Iowa State University

Financial Report

For the year ended June 30, 2011

On the cover:

Sticks, with principal artist, Sarah Grant (American, b. 1953)

ISU Horticulture…looking back, looking ahead…cultivating knowledge now, 2011

Burned and painted wood

467 square feet

A site-specific mural installation for the lobby of the Horticulture Building. Commissioned by University Museums and an Iowa Art in State Buildings Project. In the Art on Campus Collection, University Museums, Iowa State University, Ames, Iowa.

Accession number: U2011.441

Cover photo courtesy of Luke Healey, Iowa State University

For the year ended June 30, 2011

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, 2011, along with comparative data for the years ended June 30, 2010, and 2009. Readers are encouraged to consider this information in conjunction with the University's financial statements that follow.

Iowa State University follows 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 1B3, the Iowa State University Foundation, Iowa State University Achievement Fund, and the Original University Foundation (herein collectively referred to as the "Foundation") are 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 Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These 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 of the basic statements.

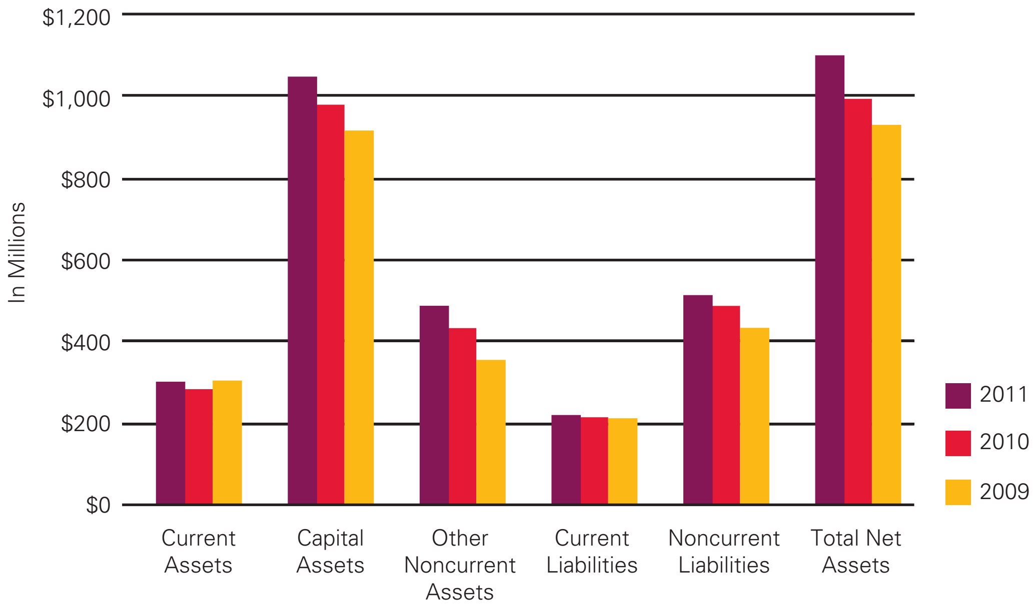
THE UNIVERSITY AS A WHOLE

Statement of Net Assets

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. Net Assets—the difference between assets and liabilities—is one indicator of the current financial condition of the University, while the change in net assets (shown on the next statement) is an indicator of whether the overall financial condition has improved during the year. The Statement of Net Assets 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.

	June 30, 2011	June 30, 2010	June 30, 2009
Current Assets	$ 298,456,452	$ 285,381,595	$ 306,482,696
Capital Assets	1,050,888,094	981,344,650	918,129,950
Other Noncurrent Assets	485,205,991	434,747,074	356,983,951
Total Assets	1,834,550,537	1,701,473,319	1,581,596,597
Current Liabilities	219,218,928	217,241,066	214,210,652
Noncurrent Liabilities	515,014,689	488,544,345	435,394,720
Total Liabilities	734,233,617	705,785,411	649,605,372
Total Net Assets	$1,100,316,920	$ 995,687,908	$ 931,991,225

Total assets at June 30, 2011, were $1.8 billion, which is $133.1 million higher than the prior year. Net capital assets comprised $1.1 billion of the $1.8 billion in assets, which is a similar proportion to that of 2010. Total liabilities were $734.2 million at June 30, 2011, an increase of $28.4 million. The comparison of current and noncurrent assets, liabilities, and net assets as of June 30, 2011, 2010, and 2009 is shown above. The proportional increases in assets and liabilities are explained in more detail in the Changes in Net Assets section.



Changes in Net Assets

Net assets increased $104.6 million, or 10.5%, for the year. Generally, an increase in net assets indicates that the financial condition has improved over the year, at least on a short-term basis. Significant changes in net assets occurred in the following areas:

- Cash and cash equivalents plus investments increased $63.9 million in 2011 due primarily to the recovery in market values over those of 2010.
- Capital assets, net of depreciation, increased $69.5 million.
- Accounts receivable increased $22 million due to receivables from the Federal Emergency Management Agency and other insurance carriers for flood related claims.
- Due from government agencies decreased $22.9 million. Capital appropriations are considered as receivable in the year in which appropriated and this amount was significant in 2010. In 2011, these funds were received which decreased the receivable.
- Long term debt increased $19.5 million, primarily due to issuance of Academic Revenue Bonds.

Total net assets at June 30, 2011, were $1.1 billion. The largest portion of the University's net assets (60.9%) is categorized as Invested in Capital Assets, Net of Related Debt. This category contains the land, buildings, infrastructure, land improvements, equipment, and intangible assets owned by the University. The restricted portion of the net assets (5.6%) is divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted assets is only available for investment purposes. Expendable restricted net assets are 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 assets are unrestricted net assets, including those used to meet specific purposes such as funding for the bonded enterprises. The composition of the net asset balances is shown below. The categories, as a percentage of total net assets, have not changed significantly since 2009.

	June 30, 2011	*June 30, 2010*	*June 30, 2009*
Invested in Capital Assets, Net of Related Debt	*$ 669,652,160*	*$ 632,457,754*	*$ 604,435,750*
Restricted Nonexpendable	*29,995,494*	*31,608,732*	*32,058,281*
Restricted Expendable	*31,260,556*	*41,125,600*	*50,977,327*
Unrestricted	*369,408,710*	*290,495,822*	*244,519,867*
Total Net Assets	*$1,100,316,920*	*$ 995,687,908*	*$ 931,991,225*

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented in the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the operating and nonoperating revenues earned by the University, the operating and nonoperating 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 nonoperating revenues. Operating revenues are received for providing goods and services to the various students, customers and constituencies of the University. Operating expenses are those expenses paid to carry out the missions of the University. Nonoperating revenues are revenues received where goods and services are not provided.

Had state appropriations been included in operating revenues, the operating loss for 2011 would have been $4.3 million compared to $9.1 million for 2010 and $19.8 million for 2009.

As noted in the previous section, when all nonoperating and other revenues and expenses are considered, revenues exceeded expenses by $104.6 million for 2011.

In August 2010, the University suffered significant damage from a weather-related flood. The net impairment gain is shown as Extraordinary Items Due to Flood and is described in further detail in Note 11.

	For the Years Ended		
	June 30, 2011	*June 30, 2010*	*June 30, 2009*
Operating Revenues	*$ 685,380,370*	*$ 633,266,995*	*$ 595,671,590*
Operating Expenses	*925,899,996*	*910,864,701*	*903,047,994*
Operating Loss	*(240,519,626)*	*(277,597,706)*	*(307,376,404)*
Nonoperating Revenues and Expenses	*310,774,040*	*327,964,404*	*297,756,531*
Income/(Loss) Before Other Revenues, Expenses, Gains and Losses	*70,254,414*	*50,366,698*	*(9,619,873)*
Other Revenues, Expenses, Gains and Losses	*28,474,237*	*13,329,985*	*51,899,388*
Extraordinary Items Due to Flood	*5,900,361*		
Increase in Net Assets	*104,629,012*	*63,696,683*	*42,279,515*
Net Assets, Beginning of Year	*995,687,908*	*931,991,225*	*889,711,710*
Net Assets, End of Year	*$1,100,316,920*	*$ 995,687,908*	*$ 931,991,225*

Revenues

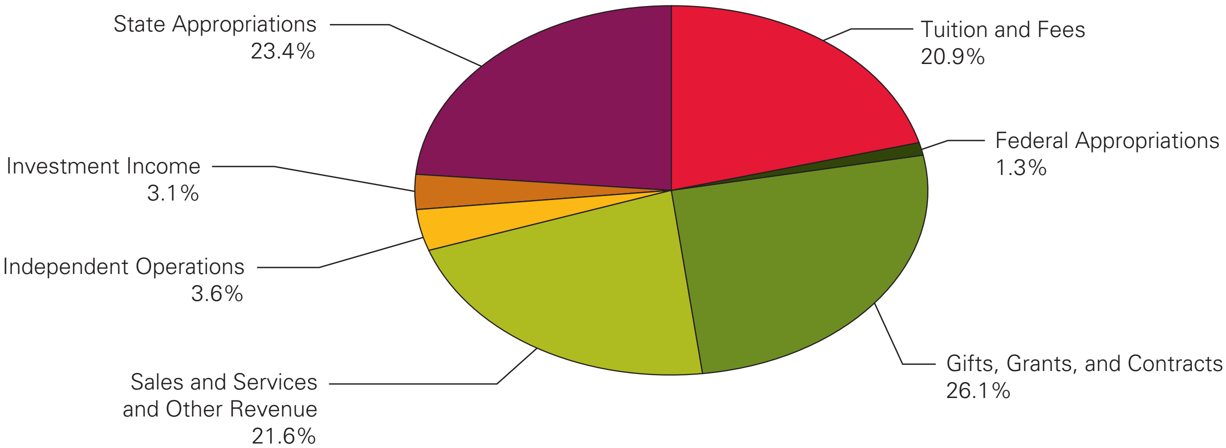
Operating revenues for the year ended June 30, 2011, increased $52.1 million. The major components of this change were tuition and fees, net of scholarship allowances, which increased $12.8 million, or 6.1%, Federal grants and contracts which increased $10.1 million, and nongovernmental grants and contracts that increased $14 million. The tuition increase is primarily attributable to a 6% increase in the resident tuition rate coupled with an increase in enrollment. The increase in grants and contracts revenue reflects the receipt of funds awarded in 2010 which was a record year for sponsored funding.

