Iowa State University

Financial Report

For the year ended June 30, 2017

On the Cover: Geoffroy Hall, the newest residence hall on campus, opened for the Spring 2017 semester. The first floor of the eight-story building has 15 study rooms, a computer lab, the hall desk, a lounge, a community gathering/event space, and kitchen. The upper seven floors are residential, providing 784 beds in double-occupancy furnished student rooms. Each residential floor also contains dens and additional gathering space. The department of residence earned its first LEED (Leadership in Energy and Environmental Design) certification, a gold award in new construction for the residence hall which was named in honor of President Emeritus Gregory L. Geoffroy, Iowa State's 14th president, who led the university from 2001 to 2012. (Photo credit: Brandon Stengel – www.farmkidstudios.com) **Below:** Dr. Wendy Wintersteen was selected to serve as Iowa State University's 16th president. She assumed the office on November 20, 2017, and is the first woman president in the university's history. (Photo credit: Christopher Gannon/Iowa State University)

UNIVERSITY OFFICIALS

Wendy Wintersteen, *President (effective November 20, 2017)*

Jonathan Wickert, *Senior Vice President and Provost*

Martino Harmon, *Senior Vice President for Student Affairs*

Pam Elliott Cain, *CPA, Senior Vice President for Finance and University Services (Interim)*

Joan Piscitello, *Treasurer*

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Mark Braun, *Executive Director (effective November 1, 2017)*

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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, 2017 and 2016, and the related Notes to Financial Statements, which collectively comprise Iowa State University's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, the Iowa State University Foundation, the Iowa State University Achievement Fund and the Original University Foundation (the "Foundation"), discussed in Note 1, which represent 100% of the assets, net position and revenues of the discretely presented component unit. We also did not audit the financial statements of the blended component units, Iowa State University Research Foundation, Incorporated and Iowa State University Veterinary Services Corporation, discussed in Note 1, which represent 1.5% and .1%, respectively, of the assets and .7% and .3%, respectively, of the revenues of the University. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented and blended component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation and Iowa State University Research Foundation, Incorporated were not audited in accordance with Government Auditing Standards.

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

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Iowa State University and its discretely presented component unit as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years ended June 30, 2017 and 2016 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, 2017 and 2016 and the changes in its financial position and its cash flows for the years ended June 30, 2017 and 2016 in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the University's Proportionate Share of the Net Pension Liability, the Schedule of University Contributions and the Schedule of Funding Progress on pages 3 through 9 and 54 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

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

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

December 14, 2017

Geoffroy Hall Entrance (Photo credit: Brandon Stengel – www.farmkidstudios.com)

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, 2017, along with comparative data for the years ended June 30, 2016 and 2015. Readers are encouraged to consider this information in conjunction with the University's financial statements and related footnotes that follow.

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

USING THIS ANNUAL REPORT

This analysis is intended to serve as an introduction to Iowa State University's basic financial statements. These basic financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. 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.

