Iowa State University

Financial Report

For the year ended June 30, 2013

On the cover:

Troxel Hall is Iowa State University's newest building and boasts state-of-the-art technology to enhance the student learning experience. The building houses a 400-seat lecture hall which is 40 percent more seats than the next largest auditorium on campus. The building incorporates the latest innovations in architectural sustainability—such as a green roof with growing vegetation to assist with storm water control—to reduce its carbon footprint, earning it Leadership in Energy and Environmental Design (LEED) gold certification.

The building is named for Douglas D. Troxel, a 1967 Iowa State University graduate, who is president and CEO of the Change Happens Foundation which provided the lead gift for the new lecture facility.

UNIVERSITY OFFICIALS

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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, 2013, along with comparative data for the years ended June 30, 2012, and 2011. 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 1C2, the Iowa State University Foundation, Iowa State University Achievement Fund, and the Original University Foundation (herein collectively referred to as the "Foundation") comprise a legally separate, tax-exempt component unit of the University and, accordingly, the combined financial statements are discretely presented with those of the University. However, since the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University, a discussion of these assets is not included in this Management's Discussion and Analysis.

USING THIS ANNUAL REPORT

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

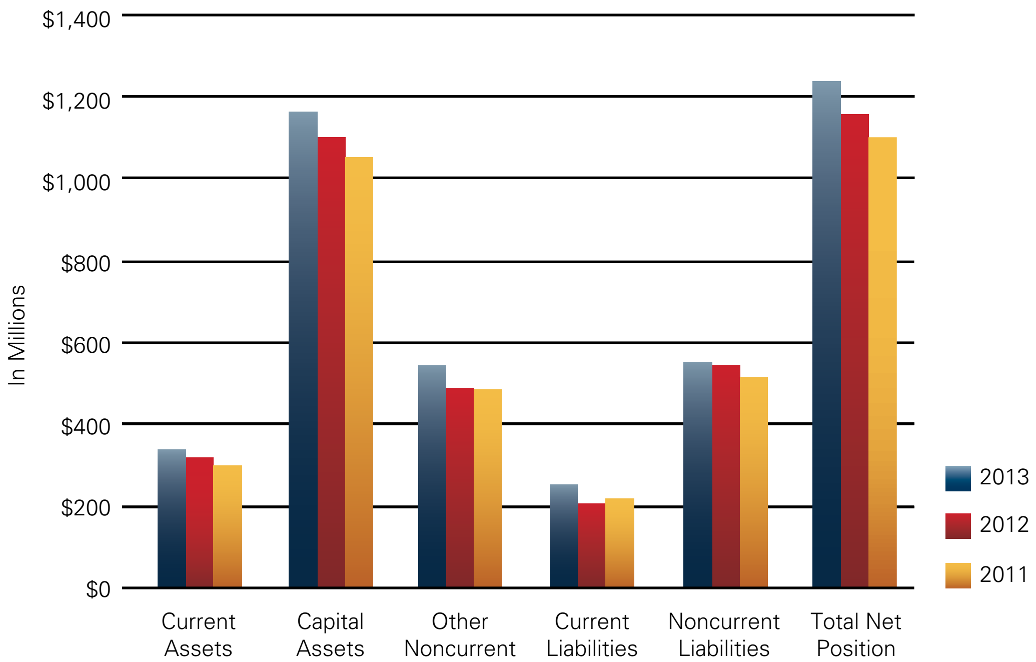
THE UNIVERSITY AS A WHOLE

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. Net Position—the difference between assets and liabilities—is one indicator of the current financial condition of the University, while the change in net position (shown on the next statement) is an indicator of whether the overall financial condition has improved during the year. The Statement of Net Position is also a good source for readers to determine how much the University owes to outside vendors, investors, and lending institutions. Similarly, the Statement presents the available assets that can be used to satisfy those liabilities.

	June 30, 2013	June 30, 2012	June 30, 2011
Current Assets	$ 338,924,281	$ 319,444,498	$ 298,456,452
Capital Assets	1,167,208,210	1,100,272,910	1,050,888,094
Other Noncurrent Assets	544,483,486	488,633,507	485,205,991
Total Assets	2,050,615,977	1,908,350,915	1,834,550,537
Current Liabilities	254,261,934	206,136,424	219,218,928
Noncurrent Liabilities	554,724,607	546,371,497	515,014,689
Total Liabilities	808,986,541	752,507,921	734,233,617
Total Net Position	$ 1,241,629,436	$ 1,155,842,994	$ 1,100,316,920

Total assets at June 30, 2013, were $2.1 billion, which is $142.3 million higher than the prior year. Net capital assets comprised $1.2 billion of the $2.1 billion in assets, which is a similar proportion to that of June 30, 2012. Total liabilities were $809 million at June 30, 2013, an increase of $56.5 million. The comparison of current and noncurrent assets, liabilities, and net position as of June 30, 2013, 2012, and 2011 is shown above. The proportional increases in assets and liabilities are explained in more detail in the Changes in Net Position section.



Changes in Net Position

Net position increased $85.8 million, or 7.4%, for the year. Generally, an increase in net position indicates that the financial condition has improved over the year, at least on a short-term basis. Significant changes in net position occurred in the following areas:

- Cash and cash equivalents plus investments increased $85.9 million in 2013 primarily due to the issuance of $52.2 million of refunding debt as explained in Note 6A and $25 million of revenue bonds for the construction of new dormitory facilities.
- Capital assets, net of depreciation, increased $66.9 million.
- Long term debt increased $8.8 million, primarily due to the issuance of $25 million in dormitory revenue bonds offset by overall debt retirement.
- Deposits held in custody for others increased $40.9 million and include funds held in escrow for University defeased bonds, as referenced above.

Total net position at June 30, 2013, was $1.2 billion. The largest portion of the University's net position (60.6%) is categorized as Net Investment in Capital Assets. This category contains the land, buildings, infrastructure, land improvements, equipment, and intangible assets owned by the University. The restricted portion of net position (4.9%) is divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted net position is only available for investment purposes. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by the external entities that have placed time or purpose restrictions on the use of the assets. Remaining net position is unrestricted and includes funds used to meet specific purposes, such as funding for the bonded enterprises. The composition of the net position balance is shown below. The categories, as a percentage of total net position, have not changed significantly since 2011.

	June 30, 2013	June 30, 2012	June 30, 2011
Net Investment in Capital Assets	$ 752,537,104	$ 700,797,978	$ 669,652,160
Restricted Nonexpendable	29,526,529	29,606,528	29,995,494
Restricted Expendable	31,220,404	31,574,159	31,260,556
Unrestricted	428,345,399	393,864,329	369,408,710
Total Net Position	$ 1,241,629,436	$ 1,155,842,994	$ 1,100,316,920

Statement of Revenues, Expenses and Changes in Net Position

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

In general, a public university such as Iowa State University will report an operating loss since the financial reporting model classifies state appropriations as non-operating revenues. Operating revenues are received for providing goods and services to the various students, customers and constituencies of the University. Operating expenses are those expenses paid to carry out the missions of the University. Non-operating revenues are revenues received where goods and services are not provided.

Had state appropriations been included in operating revenues, the operating loss for 2013 would have been $28.7 million compared to $31.3 million for 2012 and $4.3 million for 2011. As noted in the previous section, Changes in Net Position, when all non-operating and other revenues and expenses are considered, revenues exceeded expenses by $85.8 million for 2013.

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, 2013	June 30, 2012	June 30, 2011
Operating Revenues	$ 770,409,186	$ 726,675,035	$ 685,380,370
Operating Expenses	1,030,096,413	983,127,801	925,899,996
Operating Loss	(259,687,227)	(256,452,766)	(240,519,626)
Nonoperating Revenues and Expenses	304,932,357	295,444,624	310,774,040
Income Before Other Revenues, Expenses, Gains and Losses	45,245,130	38,991,858	70,254,414
Other Revenues, Expenses, Gains and Losses	43,120,922	15,542,845	28,474,237
Extraordinary Items Due to Flood	(2,579,610)	991,371	5,900,361
Increase in Net Position	85,786,442	55,526,074	104,629,012
Net Position, Beginning of Year	1,155,842,994	1,100,316,920	995,687,908
Net Position, End of Year	$1,241,629,436	$1,155,842,994	$1,100,316,920