Net nonoperating revenues decreased $17.2 million, due primarily to the elimination of one-time state appropriations of $31.6 million under the American Reinvestment and Recovery Act (ARRA). This decrease was partially offset by a $13.4 million increase in investment income.

Other revenues increased $15.1 million. The largest component of this was in capital gifts, grants, and contracts. 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 $71.5 million in fiscal year 2011 from $993.2 million to $1.1 billion. The components of these revenues are shown on the following chart.

Total Revenues



In comparing the years ended June 30, 2010, and 2009, operating revenues increased $37.6 million. The major component of this increase was tuition and fees, net of scholarship allowances, which increased $22.7 million. In fiscal year 2010, nonoperating revenues increased $30.2 million over 2009 due to one-time state appropriations from ARRA mentioned previously.

Expenses

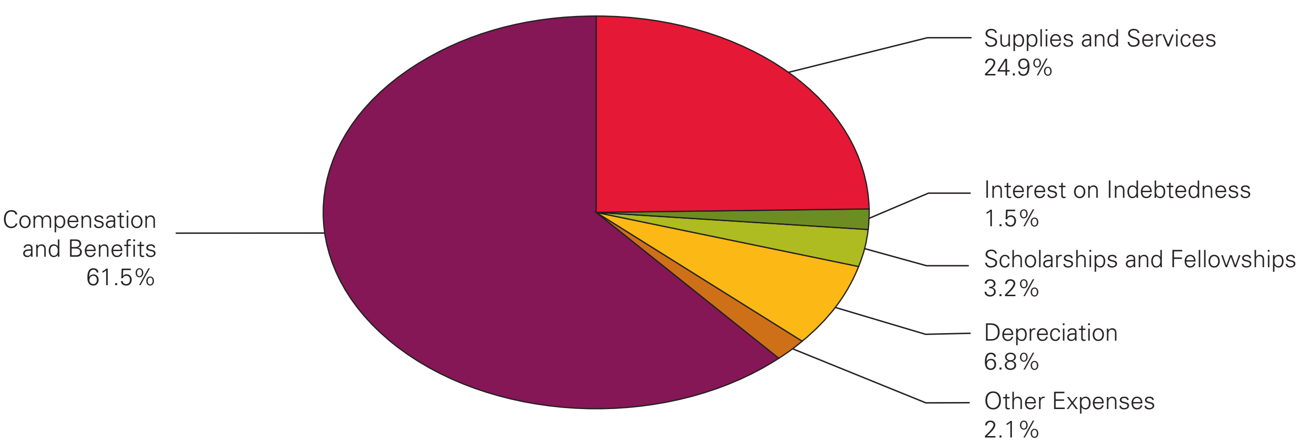
Operating expenses were $925.9 million for fiscal year 2011. This was an increase of $15 million, or 1.7%, over the previous year. Changes in the major natural expense categories were:

- Services increased $5.8 million, or 6%, primarily from increased utility costs.
- Other operating expenses increased $5.2 million, or 5.7%, primarily for depreciation.

Operating expenses may be classified according to natural categories as in the previous paragraph or functionally as shown in the financial statements.

In summary, total expenses for 2011 were $960.1 million, an increase of $30.6 million, or 3.3%. The components of these expenses are shown in the following chart:

Total Expenses



Comparing the years ended June 30, 2010, and 2009, operating expenses in fiscal 2010 increased $7.8 million over those of 2009, which was a similar increase to that of the previous year. In the natural classifications, percentages of the total have remained relatively consistent over recent years. Functionally, scholarships had the majority of the increase and the largest decrease was in public service. Non-operating expenses were also consistent in the prior two 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 and grant and contract 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.

Cash and cash equivalents increased $5.3 million, or 3.3%, in 2011. Sources and uses are shown in the following table.

	For the Years Ended		
	June 30, 2011	*June 30, 2010*	*June 30, 2009*
Cash Provided/(Used) by:			
Operating Activities	($175,740,619)	($208,679,189)	($244,627,254)
Non-capital Financing Activities	303,236,685	323,315,687	336,448,692
Capital and Related Financing Activities	(100,278,033)	(83,262,110)	(84,235,535)
Investing Activities	(21,896,354)	(76,888,084)	39,596,887
Net Increase/(Decrease) in Cash	5,321,679	(45,513,696)	47,182,790
Cash and Cash Equivalents, Beginning of Year	160,640,057	206,153,753	158,970,963
Cash and Cash Equivalents, End of Year	$165,961,736	$160,640,057	$206,153,753

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 $60.5 million for 2011 compared to $59.8 million for 2010 and $43 million for 2009.

CAPITAL ASSETS

At June 30, 2011, the University had $2 billion invested in capital assets, with accumulated depreciation of $967.2 million, for net capital assets of $1.1 billion. Depreciation charges for fiscal year 2011 totaled $64.8 million. Capital assets, net of accumulated depreciation and amortization, were as follows:

	June 30, 2011	*June 30, 2010*	*June 30, 2009*
Land and Land Improvements, Nondepreciable	$ 21,396,023	$ 20,596,411	$ 19,085,370
Construction in Progress and Intangible Assets in Development	101,596,527	107,900,072	104,437,566
Infrastructure and Land Improvements, Depreciable	77,785,084	80,830,794	84,003,437
Buildings	707,466,540	643,331,831	584,882,414
Equipment and Library Collections	140,065,246	128,685,542	125,721,163
Intangible Assets	2,578,674		
Total Capital Assets, Net Of Accumulated Depreciation/Amortization	$1,050,888,094	$ 981,344,650	$ 918,129,950

In 2011, the University acquired a veterinary hospital in Des Moines. Iowa State University Veterinary Services Corporation is considered a blended component unit of the University. Included in the assets acquired were intangible assets of $2.6 million, net of amortization, including goodwill and a covenant not to compete.

During fiscal year 2011, several major projects were placed in service, the largest being Hach Hall which was funded with proceeds from Academic Building Revenue Bonds, capital appropriations, and private gifts.

Several large construction projects were in progress at June 30, 2011. These are included in capital assets as construction in progress and will not be depreciated until the year they are placed in service. These projects include:

- Veterinary Medicine College Hospital Renovation Phase 2
- Recreation Facilities Expansion and Renovation

The Veterinary Medicine College Hospital Renovation Phase 2 has been funded with capital appropriations, Academic Building Revenue Bonds, institutional funds and private gifts. The Recreation Facilities Expansion and Renovation has been funded with Recreational System Facilities Revenue Bonds.

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. In fiscal year 2011, an additional $13 million was received for Veterinary Medicine College Hospital Renovation Phase 2 which initially received $11.8 million in 2009. In fiscal year 2010, $11.6 million was received for the Biorenewables Research Laboratory which initially received $14.8 million in 2009 and $5.6 million in 2008.

Capital gifts and grants revenue of $15.7 million was an increase of $13.7 million from the prior year. Funding received in fiscal 2010 was unusually low, but 2011 was a return to more typical funding streams, primarily from the ISU Foundation. More detailed information about the University's capital assets is presented in Note 5 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2011, the University had $442.4 million in outstanding debt compared to $422.9 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, 2011	*June 30, 2010*	*June 30, 2009*
Bonds Payable-Academic Building	*$168,545,863*	*$143,472,078*	*$122,835,399*
Bonds Payable-Enterprise Funds	*252,429,064*	*262,844,673*	*249,411,604*
Capital Leases	*8,904,597*	*8,324,311*	*1,960,079*
Notes Payable	*12,527,756*	*8,268,892*	*5,414,773*
Total Debt	*$442,407,280*	*$422,909,954*	*$379,621,855*

In 2011, a $28.2 million Academic Building Revenue Bond issuance increased academic bonds payable. This increase in bonds payable was offset by the normal paying down of debt from the other issuances. In 2010, new issuances increased academic bonds payable by $26 million and enterprise funds bonds payable by $24 million.

In 2011, the University entered into a $5 million note for a new stadium scoreboard. In 2010, the growth in Notes Payable was due to the issuance of another $4 million of notes for Athletics.

ECONOMIC OUTLOOK

During the past fiscal year, the University's economic resources continued to be impacted by the global, national and Iowa economies. The University began fiscal 2012 with an $11.5 million reduction in state appropriations. However, this was offset with a record enrollment of 29,887 students in the fall of 2011, a 1,205 increase with Iowa State continuing to enroll more Iowa high school graduates and more Iowa community college transfers than any other university. These students, including increases in nonresidents, are projected to pay an additional $22.1 million in tuition. Coupled with other revenue changes, the University is projecting an overall increase in available general university funds of $11.9 million. The University is continuing to implement a new five year strategic plan "Meeting the Challenges of the 21st Century, 2010-2015". University resources are being committed to implement these objectives.

The University's vision is to continue to lead the world in advancing the land-grant ideals of putting science, technology and human creativity to work. Priorities are to be a magnet for attracting outstanding students, faculty and staff, internationally address challenges of the 21st century and be a treasured resource for Iowa, the nation and the world. Important breakthroughs are happening every day at Iowa State University. The University's first Nobel Prize in Chemistry was awarded to Dr. Dan Schechtman, a faculty member and Ames Laboratory scientist. The University continues initiatives in the bioeconomy, health research, technology, an improved student experience, new and improved facilities and increased private support.

Fall 2011 enrollment is a record. There are 29,887 students enrolled, including significant numbers of out-of-state students and community college transfers. There were significant increases in international students, record enrollment in Veterinary Medicine and minority students from the U.S. and growth in the two largest colleges of Agriculture and Life Sciences and Engineering. The quality of students continues to be high as demonstrated by ACT scores.

In 2011, sponsored funding remained strong at $342 million. Because of the receipt of federal stimulus funds last year, revenues this year may not be at the same level, but faculty and staff continue to be competitive in submitting and getting proposals supported indicating the high regard the University and its faculty and staff has with both the government and private sponsors. Federal funding beyond 2012 remains uncertain pending the outcome of negotiations in Congress.