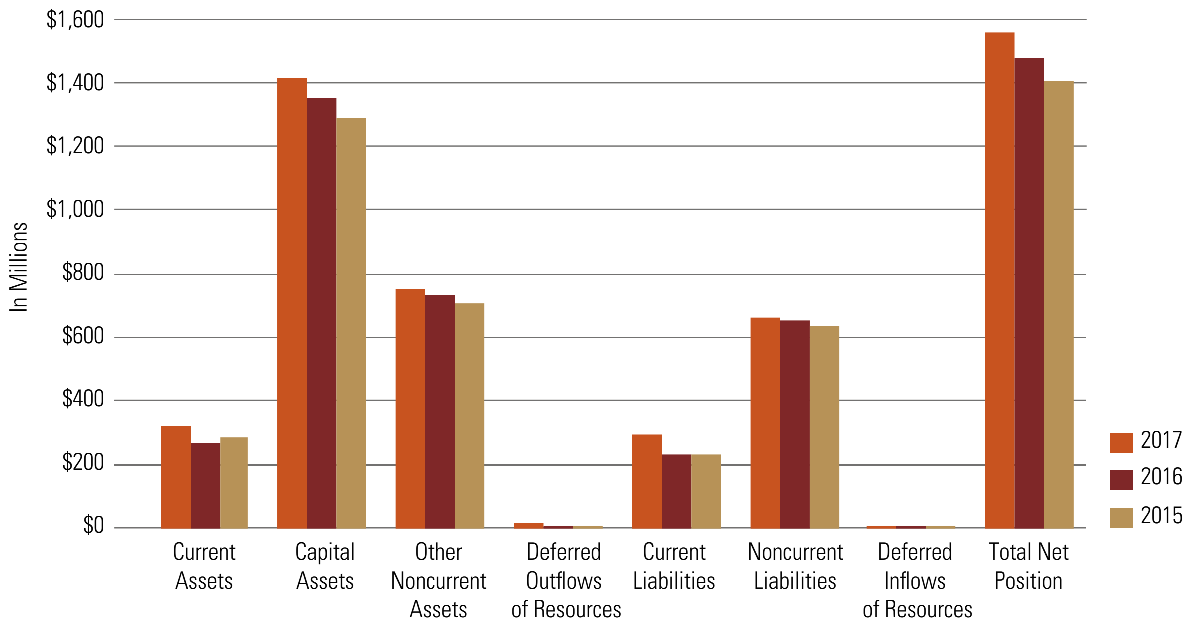
THE UNIVERSITY AS A WHOLE

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, liabilities and deferred inflows/outflows of resources of the University. Net Position—the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources—is one indicator of the current financial condition of the University, while the change in net position (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, 2017	June 30, 2016	June 30, 2015
Current Assets	$ 325,073,206	$ 273,437,704	$ 292,575,615
Capital Assets	1,411,717,369	1,351,786,480	1,289,024,282
Other Noncurrent Assets	753,877,338	737,071,525	707,749,827
Total Assets	2,490,667,913	2,362,295,709	2,289,349,724
Deferred Outflows of Resources	24,604,000	13,741,879	9,224,291
Current Liabilities	296,507,368	239,321,924	237,942,746
Noncurrent Liabilities	660,808,043	654,376,588	641,723,974
Total Liabilities	957,315,411	893,698,512	879,666,720
Deferred Inflows of Resources	2,295,249	4,269,087	8,716,653
Total Net Position	$1,555,661,253	$1,478,069,989	$1,410,190,642

Total assets at June 30, 2017, were $2.49 billion, which is $128.4 million higher than the prior year. Net capital assets comprised $1.41 billion of the $2.49 billion in assets, which is slightly smaller in proportion to that of June 30, 2016. Total liabilities were $957.3 million at June 30, 2017, an increase of $63.6 million. The comparison of current and noncurrent assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2017, 2016, and 2015 is shown above.



Net position increased $77.6 million, or 5.25% for the year. Generally, an increase in net position indicates that the financial condition has improved over the year, at least on a short-term basis.

Total net position at June 30, 2017, was $1.56 billion. The largest portion of the University's net position (61.9%) 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 (4.2%) is divided into two categories, nonexpendable and expendable. The nonexpendable restricted net position is only available for investment purposes.

Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by the external entities that have placed time or purpose restrictions on the use of the assets. The remaining net position is unrestricted and includes funds used to meet specific purposes, such as funding for the bonded enterprises. The composition of the net position balance is shown below.

	June 30, 2017	June 30, 2016	June 30, 2015
Net Investment in Capital Assets	$ 962,297,627	$ 896,085,898	$ 847,982,295
Restricted Nonexpendable	28,959,069	28,959,984	29,049,474
Restricted Expendable	36,036,634	38,703,228	37,523,260
Unrestricted	528,367,923	514,320,879	495,635,613
Total Net Position	$1,555,661,253	$1,478,069,989	$1,410,190,642

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 2017 would have been $39.4 million compared to $23.8 million for 2016 and $40.3 million for 2015. 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 $77.6 million for 2017.