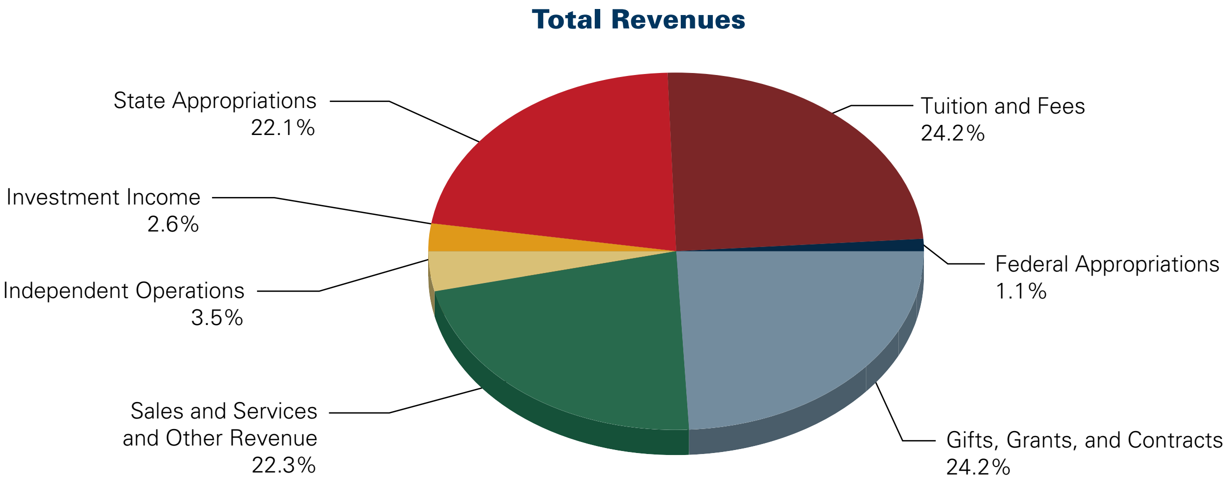
Revenues

Operating revenues for the year ended June 30, 2013, increased $43.7 million. The major components of this change were tuition and fees, net of scholarship allowances, which increased $25.2 million, or 10.1%, and auxiliary enterprise revenue which increased $18.4 million, or 11.8%. These increases are primarily attributable to record student enrollment during fiscal year 2013.

Net non-operating revenues increased $9.5 million, due primarily to increased education appropriations and investment income.

Other revenues, expenses, gains and losses increased $27.6 million. The largest component of this was an $18.3 million increase in capital appropriations. The remaining $9.3 million is primarily due to an increase in private gifts for capital projects. Capital appropriations are discussed in greater detail later in this Management's Discussion and Analysis.

In summary, total revenues of the University increased $87 million in fiscal year 2013 from $1.0 billion to $1.1 billion. The components of these revenues are shown on the following chart.



In comparing the years ended June 30, 2012, and 2011, operating revenues increased $41.3 million. The major components of this increase were tuition and fees, net of scholarship allowances, which increased $26.8 million, sales and services of educational activities which increased $7.9 million, and auxiliary enterprise revenue which increased $13.6 million. In fiscal year 2012, non-operating revenues decreased $24.4 million from fiscal year 2011 due to decreased funding from education appropriations of $11.1 million. Investment income also decreased $16.3 million due primarily to an unrealized loss in value of investments.

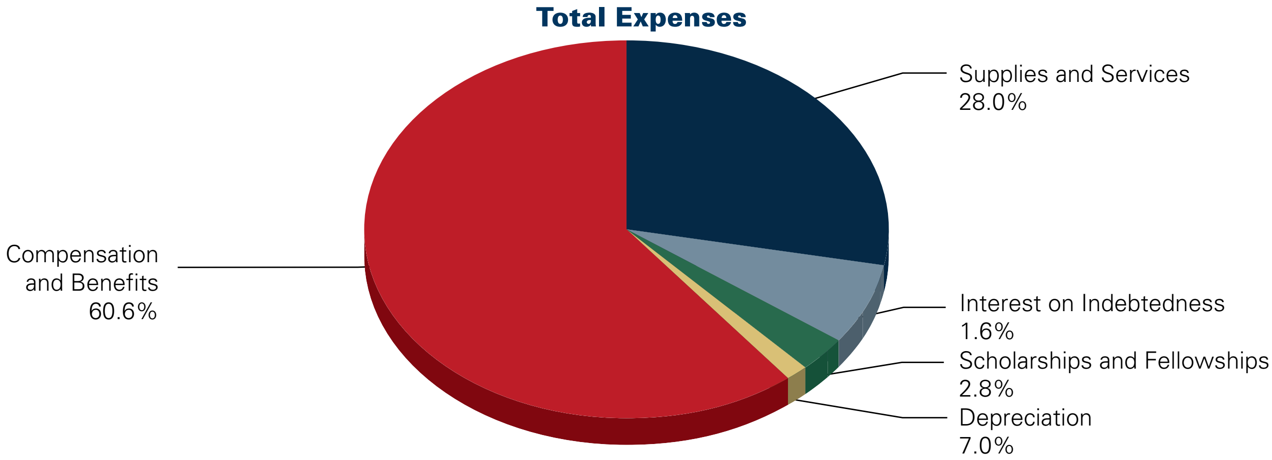
Expenses

Operating expenses were $1 billion for fiscal year 2013. This was an increase of $47 million, or 4.8%, over the previous year. Changes in the major natural expense categories were:

- Services, repairs, and professional services increased $4.8 million, or 4%, primarily in the areas of research, academic support, and auxiliary enterprises.
- Supplies increased $14.7 million, or 9.7%, primarily in the area of institutional support, academic support, and auxiliary enterprises. Support for record student enrollment was primarily responsible for these operating expense increases.
- Compensation and benefits increased $26.6 million, or 4.4%, primarily in the areas of academic support, instruction, and auxiliary enterprises to support the growth in student enrollment.
- Other operating expenses increased slightly, less than 1%.

Operating expenses may be classified according to natural categories as in the previous paragraph, see Note 12, or functionally as shown in the financial statements. From a functional perspective, academic support, instruction, institutional support, and auxiliary enterprises, as a percentage of total expenses, have increased slightly.

In summary, total expenses for fiscal year 2013 were $1.1 billion, an increase of $56.8 million, or 5.7%. The components of these expenses are shown in the following chart:



Comparing the years ended June 30, 2012, and 2011, operating expenses in fiscal year 2012 increased $57.2 million over those of fiscal year 2011, which was a 6.2% increase over the previous year. In the natural classifications, percentages of the total have remained relatively consistent over recent years.

Statement of Cash Flows

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

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

Cash and cash equivalents increased $16.5 million, or 8.5%, in fiscal year 2013. Sources and uses are shown in the following table.

	For the Years Ended		
	June 30, 2013	June 30, 2012	June 30, 2011
Cash Provided/(Used) by:			
Operating Activities	($182,648,095)	($180,936,945)	($175,740,619)
Non-capital Financing Activities	297,615,615	290,560,499	303,236,685
Capital and Related Financing Activities	(60,979,888)	(113,980,609)	(100,278,033)
Investing Activities	(37,476,601)	33,463,450	(21,896,354)
Net Increase in Cash	16,511,031	29,106,395	5,321,679
Cash and Cash Equivalents, Beginning of Year	195,068,131	165,961,736	160,640,057
Cash and Cash Equivalents, End of Year	$211,579,162	$195,068,131	$165,961,736

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 $48.4 million for fiscal year 2013 compared to $44.2 million for fiscal year 2012 and $60.5 million for fiscal year 2011.

CAPITAL ASSETS

At June 30, 2013, the University had $2.3 billion invested in capital assets, with accumulated depreciation and amortization of $1.1 billion, for net capital assets of $1.2 billion. Depreciation and amortization charges for fiscal year 2013 totaled $73.1 million. Capital assets, net of accumulated depreciation and amortization, were as follows:

	June 30, 2013	June 30, 2012	June 30, 2011
Land and Land Improvements, Nondepreciable	$ 22,234,346	$ 21,396,022	$ 21,396,023
Construction in Progress and Intangible Assets in Development	108,756,162	61,145,890	101,596,527
Infrastructure and Land Improvements, Depreciable	88,274,571	85,308,707	77,785,084
Buildings	788,133,230	778,845,506	707,466,540
Equipment and Library Collections	157,793,851	151,081,083	140,065,246
Intangible Assets	2,016,050	2,495,702	2,578,674
Total Capital Assets, Net Of Accumulated Depreciation and Amortization	$1,167,208,210	$1,100,272,910	$1,050,888,094

During fiscal year 2013, several projects were placed in service, the largest being the Bergstrom Football Complex which was funded with Athletics debt financing and the Cyclones Sports Complex which was funded with Athletics debt financing and private gifts.

Several large construction projects were in progress at June 30, 2013. 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
- Troxel Hall
- Frederiksen Court Apartments (Expansion)
- Jeff and Deb Hansen Agriculture Student Learning Center
- Curtiss Hall, including Student Services Mall and Harl Commons

Sukup Hall, Sukup Atrium and Elings Hall have been funded with capital appropriations and private gifts. Troxel Hall has been funded with private gifts and institutional funds. The expansion to Frederiksen Court Apartments is being funded with debt financing, and the Hansen Agriculture Student Learning Center and Curtiss Hall renovations are being 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 2013, $19 million was received for the Agriculture Biosystems Engineering Biorenewables Laboratory. In fiscal year 2012, an initial $1 million was received for the Agriculture Biosystems Engineering Biorenewables Laboratory.