The University continues to have success in private fundraising. The ISU Foundation completed its capital campaign, "Campaign Iowa State: With Pride and Purpose" raising over $867 million dollars. More than 425,000 gifts were received increasing the number of endowed faculty positions to 170. The campaign has continued to increase student financial aid, providing more than $260 million in scholarship support to students and their families in challenging economic times.

Effective in January 2012, Dr. Steven Leath will become the 15th President of Iowa State University succeeding Gregory Geoffroy who is stepping down after leading the university for the past decade. Dr. Leath has been serving as a Vice President at the University of North Carolina where he held several positions in the College of Agriculture and Life Sciences, North Carolina Agriculture and Research Service and with the U.S. Department of Agriculture.

The Board of Regents, State of Iowa has adopted a new strategic plan "Strengthening Iowa through Education, Research and Service for 2010-2016". They have submitted a budget request to the governor and legislature that would provide approximately a 4% increase as well as targeting additional resources for renewable energy and value-added agriculture. Based upon the improvement in state revenues from a strong agricultural base and an improved outlook the Regents hope there will be increased state support for the universities.

Repairs from flooding and storm damage that occurred on the campus in the summer of 2010 have been completed. University disaster recovery efforts have effectively addressed the areas where damages occurred. All the campus facilities are operational. The University is in the process of completing claims for reimbursement from both insurance companies and the Federal Emergency Management Agency. We anticipate that most of the $42 million expenses will be covered in a combination of insurance and federal funds, along with in-kind contributions from the University.

In spite of the current economic challenges, the University anticipates continuing to build upon recent successes. Several new facilities are operational including the Hach Hall chemistry building, Agriculture Biosystems Engineering Biorenewable Laboratory, and the Horticulture Green House replacements. The West Campus Recreation Complex will be occupied in January 2012, and the College of Veterinary Medicine Small Animal Hospital continues to be renovated. Funding was provided by the legislature to start construction of a new agriculture and biosystems engineering building to replace Davidson Hall removing a major obsolete facility. A new large science lecture hall provided through private fund raising is under construction. Continued residence hall and food service improvements and a federally funded intermodal facility to improve campus town are underway. Progress is also being made on deferred maintenance and energy conservation projects.

Although there still remains uncertainty in the national economy, Iowa's state revenues are increasing and unemployment rates are substantially below the national average. The state projects continued revenue growth. The University's bond ratings continue to remain high and stable reflecting confidence in the University's overall financial condition and leadership. State support continues to be significant, 23% of overall revenues. The other sources of revenue are increasing with strong enrollment growth that is projected to continue, competitive tuition rates, sponsored funding and private fundraising support. Our revenue mix is diverse, there is modest existing debt and we anticipate being able to deal with economic fluctuations and possible changes in state support. We will continue to focus on what we do best and insure that Iowa State University is a leading research university in 2050 under a new President's leadership.

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, 3607 Administrative Services Building, Ames, IA 50011-3607.

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report

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

We have audited the accompanying statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows, of 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, 2011 and 2010. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the 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"), discussed in note 1, which represents 100% of the assets 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 2.0% and 0.3%, respectively, of the assets and 1.5% and 0.1%, respectively, of the revenues of the University. Those financial statements were audited by other auditors whose reports thereon 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 on the reports of the other auditors.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Iowa State University Foundation, Iowa State University Achievement Fund and the Original University Foundation (the "Foundation"), and Iowa State University Research Foundation, Incorporated were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits and the reports of the other auditors provide a reasonable basis for our opinion.

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, 2011 and 2010 and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, based on our audits 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 at June 30, 2011 and 2010, and the respective changes in their financial position and their cash flows, where applicable, for the years then ended in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis and the Schedule of Funding Progress on pages 2 through 9 and page 44, respectively, are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion thereon.

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

David A. Vaudt

DAVID A. VAUDT, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 14, 2011

IOWA STATE UNIVERSITY
STATEMENT OF NET ASSETS

As of June 30, 2011 and 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2A)	$ 105,990,580	$ 102,762,013
Investments (Note 2B)	99,900,444	98,853,266
Accounts receivable, net (Note 3A)	33,966,159	21,388,096
Due from government agencies (Note 3B)	30,734,347	34,954,398
Interest receivable	873,069	1,573,818
Loans receivable, net (Note 3C)	2,124,422	1,622,916
Inventories (Note 4)	18,030,701	18,185,616
Prepaid expenses	6,836,730	6,041,472
Total Current Assets	**298,456,452**	**285,381,595**
Noncurrent Assets		
Cash and cash equivalents (Note 2A)	59,971,156	57,878,044
Investments (Note 2B)	384,177,990	326,657,769
Accounts receivable, net (Note 3A)	10,250,105	812,710
Due from government agencies (Note 3B)	277,000	18,997,000
Interest receivable	446,181	492,684
Prepaid expenses	6,996	7,896
Loans receivable, net (Note 3C)	30,076,563	29,840,600
Equity in wholly owned subsidiary (Note 1B)		60,371
Capital assets, net of accumulated depreciation (Note 5)	1,050,888,094	981,344,650
Total Noncurrent Assets	**1,536,094,085**	**1,416,091,724**
TOTAL ASSETS	**1,834,550,537**	**1,701,473,319**
LIABILITIES		
Current Liabilities		
Accounts payable	43,488,708	36,665,917
Salaries and wages payable	2,673,163	2,923,494
Unpaid claims and contingent liabilities (Note 10B)	4,249,000	4,191,000
Deferred revenue	28,592,525	39,741,947
Interest payable	9,315,680	8,751,384
Long-term debt, current portion (Note 6)	16,798,247	15,072,537
Other long-term liabilities, current portion (Note 6)	25,353,797	24,232,608
Deposits held in custody for others	88,747,808	85,662,179
Total Current Liabilities	**219,218,928**	**217,241,066**
Noncurrent Liabilities		
Accounts payable	8,480,980	4,075,429
Long-term debt, noncurrent portion (Note 6)	425,609,033	407,837,417
Other long-term liabilities, noncurrent portion (Note 6)	80,924,676	76,631,499
Total Noncurrent Liabilities	**515,014,689**	**488,544,345**
TOTAL LIABILITIES	**734,233,617**	**705,785,411**
NET ASSETS		
Invested in capital assets, net of related debt	669,652,160	632,457,754
Restricted (Note 8):		
Nonexpendable	29,995,494	31,608,732
Expendable	31,260,556	41,125,600
Unrestricted	369,408,710	290,495,822
TOTAL NET ASSETS	**$1,100,316,920**	**$ 995,687,908**

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

IOWA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $76,169,649 and $64,756,249 for the years ended June 30, 2011 and 2010, respectively (Note 1N)	$ 222,814,970	$ 210,024,453
Federal appropriations	13,470,883	12,928,583
Federal grants and contracts	145,298,740	135,236,546
State and local government grants and contracts	18,601,558	21,098,521
Nongovernmental grants and contracts	37,251,806	23,298,035
Sales and services of educational activities	47,076,343	42,482,044
Auxiliary enterprises, net of scholarship allowances of $4,485,230 and $3,977,987 for the years ended June 30, 2011 and 2010, respectively (Note 1N)	142,267,244	136,180,014
Independent operations	38,368,985	34,230,789
Interest on student loans	614,710	536,276
Other operating revenues	19,615,131	17,251,734
TOTAL OPERATING REVENUES	**685,380,370**	**633,266,995**
OPERATING EXPENSES		
Instruction	211,831,636	212,665,165
Research	170,846,947	161,541,185
Public service	71,621,345	72,042,716
Academic support	99,631,632	101,291,100
Student services	27,497,146	33,808,215
Institutional support	34,172,196	39,794,980
Operation and maintenance of plant	57,953,717	54,475,573
Scholarships and fellowships	31,022,012	30,134,024
Auxiliary enterprises	117,373,270	108,571,201
Independent operations	38,487,962	35,369,632
Depreciation	64,811,441	60,773,528
Other operating expenses	650,692	397,382
TOTAL OPERATING EXPENSES	**925,899,996**	**910,864,701**
OPERATING LOSS	**(240,519,626)**	**(277,597,706)**
NONOPERATING REVENUES/(EXPENSES)		
State appropriations	236,194,441	236,859,958
State appropriations-ARRA		31,595,952
Federal grants and contracts	27,158,647	23,747,806
Nonfederal gifts, grants and contracts	34,132,495	34,541,837
Investment income	33,252,865	19,850,769
Interest on indebtedness	(14,247,076)	(15,980,535)
Loss on disposal of capital assets	(4,969,348)	(2,313,261)
Other nonoperating loss	(747,984)	(338,122)
NET NONOPERATING REVENUES/(EXPENSES)	**310,774,040**	**327,964,404**
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	**70,254,414**	**50,366,698**
Capital appropriations	13,000,000	11,597,000
Capital gifts, grants and contracts	15,687,779	1,982,985
Deductions to permanent endowments		(250,000)
Other revenues/(expenses)	(213,542)	
TOTAL OTHER REVENUES, EXPENSES, GAINS & LOSSES	**28,474,237**	**13,329,985**
EXTRAORDINARY ITEMS DUE TO FLOOD		
Net building impairment gain after insurance recovery (Note 11)	5,237,572	
Other flood expenses	(14,195,761)	
Other realizable insurance recoveries	14,858,550	
NET EXTRAORDINARY ITEMS DUE TO FLOOD	**5,900,361**	**-**
INCREASE IN NET ASSETS	**104,629,012**	**63,696,683**
Net Assets, Beginning of Year	995,687,908	931,991,225
NET ASSETS, END OF YEAR	**$1,100,316,920**	**$ 995,687,908**

