowa Mathematics and Science Education Partnership (IMSEP), a collaborative program of Iowa's three public universities.
- On October 16, 2005, an arsonist started a fire in Gilchrist Hall that resulted in soot damage to the entire building. A \$7,806,010 renovation project was nearly complete at year end with occupancy occurring in August 2008.
- The Board of Regents, State of Iowa, issued \$12.0 million of Academic Building Revenue Bonds in March 2008 for Electrical Loop Distribution System Phase II, Sabin Hall Renovation, and various deferred maintenance projects.
- The Human Performance Center was completed and occupied in fall 2007.
- The University's fall 2008 headcount was 12,908 students, an increase of 299 students from fall 2007.
- The Foundation had a successful year financially, raising \$14.4 million of gifts and contributions. It provided revenues of \$4.1 million to the University during the year. Net assets of the Foundation increased from \$77.8 million to \$79.2 million.
- The Foundation launched the initial stage of its \$150 million "Imagine the Impact" capital campaign. The goal of the campaign is to raise \$75 million each for scholarships and faculty and program support.
- The University received an \$11.5 million, five-year applied research grant, the largest private grant in the University's history.
- An actuarial valuation of the retiree health plan was commissioned. The annual required contribution for postemployment health insurance is \$1,114,000. After subtracting current year contributions of \$658,000, a net OPEB obligation of \$456,000 remained at year end.
- The University was awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the Year Ended June 30, 2007. The Certificate has been received sixteen consecutive years.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the University of Northern Iowa's basic financial statements. The University's basic financial statements consist of a series of financial statements. The Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows provide information about the activities of the University as a whole and present a longer-term view of the University's finances. These basic financial statements also include the Notes to Financial Statements which explain some of the information in the statements and provide more detail. Statistical information is also included in schedule form.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2008 and 2007

THE UNIVERSITY AS A WHOLE

The Statement of Net Assets

The University's Statement of Net Assets presents the assets, liabilities, and net assets of the University as a whole, as of the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the University to the readers of the financial statements. The Statement of Net Assets includes year-end information concerning current and noncurrent assets, current and noncurrent liabilities, and net assets (assets less liabilities). Over time, readers of the financial statements are able to determine the University's financial position by analyzing the increases and decreases in net assets. This statement is also a good source for readers to determine how much the University owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

University			
The Statement of Net Assets			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$155,532,219	148,334,659	136,582,615
Capital assets	<u>300,488,626</u>	<u>285,165,102</u>	<u>262,913,627</u>
Total assets	<u>456,020,845</u>	<u>433,499,761</u>	<u>399,496,242</u>
Current liabilities	37,020,580	33,049,203	30,454,397
Noncurrent liabilities	<u>131,787,376</u>	<u>127,243,060</u>	<u>123,477,634</u>
Total liabilities	<u>168,807,956</u>	<u>160,292,263</u>	<u>153,932,031</u>
Net assets:			
Invested in capital assets, net of related debt	194,237,507	180,719,681	158,552,531
Restricted	30,284,607	39,671,611	49,960,179
Unrestricted	<u>62,690,775</u>	<u>52,816,206</u>	<u>37,051,501</u>
Total net assets	<u>\$287,212,889</u>	<u>273,207,498</u>	<u>245,564,211</u>

The largest portion of the University's net assets (67.6 percent) is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets (10.6 percent) includes resources subject to external restrictions. The remaining net assets (21.8 percent) are the unrestricted net assets that can be used to meet the University's obligations as they come due.

Total net assets of the University increased \$27.6 million from 2006 to 2007 and \$14.0 million from 2007 to 2008. Increases in total net assets, then, were 11.3 percent from 2006 to 2007 and 5.1 percent from 2007 to 2008.

UNIVERSITY OF NORTHERN IOWA
Management's Discussion and Analysis
Years Ended 2008 and 2007

Foundation			
The Combined Statements of Financial Position			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current assets	\$27,572,593	24,888,382	25,448,578
Noncurrent assets	<u>60,679,156</u>	<u>63,942,195</u>	<u>58,052,514</u>
Total assets	<u>88,251,749</u>	<u>88,830,577</u>	<u>83,501,092</u>
Current liabilities	3,102,987	2,924,751	3,882,468
Noncurrent liabilities	<u>5,951,434</u>	<u>8,090,245</u>	<u>6,016,907</u>
Total liabilities	<u>9,054,421</u>	<u>11,014,996</u>	<u>9,899,375</u>
Net assets:			
Unrestricted	6,159,062	6,726,278	5,850,255
Temporarily restricted	34,127,689	35,403,913	34,714,553
Permanently restricted	<u>38,910,577</u>	<u>35,685,390</u>	<u>33,036,909</u>
Total net assets	<u>\$79,197,328</u>	<u>77,815,581</u>	<u>73,601,717</u>

The largest portion of the Foundation's net assets (92.2 percent) is donor restricted. The unrestricted portion of the Foundation's net assets (7.8 percent) includes resources that are free of external restrictions. Unrestricted net assets can be used to meet the Foundation's operating obligations as they come due.

Total net assets of the Foundation increased \$4.2 million from 2006 to 2007 and increased \$1.4 million from 2007 to 2008. Total liabilities of the Foundation increased \$1.1 million from 2006 to 2007 and decreased by \$2.0 million from 2007 to 2008. The increase in total liabilities from 2006 to 2007 was the result of funding contracts with the Board of Regents to provide \$2.5 million to the University for construction of the Human Performance Complex and \$2.0 million for the renovation of Russell Hall. The decrease in total liabilities from 2007 to 2008 was the result of making payments to the University for the Human Performance Complex funding contract.

Changes in total net assets presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains and losses received or expended by the University.

The Statement of Revenues, Expenses, and Changes in Net Assets

In general, public universities, such as the University of Northern Iowa, report an operating loss as the financial reporting model classifies state appropriations, investment income, and capital gifts as nonoperating revenues. Operating revenues are received for providing goods and services to the various students, customers, and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2008 and 2007

University			
The Statement of Revenues, Expenses, and			
Changes in Net Assets			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenues:			
Tuition and fees	\$ 57,523,347	56,430,682	52,504,556
Receipts from other entities	143,924	86,580	100,477
Grants and contracts	32,073,018	30,862,654	29,099,979
Sales, rents and services	7,420,630	6,191,782	8,475,634
Miscellaneous	720,116	805,056	771,949
Auxiliary enterprises	<u>50,176,930</u>	<u>47,559,182</u>	<u>41,966,903</u>
Total operating revenue	<u>148,057,965</u>	<u>141,935,936</u>	<u>132,919,498</u>
Operating expenses:			
Instruction	72,605,101	68,768,086	67,144,722
Research	2,454,770	3,232,126	1,428,192
Public service	24,184,724	23,487,990	22,588,957
Academic support	22,050,064	19,770,673	19,904,061
Student services	6,558,084	6,277,839	5,973,711
Institutional support	20,230,830	19,162,659	23,310,720
Operation and maintenance of plant	21,396,250	20,686,896	20,576,055
Scholarships and fellowships	4,884,137	4,495,486	4,860,728
Depreciation	13,291,606	12,517,313	11,468,934
Loan cancellations and write-offs	251,886	278,590	276,642
Auxiliary enterprises	<u>49,043,443</u>	<u>43,779,370</u>	<u>41,065,873</u>
Total operating expenses	<u>236,950,895</u>	<u>222,457,028</u>	<u>218,598,595</u>
Operating loss	<u>(88,892,930)</u>	<u>(80,521,092)</u>	<u>(85,679,097)</u>
Nonoperating revenues (expenses):			
State appropriations	95,363,638	86,531,082	83,585,131
Investment income	1,687,404	5,246,906	2,694,287
Gifts, grants and contracts	2,600,605	2,954,052	2,432,621
Interest expense	(5,765,268)	(5,014,486)	(5,009,671)
Loss on disposal of capital assets	-	-	(3,001,533)
Amortization and misc. expense	<u>(124,088)</u>	<u>(191,776)</u>	<u>(93,371)</u>
Net nonoperating revenues	<u>93,762,291</u>	<u>89,525,778</u>	<u>80,607,464</u>
Income/(Loss) before other revenues	4,869,361	9,004,686	(5,071,633)
State appropriations – capital projects	5,018,136	8,650,293	6,187,924
Capital contributions and grants	4,117,894	9,988,308	4,310,655
Casualty reimbursement	-	-	3,170,000
Extraordinary gain on asset impairment	<u>-</u>	<u>-</u>	<u>3,804,941</u>
Change in net assets	14,005,391	27,643,287	12,401,887
Net assets, beginning of year	<u>273,207,498</u>	<u>245,564,211</u>	<u>233,162,324</u>
Net assets, end of year	<u>\$287,212,889</u>	<u>273,207,498</u>	<u>245,564,211</u>

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis

Years Ended 2008 and 2007

The Statement of Revenues, Expenses, and Changes in Net Assets reflects three positive years. Net assets increased \$27.6 million from 2006 to 2007 and \$14.0 million from 2007 to 2008.

Operating revenue totaled \$148.1 million in 2008, \$141.9 million in 2007, and \$132.9 million in 2006. The increase from 2006 to 2007 was \$9.0 million and from 2007 to 2008 it was \$6.1 million. Net nonoperating revenues totaled \$93.8 million in 2008, \$89.5 million in 2007, and \$80.6 million in 2006. There was an \$8.9 million increase from 2006 to 2007 and a \$4.2 million increase from 2007 to 2008. Changes in operating, nonoperating, and other revenue from 2006 to 2007 and 2007 to 2008 follow:

- Tuition and fee income, net of scholarship allowances, increased \$3.9 million, or 7.5 percent, from 2006 to 2007 and increased \$1.1 million, or 1.9 percent, from 2007 to 2008. The Board of Regents, State of Iowa increased tuition and mandatory student fees effective with the 2007 academic year by 9.1 percent. A \$200 one-time energy surcharge was initiated to balance the budget. The net increase from 2007 to 2008 after eliminating the energy surcharge was only 1.3 percent. Increases and decreases in enrollment account for the budgeted increase and the actual revenue increase.
- Operating grants and contracts revenue increased \$1.8 million, or 6.1 percent, from 2006 to 2007 and \$1.2 million, or 3.9 percent, from 2007 to 2008. Funds can only be drawn as expenses are incurred and, accordingly, vary from year to year. Grants and contracts revenue has been stable and it has increased steadily from \$29.1 million in 2006 to \$32.1 million in 2008.
- Auxiliary Enterprise revenue increased \$5.6 million, or 13.3 percent, from 2006 to 2007 and increased \$2.6 million, or 5.5 percent, from 2007 to 2008. The largest increases in both years were in Residence System and Intercollegiate Athletics revenues.
- State appropriations for operations increased \$2.9 million, or 3.5 percent, from 2006 to 2007 and increased \$8.8 million, or 10.2 percent, from 2007 to 2008. A Grow Iowa Values Fund appropriation was added in 2007, as well as "Battelle" funding. In 2008, there was a 10.3 percent increase in the General Educational Fund appropriation, but the real estate education, playground safety, and "Battelle" appropriations were discontinued.
- Investment income increased \$2.6 million, or 94.7 percent, from 2006 to 2007, due to larger investment balances resulting from unspent bond proceeds, an increase in the targeted federal funds rate and interest rates on Treasury and Agency securities, and a positive endowment return. Investment income from 2007 to 2008 decreased \$3.6 million, or 67.8 percent, due to a decrease in the targeted federal funds rate, interest rates on Treasury and Agency securities, and a negative endowment return.
- Capital appropriations increased \$2.5 million, or 39.8 percent, from 2006 to 2007, largely due to one time funding of Battelle infrastructure projects. Capital appropriations decreased \$3.6 million, or 42.0 percent, from 2007 to 2008. In lieu of making significant capital appropriations for the years 2006, 2007 and 2008, the General Assembly granted permission to sell Academic Building Revenue Bonds.
- Capital contributions and grants increased \$5.7 million, or 131.7 percent, from 2006 to 2007 due to funding commitments from the UNI Foundation for the Human Performance Center and Russell Hall Renovation and grant funding for the Business and Community Services Building. Capital contributions and grants decreased \$5.9 million, or 58.8 percent, from 2007 to 2008 because the UNI Foundation's assistance was not requested for capital projects during the 2008 fiscal year.
- Other revenues for 2006 consist of two items related to the 2005 Gilchrist Hall fire.

UNIVERSITY OF NORTHERN IOWA
Management's Discussion and Analysis
Years Ended 2008 and 2007

Operating expenses totaled \$237.0 million in 2008, \$222.5 million in 2007, and \$218.6 million in 2006. Increases in operating expenses, then, were 1.8 percent from 2006 to 2007 and 6.5 percent from 2007 to 2008. Changes in operating expenses by object from 2006 to 2007 and 2007 to 2008 follow:

- Expenditures for personnel services increased \$2.6 million, or 1.8 percent, from 2006 to 2007 and increased \$9.1 million, or 6.1 percent, from 2007 to 2008. In 2007, a salary and fringe benefit increase of \$4.4 million was partially offset by a \$1.8 million fringe benefit dividend recorded as negative fringe benefit expense. Salary and fringe benefit increases averaged 4.0 percent in 2008. A number of faculty positions that were eliminated earlier in the decade were restored.
- Travel expenditures decreased \$0.3 million, or 3.0 percent, from 2006 to 2007, but increased \$1.0 million, or 11.9 percent, from 2007 to 2008. The change in travel expense from 2006 to 2007 was due to fewer charter flights, while the increase in travel from 2007 to 2008 is related to higher airfare costs.
- Expenditures for supplies increased \$1.1 million, or 12.0 percent, from 2006 to 2007 and \$0.8 million, or 7.8 percent, from 2007 to 2008. The increase in the equipment capitalization level in 2007 caused items that previously would have been capitalized to be expensed.
- Expenditures for equipment and repairs increased \$0.6 million, or 5.4 percent, from 2006 to 2007, largely due to purchasing equipment with Battelle appropriations. Expenditures for equipment and repairs increased \$1.1 million, or 9.8 percent, from 2007 to 2008, largely due to equipping new and renovated buildings.
- Expenditures for scholarships and fellowships decreased \$0.2 million, or 2.1 percent, from 2006 to 2007 and increased \$0.7 million, or 9.3 percent from 2007 to 2008.
- Depreciation expense increased \$1.0 million, or 9.1 percent, from 2006 to 2007 and increased \$0.8 million, or 6.2 percent, from 2007 to 2008, due in both years to placing new and renovated buildings in service.

In 2006, nonoperating expenses included a one-time item of \$3.0 million reflecting a loss on the disposal of assets attributable to the write-off of equipment items that fell below the new capitalization threshold. Recurring nonoperating expenses, primarily interest expense, totaled \$5.95 million in 2008, \$5.2 million in 2007 and \$5.1 million in 2006.

Foundation			
The Combined Statements of Activities			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public support and revenue:			
Gifts and contributions	\$14,357,954	8,682,789	8,612,375
Investment income	(2,473,809)	10,890,653	7,926,190
Other operating revenues	<u>287,678</u>	<u>99,641</u>	<u>74,134</u>
Total public support and revenue	12,171,823	19,673,083	16,612,699
Expenses	<u>10,790,076</u>	<u>15,459,219</u>	<u>8,785,384</u>
Change in net assets	1,381,747	4,213,864	7,827,315
Net assets, beginning of year	<u>77,815,581</u>	<u>73,601,717</u>	<u>65,774,402</u>
Net assets, end of year	<u>\$79,197,328</u>	<u>77,815,581</u>	<u>73,601,717</u>

Foundation public support and revenue was \$12.2 million in 2008, \$19.7 million in 2007, and \$16.6 million in 2006, an increase of 18.4 percent from 2006 to 2007 and a decrease of 38.1 percent from 2007 to 2008. Investment income was \$(2.5) million in 2008, \$10.9 million in 2007, and \$7.9 million in 2006. The decrease from 2007 to 2008 is largely due to depressed equity and hedge fund values. Gifts and contributions were \$14.4 million in 2008, \$8.7 million in 2007, and \$8.6 million in 2006. Expenses were \$10.8 million in 2008, \$15.5 million in 2007, and \$8.8 million in 2006. The decrease from 2007 to 2008 was due to decreased expenses for capital projects.

UNIVERSITY OF NORTHERN IOWA
Management's Discussion and Analysis
Years Ended 2008 and 2007

The Foundation provided revenues to the University in the amount of \$4.1 million in 2008, \$8.2 million in 2007 and \$4.0 million in 2006. The decrease for 2008 occurred because the Foundation has not been asked to participate in new capital projects in FY2008. Contributions restricted for permanent investment in the Foundation's endowment were \$4.6 million in 2008, \$2.5 million in 2007 and \$1.9 million in 2006.

The Statement of Cash Flows

The final statement included in the University of Northern Iowa's basic financial statements is the Statement of Cash Flows. The Statement of Cash Flows is an important tool in helping readers assess the University's ability to generate future cash flows, its ability to meet its obligations as they come due, and its need for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital and related financing, and investing activities.

University			
The Statement of Cash Flows			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash provided (used) by:			
Operating activities	\$(74,772,150)	(68,760,527)	(74,777,231)
Noncapital financing activities	98,407,972	88,223,758	87,569,200
Capital and related financing activities	(12,457,526)	(6,261,939)	(17,592,550)
Investing activities	<u>(5,402,841)</u>	<u>2,594,956</u>	<u>(11,024,071)</u>
Net increase (decrease) in cash and cash equivalents	5,775,455	15,796,248	(15,824,652)
Cash and cash equivalents, beginning of year	<u>23,005,613</u>	<u>7,209,365</u>	<u>23,034,017</u>
Cash and cash equivalents, end of year	<u>\$ 28,781,068</u>	<u>23,005,613</u>	<u>7,209,365</u>

The largest sources and uses of University cash are provided for operating activities. The following analysis discusses the University's cash flows during fiscal year 2008. Cash provided for operating activities includes revenues from tuition and fees (\$57.7 million), grants and contracts (\$34.4 million), and auxiliary enterprise receipts (\$50.0 million). The largest uses of cash for operating activities includes payments for salaries and benefits (\$133.0 million), payments for goods and services (\$20.4 million), and auxiliary enterprise payments (\$48.9 million). Cash provided by noncapital financing activities includes state appropriations (\$93.9 million). Cash provided by capital and related financing activities includes capital appropriations (\$8.1 million), capital gifts and grants (\$6.5 million), and the proceeds from revenue bonds and capital leases (\$11.9 million). Cash used by capital and related financing activities includes the acquisition of capital assets (\$28.8 million) and principal and interest payments on debt (\$12.6 million). Cash used by investing activities was \$5.4 million.

