



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

An enterprise fund of the State of Iowa

2015-2016 Comprehensive Annual Financial Report

For the fiscal years ended
June 30, 2016 and June 30, 2015





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Prepared by:
Office of Business Operations

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2015-2016 Introductory Section



December 8, 2016

To Interim President Wohlpert,
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, 2016. The audit opinion letter of the Auditor of State appears in the Financial Section and expresses an unmodified 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 U.S. 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 requires management to 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

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 139 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 11,905 students and 1,816 full-time faculty and staff. Eighty-eight percent of the students are from the State of Iowa. The student body represents 99 counties in Iowa, 41 states and 68 foreign countries.

The University of Northern Iowa provides transformative learning experiences that inspire students to embrace challenge, engage in critical inquiry and creative thought and contribute to society. 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, Arts and Sciences; Social and Behavioral Sciences; and Graduate College.

The University is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. 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 2016-2017

Real Gross Domestic Product (GDP) showed growth during 2015, reflecting the continued overall rebound the national economy is experiencing. Real GDP was 1.5% in calendar year 2013, 2.4% in 2014 and 2.6% in 2015. According to the Wells Fargo Economics Group, GDP growth will be 1.5% for 2016 and 2.1% during 2017.

Jobs continued to grow over the past year and unemployment has decreased. Total nonfarm employment increased 2.3 million jobs in 2013, 3.0 million jobs in 2014 and 2.7 million jobs in 2015. During the first 10 months of 2016, 1.8 million jobs were added. Unemployment was 7.4% in 2013, 6.2% in 2014 and 5.3% in 2015. The Wells Fargo Economics Group predicts unemployment will average 4.9% for 2016 and decline to 4.7% in 2017.

The "Core" Consumer Price Index was 1.8% in 2013, 1.6% in 2014 and 0.1% in 2015, indicating inflation remains controlled. The Wells Fargo Economics Group predicts core inflation will increase, averaging 1.2% in 2016 and 2.4% in 2017.

A recent weakness in housing demand has caused a scale back in the housing forecast. Housing starts were 0.9 million in 2013, 1.0 million in 2014 and 1.1 million in 2015. The Wells Fargo Economics Group predicts housing starts will average 1.1 million in 2016 and slight increase to 1.2 million units in 2017. Light vehicle sales have increased each year following the recession, but light vehicle sales appear to be topping out. Light vehicle sales were 15.5 million in 2013, 16.5 million in 2014 and 17.4 million in 2015. The Wells Fargo Economics Group predicts light vehicle sales will be 17.4 million in 2016 and 17.0 million in 2017.

Interest rates have remained historically low since the fourth quarter of 2008. The Federal Funds Target Rate increased from 0.25% to 0.27% and the prime rate has increased from 3.25% to 3.27% for the first time since the fourth quarter of 2008. The Wells Fargo Economics Group predicts the Fed Funds rate to increase one – quarter percentage point by the end of 2016 to 1.25% and the prime rate will increase to 4.25%, followed by two quarter-point hikes in 2017.

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, manufacturing decreased from 19.6% to 18.3% of the state's GDP. Finance and insurance decreased from 13.8% to 10.8%, wholesale and retail trade decreased from 11.6% to 11.4%, government increased from 11.3% to 11.4% and real estate, rental and leasing increased from 9.3% to 10.5%. With the growth in renewable fuels processing in Iowa, and more grain and livestock production, agriculture became more significant, increasing from 3.9% to 5.9% of the state's GDP.

Farmland Values. According to the Federal Reserve Bank of Chicago, the annual percentage change in the dollar value of "good" Iowa farmland was -1% between July 1, 2013 and July 1, 2014, -7% between 2014 and 2015 and -6% between 2015 to 2016. Lower agricultural prices and an associated decline in farm earnings over the past two years have been a drag on farmland values. A majority of bankers responding to the survey sent out by the Federal Reserve Bank of Chicago believe land values have stabilized, while some projected agricultural land values will decrease in the coming quarters. Corn prices are up 6% from one year ago and down -15% from two years ago. Soybeans are up 6% from one year ago and down -29% from two years ago. Hog prices remained the same from one year ago and are down -28% from two years ago.

Per-Capita Personal Income. Iowa's average per-capita income, as reported by the Bureau of Economic Analysis, was \$44,937 in 2014 and \$45,902 in 2015. The average per-capita income in the nation was \$46,049 in 2014 and \$48,112 in 2015. Iowa's per-capita personal income increased 3.3% from 2014 to 2015, while the nation's increased 3.7%.

Employment. According to the Bureau of Labor Statistics, Iowa's seasonally adjusted percent unemployed for the State was 4.2% for June 2014, 3.6% for June 2015 and 4.0% for June 2016. For the nation, seasonally adjusted percent unemployed was 6.1% in June 2014, 5.3% in June 2015 and 4.9% in June 2016. Over the past three years, Iowa's unemployment rate has been between 0.9 and 1.9 percentage points below the national average. In June 2016, there were 1,710,991 employed Iowans compared with 1,698,387 in June 2015, an increase of 12,604 persons. There were 68,087 unemployed Iowans in June 2016 compared with 61,833 in June 2015, an increase of 6,254.

Manufacturing. According to the Bureau of Economic Analysis, Iowa's GDP from manufacturing increased by 30.6% in current dollars between 2005 and 2015 while the nation's GDP from manufacturing increased by 27.2%. According to the Bureau of Labor Statistics, Iowa's manufacturing employment decreased by 5.9% while the nation's manufacturing employment decreased by 13.4% during the same period of time. According to the Bureau of Labor Statistics, manufacturing employment in Iowa averaged 217,017 in 2014 and 216,075 in 2015.

Exports. Growth in exports of various agriculture and manufacturing commodities have helped diversify Iowa's economy. According to the U.S. Department of Census, Iowa's export shipments of merchandise totaled \$15.1 billion in 2014 and \$13.2 billion in 2015. In 2015, Iowa exported merchandise valued at \$3.9 billion to Canada, \$2.1 billion to Mexico, \$1.2 billion to China, \$1.1 billion to Japan and \$493 million to Germany. Iowa's leading export categories were corn, tractors, brewing and distilling dregs and waste, pork, herbicide and soybeans.

Information about the economic outlook for the State of Iowa is contained in Management's Discussion and Analysis.

Financial Policies

The Governor and General Assembly have statutory responsibility to balance the budget. Spending is limited to 99.0% of adjusted revenues, 95.0% of any new revenue implemented in the fiscal year and any carry-over from the previous year. The Governor and the Legislature are required to use the revenue estimates agreed to by the December Revenue Estimating Conference, or the spring estimate if it is lower, as a basis to determine the State General Fund budget for the following year. Two reserve funds have been created: the Cash Reserve Fund and the Economic Emergency Fund. Expenditures from these funds are limited by statute for nonrecurring emergency expenditures.

MAJOR INITIATIVES

Transparent, Inclusive Efficiency Review (TIER). The Board of Regents, State of Iowa engaged Deloitte Consulting to do an independent, comprehensive administrative and academic review of Iowa's three public universities. The goal is to transform the universities so they are sustainable for the long term and true to their core academic missions of education, research and service. The efficiencies implemented will create savings that will be reinvested into programs that strengthen teaching, research and service, improve administrative processes and keep high-quality public education affordable to Iowans. In June 2014, Deloitte completed Phase I of the review and identified seventeen primary areas to continue to review and develop business cases for consideration in Phase II and in October 2014 the firm presented recommendations on eight business cases in the areas of facilities, finance, human resources and information technology. The universities are implementing five of the business cases without assistance and Chazey Partners was hired to assist with the development of implementation plans for the HR, Finance and IT services business cases. Huron Consulting Group was engaged to identify opportunities to enhance sourcing and procurement processes and policies. Ad Astra and the Pappas Consulting Group assisted with academic business cases. Ad Astra was engaged to work with academic space utilization and course scheduling and the Pappas Consulting Group assisted with "distance education" and "time to graduation" opportunities. TIER initiatives have been transformational for the University and are still ongoing. For information technology, 16 distinct information technology organizations across campus were centralized into one organization. Overall 26 system applications have been retired and through reorganization of the central service desk a single help request system replaced six unique versions used across campus.

Enrollment. A strategic initiative for fiscal year 2017 is on enrollment management in the areas of recruitment, admissions, and student retention. The University of Northern Iowa's total enrollment for fall 2016 at census was 11,905, which is down slightly from last fall's enrollment of 11,981. While total enrollment experienced a gentle dip, there were many exciting highlights, including several institution records. The first-year retention rate is the highest ever recorded. From the fall 2015 first-time students, 85.9% of the full-time freshmen returned to campus for fall 2016. UNI students are continuing the trend of taking less time to graduate and earn their degree. The 3-year, 4-year and 5-year graduation rates all increased over last year and represent the highest rates ever recorded: 4.6% finish in three years; 40% finish in four years; and 64.1% finish in 5 years. UNI students are more diverse than ever before. Fall 2016 enrollment includes 1,155 or 9.7% of students are minority students, which is a new record for UNI. The entering freshmen class is comprised of 2,000 students, which is a 4.4% percent increase from last fall's class of 1,916. This is the largest freshmen class since fall 2008 and the fourth consecutive year that the freshmen class has increased. The class includes 1,833 Iowa residents and 167 non-residents. 143 of the non-residents are U.S citizens, making this the largest number of domestic non-residents in UNI's history. The class is also the most diverse class in UNI's history with 224 or 11.2% minority students.

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 assets are safeguarded against loss from unauthorized use or disposition and 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. No matter how well internal controls are designed, they can only provide reasonable assurance that objectives have been achieved. Some limitations are inherent in all internal control systems. These include: judgment, breakdowns, management override and collusion. Executive management of the University is committed to the establishment of internal controls and adherence to the controls. 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 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's strategic plan.

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. Her 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 Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). 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 Office of 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, 2015. 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 twenty-fourth 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 the Office of Business Operations, Treasury, Office of University 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 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,



Tonya Gerbracht
Director of Business Operations &
Controller/Secretary



Michael Hager, D.B.A.
Senior Vice President for Finance & Operations



Government Finance Officers Association

**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, 2015

Executive Director/CEO

The Governing Board

2015-16

The University of Northern Iowa, together with the State University of Iowa, 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

Bruce L. Rastetter, President
Katie S. Mulholland, President Pro Tem
Robert Donley, Executive Director

Members of the Board (As of June 30, 2016)

	<u>Term Expires</u>
Sherry Bates, Scranton	April 30, 2017
Katie S. Mulholland, Marion	April 30, 2017
Bruce L. Rastetter, Alden	April 30, 2017
Milt J. Dakovich, Waterloo	April 30, 2019
Larry E. McKibben, Marshalltown	April 30, 2019
Dr. Subhash C. Sahai, Webster City	April 30, 2019
Patricia Cownie, Des Moines	April 30, 2021
Rachael Johnson, Cedar Falls	April 30, 2021
Dr. Michael Richards, West Des Moines	April 30, 2021

Officers of the University (As of June 30, 2016)

President of the University
William N. Ruud, B.S., M.B.A., Ph.D.

Executive Vice President and Provost
Jim Wohlpert, B.A., M.A., Ph.D.

Senior Vice President for Finance and Operations
Michael Hager, B.A., M.B.A., D.B.A.

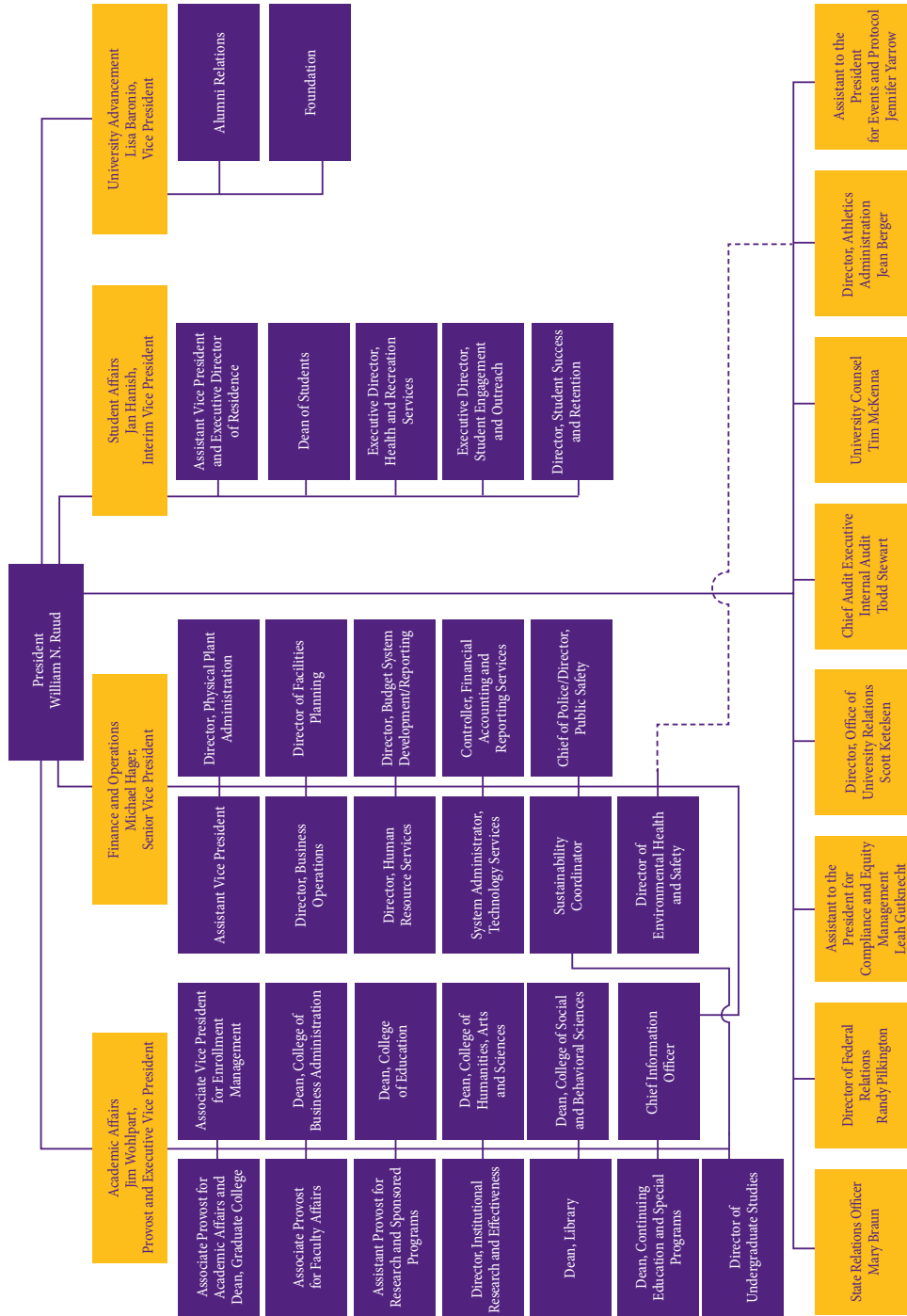
Interim Vice President for Student Affairs
Jan Hanish, B.A., M.A., Ph.D.

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

Vice President for University Advancement
Lisa Baronio, B.B.A., B.A., E.M.B.A.

Special Assistant to the President for Events and Protocol
Jennifer Yarrow, B.A., M.A.

Administrative Organization 2015-16



[MAR. 2016]



2015-2016
Financial Section



OFFICE OF AUDITOR OF STATE STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying Statement of Net Position, and the related Statements of Revenues, Expenses and Changes in Net Position 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, 2016 and 2015, and the related Notes to Financial Statements, which collectively comprise the University of Northern Iowa's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, the University of Northern Iowa Foundation, discussed in Note A, which represents 100% of the assets, net position and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to those financial statements, is based solely on the report of the other auditor. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University of Northern Iowa's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of Northern Iowa's internal control. Accordingly, we express no

such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit 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 as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years ended June 30, 2016 and 2015 in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

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, 2016 and 2015 and the changes in its financial position and its cash flows for the years ended June 30, 2016 and 2015 in conformity with U.S. generally accepted accounting principles.

Other Matters


Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the University's Proportionate Share of the Net Pension Liability, the Schedule of University Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 15 through 22 and 81 through 84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

Our report on the University of Northern Iowa's internal control over financial reporting and other 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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.


MARY MOSIMAN, CPA
Auditor of State

December 7, 2016

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

This section of the University of Northern Iowa's comprehensive annual financial report presents management's discussion and analysis of the financial performance of the University for the two years ended June 30, 2016 and 2015. This discussion should be read in conjunction with the accompanying letter of transmittal, financial statements and notes to financial statements. The financial statements, notes to financial statements and this discussion are the responsibility of University management.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the University of Northern Iowa's financial statements. The University's financial statements consist of a series of financial statements. The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position 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 financial statements also include the Notes to Financial Statements which explain some of the information in the financial statements and provide more detail. Statistical information is also included in schedule form.

THE UNIVERSITY AS A WHOLE

The Statement of Net Position

The University's Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the University as of the end of the fiscal year. The Statement of Net Position is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the University to readers of the financial statements. The Statement of Net Position is prepared under accrual basis of accounting. From this statement, readers are able to determine the assets available to continue the operations of the institution. 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 Position			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$192,100,166	149,437,710	150,451,536
Capital assets	<u>396,479,400</u>	<u>379,803,577</u>	<u>386,436,448</u>
Total assets	<u>588,579,566</u>	<u>529,241,287</u>	<u>536,887,984</u>
Deferred outflows of resources	<u>3,756,648</u>	<u>3,286,884</u>	<u>-</u>
Current liabilities	63,205,392	43,178,804	42,425,883
Noncurrent liabilities	<u>177,232,244</u>	<u>158,970,186</u>	<u>159,011,631</u>
Total liabilities	<u>240,437,636</u>	<u>202,148,990</u>	<u>201,437,514</u>
Deferred inflows of resources	<u>1,024,358</u>	<u>3,598,522</u>	<u>-</u>
Net position:			
Net investment in capital assets	260,251,204	258,659,287	254,034,901
Restricted	48,877,133	31,176,329	30,514,024
Unrestricted	<u>41,745,883</u>	<u>36,945,043</u>	<u>50,901,545</u>
Total net position	<u>\$350,874,220</u>	<u>326,780,659</u>	<u>335,450,470</u>

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

Total assets increased \$59.3 million. Cash increased as a result of the proceeds from the issuance of 2016 Academic Building Revenue Refunding Bonds. An increase in cash was also a result of the University selling 50 acres of land for \$4.3 million to Sartori Hospital. Investments increased \$17.4 million mostly due to the issuance of 2016 Residence System Bonds for renovating Lawther Hall. Non-depreciable assets increased \$27.1 million as construction was in progress for Schindler Education Center and Lawther Hall.

Total liabilities increased \$38.3 million. The increase in accounts payable was largely attributable to amounts due at the end of fiscal year for capital projects. Long-term debt increased \$26.5 million driven by the issuance of Academic Building Revenue Refunding and Residence System Bonds this year.

Total net position of the University decreased \$8.7 million from June 30, 2014 to June 30, 2015 and increased \$24.1 million from June 30, 2015 to June 30, 2016. Total net position decreased 2.6% from June 30, 2014 to June 30, 2015 and increased 7.4% from 2015 to 2016. The decrease in the net position from 2014 to 2015 is primarily due to implementing GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. That pronouncement required recording a pension liability in the amount of \$9.4 million at June 30, 2015 for its proportionate share of the net pension liability. The largest portion of the University's net position (74.2%) is invested in capital assets (e.g., land, land improvements, infrastructure, buildings, equipment, library materials and intangible assets), less the related debt. The debt related to capital assets is liquidated with resources other than capital assets. The restricted portion of net position (13.9%) includes resources subject to external restrictions. The remaining net position (11.9%) is unrestricted net position that can be used as working capital to meet the University's obligations as they come due.