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

IOWA STATE UNIVERSITY
STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 221,044,705	$ 210,451,959
Federal appropriations	16,739,832	9,330,383
Grants and contracts	190,187,800	176,615,477
Sales of educational activities	46,833,227	42,655,498
Sales and services of auxiliary enterprises	142,215,860	137,776,329
Receipts of independent operations	38,456,290	33,863,784
Interest on loans to students	715,584	488,906
Collections of loans from students	3,595,029	3,157,060
Payments for salaries and benefits	(585,690,330)	(576,391,546)
Payments for goods and services	(237,744,159)	(231,987,100)
Scholarship payments	(29,910,534)	(29,657,090)
Loans issued to students	(3,143,522)	(1,090,516)
Other operating receipts	20,959,599	16,107,667
NET CASH USED BY OPERATING ACTIVITIES	**(175,740,619)**	**(208,679,189)**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	236,194,441	236,859,958
State appropriations-ARRA		31,595,952
Non-capital gifts, grants and contracts	60,580,279	58,735,501
Direct lending receipts	151,172,581	164,013,048
Direct lending payments	(151,284,820)	(164,094,514)
Funds held for others receipts	288,562,563	266,880,613
Funds held for others payments	(281,988,359)	(270,674,871)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	**303,236,685**	**323,315,687**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	31,720,000	14,013,000
Capital gifts and grants received	11,952,704	5,045,651
Proceeds from capital and refunding debt	64,541,098	90,239,463
Proceeds from sale of capital assets	1,322,401	177,476
Acquisition and construction of capital assets	(131,942,426)	(131,831,636)
Principal paid on capital debt	(16,190,662)	(15,259,231)
Interest paid on capital debt	(18,618,444)	(17,109,710)
Defeased debt payments	(34,895,000)	(29,809,293)
Other capital and related financing sources/(uses)	(8,167,704)	1,272,170
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(100,278,033)**	**(83,262,110)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received on investments	11,930,687	1,361,219
Proceeds from sales of investments	844,477,306	994,048,260
Purchases of investments	(878,304,347)	(1,072,297,563)
NET CASH USED BY INVESTING ACTIVITIES	**(21,896,354)**	**(76,888,084)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,321,679	(45,513,696)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	160,640,057	206,153,753
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 165,961,736**	**$ 160,640,057**

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

OPERATING LOSS	**$(240,519,626)**	**$(277,597,706)**
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	64,811,441	60,773,528
Changes in assets and liabilities:		
Accounts receivable, net	1,797,843	(6,934,587)
Inventories	85,586	(983,262)
Prepaid expenses	(695,373)	(843,193)
Loans receivable	778,528	2,167,779
Accounts payable	5,046,032	(1,631,403)
Deferred revenue	(11,177,338)	1,985,074
Compensated absences	(413,835)	153,191
Early retirement benefits payable	(244,768)	6,316,091
Other postemployment benefits obligation	5,287,499	7,740,671
Deferred compensation liability	(496,608)	174,628
NET CASH USED BY OPERATING ACTIVITIES	**$(175,740,619)**	**$(208,679,189)**

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital gifts-in-kind	**$ 81,995**	**$ 881,588**

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS

Cash and cash equivalents classified as current assets	$ 105,990,580	$ 102,762,013
Cash and cash equivalents classified as noncurrent assets	59,971,156	57,878,044
TOTAL CASH AND CASH EQUIVALENTS	**$ 165,961,736**	**$ 160,640,057**

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

IOWA STATE UNIVERSITY FOUNDATION
IOWA STATE UNIVERSITY ACHIEVEMENT FUND
ORIGINAL UNIVERSITY FOUNDATION
COMBINED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ 12,269,616	$ 9,044,904
Receivables:		
Pledges, net (Note 3D)	75,675,652	75,834,816
Estates	6,890,523	5,408,041
Funds held in trust by others	19,662,781	18,340,283
Total receivables	102,228,956	99,583,140
Investments (Note 2C):		
Pooled investments	569,661,552	476,574,412
Other marketable securities	34,932,648	31,183,053
Equity in subsidiary	1,769,459	1,833,693
Real estate and other investments	10,315,662	10,070,628
Total investments	616,679,321	519,661,786
Property and equipment	3,063,016	3,155,090
Other assets	4,191,475	4,069,532
TOTAL ASSETS	**$738,432,384**	**$635,514,452**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 968,603	$ 1,572,786
Due to related organizations	8,065,995	5,207,133
Bonds payable	2,772,686	2,862,310
Long-term liabilities	1,745,910	1,461,842
Annuities payable	21,141,042	19,987,880
TOTAL LIABILITIES	**34,694,236**	**31,091,951**
NET ASSETS (Note 8)	**703,738,148**	**604,422,501**
TOTAL LIABILITIES AND NET ASSETS	**$738,432,384**	**$635,514,452**

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

IOWA STATE UNIVERSITY FOUNDATION
IOWA STATE UNIVERSITY ACHIEVEMENT FUND
ORIGINAL UNIVERSITY FOUNDATION
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended June 30, 2011 and 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	$ 2,719,526	$ 45,729,394	$ 22,045,531	$ 70,494,451	$ 64,074,142
Investment return:					
Pooled investments	10,364,132	18,612,992	53,707,169	82,684,293	54,896,330
Nonpooled investments	1,483,039	1,456,308	4,344,328	7,283,675	3,687,142
Equity in net income/(loss) of subsidiary	(64,234)			(64,234)	(352,009)
Total investment return	11,782,937	20,069,300	58,051,497	89,903,734	58,231,463
Fundraising service revenue	2,909,387			2,909,387	2,300,000
Return on funds held in trust by others		(262,372)	823,340	560,968	1,697,158
Other earnings	44,627	1,422,103	59,642	1,526,372	1,802,527
Net assets released from restrictions	50,579,219	(50,579,219)		-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	**68,035,696**	**16,379,206**	**80,980,010**	**165,394,912**	**128,105,290**
EXPENSES					
Program	50,876,395			50,876,395	45,213,755
Operating:					
Fundraising	9,296,248			9,296,248	8,147,700
Administrative	3,658,870			3,658,870	3,366,422
Annuity liability adjustment		(317,292)	2,565,044	2,247,752	2,134,573
TOTAL EXPENSES	**63,831,513**	**(317,292)**	**2,565,044**	**66,079,265**	**58,862,450**
CHANGE IN NET ASSETS	**4,204,183**	**16,696,498**	**78,414,966**	**99,315,647**	**69,242,840**
Net Assets, Beginning of Year	16,015,637	189,099,087	399,307,777	604,422,501	535,179,661
NET ASSETS, END OF YEAR	**$20,219,820**	**$205,795,585**	**$477,722,743**	**$703,738,148**	**$604,422,501**

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

For the Year Ended June 30, 2011

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The 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; statewide Cooperative Extension Service; and the Ames Laboratory, a U.S. Department of Energy sponsored Independent Operation. The campus consists of approximately 1,795 acres. In addition, farms and other properties, which are stocked and equipped for teaching and research purposes, total approximately 9,621 acres.

B. 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. **Wholly Owned Subsidiary** - Effective July 1, 1987, the University formed the ISU Equities Corporation as a wholly owned subsidiary. On January 19, 2011, the corporation was renamed Iowa State University Veterinary Services Corporation (ISUVSC), and the Articles of Incorporation were restated. ISUVSC is now reported as a blended component unit as described below.

2. **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 Office of the Vice President for Business and Finance at Iowa State University. The revenues of this organization are included in the "Other operating revenues" classification and expenses included in the "Institutional support" classification in the Statement of Revenues, Expenses and Changes in Net Assets. For the year ended June 30, 2011, the revenues and expenses were $16,084,686 and $7,250,606, respectively.

   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

Office of the Vice President for Business and Finance at Iowa State University. The revenues of this corporation are included in the "Other operating revenues" classification and expenses included primarily in the "Academic support" classification in the Statement of Revenues, Expenses and Changes in Net Assets. For the year ended June 30, 2011, these were $1,828,978 and $1,807,777, respectively.

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.

3. **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") are 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, 2011 and 2010, the Foundation distributed and expended $50,876,395 and $45,213,755, respectively, on behalf of the University for both restricted and unrestricted purposes as follows:

	2011	*2010*
Scholarships, loan funds, and awards	*$ 16,112,020*	*$ 16,891,485*
Faculty and staff support	*5,970,945*	*5,915,749*
College and administrative support	*13,070,946*	*12,688,151*
Buildings, equipment, and repairs	*14,602,035*	*6,914,881*
Gifts in kind	*1,120,449*	*2,803,489*
Total Program Support	*$ 50,876,395*	*$ 45,213,755*

The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

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.

C. Financial Statement 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 financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive entity-wide perspective of the University by requiring a Management's Discussion and Analysis; a Statement of Net Assets; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows.

When an expense is incurred for which both unrestricted and restricted net assets are available, the University's policy is to first apply the restricted resources before the unrestricted resources.

The University has the option to apply all FASB pronouncements issued after November 30, 1989, unless those pronouncements conflict or contradict GASB. The University has elected not to apply FASB pronouncements issued after the applicable date.

D. Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities as defined in GASB Statement No. 35. Accordingly, the financial statements of the University have been prepared 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.

E. Cash and Cash Equivalents

For purposes of the Statement of Net Assets and the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash.

F. 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*. 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 Assets.

In accordance with FASB 157, investments of the Foundation are carried at fair value as determined by values provided by an external investment manager and quoted market values. The carrying values of other investments and long-term liabilities approximate fair value because these financial instruments bear interest at rates that approximate current rates the Foundation could obtain on contracts or notes with similar maturities and credit qualities.

G. Inventories

Inventories consist of supplies, merchandise, and grain for resale and livestock. 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.

H. Capital Assets

Capital assets are recorded at cost at the date of acquisition or at estimated fair market value at the date of donation. 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 5 to 20 years for intangible assets.

I. Deferred Revenue

Deferred 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 79 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 as reported in the Statement of Net Assets is based on the current rates of pay.

K. Noncurrent Liabilities

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

L. Net Assets

The University's net assets are classified as follows:

1. **Invested in capital assets, net of related debt –** Capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted, nonexpendable –** Net assets 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 assets subject to externally imposed restrictions on use of resources either legally or contractually.
4. **Unrestricted –** Net assets 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.

