

IOWA STATE
UNIVERSITY

Financial Report

For the year ended June 30, 2019



Campanile: Situated in the heart of central campus, the Campanile houses the Edgar W. and Margaret MacDonald Stanton Memorial Carillon. The Bells of Iowa State have sounded across campus for 120 years. For more history on the Campanile and the Carillon, turn to page 59. *Photo credit: Christopher Gannon/Iowa State University*



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STATE OF IOWA

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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 Iowa State University of Science and Technology, Ames, Iowa, (Iowa State University) and its discretely presented component unit as of and for the years ended June 30, 2019 and 2018, and the related Notes to Financial Statements, which collectively comprise Iowa State University'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 an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, the Iowa State University Foundation, the Iowa State University Achievement Fund and the Original University Foundation (the "Foundation"), discussed in Note 1, which represent 100% of the assets, net position and revenues of the discretely presented component unit. We also did not audit the financial statements of the blended component units, Iowa State University Research Foundation, Incorporated and Iowa State University Veterinary Services Corporation, discussed in Note 1, which represent 1.5% and .09%, respectively, of the assets and .3% and .3%, respectively, of the revenues of the University. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented and blended component units, is based solely on the reports of the other auditors. 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 Foundation and Iowa State University Research Foundation, Incorporated 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 Iowa State University'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 Iowa State University'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 reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Iowa State University and its discretely presented component unit as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years ended June 30, 2019 and 2018 in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 1, the financial statements of Iowa State University 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 Iowa State University. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2019 and 2018 and the changes in its financial position and its cash flows for the years ended June 30, 2019 and 2018 in conformity with U.S. generally accepted accounting principles.

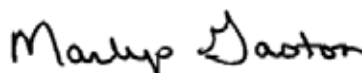
Other Matters

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 Changes in the University's Total OPEB Liability, Related Ratios and Notes on pages 3 through 9 and 56 through 58 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.

Other Reporting Required by Government Auditing Standards

Our report on Iowa State University'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.



Marlys K. Gaston, CPA
Deputy Auditor of State

December 17, 2019



Iowa State University provides this Management's Discussion and Analysis as a narrative overview of the financial activities of the University for the year ended June 30, 2019, along with comparative data for the years ended June 30, 2018 and 2017. Readers are encouraged to consider this information in conjunction with the University's financial statements and related notes to the financial statements that follow.

Iowa State University follows Governmental Accounting Standards Board (GASB) Statement No. 39 which requires the primary government to discretely present, within its own statements, the financial statements of certain component units. As explained in Note 1C2, the Iowa State University Foundation, Iowa State University Achievement Fund, and the Original University Foundation (herein collectively referred to as the "Foundation") comprise a legally separate, tax-exempt component unit of the University and, accordingly, the combined financial statements are discretely presented with those of the University. However, since the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University, a discussion of these assets is not included in this Management's Discussion and Analysis.

USING THIS ANNUAL REPORT

This analysis is intended to serve as an introduction to Iowa State University's basic financial statements. These basic financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The statements provide information on the University as a whole and present both a short term as well as a longer term view of the University's financial position. These basic financial statements also include the Notes to the Financial Statements which explain and provide further detail about the basic statements.

THE UNIVERSITY AS A WHOLE

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, liabilities and deferred inflows/outflows of resources of the University. Net Position—the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources—is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved during the year. The Statement of Net Position is also a good source for readers to determine how much the University owes to outside vendors, investors, and lending institutions. Similarly, the Statement presents the available assets that can be used to satisfy those liabilities. The comparison of current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, deferred inflows of resources, and net position as of June 30, 2019, 2018, and 2017 is shown below.

	June 30, 2019	June 30, 2018	June 30, 2017
Current Assets	\$ 377,592,231	\$ 406,488,847	\$ 325,073,206
Capital Assets	1,510,435,019	1,466,741,209	1,411,717,369
Other Noncurrent Assets	754,951,008	745,435,828	753,877,338
Total Assets	2,642,978,258	2,618,665,884	2,490,667,913
Deferred Outflows of Resources	36,922,934	39,400,325	24,604,000
Current Liabilities	318,907,221	364,172,522	296,507,368
Noncurrent Liabilities	654,879,796	695,701,885	660,808,043
Total Liabilities	973,787,017	1,059,874,407	957,315,411
Deferred Inflows of Resources	13,004,116	2,333,309	2,295,249
Total Net Position	\$1,693,110,059	\$1,595,858,493	\$1,555,661,253

Total assets at June 30, 2019, were \$2.64 billion, which is \$24.3 million higher than the prior year. Net capital assets comprised \$1.51 billion of the \$2.64 billion in assets, which is slightly larger in proportion to that of June 30, 2018. Total liabilities were \$973.8 million at June 30, 2019, a decrease of \$86.1 million.

Net position increased \$97.3 million, or 6.1% for the year. Generally, an increase in net position indicates that the financial condition has improved over the year, at least on a short-term basis.

Total net position at June 30, 2019, was \$1.69 billion. The largest portion of the University's net position (63.5%) is categorized as Net Investment in Capital Assets. This category contains the land, buildings, infrastructure, land improvements, equipment, and intangible assets owned by the University. The restricted portion of net position (4.0%) is divided into two categories, nonexpendable and expendable. The nonexpendable restricted net position is only available for investment purposes. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by the external entities that have placed time or purpose restrictions on the use of the assets. The remaining net position is unrestricted and includes funds used to meet specific purposes, such as funding for bonded enterprises. The composition of the net position balance is shown below.

	June 30, 2019	June 30, 2018	June 30, 2017
Net Investment in Capital Assets	\$1,074,298,363	\$ 999,598,146	\$ 962,297,627
Restricted Nonexpendable	28,393,864	28,542,907	28,959,069
Restricted Expendable	38,585,653	36,446,135	36,036,634
Unrestricted	551,832,179	531,271,305	528,367,923
Total Net Position	\$1,693,110,059	\$1,595,858,493	\$1,555,661,253

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented in the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the operating and non-operating revenues earned by the University, the operating and non-operating expenses incurred by the University, and any other revenues, expenses, gains and losses earned or incurred by the University.

In general, a public university such as Iowa State University will report an operating loss since the financial reporting model classifies state appropriations as non-operating revenues. Operating revenues are received for providing goods and services

to students, customers and constituencies of the University. Operating expenses are those expenses paid to carry out the missions of the University. Non-operating revenues are revenues received where goods and services are not provided.

Had state appropriations been included in operating revenues, the operating loss for 2019 would have been \$60.6 million compared to \$46.5 million for 2018 and \$39.4 million for 2017. As noted in the previous section, Changes in Net Position, when all non-operating and other revenues and expenses are considered, revenues exceeded expenses by \$97.3 million for 2019.

The table below includes a restatement of the 2018 Net Position, Beginning of Year balance to reflect an \$18.7 million decrease*. This restatement resulted from the implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

	For the Years Ended		
	June 30, 2019	June 30, 2018	June 30, 2017
Operating Revenues	\$ 952,031,024	\$ 948,382,803	\$ 920,813,552
Operating Expenses	1,250,519,554	1,229,320,096	1,204,623,221
Operating Loss	(298,488,530)	(280,937,293)	(283,809,669)
Nonoperating Revenues and Expenses	343,355,578	314,065,639	328,989,616
Income Before Other Revenues, Expenses, Gains and Losses	44,867,048	33,128,346	45,179,947
Other Revenues, Expenses, Gains and Losses	52,384,518	25,721,666	32,411,317
Increase in Net Position	97,251,566	58,850,012	77,591,264
Net Position, Beginning of Year*	1,595,858,493	1,537,008,481	1,478,069,989
Net Position, End of Year	\$1,693,110,059	\$1,595,858,493	\$1,555,661,253

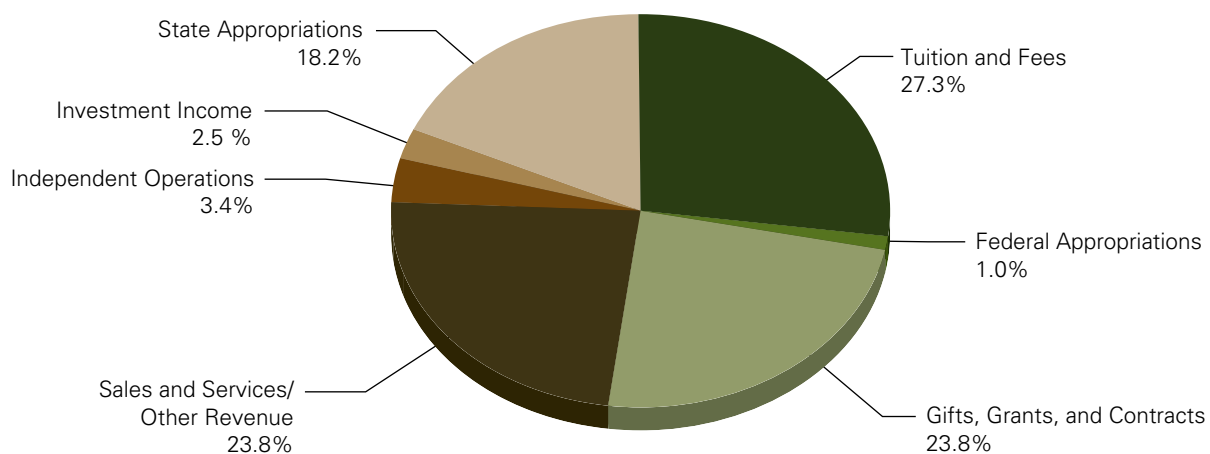
Revenues

Operating revenues for the year ended June 30, 2019, increased \$3.6 million. Tuition and fees, net of scholarship allowances, increased \$10.7 million, or 3%, reflecting increased tuition rates.

Net non-operating revenues/expenses increased \$29.3 million, due primarily to a \$16.8M increase in investment income.

Other revenues, expenses, gains and losses increased \$26.7 million. While capital gifts, grants and contracts increased \$41.2 million, this increase was offset by a \$14.5 million decrease in capital appropriations from the state during fiscal year (FY) 2019. Capital appropriations, grants and contracts are discussed in greater detail later in this Management's Discussion and Analysis.

In summary, total revenues of the University increased \$56.9 million in FY 2019 from \$1.31 billion to \$1.36 billion. The components of these revenues are shown on the following chart.



In comparing the years ended June 30, 2018, and 2017, operating revenues increased \$27.6 million. The major components of that increase were tuition and fees, net of scholarship allowances, which increased \$9.8 million, and sales and services of educational activities, which increased \$8.3M. The \$8.3M increase was primarily due to increased revenues from events in conference services and sales and services in the Lloyd Veterinary Medical Center and the Veterinary Diagnostic Laboratory. In FY 2018, net non-operating revenues decreased \$14.9 million over FY 2017 due primarily to reductions in state appropriations.

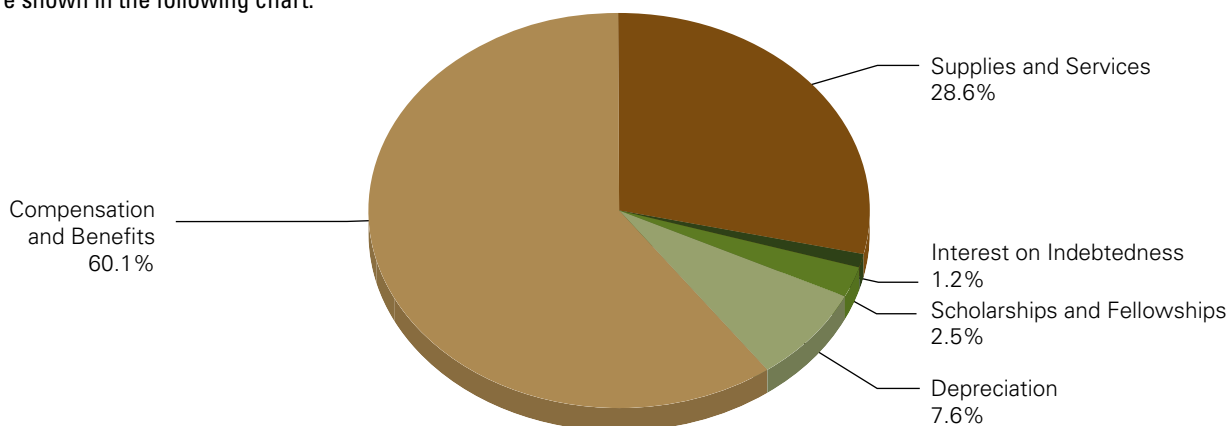
Expenses

Operating expenses were \$1.25 billion for FY 2019. This was an increase of \$21.2 million, or 1.7%, over the previous year. Changes in the major natural expense categories were:

- Supplies increased \$18.2 million, or 9.1%, primarily in the areas of academic support and institutional support.
- As the largest expense of the university, compensation and benefits increased slightly by 1% or \$7.5 million.

Operating expenses may be classified according to natural categories as in the previous paragraph, see Note 11, or functionally as shown in the financial statements. For FY 2019 all functional categories, as a percentage of total expenses, remained substantially the same as the previous year.

Overall, total expenses for FY 2019 were \$1.27 billion, an increase of \$18.4 million, or 1.5%. The components of these expenses are shown in the following chart:



Comparing the years ended June 30, 2018, and 2017, operating expenses in FY 2018 increased \$24.7 million, or 2.1%, over the previous year. In the natural classifications, percentages of the total have remained relatively consistent over recent years.

Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of the University for the fiscal year. This Statement also aids in the assessment of the University's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, categorized as operating, non-capital financing, capital and related financing, and investing activities.

Cash provided by operating activities includes tuition and fees, sales and services of auxiliary enterprises, and grants and contracts revenues. Cash used for operating activities includes payments to employees and to suppliers. Cash provided or used by non-capital financing activities includes state appropriations, the receipt and disbursement of the federal direct loan program, and non-capital gifts. Cash provided or used for capital and related financing activities represents proceeds from debt, the principal and interest payments towards debt, capital appropriations, capital gifts and grants, and the purchase and construction of capital assets. Cash provided or used by investing activities includes purchases and sales of investments as well as investment income and losses realized.

In FY 2019, cash and cash equivalents increased \$12.5 million, or 9.4%. Sources and uses are shown in the following table.

	For the Years Ended		
	June 30, 2019	June 30, 2018	June 30, 2017
Cash Provided/(Used) by:			
Operating Activities	(\$184,617,872)	(\$187,420,646)	(\$182,598,461)
Non-capital Financing Activities	318,818,006	369,314,742	311,694,775
Capital and Related Financing Activities	(204,653,742)	(112,620,345)	(77,408,906)
Investing Activities	82,999,576	(48,006,658)	(82,231,481)
Net Increase/(Decrease) in Cash	12,545,968	21,267,093	(30,544,073)
Cash and Cash Equivalents, Beginning of Year	134,223,934	112,956,841	143,500,914
Cash and Cash Equivalents, End of Year	\$146,769,902	\$134,223,934	\$112,956,841

As noted previously, the financial reporting model mandates that state appropriations be classified as non-capital financing sources of cash. If state appropriations had been classified as operating sources of cash, the cash provided by operations would have been \$53.3 million for FY 2019 compared to \$47 million for FY 2018 and \$61.9 million for FY 2017.

CAPITAL ASSETS

At June 30, 2019, the University had \$3.06 billion invested in capital assets, with accumulated depreciation and amortization of \$1.55 billion, for net capital assets of \$1.51 billion. Depreciation and amortization charges for FY 2019 totaled \$96 million. Capital assets, net of accumulated depreciation and amortization, were as follows:

	June 30, 2019	June 30, 2018	June 30, 2017
Land and Land Improvements, Nondepreciable/Nonamortizable	\$ 24,975,701	\$ 26,988,921	\$ 26,988,921
Construction in Progress and Intangible Assets in Development	142,491,507	105,159,396	102,994,306
Infrastructure and Land Improvements, Depreciable/Amortizable	161,555,180	130,829,900	133,826,076
Buildings	998,218,326	1,019,677,965	962,954,588
Equipment and Library Collections	180,274,491	180,537,760	180,778,750
Intangible Assets	2,919,814	3,547,267	4,174,728
Total Capital Assets, Net of Accumulated Depreciation and Amortization	<u>\$1,510,435,019</u>	<u>\$1,466,741,209</u>	<u>\$1,411,717,369</u>

There were no new significant capital projects placed into service during FY 2019.

There were several capital projects in progress at June 30, 2019. These are included in capital assets as construction in progress and intangible assets in development and will not be depreciated/amortized until the year they are placed in service. The largest of these projects are the Student Innovation Center, the Gerdin Business Building expansion, and the finance, human capital management, and student software implementation.