	For the Years Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Operating Revenues	$ 920,813,552	$ 902,620,063	$ 858,974,892
Operating Expenses	1,204,623,221	1,178,158,702	1,149,673,032
Operating Loss	(283,809,669)	(275,538,639)	(290,698,140)
Nonoperating Revenues and Expenses	328,989,616	320,818,128	312,922,946
Income Before Other Revenues, Expenses, Gains and Losses	45,179,947	45,279,489	22,224,806
Other Revenues, Expenses, Gains and Losses	32,411,317	22,599,858	44,860,691
Increase in Net Position	77,591,264	67,879,347	67,085,497
Net Position, Beginning of Year	1,478,069,989	1,410,190,642	1,343,105,145
Net Position, End of Year	$1,555,661,253	$1,478,069,989	$1,410,190,642

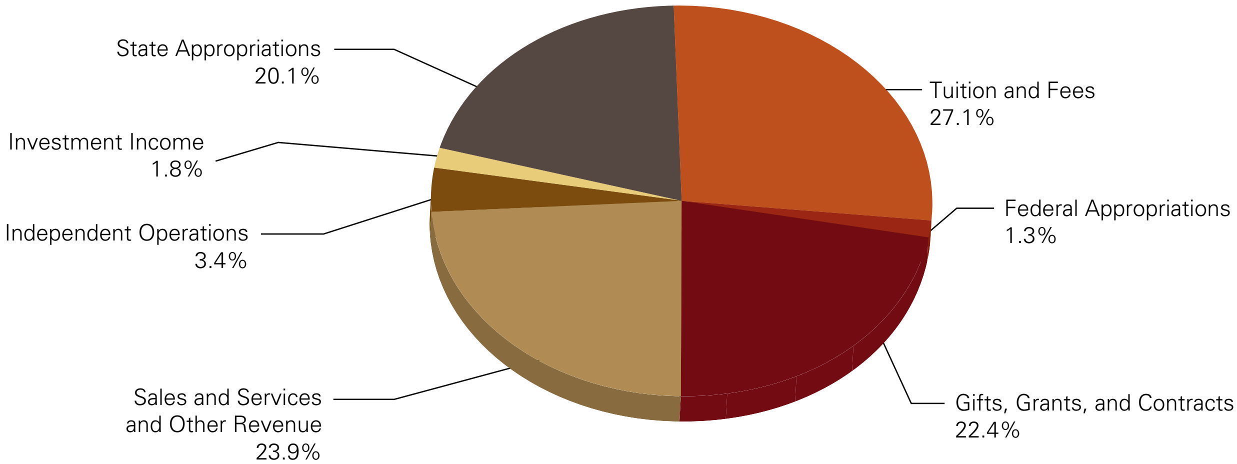
Revenues

Operating revenues for the year ended June 30, 2017, increased $18.2 million. The major component of this change was tuition and fees, net of scholarship allowances, which increased $23.1 million, or 7%, This increase is primarily attributable to another year of record student enrollment during fiscal year 2017.

Net non-operating revenues increased $8.2 million, due primarily to increases in net realized investment income and the fair market value of investments.

Other revenues, expenses, gains and losses increased $9.8 million. The largest components of this were a $5 million increase in private gifts for capital projects and a $5.8 million increase in state capital appropriations. Capital appropriations, grants and contracts are discussed in greater detail later in this Management's Discussion and Analysis.

In summary, total revenues of the University increased $35.2 million in fiscal year 2017 from $1.27 billion to $1.3 billion. The components of these revenues are shown on the following chart.



In comparing the years ended June 30, 2016, and 2015, operating revenues increased $43.6 million. The major components of that increase were tuition and fees, net of scholarship allowances, which increased $9.5 million, auxiliary enterprise revenue which increased $17.2 million, federal grants and contracts revenue which increased $11.3 million, and sales and services of educational activities which increased $7.5 million. In fiscal year 2016, net non-operating revenues increased $7.9 million over fiscal year 2015 due primarily to an increase in investment income.