M. Operating Revenues and Expenses

Operating revenues and expenses reported in the Statement of Revenues, Expenses and Changes in Net Assets 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.

N. Revenue Pledged for Debt Service

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

O. Auxiliary Enterprise Revenues

Auxiliary enterprise revenues primarily represent revenues generated by the Athletic Department, University Book Store, Indoor Multipurpose Use and Training Facility, 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.

P. Bond Issuance Costs

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

Q. 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

As of June 30, 2011 and 2010, the book balances of cash and cash equivalents were \$165,961,736 and \$160,640,057, respectively. As of June 30, 2011 and 2010, the bank balances were \$173,456,994 and \$169,606,241, respectively, of which \$71,327,035 and \$93,729,621, respectively, were covered by the Federal Depository Insurance Corporation (FDIC) or by the State's Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Of the bank balances as of June 30, 2011 and 2010, \$102,129,959 and \$75,876,620, respectively, were uninsured and uncollateralized.

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 available to meet the spending rate distribution was $7,902,515 as of June 30, 2011, and is recorded in restricted expendable net assets.

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 $484.1 million investments, $1,473,801 of pooled funds are held by the Iowa State University Research 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.

As of June 30, 2011, the effective duration, Standard & Poor's credit quality ratings, and fair value of the University's investments were as follows:

		Credit Quality Rating							
	Effective Duration (Years)	*TSY*	*AGY/NA*	*AAA*	*AA*	*A*	*BBB*	*B/CCC*	*Total Fair Value*
Fixed Income:									
U.S. Government Agencies	*1.20*	*$*	*$205,419,881*	*$ 5,972,480*	*$*	*$*	*$*	*$*	*$211,392,361*
U.S. Treasury Obligations	*1.20*	*93,533,926*							*93,533,926*
Corporate Notes and Bonds	*1.94*		*86,163*	*2,429,461*	*485,044*	*2,784,777*	*1,413,369*		*7,198,814*
Mutual Funds, Short Term	*4.31*	*31,933,558*		*1,805,511*	*1,566,572*	*3,194,578*	*5,495,993*	*2,432,050*	*46,428,262*
Subtotal		*$125,467,484*	*$205,506,044*	*$10,207,452*	*$ 2,051,616*	*$ 5,979,355*	*$ 6,909,362*	*$ 2,432,050*	*358,553,363*
Equity:									
Common Stock									*9,865,320*
Mutual Funds									*98,869,929*
Private Equity									*7,001,230*
Foundation Pooled Funds									*1,473,801*
Real Estate									*8,314,791*
Total Investments									*$484,078,434*

C. Investments (Foundation)

Investments were comprised of the following balances as of June 30, 2011 and 2010:

Investment	*June 30, 2011*	*June 30, 2010*
Pooled Investments:		
Equity	*$208,195,991*	*$170,130,307*
Fixed Income	*143,579,473*	*144,831,605*
Hedge Funds	*123,625,374*	*85,767,847*
Private Equity	*55,649,433*	*46,284,090*
Real Estate	*9,986,551*	*3,482,276*
Natural Resources/Commodities	*21,777,003*	*15,650,825*
Cash and Cash Equivalents	*6,765,285*	*10,183,706*
Accrued Interest	*332,442*	*493,756*
Accrued Manager Fees	*(250,000)*	*(250,000)*
Total Pooled Investments	*569,661,552*	*476,574,412*
Other Marketable Securities:		
Fixed Income	*13,449,530*	*14,353,504*
Equity	*20,402,718*	*16,274,006*
Cash and cash equivalents	*1,080,400*	*555,543*
Total Other Marketable Securities	*34,932,648*	*31,183,053*
Equity in Subsidiary	*1,769,459*	*1,833,693*
Real Estate and Other Investments:		
Real Estate	*8,167,667*	*7,971,784*
Notes Receivable	*652,454*	*1,313,563*
Notes Receivable from Affiliated Entities	*1,495,541*	*785,281*
Total Real Estate and Other Investments	*10,315,662*	*10,070,628*
Total Investments	*$616,679,321*	*$519,661,786*

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

A. Accounts Receivable

Accounts receivable is shown net of allowances for doubtful accounts in the accompanying Statement of Net Assets. At June 30, 2011 and 2010, accounts receivable consisted of the following:

	June 30, 2011	*June 30, 2010*
Accounts Receivable	*$45,372,047*	*$23,189,708*
Allowance for Doubtful Accounts	*(1,155,783)*	*(988,902)*
Accounts Receivable, Net	*$44,216,264*	*$22,200,806*

B. Due from Government Agencies

Due from government agencies is composed of $2,454,404 due from state and local government agencies and $28,556,943 due from United States government agencies at June 30, 2011 and $21,359,358 due from state and local government agencies and $32,592,040 due from United States government agencies at June 30, 2010.

C. Loans Receivable

Loans receivable is shown net of allowances for doubtful accounts in the accompanying Statement of Net Assets. Loans receivable consisted of the following:

	June 30, 2011	*June 30, 2010*
Student Loans Receivable	*$23,675,637*	*$24,264,994*
Other Loans Receivable	*8,760,556*	*7,318,099*
Allowance for Doubtful Accounts	*(235,208)*	*(119,577)*
Loans Receivable, Net	*$32,200,985*	*$31,463,516*

D. Pledges Receivable (Foundation)

The components of net pledges receivable as of June 30, 2011 and 2010 are as follows:

	June 30, 2011	*June 30, 2010*
Gross Pledges Receivable	*$82,495,929*	*$84,142,457*
Allowance for Uncollectible Pledges	*(1,359,419)*	*(2,915,466)*
Discount to Present Value	*(5,460,858)*	*(5,392,175)*
Net Pledges Receivable	*$75,675,652*	*$75,834,816*

The Foundation estimates payments on these pledges receivable as of June 30, 2011, will be received as follows:

Year Ending June 30,	*Principal*
2012	*$17,630,966*
2013	*18,004,675*
2014	*10,910,638*
2015	*8,834,363*
2016	*8,129,926*
Thereafter	*18,985,361*
Total	*$82,495,929*

In addition, the Foundation has received notification of deferred gifts totaling approximately $399,000,000 and $365,000,000 as of June 30, 2011 and 2010, respectively, primarily in the form of revocable wills.

NOTE 4 - INVENTORIES

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

	June 30, 2011	*June 30, 2010*
Supplies, Merchandise, and Grain for Resale	*$15,929,300*	*$15,990,500*
Livestock	*2,101,401*	*2,195,116*
Total Inventories	*$18,030,701*	*$18,185,616*

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011, is summarized as follows:

	July 1, 2010	Additions	Transfers	Deductions	June 30, 2011
Capital Assets, Nondepreciable:					
Land	$ 14,863,278	$ 875,612	$	$ (76,000)	$ 15,662,890
Land Improvements	5,733,133				5,733,133
Construction in Progress	107,208,989	100,973,526	(106,573,888)	(1,635,548)	99,973,079
Intangible Assets in Development	691,083	932,365			1,623,448
Goodwill	0	2,301,591			2,301,591
Capital Assets, Nondepreciable	128,496,483	105,083,094	(106,573,888)	(1,711,548)	125,294,141
Capital Assets, Depreciable/Amortizable:					
Buildings	1,139,019,445	1,164,212	102,134,918	(5,060,918)	1,237,257,657
Land Improvements	19,390,896		635,817		20,026,713
Infrastructure	194,537,224		3,803,153		198,340,377
Equipment	225,179,446	26,655,424		(14.709,232)	237,125,638
Library	189,289,638	10,825,143		(391,897)	199,722,884
Intangible Assets	0	285,000			285,000
Capital Assets, Depreciable/Amortizable	1,767,416,649	38,929,779	106,573,888	(20,162,047)	1,892,758,269
Accumulated Depreciation/Amortization:					
Buildings	495,687,614	35,674,940		(1,571,437)	529,791,117
Land Improvements	10,101,782	936,174			11,037,956
Infrastructure	122,995,544	6,548,506			129,544,050
Equipment	137,587,505	12,592,495		(10,252,273)	139,927,727
Library	148,196,037	9,051,409		(391,897)	156,855,549
Intangible Assets	0	7,917			7,917
Accumulated Depreciation/Amortization	914,568,482	64,811,441	-	(12,215,607)	967,164,316
Depreciable Assets, Net	852,848,167	(25,881,662)	106,573,888	(7,946,440)	925,593,953
Total Capital Assets, Net	$ 981,344,650	$ 79,201,432	$ -	$ (9,657,988)	$1,050,888,094

Capital assets, net of accumulated depreciation and amortization, purchased with resources provided by outstanding capital lease agreements at June 30, 2011, consisted of $385,788 of land, $7,479,873 of buildings and $2,378,877 of equipment.