Capital Appropriations, Grants and Contracts

Capital appropriations from the State of Iowa have traditionally been a significant source of funding for construction of new buildings as well as major renovations. The \$11 million in capital appropriations from the Statement of Revenues, Expenses and Changes in Net Position for FY 2019 represents funding appropriated for the Biosciences Advanced Teaching and Research Building (ATRB), Student Innovation Center, and Veterinary Diagnostic Laboratory. In FY 2018, the \$25.5 million represented funding appropriated for the Biosciences ATRB and Student Innovation Center.

Capital gifts and grants revenue, consisting primarily of private gifts funding for major building projects, was \$41.4 million for FY 2019, an increase of \$41.2 million over the prior year. More detailed information about the University's capital assets is presented in Note 5 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2019, the University had \$515.3 million in outstanding debt compared to \$548 million at the end of the prior year. Detailed information about the University's outstanding debt is presented in Note 6 to the financial statements. The table below summarizes outstanding debt by type:

	June 30, 2019	June 30, 2018	June 30, 2017
Bonds-Academic Building	\$124,573,471	\$133,522,230	\$140,743,339
Bonds-Enterprise Funds	382,164,565	404,472,960	383,259,365
Capital Leases	7,395,606	8,216,493	11,037,768
Notes	1,213,293	1,773,637	5,055,216
Total Debt	<u>\$515,346,935</u>	<u>\$547,985,320</u>	<u>\$540,095,688</u>

In FY 2019, the University issued no new debt. The decrease in outstanding debt is due to the normal paying down of these obligations. The University carries an institutional bond rating of Aa2 from Moody's and an AA rating from Standard & Poor's.

ECONOMIC OUTLOOK

The U.S. economy grew 1.9% at an annual rate in the third quarter of 2019. The State of Iowa's net General Fund revenues increased 6.4% in FY 2019, resulting in a \$289 million surplus. The October 2019 State Revenue Estimating Conference forecasts weaker growth for FY 2020, projecting state revenue to increase by 1.4%. For FY 2019, the State of Iowa appropriated \$170.6 million for Iowa State University's general operations. For FY 2020, the University has been allocated \$174.6 million in general education operating appropriations, other operating appropriations of \$56 million, and capital appropriation authority for \$19.5 million.

In accordance with its five-year tuition plan, the Board of Regents, State of Iowa, approved a 3.9% increase in base tuition for resident undergraduate students and a 4.9% increase for nonresident undergraduates for the 2019-2020 academic year. The Board's FY 2020 legislative request for Iowa State included a \$7 million general state appropriation increase, which was funded at \$4 million. For FY 2021, the Board is seeking a \$7 million increase in general state appropriations to support student success and recruitment and retention of world-class faculty and staff.

Iowa State University continues to leverage state funds and tuition dollars to provide an exceptional return on investment for its students, Iowans and their families. A 2019 economic value report commissioned by the Board of Regents, State of Iowa, showed Iowa State University added \$3.4 billion to the State of Iowa's economy in the 2017-2018 academic year. The University's economic impact represented 1.8% of the state's gross state product, an impact nearly as large as the entire utilities industry in the State of Iowa.¹ The study also found that for every dollar of public money invested in Iowa State University, Iowa taxpayers will receive \$2.60 in return. Iowa State students see an even higher rate of return at \$3.80 for every dollar they invest in their Iowa State education. Students' average annual rate of return is 14.2%, which outperforms the stock market's 30-year average annual return of 9.9%.

President Wendy Wintersteen remains committed to maintaining Iowa State's status as one of the most efficiently run universities in the nation. Over the past decade, Iowa State has reduced its administrative costs per student by 28%. For FY 2020, Iowa State reallocated \$23 million or 3.1% of the University's general operating budget. On July 1, 2019, Iowa State launched a state-of-the-art financial and human resources administrative system, Workday. This modernized, streamlined software technology provides best-in-class processes and will support significant gains in efficiency for the institution for years to come. Along with Workday, Iowa State created a new organizational structure to provide improved finance and human resource services.

Private funds remain a key component of the University's financial support structure. Iowa State has been very successful at raising private funds as part of the historic *Forever True, For Iowa State* fundraising campaign. As of December 2, 2019, the campaign had raised \$1.264 billion toward its \$1.5 billion goal by June 30, 2021. The Iowa State University Foundation expects that at least half of the total money raised will be directed to student support and scholarships. In FY 2019, the ISU Foundation awarded more than \$18.5 million in scholarship support to more than 6,700 students.

The University set a new record in FY 2019 by securing \$260.9 million in grants and contracts for faculty research, a 6.2% increase over prior year. External research funding included a record \$181.1 million in federal funds (the previous record was \$174.7 million in fiscal year 2016) and a record \$79.8 million in non-federal funding (the previous record was \$77.7 million in fiscal year 2016). External research funding supported more than 1,300 research projects, including projects to study structural biology at the molecular level, develop a nanovaccine for the flu, identify catalysts that lead to biorenewable chemicals and build a data system that helps inform policy about the care and education of young children. Iowa State researchers also do an exceptional job of translating their research to the marketplace. Last year, Iowa State faculty secured a total of 34 U.S. patents, improving Iowa State University's world ranking (#69) for number of U.S. patents. Total external funding for FY 2019 was \$469 million, the third-highest total ever for Iowa State University.

Iowa State faculty are partnering with the Iowa Economic Development Authority to create wealth in Iowa by advancing the state's bioeconomy. The state appropriated \$825,000 for FY 2020 to begin establishing an innovation ecosystem for biobased chemicals and products. These resources were invested in a Chief Technology Officer position responsible for accelerating the transfer of new platform technologies to the commercial sector, and the establishment of a seed grant program designed to create new industry-university collaborations. For FY 2021, Iowa State will advocate for an additional \$2.175 million in recurring annual support toward efforts to create similar momentum within the vaccines and immunotherapeutics and precision and digital agriculture economic development programs.

¹ https://www.president.iastate.edu/sites/default/files/projects/ISU_Main_1718_Final.pdf

As the state's only land grant university, Iowa State University opens its doors widely to provide a high quality education to all eligible lowans at an affordable price. Iowa State's fall enrollment of 33,391 reflects the state's largest freshman class and more Iowa undergraduate students than any other university. Iowa State's freshman class set a record for average high school rank (77.68), average GPA (3.68) and percentage in the top 10 percent of their high school class (28.4 percent). The student body represents all 99 Iowa counties, all 50 U.S. states, and 115 countries. Iowa State students – both resident and nonresident – are paying tuition rates that are 20% to 80% less than other universities across the Midwest.

Demand is high for Iowa State graduates, with 95% of graduates landing a job in their field or continuing their education within six months of getting their degree. This success is due in large part to the high-impact practices students engage in during their time at Iowa State. High-impact practices include things like internships, undergraduate research, entrepreneurial programs, and study abroad. Iowa State is infusing innovation and entrepreneurship throughout the undergraduate curriculum to enable students to develop an entrepreneurial mindset that allows them to make an immediate impact as innovators, critical thinkers, and difference makers. Last year, more than 3,800 students enrolled in entrepreneurship-themed coursework, including Iowa State's first-in-the-state entrepreneurship undergraduate major. The Princeton Review ranked Iowa State #26 out of 300 universities for entrepreneurship program excellence in the Ivy College of Business.

Iowa State's innovation and entrepreneurship ecosystem will continue to flourish with the opening of the Student Innovation Center in spring 2020. This will provide a state-of-the-art space for students to design, fabricate, test and demonstrate ideas – everything from food science to lunar mining, and from digital gaming to solar-powered vehicles. The \$84 million facility is supported by a partnership between the state and university, including Iowa State's largest private gift ever for an academic facility of \$30 million.

Iowa State's strong industry partnerships are providing resources for new facilities and equipment to strengthen the University's academic and research programs. In September 2019, Iowa State broke ground on the ISU Kent Corporation Feed Mill and Grain Sciences Complex, a facility funded entirely by private support from Kent Corporation, the Iowa Corn Promotion Board, Sukup Manufacturing, California Pellet Mill, and other donors. The Roy J. Carver Charitable Trust provided more than \$3.5 million to allow Iowa State to acquire a cryo-electron microscope. Cryo-EM technology is revolutionizing structural biology and will help advance the second phase of Iowa State's Initiative in Biomolecular Structure.

The Iowa State University Research Park is another powerful engine of economic growth – not only for Ames – but for all of Iowa. More startup companies and industry giants are establishing a presence at the Park to gain access to Iowa State talent and expertise. Seventeen new companies moved into the Park last year. John Deere expanded its presence in July 2019 by opening a new 33,000 square foot sprayer technology testing laboratory. The Park is now home to a total of 96 companies, employing 2,250 lowans and 300 student interns. Companies that have relocated from the Park still employ nearly 2,500 lowans.

CONTACTING IOWA STATE UNIVERSITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide users with a general overview of Iowa State University's finances and to demonstrate the University's accountability for the funds received. Questions regarding this report or requests for additional financial information should be directed to the Controller's Department, Iowa State University, 1620 Administrative Services Building, 2221 Wanda Daley Drive, Ames, IA 50011-1004.

STATEMENT OF NET POSITIONAs of June 30, 2019 and 2018

ASSETS	2019	2018
Current Assets		
Cash and cash equivalents (Note 2A)	\$ 41,979,988	\$ 28,680,785
Investments (Note 2B)	238,129,935	279,214,683
Accounts receivable, net (Note 3A)	33,459,490	29,342,142
Due from government agencies (Note 3B)	28,247,498	30,194,733
Interest receivable	1,850,600	2,210,862
Notes receivable, net (Note 3C)	2,634	4,702
Inventories (Note 4)	14,529,238	14,404,315
Prepaid expenses (Note 1G)	19,392,848	22,436,625
Total Current Assets	377,592,231	406,488,847
Noncurrent Assets		
Cash and cash equivalents (Note 2A)	104,789,914	105,543,149
Investments (Note 2B)	590,860,541	599,293,432
Accounts receivable, net (Note 3A)	23,583,851	2,527,284
Interest receivable	674,975	584,486
Prepaid expenses (Note 1G)	9,600,000	10,200,000
Notes receivable, net (Note 3C)	25,441,727	27,287,477
Capital assets, net (Note 5)	1,510,435,019	1,466,741,209
Total Noncurrent Assets	2,265,386,027	2,212,177,037
TOTAL ASSETS	2,642,978,258	2,618,665,884
DEFERRED OUTFLOWS OF RESOURCES		
OPEB-related deferred outflows (Note 9)	6,669,045	8,002,852.00
Pension-related deferred outflows (Note 8B)	20,490,789	20,908,265
Unamortized loss from refunding of debt	9,763,100	10,489,208
TOTAL DEFERRED OUTFLOWS OF RESOURCES	36,922,934	39,400,325

LIABILITIES	2019	2018
Current Liabilities		
Accounts payable	\$ 42,693,692	\$ 44,616,716
Salaries and wages payable	3,481,197	3,137,549
Unpaid claims and contingent liabilities (Note 10B)	8,346,000	6,448,000
Unearned revenue	39,646,962	33,225,460
Interest payable	7,098,822	7,914,041
Long-term debt, current portion (Note 6)	33,074,148	31,751,231
Other long-term liabilities, current portion (Note 6)	22,861,206	22,687,134
Deposits held in custody for others	161,705,194	214,392,391
Total Current Liabilities	318,907,221	364,172,522
Noncurrent Liabilities		
Accounts payable	8,435,697	10,499,783
Long-term debt, noncurrent portion (Note 6)	482,272,787	516,234,089
Other long-term liabilities, noncurrent portion (Note 6)	164,171,312	168,968,013
Total Noncurrent Liabilities	654,879,796	695,701,885
TOTAL LIABILITIES	973,787,017	1,059,874,407
DEFERRED INFLOWS OF RESOURCES		
OPEB-related deferred inflows (Note 9)	9,598,604	
Pension-related deferred inflows (Note 8B)	2,229,856	809,534
Unamortized gain from refunding of debt	1,175,656	1,523,775
TOTAL DEFERRED INFLOWS OF RESOURCES	13,004,116	2,333,309
NET POSITION		
Net investment in capital assets	1,074,298,363	999,598,146
Restricted:		
Nonexpendable:		
Permanent endowment	28,393,864	28,542,907
Expendable:		
Student loans	13,143,556	13,189,344
Scholarships, research, and educational purposes	7,770,561	7,441,535
Reserve for debt service	7,260,509	5,105,142
Capital projects	10,411,027	10,710,114
Unrestricted	551,832,179	531,271,305
TOTAL NET POSITION	\$ 1,693,110,059	\$ 1,595,858,493

See the accompanying notes which are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of \$147,102,705 and \$141,428,395 for the years ended June 30, 2019 and 2018, respectively (Note 1R)	\$ 372,903,579	\$ 362,191,086
Federal appropriations	12,971,748	16,158,281
Federal grants and contracts	145,546,032	149,301,891
State and local government grants and contracts	16,465,582	17,189,812
Nongovernmental grants and contracts	32,775,878	32,833,183
Sales and services of educational activities	70,282,733	74,219,115
Auxiliary enterprises, net of scholarship allowances of \$7,933,146 and \$7,541,021 for the years ended June 30, 2019 and 2018, respectively (Note 1R)	227,105,626	226,513,400
Independent operations	46,138,954	44,335,032
Interest on student loans	590,361	495,069
Other operating revenues	27,250,531	25,145,934
TOTAL OPERATING REVENUES	952,031,024	948,382,803
OPERATING EXPENSES		
Instruction	282,748,314	280,629,333
Research	171,224,223	174,177,836
Public service	79,348,847	79,748,651
Academic support	196,003,237	190,841,172
Student services	35,232,942	34,882,978
Institutional support	67,578,095	52,559,886
Operation and maintenance of plant	70,399,015	75,737,577
Scholarships and fellowships	32,199,064	30,595,576
Auxiliary enterprises	172,986,251	168,267,438
Independent operations	46,685,863	44,702,921
Depreciation/amortization	96,044,923	96,826,364
Other operating expenses	68,780	350,364
TOTAL OPERATING EXPENSES	1,250,519,554	1,229,320,096
OPERATING LOSS	(298,488,530)	(280,937,293)
NONOPERATING REVENUES/(EXPENSES)		
State appropriations	237,883,674	234,395,530
Federal grants and contracts	29,128,541	28,432,517
Nonfederal gifts, grants and contracts	59,650,711	54,501,458
Investment income	33,047,292	16,285,402
Interest on indebtedness	(15,405,908)	(13,107,252)
Loss on disposal of capital assets	(1,393,540)	(1,167,943)
Other net nonoperating revenues/(expenses)	444,808	(5,274,073)
NET NONOPERATING REVENUES/(EXPENSES)	343,355,578	314,065,639
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	44,867,048	33,128,346
Capital appropriations	11,000,001	25,500,000
Capital gifts, grants and contracts	41,384,517	221,666
TOTAL OTHER REVENUES, EXPENSES, GAINS & LOSSES	52,384,518	25,721,666
CHANGE IN NET POSITION	97,251,566	58,850,012
Net Position, Beginning of Year	1,595,858,493	1,537,008,481
NET POSITION, END OF YEAR	\$ 1,693,110,059	\$1,595,858,493

See the accompanying notes which are an integral part of these financial statements.