The Statement of Revenues, Expenses and Changes in Net Position

In general, public universities, such as the University of Northern Iowa, report an operating loss as the financial reporting model classifies state appropriations, Pell Grant receipts, investment income, capital appropriations, gifts and grants 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 and amortization, which allocates the cost of an asset over its expected useful life.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

University The Statement of Revenues, Expenses and Changes in Net Position			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues:			
Tuition and fees, net	\$ 63,775,249	62,538,104	64,320,008
Federal grants and contracts	13,990,170	15,782,976	16,662,776
State and local grants and contracts	3,648,716	2,983,411	2,053,427
Nongovernmental grants and contracts	4,046,511	3,943,663	3,320,222
Sales, rents and services	5,911,251	6,168,882	6,403,218
Interest on student loans	213,996	210,849	226,660
Other operating revenue	662,461	711,025	562,860
Auxiliary enterprises	<u>61,406,866</u>	<u>60,468,336</u>	<u>57,101,721</u>
Total operating revenues	<u>153,655,220</u>	<u>152,807,246</u>	<u>150,650,892</u>
Operating expenses:			
Instruction	84,062,858	86,536,932	86,505,596
Research	2,956,675	3,175,745	2,982,535
Public service	20,960,763	21,315,032	25,052,740
Academic support	22,514,076	22,866,432	22,489,903
Student services	10,034,876	10,430,540	9,636,281
Institutional support	29,196,905	27,210,997	26,066,570
Operation and maintenance of plant	20,132,206	22,201,764	21,166,860
Scholarships and fellowships	5,863,221	6,202,848	3,381,347
Depreciation/amortization	18,121,445	18,095,313	18,040,748
Loan cancellations and write-offs	245,451	150,187	193,945
Auxiliary enterprises	<u>51,264,280</u>	<u>51,743,111</u>	<u>50,774,324</u>
Total operating expenses	<u>265,352,756</u>	<u>269,928,901</u>	<u>266,290,849</u>
Operating loss	<u>(111,697,536)</u>	<u>(117,121,655)</u>	<u>(115,639,957)</u>
Nonoperating revenues (expenses):			
State appropriations	101,757,980	100,659,338	96,910,269
Federal grants and contracts	10,670,342	10,714,971	10,270,339
Nonfederal gifts, grants and contracts	2,536,628	2,010,489	3,827,149
Investment income	1,333,323	1,658,231	3,644,079
Interest on indebtedness	(4,392,263)	(5,890,651)	(5,463,353)
Gain/(Loss) on disposal of capital assets	3,958,547	(295,199)	(2,428,923)
Other nonoperating expense	<u>(470,620)</u>	<u>(73,167)</u>	<u>-</u>
Net nonoperating revenues	<u>115,393,937</u>	<u>108,784,012</u>	<u>106,759,560</u>
Income/(Loss) before other revenues	3,696,401	(8,337,643)	(8,880,397)
Capital appropriations	19,118,946	8,121,169	14,177,141
Capital gifts, grants and contracts	<u>1,278,214</u>	<u>1,832,059</u>	<u>3,232,154</u>
Change in net position	24,093,561	1,615,585	8,528,898
Net position, beginning of year, as restated	<u>326,780,659</u>	<u>325,165,074</u>	<u>326,921,572</u>
Net position, end of year	<u>\$350,874,220</u>	<u>326,780,659</u>	<u>335,450,470</u>

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

During the three-year period ended in 2016, operating revenues and operating expenses remained relatively flat, the operating loss decreased, net nonoperating revenues increased, the loss before other revenues decreased, other revenues increased and the net position increased. An analysis of the changes by category of revenue and expense follows.

Operating revenues increased \$2.2 million from 2014 to 2015 and increased \$0.8 million from 2015 to 2016. Reasons for changes in operating, nonoperating and other revenues from 2014 to 2015 and 2015 to 2016 follow:

- Tuition and fee income, net of scholarship allowances, decreased 2.8% from 2014 to 2015 and increased 2.0% from 2015 to 2016. The Board of Regents, State of Iowa authorized a 0.8% increase in the University's resident undergraduate tuition and mandatory fees from 2014 to 2015 and a tuition freeze for fall 2015 with a 3.0% increase for undergraduate students for spring 2016 semester. The decline in enrollment largely negated the effect of the tuition increases from 2014 to 2015 and the increase in tuition from 2015 to 2016 was due to an increase in enrollment and the mid-year tuition increase.
- Operating grants and contracts revenue increased \$0.7 million, or 3.1%, from 2014 to 2015 and decreased \$1.0 million, or 4.5%, from 2015 to 2016. Administration of the Space Grant was moved to Iowa State University from our University in fiscal year 2016 which contributed to the decline in federal grants and contracts.
- State operating appropriations increased \$3.7 million, or 3.9%, from 2014 to 2015. The increase from 2014 to 2015 is largely due to a 4.0% increase in appropriations to offset the tuition freeze plus \$2.6 million increase to the General Educational Fund to address our reliance on state funding. The University received \$5.1 million recurring appropriation increase from 2015 to 2016.
- Investment income decreased \$2.0 million, or 54.5%, from 2014 to 2015 and \$0.3 million, or 19.6%, from 2015 to 2016. The targeted federal funds rate remained at 0.0% to 0.5% for an extended period of time and interest rates on Treasury and Agency securities were at unprecedented low levels. The decrease from 2014 to 2015 was due to volatility in the capital markets and decrease from 2015 to 2016 was due to interest rate risk.
- The loss on disposal of capital assets in 2014 was attributed to selling the capital assets of the National Ag-Based Lubricants facility, capital assets at Baker Hall and the cost of demolishing Baker Hall. The loss in 2015 largely relates to discarded equipment, while the gain on disposal of capital assets in 2016 was a result of selling 50 acres of land.
- State appropriations for capital projects decreased \$6.1 million, or 42.7%, from 2014 to 2015 and increased \$11.0 million, or 135.4%, from 2015 to 2016. Revenue is recognized as expenses are incurred and, accordingly, it varies from year to year. The change in state appropriation revenue for capital projects from 2014 to 2015 was primarily due to the timing of funds appropriated for Bartlett Hall Renovation. Funding was approved in June 2015 for the renovation of the Schindler Education Center for \$30.9 million with \$15.0 million provided in fiscal year 2016 and \$15.9 in fiscal year 2017.
- Capital contributions and grants decreased \$1.4 million, or 43.3%, from 2014 to 2015. Capital contributions and grants vary from year to year due to fluctuations in grant funded capital projects.

Operating expenses increased \$3.6 million, or 1.4%, from 2014 to 2015 and decreased \$4.6 million, or 1.7%, from 2015 to 2016. The small dollar changes from 2014 to 2016 are due to conservative spending and strategic planning. Reasons for changes in operating expenses from 2014 to 2015 and 2015 to 2016 follow:

- Expenses for personnel services increased \$3.3 million, or 1.8%, from 2014 to 2015 and decreased \$1.7 million, or 1.0%, from 2015 to 2016. The increases from 2014 to 2015 were due to salary increases and the cost of fringe benefits related to the salary increases. The decrease in personnel services from 2015 to 2016 was due to realignment from temporary faculty to full time faculty in conjunction with enrollment and class offerings.
- Expenses for claims and miscellaneous costs continue to increase as insurance claims continue to rise. Health and dental insurance claims costs increased \$4.0 million from 2014 to 2016.

Nonoperating expenses primarily consist of interest on indebtedness. Interest on indebtedness decreased from 2015 to 2016 as a result of the paydown of existing debt as well as the timing of the Academic Building Revenue Refunding Bonds, Series 2016.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

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>2016</u>	<u>2015</u>	<u>2014</u>
Net cash provided (used) by:			
Operating activities	\$ (93,234,457)	(99,089,241)	(96,604,910)
Noncapital financing activities	116,315,662	115,088,517	110,830,565
Capital and related financing activities	14,348,114	(14,038,079)	(16,399,481)
Investing activities	<u>(15,792,726)</u>	<u>3,848,623</u>	<u>(4,420,606)</u>
Net increase/(decrease) in cash and cash equivalents	21,636,593	5,809,820	(6,594,432)
Cash and cash equivalents, beginning of year	<u>26,398,702</u>	<u>20,588,882</u>	<u>27,183,314</u>
Cash and cash equivalents, end of year	<u>\$ 48,035,295</u>	<u>26,398,702</u>	<u>20,588,882</u>

The largest sources and uses of University cash are operating activities. The following analysis discusses the University's cash flows during Fiscal 2016. Cash provided by operating activities includes receipts from tuition and fees (\$62.9 million), grants and contracts (\$21.3 million) and auxiliary enterprises (\$61.0 million). The largest uses of cash for operating activities include payments for salaries and benefits (\$150.3 million), payments for goods and services (\$37.3 million) and payments for auxiliary enterprises (\$51.3 million). Cash provided by noncapital financing activities includes state appropriations (\$101.7 million). Cash provided by capital and related financing activities includes capital appropriations (\$15.3 million), capital gifts and grants (\$1.5 million) and the proceeds from capital debt (\$41.2 million). Cash used by capital and related financing activities includes the acquisition of capital assets (\$27.2 million) and principal and interest payments on debt (\$20.5 million). Cash used by investing activities totaled \$15.8 million.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

Capital Assets

At June 30, 2016, the University had \$689.2 million of capital assets at cost, accumulated depreciation of \$292.7 million and net capital assets of \$396.5 million. Depreciation and amortization charges totaled \$18.0 million for fiscal 2014, and \$18.1 million for 2016 and 2015. Details of the capital assets, net of accumulated depreciation, are shown below.

University Schedule of Capital Assets, Net, at Year-End			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land	\$ 4,584,295	4,904,493	4,904,493
Construction in progress	<u>32,221,706</u>	<u>4,841,338</u>	<u>4,241,984</u>
Capital assets not depreciated	<u>36,806,001</u>	<u>9,745,831</u>	<u>9,146,477</u>
Land improvements	5,751,522	6,049,192	4,944,288
Infrastructure	25,601,160	25,809,214	26,131,056
Buildings	302,017,853	310,595,575	317,276,772
Equipment	17,247,978	17,723,442	18,070,906
Intangibles-software	6,454,335	6,884,624	7,314,913
Library materials	<u>2,600,551</u>	<u>2,995,699</u>	<u>3,552,036</u>
Capital assets depreciated	<u>359,673,399</u>	<u>370,057,746</u>	<u>377,289,971</u>
Total capital assets	<u>\$396,479,400</u>	<u>379,803,577</u>	<u>386,436,448</u>

During the past three fiscal years, a number of capital projects were completed or remain in progress. State funded capital projects include the renovation of Bartlett Hall and Schindler Education Center, the demolition of Baker Hall, institutional roads projects, power plant projects, fire and safety and various deferred maintenance projects. Major Residence System projects include construction of Panther Village Phases 1 and 2, renovation of Lawther Hall and Southwest Campus Storm Water Management project. Other Residence System projects include improvement of restrooms and HVAC systems, installation of electronic door access systems and sprinkler systems, replacement of furniture and fixtures. Student organization offices located in the J.W. Maucker Student Union have been renovated. McLeod Center had repairs and improvements to paver and sound systems. T12 fluorescent lighting fixtures were replaced with T8 lighting in six academic buildings using proceeds of a loan from the Iowa Energy Bank. A master lease was used for three power plant projects: air regulation compliance, Power Plant Boiler Number 3 Wall Panel Replacement and constructing a Power Plant Storage Facility. Private gifts were used to renovate McLeod Center locker rooms, replace the UNI-Dome video board, construct Price Lab Commemorative Plaza and Rod Library Makerspace and Scholarspace. Institutional funds were used to improve various parking lots. Detailed information about the University's capital assets is presented in Note I of the Notes to Financial Statements.

LONG-TERM DEBT

The Board of Regents, State of Iowa issued Dormitory Revenue Bonds Series 2016 in March 2016 in the amount of \$23,765,000. The proceeds of the bonds were used to pay the costs of renovating Lawther Hall, a residence hall, and other improvements to the Residence System; fund a debt service reserve fund; and pay the costs of issuing the Bonds. In May 2016, Academic Building Revenue Refunding Bonds, Series U.N.I. 2016 were issued in the amount of \$14,015,000. The proceeds of the Bonds were used to (i) refund, as a current refunding, the outstanding principal of the July 1, 2017 through July 1, 2020 maturities of the University's \$5,110,000 Academic Building Revenue Refunding Bonds, Series U.N.I. 2005, dated April 1, 2005 (the "Series 2005 Refunding Bonds"); (ii) refund, as a current refunding, the outstanding principal of the July 1, 2017 through July 1, 2027 maturities of the University's \$12,800,000 Academic Building Revenue Bonds, Series U.N.I. 2005, dated October 1, 2005 (the "Series 2005 Bonds"); (iii) refund, as a current refunding, the outstanding principal of the July 1, 2017 through July 1, 2027 maturities of the University's \$8,000,000 Academic Building Revenue Bonds, Series U.N.I. 2007, dated April 1, 2007 (the "Series 2007 Bonds," and together with the Series 2005 Refunding Bonds and the Series 2005 Bonds, the "Refunded Bonds"); and (iv) pay the costs of issuing the bonds. The current refunding resulted in an economic gain of \$2,020,970. The University's long-term debt is presented in Note M of the Notes to Financial Statements.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

CREDIT RATINGS

On February 18, 2016, Moody's Investors Service continued its "A1" credit rating on outstanding university bond issues related to academic building revenue, dormitory revenue and student health facility revenue and downgraded the University's credit rating on its field house revenue and student union revenue debt to "A2." Moody's modified its outlook on all outstanding University debt from "negative" to "stable." On April 20, 2016, Standard and Poor's assigned an "A" credit rating on the University's academic building revenue bonds. They also affirmed its "A" credit rating of the University's revenue bonds supported by unlimited student fees and its "BBB+" rating for dormitory revenue bonds. They maintained their "stable outlook" for all outstanding bond issues. 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.

ECONOMIC FACTORS THAT WILL AFFECT FUTURE BUDGETS AND RATES

The State of Iowa's net General Fund revenue saw slower growth in fiscal year 2016 with the second half of the fiscal year showing a slowdown in revenue collections. Iowa's General Fund revenue increased 1.5% in fiscal year 2016. This small growth was due to law changes impacting state revenue deposited and weak growth in overall revenue collections, mostly in personal income and corporate income taxes. This has been the national trend as well with revenue collections for all states decreasing 2.1% in the second quarter of calendar year 2016, according to the Nelson A. Rockefeller Institute of Government.

The Revenue Estimating Conference (REC) met in October 2016 and forecast revenue plus transfers to be \$7,380.0 million to \$7,308.1 million for Fiscal 2017, an increase of 5.6% over the Fiscal 2016 actual. This estimate indicates the State's revenues continue to grow, but at a slower pace with the anticipated slow growth of tax revenues and slowdown in the agricultural economy in the State.

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

For Fiscal 2016, the state appropriation for UNI's primary General Fund totaled \$94.3 million, a 1.2% increase over the Fiscal 2015 level. The state appropriation for Fiscal 2017 is \$97.1 million, a 3.0% increase over the Fiscal 2016 level. Special general fund appropriations were held flat in both years. The Board of Regents, State of Iowa agreed at the July 18, 2016 meeting to increase Fiscal 2017 resident undergraduate tuition \$250 and modest increases were also approved for graduate and nonresident students.

The Board of Regents, State of Iowa has requested a state appropriation in the amount of \$101.5 million, a \$4.4 million increase, for Fiscal 2018. An increase is essential to fund negotiated salary and fringe benefit increases, inflationary increases and support strategic goals for enrollment management and student engagement and success. The Board requested 2.0% increases for recycling and re-use, real estate education, economic education and the Innovation Fund and 9.6% increase for math and science (STEM).

The University of Northern Iowa's total enrollment for fall 2016 at census was 11,905, which is down 76 students from fall 2015. Although enrollment was down slightly there were 2,000 new freshman, which is an increase of 84, or 4.4%, compared to 2015. This is the fourth consecutive year the entering freshmen class has increased. The first-year retention rate is the highest ever recorded. From the fall 2015 first-time students, 85.9% of the full-time freshmen returned to campus for fall 2016.

Contributions to the UNI Foundation have increased from \$15.2 million in Fiscal 2015 to \$21.3 million in Fiscal 2016. The contributions received for the Schindler Education Center Renovation attributed to the increase.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

In President William Ruud's three-year tenure as president of UNI, he helped guide the university with a commitment to achieving academic excellence and increasing student enrollment. For three consecutive years, UNI has ranked second in the "Best Regional Universities (Midwest)" category for public universities, according to U.S. News & World Report. In May 2016, President Ruud announced he was leaving the university at the end of June 2016. The Board of Regents, State of Iowa named Jim Wohlpart as the university's interim president. The Board of Regents, State of Iowa appointed Mark Nook as the new president in December 2016.

The University of Northern Iowa provides transformative learning experiences that inspire students to embrace challenge, engage in critical inquiry and creative thought and contribute to society.

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 Office of Business Operations, 103 Gilchrist Hall, Cedar Falls, Iowa 50614-0008 or phone 319-273-2162.



UNIVERSITY OF NORTHERN IOWA
Statement of Net Position
June 30, 2016 and 2015

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents-Note B	\$ 48,035,295	26,398,702
Investments-Note B	84,335,749	63,434,024
Accounts receivable, net-Note C	6,586,426	7,432,290
Notes receivable, net-Note E	1,887,497	1,940,126
Interest receivable	683,468	541,945
Due from government agencies-Note F	9,372,798	5,073,801
Prepaid expenses and other current assets-Note G	4,046,147	3,783,613
Inventories-Note H	1,145,537	1,577,132
Total Current Assets	<u>156,092,917</u>	<u>110,181,633</u>
Noncurrent Assets:		
Investments-Note B	27,658,856	31,124,949
Notes receivable, net-Note E	7,549,988	7,760,504
Prepaid expenses-Note G	798,405	370,624
Capital assets, Nondepreciable-Note I	36,806,001	9,745,831
Capital assets, Depreciable, net-Note I	359,673,399	370,057,746
Total Noncurrent Assets	<u>432,486,649</u>	<u>419,059,654</u>
Total Assets	<u>588,579,566</u>	<u>529,241,287</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	<u>3,756,648</u>	<u>3,286,884</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	17,020,710	7,906,198
Salaries and wages payable-Note J	1,341,360	1,251,608
Unpaid claims and contingent liabilities-Note Q	2,090,987	1,866,813
Unearned revenue-Note G	3,767,700	4,571,649
Interest payable	2,318,946	3,511,161
Other long-term liabilities-Note K	5,184,600	5,043,207
Long-term debt-Note M	26,483,066	14,770,652
Deposits held in custody for others	4,998,023	4,257,516
Total Current Liabilities	<u>63,205,392</u>	<u>43,178,804</u>
Noncurrent Liabilities:		
Other long-term liabilities-Note K	41,344,505	37,886,717
Long-term debt-Note M	135,887,739	121,083,469
Total Noncurrent Liabilities	<u>177,232,244</u>	<u>158,970,186</u>
Total Liabilities	<u>240,437,636</u>	<u>202,148,990</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	<u>1,024,358</u>	<u>3,598,522</u>
NET POSITION		
Net investment in capital assets	260,251,204	258,659,287
Restricted		
Nonexpendable		
Scholarships and fellowships	615,895	615,895
Expendable		
Scholarships and fellowships	248,080	241,161
Loans	2,872,667	2,970,088
Capital projects	14,110,876	2,915,377
Debt service	30,479,223	23,789,520
Other	550,392	644,288
Unrestricted	41,745,883	36,945,043
Total Net Position	<u>\$ 350,874,220</u>	<u>326,780,659</u>

The notes are an integral part of the financial statements.

UNIVERSITY OF NORTHERN IOWA FOUNDATION
Combined Statements of Financial Position
June 30, 2016 and 2015

ASSETS

	2016	2015
Current Assets:		
Cash and cash equivalents	\$ 1,280,914	930,207
Investments	17,268,601	19,610,914
Pledges receivable, net-Note D	2,492,968	1,945,685
Other receivables	84,750	225,524
Other	135,876	183,685
	<hr/>	<hr/>
Total Current Assets	21,263,109	22,896,015
Noncurrent Assets:		
Pledges receivable, less current portion	5,563,883	4,879,777
Long-term investments	112,516,969	108,912,354
Life insurance cash value	1,426,005	1,385,701
Building, equipment and leasehold improvements, net	672,100	794,416
Other	60,944	129,473
	<hr/>	<hr/>
Total Noncurrent Assets	120,239,901	116,101,721
Total Assets	\$ <u>141,503,010</u>	<u>138,997,736</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 705,949	692,779
Annuities payable	248,965	278,259
Annuity trusts payable	87,163	87,163
Unitrusts payable	68,650	64,273
	<hr/>	<hr/>
Total Current Liabilities	1,110,727	1,122,474
Noncurrent Liabilities:		
Annuities payable, less current portion	1,328,166	1,480,658
Annuity trusts payable, less current portion	613,093	669,297
Unitrusts payable, less current portion	331,482	347,986
	<hr/>	<hr/>
Total Noncurrent Liabilities	2,272,741	2,497,941
Total Liabilities	<hr/> 3,383,468	<hr/> 3,620,415
Net Assets:		
Unrestricted	6,421,164	8,507,362
Temporarily restricted-Note P	40,201,156	40,417,265
Permanently restricted-Note P	91,497,222	86,452,694
	<hr/>	<hr/>
Total Net Assets	138,119,542	135,377,321
Total Liabilities and Net Assets	\$ <u>141,503,010</u>	<u>138,997,736</u>

The notes are an integral part of the financial statements.