Capital gifts and grants revenue of $23 million for fiscal year 2013 was an increase of $8.9 million over the prior year consisting primarily of private gifts funding for major building projects. More detailed information about the University's capital assets is presented in Note 5 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2013, the University had $466.8 million in outstanding debt compared to $458 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, 2013	June 30, 2012	June 30, 2011
Bonds Payable-Academic Building	$161,214,057	$165,152,460	$168,545,863
Bonds Payable-Enterprise Funds	276,832,538	262,109,501	252,429,064
Capital Leases	18,009,952	19,327,307	8,904,597
Notes Payable	10,782,420	11,440,360	12,527,756
Total Debt	$466,838,967	$458,029,628	$442,407,280

In fiscal year 2013, the $25 million Dormitory Revenue Bond Series 2013A issuance increased bonds payable. This increase in bonds payable was offset by the normal paying down of debt from other issuances. In fiscal year 2012, new issuances increased enterprise bonds payable by $25.8 million. The University also 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 continue to show significant improvement. Overall economic conditions are improving nationally; Iowa's expansion is robust with total nonfarm employment surpassing its prerecession high. The strong farm economy is contributing to growth in state revenues and lower unemployment rates. In contrast to what is occurring nationally and in many other states, Iowa's economy is improving in spite of drought conditions that existed in many areas during the past crop season. Total state tax receipts increased by 7.7% to $7,558.4 million in 2013. At its fall 2013 meeting, the State Revenue Estimating Conference projected an additional .4% increase for fiscal year 2014 and continued growth of 4.3% for fiscal year 2015. These growth rates are higher than any time since 2007. The State of Iowa Board of Regents, Iowa State'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's economic outlook for the next year is positive. Indications are the universities will continue to receive increased state support.

For fiscal year 2014, the state appropriated a 2.6% increase in funding, and the Regents held flat tuition for resident undergraduates, with modest increases for graduate and nonresident students. Iowa State had its seventh straight year of increasing enrollment with a student body of 33,241, a record. 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 $23.1 million for general operating support. The University's overall tuition rates and cost of attendance continue to be very competitive with our peer institutions. Enrollment growth is projected to continue into the next year, exceeding 34,300 students.

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 President, Steven Leath, completing his second year, has endorsed this plan and unveiled his goals to ensure that Iowa State 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, and serving Iowans.

The fall 2013 enrollment is a record. There are 33,241 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, is completing the building of additional student housing, and renting additional beds off campus. Iowa State has no parietal rules but wants to accommodate all students who want to live on campus. Enrollment growth is projected to continue over the next several years. This 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 2013, sponsored funding impacted by federal budget reductions remained strong, with particular growth in private support and the establishment of federal centers. 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 2014 remains somewhat uncertain pending the outcome of negotiations in Washington, but program areas such as biorenewables, engineering, agricultural research and the Ames Laboratory 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 the state reserve funds have reached their targets. The next legislative session will be addressing how to most effectively commit significant reserve funds. The Board of Regents' preliminary decisions would have no tuition rate increases for the fall of 2014 for resident students for the second year in a row. They are making a budget request for a 4% increase in general fund appropriations. Through the Iowa State University Foundation, a private fund raising campaign is being planned to be launched in the near future. These initiatives are being positively received by legislative leaders, alumni, and the public. Several new facilities have been completed or are under construction, including Troxel Hall, a new large lecture facility opened in the fall of 2013, agriculture and biosystems engineering facilities, and private business development in the Iowa State University Research Park, including a planned $12 million hub facility that has been funded by the State. Renovations continue at the College of Veterinary Medicine, Curtiss Hall, and several other campus facilities. Completion of campus student housing apartments, improvements in food service facilities, and 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 underway and will reduce operating costs and increase reliability. Indications are that a major new biosciences facility will be funded with state and private support.

The state projects continued revenue growth. The University's bond ratings continue to remain strong with a number of refinancing occurring during the past year, lowering interest costs. President Steven Leath, completing his second year, has a strong and experienced leadership team effectively guiding the University. We will continue to focus on the University's strategic plan, supporting the state's economic development and 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

State Capitol Building
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying Statement of Net Position, and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows, of Iowa State University of Science and Technology, Ames, Iowa, (Iowa State University) and its discretely presented component unit as of and for the years ended June 30, 2013 and 2012, and the related Notes to Financial Statements, which collectively comprise Iowa State University's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, the Iowa State University Foundation, Iowa State University Achievement Fund and the Original University Foundation (the "Foundation"), discussed in Note 1, which represent 100% of the assets, net position and revenues of the discretely presented component unit. We also did not audit the financial statements of the blended component units, Iowa State University Research Foundation, Incorporated and Iowa State University Veterinary Services Corporation, discussed in Note 1, which represent 1.9% and 0.2%, respectively, of the assets and 1.1% and 0.3%, respectively, of the revenues of the University. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented and blended component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation and Iowa State University Research Foundation, Incorporated were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Iowa State University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Iowa State University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Iowa State University and its discretely presented component unit as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years ended June 30, 2013 and 2012 in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 1, the financial statements of Iowa State University are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of Iowa State University. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2013 and 2012 and the changes in its financial position and its cash flows for the years ended June 30, 2013 and 2012 in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis 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 financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the 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 financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

Our report on Iowa State University's internal control over financial reporting and other tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters required by Government Auditing Standards will be issued under separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Mary Mosiman	Warren Jenkins
MARY MOSIMAN, CPA	WARREN G. JENKINS, CPA
Auditor of State	Chief Deputy Auditor of State

December 13, 2013

STATEMENT OF NET POSITION .... *As of June 30, 2013 and 2012*

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2A)	$ 134,536,937	$ 124,341,142
Investments (Note 2B)	113,648,608	98,919,078
Accounts receivable, net (Note 3A)	27,006,445	34,441,849
Due from government agencies (Note 3B)	33,920,195	32,455,698
Interest receivable	377,862	487,085
Loans receivable, net (Note 3C)	3,025,537	2,878,823
Inventories (Note 4)	15,952,382	19,205,357
Prepaid expenses	10,456,315	6,715,466
Total Current Assets	**338,924,281**	**319,444,498**
Noncurrent Assets		
Cash and cash equivalents (Note 2A)	77,042,225	70,726,989
Investments (Note 2B)	422,267,338	367,593,300
Deposits with trustees (Note 2D)		7,055,897
Accounts receivable, net (Note 3A)	8,044,155	6,464,189
Due from government agencies (Note 3B)	2,872,694	
Interest receivable	447,576	455,869
Loans receivable, net (Note 3C)	33,809,498	36,337,263
Capital assets, net (Note 5)	1,167,208,210	1,100,272,910
Total Noncurrent Assets	**1,711,691,696**	**1,588,906,417**
TOTAL ASSETS	**2,050,615,977**	**1,908,350,915**
LIABILITIES		
Current Liabilities		
Accounts payable	47,688,950	45,187,352
Salaries and wages payable	2,774,612	2,831,126
Unpaid claims and contingent liabilities (Note 10B)	4,038,000	3,938,000
Unearned revenue	31,452,500	28,528,835
Interest payable	8,668,640	8,509,077
Long-term debt, current portion (Note 6)	18,350,269	16,852,507
Other long-term liabilities, current portion (Note 6)	25,390,442	25,310,265
Deposits held in custody for others	115,898,521	74,979,262
Total Current Liabilities	**254,261,934**	**206,136,424**
Noncurrent Liabilities		
Accounts payable	12,502,777	11,282,889
Long-term debt, noncurrent portion (Note 6)	448,488,698	441,177,121
Other long-term liabilities, noncurrent portion (Note 6)	93,733,132	93,911,487
Total Noncurrent Liabilities	**554,724,607**	**546,371,497**
TOTAL LIABILITIES	**808,986,541**	**752,507,921**
NET POSITION		
Net investment in capital assets	752,537,104	700,797,978
Restricted (Note 8):		
Nonexpendable	29,526,529	29,606,528
Expendable	31,220,404	31,574,159
Unrestricted	428,345,399	393,864,329
TOTAL NET POSITION	**$1,241,629,436**	**$1,155,842,994**