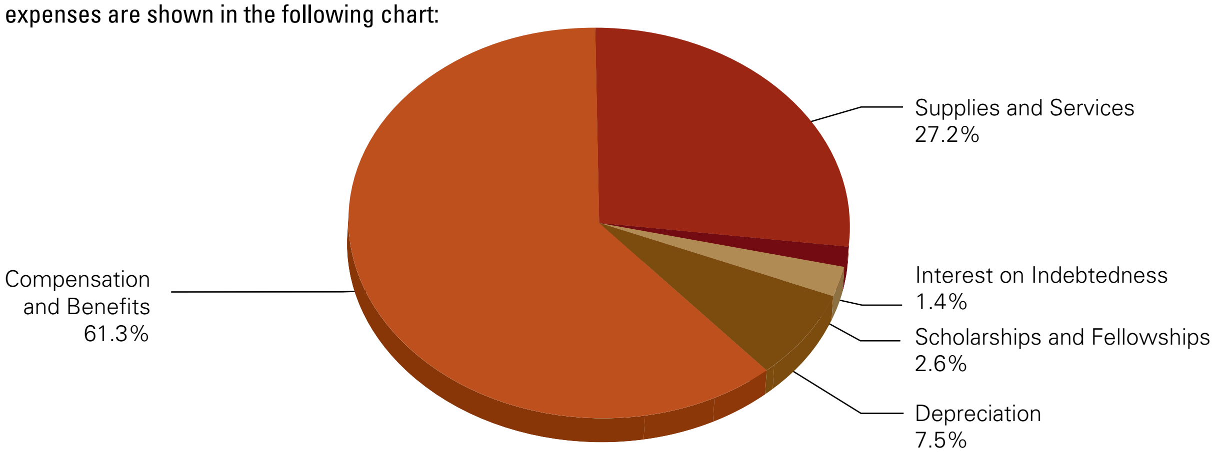
Expenses

Operating expenses were $1.2 billion for fiscal year 2017. This was an increase of $26.5 million, or 2.3%, over the previous year. Changes in the major natural expense categories were:

- Services, repairs, and professional services decreased $6.2 million, or 4.3%, primarily in the areas of research and public service.
- Supplies increased $3 million, or 1.6%. The most significant changes were an increase of $5.8M in auxiliary enterprises supplies and a $2.2M decrease in academic support.
- Compensation and benefits increased $25.3 million, or 3.5%, primarily in the areas of instruction and research due to continued growth in student enrollment.
- Other operating expenses increased $4.4 million, or 3.7%, primarily due to increased depreciation costs on buildings and building improvements.

Operating expenses may be classified according to natural categories as in the previous paragraph, see Note 11, or functionally as shown in the financial statements. For fiscal year 2017 all functional categories, as a percentage of total expenses, remained substantially the same.

Overall, total expenses for fiscal year 2017 were $1.22 billion, an increase of $25.5 million, or 2.1%. The components of these expenses are shown in the following chart:



Comparing the years ended June 30, 2016, and 2015, operating expenses in fiscal year 2016 increased $28.5 million over those of fiscal year 2015, which was a 2.5% 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.

In fiscal year 2017, cash and cash equivalents decreased $30.5 (C11) million, or 21.3%. (C2) This decrease was primarily due to an increase in long-term investments. Sources and uses are shown in the following table.

	For the Years Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Cash Provided/(Used) by:			
Operating Activities	($182,598,461)	($219,664,882)	($206,977,331)
Non-capital Financing Activities	311,694,775	328,857,739	324,233,984
Capital and Related Financing Activities	(77,408,906)	(113,391,750)	(56,427,808)
Investing Activities	(82,231,481)	(2,342,268)	31,663,883
Net Increase/(Decrease) in Cash	(30,544,073)	(6,541,161)	92,492,728
Cash and Cash Equivalents, Beginning of Year	143,500,914	150,042,075	57,549,347
Cash and Cash Equivalents, End of Year	$112,956,841	$143,500,914	$150,042,075

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 $61.9 million for fiscal year 2017 compared to $32.1 million for fiscal year 2016 and $43.4 million for fiscal year 2015.

