IOWA STATE UNIVERSITY

Financial Report

For the year ended June 30, 2012

On the cover:
Taking Ames by storm

Iowa State University's Cytennial Homecoming (October 22-28, 2012) marked the 100th anniversary of Homecoming celebrations at Iowa State. To commemorate the milestone, the campus and community threw a joyful weeklong party. Homecoming decorations were everywhere: painted windows in Campustown, banners on University Boulevard, posters, a billboard, yard signs, and more. Sarah Pratt, of Iowa State Fair Butter Cow fame, sculpted the first-ever Butter Cy using 330 pounds of butter. A record-number 230 marching band alumni returned for the annual Alumni ISU Cyclone Football "Varsity" Marching Band reunion and performed during halftime of the football game. The largest-known Homecoming pep rally was held in the parking lot east of the ISU Alumni Center as part of the Friday night centennial celebration and open house, with the football team, band, and Yell Like Hell finals. Mass campaniling took place at midnight Friday night as usual, but with a special Homecoming fireworks display on central campus. The Homecoming Cytennial celebration was sponsored by the ISU Alumni Association.

Photos by Jim Heemstra courtesy of Iowa State University Alumni Association.

UNIVERSITY OFFICIALS

Steven Leath, *President*

Jonathan A. Wickert, *Senior Vice President and Provost (July 30, 2012)*

Warren R. Madden, *Senior Vice President for Business & Finance*

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Cathann A. Kress, *Vice President for Extension and Outreach*

Pam Elliott Cain, *Associate Vice President for Business & Finance and University Secretary*

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Robert Donley, *Executive Director*

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, 2012, along with comparative data for the years ended June 30, 2011, and 2010. 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 1B2, 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 about the University as a whole and present both a short term as well as a longer term view of the University's financial position. These basic financial statements also include the Notes to the Financial Statements which explain and provide further detail about the basic financial statements.

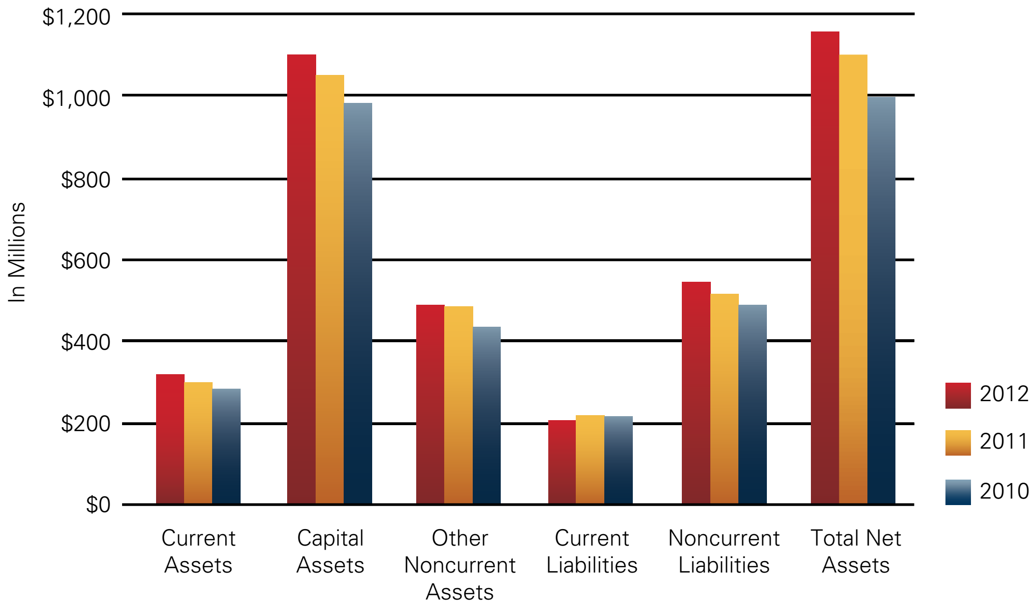
THE UNIVERSITY AS A WHOLE

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, 2012	June 30, 2011	June 30, 2010
Current Assets	$ 319,444,498	$ 298,456,452	$ 285,381,595
Capital Assets	1,100,272,910	1,050,888,094	981,344,650
Other Noncurrent Assets	488,633,507	485,205,991	434,747,074
Total Assets	1,908,350,915	1,834,550,537	1,701,473,319
Current Liabilities	206,136,424	219,218,928	217,241,066
Noncurrent Liabilities	546,371,497	515,014,689	488,544,345
Total Liabilities	752,507,921	734,233,617	705,785,411
Total Net Assets	$ 1,155,842,994	$ 1,100,316,920	$ 995,687,908

Total assets at June 30, 2012, were $1.9 billion, which is $73.8 million higher than the prior year. Net capital assets comprised $1.1 billion of the $1.9 billion in assets, which is a similar proportion to that of 2011. Total liabilities were $752.5 million at June 30, 2012, an increase of $18.3 million. The comparison of current and noncurrent assets, liabilities, and net assets as of June 30, 2012, 2011, and 2010 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 $55.5 million, or 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 $11.5 million in 2012 primarily due to an increase in return on investments.
- Capital assets, net of depreciation, increased $49.4 million.
- Long term debt increased $15.6 million, primarily due to debt financing of athletic facility capital projects.

Total net assets at June 30, 2012, were $1.2 billion. The largest portion of the University's net assets (60.6%) 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 (5.3%) 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 2010.

	June 30, 2012	June 30, 2011	June 30, 2010
Invested in Capital Assets, Net of Related Debt	$ 700,797,978	$ 669,652,160	$ 632,457,754
Restricted Nonexpendable	29,606,528	29,995,494	31,608,732
Restricted Expendable	31,574,159	31,260,556	41,125,600
Unrestricted	393,864,329	369,408,710	290,495,822
Total Net Assets	$ 1,155,842,994	$ 1,100,316,920	$ 995,687,908

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 fiscal year 2012 would have been $31.3 million compared to $4.3 million for fiscal year 2011 and $9.1 million for fiscal year 2010.

As noted in the previous section, when all nonoperating and other revenues and expenses are considered, revenues exceeded expenses by $55.5 million for fiscal year 2012.

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, 2012	June 30, 2011	June 30, 2010
Operating Revenues	$ 726,675,035	$ 685,380,370	$ 633,266,995
Operating Expenses	983,127,801	925,899,996	910,864,701
Operating Loss	(256,452,766)	(240,519,626)	(277,597,706)
Nonoperating Revenues and Expenses	295,444,624	310,774,040	327,964,404
Income Before Other Revenues, Expenses, Gains and Losses	38,991,858	70,254,414	50,366,698
Other Revenues, Expenses, Gains and Losses	15,542,845	28,474,237	13,329,985
Extraordinary Items Due to Flood	991,371	5,900,361	
Increase in Net Assets	55,526,074	104,629,012	63,696,683
Net Assets, Beginning of Year	1,100,316,920	995,687,908	931,991,225
Net Assets, End of Year	$1,155,842,994	$1,100,316,920	$ 995,687,908

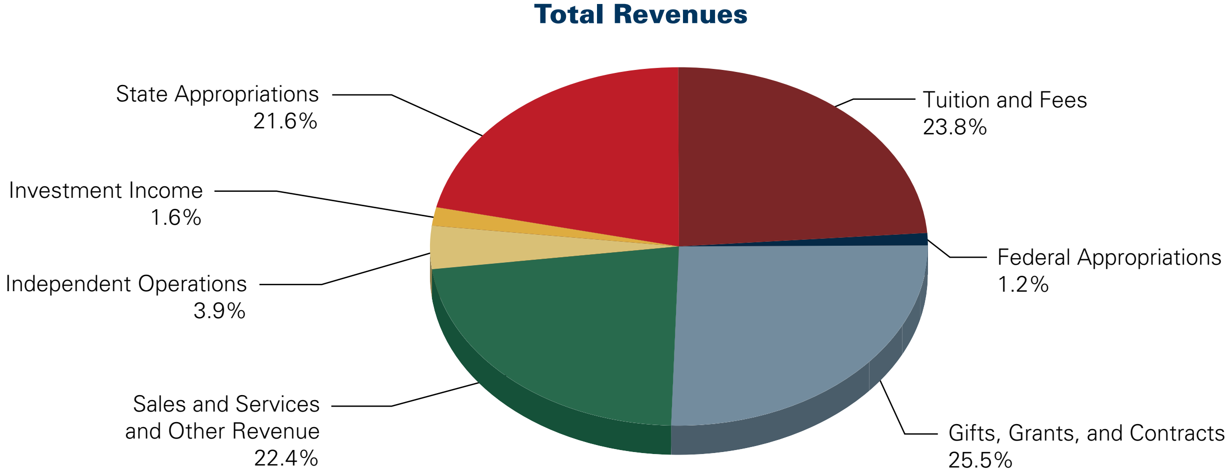
Revenues

Operating revenues for the year ended June 30, 2012, increased $41.3 million. The major components of this change were tuition and fees, net of scholarship allowances, which increased $26.8 million, or 12%, sales and services of educational activities which increased $7.9 million, or 16.8%, and auxiliary enterprise revenue which increased $13.6 million, or 9.6%. The tuition increase is primarily attributable to a 5% increase in the resident tuition rate coupled with record enrollments. The increase in sales and services of educational activities is due to large one-time events, ISU farms and the Vet Diagnostic Lab. The University's auxiliary enterprises experienced revenue growth due to new revenue sources as well as record census numbers from students in the residence system.