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2011, is summarized as follows:

	July 1, 2010	Additions	Deductions	June 30, 2011	Current Portion
Long-Term Debt:					
Bonds Payable	$406,316,751	$ 57,431,065	$ 42,772,889	$420,974,927	$14,555 ,000
Notes Payable	8,268,892	5,000,000	741,136	12,527,756	1,087,397
Capital Leases Payable	8,324,311	1,644,812	1,064,526	8,904,597	1,155,850
Total Long-Term Debt	422,909,954	64,075,877	44,578,551	442,407,280	16,798,247
Other Long-Term Liabilities:					
Compensated Absences	42,007,271	19,379,945	19,806,715	41,580,501	19,702,307
Early Retirement Benefits Payable	14,477,134	2,941,267	3,186,035	14,232,366	3,508,364
Refundable Advances on Student Loans	18,178,893			18,178,893	
Deferred Revenue	139,321		86,121	53,200	29,450
Deferred Compensation	585,646	195,144	691,752	89,038	
Due to State	7,318,099	3,066,810	1,685,676	8,699,233	2,113,676
Net Other Post-Employment Benefits Obligation	18,157,743	11,011,738	5,724,239	23,445,242	
Total Other Long-Term Liabilities	100,864,107	36,594,904	31,180,538	106,278,473	25,353,797
Total Long-Term Liabilities	$523,774,061	$100,670,781	$ 75,759,089	$548,685,753	$ 42,152,044

A. Bonds Payable

Outstanding long-term revenue bond indebtedness at June 30, 2011, consisted of the following:

	Interest Rates	Maturity Dates	Amount
Academic Building	2.50 – 5.25%	2012-2036	$ 168,275,000
Less: Unamortized Discount			(1,162,638)
Add: Unamortized Premium			1,049,501
Add: Unamortized Refunding Gain			384,000
Athletic Facilities	4.10 – 6.10%	2012-2034	19,535,000
Less: Unamortized Discount			(235,525)
Dormitory	2.00 – 5.00%	2012-2030	124,315,000
Less: Unamortized Discount			(439,036)
Add: Unamortized Premium			103,877
Less: Unamortized Refunding Loss			(644,375)
Indoor Multi-Purpose	3.55 – 4.50%	2012-2021	4,125,000
Less: Unamortized Discount			(51,667)
Memorial Union	3.10 – 4.625%	2012-2031	21,385,000
Less: Unamortized Discount			(251,933)
Parking System	4.10 – 5.00%	2012-2023	4,265,000
Recreational System Facilities	2.00 – 4.75%	2014-2038	51,000,000
Less: Unamortized Discount			(526,256)
Regulated Materials Facility	3.50 – 4.55%	2012-2020	4,460,000
Less: Unamortized Discount			(32,515)
Student Health Facility	5.40 – 5.50%	2012-2014	1,530,000
Utility System	3.45 – 4.85%	2012-2027	24,065,000
Less: Unamortized Discount			(173,506)
Total Bonds Payable			$ 420,974,927

Debt service requirements to maturity, as of June 30, 2011, are as follows:

Year Ending June 30,	*Principal*	*Interest*	*Total*
2012	*$ 14,555,000*	*$ 17,943,079*	*$ 32,498,079*
2013	*15,745,000*	*16,554,058*	*32,299,058*
2014	*17,365,000*	*15,935,049*	*33,300,049*
2015	*17,600,000*	*15,302,219*	*32,902,219*
2016	*18,435,000*	*14,661,816*	*33,096,816*
2017-2021	*101,385,000*	*61,945,461*	*163,330,461*
2022-2026	*100,910,000*	*41,639,408*	*142,549,408*
2027-2031	*83,460,000*	*20,462,298*	*103,922,298*
2032-2036	*46,790,000*	*6,836,259*	*53,626,259*
2037-2038	*6,710,000*	*311,344*	*7,021,344*
Less: Unamortized Discount	*(2,873,076)*		*(2,873,076)*
Add: Unamortized Premium	*1,153,378*		*1,153,378*
Less: Unamortized Refunding Gain/(Loss)	*(260,375)*		*(260,375)*
Total	*$ 420,974,927*	*$ 211,590,991*	*$ 632,565,918*

In May 2011, the University issued $17,295,000 of Dormitory Revenue Refunding Bonds, Series I.S.U. 2011, the proceeds of which were placed in an irrevocable trust to refund $17,420,000 of Dormitory Revenue Bonds, Series I.S.U. 2001A. The current 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 $1,983,695 and will reduce future aggregate debt service payments over the next 17 years by $2,735,138.

In June 2011, the University issued $12,565,000 of Dormitory Revenue Refunding Bonds, Series I.S.U. 2011A, the proceeds of which were placed in an irrevocable trust to refund $12,035,000 of Dormitory Revenue Bonds, Series I.S.U. 2002. 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 $859,470 and will reduce future aggregate debt service payments over the next 17 years by $1,149,783.

B. Notes Payable

The University had the following notes payable outstanding at June 30, 2011:

	Interest Rates	*Maturity Dates*	*Amount*
Athletic System	*0.80 - 5.82%*	*2012-2030*	*$ 12,230,098*
Compost Facility	*0.00%*	*2012-2014*	*67,753*
Design College Computer	*4.20 – 4.61%*	*2012-2013*	*229,905*
Total			*$ 12,527,756*

Debt service requirements to maturity, as of June 30, 2011, are as follows:

Year Ending June 30,	*Principal*	*Interest*	*Total*
2012	*$ 1,087,397*	*$ 449,017*	*$ 1,536,414*
2013	*657,940*	*430,679*	*1,088,619*
2014	*628,767*	*397,384*	*1,026,151*
2015	*580,284*	*364,390*	*944,674*
2016	*688,400*	*331,274*	*1,019,674*
2017-2021	*3,829,708*	*1,066,244*	*4,895,952*
2022-2026	*1,055,260*	*302,806*	*1,358,066*
2027-2030	*4,000,000*	*106,667*	*4,106,667*
Total	*$ 12,527,756*	*$ 3,448,461*	*$ 15,976,217*

C. Capital Leases Payable

The University had the following capital leases outstanding at June 30, 2011:

	Interest Rates	*Maturity Dates*	*Amount*
Farm Equipment	*2.69 – 7.49%*	*2012-2016*	*$ 133,054*
Hilton Scoreboard	*6.09%*	*2012-2013*	*818,339*
ISU Veterinary Services Corporation	*5.10%*	*2012-2016*	*90,747*
Master Lease Program	*3.56 – 5.40%*	*2012-2021*	*1,584,617*
Sukup Basketball Complex	*0.80 – 5.07%*	*2012-2020*	*6,277,840*
Total			*$ 8,904,597*

The following is a schedule by year of future minimum lease payments required as of June 30, 2011:

Year Ending June 30,	*Principal*	*Interest*	*Total*
2012	*$ 1,155,850*	*$ 403,052*	*$ 1,558,902*
2013	*1,099,809*	*342,378*	*1,442,187*
2014	*713,209*	*288,192*	*1,001,401*
2015	*736,637*	*251,565*	*988,202*
2016	*769,063*	*213,751*	*982,814*
2017-2021	*4,430,029*	*447,041*	*4,877,070*
Total	*$ 8,904,597*	*$ 1,945,979*	*$ 10,850,576*

D. Net Other Post-Employment Benefits (OPEB) Obligation

Plan Description. The University operates a single-employer retiree benefit plan which provides medical, dental and life insurance benefits for faculty and staff and their spouses. The actuarial valuation was based on 4,450 active and 1,571 retired members in the plan. Employees must be age 55 or older at retirement.

The medical and prescription drug benefit, which is a self-funded plan, is administered by Wellmark Blue Cross Blue Shield of Iowa. The dental benefit, which is also self-funded, is administered by Delta Dental of Iowa. The life insurance benefit is administered by Principal Mutual Life Insurance Co. Retirees pay full group-blended rates for medical and prescription drug coverage, which results in an implicit rate subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit. Retirees continuously enrolled in the University-sponsored plan for a minimum of 10 years preceding retirement are eligible for a University-sponsored term life policy which results in an OPEB liability.

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

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

The following table shows the components of the University's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

Annual Required Contribution (ARC)	*$ 10,299,964*
Interest on Net OPEB Obligation	*621,784*
Adjustment to Annual Required Contribution	*(898,945)*
Annual OPEB Cost	*10,022,803*
Contributions Made	*(5,724,239)*
Increase in Net OPEB Obligation	*4,298,564*
Net OPEB Obligation, Beginning of Year	*15,544,593*
Net OPEB Obligation, End of Year	*$ 19,843,157*

For fiscal year 2011, the University contributed $5.7 million to the medical plan. Plan members receiving benefits contributed $1.6 million, or 22% of the premium costs.

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

Fiscal Year Ended	*Annual OPEB Cost*	*Percentage of Annual OPEB Cost Contributed*	*Net OPEB Obligation*
6/30/2011	*$10,022,803*	*57.1%*	*$19,843,157*
6/30/2010	*$ 9,676,194*	*47.0%*	*$15,544,593*
6/30/2009	*$ 8,054,626*	*35.2%*	*$10,417,071*

Funded Status and Funding Progress. As of the valuation date, for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was $84.2 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $84.2 million. The covered payroll (annual payroll of active employees covered by the plan) was $294.4 million, and the ratio of the UAAL to the covered payroll was 28.6%. As of June 30, 2011, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate based on the pay-as-you-go funding policy. The projected annual medical trend rate is 8.0%. The ultimate medical trend rate is 5.0%. The medical trend rate was held at 8.5% for the three years ending June 30, 2010, and then will be reduced 0.5% each year until reaching the 5.0% ultimate trend rate.

Mortality rates are from the RP2000 Combined Healthy Fully Generational Mortality Table. Annual retirement and termination probabilities were developed by adjusting industry tables to reflect University experience. The UAAL is being amortized over a rolling 30-year open period using the level dollar method.

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

The annual valuation of liabilities under the OPEB Plan is calculated using the entry age normal cost method. This method requires the calculation of an unfunded actuarial accrued liability, which was $377.9 million for the State of Iowa as of June 30, 2011. The University's portion of the unfunded actuarial accrued liability is not separately determinable.

Details of the OPEB Plan are provided on a state-wide basis and are available in the State of Iowa's Comprehensive Annual Financial Report for the year ended June 30, 2011. The report may be obtained by writing to the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

The University recognized a net OPEB liability of $3,602,085 for other postemployment benefits, which represents the University's portion of the State's net OPEB liability. The University's portion of the net OPEB liability was calculated using the ratio of full time equivalent University merit employees compared to all full time equivalent employees of the State of Iowa.

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, 2019, 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, 2011.

Year Ending June 30,	*Amount*
2012	*$ 947,855*
2013	*875,426*
2014	*711,924*
2015	*171,987*
2016	*155,322*
2017-2019	*186,000*
Total	*$ 3,048,514*

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

Rental expense for the operating leases disclosed above was $2,445,710 and $2,937,725, respectively, for the years ended June 30, 2011 and 2010.

NOTE 8 - RESTRICTED NET ASSETS

The University's restricted net assets are classified according to externally imposed restrictions. The following table provides detail of the Restricted Net Assets balances.