CAPITAL ASSETS

At June 30, 2017, the University had $2.79 billion invested in capital assets, with accumulated depreciation and amortization of $1.38 billion, for net capital assets of $1.41 billion. Depreciation and amortization charges for fiscal year 2017 totaled $91.5 million. Capital assets, net of accumulated depreciation and amortization, were as follows:

	June 30, 2017	June 30, 2016	June 30, 2015
Land and Land Improvements, Nondepreciable/Nonamortizable	$ 26,988,921	$ 24,743,556	$ 23,184,346
Construction in Progress and Intangible Assets in Development	102,994,306	92,945,468	108,595,133
Infrastructure and Land Improvements, Depreciable/Amortizable	133,826,076	130,084,529	93,618,683
Buildings	962,954,588	920,741,518	888,919,031
Equipment and Library Collections	180,778,750	178,469,227	169,277,453
Intangible Assets	4,174,728	4,802,182	5,429,636
Total Capital Assets, Net of Accumulated Depreciation and Amortization	$1,411,717,369	$1,351,786,480	$1,289,024,282

The largest capital projects placed into service during fiscal year 2017 were Geoffroy Hall and renovations to Marston Hall. Geoffroy Hall was funded with dormitory revenue financing, and Marston Hall was funded with state and private funds.

There were several construction projects in progress at June 30, 2017. These are included in capital assets as construction in progress and will not be depreciated/amortized until the year they are placed in service. The largest of these projects are the Biosciences Advanced Teaching and Research Building and Bessey Hall Addition and the Student Innovation Center.

Capital Appropriations, Grants and Contracts

Capital appropriations from the State of Iowa have traditionally been a significant source of funding for construction of new buildings as well as major renovations. The $16.8 million in capital appropriations from the Statement of Revenues, Expenses and Changes in Net Position for fiscal year 2017 represents funding for the Biosciences Facilities, Student Innovation Center and Research Park Facility. In fiscal year 2016 the $11 million represented funding appropriated for the Biosciences Facilities.

Capital gifts and grants revenue, consisting primarily of private gifts funding for major building projects, was $15.6 million for fiscal year 2017, an increase of $5 million over the prior year. More detailed information about the University's capital assets is presented in Note 5 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2017, the University had $540.1 million in outstanding debt compared to $547.5 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, 2017	June 30, 2016	June 30, 2015
Bonds Payable-Academic Building	$140,743,339	$144,587,009	$151,411,949
Bonds Payable-Enterprise Funds	383,259,365	382,376,889	367,586,573
Capital Leases	11,037,768	12,384,193	13,719,975
Notes Payable	5,055,216	8,134,968	9,073,368
Total Debt	$540,095,688	$547,483,059	$541,791,865

In fiscal year 2017, the University issued $94.5 million in Academic Building Revenue Refunding Bonds, Dormitory Revenue Refunding Bonds, and Utility System Revenue and Refunding Bonds. The decrease in bonds payable resulted from the normal paying down of debt. The University carries an institutional bond rating of Aa2 from Moody's and an AA rating from Standard & Poor's.

ECONOMIC OUTLOOK

The national economy continues to show strength with the Dow Jones Industrial Average breaking 26,000 in January 2018. While the state of Iowa's net General Fund revenues increased 4.6% in fiscal year 2017, the December 2017 State Revenue Estimating Conference projected zero growth in fiscal year 2018. The State of Iowa provided general operating appropriations of $232 million for FY 2017 and $227.6 million for FY 2018 with capital appropriation authority for $16.8 million for FY 2017 and $25.5 million for FY 2018.