Net non-operating revenues decreased $24.4 million, due primarily to decreased funding from education appropriations of $11.1 million. Investment income also decreased $16.3 million, or 49%, due primarily to an unrealized loss in value of investments.

Other revenues decreased $12.9 million. The largest component of this was an $11.2 million decrease in capital appropriations. Capital appropriations are discussed in greater detail later in this Management's Discussion and Analysis.

In summary, total revenues of the University decreased $14.8 million in fiscal year 2012 from $1.1 billion to $1 billion. The components of these revenues are shown on the following chart.



In comparing the years ended June 30, 2011, and 2010, operating revenues increased $52.1 million. The major components of this increase were tuition and fees, net of scholarship allowances, which increased $12.8 million, federal grants and contracts which increased $10.1 million, and nongovernmental grants and contracts which increased $14 million. In fiscal year 2011, nonoperating revenues decreased $17.2 million from fiscal year 2010 due to the elimination of one-time state appropriations of $31.6 under the American Reinvestment and Recovery Act (ARRA) and partially offset by a $13.4 million decrease in investment income.

Expenses

Operating expenses were $983.1 million for fiscal year 2012. This was an increase of $57.2 million, or 6.2%, over the previous year. Changes in the major natural expense categories were:

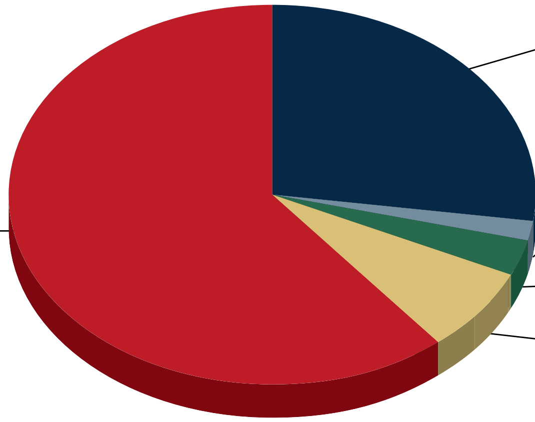
- Services increased $17.2 million, or 16.7%, primarily in the areas of academic support, auxiliary enterprises, and operation and maintenance.
- Supplies increased $14.2 million, or 10.4%, primarily in the area of academic support. Increased student enrollment requires increased supplies and services in academic support.
- Compensation and benefits increased $20.2 million, or 3.4%, primarily in the areas of academic support, instruction, and auxiliary enterprises.
- Other operating expenses increased $5.7 million, or 5.9%, primarily due to an increase in depreciation expense.

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

Nonoperating expenses decreased by $9.1 million. The largest component of this decrease from fiscal year 2011 was the change from an overall loss to a gain on disposal of capital assets.

In summary, total expenses for fiscal year 2012 were $994.4 million, an increase of $34.3 million, or 3.6%. The components of these expenses are shown in the following chart:

Total Expenses



Comparing the years ended June 30, 2011, and 2010, operating expenses in fiscal year 2011 increased $15 million over those of fiscal year 2010, which was a 1.7% increase from previous year. In the natural classifications, percentages of the total have remained relatively consistent over recent years.

Statement of Cash Flows

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

Cash provided by operating activities includes tuition and fees 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 $29.1 million, or 17.5%, in fiscal year 2012. Sources and uses are shown in the following table.

	For the Years Ended		
	June 30, 2012	June 30, 2011	June 30, 2010
Cash Provided/(Used) by:			
Operating Activities	($180,936,945)	($175,740,619)	($208,679,189)
Non-capital Financing Activities	290,560,499	303,236,685	323,315,687
Capital and Related Financing Activities	(113,980,609)	(100,278,033)	(83,262,110)
Investing Activities	33,463,450	(21,896,354)	(76,888,084)
Net Increase/(Decrease) in Cash	29,106,395	5,321,679	(45,513,696)
Cash and Cash Equivalents, Beginning of Year	165,961,736	160,640,057	206,153,753
Cash and Cash Equivalents, End of Year	$195,068,131	$165,961,736	$160,640,057

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 $44.2 million for fiscal year 2012 compared to $60.5 million for fiscal year 2011 and $59.8 million for fiscal year 2010.

CAPITAL ASSETS

At June 30, 2012, the University had $2.1 billion invested in capital assets, with accumulated depreciation and amortization of $1 billion, for net capital assets of $1.1 billion. Depreciation and amortization charges for fiscal year 2012 totaled $70.8 million. Capital assets, net of accumulated depreciation and amortization, were as follows:

	June 30, 2012	June 30, 2011	June 30, 2010
Land and Land Improvements, Nondepreciable	$ 21,396,022	$ 21,396,023	$ 20,596,411
Construction in Progress and Intangible Assets in Development	61,145,890	101,596,527	107,900,072
Infrastructure and Land Improvements, Depreciable	85,308,707	77,785,084	80,830,794
Buildings	778,845,506	707,466,540	643,331,831
Equipment and Library Collections	151,081,083	140,065,246	128,685,542
Intangible Assets	2,495,702	2,578,674	
Total Capital Assets, Net of Accumulated Depreciation and Amortization	$1,100,272,910	$1,050,888,094	$981,344,650

In fiscal year 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 $2.5 million, net of amortization, including goodwill and a covenant not to compete.

During fiscal year 2012, several major projects were placed in service, the largest being the Recreation Facilities Expansion and Renovation which was funded with Recreational Systems Facilities Revenue Bonds and the Hixson-Lied Small Animal Hospital which was funded with capital appropriations, Academic Building Revenue Bonds, institutional funds, and private gifts.

Several large construction projects were in progress at June 30, 2012. 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:

- Sukup Hall, Sukup Atrium and Elings Hall, Phase 2 of the Biorenewables Complex
- Cyclones Sports Complex
- Bergstrom Football Complex
- Troxel Hall

Sukup Hall, Sukup Atrium and Elings Hall have been funded with capital appropriations and private gifts. The Cyclones Sports Complex and Bergstrom Football Complex have been funded with private gifts and debt financing. Troxel Hall has been funded with private gifts and institutional funds.

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 2012, $1.76 million was received for the Agriculture Biosystems Engineering Biorenewables Laboratory and fire safety. In fiscal year 2011, an additional $13 million was received for the Hixson-Lied Small Animal Hospital which initially received $11.8 million in fiscal year 2009.

Capital gifts and grants revenue of $14.1 million for fiscal year 2012 was a decrease of $1.6 million from the prior year, which is still within the University's typical funding range. More detailed information about the University's capital assets is presented in Note 5 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2012, the University had $458 million in outstanding debt compared to $442.4 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, 2012	June 30, 2011	June 30, 2010
Bonds Payable-Academic Building	$165,152,460	$168,545,863	$143,472,078
Bonds Payable-Enterprise Funds	262,109,501	252,429,064	262,844,673
Capital Leases	19,327,307	8,904,597	8,324,311
Notes Payable	11,440,360	12,527,756	8,268,892
Total Debt	$458,029,628	$442,407,280	$422,909,954

In fiscal year 2012, the $25.8 million Athletic Facility Revenue Bond Series 2012 issuance increased bonds payable. This increase in bonds payable was offset by the normal paying down of debt from the other issuances. In fiscal year 2011, new issuances increased academic bonds payable by $28.2 million.