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $89,056,326 and $84,387,247 for the years ended June 30, 2013 and 2012, respectively (Note 1M)	$ 274,813,892	$ 249,646,862
Federal appropriations	12,886,081	12,485,319
Federal grants and contracts	141,357,955	146,175,992
State and local government grants and contracts	18,418,357	18,924,411
Nongovernmental grants and contracts	27,081,770	23,831,117
Sales and services of educational activities	56,905,458	54,982,627
Auxiliary enterprises, net of scholarship allowances of $5,268,167 and $5,256,800 for the years ended June 30, 2013 and 2012, respectively (Note 1M)	174,268,926	155,891,827
Independent operations	40,298,557	40,862,918
Interest on student loans	708,496	652,011
Other operating revenues	23,669,694	23,221,951
TOTAL OPERATING REVENUES	**770,409,186**	**726,675,035**
OPERATING EXPENSES		
Instruction	227,031,529	217,578,738
Research	166,230,183	165,247,082
Public service	71,974,908	74,894,298
Academic support	143,275,609	124,606,639
Student services	28,424,793	29,403,126
Institutional support	46,722,798	36,697,991
Operation and maintenance of plant	66,187,892	63,691,436
Scholarships and fellowships	29,449,823	30,844,638
Auxiliary enterprises	136,907,845	127,532,930
Independent operations	40,287,417	41,327,651
Depreciation/amortization	73,088,842	70,778,153
Other operating expenses	514,774	525,119
TOTAL OPERATING EXPENSES	**1,030,096,413**	**983,127,801**
OPERATING LOSS	**(259,687,227)**	**(256,452,766)**
NONOPERATING REVENUES/(EXPENSES)		
State appropriations	231,002,395	225,142,946
Federal grants and contracts	22,969,997	23,510,342
Nonfederal gifts, grants and contracts	42,590,695	40,725,949
Investment income	29,385,133	16,962,004
Interest on indebtedness	(16,929,983)	(14,846,145)
Gain/(loss) on disposal of capital assets	(1,311,661)	631,420
Other nonoperating income/(loss)	(2,774,219)	3,318,108
NET NONOPERATING REVENUES/(EXPENSES)	**304,932,357**	**295,444,624**
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	**45,245,130**	**38,991,858**
Capital appropriations	20,050,000	1,760,000
Capital gifts, grants and contracts	23,003,216	14,114,188
Other revenues/(expenses)	67,706	(331,343)
TOTAL OTHER REVENUES, EXPENSES, GAINS & LOSSES	**43,120,922**	**15,542,845**
EXTRAORDINARY ITEMS DUE TO FLOOD		
Net building impairment gain/(loss) after insurance recovery (Note 11)	1,884,682	(4,503,944)
Other flood expenses		(337,226)
Change in other realizable insurance recoveries	(4,464,292)	5,832,541
NET EXTRAORDINARY ITEMS DUE TO FLOOD	**(2,579,610)**	**991,371**
CHANGE IN NET POSITION	**85,786,442**	**55,526,074**
Net Position, Beginning of Year	1,155,842,994	1,100,316,920
NET POSITION, END OF YEAR	**$1,241,629,436**	**$1,155,842,994**

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

STATEMENT OF CASH FLOWS .... *For the Years Ended June 30, 2013 and 2012*

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 275,644,657	$ 248,580,759
Federal appropriations	12,146,348	11,447,280
Grants and contracts	187,363,952	187,934,830
Sales of educational activities	56,965,093	54,551,670
Sales and services of auxiliary enterprises	174,796,917	156,507,305
Receipts of independent operations	40,703,862	39,680,141
Interest on loans to students	672,693	604,487
Collections of loans from students	3,909,352	3,687,186
Payments for salaries and benefits	(635,185,973)	(604,586,598)
Payments for goods and services	(288,669,136)	(270,466,248)
Scholarship payments	(29,038,191)	(29,760,283)
Loans issued to students	(3,737,003)	(3,551,097)
Other operating receipts	21,779,334	24,433,623
NET CASH USED BY OPERATING ACTIVITIES	**(182,648,095)**	**(180,936,945)**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	231,002,395	225,142,946
Non-capital gifts, grants and contracts	65,280,705	64,525,628
Direct lending receipts	157,078,217	111,066,246
Direct lending payments	(157,212,814)	(111,355,529)
Funds held for others receipts	305,724,476	345,700,339
Funds held for others payments	(304,257,364)	(344,519,131)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	**297,615,615**	**290,560,499**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	19,050,000	2,037,000
Capital gifts and grants received	16,619,538	13,063,506
Proceeds from capital and refunding debt	85,025,263	37,936,995
Proceeds from sale of capital assets	884,407	916,605
Acquisition and construction of capital assets	(135,462,278)	(114,417,652)
Principal paid on capital debt	(19,418,380)	(18,709,687)
Interest paid on capital debt	(18,358,306)	(17,768,112)
Defeased debt payments	(15,275,000)	(22,306,824)
Other capital and related financing sources/(uses)	5,954,868	5,267,560
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(60,979,888)**	**(113,980,609)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received on investments	21,962,088	23,499,748
Proceeds from sales of investments	743,672,141	1,024,152,992
Purchases of investments	(803,110,830)	(1,014,189,290)
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	**(37,476,601)**	**33,463,450**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**16,511,031**	**29,106,395**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	195,068,131	165,961,736
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 211,579,162**	**$ 195,068,131**

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

OPERATING LOSS	**$(259,687,227)**	**$(256,452,766)**
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation/amortization	73,088,842	70,778,153
Changes in assets and liabilities:		
Accounts receivable, net	1,166,801	(2,511,171)
Inventories	3,239,351	(1,187,123)
Prepaid expenses	(3,676,814)	34,319
Loans receivable	353,315	320,856
Accounts payable	(2,163,592)	2,181,788
Unearned revenue	2,911,293	320,181
Compensated absences	807,300	2,866,991
Early retirement benefits payable	(3,691,880)	(3,247,328)
Other postemployment benefits obligation	4,847,604	5,881,657
Deferred compensation liability	156,912	77,498
NET CASH USED BY OPERATING ACTIVITIES	**$(182,648,095)**	**$(180,936,945)**

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital gifts-in-kind	**$47,800**	**$222,755**

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

Cash and cash equivalents classified as current assets	$134,536,937	$124,341,142
Cash and cash equivalents classified as noncurrent assets	77,042,225	70,726,989
TOTAL CASH AND CASH EQUIVALENTS	**$ 211,579,162**	**$ 195,068,131**

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, 2013 and 2012*

	2013	2012
ASSETS		
Cash and cash equivalents	$ 1,902,918	$ 10,443,380
Receivables:		
Pledges, net (Note 3D)	63,400,124	73,340,886
Estates	2,079,363	3,413,930
Funds held in trust by others	23,932,132	17,826,607
Total receivables	89,411,619	94,581,423
Investments (Note 2C):		
Pooled investments	639,372,349	577,763,678
Other marketable securities	35,202,620	34,095,091
Real estate and other investments	13,882,140	11,405,887
Total investments	688,457,109	623,264,656
Property and equipment	3,453,638	3,500,846
Other assets	4,702,048	4,483,731
TOTAL ASSETS	**$787,927,332**	**$736,274,036**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$897,160	$1,434,157
Due to related organizations	10,955,865	7,370,768
Bonds payable	2,580,521	2,679,065
Long-term liabilities	1,865,230	1,747,093
Annuities payable	20,556,375	20,724,945
TOTAL LIABILITIES	**36,855,151**	**33,956,028**
NET ASSETS	751,072,181	702,318,008
TOTAL LIABILITIES AND NET ASSETS	**$787,927,332**	**$ 736,274,036**

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, 2013 and 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	$ 2,067,615	$ 41,142,421	$ 14,999,281	$ 58,209,317	$ 62,010,613
Investment return:					
Pooled investments	11,879,216	19,485,372	31,807,226	63,171,814	(2,027,980)
Nonpooled investments	1,614,492	1,622,933	2,989,857	6,227,282	2,699,653
Equity in net income/(loss) of subsidiary				–	(131,880)
Loss on sale of non-consolidated subsidiary and land				–	(1,562,277)
Total investment return	13,493,708	21,108,305	34,797,083	69,399,096	(1,022,484)
Fundraising service revenue	2,800,102			2,800,102	2,522,125
Return on funds held in trust by others		793,694	1,696,775	2,490,469	(374,818)
Other earnings	43,951	404,916	69,994	518,861	1,116,777
Net assets released from restrictions	69,477,548	(69,477,548)		–	–
TOTAL REVENUES, GAINS AND OTHER SUPPORT	**87,882,924**	**(6,028,212)**	**51,563,133**	**133,417,845**	**64,252,213**
EXPENSES					
Program	69,784,717			69,784,717	50,275,224
Operating:					
Fundraising	9,734,586			9,734,586	10,558,493
Administrative	3,504,843			3,504,843	3,596,478
Annuity liability adjustment		819,321	820,205	1,639,526	1,242,158
TOTAL EXPENSES	**83,024,146**	**819,321**	**820,205**	**84,663,672**	**65,672,353**
CHANGE IN NET ASSETS	**4,858,778**	**(6,847,533)**	**50,742,928**	**48,754,173**	**(1,420,140)**
Net Assets, Beginning of Year	17,783,545	215,458,652	469,075,811	702,318,008	703,738,148
NET ASSETS, END OF YEAR (Note 8)	**$ 22,642,323**	**$208,611,119**	**$519,818,739**	**$751,072,181**	**$702,318,008**

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 1,813 acres. In addition, farms and other properties, which are stocked and equipped for teaching and research purposes, total approximately 9,625 acres.

B. Basis of Presentation

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

The University reports as a special-purpose government engaged primarily in business-type activities, as defined by GASB. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. As a result, revenues are recognized when earned, expenses are recorded when an obligation has been incurred, and all significant intra-agency transactions have been eliminated.

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.