UNIVERSITY OF NORTHERN IOWA
Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	2016	2015
REVENUES		
Operating Revenues:		
Tuition and fees, net of scholarship allowances of \$27,423,143 for 2016 and \$27,115,085 for 2015	\$ 63,775,249	62,538,104
Federal grants and contracts	13,990,170	15,782,976
State and local grants and contracts	3,648,716	2,983,411
Nongovernmental grants and contracts	4,046,511	3,943,663
Sales and services of educational activities	5,911,251	6,168,882
Interest on student loans	213,996	210,849
Other operating revenue	662,461	711,025
Auxiliary enterprises	61,406,866	60,468,336
Total Operating Revenues	<u>153,655,220</u>	<u>152,807,246</u>
EXPENSES		
Operating Expenses:		
Instruction	84,062,858	86,536,932
Research	2,956,675	3,175,745
Public service	20,960,763	21,315,032
Academic support	22,514,076	22,866,432
Student services	10,034,876	10,430,540
Institutional support	29,196,905	27,210,997
Operation and maintenance of plant	20,132,206	22,201,764
Scholarships and fellowships	5,863,221	6,202,848
Depreciation/amortization	18,121,445	18,095,313
Other operating expenses	245,451	150,187
Auxiliary enterprises	51,264,280	51,743,111
Total Operating Expenses	<u>265,352,756</u>	<u>269,928,901</u>
Operating (Loss)	<u>(111,697,536)</u>	<u>(117,121,655)</u>
NONOPERATING REVENUES (EXPENSES):		
State appropriations	101,757,980	100,659,338
Federal grants and contracts	10,670,342	10,714,971
Nonfederal gifts, grants and contracts	2,536,628	2,010,489
Investment income	1,333,323	1,658,231
Interest on indebtedness	(4,392,263)	(5,890,651)
Gain/(Loss) on disposal of capital assets	3,958,547	(295,199)
Other nonoperating expense	(470,620)	(73,167)
Net Nonoperating Revenues	<u>115,393,937</u>	<u>108,784,012</u>
Income/(Loss) Before Other Revenues	<u>3,696,401</u>	<u>(8,337,643)</u>
OTHER REVENUES:		
Capital appropriations	19,118,946	8,121,169
Capital gifts, grants and contracts	1,278,214	1,832,059
Total Other Revenues	<u>20,397,160</u>	<u>9,953,228</u>
Change in Net Position	<u>24,093,561</u>	<u>1,615,585</u>
NET POSITION		
Net position, beginning of year	<u>326,780,659</u>	<u>325,165,074</u>
Net position, end of year	<u>\$ 350,874,220</u>	<u>326,780,659</u>

The notes are an integral part of the financial statements.

UNIVERSITY OF NORTHERN IOWA FOUNDATION
Combined Statements of Activities
Years Ended June 30, 2016 and 2015

	2016			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Revenue, support and reclassifications:				
Contribution revenue	\$ 3,131,629	13,025,724	5,206,309	21,363,662
Investment return	(813,284)	(2,108,354)	(87,464)	(3,009,102)
Miscellaneous income	39,783	12,106	-	51,889
Change in donor intent	(76,960)	23,343	53,617	-
Reclassifications attributed to underwater endowments	(523,039)	523,039	-	-
Net assets released from restrictions	11,498,639	(11,498,639)	-	-
Total revenue, support and reclassifications	<u>13,256,768</u>	<u>(22,781)</u>	<u>5,172,462</u>	<u>18,406,449</u>
Expenses and adjustments:				
Scholarship expenses	4,675,855	-	-	4,675,855
Programming expenses	5,281,215	-	-	5,281,215
Administrative expenses	2,308,343	-	-	2,308,343
Fundraising expenses	2,943,786	-	-	2,943,786
Uncollectible pledges	20,421	169,994	15,411	205,826
Depreciation expense	122,316	-	-	122,316
Present value liability actuarial adjustment	(8,970)	23,334	112,523	126,887
Total expenses and adjustments	<u>15,342,966</u>	<u>193,328</u>	<u>127,934</u>	<u>15,664,228</u>
Change in net assets	(2,086,198)	(216,109)	5,044,528	2,742,221
Net assets, beginning of year	<u>8,507,362</u>	<u>40,417,265</u>	<u>86,452,694</u>	<u>135,377,321</u>
Net assets, end of year	<u>\$ 6,421,164</u>	<u>40,201,156</u>	<u>91,497,222</u>	<u>138,119,542</u>

The notes are an integral part of the financial statements.

2015

Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
2,784,548	8,394,383	4,067,368	15,246,299
517,390	2,135,756	216,106	2,869,252
33,891	12,000	-	45,891
(16,050)	(327,311)	343,361	
(25,061)	25,061	-	-
10,752,504	(10,752,504)	-	-
14,047,222	(512,615)	4,626,835	18,161,442
4,357,658	-	-	4,357,658
5,089,266	-	-	5,089,266
1,912,508	-	-	1,912,508
3,027,956	-	-	3,027,956
36,731	43,130	25,770	105,631
107,458	-	-	107,458
(99,418)	13,273	141,140	54,995
14,432,159	56,403	166,910	14,655,472
(384,937)	(569,018)	4,459,925	3,505,970
8,892,299	40,986,283	81,992,769	131,871,351
8,507,362	40,417,265	86,452,694	135,377,321

UNIVERSITY OF NORTHERN IOWA
Statement of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 62,944,088	62,233,336
Grants and contracts receipts	21,286,180	22,264,252
Collections of loans from students	1,828,877	1,822,009
Auxiliary enterprise receipts	60,986,484	60,194,845
Payments for salaries and benefits	(150,261,397)	(151,086,727)
Payments for goods and services	(37,283,267)	(41,402,092)
Scholarships	(5,795,653)	(6,116,446)
Loans issued to students	(2,127,933)	(1,976,128)
Auxiliary enterprise payments	(51,314,931)	(51,813,457)
Interest on loans to students	178,214	193,071
Other operating receipts	6,324,881	6,598,096
Net Cash Used by Operating Activities	<u>(93,234,457)</u>	<u>(99,089,241)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	101,743,709	100,643,709
William D. Ford direct lending and plus loans receipts	54,313,918	54,888,413
William D. Ford direct lending and plus loans made	(54,347,412)	(54,892,833)
Agency receipts	3,882,442	3,279,729
Agency payments	(3,356,833)	(3,335,602)
Noncapital gifts	14,079,838	14,505,101
Net Cash Provided by Noncapital Financing Activities	<u>116,315,662</u>	<u>115,088,517</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital appropriations received	15,296,883	8,131,943
Capital gifts and grants received	1,474,575	1,480,015
Acquisition of capital assets	(27,212,044)	(11,079,376)
Proceeds from sale of capital assets	4,381,350	146,207
Principal paid on capital debt	(14,709,831)	(10,860,285)
Interest paid on capital debt	(5,744,993)	(5,511,685)
Proceeds from capital debt	41,160,585	3,476,289
Other capital and related financing receipts	36,393	251,980
Other capital and related financing payments	(334,804)	(73,167)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>14,348,114</u>	<u>(14,038,079)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and dividends on investments	544,767	457,275
Proceeds from sale and maturities of investments	54,762,875	38,315,985
Purchase of investments	(71,100,368)	(34,924,637)
Net Cash Provided/(Used) by Investing Activities	<u>(15,792,726)</u>	<u>3,848,623</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,636,593	5,809,820
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>26,398,702</u>	<u>20,588,882</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 48,035,295</u>	<u>26,398,702</u>

UNIVERSITY OF NORTHERN IOWA
Statement of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (111,697,536)	(117,121,655)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation/amortization	18,121,445	18,095,313
(Increase)/Decrease in accounts receivable	291,460	1,373,637
(Increase)/Decrease in notes receivable	263,146	(194,209)
(Increase)/Decrease in due from government agencies	(548,362)	3,521
(Increase)/Decrease in inventories	431,595	761,062
(Increase)/Decrease in prepaid expenses	(595,298)	668,483
(Increase)/Decrease in other assets	(144,822)	(1,564)
(Increase)/Decrease in deferred outflows of resources	(469,764)	(1,896,611)
Increase/(Decrease) in accounts payable	661,939	(2,352,878)
Increase/(Decrease) in salaries and wages payable	4,503	25,304
Increase/(Decrease) in unearned revenue	(801,332)	(901,347)
Increase/(Decrease) in other liabilities	2,872,374	1,093,103
Increase/(Decrease) in pension liability	950,359	(2,239,922)
Increase/(Decrease) in deferred inflows of resources	<u>(2,574,164)</u>	<u>3,598,522</u>
Net Cash Used By Operating Activities	\$ <u>(93,234,457)</u>	<u>(99,089,241)</u>

Noncash Capital, Financing and Investing Activities:

Equipment with a acquisition value of \$428,222 was donated to the University in 2016.

Net unrealized loss decreased the fair value of the University's investments \$1,006,257 in 2016 and a net unrealized gain increased the fair value \$310,905 in 2015.

The notes are an integral part of the financial statements.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note A – Organization and Summary of Significant Accounting Policies

Organization

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. The University is not deemed to be legally separate because the Board of Regents holds corporate powers. 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.

Basis of Presentation

The financial statements have been prepared in accordance with U.S. 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. As a result, revenues are recognized when earned, expenses are recorded when an obligation has been incurred, and all significant intra-department transactions have been eliminated. 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.

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. This statement was implemented for the year ended June 30, 2015. This statement established new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position now includes a significant liability for the University's proportionate share of an employee pension plan.

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. The University does not control the Foundation or the timing or amount of receipts from the Foundation. The majority of the Foundation's resources 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. During the years ended June 30, 2016 and 2015, the Foundation provided \$6,080,938 and \$6,014,684, respectively, to the University.

The accompanying combined financial statements of the Foundation include the accounts of the University of Northern Iowa Foundation, the University of Northern Iowa Properties Corporation and the 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.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

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

The Foundation is a non-profit organization that reports according to standards prescribed by 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 not controlled by the University, such as the UNI Alumni Association, are not included in the University's financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Net Position and Statement of Cash Flows, cash and cash equivalents are reported in accordance with Board of Regents, State of Iowa policy, Chapter 2, section 4.C.ix: (<http://iowaregents.edu/plans-and-policies/board-policy-manual/22-business-procedures/%23Investment%20Policy>) which states in part: to appropriately reflect the Board's overall investment strategy and as outlined in the GASB Statement No. 9 Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, (paragraph 11), that all funds held by external investment managers, as defined in section 2.2.4.C.iv of the Board's investment policy, shall be reported on the audited financial statements of the Regents institutions as investments. Investments purchased by the institutions through Board authorized brokerage firms that meet the definition of cash equivalents, investment with original purchase dates to maturity of three months or less, shall be reported on the audited financial statements of the Regent institutions as cash equivalents.

Investments

Investments are reported at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments and GASB Statement No. 72, Fair Value Measurement and Application. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. See Note B for further discussion.

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 2016 and 2015, the amount of income allocated from the Treasurer's Temporary Investment Pool was \$1,494,498 and \$478,144, respectively.

Investments (Foundation)

The Foundation has adopted FASB No. 157, Fair Value Measurements. FASB No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in its principal market or, in the absence of a principal market, the most advantageous market for the investment or liability. The Foundation categorizes its investments into a three-level fair value hierarchy.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

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

Inventories

Inventories, consisting mainly of coal, fuel oil, foodstuffs and supplies, are primarily valued at the lower of cost (first in, first out method) or market. The cost is recorded as an expense at the time individual inventory items are consumed.

Capital Assets

Capital assets, which include land, buildings and improvements, intangibles, equipment and library materials, are stated at cost at the date of acquisition. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the assets or materially extend asset lives are not capitalized.

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	5-10 years
Library	10 years
Software	5-30 years

The following thresholds are used to define capital assets:

Infrastructure	\$ 25,000
Land improvements	\$ 25,000
Buildings and building improvements	\$100,000
Equipment	\$ 5,000
Intangible assets	\$500,000

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.

The University implemented GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, as of July 1, 2009. Intangible assets are recorded at cost at the date of acquisition or estimated fair value at the date of donation. A state government-wide capitalization threshold of \$500,000 was established by the Iowa Department of Administrative Services. Once intangible assets are placed in service, they are amortized on the straight-line basis over their estimated useful life.

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

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

reporting period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Bond Issuance Costs, Discounts and Premiums

Bond issuance costs are expensed in the year the bonds are sold. Bond discounts and premiums are deferred and amortized over the life of the bonds.

Unearned Revenue

Unearned revenue consists of revenue received in advance of an academic session or an event, such as student tuition 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.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of revenue bonds payable, notes payable and capital lease obligations with contractual maturities greater than one year, as well as estimated amounts for accrued compensated absences, early retirement benefits payable, refundable advances on student loans, other postemployment benefit obligations, net pension liability and other liabilities that will not be paid within the next fiscal year.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees Retirement System (IPERS) and additions to/deductions from IPERS fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

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

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation/amortization and outstanding debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position:

Nonexpendable - Net position subject to externally imposed constraints in which the donors or other outside sources have stipulated the principal is to be maintained inviolate and retained in perpetuity and invested for the purpose of producing income which will either be expended or added to principal.

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

Unrestricted Net Position: Net position not subject to externally imposed constraints and which may be used to meet current obligations for any purpose or designated for specific purposes by action of management or the Board of Regents.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

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

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.

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 in the Statement of Revenues, Expenses and Changes in Net Position, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all of the University's expenses are from exchange transactions. Nonoperating revenues include state appropriations, gifts, grants and contracts and investment income. Nonoperating expenses include interest expense, loss on disposal of capital assets, and debt issuance costs.

Endowment Appreciation

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

Distributions are made from the endowments to the departments which benefit from the endowment funds. The endowment spending rule provides for an annual distribution of 5% of the three-year moving average of the fair value of the fund.

Fringe Benefits

The University utilizes the fringe benefits pool method to account for fringe benefits. Under the fringe benefits pool method, fringe benefits are expensed as a percentage of actual salary or wage cost. Rates are reviewed annually prior to the beginning of the fiscal year and adjusted to reflect differences between the rates charged and actual benefits costs as well as future benefits projections.

Termination Benefits

The University accounts for its termination benefit plans in accordance with GASB Statement No. 47, Accounting for Termination Benefits. Disclosure of the Early Retirement Incentive Programs (ERIP) is presented in Note S.

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, 2016

Note B – Cash and Investments

Cash and Cash Equivalents

A summary of the book and bank balances for cash and cash equivalents at June 30, 2016 and June 30, 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Book Balance	<u>\$48,035,295</u>	<u>26,398,702</u>
Bank Balance	<u>\$50,413,042</u>	<u>29,142,631</u>
Covered by FDIC insurance or State Sinking Fund	30,575,358	19,191,547
Invested in money market funds as cash equivalents	19,837,684	9,951,084

The University's balances for current cash and cash equivalents represent amounts that are reasonably expected to be consumed within a year and are comprised of deposit and disbursement bank accounts, the liquidity pool components of money market funds, demand deposit accounts, savings accounts, and government securities for the debt service and construction fund balances for bonded enterprises. The liquidity pool shall be managed to ensure funds are available to support operations for the current budget year.

Cash and cash equivalents are used to fund obligations such as controlled disbursements for accounts payable, salaries and wages payable, bond principal and interest payments, and federal and state withholding taxes.

Investments

Investments are made in accordance with Chapter 12B.10 of the Code of Iowa, and Board of Regents, State of Iowa policy (<http://www.iowaregents.edu/plans-and-policies/board-policy-manual/22-business-procedures/#InvestmentPolicy>). A portion of the University's operating portfolio is invested in the State University of Iowa's diversified pool. In addition, the University's endowments are pooled with the State University of Iowa's endowments to achieve economies of scale.

For donor restricted endowments, Chapter 540A of the Code of Iowa permits the University to spend the net appreciation of realized and unrealized earnings as the University determines to be prudent. The University's spending rule is that five percent (5%) of the three year moving average of the fair value of the endowment will be calculated and distributed. The net appreciation on true endowments available for expenditure at June 30, 2016 and 2015 was \$596,834 and \$671,997, respectively. The net appreciation is classified in the Statement of Net Position as follows:

	<u>2016</u>	<u>2015</u>
Restricted Expendable:		
Scholarships and fellowships	\$ 147,572	162,908
Loans	134,649	145,103
Other-Chair	314,613	363,986
Total	<u>\$ 596,834</u>	<u>671,997</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note B – Cash and Investments (continued)

Invested Assets	2016 Total Fair Value Reported on the Statement of Net Position	2015 Total Fair Value Reported on the Statement of Net Position
Operating Portfolio:		
Fixed Income:		
U.S. Government Securities:		
U.S. Government Treasuries	\$ 37,346,601	14,479,602
U.S. Government Agencies	14,860,187	23,548,007
Short-Term Securities:		
Commercial Paper	1,499,974	3,999,553
Fixed Income Mutual Funds	<u>22,606,669</u>	<u>16,469,136</u>
Total Fixed Income Securities	<u>76,313,431</u>	<u>58,496,298</u>
Equity & Other Securities:		
Domestic Equity Mutual Funds	3,248,156	2,930,504
International Equity Mutual Funds	2,416,677	2,458,738
Real Assets	8,740,472	6,627,105
Bank Investments	<u>8,516,055</u>	<u>8,720,818</u>
Total Equity & Other Securities	<u>22,921,360</u>	<u>20,737,165</u>
Cash & Cash Equivalents:		
Money Market Fund Shares	<u>3,865,900</u>	<u>5,943,296</u>
Total Cash & Cash Equivalents	<u>3,865,900</u>	<u>5,943,296</u>
Total Operating Portfolio	<u>103,100,691</u>	<u>85,176,759</u>
Endowment Portfolio (UNI Equity in SUI Endowment Pool):		
Fixed Income:		
U.S. Government Securities:		
U.S. Government Treasuries	337,134	443,031
U.S. Government Agencies	193,257	217,682
Short-Term Securities:		
Fixed Income Mutual Funds	1,394,748	1,562,625
Credit:		
Corporate Bonds	<u>298,190</u>	<u>434,085</u>
Total Fixed Income Securities	<u>2,223,329</u>	<u>2,657,423</u>
Equity & Other Securities:		
Domestic Equity Mutual Funds	2,225,623	2,549,142
International Equity Mutual Funds	2,212,544	2,626,060
Real Assets	1,183,159	903,776
Private Equity	<u>1,014,005</u>	<u>622,950</u>
Total Equity & Other Securities	<u>6,635,331</u>	<u>6,701,928</u>
Cash & Cash Equivalents:		
Money Market Fund Shares	<u>35,254</u>	<u>22,863</u>
Total Cash & Cash Equivalents	<u>35,254</u>	<u>22,863</u>
Total Endowment Portfolio	<u>8,893,914</u>	<u>9,382,214</u>
Total Invested Assets	<u>\$111,994,605</u>	<u>94,558,973</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note B – Cash and Investments (continued)

Credit Risk Concentration

Issuers that represent 5% or more of total operating portfolio fixed income assets.

As of June 30, 2016:

Investment	Fair Value	% of Total Operating Portfolio Fixed Income Assets
Federal National Mortgage Association	\$7,646,991	10%
Federal Farm Credit Bank	3,846,272	5%

As of June 30, 2015:

Investment	Fair Value	% of Total Operating Portfolio Fixed Income Assets
Federal National Mortgage Association	\$11,615,505	19%
Federal Farm Credit Bank	4,953,007	8%
Federal Home Loan Mortgage Corporation	4,704,823	8%

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note B – Cash and Investments (continued)

Interest Rate Risk

Interest Rate Risk is the risk changes in interest rates will adversely affect the fair value of an investment. This risk is measured using effective duration. At the time of purchase, the effective maturity of direct investment purchases by the University in the operating portfolio cannot exceed sixty-three months. There is no explicit limit on the average maturity of fixed income securities in the endowment portfolios. Each fixed income portfolio is managed to an appropriate benchmark.

Credit Risk

Credit Risk is the risk an issuer or other counterparty to an investment will not fulfill its obligation 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

Concentration of Credit Risk is the risk of loss that may be attributed to the magnitude of a University'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.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles provide a hierarchy that prioritizes the inputs to fair value measurements based on the extent inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that would reflect the University's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements should maximize the use of observable inputs and minimize the use of the unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1-Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

Level 2-Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

The categorization of fair value measurements by level of the hierarchy is based upon the lowest level input that is significant to the overall fair value measurement for a given asset or liability.

In the event that changes in the inputs used in the fair value measurement of an asset or liability result in a transfer into a different level, such transfers are recognized at the end of the reporting period.

University investments that do not have a readily determinable fair value, such as ownership interest in partners' capital, are reported using Net Asset Value per share (NAV). Used as a practical expedient for the estimated fair value, NAV per share or its equivalent is provided by the fund manager and reviewed by the University. Investment holdings using the NAV as a practical expedient consist of University interests in funds investing in nonmarketable private equity and real assets, as well as indirect holdings of publicly traded assets in fixed income and international equity commingled funds.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note B – Cash and Investments (continued)

Due to the nature of the investments held by the funds, changes in market conditions, economic environment, regulatory environment, currency exchange rates, interest rates, and commodity price fluctuations may significantly impact the NAV of the funds and, consequently, the fair value of the University's interest in the funds and could materially affect the amounts reported in the consolidated financial statements. The University attempts to manage these risks through diversification, ongoing due diligence of fund managers, maintain adequate liquidity, and continuously monitoring economic and market conditions.