In fiscal year 2012, the University entered into a $12 million capital lease agreement for the Cyclone Sports Complex. In fiscal year 2011, the University entered into a $5 million note for a new stadium scoreboard.

ECONOMIC OUTLOOK

During the past fiscal year and projecting forward, the University's economic resources are improving. In contrast to what is occurring nationally and in many other states, Iowa's economy is improving in spite of potential drought conditions that have existed during the past crop season. Net state general fund revenues increased by 7.0% to $6.311 billion in fiscal year 2012. At its fall 2012 meeting, the State Revenue Estimating Conference projected an additional 2.7% increase for fiscal year 2013 and continued growth of 3.7% for fiscal year 2014. These growth rates are higher than any time since 2007. The Board of Regents, State of Iowa—the University's governing board—has strengthened its legislative and governmental relations programs. This is being received positively, and the University, with new presidential leadership, believes the state economic outlook for the next year is positive.

For fiscal year 2013 the state appropriated a 3.2% increase in funding and the Regents approved tuition increases of 3.75% for resident undergraduates and graduates, 2.63% for nonresident undergraduates and graduates, 6.0% for resident professional students, and 3.5% for nonresident professional students. Iowa State had its fourth straight year of record enrollment with a student body of 31,040 and its sixth consecutive year of growth. The University continues to enroll more Iowa high school graduates and more Iowa community college transfers than any other college or university. These rate increases and enrollment growth are projected to generate approximately $23.2 million for general operating support for fiscal year 2013. The University's overall tuition rates and cost of attendance continue to be very competitive with our peer institutions. Modest enrollment growth is projected to continue into the next year.

The University is continuing to implement its five year strategic plan "Meeting the Challenges of the 21st Century" and be a treasured resource for Iowa, the nation, and the world. Iowa State's new President, Steven Leath, has endorsed this plan and unveiled his goals to ensure that Iowa State University continues to provide a high quality educational experience and address the problem of growing student debt. He is committed to holding down costs, continuing efforts to run the University more efficiently, maximizing other revenue streams, and increasing partnerships.

The fall 2012 enrollment is a record. There are 31,040 students enrolled, including significant numbers of out-of-state, international, and community college transfers. The University has been able to accommodate these students with classes and is building additional student housing, while continuing to project modest enrollment growth over the next several years. Enrollment growth has been particularly strong in engineering, agriculture, and the sciences where job opportunities exist. The quality of students continues to be high, as demonstrated by ACT scores.

In fiscal year 2012 sponsored funding remained strong at $360.1 million. Faculty and staff continue to be competitive in submitting and getting proposals supported, indicating the high regard the University has with both government and private sponsors. Federal funding into fiscal year 2013 remains somewhat uncertain pending the outcome of negotiations in Washington, but program areas such as biorenewables, engineering, and agricultural research are national priorities which we anticipate will continue to be funded.

Although there continues to be some uncertainty regarding the federal budget and the pace of national economic recovery, Iowa's recovery continues to be strong. State revenues are running ahead of projections, and state reserve funds have reached their targets. The next legislative session will address how to most effectively commit significant reserve funds. The Board of Regents' preliminary decisions would have no tuition rate increases for the fall of 2013 for resident students. The Board is making a budget request for a 2.6% increase in general fund appropriations and proposing a state scholarship program for resident students. Through the Iowa State University Foundation, a private fund raising campaign is being launched to raise $150 million. These recommendations are being positively received by legislative leaders and the public. Several new facilities are under construction, including Troxel Hall, a new large lecture facility, Agriculture and Biosystems Engineering facilities, private business development in the Iowa State University Research Park, and continued renovation of the College of Veterinary Medicine. Continued campus student housing apartments, improvements in food service facilities, and the operation of a federally financed transit and parking facility continue to improve services to the University community. Major renovation of the University's utility plant to replace obsolete coal boilers with modern energy efficient gas boilers is planned and will reduce operating costs and increase reliability.

The state projects continued revenue growth. The University's bond ratings continue to remain strong with two refinancings occurring during the past year, lowering interest costs. Steven Leath, the new President, has retained the majority of administrative leaders, and completed a new leadership team that should effectively guide the University. We will continue to focus on the University's strategic plan, supporting the state's economic development, job creation, and partnership plans, to ensure that Iowa State University is a leading research university in 2050.

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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

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

We have audited the accompanying Statement of Net Assets, and the related Statements of Revenues, Expenses, and Changes in Net Assets and Cash Flows, of 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, 2012 and 2011. 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 1.9% and 0.3%, respectively, of the assets and 0.9% and 0.3%, 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, 2012 and 2011, and the changes in its financial position and its cash flows for the years ended June 30, 2012 and 2011 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, 2012 and 2011, 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan on pages 2 through 9 and page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 grant agreements and other matters required by Government Auditing Standards will be issued under separate cover. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

David A. Vaudt

DAVID A. VAUDT, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 14, 2012

STATEMENT OF NET ASSETS .... *As of June 30, 2012 and 2011*

ASSETS	2012	2011
Current Assets		
Cash and cash equivalents (Note 2A)	$ 124,341,142	$ 105,990,580
Investments (Note 2B)	98,919,078	99,900,444
Accounts receivable, net (Note 3A)	34,441,849	33,966,159
Due from government agencies (Note 3B)	32,455,698	30,734,347
Interest receivable	487,085	873,069
Loans receivable, net (Note 3C)	2,878,823	2,124,422
Inventories (Note 4)	19,205,357	18,030,701
Prepaid expenses	6,715,466	6,836,730
Total Current Assets	**319,444,498**	**298,456,452**
Noncurrent Assets		
Cash and cash equivalents (Note 2A)	70,726,989	59,971,156
Investments (Note 2B)	367,593,300	384,177,990
Deposits with trustees (Note 2D)	7,055,897	
Accounts receivable, net (Note 3A)	6,464,189	10,250,105
Due from government agencies (Note 3B)		277,000
Interest receivable	455,869	446,181
Prepaid expenses		6,996
Loans receivable, net (Note 3C)	36,337,263	30,076,563
Capital assets, net of accumulated depreciation (Note 5)	1,100,272,910	1,050,888,094
Total Noncurrent Assets	**1,588,906,417**	**1,536,094,085**
TOTAL ASSETS	**1,908,350,915**	**1,834,550,537**
LIABILITIES		
Current Liabilities		
Accounts payable	45,187,352	43,488,708
Salaries and wages payable	2,831,126	2,673,163
Unpaid claims and contingent liabilities (Note 10B)	3,938,000	4,249,000
Unearned revenue	28,528,835	28,592,525
Interest payable	8,509,077	9,315,680
Long-term debt, current portion (Note 6)	16,852,507	16,798,247
Other long-term liabilities, current portion (Note 6)	25,310,265	25,353,797
Deposits held in custody for others	74,979,262	88,747,808
Total Current Liabilities	**206,136,424**	**219,218,928**
Noncurrent Liabilities		
Accounts payable	11,282,889	8,480,980
Long-term debt, noncurrent portion (Note 6)	441,177,121	425,609,033
Other long-term liabilities, noncurrent portion (Note 6)	93,911,487	80,924,676
Total Noncurrent Liabilities	**546,371,497**	**515,014,689**
TOTAL LIABILITIES	**752,507,921**	**734,233,617**
NET ASSETS		
Invested in capital assets, net of related debt	700,797,978	669,652,160
Restricted (Note 8):		
Nonexpendable	29,606,528	29,995,494
Expendable	31,574,159	31,260,556
Unrestricted	393,864,329	369,408,710
TOTAL NET ASSETS	**$1,155,842,994**	**$1,100,316,920**