UNIVERSITY OF NORTHERN IOWA
Management's Discussion and Analysis
Years Ended 2008 and 2007

Capital Assets

At June 30, 2008, the University had \$300.5 million invested in capital assets, net of accumulated depreciation of \$190.3 million. Depreciation charges totaled \$13.3 million for the 2008 fiscal year. Details of the capital assets net of accumulated depreciation are shown below.

University			
Schedule of Capital Assets, Net, at Year-End			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Land	\$ 4,579,892	4,304,880	4,235,050
Construction in progress	13,422,890	19,460,622	24,979,450
Capital assets not depreciated	<u>18,002,782</u>	<u>23,765,502</u>	<u>29,214,500</u>
Land improvements	5,602,981	5,837,303	6,240,237
Infrastructure	18,797,757	19,141,579	19,881,199
Buildings	237,229,800	216,617,944	190,321,304
Equipment	14,486,781	13,074,183	10,203,866
Library materials	<u>6,368,525</u>	<u>6,728,591</u>	<u>7,052,521</u>
Capital assets depreciated	<u>282,485,844</u>	<u>261,399,600</u>	<u>233,699,127</u>
Total capital assets	<u>\$300,488,626</u>	<u>285,165,102</u>	<u>262,913,627</u>

State funded capital projects for the fiscal year ended June 30, 2008 and beyond include renovation of science buildings, Russell Hall, and Sabin Hall; improvement of the electrical distribution loop system; and deferred maintenance projects. Auxiliary Enterprise capital projects include construction of the Human Performance Complex and installation of sprinkler systems in various residence halls. A Parking Deck and Transit Facility is being constructed with grant funds and local matching funds. The Business and Community Services Building is being constructed with state and federal grant funds. Gilchrist Hall has been renovated using insurance proceeds and a state appropriation to cover the insurance deductible. Private gifts are being used for various projects in the Wellness Recreation Center and the UNI-Dome. Detailed information about the University's capital assets is presented in Note I of the Notes to Financial Statements.

The Foundation's capital assets consist of a building and related equipment used for the Early Childhood Education Program. The net carrying value of the building and equipment was \$1.3 million at the end of 2008 and \$1.4 million at the end of 2007.

LONG-TERM DEBT

During the fiscal year ended June 30, 2008, the Board of Regents, State of Iowa, on behalf of the University of Northern Iowa, issued one series of revenue bonds. Academic Building Revenue Bonds 2008 of \$12 million were issued to assist with the cost of improving the Electrical Distribution Loop System, Sabin Hall Renovation, and various deferred maintenance projects. The University's long-term debt is presented in Note N of the Notes to Financial Statements.

CREDIT RATINGS

Moody's Investors Service continued its "A2" credit rating for all University bonds. The Standard and Poor's credit rating of the University remains an "A" for all bonds supported by unlimited student fees and BBB+ for Dormitory Revenue Bonds. Both ratings services assigned a "stable outlook" to University bonds. The highest achievable ratings are "Aaa" and "AAA", respectively. The University's capacity to meet its financial obligations is considered strong based upon these ratings.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis

Years Ended 2008 and 2007

ECONOMIC FACTORS THAT WILL AFFECT FUTURE BUDGETS AND RATES

The State of Iowa enjoyed strong revenue growth in Fiscal 2008. According to the Legislative Services Agency, Iowa's General Fund Net Receipts and Transfers were \$4,483.6 million in Fiscal 2003, \$4,683.5 million in Fiscal 2004, \$4,926.3 million in Fiscal 2005, \$5,382.5 million in Fiscal 2006, \$5,646.3 million in Fiscal 2007, and \$6,084.5 million in Fiscal 2008. Iowa's General Fund revenue growth was 7.8 percent in Fiscal 2008. Tax receipts increased 9.6 percent, other receipts increased 7.7 percent, transfers decreased 5.4 percent, and accruals and refunds increased 7.9 percent.

Funds available for appropriation for Fiscal 2009 were \$6,140.5 million. General Fund appropriations for Fiscal 2009 totaled \$6,133.0 million, an increase of \$273.8 million from the actual 2008 General Fund budget. The estimated surplus in the State General fund was estimated to be \$207.8 million at the end of fiscal year 2008, a decrease of \$53.8 million, or 20.1 percent, at the end of fiscal year 2007. At the end of the 2008 Legislative Session, the Legislative Services Agency estimated the State General Fund surplus will be \$82.7 million at the end of fiscal year 2009. The reduction in the revenue estimate, plus Executive Council emergency expenditures to address this summer's natural disasters, lowers the projected Fiscal Year 2009 ending balance in the State General Fund from \$82.7 million to \$7.5 million.

At the Revenue Estimating Conference meeting in October 2008, the Fiscal 2009 net general fund revenue estimate was \$6,151.5 million, a decrease of \$37.6 million from the April 2008 meeting. The revised estimate reflects projected revenue growth of just 1.1% over Fiscal 2008. For Fiscal 2010, the net general fund revenue estimate was projected to grow by just 0.1 percent, to \$6,158.4 million, or \$6.9 million over Fiscal Year 2009.

On November 21st, Governor Culver asked state departments to cut \$40 million of spending during the fiscal year. The Board of Regents, State of Iowa was asked to permanently reduce university budgets by \$7.0 million. The University of Northern Iowa General Fund budget was cut \$1,020,000.

The Governor and Iowa lawmakers face the challenge of balancing the Fiscal 2009 budget and establishing a Fiscal 2010 budget that does not exceed 99 percent of State General Fund revenue as determined by the Revenue Estimating Conference at its December 12th meeting.

As a public institution, the economic health of the University of Northern Iowa is closely tied to that of the State of Iowa, in that the University relies on state appropriations as a major source of funding. Governor Culver is supportive of the initiatives of the Board of Regents, State of Iowa. The University also relies on tuition, sponsored programs, investment income, and philanthropy to supplement the funds appropriated by the General Assembly. The availability of these funds relates directly to the state of the economy.

The University of Northern Iowa's financial health continued to improve in Fiscal Year 2008. The 2007 session of the Iowa General Assembly increased its funding levels to the Regents institutions. The University received a 10.4 percent increase in state appropriations for operations as well as bonding authority for Electrical Distribution Loop System Phase II, Deferred Maintenance, and Sabin Hall Renovation. The 2008 session of the Iowa General Assembly provided General Educational Fund appropriations to the University totaling \$103,262,445 for FY2009. This is a 10.1 percent increase over FY2008 appropriations totaling \$93,783,372. Included in the FY2009 appropriation is a \$4,000,000 appropriation for the Iowa Mathematics and Science Education Partnership (IMSEP), a collaborative program of Iowa's three public universities.

The Board of Regents, State of Iowa has adopted a strategic plan intended to provide resources essential for high quality public education, cutting-edge research and creative activities, along with needed public services. These plans propose increases in operating support based on the Higher Education Price Index which for the next year would increase basic support by 4.9 percent. A priority continues to be placed on improving faculty salaries and to recruit and retain high quality faculty members. The Board of Regents has requested \$37.3 million of additional funding for Fiscal 2010, which would be allocated to the three universities.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis

Years Ended 2008 and 2007

The University of Northern Iowa is Iowa's only public university that is distinguished by its emphasis on undergraduate education. The University contributes to the development of students by providing a diverse, dynamic learning environment characterized by excellence in teaching. The University supports exemplary undergraduate programs founded on a strong liberal arts curriculum and offers master's and selected doctoral programs that contribute to the intellectual vitality of the academic community. The University increases knowledge and promotes student growth through scholarship and service, and shares its expertise with individuals, communities, and organizations. This means achieving excellence in all areas of our mission.

The leadership team was pleased to note two years of enrollment growth after experiencing enrollment declines from fall 2002 through fall 2006. Fall 2007 enrollment exceeded the expected 12,165 students with an enrollment of 12,609 students. Compared with fall 2006, enrollment increased 349 students, or 2.9 percent. Fall 2008 enrollment exceeded the expectation of 12,490 students with an enrollment of 12,908 students. Compared with fall 2007, enrollment increased 299 students, or 2.4 percent.

The University is proud of its new and renovated facilities. During the past year, the University opened the newly constructed Human Performance Center. A number of capital projects are underway or are in the planning stage, including Gilchrist Hall Renovation, Russell Hall Renovation, Sabin Hall Renovation, Electrical Distribution Loop System Improvements, and a Parking Deck and Transit Facility.

The Foundation continues to have a very successful private philanthropy program. Gifts and contributions totaled \$14.4 million in 2008, up \$5.8 million, or 65.4 percent, from 2007. Unfortunately, investment income decreased from a positive \$10.9 million in 2007 to a negative \$2.5 million in 2008 due to depressed equity valuations. Other operating revenues increased from \$0.1 million in 2007 to \$0.3 million in 2008, an increase of 188.7 percent. Public support and revenue, the total of the three mentioned categories, totaled \$12.2 million in 2008, down \$7.5 million, or 38.1 percent, from 2007. The University of Northern Iowa Foundation launched the initial phase of its new \$150 million capital campaign, which is entitled "Imagine the Impact." Goals of the campaign include raising \$75 million each for scholarships and program support.

The University has achieved success in Sponsored Programs. In Fiscal 2008, the University received the largest private grant in the history of the University, an \$11.5 million five-year applied research grant. Grants and contracts expenditures totaled \$31.2 million in 2008, up \$1.2 million, or 3.9 percent, from 2007.

The Board of Regents, State of Iowa, at its December 11th meeting, will consider increasing resident undergraduate tuition for Fiscal 2010 by 4.2 percent. In addition, it will consider increasing mandatory student fees by 3.3 percent. It will also consider establishing a differential tuition rate for upper division resident and nonresident business students entering in the fall of 2009. The University's overall tuition and room and board costs remain competitive with Iowa's four-year public and private institutions and our comparison group of institutions.

To summarize, the state's economy remained strong in Fiscal 2008, but it is slowing down and showing signs of a recession in Fiscal 2009. As a result of the downturn, state revenue is predicted to be flat in Fiscal 2009 and 2010. Looking ahead, the University strongly suspects the economic downturn will affect Fiscal 2010 appropriations. The upcoming report of the Iowa Revenue Estimating Conference, tentatively scheduled for release on December 12, will be used by Governor Culver and the Iowa General Assembly to prepare the Fiscal 2010 budget.

University officials are monitoring the fiscal situation very closely. Not knowing what will happen to state appropriations and University enrollment, management is preparing for several possible budget scenarios. The leadership team will take the necessary actions to maintain the fiscal health of the University.

UNI is recognized for providing a high-quality education for its students. That will never change, but all University employees have been asked to seek ways to contain costs and to become even more efficient as the University works through these challenging economic times.

UNIVERSITY OF NORTHERN IOWA
Management's Discussion and Analysis
Years Ended 2008 and 2007

CONTACTING THE UNIVERSITY

This financial report is designed to provide our customers, our donors, our creditors, and the taxpayers of the State of Iowa with a general overview of the University's finances and to demonstrate the University's accountability for the resources it receives. If you have questions about this report or if you would like additional financial information about the University, write to Financial Accounting and Reporting Services, 122 Lang Hall, Cedar Falls, Iowa 50614-0009 or phone 319-273-3576.



**University of
Northern
Iowa**

A public university
governed by the
Board of Regents,
State of Iowa



2007-2008

Financial Statements

UNIVERSITY OF NORTHERN IOWA
Statement of Net Assets
June 30, 2008 and 2007

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents-Note B	\$ 28,781,068	23,005,613
Investments-Note B	24,497,922	62,421,560
Accounts receivable, net-Note C	9,215,679	12,699,510
Loans receivable, net-Note E	2,455,590	2,323,207
Interest receivable	963,027	960,931
Due from governmental agencies-Note F	7,342,161	9,099,021
Prepaid expenses-Note G	4,947,406	3,610,915
Inventories-Note H	2,434,902	2,337,686
Other assets	90,000	90,000
Total Current Assets	80,727,755	116,548,443
Noncurrent Assets		
Investments-Note B	61,268,643	16,060,931
Accounts receivable, net-Note C	2,245,740	4,897,916
Loans receivable, net-Note E	9,822,359	9,292,829
Prepaid expenses-Note G	18,305	193,316
Debt issuance costs-Note U	1,449,417	1,341,224
Capital assets, Nondepreciable-Note I	18,002,782	23,765,502
Capital assets, Depreciable-Note I	472,779,540	439,865,407
Accumulated depreciation-Note I	(190,293,696)	(178,465,807)
Total Noncurrent Assets	375,293,090	316,951,318
Total Assets	456,020,845	433,499,761
LIABILITIES		
Current Liabilities		
Accounts payable	9,805,604	9,901,557
Salaries and wages payable-Note J	464,234	361,080
Compensated absences payable-Note K	4,646,950	4,300,275
Unpaid claims-Note T	2,020,105	1,711,791
Unearned revenue-Note G	6,816,660	4,839,354
Accrued interest payable	3,335,081	2,631,927
Long-term debt-Note N	6,724,458	6,992,669
Deposits	2,820,465	2,232,684
Net OPEB liability-Note O	269,343	-
Other current liabilities	117,680	77,866
Total Current Liabilities	37,020,580	33,049,203
Noncurrent Liabilities		
Accounts payable	29,537	200,690
Compensated absences payable-Note K	4,186,742	4,292,166
Refundable advances on student loans-Note P	9,839,199	9,926,620
Long-term debt-Note N	117,545,241	112,823,584
Net OPEB liability-Note O	186,657	-
Total Noncurrent Liabilities	131,787,376	127,243,060
Total Liabilities	168,807,956	160,292,263
NET ASSETS		
Invested in capital assets, net of related debt	194,237,507	180,719,681
Restricted		
Nonexpendable		
Scholarships and fellowships	615,895	615,895
Expendable		
Scholarships and fellowships	339,801	390,756
Loans	2,995,792	2,975,983
Capital projects	4,575,646	14,935,457
Debt service	20,911,901	19,719,289
Other	845,572	1,034,231
Unrestricted	62,690,775	52,816,206
Total Net Assets	\$ 287,212,889	273,207,498

The notes are an integral part of the financial statements.

UNIVERSITY OF NORTHERN IOWA FOUNDATION
Combined Statements of Financial Position
June 30, 2008 and 2007

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,241,650	2,276,579
Investments	21,884,237	19,565,508
Pledges receivable, net-Note D	3,250,106	2,997,229
Interest receivable	40,659	27,798
Other receivables	124,669	145
Prepaid expenses	31,272	21,123
Total Current Assets	27,572,593	24,888,382
Pledges receivable, less current portion-Note D	3,621,390	3,663,784
Long-term investments	54,680,617	57,834,013
Life insurance cash value	987,427	939,965
Donated assets	119,665	117,021
Building and equipment, net	1,270,057	1,387,412
Total Assets	88,251,749	88,830,577
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and other liabilities	226,048	793,008
Pledge payable, current-Note M	2,876,939	2,131,743
Total Current Liabilities	3,102,987	2,924,751
Pledge payable, less current portion-Note M	2,245,740	4,897,916
Annuities payable	1,873,294	1,364,758
Annuity trusts payable	1,080,149	1,138,814
Unitrusts payable	752,251	688,757
Total Liabilities	9,054,421	11,014,996
Net Assets		
Unrestricted		
Designated	2,633,164	2,578,362
Plant	1,270,057	1,387,412
Undesignated	2,255,841	2,760,504
Total Unrestricted	6,159,062	6,726,278
Temporarily Restricted-Note S	34,127,689	35,403,913
Permanently Restricted-Note S	38,910,577	35,685,390
Total Net Assets	79,197,328	77,815,581
Total Liabilities and Net Assets	\$ 88,251,749	88,830,577

The notes are an integral part of the financial statements.

UNIVERSITY OF NORTHERN IOWA
Statement of Revenues, Expenses, and Changes In Net Assets
Years Ended June 30, 2008 and 2007

	2008	2007
REVENUES		
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$15,870,780 for 2008, \$14,290,197 for 2007)	\$ 57,523,347	56,430,682
Receipts from other entities	143,924	86,580
Grants and contracts	32,073,018	30,862,654
Sales, rents and services	7,420,630	6,191,782
Miscellaneous	720,116	805,056
Auxiliary enterprises	50,176,930	47,559,182
Total Operating Revenues	148,057,965	141,935,936
EXPENSES		
Operating Expenses		
Instruction	72,605,101	68,768,086
Research	2,454,770	3,232,126
Public service	24,184,724	23,487,990
Academic support	22,050,064	19,770,673
Student services	6,558,084	6,277,839
Institutional support	20,230,830	19,162,659
Operation and maintenance of plant	21,396,250	20,686,896
Scholarships and fellowships	4,884,137	4,495,486
Depreciation	13,291,606	12,517,313
Loan cancellations and write-offs	251,886	278,590
Auxiliary enterprises	49,043,443	43,779,370
Total Operating Expenses	236,950,895	222,457,028
Operating (Loss)	(88,892,930)	(80,521,092)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	95,363,638	86,531,082
Gifts, grants and contracts	2,600,605	2,954,052
Investment income	1,687,404	5,246,906
Interest expense	(5,765,266)	(5,014,486)
Amortization expense	(94,140)	(77,102)
Miscellaneous expense	(29,950)	(114,674)
Net Nonoperating Revenues (Expenses)	93,762,291	89,525,778
Income/(Loss) Before Other Revenues	4,869,361	9,004,686
OTHER REVENUES		
Capital appropriations	5,018,136	8,650,293
Capital contributions and grants	4,117,894	9,988,308
Total Other Revenues	9,136,030	18,638,601
Change in Net Assets	14,005,391	27,643,287
NET ASSETS		
Net assets, beginning of year	273,207,498	245,564,211
Net assets, end of year	\$ 287,212,889	273,207,498

The notes are an integral part of the financial statements.