STATEMENT OF CASH FLOWS For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 372,519,953	\$ 359,537,976
Federal appropriations	13,568,707	15,568,558
Grants and contracts	199,736,230	190,828,528
Sales of educational activities	69,988,679	74,274,615
Sales and services of auxiliary enterprises	227,324,696	228,070,853
Payments for auxiliary enterprises	(170,596,148)	(166,530,182)
Receipts of independent operations	46,480,177	43,898,684
Collections of loans from students	4,614,558	4,366,002
Payments for salaries and benefits	(666,261,809)	(660,825,626)
Payments for goods and services	(274,836,001)	(266,804,573)
Scholarship payments	(31,205,441)	(29,804,749)
Loans issued to students	(1,347,300)	(4,599,469)
Other operating receipts	25,395,827	24,598,737
NET CASH USED BY OPERATING ACTIVITIES	(184,617,872)	(187,420,646)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	237,883,674	234,395,530
Non-capital gifts, grants and contracts	86,412,087	82,575,836
Direct lending receipts	154,748,322	157,088,191
Direct lending payments	(154,649,128)	(157,022,931)
Funds held for others receipts	337,486,696	345,058,621
Funds held for others payments	(343,063,645)	(292,780,505)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	318,818,006	369,314,742
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	10,291,185	26,825,767
Capital gifts and grants received	25,477,010	5,179,559
Proceeds from capital and refunding debt		117,296,784
Proceeds from sale of capital assets	1,233,833	884,133
Acquisition and construction of capital assets	(143,712,186)	(154,238,809)
Principal paid on capital debt	(32,951,231)	(36,382,853)
Interest paid on capital debt	(15,891,122)	(17,286,798)
Defeased debt payments	(50,806,300)	(54,910,199)
Other capital and related financing sources/(uses)	1,705,069	12,071
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(204,653,742)	(112,620,345)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received on investments	17,685,005	19,076,181
Proceeds from sales of investments	326,922,594	486,678,826
Purchases of investments	(261,608,023)	(553,761,665)
NET CASH USED BY INVESTING ACTIVITIES	82,999,576	(48,006,658)
NET CHANGE IN CASH AND CASH EQUIVALENTS	12,545,968	21,267,093
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	134,223,934	112,956,841
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 146,769,902	\$ 134,223,934

continued on next page

STATEMENT OF CASH FLOWS *(continued)* For the Years Ended June 30, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
OPERATING LOSS	\$ (298,488,530)	\$ (280,937,293)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation/amortization	96,044,923	96,826,364
Changes in assets, liabilities, deferred outflows, and deferred inflows:		
Accounts receivable and due from government agencies	175,768	(2,960,041)
Inventories	(124,922)	2,320,269
Prepaid expenses	3,502,570	(2,095,859)
Notes receivable	1,766,966	(1,280,247)
Deferred outflows of resources	417,476	(3,232,151)
Accounts payable	(2,127,632)	(4,003,695)
Unearned revenue	6,450,864	(5,302,140)
Compensated absences	(70,339)	(117,745)
Other postemployment benefits obligation	4,119,606	6,011,868
Pension liability	2,162,989	6,891,292
Deferred compensation liability	132,067	72,553
Deferred inflows of resources	1,420,322	386,179
NET CASH USED BY OPERATING ACTIVITIES	\$ (184,617,872)	\$ (187,420,646)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Capital gifts-in-kind	\$ 423,742	\$ 992,445
Net unrealized gain/(loss) on investments	\$ 15,218,435	\$ (2,842,243)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents classified as current assets	\$ 41,979,988	\$ 28,680,785
Cash and cash equivalents classified as noncurrent assets	104,789,914	105,543,149
TOTAL CASH AND CASH EQUIVALENTS	\$ 146,769,902	\$ 134,223,934

See the accompanying notes which are an integral part of these financial statements.

COMBINED STATEMENTS OF FINANCIAL POSITIONAs of June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 3,808,183	\$ 3,269,489
Receivables:		
Pledges, net (Note 3D)	124,548,294	118,361,080
Estates	16,612,616	7,119,130
Funds held in trust by others	19,664,084	20,571,758
Income tax receivable	445,642	
Due from related organizations	1,219,525	7,183,273
Total receivables	<u>162,490,161</u>	<u>153,235,241</u>
Investments (Note 2C):		
Pooled investments	1,114,588,431	1,037,215,391
Other marketable securities	40,481,830	47,701,633
Real estate and other investments	10,312,907	11,666,820
Total investments	<u>1,165,383,168</u>	<u>1,096,583,844</u>
Property and equipment	3,670,504	3,808,776
Other assets	6,126,023	6,361,981
TOTAL ASSETS	<u>\$ 1,341,478,039</u>	<u>\$ 1,263,259,331</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,058,861	\$ 1,096,654
Due to related organizations	27,962,802	11,156,072
Bonds payable	1,788,052	1,923,259
Long-term liabilities	2,207,889	2,122,267
Income tax payable		652,799
Split-interest agreement obligations	20,391,443	21,021,083
TOTAL LIABILITIES	<u>53,409,047</u>	<u>37,972,134</u>
NET ASSETS		
Without donor restrictions	32,676,507	21,215,291
With donor restrictions	1,255,392,485	1,204,071,906
TOTAL NET ASSETS	<u>1,288,068,992</u>	<u>1,225,287,197</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,341,478,039</u>	<u>\$ 1,263,259,331</u>

See the accompanying notes which are an integral part of these financial statements.

COMBINED STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETSFor the years ended June 30, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 5,711,438	\$ 137,697,274	\$ 143,408,712	\$ 166,464,316
Investment return:				
Pooled investments	21,469,459	30,760,422	52,229,881	62,110,068
Nonpooled investments	180,436	1,691,767	1,872,203	7,205,756
Total investment return	21,649,895	32,452,189	54,102,084	69,315,824
Fundraising service revenue	2,500,000		2,500,000	2,500,000
Return on funds held in trust by others		64,985	64,985	1,151,533
Other	43,904	1,168,110	1,212,014	933,959
Net assets released from restrictions	118,310,377	(118,310,377)	–	–
TOTAL REVENUES, GAINS AND OTHER SUPPORT	148,215,614	53,072,181	201,287,795	240,365,632
EXPENSES				
Program	118,644,745		118,644,745	83,336,279
Operating:				
Fundraising	13,128,089		13,128,089	12,675,045
Administrative	4,981,564		4,981,564	4,888,978
Income tax benefit				(11,408,808)
Change in value of split-interest agreements		1,751,602	1,751,602	2,035,836
TOTAL EXPENSES	136,754,398	1,751,602	138,506,000	91,527,330
CHANGE IN NET ASSETS	11,461,216	51,320,579	62,781,795	148,838,302
Net Assets, Beginning of Year	21,215,291	1,204,071,906	1,225,287,197	1,076,448,895
NET ASSETS, END OF YEAR	\$ 32,676,507	\$1,255,392,485	\$1,288,068,992	\$1,225,287,197

See the accompanying notes which are an integral part of these financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Organization**

Iowa State University of Science and Technology (Iowa State University), located in Ames, Iowa, is a land grant institution owned and operated by the State of Iowa, under the governance of the Board of Regents, State of Iowa (Board of Regents). The Board of Regents is appointed by the Governor and confirmed by the State Senate. Because the Board of Regents holds the corporate powers of Iowa State University, the University is not deemed to be legally separate. Accordingly, for financial reporting purposes, the University is included in the financial report of the State of Iowa, the primary government, as required by U.S. generally accepted accounting principles. The University is classified as a state instrumentality under Internal Revenue Code Section 115 and is exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

The University offers courses of study leading to degrees at the undergraduate, graduate, and post-graduate levels. Degrees are available from seven colleges: Agriculture and Life Sciences, Business, Design, Engineering, Human Sciences, Liberal Arts and Sciences, and Veterinary Medicine. Other major operating units of the University are: Agriculture & Home Economics Experiment Station; Extension and Outreach; and the Ames Laboratory, a U.S. Department of Energy sponsored independent operation. The campus consists of approximately 1,815 acres. In addition, farms and other properties, which are stocked and equipped for teaching and research purposes, total approximately 9,654 acres.

B. Basis of Presentation

The University's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The presentation required by GASB provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

The University reports as a special-purpose government engaged primarily in business-type activities, as defined by GASB. Accordingly, these financial statements have been presented using the economic resources measurement focus and 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-agency transactions have been eliminated.

C. Reporting Entity

As required by accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB), these financial statements present the financial position and financial activities of the University (the primary government) and certain other entities for which the nature and significance of their relationship with the University are such that exclusion would cause the University's financial statements to be misleading or incomplete. The GASB classification of these entities for the University's financial reporting purposes does not affect their respective legal or organizational relationships to the University.

- 1. Blended Component Units** – The following entities are legally separate from the University, but are so intertwined with the University that they are, in substance, part of the University. Accordingly, they are blended into the University's financial statements.

Iowa State University Research Foundation, Inc. was organized as a corporation to assist in securing protection for intellectual property such as patents and copyrights resulting from research, writing, and other projects of members of the Iowa State University community. The financial statements of this entity have been audited by other independent auditors, and their report may be obtained from the Division of Operations and Finance at Iowa State University. The revenues of this organization are included in the "Other operating revenues" classification, and expenses are included in the "Institutional support" classification in the Statement of Revenues, Expenses and Changes in Net Position.

Iowa State University Veterinary Services Corporation was organized as a corporation to support and promote the welfare and mission of the University and of its faculty, staff, residents, graduates, students and former students, particularly as related to the University's College of Veterinary Medicine. The financial statements of this corporation have been audited by other independent auditors, and their report may be obtained from the Division of Operations and Finance at Iowa State University. The revenues of this corporation are included in the "Other operating revenues" classification, and expenses are included primarily in the "Academic support" classification in the Statement of Revenues, Expenses and Changes in Net Position.

Miller Endowment, Incorporated was established December 18, 1995 pursuant to the will and codicil of F. Wendell Miller. The will and codicil appointed the presidents of Iowa State University and the State University of Iowa as co-executors of the Miller Estate and co-trustees of the Miller Endowment Trust, a charitable trust, and further directed that the two universities be equal beneficiaries of the income from said trust. The will and codicil also directed the trustees to have the right and discretion to create a charitable corporation, to be "Miller Endowment, Incorporated", to own, administer and control the affairs and property of the trust. This corporation has been organized under Chapter 504A of the Code of Iowa and Section 501(C)(3) of the Internal Revenue Code. During fiscal year 1998, the assets of the trust were officially transferred to Miller Endowment, Incorporated. Since the net revenues and assets of the corporation are solely for the equal benefit of the two universities, one half of the value of the corporation's transactions has been blended into the University's operations. For investment management purposes, all assets of the trust are pooled with the University's endowment funds. Accordingly, the University of Iowa's half of the trust is included in the University's Cash and Cash Equivalents, Investments, Interest Receivable, and Deposits Held in Custody for Others.

Condensed financial information for the University's blended component units, before the elimination of certain intra-University transactions, as of and for the year ended 2019 is as follows:

Condensed Statement of Net Position:	Iowa State University Research Foundation, Inc.	Iowa State University Veterinary Services Corporation	Miller Endowment, Incorporated
Current Assets	\$ 3,091,440	\$ 981,756	\$
Noncurrent Assets	36,404,119	1,383,837	15,569,264
Total Assets	39,495,559	2,365,593	15,569,264
Deferred Outflows		1,005,220	
Current Liabilities	2,063,278	426,896	43,173
Noncurrent Liabilities		2,737,322	757,272
Total Liabilities	2,063,278	3,164,218	800,445
Deferred Inflows		4,047	
Net Position	\$ 37,432,281	\$ 202,548	\$ 14,768,819
Condensed Statement of Revenues, Expenses and Changes in Net Position:			
Operating Revenues	\$ 3,241,980	\$ 4,672,211	\$
Operating Expenses	5,004,882	4,164,760	
Net Operating Income	(1,762,902)	507,451	
Nonoperating Revenues and Expenses	1,720,912	12,129	(74,712)
Increase in Net Position	(41,990)	519,580	(74,712)
Net Position, Beginning of Year	37,474,271	(317,032)	14,843,531
Net Position, End of Year	\$ 37,432,281	\$ 202,548	\$ 14,768,819

- 2. Discretely Presented Component Unit** – The Iowa State University Foundation, Iowa State University Achievement Fund, and the Original University Foundation (herein collectively referred to as the “Foundation”) comprise a legally separate, tax-exempt component unit of the University. The combined financial statements of the Foundation’s organizations are presented in these financial statements because the organizations have a common Board of Directors, common management, and the common objective to promote the welfare of the University and its faculty, graduates, students, and former students. The mission of the Foundation is to secure and manage private gifts that support the University’s aspiration to become the nation’s best land-grant university. The Foundation strives to maximize the interest, involvement and, ultimately, enduring commitment of donors, and to manage donated assets for the benefit of the University in accordance with donors’ wishes.

Although the University does not control the Foundation or the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University and its faculty, graduates, students and former students, 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, 2019 and 2018, the Foundation distributed and expended \$118,644,745 and \$83,336,279 respectively, on behalf of the University for both restricted and unrestricted purposes as follows:

	2019	2018
Scholarships, Loan Funds, and Awards	\$ 34,295,074	\$ 34,702,413
Faculty and Staff Support	9,796,654	7,762,908
College and Administrative Support	22,650,246	23,946,295
Capital Improvements	51,342,419	15,925,412
Gifts in Kind	560,352	999,251
Total Program Support	<u>\$118,644,745</u>	<u>\$ 83,336,279</u>

The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. 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 entity for these differences.

For the fiscal year ended June 30, 2019, the Foundation has retrospectively adopted ASU No. 2016-14, Presentation of Financial Statements for Not-for-Profit Entities in accordance with new FASB standards. Certain balances presented in the Foundation’s financial statements for the year ended June 30, 2018 have been reclassified, with no effect on the change in net assets, to conform to the classification used for the year ended June 30, 2019.

Although the University is the exclusive beneficiary of the Foundation, the Foundation is independent of the University in all respects. The Foundation is not a subsidiary or affiliate of the University and is not directly or indirectly controlled by the University. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University. The University is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The University does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University. Third parties dealing with the University should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

Complete financial statements for the Foundation can be obtained from the Foundation at 2505 University Boulevard, Ames, IA 50010-2230 or from the Foundation’s website at www.foundation.iastate.edu.

D. Cash and Cash Equivalents

For purposes of the Statement of Net Position and the Statement of Cash Flows, cash and cash equivalents are reported in accordance with Board of Regents policy, Chapter 2.2 section 4.C.ix.a. The policy states investments purchased by the Regent institutions through Board authorized brokerage firms that meet the definition of cash equivalents, investments 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.

E. Investments

Investments are reported in accordance with Board of Regents policy, Chapter 2.2, section 4. The policy states that, to appropriately reflect the Board's overall investment strategy and as outlined in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, paragraph 11, the Board sets forth 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 Regent institutions as investments.

In accordance with the Board of Regents investment policy, the University considers all funds held by external investment managers, regardless of maturity, to be investments. Investments of the University are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, 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.

Investments of the Foundation are carried at fair value based on values provided by an external investment manager and quoted market values. Other investments include certain equity and alternative investments whose fair values are measured using the practical expedient. The practical expedient allows for the use of net asset value (NAV) as estimated by management utilizing information provided by the respective funds' general manager and investment managers in the absence of readily determinable fair market values.

F. Inventories

Inventories consist of supplies, merchandise, grain, and livestock for resale, teaching, and research purposes. Inventories of supplies and merchandise are valued at the lower of cost (primarily weighted average) or market. Inventories of livestock and grain are reported at year-end market value.

G. Prepaid Expenses

Prepaid expenses include prepaid rent expense for office space at the Iowa State University Research Park. The University was appropriated \$12 million from the State of Iowa to reimburse the Iowa State University Research Park for the construction of a Hub Square Facility in exchange for office space at the facility for the 20-year period beginning July 1, 2016. Accordingly, the University recognized prepaid rent expense while the Iowa State University Research Park recognized an equal amount of unearned revenue in the amount of \$10.2 million as of June 30, 2019.

H. Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at acquisition value which is the price that would have been paid to acquire a capital asset with equivalent service potential. Capitalization of interest on assets under construction has been included in the cost of those assets. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Intangible assets with a cost of \$500,000 or more are capitalized. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings, 10 to 30 years for infrastructure and land improvements, 2 to 20 years for equipment, 10 years for library collections, and 4 to 15 years for intangible assets.

I. Unearned Revenue

Unearned revenue includes items such as advance ticket sales, summer school tuition not earned during the current year, and amounts received from grants and contracts that have not yet been earned.

J. Compensated Absences

Employees' compensated absences are accrued when earned under the provisions of Chapters 70A and 262 of the Code of Iowa. Accrued vacation is paid at 100% of the employee's hourly rate upon retirement, death, or termination and, with certain exceptions, accrued sick leave is paid at 100% of the employee's hourly rate to a maximum of \$2,000 upon retirement. The liability for accrued compensated absences reported in the Statement of Net Position is based on current rates of pay.

K. Noncurrent Liabilities

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

L. Net Pension Liability

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.

M. Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information has been determined based on the University's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

N. Refundable Advances on Student Loans

Refundable advances on student loans consist of federal capital contributions to the University from the Perkins Federal Loan program. The federal capital contributions are refundable to the United States government if the loan program is terminated.

O. Deferred Outflows and Deferred Inflows of Resources

The University's deferred outflows and deferred inflows of resources consist of the following:

- 1. OPEB-related** – Deferred outflows and inflows represent items that have not been recognized in OPEB expense. Deferred outflows and inflows consist of differences between expected and actual experience of the OPEB plan and changes in assumptions.
- 2. Pension-related** – Deferred outflows consist of unrecognized items not yet charged to pension expense and contributions by the University after the measurement date but before the end of the University's reporting period. Deferred inflows consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments and unrecognized items not yet credited to pension expense.
- 3. Unamortized bond refunding losses and gains** – Bond refunding losses and gains, which will be recognized over the life of the bonds, are the difference between the reacquisition price of the new debt and the net carrying amount of the debt being refunded. Deferred outflows consist of unamortized losses resulting from the refunding of bonds. Deferred inflows consist of unamortized gains resulting from the refunding of bonds.