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, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $84,387,247 and $76,169,649 for the years ended June 30, 2012 and 2011, respectively (Note 1N)	$ 249,646,862	$ 222,814,970
Federal appropriations	12,485,319	13,470,883
Federal grants and contracts	146,175,992	145,298,740
State and local government grants and contracts	18,924,411	18,601,558
Nongovernmental grants and contracts	23,831,117	37,251,806
Sales and services of educational activities	54,982,627	47,076,343
Auxiliary enterprises, net of scholarship allowances of $5,256,800 and $4,485,230 for the years ended June 30, 2012 and 2011, respectively (Note 1N)	155,891,827	142,267,244
Independent operations	40,862,918	38,368,985
Interest on student loans	652,011	614,710
Other operating revenues	23,221,951	19,615,131
TOTAL OPERATING REVENUES	**726,675,035**	**685,380,370**
OPERATING EXPENSES		
Instruction	217,578,738	211,831,636
Research	165,247,082	170,846,947
Public service	74,894,298	71,621,345
Academic support	124,606,639	99,631,632
Student services	29,403,126	27,497,146
Institutional support	36,697,991	34,172,196
Operation and maintenance of plant	63,691,436	57,953,717
Scholarships and fellowships	30,844,638	31,022,012
Auxiliary enterprises	127,532,930	117,373,270
Independent operations	41,327,651	38,487,962
Depreciation	70,778,153	64,811,441
Other operating expenses	525,119	650,692
TOTAL OPERATING EXPENSES	**983,127,801**	**925,899,996**
OPERATING LOSS	**(256,452,766)**	**(240,519,626)**
NONOPERATING REVENUES/(EXPENSES)		
State appropriations	225,142,946	236,194,441
Federal grants and contracts	23,510,342	27,158,647
Nonfederal gifts, grants and contracts	40,725,949	34,132,495
Investment income	16,962,004	33,252,865
Interest on indebtedness	(14,846,145)	(14,247,076)
Gain/(loss) on disposal of capital assets	631,420	(4,969,348)
Other nonoperating income/(loss)	3,318,108	(747,984)
NET NONOPERATING REVENUES/(EXPENSES)	**295,444,624**	**310,774,040**
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	38,991,858	70,254,414
Capital appropriations	1,760,000	13,000,000
Capital gifts, grants and contracts	14,114,188	15,687,779
Other revenues/(expenses)	(331,343)	(213,542)
TOTAL OTHER REVENUES, EXPENSES, GAINS & LOSSES	**15,542,845**	**28,474,237**
EXTRAORDINARY ITEMS DUE TO FLOOD		
Net building impairment gain/(loss) after insurance recovery (Note 11)	(4,503,944)	5,237,572
Other flood expenses	(337,226)	(14,195,761)
Other realizable insurance recoveries	5,832,541	14,858,550
NET EXTRAORDINARY ITEMS DUE TO FLOOD	**991,371**	**5,900,361**
CHANGE IN NET ASSETS	**55,526,074**	**104,629,012**
Net Assets, Beginning of Year	1,100,316,920	995,687,908
NET ASSETS, END OF YEAR	**$1,155,842,994**	**$1,100,316,920**

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

STATEMENT OF CASH FLOWS *For the Years Ended June 30, 2012 and 2011*

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 248,580,759	$ 221,044,705
Federal appropriations	11,447,280	16,739,832
Grants and contracts	187,934,830	190,187,800
Sales of educational activities	54,551,670	46,833,227
Sales and services of auxiliary enterprises	156,507,305	142,215,860
Receipts of independent operations	39,680,141	38,456,290
Interest on loans to students	604,487	715,584
Collections of loans from students	3,687,186	3,595,029
Payments for salaries and benefits	(604,586,598)	(585,690,330)
Payments for goods and services	(270,466,248)	(237,744,159)
Scholarship payments	(29,760,283)	(29,910,534)
Loans issued to students	(3,551,097)	(3,143,522)
Other operating receipts	24,433,623	20,959,599
NET CASH USED BY OPERATING ACTIVITIES	**(180,936,945)**	**(175,740,619)**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	225,142,946	236,194,441
Non-capital gifts, grants and contracts	64,525,628	60,580,279
Direct lending receipts	111,066,246	151,172,581
Direct lending payments	(111,355,529)	(151,284,820)
Funds held for others receipts	345,700,339	288,562,563
Funds held for others payments	(344,519,131)	(281,988,359)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	**290,560,499**	**303,236,685**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	2,037,000	31,720,000
Capital gifts and grants received	13,063,506	11,952,704
Proceeds from capital and refunding debt	37,936,995	64,541,098
Proceeds from sale of capital assets	916,605	1,322,401
Acquisition and construction of capital assets	(114,417,652)	(131,942,426)
Principal paid on capital debt	(18,709,687)	(16,190,662)
Interest paid on capital debt	(17,768,112)	(18,618,444)
Defeased debt payments	(22,306,824)	(34,895,000)
Other capital and related financing sources/(uses)	5,267,560	(8,167,704)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(113,980,609)**	**(100,278,033)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received on investments	23,499,748	11,930,687
Proceeds from sales of investments	1,024,152,992	844,477,306
Purchases of investments	(1,014,189,290)	(878,304,347)
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	**33,463,450**	**(21,896,354)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**29,106,395**	**5,321,679**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	165,961,736	160,640,057
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 195,068,131**	**$ 165,961,736**

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

OPERATING LOSS	**$ (256,452,766)**	**$(240,519,626)**
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	70,778,153	64,811,441
Changes in assets and liabilities:		
Accounts receivable, net	(2,511,171)	1,797,843
Inventories	(1,187,123)	85,586
Prepaid expenses	34,319	(695,373)
Loans receivable	320,856	778,528
Accounts payable	2,181,788	5,046,032
Unearned revenue	320,181	(11,177,338)
Compensated absences	2,866,991	(413,835)
Early retirement benefits payable	(3,247,328)	(244,768)
Deferred compensation liability	77,498	(496,608)
NET CASH USED BY OPERATING ACTIVITIES	**$(180,936,945)**	**$(175,740,619)**

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital gifts-in-kind	**$ 222,755**	**$ 81,995**

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

Cash and cash equivalents classified as current assets	$ 124,341,142	$ 105,990,580
Cash and cash equivalents classified as noncurrent assets	70,726,989	59,971,156
TOTAL CASH AND CASH EQUIVALENTS	**$ 195,068,131**	**$ 165,961,736**

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, 2012 and 2011*

	2012	2011
ASSETS		
Cash and cash equivalents	$ 10,443,380	$ 12,269,616
Receivables:		
Pledges, net (Note 3D)	73,340,886	75,675,652
Estates	3,413,930	6,890,523
Funds held in trust by others	17,826,607	19,662,781
Total receivables	94,581,423	102,228,956
Investments (Note 2C):		
Pooled investments	577,763,678	569,661,552
Other marketable securities	34,095,091	34,932,648
Equity in subsidiary		1,769,459
Real estate and other investments	11,405,887	10,315,662
Total investments	623,264,656	616,679,321
Property and equipment	3,500,846	3,063,016
Other assets	4,483,731	4,191,475
TOTAL ASSETS	**$736,274,036**	**$738,432,384**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 1,434,157	$ 968,603
Due to related organizations	7,370,768	8,065,995
Bonds payable	2,679,065	2,772,686
Long-term liabilities	1,747,093	1,745,910
Annuities payable	20,724,945	21,141,042
TOTAL LIABILITIES	**33,956,028**	**34,694,236**
NET ASSETS (Note 8)	**702,318,008**	**703,738,148**
TOTAL LIABILITIES AND NET ASSETS	**$736,274,036**	**$738,432,384**

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

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended June 30, 2012 and 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	$ 2,871,493	$ 43,064,486	$ 16,074,634	$ 62,010,613	$ 70,494,451
Investment return:					
Pooled investments	7,050,732	15,835,464	(24,914,176)	(2,027,980)	82,684,293
Nonpooled investments	1,270,093	(141,729)	1,571,289	2,699,653	7,283,675
Equity in net income/(loss) of subsidiary	(131,880)			(131,880)	(64,234)
Loss on sale of non-consolidated subsidiary and land	(1,562,277)			(1,562,277)	
Total investment return	6,626,668	15,693,735	(23,342,887)	(1,022,484)	89,903,734
Fundraising service revenue	2,522,125			2,522,125	2,909,387
Return on funds held in trust by others		(23,095)	(351,723)	(374,818)	560,968
Other earnings	51,236	1,003,426	62,115	1,116,777	1,526,372
Net assets released from restrictions	49,922,398	(49,922,398)		–	–
TOTAL REVENUES, GAINS AND OTHER SUPPORT	**61,993,920**	**9,816,154**	**(7,557,861)**	**64,252,213**	**165,394,912**
EXPENSES					
Program	50,275,224			50,275,224	50,876,395
Operating:					
Fundraising	10,558,493			10,558,493	9,296,248
Administrative	3,596,478			3,596,478	3,658,870
Annuity liability adjustment		153,087	1,089,071	1,242,158	2,247,752
TOTAL EXPENSES	**64,430,195**	**153,087**	**1,089,071**	**65,672,353**	**66,079,265**
CHANGE IN NET ASSETS	**(2,436,275)**	**9,663,067**	**(8,646,932)**	**(1,420,140)**	**99,315,647**
Net Assets, Beginning of Year	20,219,820	205,795,585	477,722,743	703,738,148	604,422,501
NET ASSETS, END OF YEAR	**$ 17,783,545**	**$215,458,652**	**$469,075,811**	**$702,318,008**	**$703,738,148**