In February 2018, the Board of Regents, State of Iowa will consider tuition proposals from Iowa State with final Board of Regent decision to be determined in June 2018 for the 2018-2019 academic year. The Board's legislative request for additional state appropriations for Iowa State includes a $5 million appropriation to be used exclusively for resident undergraduate financial aid. Iowa State continues to work with the University's network of generous donors to increase private support for scholarships. In fiscal year 2017, the Iowa State Foundation awarded more than $16.5 million in scholarships.

Private funds are a key component of the University's financial support structure. Accordingly, the University will be monitoring the potential loss of revenue streams associated with tax reform laws taking effect in 2018. The increase in federal standard tax deduction combined with the doubling of the estate tax exclusion could significantly affect donor behavior. Iowa State has been very successful at raising private funds as part of the historic *Forever True, For Iowa State* fundraising campaign. As of December 31, 2017, the eight-year campaign had secured $925 million of its $1.1 billion goal with a final deadline of June 30, 2020. The Iowa State Foundation expects that at least half of the total money raised will be directed to student support and scholarships.

President Wendy Wintersteen is committed to maintaining Iowa State's status as one of the most efficiently-run universities in the country as demonstrated by national benchmarks. According to data cited from the Integrated Postsecondary Education Data System (IPEDS) by the American Council of Trustees and Alumni in summer 2017, Iowa State spent just 10 cents on administrative staff for every dollar spent on instructional staff. Median spending for schools similar to Iowa State was 17 cents for every dollar. The most recently available IPEDS data (fiscal year 2015) also shows that less than 6.5% of Iowa State's core expenses comprise administrative costs, while that figure is significantly higher for similar land-grant institutions (7.75%) and other Association of American Universities public institutions (8.24%). These indicators substantiate Iowa State is defying the persisting national narrative that higher education is bogged down in administrative bloat.

Over the past decade, the number of student credit hours taught has increased 71%, while the number of faculty has increased at a much slower rate of 43%. During this same time period, student outcomes haves significantly improved, including freshmen retention rate (up 2.6%), 4-year graduation rate (up 11.1%), and 6-year graduation rate (up 7.8%). This confirms that Iowa State faculty are working harder and more effectively than ever: they're teaching more students and more credit hours, and student outcomes are rising.

A fall 2017 review of Iowa State's cost reduction and cost avoidance efforts identified 115 projects that have resulted in more than $22 million in savings since 2014, including nearly $20 million recurring. While this was not a comprehensive list, it does indicate Iowa State's strong, enduring commitment to efficiency.

Iowa State broke another record in fiscal year 2017, generating more than $500 million in external funding. Total external funding rose over the previous record of $425.8 million set in fiscal year 2016, making it the fourth consecutive record for such funding for Iowa State. Of the external funding total, funds dedicated specifically to research totaled $243.7 million, making fiscal year 2017 the second-highest research funding level behind fiscal year 2016's record year of $252.5 million. Iowa State received $168.7 million in research support from federal agencies, including the Department of Energy, National Science Foundation, Department of Agriculture and National Institutes of Health. Research funding from non-federal sponsors totaled $74.9 million. More than half of Iowa State's larger awards were to initiate new research projects, and the university doubled the number of awards of $1 million or more. Research funding supports Iowa State's land-grant mission to generate new ideas to tackle societal challenges and benefit the lives of Iowans and the global society. In fiscal year 2018, both total external and federal funding are trending higher. As of December 31, 2017, external funding was up nearly 10% and funding from federal sources was up nearly 14% over fiscal year 2017 to date.

According to a recent study cited by Governor Reynolds' Future Ready Iowa initiative, 128,000 Iowans will need a post-secondary degree or other credential by 2025, and among the job openings will be 23,600 positions in STEM fields. Iowa State University is uniquely positioned to help the state fulfill its workforce needs. In fall 2017, 20,490 Iowa State students were enrolled in agriculture and STEM related fields. Iowa State is co-leading an initiative to specifically address the workforce shortage in the field of cyber security. In August 2017, Iowa State launched the Iowa Cyber Hub in partnership with DMACC. This initiative leverages Iowa State's status as a National Center of Academic Excellence in the fields of Information Assurance and Cyber Defense to provide a pathway for students into high-demand cyber security careers as well as training for the current workforce.