P. Net Position

The University's net position is classified as follows:

- 1. 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.
- 2. Restricted, nonexpendable** – Net position subject to externally imposed restrictions 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.
- 3. Restricted, expendable** – Net position subject to externally imposed restrictions on use of resources, either legally or contractually.
- 4. Unrestricted** – Net position not subject to externally imposed restrictions 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.

Q. Operating Revenues and Expenses

Operating revenues and expenses reported in the Statement of Revenues, Expenses and Changes in Net Position are those that generally 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. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations, gifts, and investment income.

R. Revenue Pledged for Debt Service

Tuition and fees are pledged as security for Academic Building Revenue Bonds, Memorial Union Revenue Bonds, and Recreational System Facilities Revenue Bonds. Auxiliary enterprise revenues are pledged as security for Athletic Facilities Revenue Bonds, Dormitory Revenue Bonds, Memorial Union Revenue Bonds, Parking System Revenue Bonds, Recreational System Facilities Revenue Bonds, Regulated Materials Facility Revenue Bonds, and Utility System Revenue Bonds.

S. Auxiliary Enterprise Revenues

Auxiliary enterprise revenues primarily represent revenues generated by the Athletic Department, University Book Store, Iowa State Center, Memorial Union, Parking System, Recreation Services, Regulated Materials Handling Facility, Reiman Gardens, Residence Department, ISU Dining, Student Health Center, Telecommunications System, and Utility System.

T. Bond Discounts and Premiums

Bond discounts and premiums are deferred and amortized over the life of the bonds.

U. Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

A. Cash and Cash Equivalents

A summary of the book and bank balances for cash and cash equivalents at June 30, 2019 and 2018 is as follows:

	June 30, 2019	June 30, 2018
Book Balance	\$146,769,902	\$134,223,934
Bank Balance:		
Covered by FDIC Insurance or State Sinking Fund	\$112,043,828	\$ 84,133,343
Uninsured and Uncollateralized	33,128,887	57,859,475
Total Bank Balance	\$145,172,715	\$141,992,818

B. Investments (University)

In accordance with the Code of Iowa and the Board of Regents' policy, the University's operating portfolio may be invested in obligations of the U.S. government or its agencies, certain high rated commercial paper, highly rated corporate bonds, certain limited maturity zero coupon securities, fully insured or collateralized certificates of deposits and savings, eligible bankers acceptances of 180 days or less, certain repurchase agreements, high quality money market funds and highly rated guaranteed investment contracts. The University's endowment portfolio may invest in all of the above as well as certain listed investment grade securities, certain shares of investment companies, and new issues of investment grade common stock.

For donor-restricted endowments, Chapter 540A of the Code of Iowa permits the University to appropriate an amount of realized and unrealized endowment appreciation as the University determines to be prudent pursuant to a consideration of the University's long-term and short-term needs, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. The University's policy is

to retain the realized and unrealized appreciation with the endowment pursuant to the spending rules of the University. The University's spending policy is 5.5%, which includes a 1.25% administrative fee of a three-year moving average market value. Net appreciation of endowment funds, which totaled \$7,770,561 and \$7,441,535 at June 30, 2019 and 2018, respectively, is available to meet the spending rate distribution and is recorded in restricted expendable net position.

Cash and investments for the University's discretely presented component unit are not subject to GASB disclosure requirements. These amounts were \$1.17 billion and \$1.1 billion as of June 30, 2019 and 2018, respectively.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University manages this risk within the portfolio using the effective duration method which is widely used in the management of fixed income portfolios in that it quantifies to a much greater degree the risk of interest rate changes.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the University. The University reduces exposure to this risk by following the operating and endowment portfolio benchmarks as established by the Board of Regents.

Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Of the University's \$829.0 million investments at June 30, 2019, \$1,719,604 of pooled funds are held by the Iowa State University Foundation, not in the University's name.

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the University's investment in a single issuer. The University reduces exposure to this risk by complying with the Board of Regents' investment policy which requires that, except for U. S. Government securities, no more than 5% of the investment portfolio shall be invested in securities of a single issuer.

The following issuers represent 5% or more of total operating portfolio assets:

Issuer	June 30, 2019		June 30, 2018	
	Fair Value	% of Total Operating Portfolio Assets	Fair Value	% of Total Operating Portfolio Assets
Federal Home Loan Bank	\$114,655,850	13%	\$142,267,826	15%

As of June 30, 2019, the effective duration, credit quality ratings, and fair value of the University's investments were as follows:

	Effective Duration (Years)	Credit Quality Rating									Total Fair Value
		TSY/AGY	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated	
Fixed Income:											
U.S. Government Treasuries	.80	\$170,431,212	\$	\$	\$	\$	\$	\$	\$	\$	\$170,431,212
U.S. Government Agencies	.71			134,673,106							134,673,106
Mutual Funds, Short Term	4.69	93,427,330	14,612,015	7,790,606	29,482,060	32,388,820	9,330,383	22,599,343	2,472,434	1,477,219	213,580,210
Mutual Funds, Long Term	4.50	9,230,675	5,402,914	814,372	5,450,409	5,213,419	4,846,130	12,417,461	1,230,816	365,150	44,971,346
Subtotal		\$273,089,217	\$20,014,929	\$143,278,084	\$34,932,469	\$37,602,239	\$14,176,513	\$35,016,804	\$3,703,250	\$1,842,369	563,655,874
Equity and Other:											
Common Stock											6,899,130
Mutual Funds											115,733,566
Private Equity											37,921,211
Foundation Pooled Funds											1,719,604
Real Estate											44,380,098
Money Market											58,680,993
Total Investments											\$828,990,476

As of June 30, 2018, the effective duration, credit quality ratings, and fair value of the University's investments were as follows:

	Effective Duration (Years)	TSY/AGY	Credit Quality Rating							Total Fair Value	
			AAA	AA	A	BBB	BB	B	CCC & Below		Not Rated
Fixed Income:											
U.S. Government Treasuries	1.14	\$233,350,307	\$	\$	\$	\$	\$	\$	\$	\$	\$233,350,307
U.S. Government Agencies	1.98			181,711,423							181,711,423
Mutual Funds, Short Term	4.62	66,461,254	11,552,605	6,513,143	22,240,416	25,411,017	7,906,971	19,167,129	1,811,920	836,282	161,900,737
Mutual Funds, Long Term	3.79	8,818,620	2,853,403	1,863,529	5,901,061	5,239,102	4,953,732	11,264,261	923,450	619,804	42,436,962
Subtotal		<u>\$308,630,181</u>	<u>\$14,406,008</u>	<u>\$190,088,095</u>	<u>\$28,141,477</u>	<u>\$30,650,119</u>	<u>\$12,860,703</u>	<u>\$30,431,390</u>	<u>\$2,735,370</u>	<u>\$1,456,086</u>	<u>619,399,429</u>
Equity and Other:											
Common Stock											8,034,222
Preferred Stock											354,581
Mutual Funds											116,109,458
Private Equity											25,459,064
Foundation Pooled Funds											1,715,035
Real Estate											49,736,666
Money Market											57,699,660
Total Investments											<u>\$878,508,115</u>

Fair Value Measurement is a framework for measuring fair value in accordance with generally accepted accounting principles and presents expanded disclosures about fair value measurements. Specifically, all financial instruments reported at fair value are classified based on the inputs used to determine the values as follows:

Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model based valuation techniques for which all significant assumptions are observable in the market.

Level 3 - Valuation is generated from model based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset. Valuation techniques include use of option pricing models, discounted cash flow models, and similar techniques.

Investments that do not have a readily determinable fair value are reported using Net Asset Value per share (NAV). The NAV per share is provided by the fund manager and reviewed by the University.

The classifications or levels by investment category as of June 30, 2019 and 2018, are shown below.

Investment Type	June 30, 2019				Total Fair Value
	Level 1	Level 2	Level 3	NAV	
Fixed Income:					
U.S. Government Treasuries	\$ 170,431,212	\$	\$	\$	\$ 170,431,212
U.S. Government Agencies		134,673,106			134,673,106
Mutual Funds, Short Term	188,768,432			24,811,778	213,580,210
Mutual Funds, Long Term	18,535,491			26,435,855	44,971,346
Equity and Other:					
Common Stock	6,899,130				6,899,130
Mutual Funds	73,711,078			42,022,488	115,733,566
Private Equity-Limited Partnerships				37,921,211	37,921,211
Foundation Pooled Funds	539,440	655,857	524,307		1,719,604
Real Asset Funds				44,380,098	44,380,098
Money Market (1)					58,680,993
Total Investments	\$ 458,884,783	\$ 135,328,963	\$ 524,307	\$ 175,571,430	\$ 828,990,476

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed Income:				
Mutual Funds, Short Term (2)	\$ 24,811,778	\$	monthly	5 days
Mutual Funds, Long Term (2)	26,435,855		daily-quarterly	5-60 days
Equity and Other:				
Mutual Funds (3)	42,022,488		daily-monthly	2-30 days
Private Equity-Limited Partnerships (4)	37,921,211	26,625,711	N/A	N/A
Real Asset Funds (5)	44,380,098	1,845,250	N/A	N/A
Total Investments	\$ 175,571,430	\$ 28,470,961		



June 30, 2018

Investment Type	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fixed Income:					
U.S. Government Treasuries	\$233,350,307	\$	\$	\$	\$233,350,307
U.S. Government Agencies		181,711,423			181,711,423
Mutual Funds, Short Term	141,577,574			20,323,163	161,900,737
Mutual Funds, Long Term	17,190,291			25,246,671	42,436,962
Equity and Other:					
Common Stock	8,034,222				8,034,222
Preferred Stock	354,581				354,581
Mutual Funds	59,236,286			56,873,172	116,109,458
Private Equity-Limited Partnerships				25,459,064	25,459,064
Foundation Pooled Funds	538,006	654,115	522,914		1,715,035
Real Asset Funds				49,736,666	49,736,666
Money Market (1)					57,699,660
Total Investments	\$460,281,267	\$182,365,538	\$ 522,914	\$177,638,736	\$878,508,115

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed Income:				
Mutual Funds, Short Term (2)	\$ 20,323,163	\$	monthly	5 days
Mutual Funds, Long Term (2)	25,246,671		daily-quarterly	5-60 days
Equity and Other:				
Mutual Funds (3)	56,873,172		daily-monthly	2-30 days
Private Equity-Limited Partnerships (4)	25,459,064	32,523,629	N/A	N/A
Real Asset Funds (5)	49,736,666	2,450,969	N/A	N/A
Total Investments	\$177,638,736	\$ 34,974,598		

1. Money Market Funds - In accordance with Board of Regents policy, a minimum of 40% of the endowment pool must be held in liquid investments.
2. Fixed Income Mutual Funds - Includes investments in mutual funds holding assets that provide stability, generate income and diversify market risk.
2. Equity Mutual Funds - Includes investments in global equities including both developed and emerging markets.
4. Private Equity - Includes private equity funds that invest in strategies such as venture capital, leveraged buyouts and mezzanine debt. Capital is committed during the investment period of each fund, typically four years, after which point capital commitments stop. The University's interest in the nonredeemable funds is considered illiquid in that distributions from liquidation of the underlying assets of the fund are at the discretion of the general partner according to the terms of the limited partnership agreement. Funds are typically liquidated over a period of five to ten years and include a mechanism to extend the length of the partnership for two to three years with approval from the limited partners.
5. Real Assets - Includes investments in private real estate and natural resource equities funds. Capital is committed during the investment period of each fund, typically four years, after which point capital commitments stop. The University's interest in the nonredeemable funds is considered illiquid in the distributions from the liquidation of the underlying assets of the fund are at the discretion of the general partner per the terms of the limited partnership agreement. Funds are typically liquidated over a period of five to ten years and include a mechanism to extend the length of the partnership with approval from the limited partners.

C. Investments (Foundation)

Investments were comprised of the following balances as of June 30, 2019 and 2018:

Investment	June 30, 2019	June 30, 2018
Pooled Investments:		
Equity	\$ 475,947,771	\$ 449,119,507
Fixed Income	206,400,527	159,574,511
Hedge Funds	212,534,281	210,509,613
Private Equity	136,840,811	103,301,821
Real Estate	13,398,659	10,842,887
Natural Resources/Commodities	32,243,186	32,219,428
Cash and Cash Equivalents	38,223,196	71,339,267
Accrued Interest	-	558,357
Accrued Manager Fees	(1,000,000)	(250,000)
Total Pooled Investments	1,114,588,431	1,037,215,391
Other Marketable Securities:		
Fixed Income	12,587,042	12,792,248
Equity	26,716,547	27,583,175
Cash and Cash Equivalents	1,178,241	7,326,210
Total Other Marketable Securities	40,481,830	47,701,633
Real Estate and Other Investments:		
Real Estate	9,218,526	10,348,707
Notes Receivable from Affiliated Entities	1,094,381	1,318,113
Total Real Estate and Other Investments	10,312,907	11,666,820
Total Investments	\$1,165,383,168	\$1,096,583,844

NOTE 3 - ACCOUNTS RECEIVABLE, DUE FROM GOVERNMENT AGENCIES, NOTES RECEIVABLE, AND PLEDGES RECEIVABLE

A. Accounts Receivable

Accounts receivable is shown net of allowances for doubtful accounts in the accompanying Statement of Net Position. At June 30, 2019 and 2018, accounts receivable consisted of the following:

	June 30, 2019	June 30, 2018
Accounts Receivable	\$ 59,165,153	\$ 33,817,183
Allowance for Doubtful Accounts	(2,121,812)	(1,947,757)
Accounts Receivable, Net	\$ 57,043,341	\$ 31,869,426

B. Due from Government Agencies

As of June 30, 2019 and 2018, Due from Government Agencies consisted of the following:

	June 30, 2019	June 30, 2018
Due from United States Government Agencies	\$ 24,212,010	\$ 26,429,318
Due from State of Iowa	4,035,488	3,611,279
Due from Local Government		154,136
Due from Government Agencies	\$ 28,247,498	\$ 30,194,733

C. Notes Receivable

Notes receivable is shown net of allowances for doubtful accounts in the accompanying Statement of Net Position.

Notes receivable consisted of the following:

	June 30, 2019	June 30, 2018
Student Loans Receivable	\$ 23,287,028	\$ 26,090,620
Split-Dollar Loan Receivable	2,500,000	1,500,000
Allowance for Doubtful Accounts	(342,667)	(298,441)
Notes Receivable, Net	<u>\$ 25,444,361</u>	<u>\$ 27,292,179</u>

The University has recorded as Notes Receivable an amount loaned to an employee which is collateralized by a split-dollar insurance loan agreement on an insurance policy owned by the employee where the University has been assigned an interest by an instrument of assignment filed with the insurance company. The interest-free loan will be repaid by proceeds of the life insurance policy at an unknown future date.

D. Pledges Receivable (Foundation)

The components of net pledges receivable as of June 30, 2019 and 2018 are as follows:

	June 30, 2019	June 30, 2018
Gross Pledges Receivable	\$ 138,759,344	\$133,457,379
Allowance for Uncollectible Pledges	(2,353,625)	(2,995,947)
Discount to Present Value	(11,857,425)	(12,100,352)
Net Pledges Receivable	<u>\$ 124,548,294</u>	<u>\$118,361,080</u>

The Foundation estimates payments on pledges receivable as of June 30, 2019, will be received as follows:

Year Ending June 30,	Principal
2020	\$ 45,776,370
2021	22,040,986
2022	15,487,846
2023	9,378,130
2024	6,518,429
Thereafter	39,557,583
Total	<u>\$138,759,344</u>

The Foundation estimates payments on pledges receivable as of June 30, 2018, will be received as follows:

Year Ending June 30,	Principal
2019	\$ 21,463,458
2020	18,629,614
2021	15,299,064
2022	14,185,786
2023	5,432,931
Thereafter	58,446,526
Total	<u>\$133,457,379</u>

In addition, the Foundation has received notification of deferred gifts totaling approximately \$684 million and \$654 million as of June 30, 2019 and 2018, respectively, primarily in the form of revocable wills.