UNIVERSITY OF NORTHERN IOWA FOUNDATION
Combined Statements of Activities
Years Ended June 30, 2008 and 2007

	2008			Total Net Assets
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
Public Support, Revenue and Reclassifications				
Contributions and grants				
Cash and cash equivalents	\$ 672,677	8,710,902	3,679,622	13,063,201
Property	-	351,129	943,624	1,294,753
Investment income	(147,144)	(2,035,876)	(290,789)	(2,473,809)
Miscellaneous income	4,778	282,275	625	287,678
Redesignation of funds	1,514,554	(1,428,610)	(85,944)	-
Net assets released from restrictions	7,221,551	(7,221,551)	-	-
Total Public Support, Revenue and Reclassifications	<u>9,266,416</u>	<u>(1,341,731)</u>	<u>4,247,138</u>	<u>12,171,823</u>
Expenses and Adjustments				
Program				
Scholarships	2,646,762	-	-	2,646,762
Designated projects	2,729,979	-	-	2,729,979
Capital projects	1,300,221	-	-	1,300,221
Administrative	1,152,654	-	-	1,152,654
Fundraising	1,887,146	-	-	1,887,146
Bad debt adjustments	(485)	35,015	7,008	41,538
Depreciation	117,355	-	-	117,355
Annuities payable actuarial liability adjustment	-	(103,034)	830,036	727,002
Annuity trusts payable actuarial liability adjustment	-	-	46,559	46,559
Unitrusts payable actuarial liability adjustment	-	2,512	138,348	140,860
Total Expenses and Adjustments	<u>9,833,632</u>	<u>(65,507)</u>	<u>1,021,951</u>	<u>10,790,076</u>
Change in Net Assets	(567,216)	(1,276,224)	3,225,187	1,381,747
Net Assets, beginning of year	<u>6,726,278</u>	<u>35,403,913</u>	<u>35,685,390</u>	<u>77,815,581</u>
Net Assets, end of year	<u>\$ 6,159,062</u>	<u>34,127,689</u>	<u>38,910,577</u>	<u>79,197,328</u>

The notes are an integral part of the financial statements.

2007

Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
642,772	5,293,823	2,450,646	8,387,241
-	295,548	-	295,548
1,307,966	8,899,847	682,840	10,890,653
-	99,514	127	99,641
1,415,356	(1,370,153)	(45,203)	-
<u>12,572,582</u>	<u>(12,572,582)</u>	<u>-</u>	<u>-</u>
<u>15,938,676</u>	<u>645,997</u>	<u>3,088,410</u>	<u>19,673,083</u>
2,583,995	-	-	2,583,995
3,872,311	-	-	3,872,311
5,527,732	-	-	5,527,732
989,864	-	-	989,864
1,973,284	-	-	1,973,284
(2,589)	(71,481)	(5,223)	(79,293)
118,056	-	-	118,056
-	91,594	184,070	275,664
-	-	119,779	119,779
-	(63,476)	141,303	77,827
<u>15,062,653</u>	<u>(43,363)</u>	<u>439,929</u>	<u>15,459,219</u>
876,023	689,360	2,648,481	4,213,864
<u>5,850,255</u>	<u>34,714,553</u>	<u>33,036,909</u>	<u>73,601,717</u>
<u>6,726,278</u>	<u>35,403,913</u>	<u>35,685,390</u>	<u>77,815,581</u>

UNIVERSITY OF NORTHERN IOWA
Statement of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 57,681,582	55,974,739
Grants and contracts receipts	34,397,985	32,558,524
Collections of loans from students	1,884,841	2,770,384
Auxiliary enterprise receipts	50,046,115	47,440,646
Payments for salaries and benefits	(133,010,159)	(128,236,164)
Payments for goods and services	(20,406,450)	(17,375,279)
Scholarships	(4,846,691)	(4,501,938)
Loans issued to students	(2,841,140)	(3,692,497)
Auxiliary enterprise payments	(48,878,357)	(43,779,592)
Other operating receipts	8,670,254	6,788,636
Other operating payments	(17,470,130)	(16,707,986)
Net Cash Used by Operating Activities	(74,772,150)	(68,760,527)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES		
State appropriations	93,887,653	85,709,635
William D. Ford direct lending and plus loans receipts	57,770,259	55,046,788
William D. Ford direct lending and plus loans made	(57,749,604)	(54,981,547)
Agency receipts	12,664,721	12,529,620
Agency payments	(10,937,025)	(12,954,432)
Non capital gifts	2,771,968	2,873,694
Net Cash Provided by Non Capital Financing Activities	98,407,972	88,223,758
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	8,058,614	10,985,844
Capital gifts and grants received	6,482,614	14,420,155
Acquisition of capital assets	(28,760,980)	(34,401,699)
Principal paid on capital debt	(7,864,487)	(6,902,344)
Interest paid on capital debt	(4,758,486)	(5,309,423)
Proceeds from capital debt	11,873,305	10,917,486
Other capital and related financing receipts	2,511,894	4,028,042
Net Cash Used by Capital and Related Financing Activities	(12,457,526)	(6,261,939)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	3,495,862	3,394,055
Proceeds from sale and maturities of investments	75,974,447	51,121,084
Purchase of investments	(84,873,150)	(51,920,183)
Net Cash Provided (Used) by Investing Activities	(5,402,841)	2,594,956
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,775,455	15,796,248
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	23,005,613	7,209,365
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 28,781,068	23,005,613

UNIVERSITY OF NORTHERN IOWA
Statement of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (88,892,930)	(80,521,092)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	13,291,606	12,517,313
Increase/(Decrease) in compensated absences	241,251	589,649
(Increase)/Decrease in accounts receivable	1,607,529	(2,684,195)
(Increase)/Decrease in loans receivable	(661,912)	(523,775)
(Increase)/Decrease in due from governmental agencies	(330,500)	1,280,272
(Increase)/Decrease in inventories	(97,216)	(77,192)
(Increase)/Decrease in prepaid expenses	(1,046,190)	(395,268)
(Increase)/Decrease in other assets	(51,609)	(467,288)
Increase/(Decrease) in accounts payable	(1,119,139)	416,996
Increase/(Decrease) in salaries and wages payable	108,018	31,372
Increase/(Decrease) in unearned revenue	1,949,519	1,126,396
Increase/(Decrease) in other liabilities	229,423	(53,715)
	<u>\$ (74,772,150)</u>	<u>(68,760,527)</u>
Net Cash Used By Operating Activities	\$ (74,772,150)	(68,760,527)

Noncash Capital, Financing and Investing Activities:

Equipment with a fair market value of \$5,777 in 2008 and \$21,500 in 2007 was donated to the University

Bond issuance costs of \$141,000 in 2008 and \$112,000 in 2007 were deducted from the bond proceeds. These costs were capitalized and will be amortized over the debt repayment period

A net unrealized loss decreased the fair market value of the University's investments \$1,829,929 in 2008 and a net unrealized gain increased the fair market value \$1,329,792 in 2007.

The notes are an integral part of the financial statements.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note A – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

The University of Northern Iowa, founded in 1876 and located in Cedar Falls, Iowa, is owned and operated by the State of Iowa under the governance of the Board of Regents, State of Iowa. The Board of Regents is appointed by the governor and confirmed by the State Senate. Because the Board of Regents holds the corporate powers of the University, the University is not deemed to be legally separate. The University is an integral part of the State of Iowa, the primary government. As such, the University is included in the State of Iowa's Comprehensive Annual Financial Report as one of the State's universities. This Comprehensive Annual Financial Report presents only the University Funds of the University of Northern Iowa.

The University is classified as a state instrumentality under Internal Revenue Code Section 115 and it is exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

The financial statements have been prepared in accordance with United States generally accepted accounting principles for governmental colleges and universities, as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements have been prepared on the accrual basis of accounting. Under GASB, the University reports as a Business Type Activity, an activity financed in whole or in part by fees charged to external parties for goods or services.

The University applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins.

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net asset categories:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted:

Nonexpendable – Net assets subject to externally imposed stipulations that they be maintained in perpetuity by the University, including the University's permanent endowment funds.

Expendable – Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

Unrestricted: Net assets not subject to externally imposed stipulations. Examples include: student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. Resources may be designated for specific purposes by action of management or the Board of Regents or may otherwise be limited by contractual agreements with outside parties. Substantially, all unrestricted net assets are designated for academic and general programs of the University.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note A – Organization and Summary of Significant Accounting Policies (continued)

GASB Statement No. 35 also requires the statements of net assets, revenues, expenses, and changes in net assets, and cash flows be reported on a consolidated basis.

In May 2002, GASB issued Statement No. 39, Determining Whether Certain Organizations are Component Units. This statement was implemented for the year ended June 30, 2004. The GASB classification of these entities for the University's financial reporting purposes does not affect their respective legal or organizational relationships to the University. The financial statements of all component units are included in the University's financial statements.

Blended Component Unit

The University's only blended component unit is Friends of KHKE/KUNI (Friends), an Iowa non-profit corporation governed by a self-appointed 18-member board. Friends is a public radio support organization. Friends provide services entirely or almost entirely to KHKE-FM and KUNI-FM, which are public radio stations owned and operated by the University. A copy of Friends' financial statements may be obtained by contacting the Broadcasting Services department at the University of Northern Iowa.

Discretely Presented Component Unit

The University of Northern Iowa Foundation (Foundation) is a legally separate, tax-exempt 501(c)3 corporation. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the Foundation or the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by UNI Foundation donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The accompanying combined financial statements include the accounts of the University of Northern Iowa Foundation, University of Northern Iowa Properties Corporations and University of Northern Iowa Research Foundation. All material transactions between these organizations have been eliminated. Combined financial statements are presented because the organizations have common Trustees, common management and common objectives of promoting and benefiting the University of Northern Iowa.

The combined financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

The Foundation is a non-profit organization that reports under the Financial Accounting Standards Board (FASB). The Foundation's financial statements were prepared in accordance with the provisions of FASB No. 117, Financial Statements of Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting for these differences. A copy of the Foundation's financial statements may be obtained by contacting the University of Northern Iowa Foundation at Cedar Falls, Iowa.

Affiliated Organization

Affiliated organizations that are not controlled by the University, such as the UNI Alumni Association, are not included in the University's financial statements.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note A – Organization and Summary of Significant Accounting Policies (continued)
Encumbrances

The University utilizes encumbrance accounting for budgetary compliance purposes. According to Section 8.33 of the Code of Iowa, the University is permitted to carry encumbrances for specialized equipment and building repairs forward to the next fiscal year. The June 30, 2008 encumbered balance carried forward to fiscal year 2009 was \$1,844,897 including items recognized as accounts payable for specialized equipment totaling \$163,429.

As allowed in Section 262.9(18)(b) of the Code of Iowa, the University has utilized non-tuition components of the General University funds first. Accordingly, General University funds remaining at June 30, 2008 are comprised solely of student fees and charges and are exempt from reversion.

Cash and Cash Equivalents

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.

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 date basis. Investment income is recorded on the accrual basis. Realized and unrealized gains and losses are reported as investment income. The University is not permitted to invest in derivative instruments. Investments acquired and classified as gift revenue are recorded at fair market value or appraised value as of the date of the gift.

In March 2003, GASB issued Statement No. 40, Deposit and Investment Risk Disclosures. This statement was implemented for the year ended June 30, 2005. Disclosure of Credit Risk, Concentration of Credit Risk and Interest Rate Risk is presented in Note B.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the University. To reduce the University's exposure to credit risk, the weighted average credit quality of the University's operating portfolio must be AA or Aa as rated by Standard & Poor's or Moody's, respectively.

Concentration of Credit Risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue or issuer. Except for Treasury or Agency debentures, no more than 5% of the operating portfolio can be invested in securities of a single issuer.

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. The maximum duration of the University's operating portfolio may not exceed the duration of the Merrill 1-3 year Government/Corporate Index by more than 20%. At the time of purchase, the maturity of securities in the operating portfolio cannot exceed sixty-three months.

Interest on the Perkins Student Loan Fund is recorded on the accrual basis while interest on other Loan Funds is reported on the cash basis due to immateriality.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note A – Organization and Summary of Significant Accounting Policies (continued)

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. In fiscal years 2008 and 2007, the amount of income allocated from the Treasurer's Temporary Investment Pool was \$2,342,436 and \$3,507,257, respectively.

Investments (Foundation)

The Foundation has adopted SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations, to present more fairly the realizability of its assets. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the combined statements of financial position. Unrealized gains and losses are included in the change in net assets.

Capital Assets

Property, buildings, equipment, and library materials 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 it is recorded in the Plant Accounts.

The following useful lives are used:

Infrastructure	20-40 years
Buildings	40-50 years
Improvements other than buildings	20-30 years
Equipment	5-20 years
Vehicles	7-10 years
Library	10 years

The following thresholds are used to define capital assets:

Infrastructure	\$10,000
Land, buildings, and improvements	\$25,000
Equipment	\$ 5,000

The University does not capitalize works of art or historical treasures held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any manner. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Termination Benefits

In June 2005, GASB issued Statement No. 47, Accounting for Termination Benefits. The University had previously implemented this statement. Disclosure of the Early Retirement Incentive Program (ERIP) is presented in Note W.

Endowment Appreciation

For donor-restricted endowments, the Uniform Management of Institutional Funds Act permits management of the University to allocate the amount of realized and unrealized endowment appreciation that it determines to be prudent. It is the University's policy to retain realized and unrealized appreciation within the endowment after spending rule distributions.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note A – Organization and Summary of Significant Accounting Policies (continued)

Distributions are made from the endowments to the entities that benefit from the endowment funds. The endowment spending rule provides for an annual distribution of five percent of the three-year moving average of the market value of the fund.

Unearned Revenue

Unearned revenue consists of revenue received in advance of an academic session or an event, such as student tuition, student housing or ticket sales related to future fiscal years. It also includes amounts received from grant and contract sponsors which have not yet been earned under the terms of the agreement.

Auxiliary Enterprise Revenues

Auxiliary enterprise revenues primarily represent revenues generated by the Residence System, Intercollegiate Athletics, Student Union, Fieldhouse System, Wellness and Recreation Center, Student Health System, and the Gallagher-Bluedorn Performing Arts Center.

Summer Session

The University operates summer sessions during May, June, and July. Tuition and Mandatory Student Fee revenues and expenditures for the summer sessions are recorded in the appropriate fiscal year. Residence System revenues and expenditures for the noted summer sessions are also recorded in the appropriate fiscal year.

Inventories

Inventories, consisting mainly of coal, fuel oil, foodstuffs and supplies, 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.

Tuition and Fees

Tuition and fees revenues are reported net of scholarship allowances, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

Operating and Nonoperating Activities

Operating activities as reported on the statement of revenues, expenses, and changes in 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 and amortization expense.

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. Actual results could differ from those estimates.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
 June 30, 2008

Note B – Cash Deposits and Investments

(1) Cash and deposits:

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 there will be no loss of public funds. The carrying values at June 30, 2008 and June 30, 2007 were \$28,781,068 and \$23,005,613, respectively. The bank balances at June 30, 2008 and June 30, 2007 were \$33,426,607 and \$26,669,064, respectively. The carrying value at June 30, 2008 and June 30, 2007 includes cash-on-hand of \$186,230 and \$174,830, respectively.

(2) Investments:

In accordance with the Code of Iowa, the University's operating portfolio may be invested in obligations of the U.S. government and its agencies, certificates of deposit, prime bankers' acceptances, investment grade commercial paper, repurchase agreements, investments authorized for the Iowa Public Employees' Retirement System in Section 97B.7 of the Code of Iowa, investment grade corporate debt, mortgage pass-through and asset-backed securities with an A rating at time of purchase, and an open-end management investment company organized in trust form registered with the S.E.C. under the Investment Company Act of 1940. The University's endowment portfolio may invest in all of the above as well as certain international and listed domestic equities. The University's endowments are pooled with the State University of Iowa's endowments to achieve economies of scale.

Chapter 540A of the Code of Iowa permits the University to spend endowment income and to appropriate within certain limitations an amount of realized and unrealized endowment appreciation as the University determines to be prudent considering the University's long-term and short-term needs, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. The University's policy is to retain the realized and unrealized appreciation with the endowment pursuant to the spending rules of the University. The University's spending rule is that five percent (5%) of market value of the endowment, based on a rolling market average, will be calculated and distributed. The net appreciation on true endowments that is available for expenditure at June 30, 2008 and 2007 was \$767,945 and \$1,018,279, respectively. The net appreciation is classified in the Statement of Net Assets as follows:

	<u>2008</u>	<u>2007</u>
Restricted Expendable		
Scholarships and fellowships	\$ 176,320	226,283
Loans	159,525	194,538
Other	<u>432,100</u>	<u>597,458</u>
Total	\$ <u>767,945</u>	<u>1,018,279</u>

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, \$14,075,650, for an indefinite period of time until there is an active

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note B – Cash Deposits and Investments (continued)

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.