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

The University offers courses of study leading to degrees at the undergraduate, graduate, and post-graduate levels. Degrees are available from seven colleges: Agriculture and Life Sciences, Business, Design, Engineering, Human Sciences, Liberal Arts and Sciences, and Veterinary Medicine. Other major operating units of the University are: Agriculture & Home Economics Experiment Station; Extension and Outreach; and the Ames Laboratory, a U.S. Department of Energy sponsored independent operation. The campus consists of approximately 1,795 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. **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 are included in the "Institutional support" classification in the Statement of Revenues, Expenses and Changes in Net Assets. For the year ended June 30, 2012, the revenues and expenses were $9,975,730 and $4,432,711 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 are included primarily in the "Academic support" classification in the Statement of Revenues, Expenses and Changes in Net Assets. For the year ended June 30, 2012, these were $3,517,759 and $3,758,174 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.

2. **Discretely Presented Component Unit** – The Iowa State University Foundation, Iowa State University Achievement Fund, and the Original University Foundation (herein collectively referred to as the “Foundation”) 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, 2012 and 2011, the Foundation distributed and expended $50,275,224 and $50,876,395, respectively, on behalf of the University for both restricted and unrestricted purposes as follows:

	2012	2011
Scholarships, loan funds, and awards	$ 15,841,954	$ 16,112,020
Faculty and staff support	6,525,947	5,970,945
College and administrative support	16,079,512	13,070,946
Buildings, equipment, and repairs	10,696,170	14,602,035
Gifts in kind	1,131,641	1,120,449
Total Program Support	$ 50,275,224	$ 50,876,395

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 with or contradict GASB pronouncements. 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 Statement No. 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. Unearned Revenue

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

J. Compensated Absences

Employees' compensated absences are accrued when earned under the provisions of Chapters 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 reported in the Statement of Net Assets is based on 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, Memorial Union Revenue Bonds, and Recreational System Facilities Revenue Bonds. Auxiliary enterprise revenues are pledged as security for Athletic Facilities Revenue Bonds, Dormitory Revenue Bonds, Memorial Union Revenue Bonds, Parking System Revenue Bonds, Recreational System Facilities Revenue Bonds, Regulated Materials Facility Revenue Bonds, and Utility System Revenue Bonds.

O. Auxiliary Enterprise Revenues

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

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, INVESTMENTS, AND DEPOSITS WITH TRUSTEES

A. Cash and Cash Equivalents

As of June 30, 2012 and 2011, the book balances of cash and cash equivalents were $195,068,131 and $165,961,736, respectively. As of June 30, 2012 and 2011, the bank balances were $202,428,733 and $173,456,994, respectively, of which $70,310,499 and $71,327,035, 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, 2012 and 2011, $132,118,234 and $102,129,959, 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 $8,074,209 as of June 30, 2012, 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 $466.5 million investments, $1,484,375 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.

Issuers that represent 5% or more of total operating portfolio assets:

Issuer	Fair Value	% of Total Operating Portfolio Assets
Federal Farm Credit Bank	$ 40,060,900	9%
Federal Home Loan Bank	$ 99,381,833	22%

As of June 30, 2012, 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	NA	AAA	AA	A	BBB	BB/B/CCC	Total Fair Value
Fixed Income:									
U.S. Government Agencies	1.68	$	$ 149,064	$ 17,063,489	$141,983,632	$	$	$	$159,196,185
U.S. Treasury Obligations	1.68	68,009,080							68,009,080
Corporate Notes and Bonds	1.70		55,288	4,176,445	725,084	3,241,103	3,184,219	264,042	11,646,181
Mutual Funds, Short Term	5.78	49,758,880	172,558	2,196,520	1,976,528	5,807,878	9,688,693	3,406,572	73,007,629
Subtotal		$117,767,960	$ 376,910	$ 23,436,454	$144,685,244	$ 9,048,981	$ 12,872,912	$ 3,670,614	311,859,075
Equity:									
Common Stock									7,861,798
Mutual Funds									126,905,274
Private Equity									8,706,292
Foundation Pooled Funds									1,484,375
Real Estate									9,695,564
Total Investments									$466,512,378

C. Investments (Foundation)

Investments were comprised of the following balances as of June 30, 2012 and 2011:

Investment	June 30, 2012	June 30, 2011
Pooled Investments:		
Equity	$ 185,078,741	$ 208,195,991
Fixed Income	144,076,577	143,579,473
Hedge Funds	127,239,945	123,625,374
Private Equity	63,825,154	55,649,433
Real Estate	14,673,645	9,986,551
Natural Resources/Commodities	24,336,277	21,777,003
Cash and Cash Equivalents	18,513,265	6,765,285
Accrued Interest	270,074	332,442
Accrued Manager Fees	(250,000)	(250,000)
Total Pooled Investments	577,763,678	569,661,552
Other Marketable Securities:		
Fixed Income	13,761,503	13,449,530
Equity	19,798,201	20,402,718
Cash and Cash Equivalents	535,387	1,080,400
Total Other Marketable Securities	34,095,091	34,932,648
Equity in Subsidiary		1,769,459
Real Estate and Other Investments:		
Real Estate	9,862,444	8,167,667
Notes Receivable		652,454
Notes Receivable from Affiliated Entities	1,543,443	1,495,541
Total Real Estate and Other Investments	11,405,887	10,315,662
Total Investments	$ 623,264,656	$ 616,679,321

D. Deposits with Trustees

Funds on deposit with trustees representing undrawn capital lease proceeds at June 30, 2012 and 2011, totaled $7,055,897 and $0, respectively.

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, 2012 and 2011, accounts receivable consisted of the following:

	June 30, 2012	June 30, 2011
Accounts Receivable	$ 42,202,373	$ 45,372,047
Allowance for Doubtful Accounts	(1,296,335)	(1,155,783)
Accounts Receivable, Net	$ 40,906,038	$ 44,216,264

B. Due from Government Agencies

Due from government agencies is composed of $2,983,828 due from state and local government agencies and $29,471,870 due from United States government agencies at June 30, 2012 and $2,454,404 due from state and local government agencies and $28,556,943 due from United States government agencies at June 30, 2011.

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, 2012	June 30, 2011
Student Loans Receivable	$ 23,330,865	$ 23,675,637
Other Loans Receivable	16,105,052	8,760,556
Allowance for Doubtful Accounts	(219,831)	(235,208)
Loans Receivable, Net	$ 39,216,086	$ 32,200,985

D. Pledges Receivable (Foundation)

The components of net pledges receivable as of June 30, 2012 and 2011 are as follows:

	June 30, 2012	June 30, 2011
Gross Pledges Receivable	$ 78,986,613	$ 82,495,929
Allowance for Uncollectible Pledges	(1,860,625)	(1,359,419)
Discount to Present Value	(3,785,102)	(5,460,858)
Net Pledges Receivable	$ 73,340,886	$ 75,675,652

The Foundation estimates payments on these pledges receivable as of June 30, 2012, will be received as follows:

Year Ending June 30,	Principal
2013	$ 22,704,593
2014	13,350,646
2015	10,772,679
2016	10,770,217
2017	3,649,710
Thereafter	17,738,768
Total	$ 78,986,613

In addition, the Foundation has received notification of deferred gifts totaling approximately $440,000,000 and $399,000,000 as of June 30, 2012 and 2011, 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, 2012	June 30, 2011
Supplies, Merchandise, and Grain for Resale	$ 16,346,863	$ 15,929,300
Livestock	2,858,494	2,101,401
Total Inventories	$ 19,205,357	$ 18,030,701

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012, is summarized as follows:

	July 1, 2011	Additions	Transfers	Deductions	June 30, 2012
Capital Assets, Nondepreciable:					
Land	$ 15,662,890	$	$	$	$ 15,662,890
Land Improvements	5,733,133				5,733,133
Construction in Progress	99,973,079	86,974,959	(128,423,451)	(165,558)	58,359,029
Intangible Assets in Development	1,623,448	1,163,412			2,786,860
Goodwill	2,301,591		(2,301,591)		-
Capital Assets, Nondepreciable	125,294,141	88,138,371	(130,725,042)	(165,558)	82,541,912
Capital Assets, Depreciable:					
Buildings	1,237,257,657	209,000	112,710,177	(2,885,809)	1,347,291,025
Land Improvements	20,026,713		5,338,464		25,365,177
Infrastructure	198,340,377		10,374,810		208,715,187
Equipment	237,125,638	21,621,208		(2,922,702)	255,824,144
Library	199,722,884	11,740,258		(245,520)	211,217,622
Intangible Assets	285,000	177,183	2,301,591		2,763,774
Capital Assets, Depreciable	1,892,758,269	33,747,649	130,725,042	(6,054,031)	2,051,176,929
Accumulated Depreciation/Amortization:					
Buildings	529,791,117	39,362,247		(707,845)	568,445,519
Land Improvements	11,037,956	1,222,099			12,260,055
Infrastructure	129,544,050	6,967,552			136,511,602
Equipment	139,927,727	13,601,073		(3,543,173)	149,985,627
Library	156,855,549	9,365,027		(245,520)	165,975,056
Intangible Assets	7,917	260,155			268,072
Accum. Depreciation/Amortization	967,164,316	70,778,153	-	(4,496,538)	1,033,445,931
Depreciable Assets, Net	925,593,953	(37,030,504)	130,725,042	(1,557,493)	1,017,730,998
Total Capital Assets, Net	$1,050,888,094	$ 51,107,867	$ -	$ (1,723,051)	$1,100,272,910

Capital assets, net of accumulated depreciation and amortization, purchased with resources provided by outstanding capital lease agreements at June 30, 2012, consisted of $385,788 of land, $7,454,284 of construction in progress, $7,171,534 of buildings and $207,000 of equipment.

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012, is summarized as follows:

	July 1, 2011	Additions	Deductions	June 30, 2012	Current Portion
Long-Term Debt:					
Bonds Payable	$420,974,927	$ 29,415,710	$ 23,128,676	$427,261,961	$ 15,025,000
Notes Payable	12,527,756		1,087,396	11,440,360	657,940
Capital Leases Payable	8,904,597	12,000,000	1,577,290	19,327,307	1,169,567
Total Long-Term Debt	442,407,280	41,415,710	25,793,362	458,029,628	16,852,507
Other Long-Term Liabilities:					
Compensated Absences	41,580,501	22,031,722	19,109,926	44,502,297	19,458,320
Early Retirement Benefits Payable	14,232,366	166,033	3,413,361	10,985,038	2,978,908
Refundable Advances on Student Loans	18,178,893			18,178,893	
Unearned Revenue	53,200		53,200	-	
Deferred Compensation	89,038	77,498		166,536	
Due to State	8,699,233	10,052,243	2,689,387	16,062,089	2,873,037
Net Other Post-Employment Benefits Obligation	23,445,242	10,992,257	5,110,600	29,326,899	
Total Other Long-Term Liabilities	106,278,473	43,319,753	30,376,474	119,221,752	25,310,265
Total Long-Term Liabilities	$548,685,753	$ 84,735,463	$ 56,169,836	$577,251,380	$ 42,162,772

A. Bonds Payable

Outstanding long-term revenue bond indebtedness at June 30, 2012, consisted of the following:

	Interest Rates	Maturity Dates	Amount
Academic Building	2.50 – 5.25%	2013-2036	$ 164,965,000
Less: Unamortized Discount			(1,105,694)
Add: Unamortized Premium			957,154
Add: Unamortized Refunding Gain			336,000
Athletic Facilities	2.00 – 6.10%	2013-2038	44,915,000
Less: Unamortized Discount			(483,027)
Dormitory	2.00 – 4.625%	2013-2030	118,790,000
Less: Unamortized Discount			(407,830)
Add: Unamortized Premium			97,767
Less: Unamortized Refunding Loss			(601,801)
Memorial Union	3.25 – 4.625%	2013-2031	20,680,000
Less: Unamortized Discount			(238,673)
Parking System	2.00 – 4.20%	2013-2023	3,770,000
Add: Unamortized Premium			123,918
Add: Unamortized Refunding Gain			220,000
Recreational System Facilities	2.00 – 4.75%	2014-2038	51,000,000
Less: Unamortized Discount			(506,015)
Regulated Materials Facility	3.75 – 4.55%	2013-2020	4,040,000
Less: Unamortized Discount			(28,451)
Utility System	3.70 – 4.85%	2013-2027	20,900,000
Less: Unamortized Discount			(161,387)
Total Bonds Payable			$ 427,261,961

Debt service requirements to maturity, as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 15,025,000	$ 16,922,727	$ 31,947,727
2014	16,965,000	16,407,594	33,372,594
2015	18,035,000	15,803,484	33,838,484
2016	18,850,000	15,169,869	34,019,869
2017	19,985,000	14,483,190	34,468,190
2018-2022	103,035,000	60,754,547	163,789,547
2023-2027	107,105,000	39,924,649	147,029,649
2028-2032	77,390,000	18,848,826	96,238,826
2033-2037	47,725,000	5,734,109	53,459,109
2038	4,945,000	106,091	5,051,091
Less: Unamortized Discount	(2,931,077)		(2,931,077)
Add: Unamortized Premium	1,178,839		1,178,839
Less: Unamortized Refunding Gain/(Loss)	(45,801)		(45,801)
Total	$ 427,261,961	$ 204,155,086	$ 631,417,047

In March 2012, the University issued $25,845,000 of Athletic Facilities Revenue Bonds, Series I.S.U. 2012. A portion of the proceeds were placed in an irrevocable trust to refund $3,780,000 of Indoor Multi-Purpose & Training Facility Revenue Refunding Bonds, Series I.S.U. 2003. 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 $408,181 and will reduce future aggregate debt service payments over the next 8 years by $741,428.

In May 2012, the University issued $3,485,000 of Parking System Revenue Refunding Bonds, Series I.S.U. 2012, the proceeds of which were placed in an irrevocable trust to refund $3,705,000 of Parking System Revenue Bonds, Series I.S.U. 2002. 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 $571,854 and will reduce future aggregate debt service payments over the next 10 years by $753,145.

B. Notes Payable

The University had the following notes payable outstanding at June 30, 2012:

	Interest Rates	Maturity Dates	Amount
Athletic System	0.80 - 5.82%	2013-2030	$ 11,342,107
Compost Facility	0.00%	2013-2014	43,116
Design College Computer	4.20%	2013	55,137
Total			$ 11,440,360

Debt service requirements to maturity, as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 657,940	$ 430,679	$ 1,088,619
2014	628,768	397,384	1,026,152
2015	580,284	364,390	944,674
2016	688,400	331,274	1,019,674
2017	685,615	293,575	979,190
2018-2022	3,385,658	862,620	4,248,278
2023-2027	813,695	244,855	1,058,550
2028-2030	4,000,000	74,667	4,074,667
Total	$ 11,440,360	$ 2,999,444	$ 14,439,804

C. Capital Leases Payable

The University had the following capital leases outstanding at June 30, 2012:

	Interest Rates	Maturity Dates	Amount
Farm Equipment	2.69 – 6.82%	2013-2016	$ 103,277
ISU Veterinary Services Corporation	5.10%	2013-2016	73,421
Master Lease Program	3.56 – 5.40%	2013-2021	1,348,776
Sukup Basketball Complex	0.80 – 5.07%	2013-2020	5,801,833
Cyclone Sports Complex	3.86%	2013-2027	12,000,000
Total			$ 19,327,307

The following is a schedule by year of future minimum lease payments required as of June 30, 2012:

Year Ending June 30,	Principal	Interest	Total
2013	$ 1,169,567	$ 903,640	$ 2,073,207
2014	1,346,831	726,376	2,073,207
2015	1,394,953	665,055	2,060,008
2016	1,453,035	601,585	2,054,620
2017	1,481,502	535,908	2,017,410
2018-2022	7,649,948	1,640,546	9,290,494
2023-2027	4,831,471	527,558	5,359,029
Total	$ 19,327,307	$ 5,600,668	$ 24,927,975

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 4,428 active and 1,756 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, 2012, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

Annual Required Contribution (ARC)	$ 10,118,100
Interest on Net OPEB Obligation	793,726
Adjustment to Annual Required Contribution	(1,147,532)
Annual OPEB Cost	9,764,294
Contributions Made	(5,110,600)
Increase in Net OPEB Obligation	4,653,694
Net OPEB Obligation, Beginning of Year	19,843,157
Net OPEB Obligation, End of Year	$ 24,496,851

For fiscal year 2012, the University contributed $5.1 million to the medical plan. Plan members receiving benefits contributed $1.2 million, or 19% 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
6/30/2012	$ 9,764,294	52.3%	$ 24,496,851
6/30/2011	$10,022,803	57.1%	$ 19,843,157
6/30/2010	$ 9,676,194	47.0%	$ 15,544,593

Funded Status and Funding Progress. As of the valuation date, for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was $80.8 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $80.8 million. The covered payroll (annual payroll of active employees covered by the plan) was $300.1 million, and the ratio of the UAAL to the covered payroll was 26.9%. As of June 30, 2012, 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques 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, 2011 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 medical trend rate for 2012 was 7.5% and will stay at that rate until 2016 when it will be reduced 0.5% each year until reaching the ultimate medical trend rate of 5.0% in 2020. The underlying inflation rate used in the valuation was 2.5%.