NOTE 4 - INVENTORIES

The inventory balances in the Statement of Net Position are comprised of two categories as described in Note 1F above and scheduled below:

	June 30, 2019	June 30, 2018
Supplies, Merchandise, and Grain	\$ 12,440,692	\$ 12,085,299
Livestock	2,088,546	2,319,016
Total Inventories	<u>\$ 14,529,238</u>	<u>\$ 14,404,315</u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, is summarized as follows:

	July 1, 2018	Additions	Transfers	Deductions	June 30, 2019
Capital Assets, Nondepreciable/Nonamortizable:					
Land	\$ 21,255,789	\$	\$	\$ (2,189,375)	\$ 19,066,414
Land Improvements	5,733,132		176,155		5,909,287
Construction in Progress	83,764,495	93,825,005	(74,864,285)	(574,972)	102,150,243
Intangible Assets in Development	21,394,901	18,946,363			40,341,264
Capital Assets, Nondepreciable/Nonamortizable	<u>132,148,317</u>	<u>112,771,368</u>	<u>(74,688,130)</u>	<u>(2,764,347)</u>	<u>167,467,208</u>
Capital Assets, Depreciable/Amortizable:					
Buildings	1,873,015,484		32,499,870		1,905,515,354
Land Improvements	31,169,113		17,711,428		48,880,541
Infrastructure	304,117,798		24,476,832		328,594,630
Equipment	324,851,631	21,772,962		(11,510,061)	335,114,532
Library	258,122,401	9,938,627		(2,383,615)	265,677,413
Intangible Assets	7,077,566				7,077,566
Capital Assets, Depreciable/Amortizable	<u>2,798,353,993</u>	<u>31,711,589</u>	<u>74,688,130</u>	<u>(13,893,676)</u>	<u>2,890,860,036</u>
Accumulated Depreciation/Amortization:					
Buildings	853,337,519	53,959,509			907,297,028
Land Improvements	20,469,869	2,304,075			22,773,944
Infrastructure	183,987,142	9,158,905			193,146,047
Equipment	191,838,144	19,473,874		(9,530,184)	201,781,834
Library	210,598,128	10,521,107		(2,383,615)	218,735,620
Intangible Assets	3,530,299	627,453			4,157,752
Accum. Depreciation/Amortization	<u>1,463,761,101</u>	<u>96,044,923</u>		<u>(11,913,799)</u>	<u>1,547,892,225</u>
Depreciable/Amortizable Assets, Net	<u>1,334,592,892</u>	<u>(64,333,334)</u>	<u>74,688,130</u>	<u>(1,979,877)</u>	<u>1,342,967,811</u>
Total Capital Assets, Net	<u>\$1,466,741,209</u>	<u>\$ 48,438,034</u>	<u>\$ -</u>	<u>\$ (4,744,224)</u>	<u>\$1,510,435,019</u>

Capital assets, net of accumulated depreciation, purchased with resources provided by outstanding capital lease agreements at June 30, 2019, consisted of \$9,755,353 of buildings and \$124,107 of equipment.

Capital assets activity for the year ended June 30, 2018, is summarized as follows:

	July 1, 2017	Additions	Transfers	Deductions	June 30, 2018
Capital Assets, Nondepreciable/Nonamortizable:					
Land	\$ 21,255,789	\$	\$	\$	\$ 21,255,789
Land Improvements	5,733,132				5,733,132
Construction in Progress	98,955,608	105,043,415	(119,798,328)	(436,200)	83,764,495
Intangible Assets in Development	4,038,698	17,356,203			21,394,901
Capital Assets, Nondepreciable/Nonamortizable	129,983,227	122,399,618	(119,798,328)	(436,200)	132,148,317
Capital Assets, Depreciable/Amortizable:					
Buildings	1,760,224,982		112,790,502		1,873,015,484
Land Improvements	31,169,113				31,169,113
Infrastructure	297,109,972		7,007,826		304,117,798
Equipment	312,349,188	19,524,732		(7,022,289)	324,851,631
Library	248,909,502	11,977,931		(2,765,032)	258,122,401
Intangible Assets	7,077,566				7,077,566
Capital Assets, Depreciable/Amortizable	2,656,840,323	31,502,663	119,798,328	(9,787,321)	2,798,353,993
Accumulated Depreciation/Amortization:					
Buildings	797,270,394	56,067,125			853,337,519
Land Improvements	19,036,786	1,433,083			20,469,869
Infrastructure	175,416,223	8,570,919			183,987,142
Equipment	177,831,678	19,412,877		(5,406,411)	191,838,144
Library	202,648,262	10,714,898		(2,765,032)	210,598,128
Intangible Assets	2,902,838	627,461			3,530,299
Accum. Depreciation/Amortization	1,375,106,181	96,826,363		(8,171,443)	1,463,761,101
Depreciable/Amortizable Assets, Net	1,281,734,142	(65,323,700)	119,798,328	(1,615,878)	1,334,592,892
Total Capital Assets, Net	\$1,411,717,369	\$ 57,075,918	\$ -	\$(2,052,078)	\$1,466,741,209

Capital assets, net of accumulated depreciation, purchased with resources provided by outstanding capital lease agreements at June 30, 2018, consisted of \$10,076,950 of buildings and \$176,630 of equipment.

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2019 and 2018 is summarized as follows:

	July 1, 2018	Additions	Deductions	June 30, 2019	Current Portion
Long-Term Debt:					
Bonds Payable	\$537,995,190	\$	\$31,257,154	\$506,738,036	\$ 31,650,000
Notes Payable	1,773,637		560,344	1,213,293	590,665
Capital Leases Payable	8,216,493		820,887	7,395,606	833,483
Total Long-Term Debt	547,985,320		32,638,385	515,346,935	33,074,148
Other Long-Term Liabilities:					
Compensated Absences	45,905,300	23,116,581	23,221,461	45,800,420	22,861,206
Refundable Advances on Student Loans	18,178,893			18,178,893	
Deferred Compensation	72,553	132,067		204,620	
Net Pension Liability	42,364,320	2,162,989		44,527,309	
Total Other Postemployment Benefits Liability	85,134,081	10,418,318	17,231,123	78,321,276	
Total Other Long-Term Liabilities	191,655,147	35,829,955	40,452,584	187,032,518	22,861,206
Total Long-Term Liabilities	\$739,640,467	\$ 35,829,955	\$ 73,090,969	\$702,379,453	\$ 55,935,354
	July 1, 2017 (As Restated)	Additions	Deductions	June 30, 2018	Current Portion
Long-Term Debt:					
Bonds Payable	\$524,002,704	\$119,286,004	\$105,293,518	\$537,995,190	\$ 30,370,000
Notes Payable	5,055,216		3,281,579	1,773,637	560,344
Capital Leases Payable	11,037,768		2,821,275	8,216,493	820,887
Total Long-Term Debt	540,095,688	119,286,004	111,396,372	547,985,320	31,751,231
Other Long-Term Liabilities:					
Compensated Absences	46,058,601	22,347,650	22,500,951	45,905,300	22,687,134
Refundable Advances on Student Loans	18,178,893			18,178,893	
Deferred Compensation	-	72,553		72,553	
Due to State	13,949,879		13,949,879	-	
Net Pension Liability	35,473,028	6,891,292		42,364,320	
Net Other Postemployment Benefits Obligation	71,119,361	18,668,678	4,653,958	85,134,081	
Total Other Long-Term Liabilities	184,779,762	47,980,173	41,104,788	191,655,147	22,687,134
Total Long-Term Liabilities	\$724,875,450	\$167,266,177	\$152,501,160	\$739,640,467	\$ 54,438,365

A. Bonds Payable

Outstanding long-term revenue bond indebtedness at June 30, 2019, consisted of the following:

	Interest Rates	Maturity Dates	Amount
Academic Building	2.00 – 4.125%	2020-2036	\$121,745,000
Less: Unamortized Discount			(225,800)
Add: Unamortized Premium			3,054,271
Athletic Facilities	2.00 – 3.875%	2020-2041	66,685,000
Less: Unamortized Discount			(286,531)
Add: Unamortized Premium			343,695
Dormitory	1.50 – 5.00%	2020-2036	148,475,000
Less: Unamortized Discount			(595,716)
Add: Unamortized Premium			2,567,432
ISU Facilities Corporation	2.00 – 3.125%	2020-2043	36,830,000
Add: Unamortized Premium			581,145
Memorial Union	1.50 – 3.00%	2020-2031	15,040,000
Less: Unamortized Discount			(151,278)
Parking System	2.25 – 3.00%	2020-2023	1,470,000
Add: Unamortized Premium			37,176
Recreational System Facilities	2.00 - 3.00%	2020-2038	45,105,000
Add: Unamortized Premium			1,230,317
Regulated Materials Facility	2.00%	2020	470,000
Utility System	2.00 – 5.00%	2020-2037	62,410,000
Add: Unamortized Premium			1,953,325
Total Bonds Payable			<u>\$506,738,036</u>

Debt service requirements to maturity, as of June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 31,650,000	\$ 15,009,166	\$ 46,659,166
2021	28,485,000	14,189,343	42,674,343
2022	29,525,000	13,387,048	42,912,048
2023	30,305,000	12,520,005	42,825,005
2024	30,940,000	11,595,160	42,535,160
2025-2029	155,340,000	43,139,435	198,479,435
2030-2034	121,090,000	21,103,245	142,193,245
2035-2039	59,180,000	5,197,525	64,377,525
2040-2043	11,715,000	634,484	12,349,484
Less: Unamortized Discount	(1,259,325)		(1,259,325)
Add: Unamortized Premium	9,767,361		9,767,361
Total	<u>\$506,738,036</u>	<u>\$136,775,411</u>	<u>\$643,513,447</u>

Outstanding long-term revenue bond indebtedness at June 30, 2018, consisted of the following:

	Interest Rates	Maturity Dates	Amount
Academic Building	2.00 – 4.125%	2019-2036	\$130,350,000
Less: Unamortized Discount			(239,912)
Add: Unamortized Premium			3,412,142
Athletic Facilities	2.00 – 3.875%	2019-2041	69,360,000
Less: Unamortized Discount			(304,046)
Add: Unamortized Premium			364,334
Dormitory	1.00 – 5.00%	2019-2036	159,380,000
Less: Unamortized Discount			(652,953)
Add: Unamortized Premium			2,884,779
ISU Facilities Corporation	2.00 – 3.125%	2019-2043	37,905,000
Add: Unamortized Premium			606,412
Memorial Union	1.50 – 3.00%	2019-2031	16,115,000
Less: Unamortized Discount			(165,030)
Parking System	2.25 – 3.00%	2019-2023	1,830,000
Add: Unamortized Premium			49,567
Recreational System Facilities	2.00 – 3.00%	2019-2038	46,635,000
Add: Unamortized Premium			1,298,668
Regulated Materials Facility	2.00%	2019-2020	935,000
Add: Unamortized Premium			13,447
Utility System	2.00 – 5.00%	2019-2037	66,090,000
Add: Unamortized Premium			2,127,782
Total Bonds Payable			<u>\$537,995,190</u>

Debt service requirements to maturity, as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 30,370,000	\$ 16,281,822	\$ 46,651,822
2020	31,650,000	15,009,166	46,659,166
2021	28,485,000	14,189,343	42,674,343
2022	29,525,000	13,387,048	42,912,048
2023	30,305,000	12,520,005	42,825,005
2024-2028	157,915,000	48,085,395	206,000,395
2029-2033	125,370,000	25,083,463	150,453,463
2034-2038	79,670,000	7,440,888	87,110,888
2039-2043	15,310,000	1,060,103	16,370,103
Less: Unamortized Discount	(1,361,942)		(1,361,942)
Add: Unamortized Premium	10,757,132		10,757,132
Total	<u>\$537,995,190</u>	<u>\$153,057,233</u>	<u>\$691,052,423</u>

In July 2017, the University issued \$25,170,000 of Recreational System Facilities Revenue Refunding Bonds, Series I.S.U. 2017. The bond proceeds were placed in an irrevocable trust to refund \$24,300,000 of Recreational System Facilities Revenue Bonds, Series I.S.U. 2009. The advance refunding of these bonds permitted the University to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$2,988,976 and will reduce future aggregate debt service payments over the next 20 years by \$3,797,221.

In October 2017, the University issued \$6,255,000 of Athletic Facilities Revenue Refunding Bonds, Series I.S.U. 2017. The bond proceeds were placed in an irrevocable trust to refund \$6,220,000 of Athletic Facilities Revenue Bonds, Series I.S.U. 2007A. The advance refunding of these bonds permitted the University to realize an economic gain (the difference

between the present values of the debt service payments on the old and new debt) of \$801,747 and will reduce future aggregate debt service payments over the next 16 years by \$945,393.

In December 2017, the University issued \$25,360,000 of Academic Building Revenue Refunding Bonds, Series I.S.U. 2017A. The bond proceeds were placed in an irrevocable trust to refund \$24,590,000 of Academic Building Revenue Bonds, Series I.S.U. 2009A. The advance refunding of these bonds permitted the University to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$2,195,027 and will reduce future aggregate debt service payments over the next 18 years by \$2,639,928.

In December 2017, the University issued \$21,465,000 of Recreational System Facilities Revenue Refunding Bonds, Series I.S.U. 2017A. The bond proceeds were placed in an irrevocable trust to refund \$20,860,000 of Recreational System Facilities Revenue Bonds, Series I.S.U. 2010. The advance refunding of these bonds permitted the University to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$1,655,802 and will reduce future aggregate debt service payments over the next 20 years by \$2,031,182.

B. Notes Payable

The University had the following notes payable outstanding at June 30, 2019:

	Interest Rates	Maturity Dates	Amount
Athletic System	5.34%	2020-2021	\$ 1,213,293

Debt service requirements to maturity, as of June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 590,665	\$ 57,009	\$ 647,674
2021	622,628	25,046	647,674
Total	\$ 1,213,293	\$ 82,055	\$ 1,295,348

The University had the following notes payable outstanding at June 30, 2018:

	Interest Rates	Maturity Dates	Amount
Athletic System	5.34%	2019-2021	\$ 1,773,637

Debt service requirements to maturity, as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 560,344	\$ 87,330	\$ 647,674
2020	590,665	57,009	647,674
2021	622,628	25,046	647,674
Total	\$ 1,773,637	\$ 169,385	\$ 1,943,022

C. Capital Leases Payable

The University had the following capital leases outstanding at June 30, 2019:

	Interest Rates	Maturity Dates	Amount
Cyclone Sports Complex	3.86%	2020-2027	\$ 7,316,844
Farm Equipment	2.90 – 3.90%	2020-2023	76,083
ISU Veterinary Services Corporation	7.33%	2020	2,679
Total			\$ 7,395,606

The following is a schedule by year of future minimum lease payments required as of June 30, 2019:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 833,483	\$ 277,055	\$ 1,110,538
2021	856,817	244,993	1,101,810
2022	866,983	211,872	1,078,855
2023	900,706	178,149	1,078,855
2024	928,690	143,116	1,071,806
2025-2027	3,008,927	206,490	3,215,417
Total	\$ 7,395,606	\$ 1,261,675	\$ 8,657,281

The University had the following capital leases outstanding at June 30, 2018:

	Interest Rates	Maturity Dates	Amount
Cyclone Sports Complex	3.86%	2019-2027	\$ 8,083,941
Farm Equipment	2.90 – 3.90%	2019-2023	118,814
ISU Veterinary Services Corporation	7.33%	2019-2020	13,738
Total			\$ 8,216,493

The following is a schedule by year of future minimum lease payments required as of June 30, 2018:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 820,887	\$ 309,134	\$ 1,130,021
2020	833,483	277,055	1,110,538
2021	856,816	244,993	1,101,809
2022	866,983	211,872	1,078,855
2023	900,706	178,149	1,078,855
2024-2027	3,937,618	349,606	4,287,224
Total	\$ 8,216,493	\$ 1,570,809	\$ 9,787,302

NOTE 7 - OPERATING LEASES

The University has leased various buildings and equipment. These leases have been classified as operating leases and, accordingly, all rents are charged to expense as incurred. These leases expire before June 30, 2031, and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the leased properties. 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 which have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2019.

Year Ending June 30,	Amount
2020	\$ 3,497,001
2021	3,162,521
2022	2,944,490
2023	900,262
2024	527,168
2025-2029	2,593,198
2030-2031	471,606
Total	\$14,096,246

All leases contain nonappropriation clauses indicating continuation of the lease is subject to funding by the legislature.

Rental expense for these operating leases was \$4,084,543 and \$4,308,136, respectively, for the years ended June 30, 2019 and 2018.

The following is a schedule, by year, of future minimum rental payments required under operating leases which have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2018.