An Iowa State degree remains in high demand as evidenced by the university's second largest enrollment (36,321) in fall 2017. This follows eight consecutive years of record-breaking enrollment, totaling a 35% increase since fall 2008. To accommodate robust enrollment and the growing research enterprise, the University is expanding campus capacity. In fiscal year 2017, major renovations were completed to Marston Hall, historic home of the nationally-ranked College of Engineering, Iowa State's largest college with nearly 9,700 students. A brand new 780-bed residence hall, named for former President Greg Geoffroy, also opened to house an increasing number of students who choose to live on campus. In early fiscal year 2018, the Bessey Hall addition opened to accommodate significant growth in Iowa State's biology programs. The Advanced Teaching and Research Facility, which will support interdisciplinary biosciences research and instruction, is slated to open in March 2018. Both projects known collectively as the Biosciences Facilities Project were funded through a combination of $50 million in state support and $38 million in private and university funds. Construction is underway on the Student Innovation Center, which will provide an additional 140,000 square feet of applied learning and collaboration space once completed in 2020. This $84 million facility is being made possible through a partnership between the state and University, including Iowa State's largest private gift ever ($20 million) for an academic facility. The Board of Regents has endorsed Iowa State's top capital priority for the 2018 legislative session: a new $120 million Veterinary Diagnostics Laboratory (VDL) with state funding ask of $100 million. As the only fully-accredited and full service Veterinary Diagnostic Laboratory in Iowa, Iowa State's VDL is a national leader in protecting animal and human health and plays a critical role in securing the state's $32.5 billion animal agricultural industry.

CONTACTING IOWA STATE UNIVERSITY'S FINANCIAL MANAGEMENT

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

STATEMENT OF NET POSITION ....*As of June 30, 2017 and 2016*

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents (Note 2A)	$ 20,931,180	$ 54,727,787
Investments (Note 2B)	204,917,409	114,545,695
Accounts receivable, net (Note 3A)	30,975,489	27,729,887
Due from government agencies (Note 3B)	26,469,033	37,645,889
Interest receivable	965,094	641,686
Notes receivable, net (Note 3C)	4,167,697	4,292,210
Inventories (Note 4)	16,749,194	16,684,110
Prepaid expenses (Note 1G)	19,898,110	17,170,440
Total Current Assets	**325,073,206**	**273,437,704**
Noncurrent Assets		
Cash and cash equivalents (Note 2A)	92,025,661	88,773,127
Investments (Note 2B)	610,729,936	592,742,059
Accounts receivable, net (Note 3A)	2,834,643	7,896,887
Due from government agencies (Note 3B)	1,000,000	
Interest receivable	551,795	486,303
Prepaid expenses (Note 1G)	10,800,000	11,358,173
Notes receivable, net (Note 3C)	35,935,303	35,814,976
Capital assets, net (Note 5)	1,411,717,369	1,351,786,480
Total Noncurrent Assets	**2,165,594,707**	**2,088,858,005**
TOTAL ASSETS	**2,490,667,913**	**2,362,295,709**
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related deferred outflows (Note 8B)	17,676,114	10,579,127
Unamortized loss from refunding of debt	6,927,886	3,162,752
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**24,604,000**	**13,741,879**