The University's investments are recorded at fair value, as determined by quoted market price. At June 30, 2008, the University had the following investments and quality credit ratings by investment type:

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note B – Cash Deposits and Investments (continued)

Invested Assets	Fair Value
Operating portfolio:	
Fixed Income:	
U.S. Government Securities	
U.S. Government Treasuries	\$14,558,094
U.S. Government Agencies	38,185,841
Short-Term Securities	
Commercial Paper	988,467
Certificates of Deposit (Friends of KHKE/KUNI)	311,641
Fixed Income Mutual Funds, Intermediate Term	7,364,900
Long-Term Securities	
Fixed Income Mutual Funds, Intermediate Term	<u>14,075,650</u>
Total Fixed Income Securities	<u>75,484,593</u>
Equity and Other Securities:	
U.S. Equities (Friends of KHKE/KUNI)	609,273
U.S. Equities	25,170
Equity Mutual Funds (Friends of KHKE/KUNI)	<u>751,537</u>
Total Equity and Other Securities	<u>1,385,980</u>
Total Operating Portfolio	<u>76,870,573</u>
Endowment portfolio (UNI Equity in SUI Endowment Pool):	
Fixed Income:	
U.S. Government Securities	
U.S. Government Treasuries	1,411
U.S. Government Agencies	486,615
Mortgage-Backed Securities	55,410
Corporate Securities	
Corporate Bonds	178,973
Corporate Asset-Backed	282,016
Private Placements	74,251
Long-Term Securities	
Other Agencies	33,284
Fixed Income Mutual Funds	1,600,664
Cash & Cash Equivalents	<u>8,791</u>
Total Fixed Income Securities	<u>2,721,415</u>
Equity and Other Securities:	
U.S. Equities	4,202,120
International Equity Mutual Fund	<u>1,422,020</u>
Total Equity and Other Securities	<u>5,624,140</u>
Real Estate	<u>550,437</u>
Total Endowment Portfolio	<u>8,895,992</u>
Total Invested Assets	<u>\$85,766,565</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note B – Cash Deposits and Investments (continued)

Credit Risk Concentration

Issuers that represent 5% or more of total operating portfolio assets (except for U.S. Government, Pooled and Mutual Funds)

Investment Type	Fair Value	% of Total Operating Portfolio Assets
Federal Home Loan Bank	\$22,309,935	29%
Federal National Mortgage Association	8,666,666	11%
Federal Farm Credit Bank	5,094,779	7%

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note B – Cash Deposits and Investments (continued)

The following table reflects the interest rate sensitivity as measured by duration of the University's fixed income securities:

Interest Rate Sensitivity – Duration	Fair Value	Duration
Operating portfolio:		
Fixed Income:		
U.S. Government Securities		
U.S. Government Treasuries	\$14,558,094	3.08
U.S. Government Agencies	38,185,841	2.28
Short-Term Securities		
Commercial Paper	988,467	0.25
Certificates of Deposit (Friends of KHKE/KUNI)	311,641	0.59
Fixed Income Mutual Funds, Intermediate Term	7,364,900	2.07
Long-Term Securities		
Fixed Income Mutual Funds, Intermediate Term	<u>14,075,650</u>	1.90
Operating Portfolio-Total Fixed Income Securities	<u>75,484,593</u>	
Operating Portfolio Duration		2.31
Endowment Portfolio:		
Fixed Income:		
U.S. Government Securities		
U.S. Government Treasuries	1,411	15.88
U.S. Government Agencies	486,615	4.44
Mortgage-Backed Securities	55,410	4.21
Corporate Securities		
Corporate Bonds	178,973	4.40
Corporate Asset-Backed	282,016	3.17
Private Placements	74,251	5.04
Long-Term Securities		
Other Agencies	33,284	1.08
Fixed Income Mutual Funds	<u>1,600,664</u>	3.77
Endowment Portfolio-Total Fixed Income Securities	<u>2,712,624</u>	
Endowment Portfolio Duration		3.89
Total All Portfolios	<u>\$78,197,217</u>	

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note B – Cash Deposits and Investments (continued)

	Credit Risk – Quality Ratings				
	<u>Treasury</u>	<u>Agency</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>
Fixed Income Securities:					
U.S. Government Securities					
U.S. Government Treasuries	\$14,559,505	-	-	-	-
U.S. Government Agencies					
Federal Home Loan Bank	-	-	22,309,935	-	-
Federal National Mortgage Association	-	-	8,666,666	-	-
Federal Farm Credit Bank	-	-	5,094,779	-	-
Federal Home Loan Mortgage Corporation	-	-	2,601,076	-	-
Mortgage-Backed Securities	-	47,730	7,680	-	-
Corporate Securities					
Corporate Bonds	-	-	-	35,794	55,482
Corporate Asset-Backed	-	-	269,280	3,972	8,764
Private Placements	-	-	2,793	25,988	20,041
Short-Term Securities					
Other Agencies	-	33,284	-	-	-
Commercial Paper	-	-	-	-	-
Certificates of Deposit	-	-	-	-	-
Fixed Income Mutual Funds	1,364,221	1,629,026	3,527,258	630,805	757,751
Long-Term Securities					
Fixed Income Mutual Funds	<u>2,674,374</u>	<u>3,237,399</u>	<u>5,207,991</u>	<u>1,126,052</u>	<u>1,407,565</u>
Total Fixed Income Investments	<u>\$18,598,100</u>	<u>4,947,439</u>	<u>47,687,458</u>	<u>1,822,611</u>	<u>2,249,603</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>A1+/P1</u>	<u>NR</u>	<u>Total</u>
-	-	-	-	-	14,559,505
-	-	-	-	-	22,309,935
-	-	-	-	-	8,666,666
-	-	-	-	-	5,094,779
-	-	-	-	-	2,601,076
-	-	-	-	-	55,410
85,907	-	-	-	1,790	178,973
-	-	-	-	-	282,016
23,918	1,511	-	-	-	74,251
-	-	-	-	-	33,284
-	-	-	988,467	-	988,467
-	-	-	-	311,641	311,641
172,636	166,919	379,912	-	337,036	8,965,564
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>422,269</u>	<u>14,075,650</u>
<u>282,461</u>	<u>168,430</u>	<u>379,912</u>	<u>988,467</u>	<u>1,072,736</u>	<u>78,197,217</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note C – Accounts Receivable

Accounts receivable is summarized as follows:

	<u>2008</u>	<u>2007</u>
Student accounts	\$ 2,414,417	2,194,841
University of Northern Iowa Foundation	5,267,189	7,182,904
Sponsoring agencies	312,359	896,861
Casualty insurance	1,036,448	3,346,010
Other	<u>2,984,958</u>	<u>4,598,163</u>
	12,015,371	18,218,779
Less allowance for doubtful accounts	<u>(553,952)</u>	<u>(621,353)</u>
Total	<u>\$11,461,419</u>	<u>17,597,426</u>

Note D – Pledges Receivable (Foundation)

Unconditional promises are included in the combined financial statements as pledges receivable and revenue of the appropriate net asset category. Unconditional promises are expected to be realized in the following periods:

	<u>2008</u>	<u>2007</u>
In one year or less	\$ 3,382,220	3,168,995
Between one year and five years	2,631,656	3,679,492
More than five years	<u>1,710,145</u>	<u>640,967</u>
	7,724,021	7,489,454
Less discounts to net present value	(464,200)	(481,654)
Less allowance for uncollectible pledges	<u>(388,325)</u>	<u>(346,787)</u>
Total	<u>\$ 6,871,496</u>	<u>6,661,013</u>

Pledges receivable at June 30, 2008 and 2007 have the following restrictions:

	<u>2008</u>	<u>2007</u>
Operations	\$ 64,471	86,577
Scholarships	271,022	474,869
Departmental programs	1,320,188	1,478,136
Grants	16,884	174,592
Special purpose	3,681	340
Endowments	838,384	795,913
Functioning as endowments	285,239	310,847
Plant	<u>4,071,627</u>	<u>3,339,739</u>
Total	<u>\$ 6,871,496</u>	<u>6,661,013</u>

Note E – Loans Receivable

Loans receivable is summarized as follows:

	<u>2008</u>	<u>2007</u>
Student loans:		
Federal loan programs	\$12,910,137	12,257,413
University loan funds	<u>110,406</u>	<u>99,627</u>
	13,020,543	12,357,040
Less allowance for uncollectible loans	<u>(742,594)</u>	<u>(741,004)</u>
Total	<u>\$12,277,949</u>	<u>11,616,036</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
 June 30, 2008

Note E – Loans Receivable (continued)

Loans receivable from students bear interest primarily at 5 percent and are generally repayable over a one to ten year period commencing six to nine months from the date of separation from the University.

Note F – Due From Governmental Agencies

Due from Governmental Agencies is summarized as follows:

	<u>2008</u>	<u>2007</u>
Federal Government	\$ 4,184,968	4,046,636
State Government	3,122,866	5,007,138
Local Government	<u>34,327</u>	<u>45,247</u>
Total	\$ <u>7,342,161</u>	<u>9,099,021</u>

Note G – Prepaid Expenses/Unearned Revenue

Prepaid expenses at June 30, 2008 and 2007 totaled \$4,965,711 and \$3,804,231, respectively, and unearned revenue at June 30, 2008 and 2007 totaled \$6,816,660 and \$4,839,354, respectively. The summer session portion for unearned tuition and fees for 2008 and 2007 was \$753,880 and \$664,808, respectively. Students sign housing contracts with the Department of Residence for the following Fall semester. Unearned revenue on housing contracts was \$627,000 and \$620,000 at June 30, 2008 and 2007, respectively. Season ticket sales for the Gallagher-Bluedorn Performing Arts Center Artist Series begin in the Spring for the following year. Unearned Performing Arts Center ticket sale revenues were \$684,973 and \$547,664 at June 30, 2008 and 2007, respectively.

Note H – Inventories

Inventories at June 30, 2008 and 2007, consisting mainly of supplies and merchandise, primarily valued at lower of cost or market (first in, first out) had values of \$2,434,902 and \$2,337,686, respectively.

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note I – Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 4,304,880	275,012	-	4,579,892	-	4,579,892
Construction in Progress	<u>19,460,622</u>	<u>19,808,429</u>	<u>(25,846,161)</u>	<u>13,422,890</u>	<u>-</u>	<u>13,422,890</u>
Capital Assets, Nondepreciable	<u>23,765,502</u>	<u>20,083,441</u>	<u>(25,846,161)</u>	<u>18,002,782</u>	<u>-</u>	<u>18,002,782</u>
Land Improvements	12,250,172	196,610	-	12,446,782	(6,843,801)	5,602,981
Infrastructure	27,043,061	359,821	-	27,402,882	(8,605,125)	18,797,757
Buildings	326,436,958	28,711,079	-	355,148,037	(117,918,237)	237,229,800
Equipment	41,060,058	4,004,192	(1,251,910)	43,812,340	(29,325,559)	14,486,781
Library Materials	<u>33,075,158</u>	<u>1,153,731</u>	<u>(259,390)</u>	<u>33,969,499</u>	<u>(27,600,974)</u>	<u>6,368,525</u>
Capital Assets, Depreciable	<u>439,865,407</u>	<u>34,425,433</u>	<u>(1,511,300)</u>	<u>472,779,540</u>	<u>(190,293,696)</u>	<u>282,485,844</u>
Total Capital Assets	<u>\$463,630,909</u>	<u>54,508,874</u>	<u>(27,357,461)</u>	<u>490,782,322</u>	<u>(190,293,696)</u>	<u>300,488,626</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land Improvements	\$ 6,412,869	430,932	-	6,843,801
Infrastructure	7,901,482	703,643	-	8,605,125
Buildings	109,819,014	8,099,223	-	117,918,237
Equipment	27,985,875	2,544,011	(1,204,327)	29,325,559
Library Materials	<u>26,346,567</u>	<u>1,513,797</u>	<u>(259,390)</u>	<u>27,600,974</u>
Total	<u>\$178,465,807</u>	<u>13,291,606</u>	<u>(1,463,717)</u>	<u>190,293,696</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note I – Capital Assets (continued)

Capital assets activity for the year ended June 30, 2007 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 4,235,050	89,830	(20,000)	4,304,880	-	4,304,880
Construction in Progress	<u>24,979,450</u>	<u>25,451,624</u>	<u>(30,970,452)</u>	<u>19,460,622</u>	<u>-</u>	<u>19,460,622</u>
Capital Assets, Nondepreciable	<u>29,214,500</u>	<u>25,541,454</u>	<u>(30,990,452)</u>	<u>23,765,502</u>	<u>-</u>	<u>23,765,502</u>
Land Improvements	12,232,508	34,464	(16,800)	12,250,172	(6,412,869)	5,837,303
Infrastructure	27,040,147	2,914	-	27,043,061	(7,901,482)	19,141,579
Buildings	292,845,507	33,880,060	(288,609)	326,436,958	(109,819,014)	216,617,944
Equipment	37,655,178	5,287,810	(1,882,930)	41,060,058	(27,985,875)	13,074,183
Library Materials	<u>32,158,264</u>	<u>1,190,955</u>	<u>(274,061)</u>	<u>33,075,158</u>	<u>(26,346,567)</u>	<u>6,728,591</u>
Capital Assets, Depreciable	<u>401,931,604</u>	<u>40,396,203</u>	<u>(2,462,400)</u>	<u>439,865,407</u>	<u>(178,465,807)</u>	<u>261,399,600</u>
Total Capital Assets	<u>\$431,146,104</u>	<u>65,937,657</u>	<u>(33,452,852)</u>	<u>463,630,909</u>	<u>(178,465,807)</u>	<u>285,165,102</u>

Depreciation activity for the year ended June 30, 2007 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land Improvements	\$ 5,992,271	437,398	(16,800)	6,412,869
Infrastructure	7,158,948	742,534	-	7,901,482
Buildings	102,524,203	7,454,416	(159,605)	109,819,014
Equipment	27,451,312	2,369,291	(1,834,728)	27,985,875
Library Materials	<u>25,105,743</u>	<u>1,513,674</u>	<u>(272,850)</u>	<u>26,346,567</u>
Total	<u>\$168,232,477</u>	<u>12,517,313</u>	<u>(2,283,983)</u>	<u>178,465,807</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
 June 30, 2008

Note J – 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 and 2007 were \$464,234 and \$361,080, respectively.

Note K – 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.

The following schedule presents the changes in the liability for compensated absences, including accrued retirement and FICA contributions, for the fiscal years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Amount of accrued compensated absences at beginning of year	\$8,592,441	8,002,793
Amount of compensated absences accrued during the fiscal year	6,804,361	6,662,039
Payments on compensated absences during the fiscal year	<u>(6,563,110)</u>	<u>(6,072,391)</u>
Amount of accrued compensated absences at end of year	<u>\$8,833,692</u>	<u>8,592,441</u>

The accumulated vacation and sick leave estimated to be paid from the year end balance during the next twelve months for fiscal years 2008 and 2007 is \$4,646,950 and \$4,300,275, respectively.

Note L – 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 in 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% of 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% of all earnings. During fiscal years 2008 and 2007, the University's required and actual contributions amounted to \$10,135,929 and \$9,965,971, respectively. Employees' required and actual contributions amounted to \$5,005,931 and \$4,845,794 for the same two fiscal periods.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note L – Retirement Programs (continued)

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 for the year ended June 30, 2008. For the years ended June 30, 2007, and 2006 plan members were required to contribute 3.7% of the annual covered salary and the University was 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, 2008, 2007, and 2006 were \$446,185, \$370,513 and \$336,224, respectively, equal to the annual required contributions.

Note M – Pledge Payable (Foundation)

On February 27, 2004, the Foundation entered into an agreement with the Board of Regents, State of Iowa, to make gifts to the University of Northern Iowa of at least \$17,000,000, to be used solely and only to pay costs of constructing and equipping the McLeod Center on the University campus. Those costs could include principal and interest payments on \$10,000,000 of Field House Revenue Bonds, Series UNI 2004, which the Board of Regents has issued. As of June 30, 2008 and 2007, \$14,361,033 and \$13,774,084, respectively, of the \$17,000,000 was paid to the University.

On October 29, 2004, the Foundation signed an amendment to the original agreement promising additional gifts in the amount of \$2,660,000, due to increased construction costs for the McLeod Center. As of June 30, 2008, this amendment was paid in full to the University.

On September 15, 2005, the Foundation signed a second amendment to the original agreement promising additional gifts in the amount of \$1,165,000, to fund a Hall of Fame entrance hall between the UNI-Dome and the McLeod Center. As of June 30, 2008, this amendment was paid in full to the University.

On May 5, 2006, the Foundation signed a third amendment to the original agreement promising additional gifts in the amount of \$500,000, due to increased construction costs for the McLeod Center. As of June 30, 2008, this amendment was paid in full to the University.

On August 9, 2006, the Foundation signed a fourth amendment to the original agreement promising additional gifts in the amount of \$250,000, due to increased construction costs for the McLeod Center. As of June 30, 2008, this amendment was paid in full to the University.

On May 25, 2007, the Foundation signed a fifth amendment to the original agreement promising additional gifts to the University of Northern Iowa in the amount of \$150,000, due to increased construction costs for the McLeod Center. As of June 30, 2008, this amendment was paid in full to the University.

On October 6, 2006, the Foundation entered into an agreement with the Board of Regents, State of Iowa, to make gifts to the University of Northern Iowa of at least \$2,500,000 to be used solely and only to pay costs of constructing and equipping the Human Performance Complex on the University campus. Those costs could include principal and interest payments on \$2,150,000 of capital lease payments. As of June 30, 2008 and 2007, \$1,833,174 and \$438,380, respectively, was paid to the University.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
 June 30, 2008

Note M – Pledge Payable (Foundation) (continued)

On May 25, 2007, the Foundation entered into an agreement with the Board of Regents, State of Iowa, to make gifts to the University of Northern Iowa of at least \$2,000,000 to be used solely and only to pay costs of renovating and equipping Russell Hall on the University campus. As of June 30, 2008, \$0 of the \$2,000,000 has been paid to the University.

The unconditional promise to pay is included on the Foundation’s combined financial statements as a pledge payable and expense of the Foundation.