Year Ending June 30,	Amount
2019	\$ 4,149,613
2020	3,779,478
2021	3,377,953
2022	3,195,310
2023	820,328
2024-2028	2,104,213
2029-2031	875,397
Total	<u>\$18,302,292</u>

All leases contain nonappropriation clauses indicating continuation of the lease is subject to funding by the legislature.

Rental expense for these operating leases was \$4,308,136 and \$10,514,225, respectively, for the years ended June 30, 2018 and 2017.

NOTE 8 - RETIREMENT PROGRAMS

A. Teachers Insurance and Annuity Association (TIAA)

The University contributes to the Teachers Insurance and Annuity Association (TIAA) retirement program that is a defined contribution plan. TIAA administers the retirement plan for the University. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents establishes and amends the plan's provisions and contribution requirements. As required by the Board of Regents' policy, all eligible University employees must participate in a retirement plan from the date they are employed. Contributions made by the employer fully vest after the completion of three years of employment; employee contributions vest immediately. As specified by the contract with TIAA, each employee through the fifth year of employment contributes 3 1/3% of the first \$4,800 of earnings and 5% on the balance of earnings. The University, through the fifth year of employment, is required to contribute 6 2/3% of the first \$4,800 of earnings and 10% on earnings above \$4,800. Upon completion of five years of service, the participant contributes 5% and the University 10% on all earnings. The University's required and actual contributions totaled \$42,113,013 and \$42,507,504, respectively, for the years ended June 30, 2019 and 2018. The employees' required and actual contributions totaled \$21,055,870 and \$20,766,335, respectively, for the years ended June 30, 2019 and 2018. At June 30, 2019, the University reported payables to the defined contribution pension plan of \$3,104,867 for legally required employer contributions and \$1,552,388 for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA. At June 30, 2018, the University reported payables to the defined contribution pension plan of \$3,267,628 for legally required employer contributions and \$1,630,823 for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA.

B. 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 Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 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.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 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 benefits 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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date 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 receives 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 – 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 the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by 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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the University contributed 9.44% of covered payroll, for a total rate of 15.73%.

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the University contributed 8.93% of covered payroll, for a total rate of 14.88%.

The University’s contributions to IPERS for the years ended June 30, 2019 and 2018 were \$5,684,989 and \$4,785,254, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019 and 2018, the University reported a liability of \$44,527,309 and \$42,364,320, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. 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, 2018 and 2017, the University’s proportion was 0.7036281% and 0.6359800%, respectively.

For the year ended June 30, 2019 and 2018, the University recognized pension expense of \$9,623,082 and \$8,767,335, respectively.

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 244,137	\$ 1,006,389
Changes in Assumptions	6,352,096	
Net Differences between Projected and Actual Earnings on IPERS' Investments		1,223,467
Changes in Proportion and Differences between University Contributions and Proportionate Share of Contributions	8,209,567	
University Contributions Subsequent to the Measurement Date	5,684,989	
Total	<u>\$ 20,490,789</u>	<u>\$ 2,229,856</u>

\$5,684,989 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2020	\$ 6,272,743
2021	3,933,960
2022	1,319,249
2023	892,083
2024	157,909
Total	<u>\$ 12,575,944</u>

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 388,945	\$ 367,054
Changes in Assumptions	7,360,965	
Net Differences between Projected and Actual Earnings on IPERS' Investments		442,480
Changes in Proportion and Differences between University Contributions and Proportionate Share of Contributions	8,373,101	
University Contributions Subsequent to the Measurement Date	4,785,254	
Total	<u>\$ 20,908,265</u>	<u>\$ 809,534</u>

\$4,785,254 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ 3,966,802
2020	5,832,157
2021	3,622,426
2022	1,173,224
2023	718,868
Total	<u>\$ 15,313,477</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of Inflation (effective June 30, 2017)	2.60% per annum
Rates of Salary Increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation; rates vary by membership group
Long-Term Investment Rate of Return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation
Wage Growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2007 generational adjustments.

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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	6.01%
International Equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core Plus Fixed Income	27.0	1.97
Public Credit	3.5	3.93
Public Real Assets	7.0	2.91
Cash	1.0	(0.25)
Private Equity	11.0	10.81
Private Real Assets	7.5	4.14
Private Credit	3.0	3.11
	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from 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 7.00%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
University's Proportionate Share of the Net Pension Liability	\$75,571,791	\$44,527,309	\$18,485,603

IPERS' Fiduciary Net Position – Detailed information about the 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 IPERS – At June 30, 2019, the University reported payables to IPERS of \$487,688 for legally required University contributions and \$324,978 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS. At June 30, 2018, the University reported payables to IPERS of \$418,438 for legally required University contributions and \$278,807 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

C. Phased Retirement Programs

Phased Retirement (1982 Program)

The phased retirement program originally established and approved by the Board of Regents in 1982 ended June 30, 2017.

Eligibility – Faculty, professional and scientific (P&S), and merit system employees employed by the Board of Regents for a period of 15 years who had attained age 57 were eligible to negotiate with their department a schedule of phasing into retirement. All requests for admission into the program must have received approval from the appropriate administrative office of the institution by which they were employed.

Schedule of Phasing – An employee may reduce to no less than a half-time appointment either directly or via a stepped schedule. At no time during the phasing period may an employee hold greater than a 65 percent appointment. In the fifth year following the initiation of phased retirement, the employee's appointment will be no greater than 50 percent. The maximum phasing period will be five years with full retirement required at the end of the specified phasing period. Once phased retirement is initiated, employees may not return to a full-time appointment.

The following benefits are applicable during participation in this program:

- **Compensation** – During the first four years of the phasing period, the salary received will reflect the reduced responsibilities plus an additional ten percent of the budgeted salary had the person worked full time. In the fifth year following the initiation of phased retirement, the employee's salary will be proportional to the budgeted salary had the person worked full time.
- **Benefits** – During the phased retirement period, institution and employee contributions will continue for life insurance, health and dental insurance, disability insurance, and defined contribution retirement (TIAA and VALIC) at the same levels which would have prevailed had the employee continued a full time appointment. As mandated by law, FICA, defined benefit retirement (Iowa Public Employee Retirement System), Federal Employees Retirement System, Civil Service Retirement System, and Civil Service Retirement System Offset contributions will be based on the employee's actual salary paid. Accrual of vacation and sick leave will be based on the percentage of appointment. An employee participating in this program will be allowed access to their defined contribution retirement account (TIAA and VALIC) to assist in supplementing the loss of income that occurs when participating in this program.

This program is closed to new entrants. A new phased retirement program became effective July 1, 2017. As of July 1, 2018, there were 27 employees participating in this program. As of June 30, 2019, there were 16 employees remaining in the program.

Phased Retirement (Effective July 1, 2017)

This phased retirement program was approved by the Board of Regents effective July 1, 2017 and replaces the phased program approved in 1982.

Eligibility – Faculty, professional and scientific (P&S), and merit system employees employed by the Board of Regents for a period of 15 consecutive years who had attained age 57 are eligible to request and negotiate with their department a schedule of phasing into retirement, not to exceed two years. Requests for admission into the program are not guaranteed and must receive approval from the appropriate administrative office of the institution by which they are employed.

Schedule of Phasing – An employee may reduce from full-time to no less than a half-time appointment either directly or via a stepped schedule. The maximum phasing period will be two years with full retirement required at the end of the specified phasing period. If a two-year phasing period is agreed upon, the employee may not hold greater than a 65 percent appointment in the first year. For phasing periods of one year or less, or after the completion of the first year of a two-year phasing period, the appointment cannot exceed 50 percent. The phasing period will be set by agreement between the department and the employee. Once phased retirement is initiated, staff members may not return to full-time appointment.

The following benefits are applicable during participation in this program:

- **Compensation** – In the first year of a two year phasing period, the salary received will reflect the reduced responsibilities plus, at the discretion of the institution, an additional 10 percent of the budgeted salary, had the person worked full time. In the only or last year following the initiation of phased retirement, the employee’s salary will be proportional to the budgeted salary had the person worked full time.
- **Benefits** – During the phased retirement period, institution and employee contributions will continue for life insurance, health and dental insurance, disability insurance, and defined contribution retirement (TIAA and VALIC) at the same levels which would have prevailed had the employee continued a full time appointment. As mandated by law, FICA, defined benefit retirement (Iowa Public Employee Retirement System), Federal Employees Retirement System, Civil Service Retirement System, and Civil Service Retirement System Offset contributions will be based on the employee’s actual salary paid. Accrual of vacation and sick leave will be based on the percentage of appointment. An employee participating in this program will be allowed access to their defined contribution retirement account (TIAA and VALIC) to assist in supplementing the loss of income that occurs when participating in this program.

Subject to annual review, the program will expire on June 30, 2022, unless renewed by the Board prior to expiration. As of June 30, 2018, 2 employees had elected participation in this phased retirement program. As of June 30, 2019, there were 17 employees participating in the program. There were an additional 6 participants beginning and ending their participation during the fiscal year ended June 30, 2019.

NOTE 9 – TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

Plan Description – The University operates a single-employer benefit plan which provides medical, dental and life insurance benefits for faculty and staff and their spouses. Retired participants must be age 55 or older at retirement. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the University and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Total OPEB Liability – The University’s total OPEB liability of \$78,321,276 was measured as of January 1, 2019 and was determined by an actuarial valuation as of January 1, 2018 with results actuarially projected on a “no gain/no loss” basis to get to the January 1, 2019 measurement date. The actuarial valuation was based on 6,248 active employees and 2,769 retirees.

Actuarial Assumptions – The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of Inflation (effective January 1, 2019)	3.25% per year
Rates of Payroll Growth (effective January 1, 2019)	0 to 13.0% average increases excluding inflation, based on Iowa Public Employees’ Retirement System School assumptions; rates vary by years of service
Discount Rate (effective January 1, 2019)	4.11%
Healthcare Cost Trend Rate (effective January 1, 2019)	8.5% decreasing by 0.5% to an ultimate rate of 5.0%

Discount Rate – The discount rate used to measure the total OPEB liability was 4.11% which reflects the index rate for Bond Buyer 20-Bond GO index (a representation of municipal bond trends based on a portfolio of 20 general obligation bonds that mature in 20 years) as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age. Turnover probabilities are based on the University’s experience study conducted in July 2014.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study completed as of July 2014.

Changes in the Total OPEB Liability -

Total OPEB Liability, Beginning of Year	\$ 85,134,081
Changes for the Year:	
Service Cost	7,334,817
Interest	3,083,501
Change in Assumptions	(3,799,740)
Differences between Expected and Actual Experience	(7,718,584)
Benefit Payments	(5,712,799)
Net Change in Total OPEB Liability	(6,812,805)
Total OPEB Liability, End of Year	\$ 78,321,276

Changes in assumptions reflect a change in the discount rate from 3.44% in fiscal year 2018 to 4.11% in fiscal year 2019.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the University, as well as what the University’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.11%) or 1% higher (5.11%) than the current discount rate.

	1% Decrease (3.11%)	Discount Rate (4.11%)	1% Increase (5.11%)
Total OPEB Liability	\$84,084,028	\$78,321,276	\$73,082,210

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the University, as well as what the University’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower (7.5%) or 1% higher (9.5%) than the current healthcare cost trend rate.

	1% Decrease (7.5%)	Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
Total OPEB Liability	\$71,320,772	\$78,321,276	\$86,419,649

OPEB Expense, Deferred Outflows/(Inflows) of Resources Related to OPEB – For the year ended June 30, 2019, the University recognized OPEB expense of \$9,832,405. At June 30, 2019, the University reported deferred outflows/(inflows) of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 2,197,418	\$ (6,432,153)
Changes in Assumptions	4,471,627	(3,166,451)
Total	\$ 6,669,045	\$ (9,598,604)

The amount reported as deferred outflows/(inflows) of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2020	\$ (585,913)
2021	(585,913)
2022	(585,913)
2023	(585,913)
2024	(585,907)
Thereafter	-
Total	\$ (2,929,559)

NOTE 10 - COMMITMENTS AND RISK MANAGEMENT

A. Commitments

At June 30, 2019 and 2018, the University had outstanding construction contract commitments of \$64,261,978 and \$72,738,621 respectively.

B. Risk Management

Iowa State University has elected to self-insure, or internally assume, certain potential losses where management believes it is more economical to manage these risks internally. The University's exposure and management of various risks are delineated below.

1. Employee Health and Dental Benefits

The University self-insures its medical and dental plans for all employees. These plans include reinsurance programs that are set at \$500,000 for the individual stop-loss and 125% for the aggregate stop-loss.

The following schedule presents the changes in claims liabilities for self-funded medical and dental insurance. The claims liabilities were calculated according to generally accepted actuarial principles in accordance with Actuarial Standard of Practice No. 5 and based on data provided by the University and the health plan vendors.

	2019	2018
Unpaid Claims and Contingent Liabilities Accrued at July 1, 2018 and 2017	\$ 6,448,000	\$ 4,443,000
Claims Incurred and Contingent Liabilities Accrued During the Fiscal Year	99,324,057	81,400,175
Payments on Claims During the Fiscal Year	(97,426,057)	(79,395,175)
Unpaid Claims and Contingent Liabilities Accrued at June 30, 2019 and 2018	<u>\$ 8,346,000</u>	<u>\$ 6,448,000</u>

2. Employee Workers' Compensation/Unemployment Insurance

The State of Iowa self-insures, on behalf of the University, for losses related to workers' compensation and unemployment claims on state supported employees. The Iowa Department of Administrative Services (DAS) administers both programs. At the beginning of the fiscal year, DAS calculates an annual workers' compensation premium to be paid in monthly increments for eligible University employees. The University's share of unemployment claims for eligible University employees is billed quarterly. The University establishes an internal rate for each program and separately charges each department for the benefits. Receipts from these charges are deposited into two separate reserve funds, considered self-insured pools, from which the payments are made. Since these reserves are maintained at a level adequate to pay the required premiums by adjusting the internal rates, no additional risk is assumed.

3. Employee Medical and Dependent Care Flexible Spending Programs

Eligible University employees have an option to participate in two flexible spending programs. The Medical Flexible Spending Program (Med FSA) allows employees to have a maximum of \$2,650 for medical spending deducted from their payroll on a pre-tax basis for calendar years 2018 and 2019. Federal regulations mandate that any Med FSA claims must be incurred by December 31st to be eligible for reimbursement. The University has adopted both a \$500 carryover provision and a 120 day run-out period, which allows an employee to request reimbursement for prior year incurred claims for a period up to 120 days (April 30th) of the succeeding year and carry over up to \$500 of remaining unclaimed funds to the succeeding year. Amounts unclaimed beyond these program requirements are forfeited. The Dependent Care Assistance Program (DCAP) allows employees to have a maximum of \$5,000 for dependent care deducted from their payroll on a pre-tax, non-refundable basis. These pre-tax deductions are used by employees to cover qualified uninsured medical, dental and vision claims under the Medical Flexible Spending Program and/or qualified dependent care expenses under the Dependent Care Assistance Program. The Medical Flexible Spending Program carries an element of self-insurance risk, as required by federal law. Since the University deducts only 1/12 of an annually elected amount from the employee's pay each month, but is liable for the total annual elected amount upon presentation of appropriate claims, it is at risk for the difference between an employee's total reimbursed claims and the amount collected from payroll deductions should the employee terminate before contributing the total amount. The University, by law, cannot seek restitution for this difference. This same risk does not apply to the payroll deduction for the Dependent Care Assistance Program as an employee can only claim what has been deducted from their payroll. The DCAP program also provides a 120 day filing extension period in the subsequent

year for reimbursable claims incurred in the previous year. However, there is no carry over provision allowed with the DCAP program. These employee contributions are maintained in a separate account, which has carried a surplus balance since inception of the program due to contributions exceeding claims each year. This surplus balance is used to fund the administrative costs of the program.

4. General Liability

The State of Iowa maintains an employee fidelity bond whereby the first \$250,000 of losses is the responsibility of the University. Losses between \$250,000 and \$2,000,000 are insured. The University also maintains an employee blanket bond to cover losses up to \$4,000,000.

The State of Iowa self-insures, on behalf of the University, losses related to tort claims. The Board of Regents entered into a 28E 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 individual claims up to \$5,000, but not to exceed \$100,000 in aggregate per year. Tort claims settled in excess of \$5,000 must be unanimously approved by all members of the State Appeal Board, the Attorney General, and the District Court of the State of Iowa for Polk County. Tort claims may be paid from the State's General Fund without limit.

5. Motor Vehicle Insurance

The Board of Regents' institutions cooperatively self-insure for liability losses related to motor vehicles up to \$250,000. Each Regents' institution is required to pay a pre-determined monthly premium for each vehicle into the cooperative insurance program. Losses in excess of \$250,000 are self-insured by the State as provided in Chapter 669 of the Code of Iowa. The University self-insures its vehicles for physical damage. In addition to liability coverage, the insurance program also self-insures for comprehensive and collision damage.