The following tables reflect fair value measurements of investment assets at June 30, 2016 and June 30, 2015, respectively, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note B – Cash and Investments (continued)

As of June 30, 2016:

	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value	Total
Operating Portfolio:				
Fixed Income:				
U.S. Government Securities:				
U.S. Government Treasuries	\$37,346,601	-	-	37,346,601
U.S. Government Agencies	-	14,860,187	-	14,860,187
Short-Term Securities:				
Commercial Paper	-	1,499,974	-	1,499,974
Fixed Income Mutual Funds	<u>16,795,113</u>	<u>-</u>	<u>5,811,556</u>	<u>22,606,669</u>
Total Fixed Income Securities	<u>54,141,714</u>	<u>16,360,161</u>	<u>5,811,556</u>	<u>76,313,431</u>
Equity & Other Securities:				
Domestic Equity Mutual Funds	3,248,156	-	-	3,248,156
International Equity Mutual Funds	1,506,188	-	910,489	2,416,677
Real Assets	<u>8,740,472</u>	<u>-</u>	<u>-</u>	<u>8,740,472</u>
Total Equity & Other Securities	<u>13,494,816</u>	<u>-</u>	<u>910,489</u>	<u>14,405,305</u>
Cash & Cash Equivalents:				
Bank Investments	8,516,055	-	-	8,516,055
Money Market Fund Shares	<u>3,865,900</u>	<u>-</u>	<u>-</u>	<u>3,865,900</u>
Total Cash & Cash Equivalents	<u>12,381,955</u>	<u>-</u>	<u>-</u>	<u>12,381,955</u>
Total Operating Portfolio	<u>80,018,485</u>	<u>16,360,161</u>	<u>6,722,045</u>	<u>103,100,691</u>
Endowment Portfolio (UNI Equity in SUI Endowment Pool):				
Fixed Income:				
U.S. Government Securities:				
U.S. Government Treasuries	337,134	-	-	337,134
U.S. Government Agencies	-	193,257	-	193,257
Short-Term Securities:				
Fixed Income Mutual Funds	-	-	1,394,748	1,394,748
Credit:				
Corporate Bonds	<u>-</u>	<u>298,190</u>	<u>-</u>	<u>298,190</u>
Total Fixed Income Securities	<u>337,134</u>	<u>491,447</u>	<u>1,394,748</u>	<u>2,223,329</u>
Equity & Other Securities:				
Domestic Equity Mutual Funds	2,214,945	10,678	-	2,225,623
International Equity Mutual Funds	-	-	2,212,544	2,212,544
Real Assets	-	-	1,183,159	1,183,159
Private Equity	<u>-</u>	<u>-</u>	<u>1,014,005</u>	<u>1,014,005</u>
Total Equity & Other Securities	<u>2,214,945</u>	<u>10,678</u>	<u>4,409,708</u>	<u>6,635,331</u>
Cash and Cash Equivalents:				
Money Market Fund Shares	<u>35,254</u>	<u>-</u>	<u>-</u>	<u>35,254</u>
Total Cash & Cash Equivalents	<u>35,254</u>	<u>-</u>	<u>-</u>	<u>35,254</u>
Total Endowment Portfolio	<u>\$ 2,587,333</u>	<u>502,125</u>	<u>5,804,456</u>	<u>8,893,914</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note B – Cash and Investments (continued)

The following table summarizes the University's investments at June 30, 2016 for which net asset value (NAV) was used as a practical expedient to estimate fair value:

Asset Class	Fair Value Determined Using NAV 2016	Unfunded Commitments at June 30, 2016	Redemption Frequency	Redemption Notice Period
Fixed Income Mutual Funds	\$ 7,206,304	-	daily – monthly	5-30 days
International Equity	3,123,033	-	monthly – semi-monthly	2-30 days
Real Assets:				
Redeemable	546,054	-	quarterly	90 days
Nonredeemable	637,105	-	N/A	N/A
Private Equity:				
Redeemable	-	-	N/A	N/A
Nonredeemable	<u>1,014,005</u>	<u>-</u>	N/A	N/A
	<u>\$12,526,501</u>	<u>-</u>		

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note B – Cash and Investments (continued)

As of June 30, 2015:

	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value	Total
Operating Portfolio:				
Fixed Income:				
U.S. Government Securities:				
U.S. Government Treasuries	\$14,479,602	-	-	14,479,602
U.S. Government Agencies	-	23,548,007	-	23,548,007
Short-Term Securities:				
Commercial Paper	-	3,999,553	-	3,999,553
Fixed Income Mutual Funds	<u>11,264,300</u>	<u>-</u>	<u>5,204,836</u>	<u>16,469,136</u>
Total Fixed Income Securities	<u>25,743,902</u>	<u>27,547,560</u>	<u>5,204,836</u>	<u>58,496,298</u>
Equity & Other Securities:				
Domestic Equity Mutual Funds	2,930,504	-	-	2,930,504
International Equity Mutual Funds	1,443,309	-	1,015,429	2,458,738
Real Assets	<u>6,627,105</u>	<u>-</u>	<u>-</u>	<u>6,627,105</u>
Total Equity & Other Securities	<u>11,000,918</u>	<u>-</u>	<u>1,015,429</u>	<u>12,016,347</u>
Cash & Cash Equivalents:				
Bank Investments	8,720,818	-	-	8,720,818
Money Market Fund Shares	<u>5,943,296</u>	<u>-</u>	<u>-</u>	<u>5,943,296</u>
Total Cash & Cash Equivalents	<u>14,664,114</u>	<u>-</u>	<u>-</u>	<u>14,664,114</u>
Total Operating Portfolio	<u>51,408,934</u>	<u>27,547,560</u>	<u>6,220,265</u>	<u>85,176,759</u>
Endowment Portfolio (UNI Equity in SUI Endowment Pool):				
Fixed Income:				
U.S. Government Securities:				
U.S. Government Treasuries	443,031	-	-	443,031
U.S. Government Agencies	-	217,682	-	217,682
Short-Term Securities:				
Fixed Income Mutual Funds	-	-	1,562,625	1,562,625
Credit:				
Corporate Bonds	<u>-</u>	<u>434,085</u>	<u>-</u>	<u>434,085</u>
Total Fixed Income Securities	<u>443,031</u>	<u>651,767</u>	<u>1,562,625</u>	<u>2,657,423</u>
Equity & Other Securities:				
Domestic Equity Mutual Funds	2,535,569	13,573	-	2,549,142
International Equity Mutual Funds	-	-	2,626,060	2,626,060
Real Assets	-	-	903,776	903,776
Private Equity	<u>-</u>	<u>-</u>	<u>622,950</u>	<u>622,950</u>
Total Equity & Other Securities	<u>2,535,569</u>	<u>13,573</u>	<u>4,152,786</u>	<u>6,701,928</u>
Cash & Cash Equivalents:				
Money Market Fund Shares	<u>22,863</u>	<u>-</u>	<u>-</u>	<u>22,863</u>
Total Cash & Cash Equivalents	<u>22,863</u>	<u>-</u>	<u>-</u>	<u>22,863</u>
Total Endowment Portfolio	<u>\$ 3,001,463</u>	<u>665,340</u>	<u>5,715,411</u>	<u>9,382,214</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note B – Cash and Investments (continued)

The following table summarizes the University's investments at June 30, 2015 for which net asset value (NAV) was used as a practical expedient to estimate fair value:

Asset Class	Fair Value Determined Using NAV 2015	Unfunded Commitments at June 30, 2015	Redemption Frequency	Redemption Notice Period
Fixed Income Mutual Funds	\$ 6,767,461	-	daily – monthly	5-30 days
International Equity	3,641,489	-	monthly – semi-monthly	2-30 days
Real Assets:				
Redeemable	462,392	-	quarterly	90 days
Nonredeemable	441,384	-	N/A	N/A
Private Equity:				
Redeemable	-	-	N/A	N/A
Nonredeemable	<u>622,950</u>	<u>-</u>	N/A	N/A
	<u>\$11,935,676</u>	<u>-</u>		

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note B – Cash and Investments (continued)

The University's investments are recorded at fair value. As of June 30, 2016 and June 30, 2015, respectively, the University had the following investments and quality credit ratings:

2016

Credit Risk – Quality Ratings

	<u>Treasury</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>
Fixed Income Securities:				
U.S. Government Securities:				
U.S. Government Treasuries	\$37,683,735	-	-	-
U.S. Government Agencies	-	14,880,351	173,093	-
Credit:				
Corporate Bonds	-	68,432	26,344	89,313
Commercial Paper	-	-	-	-
Short-Term Securities:				
Fixed Income Mutual Funds	-	-	9,343,950	1,141,494
Total Fixed Income Securities	<u>\$37,683,735</u>	<u>14,948,783</u>	<u>9,543,387</u>	<u>1,230,807</u>

2015

Credit Risk – Quality Ratings

	<u>Treasury</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>
Fixed Income Securities:				
U.S. Government Securities:				
U.S. Government Treasuries	\$14,922,633	-	-	-
U.S. Government Agencies	-	23,708,541	57,148	-
Credit:				
Corporate Bonds	-	111,615	22,003	162,163
Commercial Paper	-	-	-	-
Short-Term Securities:				
Fixed Income Mutual Funds	-	-	6,375,753	1,203,539
Total Fixed Income Securities	<u>\$14,922,633</u>	<u>23,820,156</u>	<u>6,454,904</u>	<u>1,365,702</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>A1+P1</u>	<u>Total</u>
-	-	-	-	37,683,735
-	-	-	-	15,053,444
101,737	8,968	3,396	-	298,190
-	-	-	1,499,974	1,499,974
<u>5,338,597</u>	<u>3,965,273</u>	<u>4,212,103</u>	<u>-</u>	<u>24,001,417</u>
<u>5,440,334</u>	<u>3,974,241</u>	<u>4,215,499</u>	<u>1,499,974</u>	<u>78,536,760</u>

<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>A1+P1</u>	<u>Total</u>
-	-	-	-	14,922,633
-	-	-	-	23,765,689
134,920	3,384	-	-	434,085
-	-	-	3,999,553	3,999,553
<u>3,045,039</u>	<u>1,834,583</u>	<u>5,572,847</u>	<u>-</u>	<u>18,031,761</u>
<u>3,179,959</u>	<u>1,837,967</u>	<u>5,572,847</u>	<u>3,999,553</u>	<u>61,153,721</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note B – Cash 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

	2016 Fair Value	Duration (in years)	2015 Fair Value	Duration (in years)
Operating Portfolio:				
Fixed Income:				
U.S. Government Securities:				
U.S. Government Treasuries	\$ 37,346,601	1.17	14,479,602	2.15
U.S. Government Agencies	14,860,187	2.21	23,548,007	2.07
Short-Term Securities:				
Commercial Paper	1,499,974	0.00	3,999,553	0.04
Fixed Income Mutual Funds	<u>22,606,669</u>	4.18	<u>16,469,136</u>	4.21
Operating Portfolio-Total Fixed Income Securities	<u>76,313,431</u>		<u>58,496,298</u>	
Operating Portfolio Duration		2.24		2.55
Endowment Portfolio:				
Fixed Income:				
U.S. Government Securities:				
U.S. Government Treasuries	337,134	1.97	443,031	1.92
U.S. Government Agencies	193,257	1.69	217,682	1.62
Short-Term Securities:				
Fixed Income Mutual Fund	1,394,748	4.18	1,562,625	4.21
Credit				
Corporate Bonds	<u>298,190</u>	1.51	<u>434,085</u>	1.60
Endowment Portfolio-Total Fixed Income Securities	<u>2,223,329</u>		<u>2,657,423</u>	
Endowment Portfolio Duration		3.27		3.19
Total All Portfolios	<u>\$ 78,536,760</u>		<u>61,153,721</u>	

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note B – Cash and Investments (continued)

The following information is provided for investments that are valued using the net asset value per share as a practical expedient:

Fixed Income Mutual Funds - This category includes investments in mutual funds holding assets that provide stability, generate income, and diversify market risk.

International Equity Funds - This category includes investments in international equities including both developed and emerging markets.

Note C – Accounts Receivable

Accounts receivable are summarized as follows:

	<u>2016</u>	<u>2015</u>
Student accounts	\$ 3,963,960	4,282,217
University of Northern Iowa Foundation	709,861	266,638
Sponsoring agencies	94,198	318,946
Other	<u>1,818,407</u>	<u>2,564,489</u>
Total	<u>\$ 6,586,426</u>	<u>7,432,290</u>

Note D – Pledges Receivable (Foundation)

Unconditional promises are included in the combined financial statements as pledges receivable and revenue of the appropriate net assets category. Unconditional promises are recorded at their net realizable value at the time the promise is made. Those promises expected to be collected in more than one year are discounted at various rates based on the length of time the payments are to be received. Unconditional promises are expected to be realized in the following periods:

	<u>2016</u>	<u>2015</u>
In one year or less	\$ 2,494,968	2,107,033
Between one year and five years	4,897,372	3,969,549
More than five years	<u>1,260,816</u>	<u>1,378,958</u>
	8,653,156	7,455,540
Less discounts to net present value	(397,806)	(430,939)
Less allowance for uncollectible pledges	<u>(198,499)</u>	<u>(199,139)</u>
Total	<u>\$ 8,056,851</u>	<u>6,825,462</u>

Pledges receivable at June 30, 2016 and 2015 have the following restrictions:

	<u>2016</u>	<u>2015</u>
Unrestricted:		
Undesignated	\$ 60,473	134,978
Temporarily Restricted:		
Scholarships and department programs	4,822,596	3,639,675
Plant	1,344,677	997,890
Permanently Restricted:		
Endowments-Scholarships and department programs	<u>1,829,105</u>	<u>2,052,919</u>
Total	<u>\$ 8,056,851</u>	<u>6,825,462</u>

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note E – Notes Receivable

Notes receivable are summarized as follows:

	<u>2016</u>	<u>2015</u>
Student loans:		
Federal loan programs	\$10,625,778	10,450,081
University loan funds	<u>100,727</u>	<u>114,284</u>
	10,726,505	10,564,365
Less allowance for uncollectible loans	<u>(1,289,020)</u>	<u>(863,735)</u>
Total	<u>\$ 9,437,485</u>	<u>9,700,630</u>

Notes receivable from students bear interest primarily at 5% 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 Government Agencies

Due from Government Agencies is summarized as follows:

	<u>2016</u>	<u>2015</u>
Federal Government	\$3,279,625	3,118,999
State Government	6,053,816	1,950,877
Local Governments	<u>39,357</u>	<u>3,925</u>
Total	<u>\$9,372,798</u>	<u>5,073,801</u>

Note G – Prepaid Expenses/Unearned Revenue

Prepaid expenses at June 30, 2016 and 2015 totaled \$4,844,552 and \$4,154,237, respectively, and unearned revenue at June 30, 2016 and 2015 totaled \$3,767,700 and \$4,571,649, respectively. The summer session portion for unearned tuition and fees for 2016 and 2015 was \$2,053,730 and \$2,500,350, respectively. Season ticket sales for the Gallagher-Bluedorn Performing Arts Center Artist Series and for Athletic football games begin in the Spring for the following year. Unearned ticket sale revenues were \$1,122,340 and \$1,355,775 at June 30, 2016 and 2015, respectively.

Note H – Inventories

Inventories at June 30, 2016 and 2015, consisting mainly of supplies and merchandise, primarily valued at cost, had values of \$1,145,537 and \$1,577,132, respectively.

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note I – Capital Assets

Capital assets activity for the year ended June 30, 2016 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Book Value</u>
Land	\$ 4,904,493	-	(320,198)	4,584,295	-	4,584,295
Construction in Progress	4,841,338	31,022,536	(3,642,168)	32,221,706	-	32,221,706
Capital Assets, Nondepreciable/ Amortizable	9,745,831	31,022,536	(3,962,366)	36,806,001	-	36,806,001
Land Improvements	16,056,820	257,745	-	16,314,565	(10,563,043)	5,751,522
Infrastructure	40,785,716	809,772	-	41,595,488	(15,994,328)	25,601,160
Buildings	492,720,511	2,809,011	(31,600)	495,497,922	(193,480,069)	302,017,853
Equipment	53,349,438	3,635,508	(1,184,555)	55,800,391	(38,552,413)	17,247,978
Intangibles	8,605,780	-	-	8,605,780	(2,151,445)	6,454,335
Library Materials	34,268,020	366,493	(82,367)	34,552,146	(31,951,595)	2,600,551
Capital Assets, Depreciable/ Amortizable	645,786,285	7,878,529	(1,298,522)	652,366,292	(292,692,893)	359,673,399
Total Capital Assets	\$655,532,116	38,901,065	(5,260,888)	689,172,293	(292,692,893)	396,479,400

Depreciation and amortization activity for the year ended June 30, 2016 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land Improvements	\$ 10,007,628	555,415	-	10,563,043
Infrastructure	14,976,502	1,017,826	-	15,994,328
Buildings	182,124,936	11,373,830	(18,697)	193,480,069
Equipment	35,625,996	3,982,443	(1,056,026)	38,552,413
Intangibles	1,721,156	430,289	-	2,151,445
Library Materials	31,272,321	761,642	(82,368)	31,951,595
Total	\$275,728,539	18,121,445	(1,157,091)	292,692,893

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note I – Capital Assets

Capital assets activity for the year ended June 30, 2015 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Book Value</u>
Land	\$ 4,904,493	-	-	4,904,493	-	4,904,493
Construction in Progress	4,241,984	8,789,017	(8,189,663)	4,841,338	-	4,841,338
Capital Assets, Nondepreciable/ Amortizable	9,146,477	8,789,017	(8,189,663)	9,745,831	-	9,745,831
Land Improvements	14,426,753	1,630,067	-	16,056,820	(10,007,628)	6,049,192
Infrastructure	40,068,117	717,599	-	40,785,716	(14,976,502)	25,809,214
Buildings	488,100,847	4,619,664	-	492,720,511	(182,124,936)	310,595,575
Equipment	51,354,579	3,799,732	(1,804,873)	53,349,438	(35,625,996)	17,723,442
Intangibles	8,605,780	-	-	8,605,780	(1,721,156)	6,884,624
Library Materials	34,173,265	290,078	(195,323)	34,268,020	(31,272,321)	2,995,699
Capital Assets, Depreciable/ Amortizable	636,729,341	11,057,140	(2,000,196)	645,786,285	(275,728,539)	370,057,746
Total Capital Assets	\$645,875,818	19,846,157	(10,189,859)	655,532,116	(275,728,539)	379,803,577

Depreciation and amortization activity for the year ended June 30, 2015 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land Improvements	\$ 9,482,465	525,163	-	10,007,628
Infrastructure	13,937,061	1,039,441	-	14,976,502
Buildings	170,824,075	11,300,861	-	182,124,936
Equipment	33,283,673	3,953,144	(1,610,821)	35,625,996
Intangibles	1,290,867	430,289	-	1,721,156
Library Materials	30,621,229	846,415	(195,323)	31,272,321
Total	\$259,439,370	18,095,313	(1,806,144)	275,728,539

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

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, 2016 and 2015 were \$1,341,360 and \$1,251,608, respectively.

Note K – Other Long-Term Liabilities

Other long-term liabilities at June 30, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Other Long-Term Liabilities:		
Compensated absences payable	\$10,769,009	10,949,363
Net pension liability	12,308,121	9,435,747
Net OPEB liability	14,632,252	13,360,519
Refundable advances on student loans	<u>8,819,723</u>	<u>9,184,295</u>
Total Other Long-Term Liabilities	<u>\$46,529,105</u>	<u>42,929,924</u>

Compensated Absences

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 years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Amount of accrued compensated absences at beginning of year	\$10,949,363	11,094,658
Amount of compensated absences accrued during the fiscal year	7,350,889	7,318,334
Payments on compensated absences during the fiscal year	<u>(7,531,243)</u>	<u>(7,463,629)</u>
Amount of accrued compensated absences at end of year	<u>\$10,769,009</u>	<u>10,949,363</u>

As of June 30, 2016 and 2015, the current liabilities for compensated absences payable were \$5,184,600 and \$5,043,207, respectively.

OPEB (Other Postemployment Benefits)

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 1,445 active and 1,002 retired members in the plan. Retired members must be age 55 or older at retirement.

The medical 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 rate subsidy and an OPEB liability.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note K – Other Long-Term Liabilities (continued)

Funding Policy – The contribution requirements of plan members are established and may be amended by the University. The University established a quasi-endowment fund in fiscal year 2015 to earmark funds for retiree medical premiums. At June 30, 2016, the quasi-endowment fund balance was \$1,055,143.

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, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The ARC represents a level of funding which, 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 as of June 30, 2016, the amount actually contributed to the plan and changes in the University’s net OPEB obligation:

Annual required contribution	\$ 2,029,000
Interest on net OPEB obligation	432,000
Adjustment to annual required contribution	<u>(440,000)</u>
Annual OPEB cost	2,021,000
Contributions made	<u>(820,198)</u>
Increase in net OPEB obligation	1,200,802
Net OPEB obligation beginning of year	<u>10,787,527</u>
Net OPEB obligation end of year	<u>\$ 11,988,329</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 plan’s actual contributions for the year ended June 30, 2016.