The remaining payments are scheduled as follows:

	<u>2008</u>	<u>2007</u>
In one year or less	\$ 2,876,939	2,131,743
Between one year and five years	2,428,854	5,010,993
More than five years	<u>-</u>	<u>294,800</u>
	5,305,793	7,437,536
Less discounts to net present value	<u>(183,114)</u>	<u>(407,877)</u>
Total	\$ <u>5,122,679</u>	<u>7,029,659</u>

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note N – Long-Term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-Term Debt:					
Bonds Payable	\$116,634,127	12,000,000	6,663,066	121,971,061	6,532,302
Notes Payable	500,000	-	-	500,000	15,000
Capital Leases Payable	<u>2,682,126</u>	<u>-</u>	<u>883,488</u>	<u>1,798,638</u>	<u>177,156</u>
Total Long-Term Debt	<u>\$119,816,253</u>	<u>12,000,000</u>	<u>7,546,554</u>	<u>124,269,699</u>	<u>6,724,458</u>

Bonds Payable

Outstanding long-term revenue bond indebtedness at June 30, 2008 and 2007 consists of the following:

	<u>Interest Rates %</u>	<u>Maturity Date</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>2008 Total</u>	<u>2007 Total</u>
Academic Bldg. Revenue Bonds:						
Series 1994-Refunding	4.50 – 6.00	2015	\$ 130,000	1,120,000	1,250,000	1,380,000
Series 1994	5.00 – 8.25	2015	747,302	2,193,759	2,941,061	3,234,127
Series 1996-Refunding	4.55 – 6.00	2013	515,000	2,950,000	3,465,000	3,960,000
Series 2002-Refunding	4.00 – 5.50	2015	355,000	2,975,000	3,330,000	3,670,000
Series 2003-Refunding	3.00 – 3.80	2015	700,000	5,795,000	6,495,000	7,175,000
Series 2003A-Refunding	2.00 – 3.40	2012	460,000	1,920,000	2,380,000	2,855,000
Series 2005-Refunding	5.75 – 6.20	2020	90,000	4,315,000	4,405,000	4,780,000
Series 2005	2.90 – 4.25	2027	125,000	12,675,000	12,800,000	12,800,000
Series 2007	4.00 – 4.25	2027	100,000	7,900,000	8,000,000	8,000,000
Series 2008	4.00 – 5.00	2035	-	12,000,000	12,000,000	-
Residence System Bonds:						
Series 1999	4.05 – 5.55	2020	300,000	4,965,000	5,265,000	5,550,000
Series 2000	5.00 – 6.50	2021	625,000	11,870,000	12,495,000	13,095,000
Series 2002-Refunding	3.00 – 4.50	2018	465,000	5,950,000	6,415,000	6,860,000
Series 2003	3.50 – 4.75	2023	375,000	7,805,000	8,180,000	8,535,000
Field House Bonds:						
Series 2001	3.75 – 4.75	2022	225,000	4,365,000	4,590,000	4,810,000
Series 2004	2.50 – 4.40	2024	320,000	6,855,000	7,175,000	8,175,000
Series 2005-Refunding	3.00 – 4.20	2022	350,000	6,515,000	6,865,000	7,205,000
Student Union Bonds:						
Series 2002	1.80 – 5.00	2022	500,000	9,980,000	10,480,000	10,965,000
Student Health Bonds:						
Series 2004	3.00 – 4.40	2024	<u>150,000</u>	<u>3,290,000</u>	<u>3,440,000</u>	<u>3,585,000</u>
Total Bonds Payable			<u>\$6,532,302</u>	<u>115,438,759</u>	<u>121,971,061</u>	<u>116,634,127</u>

The above bonds were issued for the following purposes:

Academic Building Revenue Bonds were issued primarily for the construction, renovation and equipping of academic buildings, libraries, administrative, and service buildings.

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
 June 30, 2008

Note N – Long-Term Debt (continued)

Field House System Revenue Bonds were issued in 2001 to make repairs to the roof and to the structure of the UNI-Dome. Bonds were issued in 2004 for the construction of the McLeod Center and to remodel the UNI-Dome. Bonds issued in 2005 refunded bonds issued in 1997. The 1997 bonds were issued to replace the air-supported roof of the UNI-Dome with a self-supported roof.

Student Union Revenue Bonds were issued to construct additions to, remodel, refurbish, and equip the J. W. Maucker Student Union.

Student Health System Revenue Bonds were issued to construct additions to, remodel, refurbish and equip the UNI Student Health Center.

All of the noted bond issues included funding for a pre-funded debt service reserve and for issuance costs. A number of the bond issues refinanced previous issues to take advantage of lower interest rates.

The bonds mature as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 6,532,302	5,786,436	12,318,738
2010	6,720,227	5,365,608	12,085,835
2011	6,981,630	5,362,642	12,344,272
2012	7,496,706	4,597,910	12,094,616
2013	7,703,112	4,578,261	12,281,373
2014-2018	35,587,084	17,566,820	53,153,904
2019-2023	32,055,000	7,813,276	39,868,276
2024-2028	12,770,000	2,796,048	15,566,048
2029-2033	3,550,000	1,103,750	4,653,750
2034-2038	<u>2,575,000</u>	<u>196,875</u>	<u>2,771,875</u>
Total	<u>\$121,971,061</u>	<u>55,167,626</u>	<u>177,138,687</u>

The changes in Bonds Payable for fiscal years 2008 and 2007 are detailed below:

	<u>2008</u>	<u>2007</u>
Bonds payable beginning of year	\$116,634,127	115,192,748
Bonds retired during the fiscal year	(6,663,066)	(6,558,621)
Bonds issued during the fiscal year	<u>12,000,000</u>	<u>8,000,000</u>
Bonds payable at end of year	<u>\$121,971,061</u>	<u>116,634,127</u>

Notes Payable

The following notes payable were outstanding at June 30, 2008 and 2007:

	<u>Interest Rates %</u>	<u>Maturity Date</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>2008 Total</u>	<u>2007 Total</u>
City of Cedar Falls	0.00	2027	\$ <u>15,000</u>	<u>485,000</u>	<u>500,000</u>	<u>500,000</u>
Total			<u>\$ 15,000</u>	<u>485,000</u>	<u>500,000</u>	<u>500,000</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
 June 30, 2008

Note N – Long-Term Debt (continued)

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 transferred \$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 \$200,000 portion, if not forgiven, is repayable in the amount of \$10,000 per year for twenty years. The note 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.

Capital Leases Payable

The University has an equipment master lease agreement to finance the acquisition of certain equipment and real property. The University entered into a capital lease agreement with Wells Fargo Brokerage Services, LLC. Funds provided were to be used for the construction of a Human Performance Complex on campus to support the academic, research and public service programs of the School of Health, Physical Education and Leisure Services. The lease agreement provides funding for costs of \$2,150,000, with payments due semi-annually through fiscal year 2016 and bears an interest rate of 6.60%. The principal balance was \$1,798,638 as of June 30, 2008.

In addition to the master lease agreement, the University entered into a capital lease agreement with Banc of America Leasing & Capital, LLC. Funds provided were to be used for the installation of scoreboards and video boards in the McLeod Center. The lease agreement was for \$875,849, with payments due semi-annually through fiscal year 2011 and bore an interest rate of 6.08%. The University elected to fulfill the lease agreement as of June 30, 2008, consequently, the principal balance was \$0 as of June 30, 2008.

The following is a schedule, by year, of future minimum lease payments:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 177,156	115,835	292,991
2010	189,041	103,949	292,990
2011	201,724	91,267	292,991
2012	215,257	77,733	292,990
2013	229,699	63,292	292,991
2014-2017	<u>785,761</u>	<u>93,209</u>	<u>878,970</u>
Total	<u>\$1,798,638</u>	<u>545,285</u>	<u>2,343,923</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note O – OPEB (Other Postemployment Benefits)

The University of Northern Iowa implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2008.

Plan Description. The University operates a single-employer retiree benefit plan which provides medical, dental and life insurance benefits for retirees and their spouses. There are 1,346 active and 480 retired members in the plan. Employees must be age 55 or older at retirement.

The healthcare benefit, which is a self-funded indemnity medical plan, is administered by Wellmark Blue Cross Blue Shield of Iowa. The dental benefit, which is also self-funded, is administered by Delta Dental of Iowa and the life insurance benefit is administered by Principal Financial Group. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental or the life insurance benefits.

Funding Policy. The contribution requirements of plan members are established and may be amended by the University. The University currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The University’s annual OPEB cost is calculated based on the annual required contribution of the University (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the University’s annual OPEB cost for June 30, 2008, the amount actually contributed to the plan and changes in the University’s net OPEB obligation:

Annual required contribution	\$ 1,114,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>1,114,000</u>
Contributions made	<u>(658,000)</u>
Increase in net OPEB obligation	456,000
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	<u>\$ 456,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2008.

For the fiscal year 2008, the University contributed \$658,000 to the medical plan. Plan members receiving benefits contributed \$2.2 million, or 77% of the premium costs.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note O – OPEB (Other Postemployment Benefits) (continued)

The University’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2008 are summarized as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$1,114,000	59.1%	\$456,000

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date for the period July 1, 2007 through June 30, 2008, the actuarial accrued liability was \$13.3 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$13.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$118.8 million, and the ratio of the UAAL to the covered payroll was 11.2%. As of June 30, 2008, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2007 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5% discount rate based on the University’s funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed by adjusting the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2006 to reflect the University’s experienced retirement age of 62 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2006.

Projected claim costs of the medical plan are \$721 per month for retirees less than 65 and \$310 per month for retirees who have attained age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note P – Refundable Advances on Student Loans

The Perkins Federal Loan program requires a return of Federal Capital Contribution if the United States Government terminates the program. The accumulated Federal Capital Contribution received by the University of Northern Iowa over the lifetime of the Perkins Loan program is \$9,839,199 and \$9,926,620 at June 30, 2008 and 2007, respectively.

Note Q – Endowments

Prior to the establishment of the Foundation in 1959, the University accepted \$615,895 from donors to be invested in perpetuity with only the agreed upon spending rule payout to be made available for annual expenditures according to the donor's restrictions. The revenue and appreciation on the non-expendable donations in excess of the spending rule is retained as an inflationary hedge. The net assets retained by the University from these endowments are classified as follows:

	<u>2008</u>	<u>2007</u>
Restricted-Nonexpendable	<u>\$ 615,895</u>	<u>615,895</u>
Restricted-Expendable:		
Scholarships	\$ 184,065	235,429
Loans	159,525	194,538
Other-Chair	<u>432,099</u>	<u>597,458</u>
Total	<u>\$ 775,689</u>	<u>\$1,027,425</u>

Note R – Related Party Organization

The University of Northern Iowa Alumni Association is a related party organization to the University of Northern Iowa because of common management. The separate board of this organization includes members who are also officers of the University. The significant revenues for the Alumni Association are royalties, membership dues, and investment income. The material expenses of the Alumni Association are alumni programming costs.

Significant Alumni Association financial data as of and for the years ended June 30, 2008 and 2007 follows:

	<u>2008</u>	<u>2007</u>
Total Assets	\$ 739,534	779,708
Total Liabilities	129,002	98,362
Total Equity	610,532	681,346
Total Support and Revenues	356,959	466,328
Total Expenses	427,773	435,769

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note S – Component Unit Restricted Net Assets (Foundation)

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2008</u>	<u>2007</u>
Periods After June 30:		
Scholarships	\$ 3,388,844	3,499,654
Departmental programs	5,929,969	6,354,624
Special purpose	780,930	751,573
Term endowments	35,622	35,622
Plant	4,503,918	851,812
Annuity restrictions	67,308	179,807
Unitrust restrictions	21,346	24,521
Functioning as endowments	<u>19,399,752</u>	<u>23,706,300</u>
Total Temporarily Restricted Net Assets	<u>\$ 34,127,689</u>	<u>35,403,913</u>

Net assets were permanently restricted for the following purposes at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Endowments	\$ 36,675,373	33,207,843
Annuity endowments	845,519	615,831
Annuity trust endowments	313,256	531,316
Unitrusts	<u>1,076,429</u>	<u>1,330,400</u>
Total Permanently Restricted Net Assets	<u>\$ 38,910,577</u>	<u>35,685,390</u>

Note T – 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 a loss has occurred and the amount of 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 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.

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

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.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note T – Risk Management (continued)

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.

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.

The University purchased commercial insurance to cover the collection of the Art Gallery. The University has purchased commercial insurance to cover media perils of libel and slander for the University's two public radio stations, KHKE/KUNI, and the student newspaper, Northern Iowan.

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
NOTES TO FINANCIAL STATEMENTS (continued)
 June 30, 2008

Note T – 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 fiscal years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Amount of claims and contingent liabilities accrued at beginning of year	\$ 1,711,791	1,628,035
Claims incurred and contingent liabilities accrued for the previous and current year and any changes in amounts estimated for prior years	12,525,454	13,285,123
Payments on claims during the fiscal year	<u>(12,217,140)</u>	<u>(13,201,367)</u>
Amount of claims liabilities at end of year	<u>\$ 2,020,105</u>	<u>1,711,791</u>

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.

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 U – Debt Issuance Costs

Debt issuance costs at June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Debt issuance costs	\$ 1,988,676	1,786,343
Less accumulated amortization	<u>(539,259)</u>	<u>(445,119)</u>
Net debt issuance costs	<u>\$ 1,449,417</u>	<u>1,341,224</u>

Amortization expense for fiscal years 2008 and 2007 was \$94,140 and \$77,102, respectively.

Note V – Operating Leases

The University has leased various buildings, tower space, and equipment. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. These leases expire between June 30, 2008 and June 30, 2014, and require various minimum annual rentals. Certain leases are renewable for additional periods. Some leases also require the payment of normal maintenance and insurance on the properties and equipment. In most cases, management expects the leases will be renewed or replaced by other leases.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note V – Operating Leases (continued)

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2008:

Year ending June 30,	
2009	\$ 342,926
2010	293,832
2011	231,507
2012	58,292
2013	19,785
2014	<u>14,874</u>
Total	<u>\$ 961,216</u>

All leases contain non-appropriation clauses indicating that continuation of the lease is subject to funding by the legislature.

Rental expense for the years ended June 30, 2008 and 2007, for all operating leases, except those with terms of a month or less that were not renewed, totaled \$907,229 and \$890,937, respectively.

Note W – Retirement Incentive Programs and Termination Benefits

An Early Retirement Program was approved by the Board of Regents, State of Iowa in June, 1986, and modified in July, 1990 and July, 1992. Eligible for participation are faculty, professional-scientific employees, institutional officials and all merit system employees employed by the Board for a period of at least fifteen years who have attained the age of 57 but are not older than 63. The employee's department head and the appropriate administrative officers must approve the employee's participation. The Early Retirement Program for new participants was discontinued on July 1, 2004.

The following benefits are applicable during participation in the Early Retirement Program:

- 1) Health and Dental Insurance - The employer's contributions are made until the employee is eligible for Medicare coverage.
- 2) Group Life Insurance - The employer provides a \$4,000 paid-up life insurance policy for faculty and a \$2,000 policy for all other employees.
- 3) TIAA/CREF and/or IPERS Contributions - The employer's and employee's contributions are made for up to three (3) years; the employer's contributions are made for up to an additional two (2) years; the employer's contributions are payable for a maximum of five (5) years or until the employee is eligible for full Social Security benefits, whichever occurs first.

The employee may elect to accept the present value of all or part of the incentives as a lump sum payment on the beginning date of participation in the program. The Board established the rate of interest used to calculate the present value.

University policy requires departments to fully fund the ERIP liability upon signing ERIP contracts. No contracts were signed or funded during the fiscal year ended June 30, 2008. Current contracts will be fulfilled during fiscal 2010. At June 30, 2008 and 2007, the present value of future benefits was \$234,111 and \$589,063, respectively. The interest rate utilized to calculate the present value is the June 30 Merrill Lynch Ready Assets Trust rate. The rates on June 30, 2008 and 2007 were 2.22% and 4.70%, respectively. During fiscal 2008, benefit payments for 48 participants totaled \$367,418. During fiscal 2007, benefit payments for 65 participants totaled \$667,865.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note X – Funds Held in Trust by Others

The University is a beneficiary of the Joseph S. Wright Trust, which is held by others and had an aggregate market value of \$709,394 and \$787,843 at June 30, 2008 and 2007, respectively. The income received by the University from this trust was \$13,005 for fiscal year 2008 and \$14,043 for fiscal year 2007.

Note Y – Other Commitments, Claims, and Contingencies

Commitments: Changes to the University's outstanding construction contract commitments for Plant construction for the fiscal year ended June 30, 2008 are as follows:

Construction Commitments beginning of year	\$ 15,435,197
Increases in Commitments	18,674,169
Payments and Decreases in Commitments	<u>(24,681,001)</u>
Construction Commitments at end of year	\$ <u>9,428,365</u>

There were no 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.

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note Z – Segment Reporting

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bond issues are outstanding. Investors in Academic Building Revenue Bonds rely on pledged tuition and fees revenues generated by the University for repayment. Investors in bonds of all other bond enterprises rely solely on the revenue generated by the individual activities for repayment. A segment has a specifically identifiable revenue stream pledged in support of revenue bonds and has related expenses, assets, and liabilities that are required by an external party to be accounted for separately. The University's segments are described as follows:

Academic Building Revenue Bonds were created to defray the costs of constructing, renovating and equipping of academic buildings, libraries, and administrative and service buildings of the University.

Residence System Revenue Bonds were issued for the construction, renovation, and equipping of residence halls, food service buildings, and apartment housing. The bonds are payable from the net rents, profits and income derived from operation of the system. Primary sources of revenue include: room and board contracts, apartment rents, retail food sales, catering sales, and investment income.

Student Union Revenue Bonds were issued to construct additions to, remodel, refurbish, and equip the J. W. Maucker Student Union. The bonds are payable from mandatory student fees and the net revenues of the Student Union System. Primary sources of revenue include: retail sales, commissions, meeting room rentals to the University and the public, investment income, and mandatory student fees.

Field House Revenue Bonds were issued in 1997 for the replacement of the air-supported fabric roof with a self-supported roof. In 2001, bonds were issued to make repairs to the roof and the structure of the building. In 2004, bonds were issued to construct the McLeod Center, an integral part of the Field House Enterprise. The bonds are payable from student fees and the net revenues of the Field House System. Primary sources of revenue include: concession stand sales, facility rentals to the University and the public, investment income, and mandatory student fees.

Student Health System Revenue Bonds were issued in 2004 for the construction, furnishing, and equipping of the Student Health Center building and to improve, remodel, and repair the existing Student Health Center building. The bonds are payable from student fees and the net revenues of the Student Health Clinic. Primary sources of revenue include: student receipts and health insurance revenues for health care provided to UNI students and mandatory student fees.