	June 30, 2011	June 30, 2010
Restricted-Nonexpendable:		
Permanently Endowed Funds	$ 29,995,494	$ 31,608,732
Restricted-Expendable:		
Student Loans	10,809,146	10,452,989
Scholarships, Research, and Educational Purposes	7,902,515	8,586,485
Reserve for Debt Service	12,388,579	12,653,878
Capital Projects	160,316	9,432,248
Total Restricted-Expendable	31,260,556	41,125,600
Total Restricted Net Assets	$ 61,256,050	$ 72,734,332

The Foundation's temporarily and permanently restricted net assets are available for the following purposes:

	June 30, 2011	June 30, 2010
Temporarily Restricted:		
College Program Support	$ 57,864,123	$ 51,815,177
Student Financial Aid	40,119,879	37,623,610
Faculty and Staff Support	13,273,458	12,123,418
Research	10,286,529	9,244,060
Building, Equipment, and Maintenance	79,491,979	75,515,194
Other	4,759,617	2,777,628
Total Temporarily Restricted Net Assets	$ 205,795,585	$ 189,099,087
Permanently Restricted:		
College Program Support	$ 169,613,062	$ 145,710,212
Student Financial Aid	165,406,431	134,049,553
Faculty and Staff Support	114,292,369	92,442,017
Research	13,223,443	11,212,404
Building, Equipment, and Maintenance	2,458,851	2,034,268
Other	12,728,587	13,859,323
Total Permanently Restricted Net Assets	$ 477,722,743	$ 399,307,777

NOTE 9 - RETIREMENT PROGRAMS

A. Teachers Insurance and Annuity Association (TIAA-CREF)

The University contributes to the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) retirement program that is a defined contribution plan. TIAA-CREF administers the retirement plan for the University. The defined contribution retirement plan provides individual annuities for each plan participant. 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-CREF, 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. From November, 2009, through June, 2010, the University's contribution for employees with less than five years of employment was temporarily reduced to 5 1/3% of the first $4,800 of budgeted salary and 8% above $4,800. For employees with more than five years of employment, the University's contribution was temporarily reduced to 8%. The University's required and actual contributions amounted to $34,957,386 and $30,271,848, respectively, for the years ended June 30, 2011 and 2010. The employees' required and actual contributions amounted to $17,487,229 and $17,400,773 respectively, for the years ended June 30, 2011 and 2010.

B. Iowa Public Employees' Retirement System

The University contributes to the Iowa Public Employees' Retirement System (IPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.5% of their annual covered salary; the University is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. For the year ended June 30, 2010, plan members are required to contribute 4.3% of their annual covered salary; the University is required to contribute 6.65% of annual covered payroll. For the year ended June 30, 2009, plan members were required to contribute 4.1% of their annual covered salary while the University was required to contribute 6.35% of annual covered payroll. These contribution requirements are established by State statute. The University's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were $1,067,463, $898,705, and $829,978, respectively, equal to the required contributions for each year.

C. Retirement Incentive Option

At its March 2009 meeting, the Board of Regents approved the first of three Retirement Incentive Option (RIO) programs, RIO1. The second and third programs, RIO2 and RIO3, were subsequently approved at its October, 2009 and April, 2010 meetings, respectively. Faculty, professional and scientific employees, merit system employees, and institutional officials who accumulate ten years of service with the University and who attain the age of 60 (RIO1), 57 (RIO2), and 55 (RIO3) by the date of retirement are eligible for participation. These programs are one-time programs with retirement required to occur no later than January 31, 2010, July 30, 2010, and December 31, 2010, respectively. Upon retirement, the participant will be provided health and dental coverage for a period of up to five years with the University providing both the employee and employer share of contributions not to exceed the employee and spouse/domestic partner rate for the University's professional plans and not to exceed the employee and family rate for the State of Iowa plans. Eligible employees who elect the incentive and reach Medicare eligibility during the incentive period will be allowed to continue in the incentive with the contributions reduced to integrate with Medicare eligibility. For RIO3, the participant may choose to receive continued annuity (Defined Contribution plan only) contributions for a period of up to five years in lieu of the continued medical/dental coverage. The annuity benefit is equal to the University's contribution level during active employment of 10% and based on the participant's full budgeted salary at the time of retirement. Term life insurance benefits are fully insured for eligible retirees and are paid for directly by the life insurance carrier. The University pays a stated premium based on the value of the policy (which is $4,000) directly to the carrier. The stated premium rate is the same as the premium rate for the active employer life coverage in effect during the fiscal year.

At June 30, 2011, 431 employees had elected the Retirement Incentive Option for which the University is committed to providing future benefit payments totaling $14,232,366. During the fiscal year ended June 30, 2011, the University paid $3,186,035 for continuing benefits which are financed on a pay-as-you-go basis.

In the event of the retiree's death, the University's obligation to pay the cost of the health and dental coverage will cease on the first day of the month following the date of death.

NOTE 10 - COMMITMENTS AND RISK MANAGEMENT

A. Commitments

At June 30, 2011 and 2010, the University had outstanding construction contract commitments of $29,422,692 and $36,391,438, 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 State of Iowa purchases commercial health and dental insurance for general service staff of the University. The University and employees share the cost of the premium and reimburse the State for the coverage. The University self-funds its medical and dental insurance for non-general service staff employees. The University insures its medical claims with stop-loss insurance at 125% in aggregate for all plans and a $300,000 individual maximum.

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.

	2011	*2010*
Unpaid Claims and Contingent Liabilities Accrued at July 1, 2010 and 2009	*$ 4,191,000*	*$ 4,210,000*
Claims Incurred and Contingent Liabilities Accrued During the Fiscal Year	*44,708,141*	*44,345,569*
Payments on Claims During the Fiscal Year	*(44,650,141)*	*(44,364,569)*
Unpaid Claims and Contingent Liabilities Accrued at June 30, 2011 and 2010	*$ 4,249,000*	*$ 4,191,000*

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 quarterly increments for non-state supported employees of the University. The University's share of unemployment claims for non-state supported employees is also 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 quarterly 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 one or two flexible spending programs where they can elect to have a maximum of $5,000 deducted from payroll on a pre-tax, non-refundable basis for either or both programs. These pre-tax deductions are used by the employee 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 Flexible Spending 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 would be 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 Flexible Spending Program as an employee can only claim what has been deducted from their payroll. 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 $100,000 of losses is the responsibility of the University. Losses between $100,000 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. Regents' institutions are 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 pool. 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 pool 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 provide 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 $1,000,000 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 $10,000 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's commercial property insurance for Hilton Coliseum and the Scheman Building was limited to $12 million since they are in the flood zone. Due to a catastrophic flood event in August 2010, the loss to these buildings exceeded the $12 million limit. With the exception of those buildings, the settled claims have not exceeded the commercial property insurance. The University's property insurance policy was since renewed**.**

NOTE 11 – NET BUILDING IMPAIRMENT GAIN DUE TO FLOOD

A net impairment gain associated with several impaired buildings has been calculated as required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

Historical Cost	*$ 24,246,935*
Accumulated Depreciation	*11,550,407*
Carrying Value	*$ 12,696,528*
Restoration Costs	*$ 8,811,911*
Deflation factor, compounded	*.81*
Deflated Restoration Costs	*$ 7,122,696*
Restoration Cost Ratio	*26.51%*
Impairment Loss	*$ (3,366,239)*
Insurance Recovery	*8,603,811*
Net Building Impairment Gain	*$ 5,237,572*

The impairment loss is measured using the restoration cost approach. The expected cost to restore the impaired buildings (excluding building contents) is $8.8 million. Restoration costs were deflated using a 3% cost index compounded over the life of each building. The deflation factor was calculated separately for each building and ranged from .53 to .89, with the weighted average being .81. Deflated restoration costs of the impaired buildings is $7.1 million. The amount of the impairment is calculated using a ratio of deflated restoration costs over historical cost, multiplied by the carrying value of each impaired asset. As a result, assets fully depreciated prior to the flood would have an impairment loss of zero, regardless of the damage. The restoration cost ratio was calculated separately for each impaired building; the ratios ranged from 0.38% to 100%, with the weighted average being 26.51%. The resulting total gross impairment loss, based on each asset's carrying value, is $3.37 million. GASB 42 requires that impairment loss be reported net of insurance recoveries. We have estimated that realizable insurance recovery associated with building impairment to be $8.6 million, resulting in a net building impairment gain of $5.2 million. None of the impaired buildings remain idle as of June 30, 2011.

The August 2010 flood is treated as an extraordinary event as it meets the criteria for being both unusual in nature and infrequent in occurrence. The net impairment gain is recorded as an extraordinary item in the financial statements.

NOTE 12 – OPERATING EXPENSES BY FUNCTION

The following is a summary of operating expenses by functional classification for the year ended June 30, 2011.

	Compensation And Benefits	Supplies	Services, Repairs & Professional Services	Other	Total
Instruction	$ 188,061,482	$ 12,407,763	$ 11,362,391	$	$ 211,831,636
Research	107,192,675	31,930,436	31,723,836		170,846,947
Public Service	50,349,799	8,894,617	12,376,929		71,621,345
Academic Support	81,794,893	4,249,408	13,587,331		99,631,632
Student Services	17,750,552	4,181,337	5,565,257		27,497,146
Institutional Support	29,347,185	1,686,462	3,138,549		34,172,196
Operation & Maintenance	28,754,119	20,921,291	8,278,307		57,953,717
Scholarships & Fellowships				31,022,012	31,022,012
Auxiliary Enterprises	63,162,435	41,735,547	12,475,288		117,373,270
Independent Operations	23,700,858	10,425,963	4,361,141		38,487,962
Depreciation				64,811,441	64,811,441
Other Operating Expenses				650,692	650,692
Total Operating Expenses	$ 590,113,998	$ 136,432,824	$ 102,869,029	$ 96,484,145	$ 925,899,996

NOTE 13 - 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 in 2007 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. Indoor Multipurpose Use and Training Facility Revenue Bonds

The Indoor Multipurpose Use and Training Facility Revenue Bonds were issued in 2003 to construct the Stephen and Debora Bergstrom Indoor Multipurpose Use and Training Facility. Revenues pledged for this issue are gift income and the rents, profits, and income derived from the operation of the facility, including the Multipurpose Use and Training Facility Student Fee.