For fiscal year 2016, the University contributed \$820,198 to the medical plan. Plan members receiving benefits contributed \$3.0 million, or 78% of the premium costs.

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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2014	\$ 3,057,000	33.6%	\$ 9,207,019
2015	3,218,000	50.9	10,787,527
2016	2,021,000	40.6	11,988,329

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$23.5 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$23.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$137.5 million and the ratio of the UAAL to the covered payroll was 17.1%. As of June 30, 2016, there were no trust fund assets.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note K – Other Long-Term Liabilities (continued)

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 assumptions 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 for the Retiree Health Plan, presented as required supplementary information in the section following the Notes to Financial Statements, presents 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 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, 2015 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate based on the University's funding policy. The projected annual health care trend rate is 8.0%. The ultimate health care trend rate is 4.5%. The health care trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate. The inflation rate is assumed to increase at a rate of 4.5%.

Mortality rates are from the RP-2014 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, 2015 to reflect the University's experienced retirement age of 62 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2015.

Projected claim costs of the medical plan are \$594 per month for retirees age 69 or less and \$343 per month for retirees who have attained age 70. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Details of the University's OPEB plan may be obtained by writing Office of Business Operations, 103 Gilchrist Hall, Cedar Falls, IA 50614-0008 or phone 319-273-5885.

Allocated Other Postemployment Benefits Liability – The University's merit employees are participants in the State of Iowa's postretirement medical plan (OPEB Plan). The State of Iowa recognizes the implicit rate subsidy for the OPEB Plan as required by GASB Statement No. 45.

The annual valuation of liabilities under the OPEB Plan is calculated using the entry age normal cost method. The method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$217,948,000 for the State of Iowa at June 30, 2016. The University's allocation of the unfunded liability is not separately determinable.

Details of the OPEB Plan are provided on a state-wide basis and are available in the State of Iowa's Comprehensive Annual Financial Report for the year ended June 30, 2016. The report may be obtained by writing the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note K – Other Long-Term Liabilities (continued)

The University recognized a net OPEB liability of \$2,643,923 for other postemployment benefits, which represents the University's allocated portion of the State's net OPEB liability. The University's portion of the net OPEB liability was calculated using the ratio of full time equivalent University merit employees compared to all full time equivalent employees of the State of Iowa.

In summary, the University has recognized a net OPEB liability of \$11,988,329 for its retiree benefit plan and a liability of \$2,643,923 for its allocated portion of the State's net OPEB liability, for a total net OPEB liability of \$14,632,252.

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 over the lifetime of the Perkins Loan program is \$8,819,723 and \$9,184,295 at June 30, 2016 and 2015, respectively.

Note L – Retirement Programs

Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF)

The University contributes to the TIAA-CREF retirement program, which is a defined contribution plan. TIAA-CREF administers the retirement plan for the University. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Board of Regents, State of Iowa policy, all eligible University employees must participate in a retirement plan from the date they are employed.

Benefit terms, including contribution requirements, for TIAA-CREF are established and specified by the contract with TIAA-CREF in accordance with Board of Regents, State of Iowa policy. For each employee in the pension plan, the University is required to contribute 6 2/3% of the first \$4,800 of annual salary and 10% of annual salary above \$4,800 through the fifth year of employment. Upon completion of five years of service, the University is required to contribute 10% of annual salary to an individual employee account. Each employee is required to contribute 3 1/3% of the first \$4,800 of annual salary and 5% of annual salary above \$4,800 through the fifth year of employment. Upon completion of five years of service, each employee is required to contribute 5%. Contributions made by both employer and employee vest immediately. During fiscal years 2016 and 2015, the University's required and actual contribution totaled \$10,359,903 and \$10,789,441, respectively. During fiscal years 2016 and 2015, the employees' required and actual contribution totaled \$5,179,618 and \$5,271,647, respectively.

As of June 30, 2016, the University remitted all required employer and employee contributions to TIAA-CREF.

Iowa Public Employees' Retirement System (IPERS)

Plan Description – IPERS membership is mandatory for employees of the University except for those covered by another retirement system. Employees of the University are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note L – Retirement Programs (continued)

Pension Benefits – A Regular Member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement before age 55. The formula used to calculate a Regular Member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member received benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits contribution rate increases or decreases each year to 1%. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board. In fiscal year 2016 and 2015, pursuant to the required rate, Regular Members contributed 5.95% of pay and the University contributed 8.93% for a total rate of 14.88%.

The University's contributions to IPERS for the years ended June 30, 2016 and 2015 were \$1,646,101 and \$1,532,833, respectively.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note L – Retirement Programs (continued)

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016 and June 30, 2015, the University reported a liability of \$12,308,121 and \$9,435,747, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the University's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the University's proportion was 0.2491278%, which was an increase of 0.0112062% from its proportion measured as of June 30, 2014

For the years ended June 30, 2016 and June 30, 2015, the University recognized pension expense of \$1,185,977 and \$994,823, respectively. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016 Deferred Outflows of Resources	2016 Deferred Inflows of Resources	2015 Deferred Outflows of Resources	2015 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 185,960	-	102,548	-
Changes of assumptions	338,873	-	416,421	-
Net difference between projected and actual earnings on IPERS investments	-	1,024,358	-	3,598,522
Changes in proportion and differences between University contributions and its proportionate share of contributions	1,585,714	-	1,235,082	-
University contributions subsequent to the measurement date	<u>1,646,101</u>	<u>-</u>	<u>1,532,833</u>	<u>-</u>
Total	\$ <u>3,756,648</u>	<u>1,024,358</u>	<u>3,286,884</u>	<u>3,598,522</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note L – Retirement Programs (continued)

Deferred outflows of resources related to pensions of \$1,646,101 and \$1,532,833 represent the amount the University contributed subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016 and June 30, 2015, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>2016 Amount</u>	<u>2015 Amount</u>
2016	\$ -	(489,806)
2017	96,222	(489,806)
2018	96,222	(489,806)
2019	96,222	(489,806)
2020	751,046	114,753
2021	46,477	-
Total	<u>\$1,086,189</u>	<u>(1,844,471)</u>

There are no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00%
Salary increases (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.50% per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study with dates corresponding to those listed above. Mortality rates were based on the RP-2000 Employee and Healthy Annuitant Tables with generational scaling and age adjustments.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note L – Retirement Programs (continued)

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Prior year expected rate of return on IPERS' investments were deemed unnecessary in providing continuing significance and were not included. Best estimates of arithmetic real rates of return for each major asset class included in IPERS' target assets allocation are shown in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24%	6.29%
International Equity	16%	6.75%
Private Equity/Debt	11%	11.32%
Real Estate	8%	3.48%
Credit Opportunities	5%	3.63%
U.S. TIPS	5%	1.91%
Other Real Assets	2%	6.24%
Cash	1%	(0.71%)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions by the University will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	1% Decrease <u>(6.50%)</u>	Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
June 30, 2014	\$17,828,579	9,435,747	2,351,327
June 30, 2015	\$21,549,305	12,308,121	4,507,898

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note L – Retirement Programs (continued)

Pension Plan Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2016 and June 30, 2015, the University reported payables to IPERS of \$121,676 and \$107,248, respectively, for legally required employer contributions and \$81,072 and \$71,480, respectively, for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note M – Long-Term Debt

Long-term debt at June 30, 2016, consisted of the following:

	Interest Rates %	Maturity Date	Original Value	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Academic Bldg. Revenue Bonds:								
Series 1994-Refunding	4.50 – 6.00	2015	\$ 2,180,000	180,000	-	180,000	-	-
Series 1994	5.00 – 8.25	2015	9,201,461	291,736	-	291,736	-	-
Series 2002-Refunding	4.00 – 5.50	2015	4,890,000	485,000	-	485,000	-	-
Series 2003-Refunding	3.00 – 3.80	2015	8,465,000	935,000	-	935,000	-	-
Series 2005-Refunding	5.75 – 6.20	2020	5,110,000	2,100,000	-	110,000	1,990,000	1,990,000
Series 2005	2.90 – 4.25	2027	12,800,000	10,185,000	-	605,000	9,580,000	9,580,000
Series 2007	4.00 – 4.25	2027	8,000,000	6,745,000	-	405,000	6,340,000	6,340,000
Series 2008	4.00 – 5.00	2035	12,000,000	11,750,000	-	125,000	11,625,000	150,000
Series 2009	3.00 – 5.00	2035	13,860,000	13,810,000	-	50,000	13,760,000	375,000
Series 2016-Refunding	5.00 – 5.00	2027	14,015,000	-	14,015,000	-	14,015,000	-
Residence System Bonds:								
Series 2010-Refunding	2.00 – 3.13	2020	4,255,000	2,690,000	-	415,000	2,275,000	435,000
Series 2010A	3.25 – 5.00	2030	16,790,000	14,300,000	-	670,000	13,630,000	690,000
Series 2010B-Refunding	2.50 – 4.00	2021	10,160,000	7,395,000	-	960,000	6,435,000	980,000
Series 2011	2.00 – 4.00	2033	24,870,000	23,490,000	-	1,395,000	22,095,000	1,410,000
Series 2012	1.00 – 2.75	2023	13,810,000	11,420,000	-	1,455,000	9,965,000	1,475,000
Series 2016	3.00 – 3.25	2037	23,765,000	-	23,765,000	-	23,765,000	-
Field House Bonds:								
Series 2005-Refunding	3.00 – 4.20	2022	7,465,000	4,150,000	-	4,150,000	-	-
Series 2011-Refunding	2.00 – 3.50	2022	3,685,000	2,740,000	-	325,000	2,415,000	330,000
Series 2013-Refunding	2.00 – 3.00	2024	4,815,000	4,430,000	-	415,000	4,015,000	420,000
Series 2015-Refunding	2.00 – 2.13	2022	3,460,000	3,460,000	-	-	3,460,000	445,000
Student Union Bonds:								
Series 2011-Refunding	2.00 – 3.00	2022	8,425,000	6,275,000	-	725,000	5,550,000	735,000
Student Health System Bonds:								
Series 2013-Refunding	2.00 – 2.25	2024	2,435,000	2,240,000	-	205,000	2,035,000	210,000
Premiums-Reoffering:								
Residence-Series 2011			-	422,664	-	23,481	399,183	23,481
Field House-Series 2013			-	232,734	-	25,859	206,875	25,859
Student Health System-Series 2013			-	28,237	-	3,138	25,099	3,138
Field House-Series 2015			-	45,052	-	8,343	36,709	6,674
Residence-Series 2016			-	-	881,022	13,766	867,256	41,298
ABRB-Series 2016			-	-	2,680,081	40,000	2,640,081	240,007
Total Bonds Payable			<u>214,456,461</u>	<u>129,800,423</u>	<u>41,341,103</u>	<u>14,016,323</u>	<u>157,125,203</u>	<u>25,905,457</u>
Notes Payable:								
City of Cedar Falls	0.00	2027	500,000	395,000	-	15,000	380,000	15,000
Wells Fargo	4.25	2016	2,150,000	245,553	-	245,553	-	-
Iowa Finance Authority	1.25	2023	<u>1,217,000</u>	<u>843,803</u>	-	<u>99,291</u>	<u>744,512</u>	<u>100,536</u>
Total Notes Payable			<u>3,867,000</u>	<u>1,484,356</u>	-	<u>359,844</u>	<u>1,124,512</u>	<u>115,536</u>
Capital Leases Payable-Wells Fargo	3.06	2024	<u>5,000,000</u>	<u>4,569,342</u>	-	<u>448,252</u>	<u>4,121,090</u>	<u>462,073</u>
Total Long-Term Debt Payable			<u>\$223,323,461</u>	<u>135,854,121</u>	<u>41,341,103</u>	<u>14,824,419</u>	<u>162,370,805</u>	<u>26,483,066</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note M – Long-Term Debt

Long-term debt at June 30, 2015, consisted of the following:

	Interest Rates %	Maturity Date	Original Value	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Academic Bldg. Revenue Bonds:								
Series 1994-Refunding	4.50 – 6.00	2015	\$ 2,180,000	360,000	-	180,000	180,000	180,000
Series 1994	5.00 – 8.25	2015	9,201,461	582,863	-	291,127	291,736	291,736
Series 2002-Refunding	4.00 – 5.50	2015	4,890,000	950,000	-	465,000	485,000	485,000
Series 2003-Refunding	3.00 – 3.80	2015	8,465,000	1,830,000	-	895,000	935,000	935,000
Series 2005-Refunding	5.75 – 6.20	2020	5,110,000	2,400,000	-	300,000	2,100,000	110,000
Series 2005	2.90 – 4.25	2027	12,800,000	10,770,000	-	585,000	10,185,000	605,000
Series 2007	4.00 – 4.25	2027	8,000,000	7,130,000	-	385,000	6,745,000	405,000
Series 2008	4.00 – 5.00	2035	12,000,000	11,850,000	-	100,000	11,750,000	125,000
Series 2009	3.00 – 5.00	2035	13,860,000	13,860,000	-	50,000	13,810,000	50,000
Residence System Bonds:								
Series 2010-Refunding	2.00 – 3.13	2020	4,255,000	3,100,000	-	410,000	2,690,000	415,000
Series 2010A	3.25 – 5.00	2030	16,790,000	14,950,000	-	650,000	14,300,000	670,000
Series 2010B-Refunding	2.50 – 4.00	2021	10,160,000	8,335,000	-	940,000	7,395,000	960,000
Series 2011	2.00 – 4.00	2033	24,870,000	24,870,000	-	1,380,000	23,490,000	1,395,000
Series 2012	1.00 – 2.75	2023	13,810,000	12,860,000	-	1,440,000	11,420,000	1,455,000
Field House Bonds:								
Series 2005-Refunding	3.00 – 4.20	2022	7,465,000	4,580,000	-	430,000	4,150,000	4,150,000
Series 2011-Refunding	2.00 – 3.50	2022	3,685,000	3,035,000	-	295,000	2,740,000	325,000
Series 2013-Refunding	2.00 – 3.00	2024	4,815,000	4,815,000	-	385,000	4,430,000	415,000
Series 2015-Refunding	2.00 – 2.13	2022	3,460,000	-	3,460,000	-	3,460,000	-
Student Union Bonds:								
Series 2011-Refunding	2.00 – 3.00	2022	8,425,000	6,980,000	-	705,000	6,275,000	725,000
Student Health System Bonds:								
Series 2013-Refunding	2.00 – 2.25	2024	2,435,000	2,435,000	-	195,000	2,240,000	205,000
Premiums-Reoffering:								
Residence-Series 2011			-	446,145	-	23,481	422,664	23,481
Field House-Series 2013			-	258,593	-	25,859	232,734	25,859
Student Health System-Series 2013			-	31,375	-	3,138	28,237	3,138
Field House-Series 2015			-	-	45,052	-	45,052	8,343
Total Bonds Payable			<u>176,676,461</u>	<u>136,428,976</u>	<u>3,505,052</u>	<u>10,133,605</u>	<u>129,800,423</u>	<u>13,962,557</u>
Notes Payable:								
City of Cedar Falls	0.00	2027	500,000	410,000	-	15,000	395,000	15,000
Wells Fargo	4.25	2016	2,150,000	480,993	-	235,440	245,553	245,552
Iowa Finance Authority	1.25	2023	1,217,000	941,864	-	98,061	843,803	99,291
Total Notes Payable			<u>3,867,000</u>	<u>1,832,857</u>	<u>-</u>	<u>348,501</u>	<u>1,484,356</u>	<u>359,843</u>
Capital Leases Payable-Wells Fargo	3.06	2024	5,000,000	5,000,000	-	430,658	4,569,342	448,252
Total Long-Term Debt Payable			<u>\$185,543,461</u>	<u>143,261,833</u>	<u>3,505,052</u>	<u>10,912,764</u>	<u>135,854,121</u>	<u>14,770,652</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note M – Long-Term Debt (continued)

Bonds Payable

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.

Field House System Revenue Bonds were issued for the construction, renovation and repair of field house system facilities.

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 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>
2017	\$ 25,905,457	4,774,368	30,679,825
2018	9,425,458	4,553,100	13,978,558
2019	11,015,458	4,268,724	15,284,182
2020	10,920,458	3,938,933	14,859,391
2021	11,260,458	3,586,808	14,847,266
2022-2026	40,849,259	13,113,307	53,962,566
2027-2031	26,693,904	6,911,734	33,605,638
2032-2036	18,643,452	2,204,434	20,847,886
2037-2041	<u>2,411,299</u>	<u>76,284</u>	<u>2,487,583</u>
Total	<u>\$157,125,203</u>	<u>43,427,692</u>	<u>200,552,895</u>

The changes in Bonds Payable for fiscal years 2016 and 2015 are detailed below:

	<u>2016</u>	<u>2015</u>
Bonds payable beginning of year	\$129,800,423	136,428,976
Bonds retired during the fiscal year	(14,016,323)	(10,133,605)
Bonds issued during the fiscal year	<u>41,341,103</u>	<u>3,505,052</u>
Bonds payable end of year	<u>\$157,125,203</u>	<u>129,800,423</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note M – Long-Term Debt (continued)

Notes Payable

At its September 15, 2004 meeting, the Board of Regents, State of Iowa approved a 28E Agreement between the University 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.

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 original lease agreement provided funding for costs of \$2,150,000, with payments due semi-annually through fiscal year 2016 and bore an interest rate of 6.60%. In fiscal year 2011, the interest rate was renegotiated to 4.25%. At the time of the interest rate change, both Wells Fargo and the University reclassified the agreement as a note payable.

At its March 21, 2012 meeting, the Board of Regents, State of Iowa authorized the University to enter into a loan agreement with the Iowa Department of Administrative Services to finance energy management improvements in six academic buildings. The note principal of \$1,217,000 is to be repaid in 24 semi-annual payments ending on June 30, 2024. Upon completion of the project, it was determined an amount less than the original principal was owed. The remaining principal will be repaid in 19 semi-annual payments ending on December 30, 2023. The nominal interest rate remains 1.25%, consisting of a 1.00% interest rate and a 0.25% annual servicing fee.

At its June 4, 2014 meeting, the Board of Regents, State of Iowa authorized the University to enter into a master lease financing agreement with Wells Fargo Municipal Capital Strategies, LLC. The lease agreement provides funding for costs of \$5 million for power plant air regulations compliance, power plant boiler #3 wall panel replacement and power plant storage facility projects. Payments are due semi-annually through fiscal year 2024 and bears an interest rate of 3.06% per annum.

Current Refunding

On April 1, 2015, the University issued \$3,460,000 of Field House Revenue Refunding Bonds, Series 2015 with an net interest cost of 2.051% per annum. The bonds were issued in the form of a current refunding to refund the July 1, 2016 through July 1, 2022 maturities of Field House Revenue Bonds, Series 2005. Outstanding Series 2005 bonds totaled \$4,150,000 and the interest rates ranged between 3.75% and 4.20% per annum. Aggregate debt service payments are reduced \$576,847 over the next seven years as a result of the refunding. The net proceeds of \$3,081,288 and \$1,152,868 in University funds were deposited in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully pay the remaining principal and interest due on the outstanding bonds. The Field House Revenue Bonds, Series 2005 were called on July 1, 2015. The current refunding resulted in an economic gain of \$263,955.

On May 1, 2016, the University issued \$14,015,000 of Academic Building Revenue Refunding Bonds, Series 2016 with a net interest cost of 2.11% per annum. The bonds were issued in the form of a current refunding to refund the July 1, 2017 through July 1, 2027 maturities of Academic Building Revenue

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note M – Long-Term Debt (continued)

Bonds, Series 2005, the July 1, 2017 through July 1, 2020 maturities of the Academic Building Revenue Refunding Bonds, Series 2005, and the July 1, 2017 through July 1, 2027 maturities of the Academic Building Revenue Bonds, Series 2007. Outstanding Series 2005 bonds totaled \$8,950,000 and the interest rates ranged between 3.75% and 4.25% per annum. Outstanding Refunding Series 2005 bonds totaled \$1,625,000 and the interest rate was 4.25% per annum. Outstanding Series 2007 bonds totaled \$5,920,000 and the interest rates ranged between 4.00% and 4.25% per annum. Aggregate debt service payments are reduced \$2,196,913 over the next 11 years as a result of the refunding. The net proceeds of \$18,275,364 in University funds were deposited in an irrevocable escrow account with the University as trustee. The Academic Building Revenue Bonds, Series 2005, Refunding Series 2005 and Series 2007 were called on July 1, 2016. The current refunding resulted in an economic gain of \$2,020,970.

The University's policy is to not record the deferred inflows of resources for the gain resulting from the refunding of debt in those instances where the amounts are immaterial.