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note Z – Segment Reporting (continued)
Academic Building

Condensed Statement of Net Assets	<u>2008</u>	<u>2007</u>
Assets:		
Current assets	\$ 16,029,641	18,158,605
Capital assets	57,215,162	41,778,056
Other noncurrent assets	<u>7,337,574</u>	<u>11,965,762</u>
Total assets	<u>80,582,377</u>	<u>71,902,423</u>
Liabilities:		
Current liabilities	5,568,659	5,795,647
Noncurrent liabilities	<u>53,843,758</u>	<u>45,066,061</u>
Total liabilities	<u>59,412,417</u>	<u>50,861,708</u>
Net assets:		
Invested in capital assets, net of related debt	14,882,608	15,139,861
Restricted, expendable	6,287,352	5,900,854
Unrestricted	-	-
Total net assets	<u>\$ 21,169,960</u>	<u>21,040,715</u>

**Condensed Statement of Revenues, Expenses,
and Changes in Net Assets**

Operating revenues	\$ 57,468,006	55,892,295
Depreciation expense	(1,925,705)	(1,753,969)
Other operating expenses	-	-
Net operating income (loss)	<u>55,542,301</u>	<u>54,138,326</u>
Nonoperating revenues (expenses)	2,054,950	2,948,557
Transfers from (to) University funds	<u>(57,468,006)</u>	<u>(55,758,498)</u>
Change in net assets	129,245	1,328,385
Net assets, beginning of year	<u>21,040,715</u>	<u>19,712,330</u>
Net assets, end of year	<u>\$ 21,169,960</u>	<u>21,040,715</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 57,468,006	55,892,295
Net cash provided (used) by capital and related financing activities	(54,489,058)	(54,945,910)
Net cash provided (used) by investing activities	<u>(1,033,247)</u>	<u>6,539,470</u>
Net increase (decrease) in cash	1,945,701	7,485,855
Cash and cash equivalents, beginning of year	<u>9,445,115</u>	<u>1,959,260</u>
Cash and cash equivalents, end of year	<u>\$ 11,390,816</u>	<u>9,445,115</u>

Debt Service Coverage

Debt service coverage – required	1.25	1.25
Debt service coverage – actual	10.14	10.47

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 5,947,762	4,630,562
Net operating income *	57,468,006	55,892,295
Annual debt service/net operating income (%)	10.4%	8.3%

As of June 30, 2008, revenue pledged for future principle and interest payments was \$88,009,179.

* Net operating income plus depreciation added back per the bond indenture.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note Z – Segment Reporting (continued)
Residence System

Condensed Statement of Net Assets	<u>2008</u>	<u>2007</u>
Assets:		
Current assets	\$ 9,793,779	13,576,061
Capital assets	29,452,695	29,787,955
Other noncurrent assets	<u>7,457,267</u>	<u>547,034</u>
Total assets	<u>46,703,741</u>	<u>43,911,050</u>
Liabilities:		
Current liabilities	4,354,316	3,777,968
Noncurrent liabilities	<u>30,898,838</u>	<u>32,688,386</u>
Total liabilities	<u>35,253,154</u>	<u>36,466,354</u>
Net assets:		
Invested in capital assets, net of related debt	(199,269)	(1,887,463)
Restricted, expendable	7,901,448	7,293,623
Unrestricted	<u>3,748,408</u>	<u>2,038,536</u>
Total net assets	<u>\$ 11,450,587</u>	<u>7,444,696</u>

**Condensed Statement of Revenues, Expenses,
and Changes in Net Assets**

Operating revenues	\$ 32,041,621	29,575,477
Depreciation expense	(1,378,126)	(1,465,487)
Other operating expenses	<u>(25,729,896)</u>	<u>(24,250,816)</u>
Net operating income (loss)	4,933,599	3,859,174
Nonoperating revenues (expenses)	(927,708)	(865,126)
Transfers from (to) University funds	<u>-</u>	<u>-</u>
Change in net assets	4,005,891	2,994,048
Net assets, beginning of year	<u>7,444,696</u>	<u>4,450,648</u>
Net assets, end of year	<u>\$ 11,450,587</u>	<u>7,444,696</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 6,436,448	5,412,793
Net cash provided (used) by capital and related financing activities	(4,213,268)	(2,539,537)
Net cash provided (used) by investing activities	<u>(1,580,669)</u>	<u>687,429</u>
Net increase (decrease) in cash	642,511	3,560,685
Cash and cash equivalents, beginning of year	<u>8,324,204</u>	<u>4,763,519</u>
Cash and cash equivalents, end of year	<u>\$ 8,966,715</u>	<u>8,324,204</u>

Debt Service Coverage

Debt service coverage – required	1.35	1.35
Debt service coverage – actual	2.54	2.28

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 3,290,449	3,291,491
Net operating income *	8,498,622	7,621,318
Annual debt service/net operating income (%)	38.7%	43.2%

As of June 30, 2008, revenue pledged for future principle and interest payments was \$44,308,201.

* Net operating income plus investment income minus capital additions from operating fund per the bond indenture.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note Z – Segment Reporting (continued)
Student Union

Condensed Statement of Net Assets	<u>2008</u>	<u>2007</u>
Assets:		
Current assets	\$ 1,893,312	4,718,805
Capital assets	12,515,147	12,941,331
Other noncurrent assets	<u>3,211,859</u>	<u>-</u>
Total assets	<u>17,620,318</u>	<u>17,660,136</u>
Liabilities:		
Current liabilities	790,389	785,280
Noncurrent liabilities	<u>10,005,874</u>	<u>10,502,896</u>
Total liabilities	<u>10,796,263</u>	<u>11,288,176</u>
Net assets:		
Invested in capital assets, net of related debt	2,730,913	2,631,252
Restricted, expendable	1,008,750	1,008,750
Unrestricted	<u>3,084,392</u>	<u>2,731,958</u>
Total net assets	<u>\$ 6,824,055</u>	<u>6,371,960</u>

**Condensed Statement of Revenues, Expenses,
and Changes in Net Assets**

Operating revenues	\$ 1,473,557	1,813,881
Depreciation expense	(426,184)	(422,437)
Other operating expenses	<u>(1,323,796)</u>	<u>(1,162,976)</u>
Net operating income (loss)	(276,423)	228,468
Nonoperating revenues (expenses)	(286,951)	(188,717)
Transfers from (to) University funds	<u>1,015,469</u>	<u>849,828</u>
Change in net assets	452,095	889,579
Net assets, beginning of year	<u>6,371,960</u>	<u>5,482,381</u>
Net assets, end of year	<u>\$ 6,824,055</u>	<u>6,371,960</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 121,185	655,268
Net cash provided (used) by capital and related financing activities	(6,047)	392,130
Net cash provided (used) by investing activities	<u>(556,565)</u>	<u>170,995</u>
Net increase (decrease) in cash	(441,427)	1,218,393
Cash and cash equivalents, beginning of year	<u>2,268,803</u>	<u>1,050,410</u>
Cash and cash equivalents, end of year	<u>\$ 1,827,376</u>	<u>2,268,803</u>

Debt Service Coverage

Debt service coverage – required	1.20	1.20
Debt service coverage – actual	4.52	4.59

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 990,613	993,072
Net operating revenue *	1,390,998	1,802,987
Annual debt service/net operating income (%)	71.2%	55.1%

As of June 30, 2008, revenue pledged for future principle and interest payments was \$14,749,489.

* Net operating income plus investment income and transfers-in of university funds minus capital additions from operating fund per the bond indenture.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
 June 30, 2008

Note Z – Segment Reporting (continued)
Field House System

Condensed Statement of Net Assets	<u>2008</u>	<u>2007</u>
Assets:		
Current assets	\$ 4,858,527	13,265,618
Capital assets	37,410,407	36,963,883
Other noncurrent assets	<u>7,720,558</u>	<u>2,412,814</u>
Total assets	<u>49,989,492</u>	<u>52,642,315</u>
Liabilities:		
Current liabilities	1,340,117	2,216,226
Noncurrent liabilities	<u>18,259,637</u>	<u>19,720,364</u>
Total liabilities	<u>19,599,754</u>	<u>21,936,590</u>
Net assets:		
Invested in capital assets, net of related debt	19,616,077	18,234,894
Restricted, expendable	4,840,574	5,615,673
Unrestricted	<u>5,933,087</u>	<u>6,855,158</u>
Total net assets	<u>\$ 30,389,738</u>	<u>30,705,725</u>

**Condensed Statement of Revenues, Expenses,
 and Changes in Net Assets**

Operating revenues	\$ 3,665,334	3,795,104
Depreciation expense	(1,276,512)	(1,015,438)
Other operating expenses	<u>(2,403,167)</u>	<u>(2,108,399)</u>
Net operating income (loss)	(14,345)	671,267
Nonoperating revenues (expenses)	(301,642)	666,817
Transfers from (to) University funds	-	<u>302,442</u>
Change in net assets	(315,987)	1,640,526
Net assets, beginning of year	<u>30,705,725</u>	<u>29,065,199</u>
Net assets, end of year	<u>\$ 30,389,738</u>	<u>30,705,725</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 1,236,418	1,711,348
Net cash provided (used) by capital and related financing activities	(4,027,956)	(2,239,746)
Net cash provided (used) by investing activities	<u>(917,605)</u>	<u>1,826,018</u>
Net increase (decrease) in cash	(3,709,443)	1,297,620
Cash and cash equivalents, beginning of year	<u>7,882,094</u>	<u>6,584,474</u>
Cash and cash equivalents, end of year	<u>\$ 4,172,651</u>	<u>7,882,094</u>

Debt Service Coverage

Debt service coverage – required	1.20	1.20
Debt service coverage – actual	4.73	3.97

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 1,620,068	2,328,518
Net operating revenue *	1,716,597	2,502,293
Annual debt service/net operating income (%)	94.4%	93.1%

As of June 30, 2008, revenue pledged for future principle and interest payments was \$25,815,915.

* Net operating income plus investment income, student fee income, casualty reimbursement, and transfers-in of university funds minus capital additions from operating fund per the bond indenture.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note Z – Segment Reporting (continued)
Student Health System

Condensed Statement of Net Assets	<u>2008</u>	<u>2007</u>
Assets:		
Current assets	\$ 1,226,496	1,980,710
Capital assets	3,647,854	3,716,737
Other noncurrent assets	<u>1,155,057</u>	<u>545</u>
Total assets	<u>6,029,407</u>	<u>5,697,992</u>
Liabilities:		
Current liabilities	280,611	275,594
Noncurrent liabilities	<u>3,336,779</u>	<u>3,490,159</u>
Total liabilities	<u>3,617,390</u>	<u>3,765,753</u>
Net assets:		
Invested in capital assets, net of related debt	418,392	341,058
Restricted, expendable	289,980	289,980
Unrestricted	<u>1,703,645</u>	<u>1,301,201</u>
Total net assets	<u>\$ 2,412,017</u>	<u>1,932,239</u>

**Condensed Statement of Revenues, Expenses,
and Changes in Net Assets**

Operating revenues	\$ 2,923,436	2,761,683
Depreciation expense	(113,456)	(110,605)
Other operating expenses	<u>(2,717,946)</u>	<u>(2,641,911)</u>
Net operating income (loss)	92,034	9,167
Nonoperating revenues (expenses)	(29,457)	(49,679)
Transfers from (to) University funds	<u>417,201</u>	<u>396,058</u>
Change in net assets	479,778	355,546
Net assets, beginning of year	<u>1,932,239</u>	<u>1,576,693</u>
Net assets, end of year	<u>\$ 2,412,017</u>	<u>1,932,239</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 242,488	131,822
Net cash provided (used) by capital and related financing activities	87,943	201,937
Net cash provided (used) by investing activities	<u>75,555</u>	<u>(14,087)</u>
Net increase (decrease) in cash	405,986	319,672
Cash and cash equivalents, beginning of year	<u>693,843</u>	<u>374,171</u>
Cash and cash equivalents, end of year	<u>\$ 1,099,829</u>	<u>693,843</u>

Debt Service Coverage

Debt service coverage – required	1.20	1.20
Debt service coverage – actual	8.57	6.64

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 280,524	279,874
Net operating revenue *	720,180	596,891
Annual debt service/net operating income (%)	39.0%	46.9%

As of June 30, 2008, revenue pledged for future principle and interest payments was \$4,755,906.

* Net operating income plus investment income and transfers-in of university funds minus capital additions from operating fund per the bond indenture.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note AA – Operating Expenses by Function

Operating expenses by natural classification for the year ended June 30, 2008 are summarized as follows:

	Personnel Services	Travel	Supplies	Contractual Services	Equipment and Repairs
Operating Expenses:					
Instruction	\$ 67,346,192	1,296,924	969,426	531,355	949,283
Research	1,675,564	87,204	192,664	175,698	78,197
Public Service	12,992,492	4,436,912	1,447,850	2,748,665	535,867
Academic Support	16,921,135	584,358	583,696	358,600	2,793,961
Student Services	4,873,373	475,862	321,773	480,082	45,467
Institutional Support	19,323,508	377,042	303,760	436,355	268,520
Operation and Maintenance of Plant	10,218,843	69,031	155,186	215,211	5,922,066
Scholarships and Fellowships	708,138	137	748	241	-
Depreciation	-	-	-	-	-
Loan cancellations and write-offs	-	-	-	34,648	-
Auxiliary Enterprises	<u>23,441,013</u>	<u>1,840,241</u>	<u>6,925,721</u>	<u>2,701,299</u>	<u>2,253,792</u>
Total Operating Expenses	<u>\$157,500,258</u>	<u>9,167,711</u>	<u>10,900,824</u>	<u>7,682,154</u>	<u>12,847,153</u>

	Claims and Miscellaneous	Licenses, Permits & Refunds	Scholarships and Fellowships	Depreciation	Total Operating Expenses
Operating Expenses: (continued)					
Instruction	950,399	68,427	493,095	-	\$ 72,605,101
Research	156,325	11,762	77,356	-	2,454,770
Public Service	1,690,408	176,770	155,760	-	24,184,724
Academic Support	336,159	399,131	73,024	-	22,050,064
Student Services	315,954	42,480	3,093	-	6,558,084
Institutional Support	(1,346,180)	885,139	(17,314)	-	20,230,830
Operation and Maintenance of Plant	4,712,250	103,663	-	-	21,396,250
Scholarships and Fellowships	211	-	4,174,662	-	4,884,137
Depreciation	-	-	-	13,291,606	13,291,606
Loan cancellations and write-offs	304,659	(87,421)	-	-	251,886
Auxiliary Enterprises	<u>7,268,535</u>	<u>977,382</u>	<u>3,635,460</u>	<u>-</u>	<u>49,043,443</u>
Total Operating Expenses	<u>14,388,720</u>	<u>2,577,333</u>	<u>8,595,136</u>	<u>13,291,606</u>	<u>\$236,950,895</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note AA – Operating Expenses by Function (continued)

Operating expenses by natural classification for the year ended June 30, 2007 are summarized as follows:

	Personnel Services	Travel	Supplies	Contractual Services	Equipment and Repairs
Operating Expenses:					
Instruction	\$ 63,823,984	1,293,021	719,685	713,510	815,487
Research	2,071,208	102,181	418,726	399,517	71,904
Public Service	13,492,368	3,911,318	1,481,125	2,225,225	530,179
Academic Support	15,261,693	529,847	491,741	237,307	2,550,818
Student Services	4,900,235	365,475	340,949	190,612	39,612
Institutional Support	16,939,511	258,590	317,751	222,849	247,142
Operation and Maintenance of Plant	9,790,431	94,208	309,374	156,463	5,413,336
Scholarships and Fellowships	743,318	-	-	-	-
Depreciation	-	-	-	-	-
Loan cancellations and write-offs	-	-	-	35,677	-
Auxiliary Enterprises	<u>21,378,113</u>	<u>1,640,624</u>	<u>6,029,190</u>	<u>2,511,387</u>	<u>2,029,934</u>
Total Operating Expenses	<u>\$ 148,400,861</u>	<u>8,195,264</u>	<u>10,108,541</u>	<u>6,692,547</u>	<u>11,698,412</u>

	Claims and Miscellaneous	Licenses, Permits & Refunds	Scholarships and Fellowships	Depreciation	Total Operating Expenses
Operating Expenses: (continued)					
Instruction	936,578	91,048	374,773	-	\$ 68,768,086
Research	115,034	21,723	31,833	-	3,232,126
Public Service	1,514,336	161,395	172,044	-	23,487,990
Academic Support	397,837	264,881	36,549	-	19,770,673
Student Services	387,698	51,123	2,135	-	6,277,839
Institutional Support	25,007	1,213,416	(61,607)	-	19,162,659
Operation and Maintenance of Plant	4,853,783	69,301	-	-	20,686,896
Scholarships and Fellowships	-	-	3,752,168	-	4,495,486
Depreciation	-	-	-	12,517,313	12,517,313
Loan cancellations and write-offs	388,792	(145,879)	-	-	278,590
Auxiliary Enterprises	<u>6,202,142</u>	<u>435,415</u>	<u>3,552,565</u>	-	<u>43,779,370</u>
Total Operating Expenses	<u>14,821,207</u>	<u>2,162,423</u>	<u>7,860,460</u>	<u>12,517,313</u>	<u>\$222,457,028</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2008

Note AB – Subsequent Event

Capital markets have experienced unprecedented volatility and selling pressure since June 30, 2008, due to a global financial crisis that persists as of the date of this report. As a result, the University's endowment investments reported in the accompanying financial statements have incurred significant declines in value. Because the values of individual investments fluctuate with market conditions, the amount of losses, if any, that the University will recognize in future financial statements, cannot be determined.



**University of
Northern
Iowa**

A public university
governed by the
Board of Regents,
State of Iowa



2007-2008

Required Supplementary Information

Required Supplementary
Information

University of Northern Iowa
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress
for the Retiree Health Plan
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
07/01/08	-	\$13,303	\$13,303	0.0%	\$118,839	11.2%

See Note O in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, and the funded status and funding progress.



**University of
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State of Iowa



2007-2008
Statistical Section

University of Northern Iowa Statistical Section

The University's statistical section of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the University's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help understand how the University's financial performance has changed over time.	75-78
Revenue Capacity	
These schedules provide information on the University's most significant revenue sources, tuition and fees, and state appropriations.	79-80
Debt Capacity	
These schedules present the University's bonded debt obligation and the revenue bond coverage.	81-83
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help understand the environment within which the University's financial activities take place.	84-85
Operating Information	
These schedules contain information about the University's operations and resources to help the reader understand how the University's financial information relates to the students and services the University provides.	86-92

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The University implemented GASB Statement 34 in 2002; schedules presenting financial information include information beginning in that year.