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, 2012. 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, 2012. 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 $4,830,048 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, 2012.

Year Ending June 30,	Amount
2013	$1,840,143
2014	1,616,563
2015	1,031,279
2016	604,329
2017	491,237
2018-2019	414,502
Total	$5,998,053

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 $2,178,496 and $2,445,710, respectively, for the years ended June 30, 2012 and 2011.

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, 2012	June 30, 2011
Restricted-Nonexpendable:		
Permanently Endowed Funds	$ 29,606,528	$ 29,995,494
Restricted-Expendable:		
Student Loans	11,185,913	10,809,146
Scholarships, Research, and Educational Purposes	8,074,209	7,902,515
Reserve for Debt Service	11,573,221	12,388,579
Capital Projects	740,816	160,316
Total Restricted-Expendable	31,574,159	31,260,556
Total Restricted Net Assets	$ 61,180,687	$ 61,256,050

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

	June 30, 2012	June 30, 2011
Temporarily Restricted:		
College Program Support	$ 60,628,712	$ 57,864,123
Student Financial Aid	39,428,700	40,119,879
Faculty and Staff Support	15,889,692	13,273,458
Research	10,908,620	10,286,529
Building, Equipment, and Maintenance	81,741,283	79,491,979
Other	6,861,645	4,759,617
Total Temporarily Restricted Net Assets	$ 215,458,652	$ 205,795,585
Permanently Restricted:		
College Program Support	$ 165,195,573	$ 169,613,062
Student Financial Aid	163,461,144	165,406,431
Faculty and Staff Support	114,386,588	114,292,369
Research	12,734,705	13,223,443
Building, Equipment, and Maintenance	2,341,696	2,458,851
Other	10,956,105	12,728,587
Total Permanently Restricted Net Assets	$ 469,075,811	$ 477,722,743

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. The University's required and actual contributions amounted to $35,892,840 and $34,957,386, respectively, for the years ended June 30, 2012 and 2011. The employees' required and actual contributions amounted to $17,945,877 and $17,487,229 respectively, for the years ended June 30, 2012 and 2011.

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 5.38% of their annual covered salary; the University is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. For the year ended June 30, 2011, 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, 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. These contribution requirements are established by State statute. The University's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were $1,477,830, $1,067,463, and $898,705, 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.

Phased Plus Retirement Program

At its April 2010 meeting, the Board of Regents approved the Phased Plus Retirement Program. Faculty, professional and scientific, merit system employees, and institutional officials who had accumulated ten years of service with the University and who attained the age of 55 at the time of initial reduction of employment were eligible for participation in the Phased Plus Retirement Program. This is a one-time program with the maximum phasing period of two years with full retirement required at the end of the specified phasing period. At no time during the phasing period may an employee hold less than a 50% or greater than a 65% appointment. Phased retirement period is required to occur no later than January 1, 2012. At the end of the appointment, the employee would have the option of medical coverage or employer-paid retirement contributions for the balance of five years once phased retirement has begun, with the same stipulations as the RIO3 program.

At June 30, 2012, 461 employees had elected the Retirement Incentive Option or the Phased Plus Retirement Program for which the University is committed to providing future benefit payments totaling $10,985,038. During the fiscal year ended June 30, 2012, the University paid $3,413,361 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, 2012 and 2011, the University had outstanding construction contract commitments of $82,979,244 and $29,422,692, 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.

	2012	2011
Unpaid Claims and Contingent Liabilities Accrued at July 1, 2011 and 2010	$ 4,249,000	$ 4,191,000
Claims Incurred and Contingent Liabilities Accrued During the Fiscal Year	45,165,903	44,708,141
Payments on Claims During the Fiscal Year	(45,476,903)	(44,650,141)
Unpaid Claims and Contingent Liabilities Accrued at June 30, 2012 and 2011	$ 3,938,000	$ 4,249,000

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 $2,000,000 per incident deductible. The University commercial insurance program also includes coverage for enterprise facilities such as the residence system, Iowa State Center, power plant, etc., with deductibles ranging from $5,000 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/(LOSS) DUE TO FLOOD

In August 2010, the University suffered significant flood damage. The calculation of a net impairment gain associated with several impaired buildings has been updated to reflect the current estimate of damages, restoration, and recovery. This is compliant with 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	$ 11,254,467
Deflation factor, compounded	.80
Deflated Restoration Costs	$ 9,028,841
Restoration Cost Ratio	37.84%
Impairment Loss	$ (4,804,104)
Insurance Recovery	5,537,732
Net Building Impairment Gain	733,628
Less Gain Realized in Previous Year	(5,237,572)
Impairment Gain/(Loss) Realized, FY 2012	$ (4,503,944)

The impairment loss is measured using the restoration cost approach. The expected cost to restore the impaired buildings (excluding building contents) is $11.3 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 .80. Deflated restoration costs of the impaired buildings is $9.0 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 0.45% to 100%, with the weighted average being 37.84%, compared to the previous year's weighted average of 26.51%. The resulting total gross impairment loss, based on each asset's carrying value, is $4.8 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 $5.5 million, resulting in a net building impairment gain of $0.7 million. The fiscal year 2011 net impairment gain reported was $5.2 million; therefore, an incremental change in net impairment loss of $4.5 million is recorded in the financial statements for the year ended June 30, 2012.

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/(loss) 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, 2012.

	Compensation And Benefits	Supplies	Services, Repairs & Professional Services	Other	Total
Instruction	$ 192,289,975	$ 13,093,138	$ 12,195,625	$	$ 217,578,738
Research	104,529,045	25,703,057	35,014,980		165,247,082
Public Service	49,004,802	11,749,728	14,139,768		74,894,298
Academic Support	91,357,389	15,488,624	17,760,626		124,606,639
Student Services	20,427,927	4,407,974	4,567,225		29,403,126
Institutional Support	30,153,711	4,086,178	2,458,102		36,697,991
Operation & Maintenance	30,107,530	20,427,076	13,156,830		63,691,436
Scholarships & Fellowships				30,844,638	30,844,638
Auxiliary Enterprises	68,377,774	43,055,549	16,099,607		127,532,930
Independent Operations	24,021,935	12,603,953	4,701,763		41,327,651
Depreciation				70,778,153	70,778,153
Other Operating Expenses				525,119	525,119
Total Operating Expenses	$ 610,270,088	$ 150,615,277	$ 120,094,526	$ 102,147,910	$ 983,127,801

NOTE 13 – SUBSEQUENT EVENT

Subsequent to June 30, 2012, the Board of Regents, State of Iowa, authorized the sale of Dormitory Revenue Refunding Bonds, Series I.S.U. 2013 for $16,580,000 to be issued on January 1, 2013. These bonds will bear interest at varying rates between 1.5% and 2.75% and will mature in varying amounts from July 1, 2014 through July 1, 2029. The proceeds of these bonds will be used to provide for the defeasance of the July 1, 2013 maturity and advance refund the outstanding principal of the July 1, 2014 through July 1, 2029 maturities of the Series 2003 Bonds, to fund a portion of the debt service reserve fund, and to pay the costs of issuing the bonds. The bonds will be payable solely from the net rent, profits, and income of the Dormitory System of the University.

NOTE 14 - 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 and 2012 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. 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.