Note N – 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 position retained by the University from these endowments as of June 30, 2016 and 2015 is classified as follows:

	<u>2016</u>	<u>2015</u>
Restricted-Nonexpendable	\$ <u>615,895</u>	<u>615,895</u>
Restricted-Expendable:		
Scholarships	\$ 147,572	162,908
Loans	134,649	145,103
Other-Chair	<u>314,613</u>	<u>363,986</u>
Total	\$ <u>596,834</u>	<u>671,997</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note O – Related Party Organization

The University of Northern Iowa Alumni Association is a related party organization to the University 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, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
Total Assets	\$ 1,096,763	1,107,187
Total Liabilities	71,341	143,044
Total Equity	1,025,422	964,143
Due to the University	17,486	46,495
Total Support and Revenues	711,653	979,885
Total Expenses	650,374	1,018,797

Note P – Restricted Net Position (Foundation)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors during the years ended June 30, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Purpose restrictions accomplished:		
Scholarships and department programs	\$ 11,498,639	9,803,241
Plant	-	949,263
Total Restrictions Released	<u>\$ 11,498,639</u>	<u>10,752,504</u>

Temporarily restricted net assets as of June 30, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Program activities:		
Scholarships and department programs	\$34,536,646	39,071,470
Plant	5,029,543	677,804
Charitable gift annuities	14,598	23,276
Charitable remainder unitrusts	620,369	644,715
Total Temporarily Restricted Net Assets	<u>\$40,201,156</u>	<u>40,417,265</u>

Permanently restricted net assets as of June 30, 2016 and 2015 are restricted for the following purposes:

	<u>2016</u>	<u>2015</u>
Endowment	\$87,876,205	82,619,158
Charitable gift annuities	10,555	58,711
Charitable remainder trust annuities	200,044	243,270
Charitable remainder unitrusts	1,241,202	1,283,494
Life insurance fund	819,368	791,272
Beneficial interest in trust	1,349,848	1,456,789
Total Permanently Restricted Net Assets	<u>\$91,497,222</u>	<u>86,452,694</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note Q – Risk Management

It is the policy of the University 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, Human Performance Center, Gallagher-Bluedorn Performing Arts Center, Multimodal Transportation Center and the radio towers. The University self-funds business income losses for other buildings.

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

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 of losses are the responsibility of the University. Losses between \$100,000 and \$2,000,000 are insured. The University also purchased a \$500,000 employee fidelity bond with a \$10,000 deductible.

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

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

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 System, with deductibles of \$100,000 per occurrence.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note Q – Risk Management (continued)

The University purchased commercial insurance to cover the collection of the Art Gallery. The University also purchased commercial insurance to cover media perils of libel and slander for the University's student newspaper.

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.

Medical and Dental-Self Insured. The University self-funds the medical and dental claims of its professional employees. The University and employees share the cost of the coverage. The University insures its medical claims with 120% aggregate stop-loss insurance.

The following schedule presents the changes in claims liabilities for medical and dental insurance for professional staff and unemployment compensation for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Amount of claims and contingent liabilities accrued beginning of year	\$ 1,866,813	1,783,788
Claims incurred and contingent liabilities accrued for the previous and current year and any changes in amounts estimated for prior years	22,179,116	19,715,718
Payments on claims during the fiscal year	<u>(21,954,942)</u>	<u>(19,632,693)</u>
Amount of claims liabilities end of year	\$ <u>2,090,987</u>	<u>1,866,813</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 \$33 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.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note R – 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 July 31, 2016 and August 31, 2021 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.

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, 2016:

<u>Year ending</u> <u>June 30,</u>	<u>Amount</u>
2017	\$ 279,915
2018	266,475
2019	266,920
2020	214,924
2021	<u>152,596</u>
Total	\$ <u>1,180,830</u>

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

Rental expense for the years ended June 30, 2016 and 2015, for all operating leases, except those with terms of a month or less that were not renewed, totaled \$740,989 and \$628,700, respectively.

Note S – Retirement Incentive Programs and Termination Benefits

Early Retirement Incentive Program of 2009

The Early Retirement Incentive Program of 2009 was approved by the Board of Regents, State of Iowa in April, 2009. The 2009 Program was a one-time program which expired on July 31, 2009. Eligible for participation were faculty, professional-scientific employees, institutional officials and merit system employees who had attained the age of 57 and whose age plus years of service equaled 70 or more on his or her retirement date. Employees participating in the program were required to retire between June 1 and December 31, 2009.

The following benefits are applicable during participation in the 2009 Program:

- 1) Health and Dental Insurance - The employer's and employee's contributions are made for the employee and spouse/domestic partner for five years.
- 2) TIAA/CREF - The employer's contributions are made to TIAA/CREF for five years based on the employee's annual salary as of May 1, 2009.

The employee may have elected, prior to approval of participation in the program, to accept the present value of the health and dental incentives as a lump sum payment on the beginning date of participation in the program.

The University funded the 2009 Program on a pay-as-you-go basis using ARRA Education Stimulus funds, health and dental insurance reserves and operating funds. At June 30, 2015, benefits were fully paid. During fiscal year 2015, benefit payments for 102 participants totaled \$630,634.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note T – 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 fair value of \$629,839 and \$707,055 at June 30, 2016 and 2015, respectively. The income received by the University from this trust was \$33,184 in fiscal year 2016 and \$31,578 in fiscal year 2015.

Note U – Other Commitments, Claims and Contingencies

Commitments: Changes to the University's outstanding construction contract commitments for Plant construction for the year ended June 30, 2016 are as follows:

Construction commitments beginning of year	\$ 5,372,757
Increases in commitments	51,630,516
Payments and decreases in commitments	<u>(28,043,141)</u>
Construction commitments end of year	\$ <u>28,960,132</u>

There were no material claims or contingencies as of June 30, 2016.

Contingencies: In July 2012, a company of a major donor to the UNI Foundation declared bankruptcy. The donor's pledge receivable of \$500,000 was written off as of June 30, 2012. As of the date of the release of the Foundation's fiscal 2016 financial statements, there was not enough information to assess the likelihood of a contingent liability for return of contributions related to this event. As a result, no amounts have been recorded in the Foundation's financial statements as of June 30, 2016 and 2015.

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note V – 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 issued to defray the costs of constructing, renovating and equipping 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.

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 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.

Student Health System Revenue Bonds were issued in 2004 for constructing, furnishing and equipping 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 System. 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, 2016

Note V – Segment Reporting (continued)
Academic Buildings

Condensed Statement of Net Position	<u>2016</u>	<u>2015</u>
Assets:		
Current assets	\$ 21,128,219	5,465,804
Capital assets	57,963,944	60,508,448
Other noncurrent assets	<u>2,326,885</u>	<u>4,158,938</u>
Total assets	<u>81,419,048</u>	<u>70,133,190</u>
Liabilities:		
Current liabilities	19,675,058	5,460,974
Noncurrent liabilities	<u>41,275,073</u>	<u>43,295,000</u>
Total liabilities	<u>60,950,131</u>	<u>48,755,974</u>
Net position:		
Net investment in capital assets	16,448,864	17,213,448
Restricted, expendable	4,012,534	4,163,768
Unrestricted	<u>7,519</u>	<u>-</u>
Total net position	<u>\$ 20,468,917</u>	<u>21,377,216</u>

**Condensed Statement of Changes in
Net Position**

Operating revenues	\$ 66,992,172	66,565,510
Depreciation expense	<u>(2,544,505)</u>	<u>(2,548,230)</u>
Net operating income (loss)	64,447,667	64,017,280
Nonoperating revenues (expenses)	1,683,088	3,015,276
Transfers from (to) University funds	<u>(67,039,054)</u>	<u>(66,552,960)</u>
Change in net position	(908,299)	479,596
Net position, beginning of year	<u>21,377,216</u>	<u>20,897,620</u>
Net position, end of year	<u>\$ 20,468,917</u>	<u>21,377,216</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 66,992,172	66,565,510
Net cash provided (used) by capital and related financing activities	(53,234,503)	(66,351,772)
Net cash provided (used) by investing activities	<u>285,996</u>	<u>206,144</u>
Net increase (decrease) in cash	14,043,665	419,882
Cash and cash equivalents, beginning of year	<u>5,456,300</u>	<u>5,036,418</u>
Cash and cash equivalents, end of year	<u>\$ 19,499,965</u>	<u>5,456,300</u>

Debt Service Coverage

Debt service coverage – required	1.25	1.25
Debt service coverage – actual	18.95	11.70

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 4,011,025	6,492,948
Net operating income *	66,992,172	66,565,510
Annual debt service/net operating income (%)	6.0%	9.8%

As of June 30, 2016, revenue pledged for future principal and interest payments was \$60,287,387.

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note V – Segment Reporting (continued)
Residence System

Condensed Statement of Net Position	<u>2016</u>	<u>2015</u>
Assets:		
Current assets	\$ 42,066,382	20,121,707
Capital assets	89,380,670	86,646,935
Other noncurrent assets	<u>11,239,340</u>	<u>7,750,019</u>
Total assets	<u>142,686,392</u>	<u>114,518,661</u>
Liabilities:		
Current liabilities	8,487,327	7,167,971
Noncurrent liabilities	<u>74,885,779</u>	<u>55,332,284</u>
Total liabilities	<u>83,373,106</u>	<u>62,500,255</u>
Net position:		
Net investment in capital assets	14,939,232	31,824,271
Restricted, expendable	42,789,165	17,892,330
Unrestricted	<u>1,584,889</u>	<u>2,301,805</u>
Total net position	<u>\$ 59,313,286</u>	<u>52,018,406</u>

**Condensed Statement of Changes in
Net Position**

Operating revenues	\$ 39,443,286	38,834,486
Depreciation expense	(3,056,045)	(3,043,248)
Other operating expenses	<u>(27,496,104)</u>	<u>(29,642,016)</u>
Net operating income (loss)	8,891,137	6,149,222
Nonoperating revenues (expenses)	(1,596,257)	(1,709,153)
Transfers from (to) University funds	-	<u>94,825</u>
Change in net position	7,294,880	4,534,894
Net position, beginning of year	<u>52,018,406</u>	<u>47,483,512</u>
Net position, end of year	<u>\$ 59,313,286</u>	<u>52,018,406</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 11,545,057	8,962,095
Net cash provided (used) by capital and related financing activities	13,104,830	(7,995,089)
Net cash provided (used) by investing activities	<u>(22,282,796)</u>	<u>206,600</u>
Net increase (decrease) in cash	2,367,091	1,173,606
Cash and cash equivalents, beginning of year	<u>17,533,111</u>	<u>16,359,505</u>
Cash and cash equivalents, end of year	<u>\$ 19,900,202</u>	<u>17,533,111</u>

Debt Service Coverage

Debt service coverage – required	1.35	1.35
Debt service coverage – actual	1.65	1.84

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 8,648,740	6,749,590
Net operating income *	14,244,477	12,453,234
Annual debt service/net operating income (%)	60.7%	54.2%

As of June 30, 2016, revenue pledged for future principal and interest payments was \$100,016,868.

* 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, 2016

Note V – Segment Reporting (continued)
Field House System

Condensed Statement of Net Position	<u>2016</u>	<u>2015</u>
Assets:		
Current assets	\$ 1,302,790	5,253,790
Capital assets	32,741,513	33,932,605
Other noncurrent assets	<u>6,188,625</u>	<u>6,921,488</u>
Total assets	<u>40,232,928</u>	<u>46,107,883</u>
Liabilities:		
Current liabilities	1,451,779	5,250,252
Noncurrent liabilities	<u>9,315,037</u>	<u>10,558,713</u>
Total liabilities	<u>10,766,816</u>	<u>15,808,965</u>
Net position:		
Net investment in capital assets	23,437,930	23,384,820
Restricted, expendable	1,209,840	1,187,110
Unrestricted	<u>4,818,342</u>	<u>5,726,988</u>
Total net position	<u>\$ 29,466,112</u>	<u>30,298,918</u>

**Condensed Statement of Changes in
Net Position**

Operating revenues	\$ 3,930,249	3,713,603
Depreciation expense	(1,706,495)	(1,629,701)
Other operating expenses	<u>(2,955,277)</u>	<u>(2,939,672)</u>
Net operating income (loss)	(731,523)	(855,770)
Nonoperating revenues (expenses)	99,683	14,146
Other revenues (expenses)	<u>(200,966)</u>	<u>399,494</u>
Change in net position	(832,806)	(442,130)
Net position, beginning of year	<u>30,298,918</u>	<u>30,741,048</u>
Net position, end of year	<u>\$ 29,466,112</u>	<u>30,298,918</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 969,147	929,239
Net cash provided (used) by capital and related financing activities	(5,291,154)	1,415,842
Net cash provided (used) by investing activities	<u>844,135</u>	<u>867,534</u>
Net increase (decrease) in cash	(3,477,872)	3,212,615
Cash and cash equivalents, beginning of year	<u>4,663,166</u>	<u>1,450,551</u>
Cash and cash equivalents, end of year	<u>\$ 1,185,294</u>	<u>4,663,166</u>

Debt Service Coverage

Debt service coverage – required	1.20	1.20
Debt service coverage – actual	4.16	4.45

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 1,475,503	1,561,288
Net operating revenue *	1,235,170	1,116,619
Annual debt service/net operating income (%)	119.5%	139.8%

As of June 30, 2016, revenue pledged for future principal and interest payments was \$11,357,209.

* 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, 2016

Note V – Segment Reporting (continued)
Student Union

Condensed Statement of Net Position	<u>2016</u>	<u>2015</u>
Assets:		
Current assets	\$ 1,453,474	1,154,647
Capital assets	12,701,565	12,837,468
Other noncurrent assets	<u>1,893,890</u>	<u>2,386,658</u>
Total assets	<u>16,048,929</u>	<u>16,378,773</u>
Liabilities:		
Current liabilities	893,042	885,360
Noncurrent liabilities	<u>4,849,193</u>	<u>5,597,769</u>
Total liabilities	<u>5,742,235</u>	<u>6,483,129</u>
Net position:		
Net investment in capital assets	7,886,565	7,287,468
Restricted, expendable	842,500	842,500
Unrestricted	<u>1,577,629</u>	<u>1,765,676</u>
Total net position	<u>\$ 10,306,694</u>	<u>9,895,644</u>

**Condensed Statement of Changes in
Net Position**

Operating revenues	\$ 1,474,755	1,414,492
Depreciation expense	(471,996)	(467,420)
Other operating expenses	<u>(1,217,683)</u>	<u>(1,294,814)</u>
Net operating income (loss)	(214,924)	(347,742)
Nonoperating revenues (expenses)	(117,709)	(136,254)
Transfers from (to) University funds	<u>743,683</u>	<u>712,490</u>
Change in net position	411,050	228,494
Net position, beginning of year	<u>9,895,644</u>	<u>9,667,150</u>
Net position, end of year	<u>\$ 10,306,694</u>	<u>9,895,644</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 226,359	115,892
Net cash provided (used) by capital and related financing activities	(470,941)	(233,075)
Net cash provided (used) by investing activities	<u>40,405</u>	<u>27,958</u>
Net increase (decrease) in cash	(204,177)	(89,225)
Cash and cash equivalents, beginning of year	<u>1,119,365</u>	<u>1,208,590</u>
Cash and cash equivalents, end of year	<u>\$ 915,188</u>	<u>1,119,365</u>

Debt Service Coverage

Debt service coverage – required	1.20	1.20
Debt service coverage – actual	3.07	3.27

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 897,825	902,325
Net operating revenue *	1,126,680	1,097,661
Annual debt service/net operating income (%)	79.7%	82.20%

As of June 30, 2016, revenue pledged for future principal and interest payments was \$6,148,163.

* 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, 2016

Note V – Segment Reporting (continued)
Student Health System

Condensed Statement of Net Position	<u>2016</u>	<u>2015</u>
Assets:		
Current assets	\$ 611,692	690,466
Capital assets	3,005,482	3,043,438
Other noncurrent assets	<u>1,849,394</u>	<u>1,831,971</u>
Total assets	<u>5,466,568</u>	<u>5,565,875</u>
Liabilities:		
Current liabilities	343,792	343,284
Noncurrent liabilities	<u>1,928,073</u>	<u>2,144,182</u>
Total liabilities	<u>2,271,865</u>	<u>2,487,466</u>
Net position:		
Net investment in capital assets	1,155,381	980,199
Restricted, expendable	243,500	243,500
Unrestricted	<u>1,795,822</u>	<u>1,854,710</u>
Total net position	<u>\$ 3,194,703</u>	<u>3,078,409</u>

**Condensed Statement of Changes in
Net Position**

Operating revenues	\$ 3,395,981	3,354,922
Depreciation expense	(140,134)	(138,382)
Other operating expenses	<u>(3,423,965)</u>	<u>(3,283,350)</u>
Net operating income (loss)	(168,118)	(66,810)
Nonoperating revenues (expenses)	4,450	(1,154)
Transfers from (to) University funds	<u>279,962</u>	<u>219,974</u>
Change in net position	116,294	152,010
Net position, beginning of year	<u>3,078,409</u>	<u>2,926,399</u>
Net position, end of year	<u>\$ 3,194,703</u>	<u>3,078,409</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ (30,940)	26,371
Net cash provided (used) by capital and related financing activities	(71,477)	(63,952)
Net cash provided (used) by investing activities	<u>31,465</u>	<u>23,630</u>
Net increase (decrease) in cash	(70,952)	(13,951)
Cash and cash equivalents, beginning of year	<u>455,091</u>	<u>469,042</u>
Cash and cash equivalents, end of year	<u>\$ 384,139</u>	<u>455,091</u>

Debt Service Coverage

Debt service coverage – required	1.20	1.20
Debt service coverage – actual	8.55	8.74

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 252,413	250,713
Net operating revenue *	363,660	377,836
Annual debt service/net operating income (%)	69.4%	66.4%

As of June 30, 2016, revenue pledged for future principal and interest payments was \$2,230,906.

* 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, 2016

Note W – Operating Expenses by Function

Operating expenses by natural classification for the year ended June 30, 2016 are summarized as follows:

	<u>Personnel Services</u>	<u>Travel</u>	<u>Supplies</u>	<u>Contractual Services</u>	<u>Equipment and Repairs</u>
Operating Expenses:					
Instruction	\$ 80,195,201	1,598,290	417,977	1,070,365	468,461
Research	1,823,115	241,510	137,145	584,148	74,420
Public Service	10,279,840	1,895,375	1,299,094	5,039,236	182,625
Academic Support	16,098,244	569,387	392,379	604,331	3,527,508
Student Services	7,913,885	487,766	324,250	356,362	94,963
Institutional Support	21,439,842	214,425	363,151	3,493,268	335,895
Operation and Maintenance of Plant	12,238,472	44,890	329,964	145,368	3,737,397
Scholarships and Fellowships	680,988	-	-	-	-
Depreciation	-	-	-	-	-
Other Operating Expenses	-	-	-	47,524	-
Auxiliary Enterprises	<u>29,147,266</u>	<u>2,186,283</u>	<u>6,412,707</u>	<u>2,505,551</u>	<u>1,122,840</u>
Total Operating Expenses	<u>\$179,816,853</u>	<u>7,237,926</u>	<u>9,676,667</u>	<u>13,846,153</u>	<u>9,544,109</u>

	<u>Claims and Miscellaneous</u>	<u>Licenses, Permits & Refunds</u>	<u>Scholarships and Fellowships</u>	<u>Depreciation</u>	<u>Total Operating Expenses</u>
Operating Expenses: (continued)					
Instruction	293,312	19,252	-	-	\$ 84,062,858
Research	72,954	23,383	-	-	2,956,675
Public Service	1,444,738	819,855	-	-	20,960,763
Academic Support	414,354	907,873	-	-	22,514,076
Student Services	17,760	839,890	-	-	10,034,876
Institutional Support	2,450,989	899,335	-	-	29,196,905
Operation and Maintenance of Plant	3,462,295	173,820	-	-	20,132,206
Scholarships and Fellowships	-	-	5,182,233	-	5,863,221
Depreciation	-	-	-	18,121,445	18,121,445
Other Operating Expenses	562,499	(364,572)	-	-	245,451
Auxiliary Enterprises	<u>5,328,481</u>	<u>746,251</u>	<u>3,814,901</u>	-	<u>51,264,280</u>
Total Operating Expenses	<u>14,047,382</u>	<u>4,065,087</u>	<u>8,997,134</u>	<u>18,121,445</u>	<u>\$265,352,756</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note W – Operating Expenses by Function (continued)

Operating expenses by natural classification for the year ended June 30, 2015 are summarized as follows:

	<u>Personnel Services</u>	<u>Travel</u>	<u>Supplies</u>	<u>Contractual Services</u>	<u>Equipment and Repairs</u>
Operating Expenses:					
Instruction	\$ 82,119,736	1,676,995	630,007	1,263,874	267,330
Research	2,137,592	155,225	159,154	615,861	24,413
Public Service	10,323,733	2,010,536	1,331,549	5,104,851	256,826
Academic Support	16,970,595	688,224	345,714	708,667	2,933,308
Student Services	7,959,504	500,754	208,013	472,509	76,519
Institutional Support	21,292,366	375,494	413,880	3,165,755	274,160
Operation and Maintenance of Plant	11,559,569	47,868	749,745	313,694	4,726,271
Scholarships and Fellowships	666,821	783	103	(7,136)	-
Depreciation	-	-	-	-	-
Other Operating Expenses	-	-	-	106,099	-
Auxiliary Enterprises	<u>28,518,241</u>	<u>2,286,623</u>	<u>6,847,902</u>	<u>2,742,520</u>	<u>1,639,527</u>
Total Operating Expenses	<u>\$181,548,157</u>	<u>7,742,502</u>	<u>10,686,067</u>	<u>14,486,694</u>	<u>10,198,354</u>

	<u>Claims and Miscellaneous</u>	<u>Licenses, Permits & Refunds</u>	<u>Scholarships and Fellowships</u>	<u>Depreciation</u>	<u>Total Operating Expenses</u>
Operating Expenses: (continued)					
Instruction	472,175	106,815	-	-	\$ 86,536,932
Research	73,360	10,140	-	-	3,175,745
Public Service	1,386,096	901,441	-	-	21,315,032
Academic Support	296,296	923,628	-	-	22,866,432
Student Services	400,935	812,306	-	-	10,430,540
Institutional Support	390,194	1,299,148	-	-	27,210,997
Operation and Maintenance of Plant	4,608,540	196,077	-	-	22,201,764
Scholarships and Fellowships	-	-	5,542,277	-	6,202,848
Depreciation	-	-	-	18,095,313	18,095,313
Other Operating Expenses	(40,020)	84,108	-	-	150,187
Auxiliary Enterprises	<u>5,223,004</u>	<u>749,747</u>	<u>3,735,547</u>	-	<u>51,743,111</u>
Total Operating Expenses	<u>12,810,580</u>	<u>5,083,410</u>	<u>9,277,824</u>	<u>18,095,313</u>	<u>\$269,928,901</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2016

Note X – Subsequent Event

In August 2016, the Board of Regents, State of Iowa issued \$12,460,000 of Academic Building Revenue Refunding Bonds, Series U.N.I. 2016A. Proceeds of the sale of the bonds will be used to refund, as an advance refunding, the outstanding principal of the July 1, 2017 through July 1, 2035 maturities of the Board's Academic Revenue Building Bonds, Series U.N.I. 2008, dated April 1, 2008, and pay the costs of issuance.