University of Northern Iowa
 Schedule 1

HIGHER EDUCATION PRICE INDEX (HEPI)/FULL YEAR FTE

For the Last Ten Years

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Higher Education Price Index	6.406	6.183	5.983	5.689	5.499	5.254	5.107	4.905	4.667	4.492
Normalized HEPI	1.426	1.376	1.332	1.266	1.224	1.170	1.137	1.092	1.039	1.000
Full Year FTE	10,979	10,783	10,969	11,351	11,477	11,959	12,186	11,947	11,804	11,589

HIGHER EDUCATION PRICE INDEX (HEPI). The HEPI deflates financial data to provide a Constant Dollar comparison. The HEPI has been applied to facilitate in the interpretation of certain financial information. The HEPI uses 1971 as a base year. The following table provides the HEPI in a base year format with normalized amounts for this ten year period.

FULL TIME EQUIVALENT STUDENT (FTE). Certain financial data in this section is presented per FTE student. The FTE is based on a weighted full year FTE.

Source: Commonfund; HEPI Index; 2005 through 2008 Updates

Source: Research Associates of Washington; HEPI Index; 1998 through 2004 Updates

University of Northern Iowa
Schedule 2

**CHANGE IN NET ASSETS/
NET ASSETS BY CLASSIFICATION**

For the Last Seven Years

(Expressed in Thousands)

	2008	2007	2006	2005	2004	2003	2002
CHANGE IN NET ASSETS							
Total Revenues - Schedule 3	\$ 256,846	255,306	239,105	231,310	239,576	225,894	222,614
Total Expenses - Schedule 4	242,840	227,663	226,703	217,262	217,447	211,236	211,256
Change in Net Assets	14,006	27,643	12,402	14,048	22,129	14,658	11,358
Net Assets - July 1	273,207	245,564	233,162	219,114	196,985	182,327	170,969
Net Assets - June 30	\$ 287,213	273,207	245,564	233,162	219,114	196,985	182,327
NET ASSETS BY CLASSIFICATION							
Invested in capital assets, net of related debt	\$ 194,237	180,720	158,553	145,911	136,015	136,364	119,586
Restricted							
Nonexpendable							
Scholarships and fellowships	615	615	615	615	615	615	615
Expendable							
Scholarships and fellowships	340	391	371	338	319	416	230
Loans	2,996	2,976	2,962	2,940	2,834	2,622	2,527
Capital projects	4,576	14,936	17,828	23,682	15,670	3,783	6,010
Debt service	20,912	19,719	27,548	20,389	23,683	16,832	14,327
Other	846	1,034	635	740	1,224	919	696
Unrestricted	62,691	52,816	37,052	38,547	38,754	35,434	38,336
Net Assets - June 30	\$ 287,213	273,207	245,564	233,162	219,114	196,985	182,327

University of Northern Iowa
Schedule 3
REVENUES
For the Last Seven Years
(Expressed in Thousands)

	2008	2007	2006	2005	2004	2003	2002
OPERATING							
Gross Tuition & Fees	\$ 73,394	70,721	65,855	65,569	62,130	54,886	47,695
Less: Scholarship Allowance	15,871	14,290	13,351	13,689	13,052	12,054	10,361
Net Tuition & Fees	57,523	56,431	52,504	51,880	49,078	42,832	37,334
Receipts from other entities	144	86	100	83	991	852	2,823
Grants and contracts	32,073	30,863	29,100	30,744	29,123	27,839	28,150
Sales, rents and services	7,421	6,192	8,476	7,313	6,822	6,519	5,351
Miscellaneous	720	805	772	785	2,280	2,176	811
Auxiliary enterprises	50,177	47,559	41,967	38,524	36,857	36,928	34,577
Total Operating Income	148,058	141,936	132,919	129,329	125,151	117,146	109,046
NONOPERATING							
State appropriations	95,364	86,531	83,585	79,128	79,256	83,107	85,103
Investment income	1,687	5,247	2,694	2,154	1,665	2,791	1,775
Gifts, grants and contracts	2,601	2,954	2,433	2,386	2,213	1,492	2,782
Other revenue	-	-	-	-	-	-	6,881
Total Nonoperating Revenue	99,652	94,732	88,712	83,668	83,134	87,390	96,541
CAPITAL AND OTHER REVENUES							
Capital appropriations	5,018	8,650	6,188	14,307	15,440	20,412	16,542
Capital contributions and grants	4,118	9,988	4,311	4,006	15,851	946	485
Casualty reimbursement	-	-	3,170 #	-	-	-	-
Extraordinary gain on asset impairment	-	-	3,805 #	-	-	-	-
Total Capital and Other Revenue	9,136	18,638	17,474	18,313	31,291	21,358	17,027
Total Revenues	\$ 256,846	255,306	239,105	231,310	239,576	225,894	222,614
Constant Dollar Revenues	\$ 180,116	185,542	179,508	182,709	195,732	193,072	195,791
Revenues per FTE (Actual)	\$ 23,394	23,677	21,798	20,378	20,874	18,889	18,268
Constant Dollar							
Revenues per FTE (Actual)	\$ 16,405	17,207	16,365	16,096	17,054	16,144	16,067

Gilchrist arson October 16, 2005.

* Principal Insurance Company Demutualization \$12,816,904 less Principal Demutualization proceeds remitted to State of Iowa \$5,936,000 during the fiscal year ending June 30, 2002.

University of Northern Iowa
Schedule 4
EXPENSES
For the Last Seven Years
(Expressed in Thousands)

	2008	2007	2006	2005	2004	2003	2002
OPERATING EXPENSES BY FUNCTION							
Instruction	\$ 72,605	68,768	67,145	64,418	64,082	62,067	58,352
Research	2,455	3,232	1,428	2,518	2,568	2,513	2,961
Public service	24,185	23,488	22,589	22,165	19,978	18,382	20,394
Academic support	22,050	19,771	19,904	19,401	19,794	20,659	20,846
Student services	6,558	6,278	5,973	6,460	6,130	6,067	5,915
Institutional support	20,231	19,163	23,311	23,562	22,828	22,716	20,211
Operation and maintenance of plant	21,396	20,687	20,576	16,740	20,471	19,717	25,293
Scholarships and fellowships	4,884	4,495	4,861	5,454	6,415	6,563	5,922
Depreciation	13,292	12,517	11,469	12,646	12,833	12,512	12,631
Loan cancellations and write-offs	252	279	277	471	479	484	790
Auxiliary enterprises	49,043	43,779	41,066	38,220	36,486	34,275	33,383
Total Operating Expenses	<u>236,951</u>	<u>222,457</u>	<u>218,599</u>	<u>212,055</u>	<u>212,064</u>	<u>205,955</u>	<u>206,698</u>
NONOPERATING EXPENSES							
Interest expense	5,765	5,014	5,010	5,141	5,179	5,180	4,504
Amortization expense	94	77	91	66	107	101	54
Miscellaneous expense	30	115	3,003 *	-	97	-	-
Total Nonoperating Expenses	<u>5,889</u>	<u>5,206</u>	<u>8,104</u>	<u>5,207</u>	<u>5,383</u>	<u>5,281</u>	<u>4,558</u>
Total Expenses	<u>\$ 242,840</u>	<u>227,663</u>	<u>226,703</u>	<u>217,262</u>	<u>217,447</u>	<u>211,236</u>	<u>211,256</u>
Constant Dollar Expenses	\$ 170,295	165,453	170,197	171,613	177,653	180,544	185,801
Expenses per FTE (Actual)	\$ 22,119	21,113	20,668	19,140	18,946	17,663	17,336
Constant Dollar Expenses per FTE (Actual)	\$ 15,511	15,344	15,517	15,118	15,479	15,097	15,247

* Includes unrealized loss on increase in equipment capitalization threshold of \$3,001,533.

University of Northern Iowa
Schedule 5

**TUITION & FEES PER FULL TIME EQUIVALENT (FTE) STUDENT/
TUITION & FEES RATES**

For the Last Ten Years

(Expressed in Thousands)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
TUITION & FEES										
Total Tuition & Fees	\$ 73,394	70,721	65,855	65,569	62,130	54,886	47,695	42,963	39,829	37,447
Less: Other Funds Unrestricted	8,298	7,565	6,496	6,743	6,600	6,087	7,767	4,640	3,907	3,563
Unrestricted Scholarships & Fellowships	9,851	9,324	9,438	9,415	8,937	8,078	6,537	6,415	6,230	6,098
Net Tuition & Fees	\$ 55,245	53,832	49,921	49,411	46,593	40,721	33,391	31,908	29,692	27,786
Constant Dollar Net Tuition & Fees										
	\$ 38,741	39,122	37,478	39,029	38,066	34,804	29,368	29,220	28,577	27,786
Tuition & Fees per FTE Student (Actual)										
	\$ 5,032	4,992	4,551	4,353	4,060	3,405	2,740	2,671	2,515	2,398
Constant Dollar Tuition & Fees per FTE Student (Actual)										
	\$ 3,529	3,628	3,417	3,438	3,317	2,910	2,410	2,446	2,421	2,398
TUITION & FEES RATES										
Resident Undergraduate	\$ 6,190	6,112	5,602	5,387	4,916	4,118	3,440	3,130	2,988	2,860
Non-resident Undergraduate	14,282	14,028	13,214	12,705	11,874	10,426	8,762	8,094	7,748	7,415
Resident Graduate	7,084	6,962	6,420	6,173	5,612	4,814	4,028	3,676	3,510	3,360
Non-resident Graduate	15,392	15,100	14,244	13,697	12,686	11,238	9,446	8,732	8,358	7,999
FULL ROOM & BOARD RATE	\$ 6,280	5,740	5,519	5,261	5,018	4,640	4,398	4,149	3,914	3,624
TOTAL COST OF ATTENDANCE										
Resident Undergraduate	\$ 12,470	11,852	11,121	10,648	9,934	8,758	7,838	7,279	6,902	6,484
Non-resident Undergraduate	20,562	19,768	18,733	17,966	16,892	15,066	13,160	12,243	11,662	11,039
CONSTANT DOLLAR TUITION & FEE RATES										
Resident Undergraduate	\$ 4,341	4,442	4,206	4,255	4,016	3,519	3,026	2,866	2,876	2,860
Non-resident Undergraduate	10,015	10,195	9,920	10,036	9,701	8,911	7,706	7,412	7,457	7,415
Resident Graduate	4,968	5,060	4,820	4,876	4,585	4,114	3,543	3,366	3,378	3,360
Non-resident Graduate	10,794	10,974	10,694	10,819	10,364	9,605	8,308	7,996	8,044	7,999
CONSTANT DOLLAR FULL ROOM & BOARD RATE										
	\$ 4,404	4,172	4,143	4,156	4,100	3,966	3,868	3,799	3,767	3,624
CONSTANT DOLLAR COST OF ATTENDANCE										
Resident Undergraduate	\$ 8,745	8,614	8,349	8,411	8,116	7,485	6,894	6,665	6,643	6,484
Non-resident Undergraduate	14,419	14,367	14,063	14,192	13,801	12,877	11,574	11,211	11,224	11,039

University of Northern Iowa
Schedule 6

STATE APPROPRIATIONS

For the Last Ten Years

CAPITAL APPROPRIATIONS

For the Last Seven Years

(Expressed in Thousands)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
STATE APPROPRIATIONS										
Total	\$ 95,364	86,531	83,585	79,128	79,256	83,107	85,102	96,898	93,239	88,924
Less: Non-General Funds	1,606	1,544	677	723	677	291	272	117	114	201
Tuition Replacement *	-	-	-	-	-	-	-	4,951	4,627	4,725
Net State Appropriations	\$ 93,758	84,987	82,908	78,405	78,579	82,816	84,830	91,830	88,498	83,998
Constant Dollar Unrestricted State Appropriations	\$ 65,749	61,764	62,243	61,931	64,199	70,783	74,609	84,093	85,176	83,998
State Appropriations per FTE Student (Actual)	\$ 8,540	7,882	7,558	6,907	6,847	6,925	6,961	7,686	7,497	7,248
Constant Dollar State Appropriations per FTE Student (Actual)	\$ 5,989	5,728	5,674	5,456	5,594	5,919	6,122	7,039	7,216	7,248
CAPITAL APPROPRIATIONS										
Constant Dollar Restricted Capital Appropriations	\$ 3,519	6,286	4,646	11,301	12,614	17,446	14,549			
Capital Appropriations per FTE Student (Actual)	\$ 457	802	564	1,260	1,345	1,707	1,357			
Constant Dollar Capital Appropriations per FTE Student (Actual)	\$ 321	583	424	996	1,099	1,459	1,194			

*Tuition Replacement was considered to be an operating appropriation through 2002. It is now considered to be a capital appropriation.

University of Northern Iowa
Schedule 7

OUTSTANDING BONDED DEBT PER FULL TIME EQUIVALENT (FTE) STUDENT

For the Last Ten Years

(Expressed in Thousands)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Academic Building Revenue Bonds	\$ 57,066	47,854	42,738	37,890	35,707	46,963	46,326	44,308	46,964	49,633
Residence System Bonds	32,355	34,040	35,655	36,935	37,960	39,570	31,140	32,250	33,045	19,790
Field House Bonds	18,630	20,190	21,640	30,340	23,325	13,760	13,990	8,585	8,795	8,995
Student Union Bonds	10,480	10,965	11,430	11,885	12,325	12,755	12,755	-	-	-
Student Health Center Bonds	3,440	3,585	3,730	3,875	3,875	-	-	-	-	-
Total Bonded Debt	\$ 121,971	116,634	115,193	120,925	113,192	113,048	104,211	85,143	88,804	78,418
Constant Dollar										
Outstanding Bonded Debt	\$ 85,534	84,763	86,481	95,517	92,477	96,622	91,654	77,970	85,471	78,418
Outstanding Bonded Debt per FTE Student (Actual)	\$ 11,109	10,816	10,502	10,653	9,863	9,453	8,552	7,127	7,523	6,767
Constant Dollar Bonded Debt per FTE Student (Actual)	\$ 7,791	7,861	7,884	8,415	8,058	8,079	7,521	6,526	7,241	6,767

University of Northern Iowa
 Schedule 8
REVENUE BOND COVERAGE
 For the Last Ten Years
 (Dollars in Thousands)

ACADEMIC BUILDING REVENUE BONDS

Legal coverage = 1.25 of Maximum Debt Service Requirements

Fiscal Year Ended June 30	Pledged General Fund Tuition	Maximum Debt Service	Actual Coverage
2008	63,771	6,287	10.14
2007	61,801	5,901	10.47
2006	58,158	5,392	10.79
2005	57,836	4,772	12.12
2004	54,447	4,824	11.29
2003	47,670	4,294	11.10
2002	39,934	5,135	7.78
2001	36,506	5,200	7.02
2000	34,171	5,200	6.57
1999	32,354	5,200	6.22

RESIDENCE SYSTEM REVENUE BONDS

Legal coverage = 1.35 of Maximum Debt Service Requirements

Fiscal Year Ended June 30	Gross Revenues	Less Operating Expenses	Net Available Revenues	Maximum Debt Service	Actual Coverage
2008	32,650	24,151	8,499	3,347	2.54
2007	30,323	22,701	7,622	3,347	2.28
2006	27,344	21,165	6,179	3,347	1.85
2005	24,836	20,092	4,744	3,347	1.42
2004	23,775	18,946	4,829	3,347	1.44
2003	24,158	18,491	5,667	3,347	1.69
2002	24,818	19,282	5,536	2,816	1.97
2001	24,522	18,018	6,504	2,816	2.31
2000	21,061	16,692	4,369	2,844	1.54
1999	19,162	15,290	3,872	2,005	1.93

Maximum Debt Service is defined as the largest sum of principal and interest payable in any subsequent fiscal year. Legal coverage for the above bond issues is computed utilizing Maximum Debt Service.

REVENUE BOND COVERAGE

For the Last Ten Years

(Dollars in Thousands)

FIELD HOUSE REVENUE BONDS

Legal coverage = 1.20 of Annual Debt Service Requirements

Fiscal Year Ended June 30	Gross Revenues	Less Operating Expenses	Net Available Revenues	System Fund Balance	Debt Service Requirements			Actual Coverage
					Principal	Interest	Total	
2008	4,062	2,345	1,717	5,938	895	725	1,620	4.73
2007	4,419	1,916	2,503	6,751	1,560	769	2,329	3.97
2006	3,577	1,701	1,876	2,903	1,450	855	2,305	2.07
2005	3,162	1,567	1,595	2,423	1,320	956	2,276	1.76
2004	2,782	1,449	1,333	3,788	450	730	1,180	4.34
2003	3,062	1,661	1,401	2,229	435	643	1,078	3.37
2002	2,675	1,680	995	3,521	230	554	784	5.76
2001	2,731	1,357	1,374	4,068	220	425	645	8.44
2000	2,147	931	1,216	5,398	210	434	644	10.27
1999	1,974	842	1,132	1,471	200	443	643	4.05

Note: Gross revenues consist of Operating Fund revenue, student fees and interest income.