C. Reporting Entity

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

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

   Iowa State University Research Foundation, Inc. was organized as a corporation to assist in securing protection for intellectual property such as patents and copyrights resulting from research, writing, and other projects of members of the Iowa State University community. The financial statements of this entity have been audited by other independent auditors, and their report may be obtained from the 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 Position. For the year ended June 30, 2013, the revenues and expenses were $12,306,634 and $6,447,517 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 Position. For the year ended June 30, 2013, these were $3,622,312 and $3,571,320 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") comprise a legally separate, tax-exempt component unit of the University. The combined financial statements of the Foundation's organizations are presented in these financial statements because the organizations have a common Board of Directors, common management, and the common objective to promote the welfare of the University and its faculty, graduates, students, and former students. The mission of the Foundation is to secure and manage private gifts that support the University's aspiration to become the nation's best land-grant university. The Foundation strives to maximize the interest, involvement and, ultimately, enduring commitment of donors, and to manage donated assets for the benefit of the University in accordance with donors' wishes.

   Although the University does not control the Foundation or the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University and its faculty, graduates, students and former students, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. During the years ended June 30, 2013 and 2012, the Foundation distributed and expended $69,784,717 and $50,275,224, respectively, on behalf of the University for both restricted and unrestricted purposes as follows:

	2013	2012
Scholarships, loan funds, and awards	$ 20,530,256	$ 15,841,954
Faculty and staff support	7,336,011	6,525,947
College and administrative support	18,178,561	16,079,512
Buildings, equipment, and repairs	22,891,029	10,696,170
Gifts in kind	848,860	1,131,641
Total Program Support	$ 69,784,717	$ 50,275,224

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.

D. Cash and Cash Equivalents

For purposes of the Statement of Net Position 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.

E. 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 Position.

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

F. Inventories

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

G. 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 4 to 20 years for intangible assets.

H. 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.

I. 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 Position is based on current rates of pay.

J. 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 postemployment benefits obligation, and other liabilities that will not be paid within the next fiscal year.

K. Net Position

The University's net position is classified as follows:

1. **Net investment in capital assets** – Capital assets, net of accumulated depreciation/amortization and outstanding debt attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted, nonexpendable** – Net position subject to externally imposed restrictions in which the donors or other outside sources have stipulated the principal is to be maintained inviolate and retained in perpetuity and invested for the purpose of producing income which will either be expended or added to principal.
3. **Restricted, expendable** – Net position subject to externally imposed restrictions on use of resources, either legally or contractually.
4. **Unrestricted** – Net position not subject to externally imposed restrictions and which may be used to meet current obligations for any purpose or designated for specific purposes by action of management or the Board of Regents.

L. Operating Revenues and Expenses

Operating revenues and expenses reported in the Statement of Revenues, Expenses and Changes in Net Position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations, gifts, and investment income.

M. 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.

N. 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.

O. 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.

NOTE 2 - CASH, CASH EQUIVALENTS, INVESTMENTS, AND DEPOSITS WITH TRUSTEES

A. Cash and Cash Equivalents

As of June 30, 2013 and 2012, the book balances of cash and cash equivalents were $211,579,162 and $195,068,131, respectively. As of June 30, 2013 and 2012, the bank balances were $218,367,850 and $202,428,733, respectively, of which $62,995,587 and $70,310,499, 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, 2013 and 2012, $155,372,263 and $132,118,234, respectively, were uninsured and uncollateralized.

B. Investments (University)

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

For donor-restricted endowments, Chapter 540A of the Code of Iowa permits the University to appropriate an amount of realized and unrealized endowment appreciation as the University determines to be prudent pursuant to a consideration of the University's long-term and short-term needs, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. The University's policy is to retain the realized and unrealized appreciation with the endowment pursuant to the spending rules of the University. The University's spending policy is 5.5%, which includes a 1.25% administrative fee of a three-year moving average market value. Net appreciation of endowment funds available to meet the spending rate distribution was $7,558,705 as of June 30, 2013, and is recorded in restricted expendable net position.

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 $535.9 million investments, $1,593,052 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.

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

Issuer	Fair Value	% of Total Operating Portfolio Assets
Federal Farm Credit Bank	$ 45,929,430	9%
Federal Home Loan Bank	$ 96,940,848	18%

As of June 30, 2013, the effective duration, Standard & Poor's credit quality ratings, and fair value of the University's investments were as follows:

	Effective Duration (Years)	Credit Quality Rating TSY/AAA	AA	A	BBB	BB	B	CCC	Not Rated	Total Fair Value
Fixed Income:										
U.S. Government Agencies	1.95	$249,794,442	$	$	$	$	$	$	$ 55,084	$249,849,526
Corporate Notes and Bonds	1.26	3,365,022	1,033,679	2,491,709	2,018,483					8,908,893
Mutual Funds, Short Term	5.73	69,481,869	2,441,192	7,913,973	8,905,839	10,721,615	7,137,979	2,608,119	650,468	109,861,054
Subtotal		$322,641,333	$ 3,474,871	$ 10,405,682	$ 10,924,322	$ 10,721,615	$ 7,137,979	$ 2,608,119	$ 705,552	368,619,473
Equity:										
Common Stock										9,927,447
Mutual Funds										132,283,612
Private Equity										10,963,397
Foundation Pooled Funds										1,593,052
Real Estate										12,528,965
Total Investments										$535,915,946

C. Investments (Foundation)

Investments were comprised of the following balances as of June 30, 2013 and 2012:

Investment	June 30, 2013	June 30, 2012
Pooled Investments:		
Equity	$ 207,005,183	$ 185,078,741
Fixed Income	144,595,381	144,076,577
Hedge Funds	143,049,490	127,239,945
Private Equity	63,534,666	63,825,154
Real Estate	16,808,295	14,673,645
Natural Resources/Commodities	26,954,613	24,336,277
Cash and Cash Equivalents	37,339,328	18,513,265
Accrued Interest	335,393	270,074
Accrued Manager Fees	(250,000)	(250,000)
Total Pooled Investments	639,372,349	577,763,678
Other Marketable Securities:		
Fixed Income	13,927,266	13,761,503
Equity	20,627,614	19,798,201
Cash and Cash Equivalents	647,740	535,387
Total Other Marketable Securities	35,202,620	34,095,091
Real Estate and Other Investments:		
Real Estate	12,305,685	9,862,444
Notes Receivable		
Notes Receivable from Affiliated Entities	1,576,455	1,543,443
Total Real Estate and Other Investments	13,882,140	11,405,887
Total Investments	$ 688,457,109	$ 623,264,656

D. Deposits with Trustees

Funds on deposit with trustees representing undrawn capital lease proceeds at June 30, 2013 and 2012, totaled $0 and $7,055,897, 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 Position. At June 30, 2013 and 2012, accounts receivable consisted of the following:

	June 30, 2013	June 30, 2012
Accounts Receivable	$ 36,407,502	$ 42,202,373
Allowance for Doubtful Accounts	(1,356,902)	(1,296,335)
Accounts Receivable, Net	$ 35,050,600	$ 40,906,038

B. Due from Government Agencies

Due from government agencies is composed of $3,209,879 due from state and local government agencies and $33,583,010 due from United States government agencies at June 30, 2013 and $2,983,828 due from state and local government agencies and $29,471,870 due from United States government agencies at June 30, 2012.

C. Loans Receivable

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

	June 30, 2013	June 30, 2012
Student Loans Receivable	$ 22,999,641	$ 23,330,865
Other Loans Receivable	14,062,363	16,105,052
Allowance for Doubtful Accounts	(226,969)	(219,831)
Loans Receivable, Net	$ 36,835,035	$ 39,216,086

D. Pledges Receivable (Foundation)

The components of net pledges receivable as of June 30, 2013 and 2012 are as follows:

	June 30, 2013	June 30, 2012
Gross Pledges Receivable	$ 68,965,292	$ 78,896,613
Allowance for Uncollectible Pledges	(1,670,219)	(1,860,625)
Discount to Present Value	(3,894,949)	(3,785,102)
Net Pledges Receivable	$ 63,400,124	$ 73,340,886

The Foundation estimates payments on these pledges receivable as of June 30, 2013, will be received as follows:

Year Ending June 30,	Principal
2014	$ 16,868,457
2015	12,584,442
2016	11,631,889
2017	5,034,101
2018	3,429,502
Thereafter	19,416,901
Total	$ 68,965,292

In addition, the Foundation has received notification of deferred gifts totaling approximately $472,000,000 and $440,000,000 as of June 30, 2013 and 2012, respectively, primarily in the form of revocable wills.