6. Property Insurance

The State of Iowa self-insures, on behalf of the University, property deemed general university property which is exclusive of property belonging to self-supporting enterprises. A contingency fund exists under Section 29C.20 of the Code of Iowa to request compensation for loss or damage to state property (includes general university property). The Code of Iowa states that claims in excess of \$5,000 may be submitted to the Executive Council for consideration. When a loss exceeds \$500,000, it is necessary to seek an appropriation from the General Assembly. The University purchases catastrophic commercial property insurance, including earthquake and flood coverage, for its General Fund buildings with a \$2,000,000 per incident deductible. The University commercial insurance program also includes coverage for enterprise facilities such as the residence system, Iowa State Center, power plant, etc., with deductibles ranging from \$1,000 to \$1,000,000 per occurrence.

7. Business Interruption and Extra Expense Insurance

The University self-insures for business interruption losses of its general mission revenues, such as tuition and fees, etc. Commercial insurance is purchased to cover business interruption losses for self-supporting enterprises such as the Athletic Department, Iowa State Center, Residence Department, University Book Store, etc.

8. Insurance Settlements

The University had no settlements exceeding insurance coverage in any of the past three fiscal years.

NOTE 11 - OPERATING EXPENSES BY FUNCTION

The following is a summary of operating expenses by functional classification for the years ended June 30, 2019 and 2018:

For the Year Ended June 30, 2019	Compensation And Benefits	Supplies	Services, Repairs & Professional Services	Other	Total
Instruction	\$ 254,646,603	\$ 17,668,996	\$ 10,432,715	\$	\$ 282,748,314
Research	108,403,800	22,756,047	40,064,376		171,224,223
Public Service	53,001,119	12,472,563	13,875,165		79,348,847
Academic Support	127,460,140	47,287,329	21,255,768		196,003,237
Student Services	22,531,379	8,037,300	4,664,263		35,232,942
Institutional Support	41,480,739	9,794,004	16,303,352		67,578,095
Operation & Maintenance	37,000,405	24,407,457	8,991,153		70,399,015
Scholarships & Fellowships				32,199,064	32,199,064
Auxiliary Enterprises	88,693,918	61,306,820	22,985,513		172,986,251
Independent Operations	28,432,362	15,643,166	2,610,335		46,685,863
Depreciation/Amortization				96,044,923	96,044,923
Other Operating Expenses				68,780	68,780
Total 2019 Operating Expenses	\$ 761,650,465	\$ 219,373,682	\$ 141,182,640	\$ 128,312,767	\$ 1,250,519,554

For the Year Ended June 30, 2018	Compensation And Benefits	Supplies	Services, Repairs & Professional Services	Other	Total
Instruction	\$ 253,048,412	\$ 17,084,069	\$ 10,496,852	\$	\$ 280,629,333
Research	108,521,603	21,388,875	44,267,358		174,177,836
Public Service	53,187,680	12,249,978	14,310,993		79,748,651
Academic Support	124,594,304	40,818,735	25,428,133		190,841,172
Student Services	22,385,620	8,554,857	3,942,501		34,882,978
Institutional Support	43,414,990	1,114,857	8,030,039		52,559,886
Operation & Maintenance	35,115,001	26,726,820	13,895,756		75,737,577
Scholarships & Fellowships				30,595,576	30,595,576
Auxiliary Enterprises	85,339,361	58,678,774	24,249,303		168,267,438
Independent Operations	28,538,339	14,529,500	1,635,082		44,702,921
Depreciation/Amortization				96,826,364	96,826,364
Other Operating Expenses				350,364	350,364
Total 2018 Operating Expenses	\$ 754,145,310	\$ 201,146,465	\$ 146,256,017	\$ 127,772,304	\$ 1,229,320,096

NOTE 12 - SEGMENT INFORMATION

A segment represents identifiable activities for which one or more revenue bonds or other revenue-backed debt is outstanding. Investors in Academic Building Revenue Bonds rely on pledged tuition and fee revenue generated by the University for repayment. Investors in bonds of all other bond enterprises rely solely on the revenue generated from the individual activities for repayment. The University's segments are described as follows:

A. Academic Building Revenue Bonds

The Academic Building Revenue Bonds were issued to construct and renovate academic buildings of the University. Revenues pledged for these issues are gross student fees and institutional income received by the University.

B. Athletic Facilities Revenue Bonds

The Athletic Facilities Revenue Bonds were issued to construct and equip intercollegiate athletic facilities. Revenues pledged for these issues are net revenues of the athletic facilities system.

C. Dormitory Revenue Bonds

The Dormitory Revenue Bonds were issued to build various residence halls, suites, and apartments. Revenues pledged for these issues are the net rents, profits, and income from the Department of Residence facilities of the University.

D. ISU Facilities Corporation Bonds

The ISU Facilities Corporation Bonds were issued to provide financial assistance to the University for the acquisition and construction of facilities for the benefit of the University. The bonds are payable solely from the lease payments paid by the University for the facilities. Upon repayment of the bonds, ownership of the acquired facilities transfers to the University.

E. Memorial Union Revenue Bonds

The Memorial Union Revenue Bonds were issued to improve, remodel, repair, and construct additions to the Memorial Union Building and Parking Facility and to refund the outstanding Memorial Union Series 2000 Notes. Revenues pledged for this issue are the net revenues of the Memorial Union and student building fees.

F. Parking System Revenue Bonds

The Parking System Revenue Bonds were issued to construct a single level parking deck on the University campus. In addition, the bonds were used to recondition and expand vehicle parking spaces with the construction of a connecting roadway at Jack Trice Stadium. Revenues pledged for this issue are the net revenues of the University's parking system.

G. Recreational System Facilities Revenue Bonds

The Recreational System Facilities Revenue Bonds were issued to construct, furnish and equip new recreational building space and to complete other improvements to recreational facilities. Revenues pledged for this issue are the net revenues of the recreational facilities system.

H. Regulated Materials Facility Revenue Bonds

The Regulated Materials Facility Revenue Bonds were issued to construct, furnish, and equip a regulated materials facility now known as the Environmental Health & Safety Services Building. Revenues pledged for this issue are the net revenues of the Regulated Materials Facility system.

I. Utility System Revenue Bonds

The Utility System Revenue Bonds were issued to construct, improve and equip various components of the University's utility system. Revenues pledged for this issue are the net revenues of the utility system, utility system student fees and interest on investments.

Fund Accounting – In order to ensure the observance of limitations and restrictions placed on the use of available resources, the accounts are maintained in accordance with the principles of fund accounting. Each fund provides a separate set of self-balancing accounts which comprises its assets, liabilities, net position, revenues and expenses. Fund accounting is the procedure by which resources for various purposes are classified, for accounting and reporting purposes, into funds according to the activities or objectives specified. The University has set up accounts which are consistent with the flow of funds per requirements of the bond covenants.

Transfers – After meeting certain requirements specified in the bond agreements, the balance of net receipts may be transferred to the University for its general operations. However, all such monies that have been transferred shall be returned by the University, if necessary, to satisfy the requirements of the bond indentures.

Insurance – The University maintains property and business interruption insurance coverage on various bonded enterprise facilities per requirements of the bond covenants.



	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
CONDENSED STATEMENT OF NET POSITION			
Assets:			
Current Assets	\$ 11,035,844	\$13,658,238	\$ 16,812,379
Noncurrent Assets	11,394,983	4,909,637	58,536,667
Capital Assets	94,350,474	64,247,227	230,218,315
Total Assets	116,781,301	82,815,102	305,567,361
Deferred Outflows of Resources	4,199,602	1,429,485	822,471
Liabilities:			
Current Liabilities	11,031,511	13,631,393	17,620,410
Noncurrent Liabilities	115,398,471	64,057,164	141,402,296
Total Liabilities	126,429,982	77,688,557	159,022,706
Deferred Inflows of Resources	144,616		377,540
Net Position:			
Net Investment in Capital Assets	(11,538,581)	6,067,784	106,490,590
Restricted	5,939,553	461,401	66,386
Unrestricted	5,333	26,845	40,432,610
Total Net Position	\$ (5,593,695)	\$ 6,556,030	\$146,989,586

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating Revenues	\$304,805,525	\$15,652,705	\$102,667,676
Operating Expenses		(2,341,016)	(74,911,659)
Depreciation Expense	(311,471)	(2,653,582)	(9,751,406)
Net Operating Income/(Loss)	304,494,054	10,658,107	18,004,611
Nonoperating Revenues/(Expenses)	(3,235,775)	(1,766,348)	(2,604,654)
Other Revenues/(Expenses) and Transfers	(292,396,722)	(8,873,700)	(2,444,273)
Change in Net Position	8,861,557	18,059	12,955,684
Beginning Net Position	(14,455,252)	6,537,971	134,033,902
Ending Net Position	\$ (5,593,695)	\$ 6,556,030	\$146,989,586

CONDENSED STATEMENT OF CASH FLOWS			
Net Cash and Cash Equivalents Provided/(Used) By:			
Operating Activities	\$304,805,526	\$14,409,775	\$ 28,588,062
Non-Capital Financing Activities	(95,388)		
Capital and Related Financing Activities	(305,312,943)	(13,575,705)	(35,112,689)
Investing Activities	2,616,738	253,690	10,346,817
Net Increase/(Decrease)	2,013,933	1,087,760	3,822,190
Beginning Cash and Cash Equivalents	-	8,884,948	3,761,593
Ending Cash and Cash Equivalents	\$ 2,013,933	\$ 9,972,708	\$ 7,583,783

ISU Facilities Corporation Revenue Bonds	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Utility System Revenue Bonds
\$ 1,633,424	\$ 2,281,944	\$ 1,170,845	\$ 2,483,193	\$ 474,960	\$ 1,242,890
7,255,881	11,706,650	8,203,684	19,201,880	4,862,969	33,924,523
75,459,805	21,515,045	5,559,694	38,857,245	5,720,103	117,625,218
84,349,110	35,503,639	14,934,223	60,542,318	11,058,032	152,792,631
	621,177		2,655,841		34,524
1,632,109	1,772,545	969,363	2,792,424	474,700	4,475,194
36,337,625	13,798,722	1,157,952	45,035,230		61,149,931
37,969,734	15,571,267	2,127,315	47,827,654	474,700	65,625,125
		66,000			587,500
46,367,102	9,856,749	4,695,019	188,769	5,720,103	58,177,835
3,480	39,751	4,278	7,896	140	157,164
8,794	10,657,049	8,041,611	15,173,840	4,863,089	28,279,531
\$46,379,376	\$20,553,549	\$12,740,908	\$15,370,505	\$10,583,332	\$86,614,530
\$ -	\$ 5,618,042	\$ 5,059,388	\$ 1,082,941	\$ 474,973	\$43,646,446
	(5,506,588)	(3,178,053)	(7,016,918)	(43,844)	(31,660,636)
(3,082,296)	(1,637,103)	(630,725)	(2,142,602)	(227,666)	(6,179,991)
(3,082,296)	(1,525,649)	1,250,610	(8,076,579)	203,463	5,805,819
(947,886)	(228,919)	123,363	(1,053,068)	147,778	(1,248,592)
5,934,532	3,542,605	(16,072)	10,172,905		(42,312)
1,904,350	1,788,037	1,357,901	1,043,258	351,241	4,514,915
44,475,026	18,765,512	11,383,007	14,327,247	10,232,091	82,099,615
\$46,379,376	\$20,553,549	\$12,740,908	\$15,370,505	\$10,583,332	\$86,614,530
\$ -	\$ 145,472	\$ 2,055,992	\$ (5,897,976)	\$ 431,129	\$10,787,039
(750,461)	1,238,055	(1,525,460)	5,879,323	(480,100)	(13,107,361)
2,001,931	199,997	118,192	289,177	317,783	495,613
1,251,470	1,583,524	648,724	270,524	268,812	(1,824,709)
5,992,252	7,599,355	4,539,573	5,722,880	2,594,138	29,131,702
\$ 7,243,722	\$ 9,182,879	\$ 5,188,297	\$ 5,993,404	\$ 2,862,950	\$27,306,993

SEGMENT INFORMATION As of and for the year ended June 30, 2019

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
DEBT SERVICE COVERAGE			
Debt Service Coverage % Required	N/A	125%	135%
Debt Service Coverage % Actual	N/A	289%	204%

PROPORTION OF REVENUE PLEDGED			
Annual Debt Service	\$ 12,888,021	\$ 4,703,346	\$ 16,128,898
Net Pledged Revenue	\$305,060,988	\$13,589,710	\$ 32,964,846
Annual Debt Service / Net Pledged Revenue	4%	35%	49%

REVENUE BONDS PAYABLE

A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2019, is as follows:

Beginning Balance	\$133,522,230	\$69,420,288	\$161,611,826
Additions			
Deductions	(8,948,759)	(2,678,123)	(11,165,110)
Ending Balance	\$124,573,471	\$66,742,165	\$150,446,716

DEBT SERVICE REQUIREMENTS

A summary of bond debt service for payment of principal and interest follows. As of June 30th, the amounts shown for debt service payments due on July 1st were on hand.

Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st
2020	\$ 12,754,309	\$ 4,671,646	\$ 15,967,744
2021	10,282,596	4,671,926	14,934,753
2022	10,463,715	4,669,642	15,003,649
2023	10,463,740	4,667,183	14,964,190
2024	10,472,347	4,674,098	15,026,078
2025-2029	51,080,465	23,343,225	66,445,856
2030-2034	34,932,128	23,464,194	32,489,319
2035-2039	12,279,150	15,347,275	8,064,213
2040-2043		3,738,625	
Unamortized Discount, Premium	2,828,471	57,164	1,971,716
Total	\$155,556,921	\$89,304,978	\$184,867,518

COMMITMENTS

As of June 30, 2019, the University had outstanding construction contract commitments as follows:

Contract Commitments	\$ -	\$ -	\$ 2,832,243
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ISU Facilities Corporation Revenue Bonds	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Utility System Revenue Bonds
N/A	120%	120%	125%	120%	120%
N/A	621%	509%	667%	1057%	216%
\$ 2,184,219	\$ 1,467,543	\$ 401,400	\$ 3,039,900	\$ 479,400	\$ 5,771,931
N/A	\$ 9,109,347	\$2,045,049	\$20,284,383	\$5,066,649	\$12,481,576
N/A	16%	20%	15%	9%	46%
\$38,511,412	\$15,949,970	\$1,879,567	\$47,933,668	\$ 948,447	\$68,217,782
(1,100,267)	(1,061,248)	(372,392)	(1,598,351)	(478,447)	(3,854,457)
\$37,411,145	\$14,888,722	\$1,507,175	\$46,335,317	\$ 470,000	\$64,363,325

Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	May & Nov 1st
\$ 2,173,419	\$ 1,459,367	\$ 397,350	\$ 3,018,750	\$ 474,700	\$ 5,741,881
2,166,119	1,469,993	387,900	3,035,650		5,725,406
2,167,594	1,462,442	386,950	3,055,975		5,702,081
2,168,018	1,459,543	385,700	3,040,125		5,676,506
2,167,393	1,464,661		3,057,750		5,672,832
10,819,794	7,371,820		15,464,375		23,953,900
10,801,219	2,982,675		15,735,525		21,788,185
10,783,594			12,915,950		4,987,344
8,610,859					
581,145	(151,278)	37,176	1,230,317		1,953,325
\$52,439,154	\$17,519,223	\$1,595,076	\$60,554,417	\$ 474,700	\$81,201,460

\$ 2,181,923	\$ 73,653	\$1,234,364	\$ 7,048,748	\$ -	\$ 3,957,839
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	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
CONDENSED STATEMENT OF NET POSITION			
Assets:			
Current Assets	\$ 10,642,363	\$12,623,586	\$ 17,991,856
Noncurrent Assets	11,523,518	4,827,171	62,221,344
Capital Assets	94,661,945	66,896,593	225,520,987
Total Assets	116,827,826	84,347,350	305,734,187
Deferred Outflows of Resources	4,518,852	1,531,591	921,288
Liabilities:			
Current Liabilities	10,647,342	12,595,682	17,116,899
Noncurrent Liabilities	124,917,229	66,745,288	155,057,508
Total Liabilities	135,564,571	79,340,970	172,174,407
Deferred Inflows of Resources	237,359		447,166
Net Position:			
Net Investment in Capital Assets	(20,519,362)	6,131,132	92,428,730
Restricted	6,058,784	378,935	
Unrestricted	5,326	27,904	41,605,172
Total Net Position	\$ (14,455,252)	\$ 6,537,971	\$134,033,902