STUDENT UNION REVENUE BONDS

Legal coverage = 1.20 of Annual Debt Service Requirements

Fiscal Year Ended June 30	Gross Revenues	Less Operating Expenses	Net Available Revenues	System Fund Balance	Debt Service Requirements			Actual Coverage
					Principal	Interest	Total	
2008	2,704	1,313	1,391	3,089	500	491	991	4.52
2007	2,874	1,071	1,803	2,768	485	508	993	4.59
2006	2,357	1,121	1,236	1,991	465	523	988	3.26
2005	2,299	1,236	1,063	1,799	455	537	992	2.89
2004	2,067	1,019	1,048	2,243	440	548	988	3.33
2003	2,510	968	1,542	2,794	430	555	985	4.40
2002	2,258	988	1,270	2,631	-	139	139	28.06

STUDENT HEALTH CENTER REVENUE BONDS

Legal coverage = 1.20 of Annual Debt Service Requirements

Fiscal Year Ended June 30	Gross Revenues	Less Operating Expenses	Net Available Revenues	System Fund Balance	Debt Service Requirements			Actual Coverage
					Principal	Interest	Total	
2008	3,445	2,725	720	1,689	150	131	281	8.57
2007	3,247	2,650	597	1,263	145	135	280	6.64
2006	3,069	2,493	576	986	145	139	284	5.50
2005	2,489	1,838	651	1,166	145	144	289	6.30

University of Northern Iowa
 Schedule 9

**STATE OF IOWA - TOTAL PERSONAL INCOME, POPULATION,
 PER CAPITA PERSONAL INCOME, UNEMPLOYMENT PERCENTAGE**
 For the Last Ten Years

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Total Personal Income (expressed in millions)	\$ 104,651	99,112	95,858	90,289	85,506	83,051	79,753	78,200	73,500	68,473
Population (expressed in thousands)	2,988	2,982	2,966	2,954	2,944	2,937	2,923	2,926	2,869	2,862
Per Capita Personal Income (expressed in dollars)	\$ 35,023	33,236	32,315	30,560	29,043	28,240	27,283	26,723	25,615	23,925
Unemployment Percentage	3.8%	3.7%	4.6%	4.5%	4.5%	4.0%	3.3%	2.6%	2.6%	2.8%
Constant Dollar										
Per Capita Personal Income	\$ 24,560	24,154	24,261	24,139	23,728	24,137	23,996	24,472	24,654	23,925
Net UNI Appropriations										
(expressed in thousands)	\$ 84,987	82,908	78,405	78,579	82,816	84,830	91,830	88,498	83,998	79,844
UNI Appropriations per Capita	\$ 28.44	27.80	26.43	26.60	28.13	28.88	31.42	30.25	29.28	27.90
Constant Dollar										
UNI Appropriations per Capita	\$ 19.95	20.21	19.85	21.01	22.98	24.69	27.63	27.70	28.18	27.90

Source: State of Iowa Comprehensive Annual Financial Report, most recent audited report

University of Northern Iowa
 Schedule 10
STATE OF IOWA PRINCIPAL EMPLOYERS
 Current Year and Nine Years Prior

Rank	Employer	Type of Business
1	Hy-Vee Food Stores, Inc.	Retail Food
2	Wal-Mart Stores, Inc.	Retail General Merchandise
3	Deere and Company	Machinery Manufacturer
4	Rockwell Collins, Inc.	Machinery Manufacturer
5	Principal Life Insurance Company	Insurance
6	Wells Fargo Bank, NA	Finance
7	Tyson Fresh Meats, Inc.	Manufacturing
8	Fareway Stores, Inc.	Retail Food
9	Pella Corporation	Manufacturing
10	Iowa Health Systems	Health Services/Des Moines

Based on 2007 calendar year annual average employment.

Source: Iowa Workforce Development, QCEW

Rank	Employer	Type of Business
1	Hy-Vee Food Stores, Inc.	Retail Food
2	Deere and Company	Machinery Manufacturer
3	Wal-Mart Stores, Inc.	Retail General Merchandise
4	Principal Life Insurance Company	Insurance
5	Rockwell Collins, Inc.	Machinery Manufacturer
6	Iowa Beef Processors, Inc.	Meat Packer
7	APAC Teleservices, Inc.	Telemarketing
8	Central Iowa Health Systems	Health Services
9	Mercy Hospital Medical Center	Health Services
10	Fareway Stores, Inc.	Retail Food

Based on 1998 calendar year annual average employment.

Source: Iowa Workforce Development

The Code of Iowa defines employee counts as confidential data; as such, this information is not available.

University of Northern Iowa
 Schedule 11
FULL TIME EMPLOYEES AND FACULTY DATA
 For the Last Ten Years

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
STAFF POSITIONS (Full Time)										
General Operating Fund:										
Faculty	603	595	625	618	632	649	648	671	644	641
Administrative	281	278	275	296	288	265	279	289	288	265
Library Professional	24	24	25	24	24	26	24	25	26	26
Clerical/Secretarial	157	154	155	163	191	191	212	219	221	218
Technical	20	17	16	17	17	17	19	19	15	20
Craftsmen & Custodial	126	124	124	123	141	152	161	168	178	180
Security	11	12	11	12	12	14	12	15	16	15
All Other Funds	511	526	516	515	481	520	515	484	458	407
Total	1,733	1,730	1,747	1,768	1,786	1,834	1,870	1,890	1,846	1,772
FACULTY POSITIONS (FTE)										
Total Faculty	711.3	684.3	740.4	741.6	746.3	760.0	804.9	785.9	789.6	778.4
Percent Tenured	54.1%	56.6%	58.6%	57.0%	56.8%	55.2%	50.7%	50.2%	49.7%	53.7%
Students per Faculty Member	16.0	16.5	14.8	15.3	15.3	15.6	15.0	15.1	14.7	14.7

University of Northern Iowa
Schedule 12
ENROLLMENT AND FRESHMAN CLASS DATA
For the Last Ten Years

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
ENROLLMENT (Fall Headcount)										
Undergraduate - Lower	4,719	4,427	4,433	4,363	4,619	5,112	5,425	5,495	5,306	5,132
Undergraduate - Upper	6,291	6,275	6,519	6,857	7,155	7,170	7,049	6,723	6,678	6,632
Graduate - Masters	1,157	1,113	1,112	1,100	1,173	1,163	1,174	1,144	1,133	1,154
Graduate - Advanced	442	445	449	504	494	481	422	412	436	411
Total	12,609	12,260	12,513	12,824	13,441	13,926	14,070	13,774	13,553	13,329
Residents	11,444	11,129	11,400	11,793	12,356	12,781	13,010	12,790	12,630	12,403
Nonresidents	1,165	1,131	1,113	1,031	1,085	1,145	1,060	984	923	926
ENROLLMENT (FTE)										
Full Year FTE	10,979	10,783	10,969	11,351	11,477	11,959	12,186	11,947	11,804	11,589
Fall FTE	11,107	10,835	11,016	11,006	11,424	11,879	12,081	11,868	11,628	11,415
ADMISSIONS (Freshmen)										
Applications	4,584	4,722	4,585	4,360	4,216	4,350	4,446	4,688	4,700	4,479
Accepted	3,841	3,759	3,572	3,422	3,360	3,518	3,554	3,786	3,851	3,776
Acceptance Ratio	83.8%	79.6%	77.9%	78.5%	79.7%	80.9%	79.9%	80.8%	81.9%	84.3%
Enrolled	2,015	1,991	1,768	1,737	1,700	1,785	1,865	2,104	2,177	2,023
Enrollment Ratio	52.5%	53.0%	49.5%	50.8%	50.6%	50.7%	52.5%	55.6%	56.5%	53.6%
Average ACT Score	22.9	23.0	23.0	22.8	22.9	22.9	22.8	22.9	23.0	23.3
Percent in Upper 30% of High School Class	50.6%	53.8%	57.5%	56.7%	57.3%	58.4%	57.0%	57.9%	60.2%	59.3%
Percent in Upper 10% of High School Class	16.6%	17.6%	18.2%	19.0%	19.1%	19.2%	17.7%	18.1%	19.1%	18.0%

University of Northern Iowa
Schedule 13
DEGREES GRANTED
For the Last Ten Years

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
DEGREES GRANTED (Summary)										
Baccalaureate	2,221	2,259	2,423	2,669	2,584	2,592	2,420	2,266	2,386	2,324
Masters	474	471	485	494	434	405	415	383	426	429
Specialists	9	10	7	3	11	9	4	3	10	6
Doctorates	16	8	18	10	10	12	12	13	8	7
Total	2,720	2,748	2,933	3,176	3,039	3,018	2,851	2,665	2,830	2,766
DEGREES GRANTED (Detail)										
Doctor of Industrial Technology	1	-	3	1	2	2	5	11	2	2
Doctor of Education	15	8	15	9	8	10	7	2	6	5
Specialist in Education	9	10	7	3	11	9	4	3	10	6
Professional Science Master's	5	-	-	-	-	-	-	-	-	-
Master of Arts in Education	119	129	103	147	127	114	107	92	127	121
Master of Arts	208	231	237	206	198	215	217	211	244	242
Master of Business Administration	42	35	62	52	21	5	36	55	35	37
Master of Music	22	13	12	19	11	12	11	6	5	13
Master of Public Policy	16	11	5	6	11	8	10	1	3	7
Master of Science	10	10	20	21	13	17	16	18	12	9
Master of Accounting	23	11	19	13	23	7	2	-	-	-
Master of Social Work	29	31	27	30	30	27	16	-	-	-
Bachelor of Arts	2,121	2,148	2,272	2,514	2,463	2,449	2,307	2,144	2,254	2,227
Bachelor of Fine Arts	8	8	15	9	8	7	8	5	8	2
Bachelor of Music	14	19	19	22	23	24	22	20	28	17
Bachelor of Science	64	64	93	90	74	84	71	76	77	62
Bachelor of Technology	-	-	-	-	-	1	-	2	4	5
Bachelor of Liberal Studies	14	20	24	34	16	27	12	19	15	11
Total	2,720	2,748	2,933	3,176	3,039	3,018	2,851	2,665	2,830	2,766

University of Northern Iowa
Schedule 14
COST PER FULL TIME EQUIVALENT (FTE) STUDENT
For the Last Ten Years
(Expressed in Thousands)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Educational Fund Expenditures	\$ 143,263	136,384	132,257	128,373	125,409	122,788	117,744	123,427	119,070	114,034
Less Separately Budgeted Expenditures:										
Research	628	581	487	499	480	471	650	839	918	892
Public Service	1,905	1,616	1,611	2,207	1,834	1,449	2,582	2,725	2,572	2,888
Scholarships/Fellowships	9,845	9,324	9,438	9,415	8,937	8,078	6,537	6,415	6,230	6,098
General Educational Fund Instructional Expenditures	\$ 130,885	124,863	120,721	116,252	114,158	112,790	107,975	113,448	109,350	104,156
Cost per FTE Student (Actual)	\$ 11,921	11,580	11,006	10,242	9,947	9,431	8,861	9,496	9,264	8,987
Constant Dollar Cost per FTE Student (Actual)	\$ 8,360	8,415	8,263	8,090	8,126	8,061	7,793	8,696	8,916	8,987

University of Northern Iowa
Schedule 15

SCHOLARSHIPS & FELLOWSHIPS PER FULL TIME EQUIVALENT (FTE) STUDENT

For the Last Ten Years

(Expressed in Thousands)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
SCHOLARSHIPS & FELLOWSHIPS										
Unrestricted	\$ 9,851	9,324	9,438	9,415	8,937	8,078	6,537	6,415	6,230	6,098
Restricted	<u>10,904</u>	<u>9,461</u>	<u>8,774</u>	<u>9,728</u>	<u>10,545</u>	<u>10,539</u>	<u>9,746</u>	<u>8,211</u>	<u>7,766</u>	<u>7,614</u>
Total	<u>\$ 20,755</u>	<u>18,785</u>	<u>18,212</u>	<u>19,143</u>	<u>19,482</u>	<u>18,617</u>	<u>16,283</u>	<u>14,626</u>	<u>13,996</u>	<u>13,712</u>

CONSTANT DOLLAR SCHOLARSHIPS & FELLOWSHIPS

Unrestricted	\$ 6,908	6,776	7,086	7,437	7,301	6,904	5,749	5,875	5,996	6,098
Restricted	<u>7,647</u>	<u>6,876</u>	<u>6,587</u>	<u>7,684</u>	<u>8,615</u>	<u>9,008</u>	<u>8,572</u>	<u>7,519</u>	<u>7,474</u>	<u>7,614</u>
Total	<u>\$ 14,555</u>	<u>13,652</u>	<u>13,673</u>	<u>15,121</u>	<u>15,916</u>	<u>15,912</u>	<u>14,321</u>	<u>13,394</u>	<u>13,470</u>	<u>13,712</u>

SCHOLARSHIPS & FELLOWSHIPS PER FTE STUDENT (Actual)

Unrestricted	\$ 897	865	860	829	779	675	536	537	528	526
Restricted	<u>993</u>	<u>877</u>	<u>800</u>	<u>857</u>	<u>919</u>	<u>881</u>	<u>800</u>	<u>687</u>	<u>658</u>	<u>657</u>
Total	<u>\$ 1,890</u>	<u>1,742</u>	<u>1,660</u>	<u>1,686</u>	<u>1,698</u>	<u>1,556</u>	<u>1,336</u>	<u>1,224</u>	<u>1,186</u>	<u>1,183</u>

CONSTANT DOLLAR SCHOLARSHIPS & FELLOWSHIPS PER FTE STUDENT (Actual)

Unrestricted	\$ 629	629	646	655	636	577	471	492	508	526
Restricted	<u>696</u>	<u>637</u>	<u>601</u>	<u>677</u>	<u>751</u>	<u>753</u>	<u>704</u>	<u>629</u>	<u>633</u>	<u>657</u>
Total	<u>\$ 1,325</u>	<u>1,266</u>	<u>1,247</u>	<u>1,332</u>	<u>1,387</u>	<u>1,330</u>	<u>1,175</u>	<u>1,121</u>	<u>1,141</u>	<u>1,183</u>

University of Northern Iowa
Schedule 16

**CAPITAL ASSETS BY MAJOR CLASS LESS
ACCUMULATED DEPRECIATION**

For the Last Seven Years

(Expressed in Thousands)

	2008	2007	2006	2005	2004	2003	2002
Land	\$ 4,580	4,305	4,235	4,235	4,235	4,203	3,935
Construction in Progress	13,423	19,461	24,979	34,727	23,534	31,709	6,673
Capital Assets Not Depreciated	18,003	23,766	29,214	38,962	27,769	35,912	10,608
Land Improvements	12,447	12,250	12,233	12,132	11,132	11,861	11,745
Infrastructure	27,403	27,043	27,040	14,070	13,455	13,456	13,456
Buildings	355,148	326,437	292,846	273,898	263,732	237,998	237,279
Equipment	43,812	41,060	37,655	50,222	48,672	46,902	45,163
Library Materials	33,969	33,075	32,158	31,165	30,289	28,801	27,651
Capital Assets Depreciated	472,779	439,865	401,932	381,487	367,280	339,018	335,294
Total Capital Assets	490,782	463,631	431,146	420,449	395,049	374,930	345,902
Less: Accumulated Depreciation	190,294	178,466	168,232	169,102	158,890	147,984	136,795
Net Book Value	\$ 300,488	285,165	262,914	251,347	236,159	226,946	209,107
ACCUMULATED DEPRECIATION							
Land Improvements	\$ 6,844	6,413	5,992	5,551	5,379	4,999	4,607
Infrastructure	8,605	7,901	7,159	6,712	6,295	5,886	5,478
Buildings	117,918	109,819	102,524	96,216	89,662	83,363	77,636
Equipment	29,326	27,986	27,451	36,807	35,066	32,611	29,384
Library Materials	27,601	26,347	25,106	23,816	22,488	21,125	19,690
Total Accumulated Depreciation	\$ 190,294	178,466	168,232	169,102	158,890	147,984	136,795

University of Northern Iowa
 Schedule 17

ENROLLMENT PROJECTIONS (Headcount Basis)

For the Next Ten Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Undergraduate - Lower	4,692	4,705	4,642	4,554	4,478	4,448	4,456	4,485	4,523	4,564
Undergraduate - Upper	6,314	6,506	6,609	6,646	6,610	6,538	6,465	6,426	6,419	6,440
Unclassified - Special	250	259	265	269	272	274	275	276	277	278
Graduate	1,898	1,928	1,952	1,971	1,987	2,000	2,010	2,018	2,024	2,029
Total	13,154	13,398	13,468	13,440	13,347	13,260	13,206	13,205	13,243	13,311

Note: Enrollment projections are based primarily on high school graduate projections provided by the Iowa Department of Education. Historical trends are used to project other student pools for non-traditional, out-of-state, and new transfers. The overall historical yield is also adjusted for current recruiting factors.

Acknowledgements

**Report Prepared by
The University of Northern Iowa
Financial Accounting and Reporting Services**

Gary B. Shontz, Controller, University Secretary and Treasurer
Tonya Gerbracht, Assistant Controller
Mark Fober, Accounting Manager
Jeanne Alcantara, CPA, Accountant
Yvonne Buehner, Secretary

**Additional Assistance Provided by
Office of University Marketing and Public Relations**

Jess Nissen, Assistant Marketing Specialist
Beth LaVelle, Art Director & Designer

**Printed by
Woolverton Printing Company, Cedar Falls, Iowa
UNI Print Services**

*The University of Northern Iowa Comprehensive
Annual Financial Report is available
on the World Wide Web at:*

<http://access.uni.edu/reports/cafr/index.shtml>



**University of
Northern
Iowa**

Financial Accounting and Reporting Services

122 Lang Hall

Cedar Falls, Iowa 50614-0009

319-273-3576



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the Board of Regents, State of Iowa

We have audited the financial statements of the University of Northern Iowa (University) as of and for the year ended June 30, 2008 and have issued our report thereon dated December 5, 2008 under separate cover. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

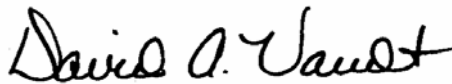
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which will be reported to management in a separate departmental report.

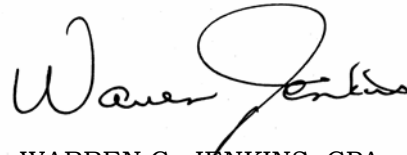
The University's response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we expressed our conclusion on the University's response, we did not audit the University's response and, accordingly, we express no opinion on it.

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, 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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the University of Northern Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 2, 2009

University of Northern Iowa

Schedule of Findings

Year ended June 30, 2008

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY:

Wages and Salary Overpayments – When the University has overpaid several employees or students, the University has asked these individuals for a refund of the overpayment. During the fiscal year, the number of overpayments increased. However, refunds were collected more timely than in the past. Overpayments may occur if a Personnel Action Form (PAF) is not filed when an individual leaves employment or termination dates are not correctly inputted.

Recommendation – The University should continue to monitor the payment of salary and wages to reduce overpayments. When overpayments occur, the University should pursue refunds timely and monitor the disposition of the refund.

University Response - The University acknowledges that salary and wage overpayments need to be collected on a timely basis. The University has collected on all overpayments occurring during the current year and agrees to utilize all available collection tools to collect on any overpayments outstanding from prior years. Additionally, the University will continue to explore alternative procedures to minimize the opportunity for overpayment to occur, including changes to the PAF process and enhanced employee notifications.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.