NOTE 4 - INVENTORIES

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

	June 30, 2013	June 30, 2012
Supplies, Merchandise, and Grain	$ 13,739,591	$ 16,346,863
Livestock	2,212,791	2,858,494
Total Inventories	$ 15,952,382	$ 19,205,357

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013, is summarized as follows:

	July 1, 2012	Additions	Transfers	Deductions	June 30, 2013
Capital Assets, Nondepreciable:					
Land	$ 15,662,890	$ 838,323	$	$	$ 16,501,213
Land Improvements	5,733,133				5,733,133
Construction in Progress	58,359,029	107,256,906	(61,351,692)	(176,575)	104,087,668
Intangible Assets in Development	2,786,860	1,881,634			4,668,494
Capital Assets, Nondepreciable	82,541,912	109,976,863	(61,351,692)	(176,575)	130,990,508
Capital Assets, Depreciable/Amortizable:					
Buildings	1,347,291,025		49,997,323	(172,264)	1,397,116,084
Land Improvements	25,365,177		1,312,706		26,677,883
Infrastructure	208,715,187		10,041,663		218,756,850
Equipment	255,824,144	22,265,621		(10,058,734)	268,031,031
Library	211,217,622	10,149,989		(238,071)	221,129,540
Intangible Assets	2,763,774			(354,702)	2,409,072
Capital Assets, Depreciable/Amortizable	2,051,176,929	32,415,610	61,351,692	(10,823,771)	2,134,120,460
Accumulated Depreciation/Amortization:					
Buildings	568,445,519	40,537,335			608,982,854
Land Improvements	12,260,055	1,289,308			13,549,363
Infrastructure	136,511,602	7,099,197			143,610,799
Equipment	149,985,627	14,447,705		(8,358,289)	156,075,043
Library	165,975,056	9,554,692		(238,071)	175,291,677
Intangible Assets	268,072	160,605		(35,655)	393,022
Accum. Depreciation/Amortization	1,033,445,931	73,088,842	–	(8,632,015)	1,097,902,758
Depreciable/Amortizable Assets, Net	1,017,730,998	(40,673,232)	61,351,692	(2,191,756)	1,036,217,702
Total Capital Assets, Net	$1,100,272,910	$ 69,303,631	$ –	$ (2,368,331)	$1,167,208,210

Capital assets, net of accumulated depreciation and amortization, purchased with resources provided by outstanding capital lease agreements at June 30, 2013, consisted of $385,788 of land, $18,548,124 of buildings and $212,872 of equipment.

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013, is summarized as follows:

	July 1, 2012	Additions	Deductions	June 30, 2013	Current Portion
Long-Term Debt:					
Bonds Payable	$427,261,961	$ 79,374,842	$ 68,590,208	$438,046,595	$ 16,370,000
Notes Payable	11,440,360		657,940	10,782,420	628,768
Capital Leases Payable	19,327,307	63,084	1,380,439	18,009,952	1,351,501
Total Long-Term Debt	458,029,628	79,437,926	70,628,587	466,838,967	18,350,269
Other Long-Term Liabilities:					
Compensated Absences	44,502,297	20,801,429	20,182,993	45,120,733	19,646,459
Early Retirement Benefits Payable	10,985,038		3,691,880	7,293,158	2,533,895
Refundable Advances on Student Loans	18,178,893			18,178,893	
Deferred Compensation	166,536	156,912		323,448	189,613
Due to State	16,062,089	1,669,155	3,698,405	14,032,839	3,020,475
Net Other Postemployment Benefits Obligation	29,326,899	10,761,623	5,914,019	34,174,503	
Total Other Long-Term Liabilities	119,221,752	33,389,119	33,487,297	119,123,574	25,390,442
Total Long-Term Liabilities	$577,251,380	$112,827,045	$104,115,884	$585,962,541	$ 43,740,711

A. Bonds Payable

Outstanding long-term revenue bond indebtedness at June 30, 2013, consisted of the following:

	Interest Rates	Maturity Dates	Amount
Academic Building	2.50 – 5.25%	2014-2036	$161,110,000
Less: Unamortized Discount			(1,048,751)
Add: Unamortized Premium			864,808
Add: Unamortized Refunding Gain			288,000
Athletic Facilities	2.00 – 6.10%	2014-2038	44,435,000
Less: Unamortized Discount			(461,993)
Dormitory	1.00 – 5.00%	2014-2034	137,395,000
Less: Unamortized Discount			(769,839)
Add: Unamortized Premium			713,608
Less: Unamortized Refunding Loss			(74,228)
Memorial Union	1.50 – 3.40%	2014-2031	20,910,000
Less: Unamortized Discount			(233,793)
Less: Unamortized Refunding Loss			(960,000)
Parking System	2.00 – 3.00%	2014-2023	3,485,000
Add: Unamortized Premium			111,526
Add: Unamortized Refunding Gain			198,000
Recreational System Facilities	2.00 – 4.75%	2014-2038	51,000,000
Less: Unamortized Discount			(485,775)
Regulated Materials Facility	2.00 – 3.90%	2014-2020	3,210,000
Add: Unamortized Premium			80,682
Add: Unamortized Refunding Gain			395,000
Utility System	3.00 – 5.00%	2014-2027	15,800,000
Less: Unamortized Discount			(49,869)
Add: Unamortized Premium			959,219
Add: Unamortized Refunding Gain			1,175,000
Total Bonds Payable			$438,046,595

Debt service requirements to maturity, as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 16,370,000	$ 16,581,583	$ 32,951,583
2015	18,880,000	15,485,921	34,365,921
2016	20,170,000	14,894,034	35,064,034
2017	21,245,000	14,251,474	35,496,474
2018	21,870,000	13,567,879	35,437,879
2019-2023	108,565,000	56,545,748	165,110,748
2024-2028	113,350,000	35,813,249	149,163,249
2029-2033	73,360,000	16,336,397	89,696,397
2034-2038	43,535,000	3,795,531	47,330,531
Less: Unamortized Discount	(3,050,019)		(3,050,019)
Add: Unamortized Premium	2,729,842		2,729,842
Less: Unamortized Refunding Gain/(Loss)	1,021,772		1,021,772
Total	$ 438,046,595	$ 187,271,816	$ 625,318,411

In January 2013, the University issued $16,580,000 of Dormitory System Revenue Refunding Bonds, Series I.S.U. 2013. The bond proceeds, in addition to other University funds, were placed in an irrevocable trust to refund $16,380,000 of Dormitory System Revenue Bonds, Series I.S.U. 2003. The advance refunding of these bonds permitted the University to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $2,675,301 and will reduce future aggregate debt service payments over the next 16 years by $3,242,658.

In May 2013, the University issued $20,155,000 of Memorial Union Revenue Refunding Bonds, Series I.S.U. 2013. The bond proceeds, in addition to other University funds, were placed in an irrevocable trust to refund $19,195,000 of Memorial Union Revenue Bonds, Series I.S.U. 2004. The advance refunding of these bonds permitted the University to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $2,055,624 and will reduce future aggregate debt service payments over the next 17 years by $2,666,310.

Also in May 2013, the University issued $2,755,000 of Regulated Materials Facility Revenue Refunding Bonds, Series I.S.U. 2013. The bond proceeds, in addition to other University funds, were placed in an irrevocable trust to refund $3,150,000 of Regulated Materials Facility Revenue 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 $350,184 and will reduce future aggregate debt service payments over the next 6 years by $691,187.

In June 2013, the University issued $5,350,000 of Dormitory System Revenue Refunding Bonds, Series I.S.U. 2013B. The bond proceeds, in addition to other University funds, were placed in an irrevocable trust to refund $6,035,000 of Dormitory System Revenue Bonds, Series I.S.U. 2003A. 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 $559,315 and will reduce future aggregate debt service payments over the next 11 years by $743,495.

Also in June 2013, the University issued $7,405,000 of Utility System Revenue Refunding Bonds, Series I.S.U. 2013. The bond proceeds, in addition to other University funds, were placed in an irrevocable trust to refund $8,580,000 of Utility System Revenue Bonds, Series I.S.U. 2003. The advance refunding of these bonds permitted the University to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $1,108,831 and will reduce future aggregate debt service payments over the next 11 years by $1,503,716.

B. Notes Payable

The University had the following notes payable outstanding at June 30, 2013:

	Interest Rates	Maturity Dates	Amount
Athletic System	0.80 - 5.82%	2014-2030	$ 10,763,942
Compost Facility	0.00%	2014	18,478
Total			$ 10,782,420

Debt service requirements to maturity, as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	723,610	255,580	979,190
2019-2023	2,917,877	682,728	3,600,605
2024-2028	557,866	201,167	759,033
2029-2030	4,000,000	42,667	4,042,667
Total	$ 10,782,420	$ 2,568,765	$ 13,351,185

C. Capital Leases Payable

The University had the following capital leases outstanding at June 30, 2013:

	Interest Rates	Maturity Dates	Amount
Cyclone Sports Complex	3.86%	2014-2027	$ 11,508,802
Farm Equipment	2.69 – 3.75%	2014-2018	124,649
ISU Veterinary Services Corporation	5.10%	2014-2016	55,191
Master Lease Program	5.40%	2014-2021	1,219,924
Sukup Basketball Complex	0.80 – 5.07%	2014-2020	5,101,386
Total			$ 18,009,952

The following is a schedule by year of future minimum lease payments required as of June 30, 2013:

Year Ending June 30,	Principal	Interest	Total
2014	$ 1,351,501	$ 726,071	$ 2,077,572
2015	1,407,310	664,881	2,072,191
2016	1,465,770	601,033	2,066,803
2017	1,494,695	534,898	2,029,593
2018	1,558,572	466,749	2,025,321
2019-2023	6,794,487	1,348,269	8,142,756
2024-2027	3,937,617	349,606	4,287,223
Total	$ 18,009,952	$ 4,691,507	$ 22,701,459

D. Net Other Postemployment 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, 2013, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

Annual Required Contribution (ARC)	$ 10,548,121
Interest on Net OPEB Obligation	979,874
Adjustment to Annual Required Contribution	(1,416,655)
Annual OPEB Cost	10,111,340
Contributions Made	(5,914,019)
Increase in Net OPEB Obligation	4,197,321
Net OPEB Obligation, Beginning of Year	24,496,851
Net OPEB Obligation, End of Year	$ 28,694,172

For fiscal year 2013, the University contributed $5.9 million to the medical plan. Plan members receiving benefits contributed $1.4 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
6/30/2013	$10,111,340	58.5%	$28,694,172
6/30/2012	$ 9,764,294	52.3%	$24,496,851
6/30/2011	$10,022,803	57.1%	$19,843,157

Funded Status and Funding Progress. As of the valuation date, for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was $83.9 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $83.9 million. The covered payroll (annual payroll of active employees covered by the plan) was $314 million, and the ratio of the UAAL to the covered payroll was 26.7%. As of June 30, 2013, 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 2013 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 $233.2 million for the State of Iowa as of June 30, 2013. 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, 2013. 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 $5,480,331 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, 2022, 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, 2013.

Year Ending June 30,	Amount
2014	$2,511,892
2015	1,884,347
2016	1,259,315
2017	940,059
2018	402,950
2019-2022	1,374,401
Total	$8,372,964

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 $3,860,718 and $2,178,496, respectively, for the years ended June 30, 2013 and 2012.

NOTE 8 - RESTRICTED NET POSITION

The University's restricted net position is classified according to externally imposed restrictions. The following table provides detail of the Restricted Net Position balances.

	June 30, 2013	June 30, 2012
Restricted-Nonexpendable:		
Permanently Endowed Funds	$ 29,526,529	$ 29,606,528
Restricted-Expendable:		
Student Loans	11,344,696	11,185,913
Scholarships, Research, and Educational Purposes	7,558,705	8,074,209
Reserve for Debt Service	11,093,144	11,573,221
Capital Projects	1,223,859	740,816
Total Restricted-Expendable	31,220,404	31,574,159
Total Restricted Net Position	$ 60,746,933	$ 61,180,687

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

	June 30, 2013	June 30, 2012
Temporarily Restricted:		
College Program Support	$ 75,340,496	$ 60,628,712
Student Financial Aid	41,036,596	39,428,700
Faculty and Staff Support	16,159,763	15,889,692
Research	10,903,016	10,908,620
Building, Equipment, and Maintenance	54,399,970	81,741,283
Other	10,771,278	6,861,645
Total Temporarily Restricted Net Assets	$ 208,611,119	$ 215,458,652
Permanently Restricted:		
College Program Support	$ 179,037,495	$ 165,195,573
Student Financial Aid	183,754,485	163,461,144
Faculty and Staff Support	125,441,657	114,386,588
Research	13,659,169	12,734,705
Building, Equipment, and Maintenance	2,515,085	2,341,696
Other	15,410,848	10,956,105
Total Permanently Restricted Net Assets	$ 519,818,739	$ 469,075,811

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 $37,196,625 and $35,892,840, respectively, for the years ended June 30, 2013 and 2012. The employees' required and actual contributions amounted to $18,597,748 and $17,945,877 respectively, for the years ended June 30, 2013 and 2012.

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 5.78% of their annual covered salary; the University is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. For the year ended June 30, 2012, 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, 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. These contribution requirements are established by State statute. The University's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were $1,962,387, $1,477,830, and $1,067,463 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, 2013, 454 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 $7,293,158. During the fiscal year ended June 30, 2013, the University paid $3,438,125 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, 2013 and 2012, the University had outstanding construction contract commitments of $59,077,078 and $82,979,244, 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.

	2013	2012
Unpaid Claims and Contingent Liabilities Accrued at July 1, 2012 and 2011	$ 3,938,000	$ 4,249,000
Claims Incurred and Contingent Liabilities Accrued During the Fiscal Year	47,666,567	45,165,903
Payments on Claims During the Fiscal Year	(47,566,567)	(45,476,903)
Unpaid Claims and Contingent Liabilities Accrued at June 30, 2013 and 2012	$ 4,038,000	$ 3,938,000

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 their 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 is at risk for the difference between an employee's total reimbursed claims and the amount collected from payroll deductions should the employee terminate before contributing the total amount. The University, by law, cannot seek restitution for this difference. This same risk does not apply to the payroll deduction for the Dependent Care 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 a flood zone. Due to a catastrophic flood event in August 2010, the loss to these buildings exceeded the $12 million limit. With the exception of those buildings, the settled claims have not exceeded the commercial property insurance. The University's property insurance policy was since renewed.

NOTE 11 – NET BUILDING IMPAIRMENT GAIN DUE TO FLOOD

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	$ 12,146,033
Deflation factor, compounded	.78
Deflated Restoration Costs	$ 9,504,922
Restoration Cost Ratio	39.19%
Impairment Loss	$ (4,976,368)
Insurance Recovery	7,594,678
Net Building Impairment Gain	2,618,310
Less Gain Realized in Previous Years	(733,628)
Impairment Gain Realized, Fiscal Year 2013	$ 1,884,682

The impairment loss is measured using the restoration cost approach. The expected cost to restore the impaired buildings (excluding building contents) is $12.1 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 .78. Deflated restoration costs of the impaired buildings is $9.5 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 3.78% to 100%, with the weighted average being 39.19%, compared to the previous year's weighted average of 37.84%. The resulting total gross impairment loss, based on each asset's carrying value, is $5.0 million. GASB Statement No. 42 requires that impairment loss be reported net of insurance recoveries. The estimated realizable insurance recovery associated with building impairment is $7.6 million, resulting in a net building impairment gain of $2.6 million. The net impairment gain reported as of June 30, 2012 was $0.7 million. Therefore, an incremental change in net impairment gain of $1.9 million is recorded in the financial statements for the year ended June 30, 2013.

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

NOTE 12 – OPERATING EXPENSES BY FUNCTION

The following is a summary of operating expenses by functional classification for the year ended June 30, 2013.

	Compensation And Benefits	Supplies	Services, Repairs & Professional Services	Other	Total
Instruction	$ 200,996,143	$ 12,870,933	$ 13,164,453	$	$ 227,031,529
Research	104,230,609	23,307,380	38,692,194		166,230,183
Public Service	48,108,718	10,395,869	13,470,321		71,974,908
Academic Support	102,818,775	19,680,504	20,776,330		143,275,609
Student Services	21,264,038	3,817,814	3,342,941		28,424,793
Institutional Support	31,189,701	14,709,178	823,919		46,722,798
Operation & Maintenance	31,603,928	21,242,458	13,341,506		66,187,892
Scholarships & Fellowships				29,449,823	29,449,823
Auxiliary Enterprises	72,223,555	47,152,814	17,531,476		136,907,845
Independent Operations	24,452,771	12,114,661	3,719,985		40,287,417
Depreciation/Amortization				73,088,842	73,088,842
Other Operating Expenses				514,774	514,774
Total Operating Expenses	$ 636,888,238	$ 165,291,611	$ 124,863,125	$ 103,053,439	$ 1,030,096,413

NOTE 13 – SUBSEQUENT EVENTS

Subsequent to June 30, 2013, the Board of Regents, State of Iowa, authorized the sale of Utility System Revenue Bonds, Series I.S.U. 2013A for $27,475,000 to be issued on November 1, 2013. These bonds will bear interest at varying rates between 3.0% and 4.25% and will mature in varying amounts from November 1, 2014 through November 1, 2033. The proceeds of these bonds will be used for the purpose of constructing, equipping, installing and extending certain facilities and improvements to the utility system of the University, funding a debt service reserve fund, and paying the costs of issuance. The bonds will be payable solely from net revenues of the utility system, the proceeds of any utility system student fees, and a debt service reserve fund.

Subsequent to June 30, 2013, the Board of Regents, State of Iowa, authorized the sale of Academic Building Revenue Refunding Bonds, Series I.S.U. 2013 for $6,000,000 to be issued on December 1, 2013. These bonds will bear interest at varying rates between 2.0% and 2.75% and will mature in varying amounts from July 1, 2014 through July 1, 2020. The proceeds of these bonds will be used to refund, as a current refunding, the outstanding principal of the July 1, 2014 through July 1, 2018 maturities of the Academic Building Revenue Bonds, Series I.S.U. 2003 and the July 1, 2014 through July 1, 2020 maturities of the University's Academic Building Revenue Bonds, Series I.S.U. 2004A and to pay the costs of issuing the bonds. The bonds will be payable solely out of gross student fees and charges collected by the University and institutional income received by the University.