E. Memorial Union Revenue Bonds

The Memorial Union Revenue Bonds were issued in 2004 to improve, remodel, repair, and construct additions to the Memorial Union Building and the Memorial Union 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 in 2002 to recondition and expand vehicle parking spaces with the construction of a connecting roadway at Jack Trice Stadium. In addition, the bonds were used to construct a single level parking deck on the University campus. 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 in 2009 and 2010 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 in 2003 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. Student Health Facility Revenue Bonds

The Student Health Facility Revenue Bonds were issued in 1995 to construct, improve, and equip a student health center now known as the Thomas H. Thielen Student Health Center. Revenues pledged for this issue are the Student Health Facility Fees, net income from the Student Health Center operations, and gift income.

J. 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 assets, 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.

As of and for the year ended June 30, 2011

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
CONDENSED STATEMENT OF NET ASSETS			
Assets:			
Current Assets	$ 7,293,287	$ 6,993,796	$ 10,699,753
Noncurrent Assets	25,156,003	1,639,201	42,301,548
Capital Assets	140,817,208	19,772,132	139,753,749
Total Assets	173,266,498	28,405,129	192,755,050
Liabilities:			
Current Liabilities	7,290,091	6,992,093	12,120,585
Noncurrent Liabilities	166,490,055	18,834,475	119,062,411
Total Liabilities	173,780,146	25,826,568	131,182,996
Net Assets:			
Invested in Capital Assets, Net of Related Debt	(9,033,355)	2,458,707	32,700,281
Restricted	8,451,070	17,132	(177,318)
Unrestricted	68,637	102,722	29,049,091
Total Net Assets	$ (513,648)	$ 2,578,561	$ 61,572,054
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS			
Operating Revenues	$181,048,302	$ 11,337,421	$ 75,408,498
Operating Expenses		(1,099,998)	(59,048,244)
Depreciation Expense	(5,744,487)	(898,458)	(5,323,604)
Net Operating Income/(Loss)	175,303,815	9,338,965	11,036,650
Nonoperating Revenues/(Expenses)	(4,745,432)	(1,012,138)	(4,985,234)
Other Revenues/(Expenses) and Transfers	(172,987,209)	(8,753,466)	1,130,878
Change in Net Assets	(2,428,826)	(426,639)	7,182,294
Beginning Net Assets	1,915,178	3,005,200	54,389,760
Ending Net Assets	$ (513,648)	$ 2,578,561	$ 61,572,054
CONDENSED STATEMENT OF CASH FLOWS			
Net Cash and Cash Equivalents Provided/(Used) By:			
Operating Activities	$181,048,302	$ 10,083,498	$ 17,115,507
Capital and Related Financing Activities	(174,093,510)	(10,248,872)	(16,008,925)
Investing Activities	2,352,510	(537,405)	(6,353,280)
Net Increase/(Decrease)	9,307,302	(702,779)	(5,246,698)
Beginning Cash and Cash Equivalents	5,260,422	6,825,255	15,385,127
Ending Cash and Cash Equivalents	$ 14,567,724	$ 6,122,476	$ 10,138,429

Indoor Multipurpose Use & Training Facility Revenue Bonds	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Student Health Facility Revenue Bonds	Utility System Revenue Bonds
$ 460,505	$ 1,217,287	$ 815,634	$ 1,062,698	$ 512,052	$ 4,522,150	$ 27,057,678
632,886	5,101,295	3,570,732	21,342,554	2,988,554	1,521,329	5,717,535
8,334,064	30,943,349	5,731,641	37,537,598	7,541,431	4,450,320	53,615,860
9,427,455	37,261,931	10,118,007	59,942,850	11,042,037	10,493,799	86,391,073
460,504	1,606,766	645,762	1,141,442	512,050	955,574	5,229,429
3,752,083	21,139,901	4,063,281	51,758,247	4,007,484	1,207,021	21,137,563
4,212,587	22,746,667	4,709,043	52,899,689	4,519,534	2,162,595	26,366,992
5,124,381	11,380,698	2,221,891	3,135,849	4,145,489	3,265,320	31,265,107
7,513	24,178	1,090	46,501	9,016	1,521,330	2,633,501
82,974	3,110,388	3,185,983	3,860,811	2,367,998	3,544,554	26,125,473
$ 5,214,868	$ 14,515,264	$ 5,408,964	$ 7,043,161	$ 6,522,503	$ 8,331,204	$ 60,024,081
$ 64,302	$ 2,977,229	$ 3,498,097	$ 445,884	$ 612,174	$ 9,369,762	$ 38,037,205
(63,311)	(5,084,088)	(2,168,720)	(3,141,739)		(8,848,433)	(30,972,164)
(252,540)	(1,582,589)	(439,878)		(227,666)	(181,263)	(3,057,581)
(251,549)	(3,689,448)	889,499	(2,695,855)	384,508	340,066	4,007,460
(174,621)	(913,666)	(194,266)	(6,512)	(183,291)	(71,781)	(970,898)
505,797	4,370,814	78,827	5,337,389	250,000	448,347	100,000
79,627	(232,300)	774,060	2,635,022	451,217	716,632	3,136,562
5,135,241	14,747,564	4,634,904	4,408,139	6,071,286	7,614,572	56,887,519
$ 5,214,868	$ 14,515,264	$ 5,408,964	$ 7,043,161	$ 6,522,503	$ 8,331,204	$ 60,024,081
$ 992	$ (2,098,690)	$ 1,287,556	$ (2,669,911)	$ 612,174	$ 658,866	$ 7,756,910
(15,657)	2,097,653	(808,321)	(17,034,669)	(360,411)	(54,107)	(5,371,728)
5,455	15,399	(6,031)	4,195,678	9,330	11,129	169,392
(9,210)	14,362	473,204	(15,508,902)	261,093	615,888	2,554,574
112,455	3,453,974	2,680,204	17,158,629	2,120,392	4,077,230	21,031,639
$ 103,245	$ 3,468,336	$ 3,153,408	$ 1,649,727	$ 2,381,485	$ 4,693,118	$ 23,586,213

As of and for the year ended June 30, 2011

	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	693%	200%
PROPORTION OF REVENUE PLEDGED			
Annual Debt Service	$ 10,197,401	$ 1,493,706	$ 10,693,160
Net Pledged Revenue	$181,217,171	$ 10,350,644	$ 21,401,556
Annual Debt Service / Net Pledged Revenue	6%	14%	50%
REVENUE BONDS PAYABLE			
A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2011, is as follows:			
Beginning Balance	$143,472,078	$ 19,728,769	$ 128,366,631
Additions	27,872,188		29,558,877
Deductions	(2,798,403)	(429,294)	(34,590,042)
Ending Balance	$168,545,863	$ 19,299,475	$ 123,335,466
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
2012	$ 10,758,346	$ 1,482,354	$ 10,445,863
2013	10,714,691	1,474,271	10,275,944
2014	10,332,629	1,475,194	10,408,771
2015	13,221,382	1,474,881	10,437,400
2016	13,151,411	1,478,196	10,437,378
2017-2021	65,498,328	7,373,284	50,882,383
2022-2026	56,273,920	7,389,741	46,365,825
2027-2031	49,729,950	7,376,074	21,129,927
2032-2036	31,878,119	4,440,962	
2037-2038			
Unamortized Discount, Premium, Refunding Gain/Loss	270,863	(235,525)	(979,534)
Total	$261,829,639	$ 33,729,432	$ 169,403,957
COMMITMENTS			
As of June 30, 2011, the University had outstanding construction contract commitments as follows:			
Contract Commitments	$ 6,316,167	$ -	$ 2,118,106

	Indoor Multipurpose Use & Training Facility Revenue Bonds	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Student Health Facility Revenue Bonds	Utility System Revenue Bonds
	135%	120%	120%	125%	120%	120%	120%
	229%	331%	291%	229%	493%	354%	176%
	$ 517,108	$ 1,603,650	$ 474,663	$ 2,075,944	$ 604,100	$ 428,623	$ 4,106,795
	$ 1,185,257	$ 5,306,039	$ 1,382,651	$ 4,745,913	$ 2,978,409	$ 1,519,392	$ 7,223,544
	44%	30%	34%	44%	20%	28%	57%
	$ 4,403,167	$ 21,799,808	$ 4,530,000	$ 50,453,503	$ 4,828,420	$ 1,860,000	$ 26,874,375
	(329,834)	(666,741)	(265,000)	20,241	(400,935)	(330,000)	(2,982,881)
	$ 4,073,333	$ 21,133,067	$ 4,265,000	$ 50,473,744	$ 4,427,485	$ 1,530,000	$ 23,891,494
	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	May & Nov 1st
	$ 510,984	$ 1,592,723	$ 469,025	$ 2,075,944	$ 596,750	$ 419,308	$ 4,146,784
	508,292	1,594,932	467,403	2,075,944	596,244	420,046	4,171,290
	509,325	1,595,235	469,967	2,866,444	599,215	842,550	4,200,719
	509,225	1,598,663	466,698	3,058,793	595,942		1,539,235
	508,525	1,600,153	467,484	3,311,800	601,395		1,540,474
	2,531,894	8,021,512	2,341,327	16,589,341	2,384,961		7,707,431
		8,067,325	935,000	16,790,931			6,726,665
		8,137,853		17,001,791			546,703
				17,307,178			
				7,021,344			
	(51,667)	(251,933)		(526,256)	(32,515)		(173,506)
	$ 5,026,578	$ 31,956,463	$ 5,616,904	$ 87,573,254	$ 5,341,992	$ 1,681,904	$ 30,405,795
	$ -	$ 59,485	$ -	$ 5,607,666	$ -	$ 272,911	$ 2,498,287

Schedule of Funding Progress For the Retiree Health Plan

For the Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2009	7/1/2007	$0	$65,145,396	$65,145,396	0.0%	$293,771,877	22.2%
6/30/2010	7/1/2009	$0	$81,140,313	$81,140,313	0.0%	$298,455,024	27.2%
6/30/2011	7/1/2009	$0	$84,155,936	$84,155,936	0.0%	$294,418,323	28.6%

See Note 6D in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status, and funding progress.

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