2015-2016

Required Supplementary
Information

University of Northern Iowa
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the University's Proportionate Share of the Net Pension Liability

Iowa Public Employee's Retirement System
Last Fiscal Year*
(In Thousands)

<u>Year Ended June 30,</u>	<u>University's Proportion of the Net Pension Liability</u>	<u>University's Proportionate Share of the Net Pension Liability</u>	<u>University's Covered-Employee Payroll</u>	<u>University's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.2379216%	\$ 9,436	\$15,521	60.8%	87.61%
2016	0.2491278%	\$ 12,308	\$17,165	71.7%	85.19%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See Note L in the accompanying Notes to Financial Statements for the IPERS plan description; pension benefits; disability and death benefits; contributions; net pension liabilities, pension expenses, deferred outflows of resources and deferred inflows of resources related to pensions; actuarial assumptions; discount rate; and sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate.

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten year trend is compiled, the University will present information for those years for which information is available.

See accompanying independent auditor's report.

University of Northern Iowa
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of University Contributions

Iowa Public Employee's Retirement System
Last Ten Fiscal Years
(In Thousands)

<u>Year Ended June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>University's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2007	371	(371)	===== -	6,452	5.75%
2008	446	(446)	===== -	7,372	6.05%
2009	543	(543)	===== -	8,551	6.35%
2010	615	(615)	===== -	9,248	6.65%
2011	769	(769)	===== -	11,065	6.95%
2012	1,047	(1,047)	===== -	12,974	8.07%
2013	1,169	(1,169)	===== -	13,483	8.67%
2014	1,386	(1,386)	===== -	15,521	8.93%
2015	1,533	(1,533)	===== -	17,165	8.93%
2016	1,646	(1,646)	===== -	18,427	8.93%

See accompanying independent auditor's report.

University of Northern Iowa

Notes to Required Supplementary Information – Pension Liability

Year Ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

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

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b – a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b – a) / c)</u>
2014	07/01/13	-	\$32,364	\$32,364	0.0%	\$136,899	23.6%
2015	07/01/14	-	34,123	34,123	0.0	142,835	23.9
2016	07/01/15	-	23,545	23,545	0.0	137,537	17.1

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

See accompanying independent auditor's report.



2015-2016

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.	87-90
Revenue Capacity	
These schedules provide information on the University's most significant revenue sources, tuition and fees, and state appropriations.	91-92
Debt Capacity	
These schedules present the University's bonded debt obligation and the revenue bond coverage.	93-95
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.	96-97
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.	98-104

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

University of Northern Iowa

Schedule 1

HIGHER EDUCATION PRICE INDEX (HEPI)/FULL YEAR FTE

For the Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Higher Education Price Index	7.537	7.442	7.285	7.074	6.964	6.850	6.694	6.637	6.406	6.183
Normalized HEPI	1.219	1.204	1.178	1.144	1.126	1.108	1.083	1.073	1.036	1.000
Full Year FTE	9,708	9,765	10,024	10,425	11,379	11,431	11,391	11,141	10,979	10,783

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.

University of Northern Iowa
Schedule 2
**CHANGE IN NET POSITION/
NET POSITION BY CLASSIFICATION**
For the Last Ten Years
(Expressed in Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
CHANGE IN NET POSITION										
Total Revenues - Schedule 3	\$ 294,309	277,804	282,711	269,925	265,525	269,678	284,297	278,283	256,846	255,306
Total Expenses - Schedule 4	270,216	276,188	274,183	269,076	268,615	262,528	258,286	266,760	242,746	227,586
Change in Net Position	24,093	1,616	8,528	849	(3,090)	7,150	26,011	11,523	14,100	27,720
Net Position - July 1	326,781	325,165 *	326,922	326,073	329,163	322,013	296,002	284,479	270,379	242,659
Net Position - June 30	\$ 350,874	326,781	335,450	326,922	326,073	329,163	322,013	296,002	284,479	270,379
NET POSITION BY CLASSIFICATION										
Net investment in capital assets	\$ 260,251	258,659	254,035	251,764	225,622	226,533	219,730	205,107	194,237	180,720
Restricted										
Nonexpendable										
Scholarships and fellowships	615	615	615	615	615	615	615	615	615	615
Expendable										
Scholarships and fellowships	248	241	209	321	333	389	408	274	340	391
Loans	2,873	2,970	2,927	2,803	2,876	2,979	2,901	2,817	2,996	2,976
Capital projects	14,111	2,916	5,137	-	13,185	5,707	102	429	4,576	14,936
Debt service	30,479	23,790	20,787	23,735	24,351	24,204	22,813	23,780	20,912	19,719
Other	551	645	838	489	362	356	1,168	318	846	1,034
Unrestricted	41,746	36,945	50,902	47,195	58,729	68,380	74,276	62,662	59,957	49,988
Net Position - June 30	\$ 350,874	326,781	335,450	326,922	326,073	329,163	322,013	296,002	284,479	270,379

* Net position for 2015 was restated for July 1, 2014 net pension liability as required by GASB Statement No. 68.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
OPERATING										
Gross Tuition & Fees	\$ 91,198	89,653	89,745	90,442	91,726	87,554	81,867	77,260	73,394	70,721
Less: Scholarship Allowance	27,423	27,115	25,425	25,335	25,483	24,139	21,202	17,226	15,871	14,290
Net Tuition & Fees	63,775	62,538	64,320	65,107	66,243	63,415	60,665	60,034	57,523	56,431
Federal grants and contracts	13,990	15,783	16,663	18,481	21,158	23,427	23,206	19,837	18,217	18,468
State and local grants and contracts	3,649	2,984	2,053	2,102	2,182	2,271	2,634	2,945	2,961	3,703
Nongovernmental grants and contracts	4,047	3,944	3,320	3,614	4,675	5,097	5,851	6,514	4,002	2,771
Sales and services of educational activities	5,911	6,169	6,403	4,938	8,238	7,998	7,688	5,775	7,421	6,192
Interest on student loans	214	211	227	245	239	237	227	191	169	148
Other operating revenue	662	711	563	727	502	993	2,869	608	720	805
Auxiliary enterprises	61,407	60,468	57,102	56,344	58,742	56,156	55,193	54,859	50,177	47,559
Total Operating Income	153,655	152,808	150,651	151,558	161,979	159,594	158,333	150,763	141,190	136,077
NONOPERATING										
State appropriations	101,758	100,659	96,910	87,663	77,765	82,684	97,862	101,686	95,364	86,531
Federal grants and contracts	10,670	10,715	10,270	10,860	11,467	12,213	10,913	7,654	7,037	6,007
Nonfederal gifts, grants and contracts	2,537	2,011	3,827	3,102	3,701	3,180	3,333	3,385	2,601	2,954
Investment income	1,333	1,658	3,644	1,465	1,683	2,786	2,763	(802)	1,518	5,099
Gain on disposal of capital assets	3,959	-	-	-	-	-	-	-	-	-
Total Nonoperating Revenue	120,257	115,043	114,651	103,090	94,616	100,863	114,871	111,923	106,520	100,591
CAPITAL AND OTHER REVENUES										
Capital appropriations	19,119	8,121	14,177	14,083	7,017	5,808	5,928	5,752	5,018	8,650
Capital gifts, grants and contracts	1,278	1,832	3,232	1,194	1,913	3,413	5,165	9,845	4,118	9,988
Total Capital and Other Revenues	20,397	9,953	17,409	15,277	8,930	9,221	11,093	15,597	9,136	18,638
Total Revenues	\$ 294,309	277,804	282,711	269,925	265,525	269,678	284,297	278,283	256,846	255,306
Constant Dollar Revenues	\$ 241,435	230,734	239,992	235,948	235,813	243,392	262,509	259,350	247,921	255,306
Revenues per FTE (Actual)	\$ 30,316	28,449	28,203	25,892	23,335	23,592	24,958	24,978	23,394	23,677
Constant Dollar Revenues per FTE (Actual)	\$ 24,870	23,629	23,941	22,633	20,724	21,292	23,045	23,279	22,581	23,677

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
OPERATING EXPENSES BY FUNCTION										
Instruction	\$ 84,063	86,537	86,506	82,765	80,292	78,571	71,168	76,485	72,605	68,768
Research	2,957	3,176	2,982	3,139	2,952	3,106	2,507	1,793	2,455	3,232
Public service	20,961	21,315	25,053	24,325	22,153	25,396	31,497	31,097	24,185	23,488
Academic support	22,514	22,866	22,490	21,731	24,856	25,414	23,895	22,730	22,050	19,771
Student services	10,035	10,431	9,636	9,005	8,210	7,280	6,205	7,077	6,558	6,278
Institutional support	29,197	27,211	26,067	26,441	29,683	23,536	26,714	29,348	20,231	19,163
Operation and maintenance of plant	20,132	22,202	21,167	21,424	20,441	21,884	20,178	22,186	21,396	20,687
Scholarships and fellowships	5,863	6,203	3,381	4,983	6,471	7,150	6,760	5,712	4,884	4,495
Depreciation	18,121	18,095	18,041	16,095	16,105	15,271	14,461	13,975	13,292	12,517
Other operating expenses	246	150	194	281	288	137	172	514	252	279
Auxiliary enterprises	51,264	51,743	50,774	50,976	50,787	48,859	48,447	50,078	49,043	43,779
Total Operating Expenses	265,353	269,929	266,291	261,165	262,238	256,604	252,004	260,995	236,951	222,457
NONOPERATING EXPENSES										
Interest on indebtedness	4,392	5,891	5,463	5,529	6,259	5,924	6,275	5,743	5,765	5,014
Miscellaneous expense	471	368	2,429	2,382	118	-	7	22	30	115
Total Nonoperating Expenses	4,863	6,259	7,892	7,911	6,377	5,924	6,282	5,765	5,795	5,129
Total Expenses	\$ 270,216	276,188	274,183	269,076	268,615	262,528	258,286	266,760	242,746	227,586
Constant Dollar Expenses	\$ 221,670	229,392	232,753	235,206	238,557	236,939	238,491	248,611	234,311	227,586
Expenses per FTE (Actual)	\$ 27,834	28,283	27,353	25,811	23,606	22,966	22,675	23,944	22,110	21,106
Constant Dollar Expenses per FTE (Actual)	\$ 22,833	23,491	23,220	22,562	20,964	20,727	20,937	22,315	21,342	21,106

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)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
TUITION & FEES										
Total Tuition & Fees	\$ 91,198	89,653	89,745	90,442	91,726	87,554	81,867	77,260	73,394	70,721
Less: Other Funds Unrestricted	13,999	12,437	12,271	11,341	9,465	9,578	8,895	8,781	8,298	7,565
Unrestricted Scholarships & Fellowships	15,547	14,832	13,066	13,222	13,920	12,745	12,183	10,541	9,851	9,324
Net Tuition & Fees	\$ 61,652	62,384	64,408	65,879	68,341	65,231	60,789	57,938	55,245	53,832
Constant Dollar Net Tuition & Fees	\$ 50,576	51,814	54,676	57,587	60,694	58,873	56,130	53,996	53,325	53,832
Tuition & Fees per FTE Student (Actual)	\$ 6,351	6,389	6,425	6,319	6,006	5,706	5,337	5,200	5,032	4,992
Constant Dollar Tuition & Fees per FTE Student (Actual)	\$ 5,210	5,306	5,454	5,524	5,334	5,150	4,928	4,847	4,857	4,992
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
TUITION & FEES RATES										
Resident Undergraduate	\$ 7,917	7,749	7,685	7,635	7,350	7,008	6,636	6,376	6,190	6,112
Non-resident Undergraduate	18,005	17,647	17,181	16,721	16,106	15,348	14,900	14,596	14,282	14,028
Resident Graduate	9,219	9,013	8,793	8,743	8,418	8,026	7,596	7,298	7,084	6,962
Non-resident Graduate	19,389	19,007	18,507	18,013	17,352	16,534	16,052	15,726	15,392	15,100
FULL ROOM & BOARD RATE	\$ 8,320	8,066	7,820	7,597	7,426	7,140	6,980	6,790	6,280	5,740
TOTAL COST OF ATTENDANCE										
Resident Undergraduate	\$ 16,237	15,815	15,505	15,232	14,776	14,148	13,616	13,166	12,470	11,852
Non-resident Undergraduate	26,325	25,713	25,001	24,318	23,532	22,488	21,880	21,386	20,562	19,768
CONSTANT DOLLAR TUITION & FEE RATES										
Resident Undergraduate	\$ 6,495	6,436	6,524	6,674	6,528	6,325	6,127	5,942	5,975	6,112
Non-resident Undergraduate	14,770	14,657	14,585	14,616	14,304	13,852	13,758	13,603	13,786	14,028
Resident Graduate	7,563	7,486	7,464	7,642	7,476	7,244	7,014	6,801	6,838	6,962
Non-resident Graduate	15,906	15,787	15,711	15,746	15,410	14,922	14,822	14,656	14,857	15,100
CONSTANT DOLLAR FULL ROOM & BOARD RATE	\$ 6,825	6,699	6,638	6,641	6,595	6,444	6,445	6,328	6,062	5,740
CONSTANT DOLLAR COST OF ATTENDANCE										
Resident Undergraduate	\$ 13,320	13,135	13,162	13,315	13,123	12,769	12,572	12,270	12,037	11,852
Non-resident Undergraduate	21,595	21,356	21,223	21,257	20,899	20,296	20,203	19,931	19,848	19,768

University of Northern Iowa
Schedule 6
STATE APPROPRIATIONS
For the Last Ten Years
CAPITAL APPROPRIATIONS
For the Last Ten Years
(Expressed in Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
STATE APPROPRIATIONS										
Total	\$ 101,758	100,659	96,910	87,663	77,765	82,684	97,862	101,686	95,364	86,531
Less: Non-General Funds	914	916	1,121	974	420	956	1,023	993	1,606	1,544
Net State Appropriations	<u>\$ 100,844</u>	<u>99,743</u>	<u>95,789</u>	<u>86,689</u>	<u>77,345</u>	<u>81,728</u>	<u>96,839</u>	<u>100,693</u>	<u>93,758</u>	<u>84,987</u>
Constant Dollar Unrestricted State Appropriations	\$ 82,727	82,843	81,315	75,777	68,690	73,762	89,417	93,842	90,500	84,987
State Appropriations per FTE Student (Actual)	\$ 10,388	10,214	9,556	8,315	6,797	7,150	8,501	9,038	8,540	7,882
Constant Dollar State Appropriations per FTE Student (Actual)	\$ 8,522	8,484	8,112	7,269	6,037	6,453	7,850	8,423	8,243	7,882
CAPITAL APPROPRIATIONS	\$ 19,119	8,121	14,177	14,083	7,017	5,808	5,928	5,752	5,018	8,650
Constant Dollar Restricted Capital Appropriations	\$ 15,684	6,745	12,035	12,310	6,232	5,242	5,474	5,361	4,844	8,650
Capital Appropriations per FTE Student (Actual)	\$ 1,969	832	1,414	1,351	617	508	520	516	457	802
Constant Dollar Capital Appropriations per FTE Student (Actual)	\$ 1,616	691	1,201	1,181	548	459	481	481	441	802

University of Northern Iowa

Schedule 7

OUTSTANDING DEBT PER FULL TIME EQUIVALENT (FTE) STUDENT

For the Last Ten Years

(Expressed in Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Bonded Debt										
Academic Building Revenue Bonds \$	59,950	46,482	49,733	53,422	57,250	61,017	64,419	67,704	57,066	47,854
Residence System Bonds	79,431	59,717	64,561	67,495	80,443	43,170	33,005	30,590	32,355	34,040
Field House Bonds	10,134	15,058	12,689	18,914	14,855	19,470	16,815	17,735	18,630	20,190
Student Union Bonds	5,550	6,275	6,980	7,670	8,425	8,915	9,460	9,980	10,480	10,965
Student Health Center Bonds	2,060	2,268	2,466	5,110	2,810	2,975	3,135	3,290	3,440	3,585
Total Bonded Debt	157,125	129,800	136,429	152,611	163,783	135,547	126,834	129,299	121,971	116,634
Notes Payable										
City of Cedar Falls	380	395	410	425	440	455	470	485	500	500
Wells Fargo	-	246	481	707	923	-	-	-	-	-
Iowa Finance Authority	745	844	942	1,122	1,217	-	-	-	-	-
Total Notes Payable	1,125	1,485	1,833	2,254	2,580	455	470	485	500	500
Capital Leases Payable										
Power Plant Projects	4,121	4,569	5,000	-	-	-	-	-	-	-
Human Performance Center	-	-	-	-	-	1,131	1,432	1,621	1,799	1,965
McLeod Center Video Boards	-	-	-	-	-	-	-	-	-	717
Total Capital Leases Payable	4,121	4,569	5,000	-	-	1,131	1,432	1,621	1,799	2,682
Total Debt	\$ 162,371	135,854	143,262	154,865	166,363	137,133	128,736	131,405	124,270	119,816
Constant Dollar										
Outstanding Debt	\$ 133,200	112,836	121,615	135,372	147,747	123,766	118,870	122,465	119,952	119,816
Outstanding Debt										
per FTE Student (Actual)	\$ 16,725	13,912	14,292	14,855	14,620	11,997	11,302	11,795	11,319	11,112
Constant Dollar Debt										
per FTE Student (Actual)	\$ 13,721	11,555	12,132	12,985	12,984	10,827	10,435	10,992	10,926	11,112

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
2016	75,989	4,011	18.95
2015	75,990	6,493	11.70
2014	76,246	6,493	11.74
2013	77,792	6,493	11.98
2012	80,776	6,493	12.44
2011	76,542	6,905	11.09
2010	71,581	7,116	10.06
2009	67,272	7,116	9.45
2008	63,771	6,287	10.14
2007	61,801	5,901	10.47

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
2016	40,003	25,758	14,245	8,649	1.65
2015	39,054	26,601	12,453	6,750	1.84
2014	37,746	25,459	12,287	6,769	1.82
2013	36,642	25,375	11,267	6,769	1.66
2012	38,512	25,809	12,703	6,769	1.88
2011	37,511	24,906	12,605	4,473	2.82
2010	36,585	25,008	11,577	3,288	3.52
2009	36,099	25,559	10,540	3,347	3.15
2008	32,650	24,151	8,499	3,347	2.54
2007	30,323	22,701	7,622	3,347	2.28

Maximum Debt Service is defined as the largest amount of both principal and interest that will become due in any fiscal year during the life of the bonds. Legal coverage for the above bond issues is computed utilizing Maximum Debt Service.