E. Parking System Revenue Bonds

The Parking System Revenue Bonds were issued in 2002 to construct a single level parking deck on the University campus. In addition, the bonds were used to recondition and expand vehicle parking spaces with the construction of a connecting roadway at Jack Trice Stadium. These bonds were defeased by a refunding bond issue in 2012. Revenues pledged for this issue are the net revenues of the University's parking system.

F. 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.

G. 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.

H. 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.

SEGMENT INFORMATION

For the year ended June 30, 2012

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
CONDENSED STATEMENT OF NET ASSETS			
Assets:			
Current Assets	$ 7,323,704	$ 7,587,182	$ 10,679,123
Noncurrent Assets	15,818,362	14,406,955	44,105,213
Capital Assets	140,545,801	39,141,940	141,118,744
Total Assets	163,687,867	61,136,077	195,903,080
Liabilities:			
Current Liabilities	7,323,255	7,761,453	11,961,059
Noncurrent Liabilities	161,349,506	46,645,621	113,687,474
Total Liabilities	168,672,761	54,407,074	125,648,533
Net Assets:			
Invested in Capital Assets, Net of Related Debt	(13,414,918)	6,402,317	39,907,605
Restricted	8,382,170	307,762	(159,610)
Unrestricted	47,854	18,924	30,506,552
Total Net Assets	$ (4,984,894)	$ 6,729,003	$ 70,254,547
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS			
Operating Revenues	$196,377,187	$ 10,739,484	$ 82,735,868
Operating Expenses		(1,196,038)	(63,958,504)
Depreciation Expense	(7,925,229)	(1,150,999)	(5,526,150)
Net Operating Income/(Loss)	188,451,958	8,392,447	13,251,214
Nonoperating Revenues/(Expenses)	(5,062,966)	(1,100,943)	(4,378,742)
Other Revenues/(Expenses) and Transfers	(187,860,238)	(3,141,062)	(189,979)
Change in Net Assets	(4,471,246)	4,150,442	8,682,493
Beginning Net Assets	(513,648)	2,578,561	61,572,054
Ending Net Assets	$ (4,984,894)	$ 6,729,003	$ 70,254,547
CONDENSED STATEMENT OF CASH FLOWS			
Net Cash and Cash Equivalents Provided/(Used) By:			
Operating Activities	$196,377,187	$ 10,065,775	$ 18,970,301
Non-Capital Financing Activities			
Capital and Related Financing Activities	(205,779,986)	3,269,604	(17,100,584)
Investing Activities	(3,251,490)	(13,509,807)	13,266,866
Net Increase/(Decrease)	(12,654,289)	(174,428)	15,136,583
Beginning Cash and Cash Equivalents	14,567,724	6,122,476	10,138,429
Ending Cash and Cash Equivalents	$ 1,913,435	$ 5,948,048	$ 25,275,012

	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Utility System Revenue Bonds
	$ 1,236,085	$ 814,329	$ 1,076,470	$ 519,700	$ 24,096,773
	5,012,667	4,142,647	14,188,559	3,237,618	5,676,620
	29,376,242	5,690,031	43,662,150	7,313,765	55,949,947
	35,624,994	10,647,007	58,927,179	11,071,083	85,723,340
	1,625,694	718,503	1,175,701	519,700	5,074,331
	20,310,187	4,091,484	50,692,815	3,576,549	17,795,176
	21,935,881	4,809,987	51,868,516	4,096,249	22,869,507
	10,633,187	2,341,363	1,799,281	4,348,759	36,752,074
	26,472	(140,500)	14,561	3,460	2,619,958
	3,029,454	3,636,157	5,244,821	2,622,615	23,481,801
	$ 13,689,113	$ 5,837,020	$ 7,058,663	$ 6,974,834	$ 62,853,833
	$ 3,253,806	$ 3,570,262	$ 568,727	$ 619,720	$ 37,375,318
	(5,598,325)	(2,324,205)	(4,127,406)	(13,951)	(30,483,610)
	(1,582,758)	(452,578)	(1,819,256)	(227,666)	(3,251,104)
	(3,927,277)	793,479	(5,377,935)	378,103	3,640,604
	(899,989)	(224,250)	(1,105,856)	(175,772)	(915,210)
	4,001,115	(141,173)	6,499,293	250,000	104,358
	(826,151)	428,056	15,502	452,331	2,829,752
	14,515,264	5,408,964	7,043,161	6,522,503	60,024,081
	$ 13,689,113	$ 5,837,020	$ 7,058,663	$ 6,974,834	$ 62,853,833
	$ (2,343,421)	$ 1,312,462	$ (3,523,223)	$ 605,769	$ 6,544,582
	2,239,091	(736,446)	(3,635,401)	(359,875)	(9,656,372)
	17,877	483,443	16,144,000	7,388	1,436,827
	(86,453)	1,059,459	8,985,376	253,282	(1,674,963)
	3,468,336	3,153,408	1,649,727	2,381,485	23,586,213
	$ 3,381,883	$ 4,212,867	$ 10,635,103	$ 2,634,767	$ 21,911,250

SEGMENT INFORMATION ... *For the year ended June 30, 2012*

	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	657%	228%
PROPORTION OF REVENUE PLEDGED			
Annual Debt Service	$ 10,791,510	$ 1,471,804	$ 10,492,908
Net Pledged Revenue	$ 196,498,392	$ 9,672,057	$ 23,872,454
Annual Debt Service / Net Pledged Revenue	5%	15%	44%
REVENUE BONDS PAYABLE			
A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2012, is as follows:			
Beginning Balance	$ 168,545,863	$ 19,299,475	$ 123,335,466
Additions		25,586,792	
Deductions	(3,393,403)	(454,294)	(5,457,330)
Ending Balance	$ 165,152,460	$ 44,431,973	$ 117,878,136
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
2013	$ 10,714,691	$ 2,082,730	$ 10,275,944
2014	10,332,629	2,977,544	10,408,771
2015	13,221,382	2,981,431	10,437,400
2016	13,151,411	2,968,746	10,437,378
2017	13,632,128	2,964,455	10,419,034
2018-2022	63,094,593	14,720,650	49,848,177
2023-2027	56,416,951	14,720,543	44,877,354
2028-2032	44,671,000	14,768,688	13,233,569
2033-2037	25,565,644	10,515,715	
2038		1,532,278	
Unamortized Discount, Premium, Refunding Gain/Loss	187,460	(483,027)	(911,864)
Total	$ 250,987,889	$ 69,749,753	$ 159,025,763
COMMITMENTS			
As of June 30, 2012, the University had outstanding construction contract commitments as follows:			
Contract Commitments	$ 89,394	$ 5,967,800	$ 2,182,532

Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Utility System Revenue Bonds
120%	120%	125%	120%	120%
316%	306%	325%	537%	168%
$ 1,606,795	$ 467,948	$ 2,075,944	$ 604,400	$ 4,146,784
$ 5,077,933	$ 1,432,446	$ 6,747,400	$ 3,246,439	$ 6,981,927
32%	33%	31%	19%	59%
$ 21,133,067	$ 4,265,000	$ 50,473,744	$ 4,427,485	$ 23,891,494
	3,828,918			
(691,740)	(3,980,000)	20,241	(415,936)	(3,152,881)
$ 20,441,327	$ 4,113,918	$ 50,493,985	$ 4,011,549	$ 20,738,613
Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	May & Nov 1st
$ 1,594,932	$ 435,952	$ 2,075,944	$ 596,244	$ 4,171,290
1,595,235	392,037	2,866,444	599,215	4,200,719
1,598,663	405,638	3,058,793	595,942	1,539,235
1,600,153	408,512	3,311,800	601,395	1,540,474
1,599,538	395,919	3,312,306	600,304	1,544,506
8,033,063	1,970,975	16,627,722	1,784,658	7,709,709
8,076,835	385,700	16,825,681		5,726,585
6,517,256		17,048,313		
		17,377,750		
		3,518,813		
(238,673)	343,918	(506,015)	(28,451)	(161,387)
$ 30,377,002	$ 4,738,651	$ 85,517,551	$ 4,749,307	$ 26,271,131
$ -	$ 75,796	$ 1,350,371	$ -	$ 1,520,017

REQUIRED SUPPLEMENTARY INFORMATION

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
6/30/2010	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%
6/30/2012	7/1/2011	$0	$80,803,981	$80,803,981	0.0%	$300,069,181	26.9%

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.

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

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