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating Revenues	\$298,176,797	\$14,474,570	\$108,198,179
Operating Expenses		(2,490,467)	(79,771,056)
Depreciation Expense	(7,990,129)	(2,351,134)	(8,938,573)
Net Operating Income/(Loss)	290,186,668	9,632,969	19,488,550
Nonoperating Revenues/(Expenses)	(3,435,490)	(1,772,201)	(4,154,578)
Other Revenues/(Expenses) and Transfers	(286,797,604)	(7,704,556)	(1,434,711)
Change in Net Position	(46,426)	156,212	13,899,261
Beginning Net Position	(14,408,826)	6,381,759	120,134,641
Ending Net Position	\$ (14,455,252)	\$ 6,537,971	\$134,033,902

CONDENSED STATEMENT OF CASH FLOWS			
Net Cash and Cash Equivalents Provided/(Used) By:			
Operating Activities	\$298,176,797	\$12,937,215	\$ 28,489,125
Non-Capital Financing Activities	95,388		
Capital and Related Financing Activities	(298,820,866)	(14,190,080)	(33,490,650)
Investing Activities	534,337	267,268	(4,119,325)
Net Increase/(Decrease)	(14,344)	(985,597)	(9,120,850)
Beginning Cash and Cash Equivalents	14,344	9,870,545	12,882,443
Ending Cash and Cash Equivalents	\$ -	\$ 8,884,948	\$ 3,761,593

ISU Facilities Corporation Revenue Bonds	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Utility System Revenue Bonds
\$ 1,919,314	\$ 1,349,082	\$ 879,761	\$ 2,365,233	\$ 474,564	\$ 1,350,550
6,000,836	11,030,293	7,770,401	18,868,923	4,833,388	35,661,245
76,997,739	22,308,471	5,129,148	39,524,356	5,947,769	116,482,343
84,917,889	34,687,846	13,779,310	60,758,512	11,255,721	153,494,138
	677,647		2,803,387		36,443
1,919,289	1,724,261	731,942	2,642,681	474,350	5,713,600
38,523,574	14,875,720	1,576,361	46,591,971	483,447	65,031,949
40,442,863	16,599,981	2,308,303	49,234,652	957,797	70,745,549
		88,000		65,833	685,417
44,279,631	9,630,399	3,870,081	(779,925)	5,673,989	54,616,075
3,439	4,495	911		921	75,589
191,956	9,130,618	7,512,015	15,107,172	4,557,181	27,407,951
\$44,475,026	\$18,765,512	\$11,383,007	\$14,327,247	\$10,232,091	\$82,099,615
\$ -	\$ 5,460,136	\$ 4,478,873	\$ 993,712	\$ 509,506	\$43,252,601
	(5,278,119)	(3,264,172)	(7,403,906)	(1,371)	(33,010,913)
(3,025,161)	(1,636,196)	(550,952)	(1,967,743)	(227,666)	(5,475,653)
(3,025,161)	(1,454,179)	663,749	(8,377,937)	280,469	4,766,035
(784,247)	(314,231)	99,927	(381,079)	125,685	(1,492,278)
48,284,434	3,117,334	(299)	8,446,025	250,000	
44,475,026	1,348,924	763,377	(312,991)	656,154	3,273,757
-	17,416,588	10,619,630	14,640,238	9,575,937	78,825,858
\$44,475,026	\$18,765,512	\$11,383,007	\$14,327,247	\$10,232,091	\$82,099,615
\$ -	\$ 211,354	\$ 1,213,538	\$(6,417,739)	\$ 508,136	\$11,647,836
			(379)		
3,901,898	516,546	(879,365)	3,428,064	(234,400)	(26,541,354)
2,090,354	150,177	114,933	(1,375,527)	86,504	13,551,109
5,992,252	878,077	449,106	(4,365,581)	360,240	(1,342,409)
-	6,721,278	4,090,467	10,088,461	2,233,898	30,474,111
\$ 5,992,252	\$ 7,599,355	\$ 4,539,573	\$ 5,722,880	\$ 2,594,138	\$29,131,702

SEGMENT INFORMATION As of and for the year ended June 30, 2018

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
DEBT SERVICE COVERAGE			
Debt Service Coverage % Required	N/A	125%	135%
Debt Service Coverage % Actual	N/A	259%	210%

PROPORTION OF REVENUE PLEDGED

Annual Debt Service	\$ 12,798,309	\$ 4,713,655	\$ 16,132,654
Net Pledged Revenue	\$298,361,623	\$12,196,322	\$ 33,832,525
Annual Debt Service / Net Pledged Revenue	4%	39%	48%

REVENUE BONDS PAYABLE

A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2018, is as follows:

Beginning Balance	\$140,743,339	\$71,664,932	\$172,821,937
Additions	26,287,217	6,460,089	
Deductions	(33,508,326)	(8,704,733)	(11,210,111)
Ending Balance	\$133,522,230	\$69,420,288	\$161,611,826

DEBT SERVICE REQUIREMENTS

A summary of bond debt service for payment of principal and interest follows. As of June 30th, the amounts shown for debt service payments due on July 1st were on hand.

Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st
2019	\$ 12,503,852	\$ 4,765,721	\$ 15,870,476
2020	12,754,309	4,671,646	15,967,744
2021	10,282,596	4,671,926	14,934,753
2022	10,463,715	4,669,641	15,003,649
2023	10,463,740	4,667,183	14,964,190
2024-2028	53,200,768	23,344,698	70,575,873
2029-2033	37,181,938	23,429,516	37,146,757
2034-2038	18,381,384	18,190,053	14,302,837
2039-2043		5,603,150	
Unamortized Discount, Premium	3,172,230	60,288	2,231,826
Total	\$168,404,532	\$94,073,822	\$200,998,105

COMMITMENTS

As of June 30, 2018, the University had outstanding construction contract commitments as follows:

Contract Commitments	\$ -	\$ -	\$ 9,179,155
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ISU Facilities Corporation Revenue Bonds	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Utility System Revenue Bonds
N/A	120%	120%	125%	120%	120%
N/A	482%	469%	757%	1042%	178%
\$ 1,906,781	\$ 1,468,668	\$ 409,500	\$ 2,984,981	\$ 483,700	\$6,076,000
N/A	\$ 7,075,809	\$1,919,059	\$22,591,296	\$5,041,741	\$10,817,324
N/A	21%	21%	13%	10%	56%
\$ -	\$16,991,217	\$2,231,959	\$46,140,188	\$1,426,894	\$71,982,238
38,536,679			48,002,019		
(25,267)	(1,041,247)	(352,392)	(46,208,539)	(478,447)	(3,764,456)
\$38,511,412	\$15,949,970	\$1,879,567	\$47,933,668	\$ 948,447	\$68,217,782
Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	May & Nov 1st
\$ 2,471,398	\$ 1,460,605	\$ 405,450	\$ 2,923,338	\$ 479,050	\$ 5,771,932
2,173,419	1,459,367	397,350	3,018,750	474,700	5,741,881
2,166,119	1,469,993	387,900	3,035,650		5,725,406
2,167,594	1,462,442	386,950	3,055,975		5,702,082
2,168,018	1,459,543	385,700	3,040,125		5,676,506
10,824,344	7,354,006		15,414,775		25,285,931
10,806,669	4,465,150		15,676,375		21,747,058
10,784,894			16,082,450		9,369,270
10,766,953					
606,412	(165,030)	49,567	1,298,668	13,447	2,127,782
\$54,935,820	\$18,966,076	\$2,012,917	\$63,546,106	\$ 967,197	\$87,147,848
\$ 2,829,939	\$ -	\$ 524,581	\$ 435,838	\$ -	\$ 4,448,540

REQUIRED SUPPLEMENTARY INFORMATION-PENSION LIABILITY

**Schedule of the University's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System Last Five Fiscal Years* (In Thousands)**

For the Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	University's Covered Employee Payroll	Net Pension Liability as a Percentage of Covered Payroll	IPERS' Net Position as a Percentage of Total Pension Liability
6/30/2019	0.7036281%	\$ 44,527	\$ 53,586	83.09%	83.62%
6/30/2018	0.6359800%	\$ 42,364	\$ 48,181	87.93%	82.21%
6/30/2017	0.5636620%	\$ 35,473	\$ 40,575	87.42%	81.82%
6/30/2016	0.4983429%	\$ 24,621	\$ 34,132	72.13%	85.19%
6/30/2015	0.4065184%	\$ 16,122	\$ 26,573	60.67%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year. This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Note 8B in the accompanying Notes to Financial Statements for the IPERS plan description, pension benefits, disability and death benefits, contributions, net pension liability, 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.

See accompanying independent auditor's report.

**Schedule of University Contributions
Iowa Public Employees' Retirement System Last 10 Fiscal Years (In Thousands)**

For the Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Deficiency/(Excess)	University's Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
6/30/2019	\$ 5,685	\$ 5,685	\$ 0	\$ 60,222	9.44%
6/30/2018	\$ 4,785	\$ 4,785	\$ 0	\$ 53,586	8.93%
6/30/2017	\$ 4,303	\$ 4,303	\$ 0	\$ 48,181	8.93%
6/30/2016	\$ 3,623	\$ 3,623	\$ 0	\$ 40,575	8.93%
6/30/2015	\$ 3,048	\$ 3,048	\$ 0	\$ 34,132	8.93%
6/30/2014	\$ 2,373	\$ 2,373	\$ 0	\$ 26,573	8.93%
6/30/2013	\$ 1,962	\$ 1,962	\$ 0	\$ 22,630	8.67%
6/30/2012	\$ 1,478	\$ 1,478	\$ 0	\$ 18,315	8.07%
6/30/2011	\$ 1,067	\$ 1,067	\$ 0	\$ 15,353	6.95%
6/30/2010	\$ 899	\$ 899	\$ 0	\$ 13,519	6.65%

See accompanying independent auditor's report.

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current 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 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirements rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) 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.

REQUIRED SUPPLEMENTARY INFORMATION AND NOTES-OPEB LIABILITY

Schedule of Changes in Total OPEB Liability, Related Ratios and Notes

	2019
Service Cost	\$ 7,334,817
Interest	3,083,501
Change in Assumptions	(3,799,740)
Differences between Expected and Actual Experience	(7,718,584)
Benefit Payments	(5,712,799)
Net Change in Total OPEB Liability	(6,812,805)
Total OPEB Liability, Beginning of Year	85,134,081
Total OPEB Liability, End of Year	<u>\$ 78,321,276</u>
Covered-Employee Payroll	\$457,650,972
Total OPEB Liability as % of Covered-Employee Payroll	17.1%

See accompanying independent auditor's report.

Notes to the Schedule of Changes in Total OPEB Liability and Related Ratios

Changes in benefit terms: There were no significant changes in benefit terms.

Changes in assumptions: Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

For the year ended June 30, 2019	4.11%
For the year ended June 30, 2018	3.44%





HISTORY OF THE CAMPANILE AND STANTON MEMORIAL CARILLON

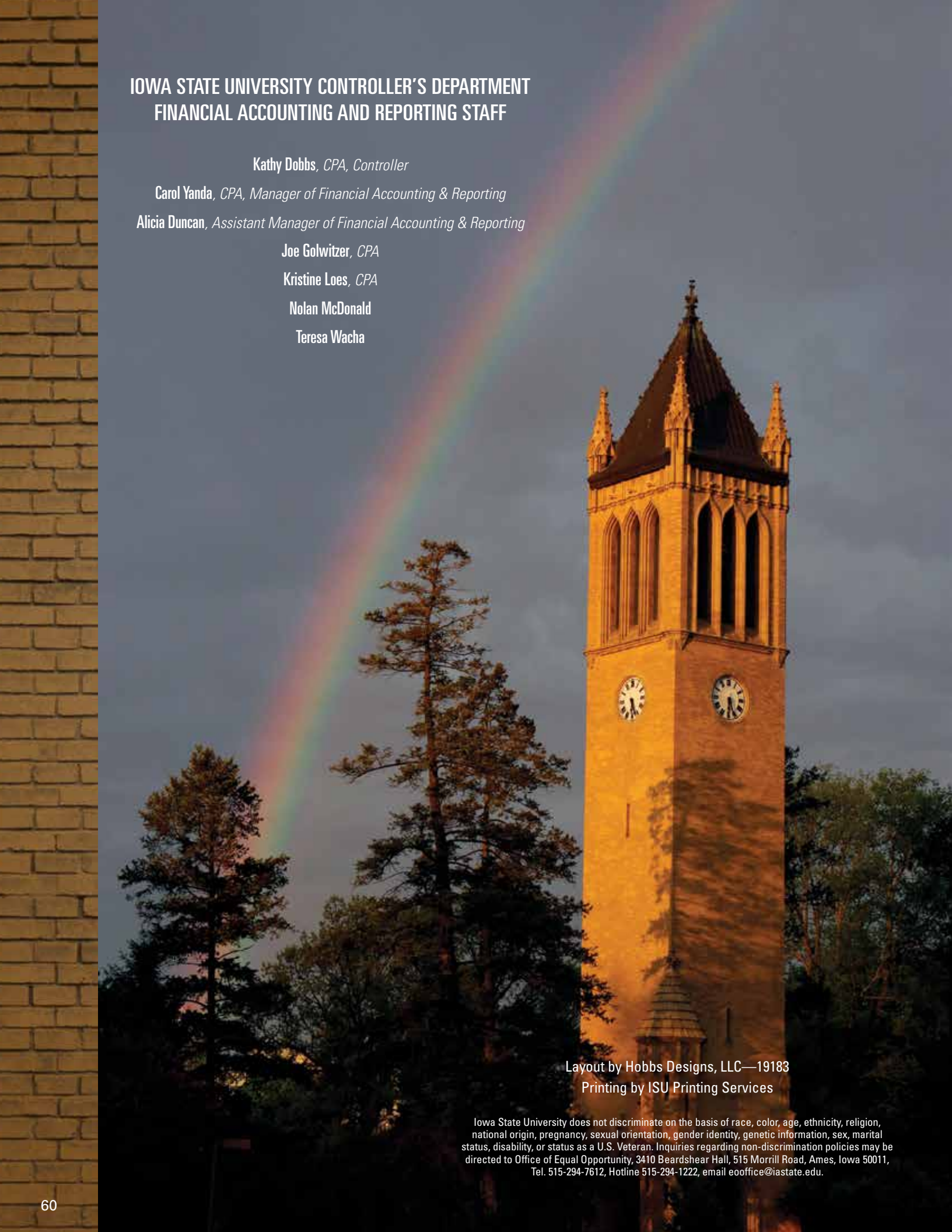
Edgar W. Stanton graduated with the first class of Iowa State in 1872 and spent half a century on campus as a student, faculty member, head of the Department of Mathematics, secretary of the Board of Trustees, dean of the junior college, vice president and, on four different occasions, acting president. Stanton's first wife, Margaret MacDonald Stanton, was the University's first dean of women. When she died in 1895, Edgar decided to establish a monument in her honor - a free-standing tower with a chime of 10 bells.

With the help of University President William M. Beardshear, Stanton chose a site for the tower on central campus. The state legislature appropriated \$7,500 for the construction of the tower and its clock. Construction of the Campanile began in 1897 and was completed in 1898. The Campanile stands at 110 feet tall and 16 feet square. In 1899, the original ten bells were placed into the tower in memory of Margaret.

When Edgar died in 1920, his will provided memorial funding to the University. His family chose to purchase 26 additional bells and a playing console, forming the musical instrument which became known as the Edgar W. and Margaret MacDonald Stanton Memorial Carillon.

The original 10 bells have now increased to 50, and the Bells of Iowa State continue to ring out as one of the University's most cherished traditions. Each weekday at 11:50 a.m., a twenty-minute concert is performed by Tin-Shi Tam, Cownie Professor of Music and University Carillonneur. Visitors are welcome, and song requests are performed on Fridays.





**IOWA STATE UNIVERSITY CONTROLLER'S DEPARTMENT
FINANCIAL ACCOUNTING AND REPORTING STAFF**

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THE BELLS OF IOWA STATE

In 1931, the Iowa State Alumni Club of Chicago held a competition for a new school song. James Wilson, then a young instructor in the English Department and inspired by music ringing from the Campanile's bells, submitted music and lyrics for the "Bells of Iowa State." His entry won the contest, and "Bells of Iowa State" became the University's beloved alma mater.

The "Bells of Iowa State"

*Green hills for thy throne,
And for crown a golden melody,
Ringing in the hearts of all
Who bring thee love and loyalty.*

*Dear Alma Mater,
Make our spirits great,
True and valiant,
Like the Bells of Iowa State.*