Also subsequent to June 30, 2013, the Board of Regents, State of Iowa, authorized the sale of Dormitory Revenue Bonds, Series I.S.U. 2013C for $8,750,000 to be issued on December 1, 2013. These bonds will bear interest at varying rates between 2.0% and 4.0% and will mature in varying amounts from July 1, 2014 through July 1, 2033. The proceeds of the bonds will be used to pay a portion of the costs of constructing and equipping an expansion to Frederiksen Court apartments, to fund a debt service reserve fund, and to pay the costs of issuing the bonds. The bonds will be payable solely from the net revenues 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 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 to improve, remodel, repair, and construct additions to the Memorial Union Building and Parking Facility and to refund the outstanding Memorial Union Series 2000 Notes. Revenues pledged for this issue are the net revenues of the Memorial Union and student building fees.

E. Parking System Revenue Bonds

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

F. Recreational System Facilities Revenue Bonds

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

G. Regulated Materials Facility Revenue Bonds

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

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 position, revenues and expenses. Fund accounting is the procedure by which resources for various purposes are classified, for accounting and reporting purposes, into funds according to the activities or objectives specified. The University has set up accounts which are consistent with the flow of funds per requirements of the bond covenants.

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

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

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
CONDENSED STATEMENT OF NET POSITION			
Assets:			
Current Assets	$ 7,016,026	$ 9,634,010	$ 11,497,949
Noncurrent Assets	13,912,798	3,534,115	60,812,027
Capital Assets	134,327,417	46,312,846	156,087,584
Total Assets	155,256,241	59,480,971	228,397,560
Liabilities:			
Current Liabilities	7,016,436	9,630,075	12,247,109
Noncurrent Liabilities	157,589,057	42,719,871	135,780,386
Total Liabilities	164,605,493	52,349,946	148,027,495
Net Position:			
Net Investment in Capital Assets	(17,723,032)	6,596,715	45,288,236
Restricted	8,339,320	530,375	(318,536)
Unrestricted	34,460	3,935	35,400,365
Total Net Position	$ (9,349,252)	$ 7,131,025	$ 80,370,065
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating Revenues	$232,432,151	$ 10,802,551	$ 87,125,718
Operating Expenses		(1,468,271)	(65,054,210)
Depreciation Expense	(7,976,272)	(1,698,416)	(5,831,007)
Net Operating Income/(Loss)	224,455,879	7,635,864	16,240,501
Nonoperating Revenues/(Expenses)	(5,532,340)	(1,004,993)	(4,726,649)
Other Revenues/(Expenses) and Transfers	(223,287,897)	(6,228,849)	(1,398,334)
Change in Net Position	(4,364,358)	402,022	10,115,518
Beginning Net Position	(4,984,894)	6,729,003	70,254,547
Ending Net Position	$(9,349,252)	$ 7,131,025	$ 80,370,065
CONDENSED STATEMENT OF CASH FLOWS			
Net Cash and Cash Equivalents Provided/(Used) By:			
Operating Activities	$232,432,151	$ 10,287,939	$ 21,690,779
Capital and Related Financing Activities	(234,375,600)	(20,343,064)	(4,672,935)
Investing Activities	3,357,843	12,622,399	(22,748,455)
Net Increase/(Decrease)	1,414,394	2,567,274	(5,730,611)
Beginning Cash and Cash Equivalents	1,913,435	5,948,048	25,275,012
Ending Cash and Cash Equivalents	$ 3,327,829	$ 8,515,322	$ 19,544,401

Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Utility System Revenue Bonds
$ 1,278,432	$ 758,518	$ 1,882,459	$ 537,646	$ 18,548,359
4,800,739	4,417,694	15,874,171	3,098,584	5,407,857
27,959,403	5,619,077	43,098,096	7,086,099	60,057,408
34,038,574	10,795,289	60,854,726	10,722,329	84,013,624
1,718,282	648,509	1,988,075	540,727	4,515,828
19,449,109	3,573,835	49,730,256	3,230,682	16,628,894
21,167,391	4,222,344	51,718,331	3,771,409	21,144,722
9,918,586	2,483,050	(90,970)	4,130,918	43,462,921
(51,379)	(790)	(1,625)	(3,706)	2,715,483
3,003,976	4,090,685	9,228,990	2,823,708	16,690,498
$ 12,871,183	$ 6,572,945	$ 9,136,395	$ 6,950,920	$ 62,868,902
$ 3,186,614	$ 3,838,088	$869,326	$ 536,589	$ 38,360,632
(5,673,544)	(2,700,975)	(4,934,036)	(722)	(32,669,184)
(1,589,367)	(471,172)	(1,844,481)	(227,666)	(3,506,626)
(4,076,297)	665,941	(5,909,191)	308,201	2,184,822
(1,222,433)	(7,328)	(2,034,461)	(184,227)	(828,633)
4,480,800	77,312	10,021,384	(147,888)	(1,341,120)
(817,930)	735,925	2,077,732	(23,914)	15,069
13,689,113	5,837,020	7,058,663	6,974,834	62,853,833
$ 12,871,183	$ 6,572,945	$ 9,136,395	$ 6,950,920	$ 62,868,902
$ (2,489,805)	$ 1,117,708	$ (4,063,835)	$ 535,868	$ 7,349,012
2,268,292	(912,069)	5,686,493	(689,773)	(11,570,417)
97,111	(297,454)	86,507	349,258	(164,615)
(124,402)	(91,815)	1,709,165	195,353	(4,386,020)
3,381,883	4,212,867	10,635,103	2,634,767	21,911,250
$ 3,257,481	$ 4,121,052	$ 12,344,268	$ 2,830,120	$ 17,525,230

SEGMENT INFORMATION

As of and for the year ended June 30, 2013

	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	290%	264%
PROPORTION OF REVENUE PLEDGED			
Annual Debt Service	$ 10,407,873	$ 3,241,075	$ 10,469,384
Net Pledged Revenue	$ 232,511,167	$ 9,410,876	$ 27,656,457
Annual Debt Service / Net Pledged Revenue	4%	34%	38%

REVENUE BONDS PAYABLE

A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2013, is as follows:

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
Beginning Balance	$ 165,152,460	$ 44,431,973	$ 117,878,136
Additions			47,643,734
Deductions	(3,938,403)	(458,966)	(28,257,329)
Ending Balance	$ 161,214,057	$ 43,973,007	$ 137,264,541

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.

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st
2014	$ 10,332,629	$ 2,977,544	$ 10,848,039
2015	13,221,382	2,981,431	11,553,059
2016	13,151,411	2,968,746	11,860,284
2017	13,632,128	2,964,455	11,834,736
2018	13,609,183	2,953,503	11,818,557
2019-2023	60,706,905	14,708,510	55,760,621
2024-2028	56,963,201	14,718,969	49,334,513
2029-2033	39,255,838	14,810,843	14,060,791
2034-2038	19,213,062	9,066,050	1,600,594
Unamortized Discount, Premium, Refunding Gain/Loss	104,057	(461,993)	(130,459)
Total	$ 240,189,796	$ 67,688,058	$ 178,540,735

COMMITMENTS

As of June 30, 2013, the University had outstanding construction contract commitments as follows:

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
Contract Commitments	$ -	$ 409,882	$ 14,063,931

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%
321%	338%	370%	568%	122%
$ 1,581,571	$ 409,327	$ 2,875,944	$ 604,873	$ 4,813,563
$ 5,077,436	$ 1,384,514	$ 10,646,292	$ 3,434,032	$ 5,882,598
31%	30%	27%	18%	82%
$ 20,441,327	$ 4,113,918	$ 50,493,985	$ 4,011,549	$ 20,738,613
18,961,207			3,230,682	9,539,219
(19,686,327)	(319,392)	20,240	(3,556,549)	(12,393,482)
$ 19,716,207	$ 3,794,526	$ 50,514,225	$ 3,685,682	$ 17,884,350
Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	May & Nov 1st
$ 1,484,380	$ 392,037	$ 2,866,444	$ 568,277	$ 3,482,233
1,372,330	405,638	3,058,793	490,700	1,282,588
1,452,743	408,512	3,311,800	501,700	1,408,838
1,457,293	395,919	3,312,306	487,550	1,412,087
1,456,580	393,325	3,314,069	488,350	1,404,312
7,311,950	1,963,350	16,653,291	953,750	7,052,371
7,354,006		16,876,319		3,916,241
4,465,150		17,103,775		
		17,450,825		
(1,193,793)	309,526	(485,775)	475,682	2,084,350
$ 25,160,639	$ 4,268,307	$ 83,461,847	$ 3,966,009	$ 22,043,020
$ -	$ -	$ 1,338,058	$ -	$ 870,339

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
6/30/2011	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%
6/30/2013	7/1/2011	$0	$83,880,220	$83,880,220	0.0%	$313,983,698	26.7%

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

Kathy Dobbs, CPA, *Controller*

Carol Yanda, *Manager of Financial Accounting & Reporting*

Alicia Duncan

Robin Riedell-Jones

Lana Jarvis

Alicia Smith

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