University of Northern Iowa
Schedule 8 (continued)
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	
2016	4,044	2,809	1,235	4,844	1,195	265	1,460	4.16
2015	3,880	2,763	1,117	5,764	1,185	361	1,546	4.45
2014	3,952	2,638	1,314	6,932	1,110	412	1,522	5.42
2013	3,827	2,502	1,325	7,215	1,070	504	1,574	5.43
2012	4,230	2,603	1,627	7,652	1,055	542	1,597	5.81
2011	4,319	2,386	1,933	7,620	986	638	1,624	5.88
2010	3,886	2,126	1,760	8,638	955	669	1,624	6.40
2009	4,029	2,156	1,873	6,627	920	697	1,617	5.26
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

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	
2016	2,264	1,137	1,127	1,634	735	163	898	3.07
2015	2,168	1,070	1,098	1,850	725	177	902	3.27
2014	2,296	1,141	1,155	1,925	705	191	896	3.44
2013	2,245	1,126	1,119	2,109	690	205	895	3.61
2012	2,410	1,089	1,321	1,961	755	202	957	3.43
2011	2,397	1,005	1,392	2,937	565	428	993	4.36
2010	2,402	897	1,505	2,907	545	451	996	4.43
2009	2,860	1,299	1,561	2,951	520	472	992	4.55
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

STUDENT HEALTH SYSTEM 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	
2016	3,719	3,356	363	1,792	210	42	252	8.55
2015	3,616	3,238	378	1,816	205	46	251	8.74
2014	3,751	3,205	546	1,820	195	58	253	9.35
2013	3,440	3,200	240	1,784	175	106	281	7.20
2012	3,476	3,248	228	1,872	170	112	282	7.45
2011	3,533	3,063	470	2,061	165	117	282	8.98
2010	3,542	2,955	587	2,130	160	121	281	9.67
2009	3,546	3,012	534	1,898	155	126	281	8.65
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

**STATE OF IOWA - TOTAL PERSONAL INCOME, POPULATION,
PER CAPITA PERSONAL INCOME, UNEMPLOYMENT PERCENTAGE**

For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Personal Income (expressed in millions)	\$ 143,394	139,625	138,337	135,063	130,131	119,080	117,411	118,980	110,484	103,072
Population (expressed in thousands)	3,124	3,107	3,090	3,074	3,062	3,046	3,008	3,003	2,988	2,982
Per Capita Personal Income (expressed in dollars)	\$ 45,902	44,937	44,763	43,935	42,470	39,038	38,713	39,440	36,838	34,557
Unemployment Percentage	4.2%	3.7%	4.5%	4.6%	5.3%	6.0%	6.0%	4.1%	3.8%	3.7%
Constant Dollar										
Per Capita Personal Income	\$ 37,655	37,323	37,999	38,405	37,718	35,233	35,746	36,757	35,558	34,557
Net UNI Appropriations										
(expressed in thousands)	\$ 99,743	95,789	86,689	77,345	81,728	96,839	100,693	93,758	84,987	82,908
UNI Appropriations per Capita	\$ 31.93	30.83	28.05	25.16	26.69	31.79	33.48	31.22	28.44	27.80
Constant Dollar										
UNI Appropriations per Capita	\$ 26.19	25.61	23.82	21.99	23.70	28.69	30.91	29.10	27.45	27.80

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

STATE OF IOWA PRINCIPAL NON-GOVERNMENTAL EMPLOYERS

Current Year and Nine Years Prior

Rank	Employer	Type of Business
1	Hy-Vee Food Stores	Retail Food
2	Wal-Mart	Retail General Merchandise
3	Wells Fargo	Finance
4	Deere and Company	Machinery Manufacturing
5	Casey's General Store	Convenience Stores
6	Rockwell Collins	Equipment Manufacturing
7	Tyson Fresh Meats	Food Manufacturing
8	Fareway Food Stores	Retail Food
9	Principal Financial Group	Finance & Insurance
10	Unitypoint Health	Health Care Services

Source: Iowa Workforce Development

Rank	Employer	Type of Business
1	Hy-Vee Food Stores	Retail Food
2	Wal-Mart	Retail General Merchandise
3	Deere and Company	Machinery Manufacturing
4	Rockwell Collins	Equipment Manufacturing
5	Principal Financial Group	Finance & Insurance
6	Tyson Fresh Meats	Food Manufacturing
7	Wells Fargo	Finance
8	Fareway Food Stores	Retail Food
9	Pella Corporation	Wood Products Manufacturing
10	Iowa Health Services	Health Care Services

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

Source: Iowa Workforce Development

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

STAFF POSITIONS (Full Time)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Executive/Managerial										
Institutional Officials	13	13	13	13	13	13	15	15	16	15
Academic Administrators	46	45	44	47	46	50	57	53	50	44
Professional & Scientific	36	39	36	35	35	35	40	42	37	35
Faculty										
Professor	168	164	170	169	177	174	176	166	163	165
Associate Professor	191	201	202	200	207	205	202	204	209	209
Assistant Professor	128	134	120	114	123	119	121	127	122	133
Instructor	30	32	33	36	45	48	47	53	51	50
Faculty-Term/Renewable Term										
Professor	-	-	-	-	-	-	1	1	1	1
Assistant Professor	2	1	-	2	3	2	1	2	1	-
Instructor	49	46	36	35	60	39	38	37	38	41
Other Professionals										
Professional/Scientific	630	622	609	592	603	578	577	570	541	530
Instructor	8	-	-	-	-	-	-	-	-	-
Secretarial/Clerical										
Merit Supervisory	15	16	16	17	18	42	42	43	45	46
Merit Confidential	14	17	17	16	16	4	4	5	5	7
Merit AFSCME	201	216	216	221	230	210	226	227	230	229
Technical-AFSCME	16	21	20	20	22	24	27	30	31	31
Skilled Crafts-AFSCME										
Merit AFSCME	57	59	59	56	55	55	56	59	58	64
Merit Supervisory	-	-	-	-	-	-	4	4	4	4
Service/Maintenance										
Merit AFSCME	207	212	204	203	214	219	223	223	218	213
Merit Supervisory	24	23	24	25	27	25	26	29	27	26
Total	1,835	1,861	1,819	1,801	1,894	1,842	1,883	1,890	1,847	1,843

Note: Staff counts are as of September.

FACULTY POSITIONS (FTE)

Total Faculty	617.0	698.0	667.0	664.0	710.0	690.0	691.3	711.3	684.3	689.3
Percent Tenured	54.4%	61.0%	56.2%	57.5%	56.0%	56.2%	57.7%	54.1%	56.6%	56.3%
Students per Faculty Member	17.0	16.0	16.0	17.0	16.0	17.0	16.7	16.0	16.5	15.8

Source: Human Resource Department and Office of Institutional Research and Effectiveness

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
ENROLLMENT (Fall Headcount)										
Undergraduate - Lower	4,342	4,235	4,149	4,329	4,713	4,780	4,841	4,865	4,719	4,427
Undergraduate - Upper	5,827	5,907	6,231	6,326	6,695	6,611	6,453	6,182	6,291	6,275
Graduate - Masters	1,247	1,232	1,283	1,161	1,236	1,289	1,300	1,369	1,157	1,113
Graduate - Advanced	565	554	496	457	524	521	486	492	442	445
Total	11,981	11,928	12,159	12,273	13,168	13,201	13,080	12,908	12,609	12,260
Residents	10,549	10,491	10,842	11,095	11,915	11,978	11,896	11,562	11,444	11,129
Nonresidents	1,432	1,437	1,317	1,178	1,253	1,223	1,184	1,346	1,165	1,131
ENROLLMENT (FTE)										
Full Year FTE	9,708	9,765	10,024	10,425	11,379	11,431	11,391	11,141	10,979	10,783
Fall FTE	10,345	10,311	10,616	10,873	11,393	11,681	11,571	11,365	11,107	10,835
ADMISSIONS (Freshmen)										
Applications	5,304	5,524	4,109	4,322	4,666	4,092	4,133	4,584	4,722	4,585
Accepted	4,278	2,962	3,392	3,350	3,607	3,411	3,505	3,841	3,759	3,572
Acceptance Ratio	80.7%	53.6%	82.6%	77.5%	77.3%	83.4%	84.8%	83.8%	79.6%	77.9%
Enrolled	1,916	1,797	1,722	1,704	1,942	1,978	1,946	2,015	1,991	1,768
Enrollment Ratio	44.8%	60.7%	50.8%	50.9%	53.8%	58.0%	55.5%	52.5%	53.0%	49.5%
Average ACT Score	22.7	22.8	22.8	23.1	23.3	23.1	23.0	22.9	23.0	23.0
Percent in Upper 30% of High School Class	57.2%	54.4%	55.2%	57.2%	56.2%	51.5%	52.3%	50.6%	53.8%	57.5%
Percent in Upper 10% of High School Class	18.0%	17.0%	18.1%	20.0%	18.5%	17.3%	16.9%	16.6%	17.6%	18.2%

Source: Office of Institutional Research and Effectiveness and the Office of the Registrar

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
DEGREES GRANTED (Summary)										
Baccalaureate	2,166	2,303	2,357	2,349	2,440	2,198	2,347	2,268	2,221	2,259
Masters	503	446	512	483	572	509	561	467	474	471
Specialists	9	5	8	13	10	5	6	6	9	10
Doctorates	14	14	20	30	13	14	22	11	17	8
Total	2,692	2,768	2,897	2,875	3,035	2,726	2,936	2,752	2,721	2,748
DEGREES GRANTED (Detail)										
Doctor of Industrial Technology	-	1	1	2	1	1	2	1	1	-
Doctor of Technology	-	1	5	2	1	1	2	1	1	-
Doctor of Education	14	12	14	26	11	12	18	9	15	8
Specialist in Education	9	5	8	13	10	5	6	6	9	10
Professional Science Master's	3	-	12	21	17	17	19	19	5	-
Master of Arts in Education	104	112	118	104	121	105	147	99	119	129
Master of Arts	285	190	242	235	284	255	243	204	208	231
Master of Business Administration	30	38	36	28	27	31	40	42	42	35
Master of Music	17	13	15	11	26	10	24	14	22	13
Master of Public Policy	-	12	11	9	11	10	4	10	16	11
Master of Science	17	26	23	22	21	19	15	16	10	10
Master of Accounting	13	23	18	20	25	21	29	36	23	11
Master of Social Work	34	32	37	33	40	41	40	27	29	31
Bachelor of Arts	2,025	2,142	2,209	2,227	2,293	2,079	2,201	2,148	2,121	2,148
Bachelor of Fine Arts	7	8	11	11	11	6	8	3	8	8
Bachelor of Music	21	25	34	18	22	15	27	22	14	19
Bachelor of Science	76	91	86	79	98	84	84	76	64	64
Bachelor of Liberal Studies	37	37	17	14	16	14	27	19	14	20
Total	2,692	2,768	2,897	2,875	3,035	2,726	2,936	2,752	2,721	2,748

Source: Office of Institutional Research and Effectiveness

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Educational Fund Expenditures	\$ 164,815	166,474	165,628	157,323	149,953	146,885	149,001	156,951	143,263	136,384
Less Separately Budgeted Expenditures:										
Research	627	633	657	564	651	506	504	656	628	581
Public Service	6,688	6,900	6,851	5,899	2,632	3,232	4,798	6,048	1,905	1,616
Scholarships/Fellowships	13,468	12,853	13,066	13,222	13,920	12,745	12,183	10,547	9,845	9,324
General Educational Fund Instructional Expenditures	\$ 144,032	146,088	145,054	137,638	132,750	130,402	131,516	139,700	130,885	124,863
Cost per FTE Student (Actual)	\$ 14,836	14,960	14,471	13,203	11,666	11,408	11,546	12,539	11,921	11,580
Constant Dollar Cost per FTE Student (Actual)	\$ 12,171	12,426	12,284	11,541	10,361	10,296	10,661	11,686	11,507	11,580

University of Northern Iowa

Schedule 15

SCHOLARSHIPS & FELLOWSHIPS PER FULL TIME EQUIVALENT (FTE) STUDENT

For the Last Ten Years

(Expressed in Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
SCHOLARSHIPS & FELLOWSHIPS										
Unrestricted	\$ 15,547	14,832	13,066	13,222	13,920	12,745	12,183	10,541	9,851	9,324
Restricted	<u>17,739</u>	<u>18,486</u>	<u>15,740</u>	<u>17,096</u>	<u>18,034</u>	<u>18,544</u>	<u>15,779</u>	<u>12,397</u>	<u>10,904</u>	<u>9,461</u>
Total	<u>\$ 33,286</u>	<u>33,318</u>	<u>28,806</u>	<u>30,318</u>	<u>31,954</u>	<u>31,289</u>	<u>27,962</u>	<u>22,938</u>	<u>20,755</u>	<u>18,785</u>

**CONSTANT DOLLAR
SCHOLARSHIPS &
FELLOWSHIPS**

Unrestricted	\$ 12,754	12,319	11,092	11,558	12,362	11,503	11,249	9,824	9,509	9,324
Restricted	<u>14,552</u>	<u>15,354</u>	<u>13,362</u>	<u>14,944</u>	<u>16,016</u>	<u>16,736</u>	<u>14,570</u>	<u>11,554</u>	<u>10,525</u>	<u>9,461</u>
Total	<u>\$ 27,306</u>	<u>27,673</u>	<u>24,454</u>	<u>26,502</u>	<u>28,378</u>	<u>28,239</u>	<u>25,819</u>	<u>21,378</u>	<u>20,034</u>	<u>18,785</u>

**SCHOLARSHIPS &
FELLOWSHIPS PER
FTE STUDENT (Actual)**

Unrestricted	\$ 1,601	1,519	1,303	1,268	1,223	1,115	1,070	946	897	865
Restricted	<u>1,827</u>	<u>1,893</u>	<u>1,570</u>	<u>1,640</u>	<u>1,585</u>	<u>1,622</u>	<u>1,385</u>	<u>1,113</u>	<u>993</u>	<u>877</u>
Total	<u>\$ 3,428</u>	<u>3,412</u>	<u>2,873</u>	<u>2,908</u>	<u>2,808</u>	<u>2,737</u>	<u>2,455</u>	<u>2,059</u>	<u>1,890</u>	<u>1,742</u>

**CONSTANT DOLLAR
SCHOLARSHIPS &
FELLOWSHIPS PER
FTE STUDENT (Actual)**

Unrestricted	\$ 1,313	1,262	1,106	1,108	1,086	1,006	988	882	866	865
Restricted	<u>1,499</u>	<u>1,572</u>	<u>1,333</u>	<u>1,434</u>	<u>1,408</u>	<u>1,464</u>	<u>1,279</u>	<u>1,037</u>	<u>958</u>	<u>877</u>
Total	<u>\$ 2,812</u>	<u>2,834</u>	<u>2,439</u>	<u>2,542</u>	<u>2,494</u>	<u>2,470</u>	<u>2,267</u>	<u>1,919</u>	<u>1,824</u>	<u>1,742</u>

University of Northern Iowa
Schedule 16

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

For the Last Ten Years

(Expressed in Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Land	\$ 4,584	4,905	4,905	4,905	4,917	4,917	4,917	4,917	4,580	4,305
Construction in Progress	32,222	4,841	4,242	45,977	39,059	16,165	11,354	23,590	13,423	19,461
Software in Progress	-	-	-	-	-	8,606	4,576	-	-	-
Capital Assets Not Depreciated	<u>36,806</u>	<u>9,746</u>	<u>9,147</u>	<u>50,882</u>	<u>43,976</u>	<u>29,688</u>	<u>20,847</u>	<u>28,507</u>	<u>18,003</u>	<u>23,766</u>
Land Improvements	16,315	16,057	14,426	14,159	13,691	13,492	13,056	12,499	12,447	12,250
Infrastructure	41,595	40,786	40,068	38,832	38,098	37,041	36,167	27,523	27,403	27,043
Buildings	495,498	492,721	488,101	439,069	418,008	410,710	391,501	368,086	355,148	326,437
Equipment	55,800	53,349	51,354	50,668	55,340	51,625	48,217	45,193	43,812	41,060
Intangibles	8,606	8,606	8,606	8,606	8,606	-	-	-	-	-
Library Materials	34,552	34,268	34,173	34,612	35,253	35,125	34,807	34,844	33,969	33,075
Capital Assets Depreciated	<u>652,366</u>	<u>645,787</u>	<u>636,728</u>	<u>585,946</u>	<u>568,996</u>	<u>547,993</u>	<u>523,748</u>	<u>488,145</u>	<u>472,779</u>	<u>439,865</u>
Total Capital Assets	<u>689,172</u>	<u>655,533</u>	<u>645,875</u>	<u>636,828</u>	<u>612,972</u>	<u>577,681</u>	<u>544,595</u>	<u>516,652</u>	<u>490,782</u>	<u>463,631</u>
Less: Accumulated Depreciation/ Amortization	<u>292,693</u>	<u>275,729</u>	<u>259,439</u>	<u>246,666</u>	<u>240,593</u>	<u>225,980</u>	<u>213,060</u>	<u>201,521</u>	<u>190,294</u>	<u>178,466</u>
Net Book Value	<u>\$ 396,479</u>	<u>379,804</u>	<u>386,436</u>	<u>390,162</u>	<u>372,379</u>	<u>351,701</u>	<u>331,535</u>	<u>315,131</u>	<u>300,488</u>	<u>285,165</u>

ACCUMULATED DEPRECIATION/AMORTIZATION

Land Improvements	\$ 10,563	10,008	9,482	9,014	8,554	8,110	7,683	7,264	6,844	6,413
Infrastructure	15,994	14,977	13,937	12,786	11,822	10,901	9,999	9,293	8,605	7,901
Buildings	193,480	182,125	170,824	161,212	153,872	144,359	135,418	126,498	117,918	109,819
Equipment	38,552	35,626	33,284	32,315	35,153	32,462	30,569	29,581	29,326	27,986
Intangibles	2,152	1,721	1,291	861	430	-	-	-	-	-
Library Materials	31,952	31,272	30,621	30,478	30,762	30,148	29,391	28,885	27,601	26,347
Total Accumulated Depreciation/ Amortization	<u>\$ 292,693</u>	<u>275,729</u>	<u>259,439</u>	<u>246,666</u>	<u>240,593</u>	<u>225,980</u>	<u>213,060</u>	<u>201,521</u>	<u>190,294</u>	<u>178,466</u>

University of Northern Iowa

Schedule 17

ENROLLMENT PROJECTIONS (Headcount Basis)

For the Next Ten Years

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Undergraduate - Lower	4,426	4,479	4,519	4,556	4,595	4,641	4,705	4,779	4,804	4,831
Undergraduate - Upper	5,666	5,705	5,735	5,813	5,893	5,987	6,101	6,181	6,364	6,448
Unclassified - Special	161	165	169	173	177	181	185	189	193	197
Graduate	1,819	1,838	1,855	1,875	1,892	1,913	1,931	1,951	1,969	1,990
Total	<u>12,072</u>	<u>12,187</u>	<u>12,278</u>	<u>12,417</u>	<u>12,557</u>	<u>12,722</u>	<u>12,922</u>	<u>13,100</u>	<u>13,330</u>	<u>13,466</u>

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.

Source: Office of the Registrar

Acknowledgements

Report Prepared by The University of Northern Iowa Office of Business Operations

Tonya Gerbracht, Director of Business Operations & Controller/Secretary
Traci Buseman, Assistant Controller
Michael Dunlop, General Ledger Accountant
Lukas Nelson, Accounts Receivable Accountant
Mindy Schlader, Accounts Payable Accountant
Yvonne Buehner, Account Specialist

Additional Assistance Provided by

Office of University Relations

Office of Treasury

Kelly Flege, CPA, Assistant Vice President, Finance & Operations & Treasurer
Mark Fober, Accounting Manager Financial Operations

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

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

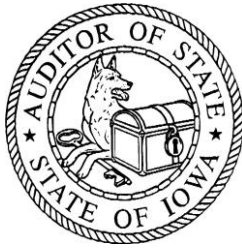
No person shall be excluded from participation in, be denied the benefits of, or be subjected to discrimination in employment, any educational program, or any activity of the University, on the basis of age, color, creed, disability, gender identity, national origin, race, religion, sex, sexual orientation, veteran status, or on any other basis protected by federal and/or state law.

The University of Northern Iowa prohibits discrimination and promotes affirmative action in its educational and employment policies and practices as required by Title IX of the Educational Amendments of 1972, the Americans with Disabilities Act of 1990, Section 504 of the Rehabilitation Act of 1973, Title VII of the Civil Rights Act of 1964 and other applicable laws and University policies. The University of Northern Iowa prohibits sexual harassment, including sexual violence.

The following person has been designated to handle inquiries regarding the non-discrimination policies and serves as the University Title IX Officer: Leah Gutknecht, Assistant to the President for Compliance and Equity Management, Office of Compliance and Equity Management, 117 Gilchrist Hall, UNI, Cedar Falls, IA 50614-0028, 319-273-2846, leah.gutknecht@uni.edu.



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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 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, the financial statements of the University of Northern Iowa (University) and its discretely presented component unit as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 7, 2016. Our report includes a reference to other auditors who audited the financial statements of the University of Northern Iowa Foundation as described in our report on the University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters which are reported on separately by those auditors. The financial statements of the University of Northern Iowa Foundation were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist which have not been identified.


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, noncompliance 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 noncompliance 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.


MARY MOSIMAN, CPA
Auditor of State

December 7, 2016