LIABILITIES	2017	2016
Current Liabilities		
Accounts payable	$ 48,651,049	$ 43,141,230
Salaries and wages payable	3,371,999	2,934,420
Unpaid claims and contingent liabilities (Note 10B)	4,443,000	5,051,000
Unearned revenue	38,513,731	35,333,473
Interest payable	8,683,752	8,839,969
Long-term debt, current portion (Note 6)	30,533,290	28,784,240
Other long-term liabilities, current portion (Note 6)	26,495,372	25,934,317
Deposits held in custody for others	135,815,175	89,303,275
Total Current Liabilities	**296,507,368**	**239,321,924**
Noncurrent Liabilities		
Accounts payable	11,614,027	10,502,594
Long-term debt, noncurrent portion (Note 6)	509,562,398	518,698,819
Other long-term liabilities, noncurrent portion (Note 6)	139,631,618	125,175,175
Total Noncurrent Liabilities	**660,808,043**	**654,376,588**
TOTAL LIABILITIES	**957,315,411**	**893,698,512**
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows (Note 8B)	423,355	2,049,074
Unamortized gain from refunding of debt	1,871,894	2,220,013
TOTAL DEFERRED INFLOWS OF RESOURCES	**2,295,249**	**4,269,087**
NET POSITION		
Net investment in capital assets	962,297,627	896,085,898
Restricted:		
Nonexpendable:		
Permanent endowment	28,959,069	28,959,984
Expendable:		
Student loans	13,023,581	12,950,611
Scholarships, research, and educational purposes	5,700,961	5,982,806
Reserve for debt service	5,586,460	7,669,076
Capital projects	11,725,632	12,100,735
Unrestricted	528,367,923	514,320,879
TOTAL NET POSITION	**$ 1,555,661,253**	**$ 1,478,069,989**

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, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $127,919,163 and $117,635,776 for the years ended June 30, 2017 and 2016, respectively (Note 1Q)	$ 352,373,920	$ 329,318,063
Federal appropriations	17,254,865	15,366,850
Federal grants and contracts	146,448,329	143,971,347
State and local government grants and contracts	18,569,739	18,867,449
Nongovernmental grants and contracts	30,393,844	31,396,870
Sales and services of educational activities	65,884,153	76,286,422
Auxiliary enterprises, net of scholarship allowances of $7,172,905 and $6,437,093 for the years ended June 30, 2017 and 2016, respectively (Note 1Q)	220,890,841	219,364,747
Independent operations	44,315,217	43,048,453
Interest on student loans	506,275	508,972
Other operating revenues	24,176,369	24,490,890
TOTAL OPERATING REVENUES	**920,813,552**	**902,620,063**
OPERATING EXPENSES		
Instruction	280,156,753	269,173,329
Research	179,089,940	176,366,823
Public service	77,573,813	79,027,383
Academic support	176,899,358	176,660,438
Student services	37,614,345	35,622,793
Institutional support	48,662,296	43,927,429
Operation and maintenance of plant	71,212,424	72,013,203
Scholarships and fellowships	31,468,460	30,158,167
Auxiliary enterprises	165,547,781	163,360,977
Independent operations	44,575,785	43,073,833
Depreciation/amortization	91,459,031	88,387,515
Other operating expenses	363,235	386,812
TOTAL OPERATING EXPENSES	**1,204,623,221**	**1,178,158,702**
OPERATING LOSS	**(283,809,669)**	**(275,538,639)**
NONOPERATING REVENUES/(EXPENSES)		
State appropriations	244,458,106	251,782,168
Federal grants and contracts	25,468,351	24,901,496
Nonfederal gifts, grants and contracts	54,343,304	55,565,710
Investment income	23,076,083	7,784,513
Interest on indebtedness	(17,325,499)	(18,064,930)
Loss on disposal of capital assets	(805,157)	(1,234,550)
Other net nonoperating revenues/(expenses)	(225,572)	83,721
NET NONOPERATING REVENUES/(EXPENSES)	**328,989,616**	**320,818,128**
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	**45,179,947**	**45,279,489**
Capital appropriations	16,825,766	11,000,000
Capital gifts, grants and contracts	15,571,879	10,548,025
Other revenues	13,672	1,051,833
TOTAL OTHER REVENUES, EXPENSES, GAINS & LOSSES	**32,411,317**	**22,599,858**
CHANGE IN NET POSITION	**77,591,264**	**67,879,347**
Net Position, Beginning of Year	1,478,069,989	1,410,190,642
NET POSITION, END OF YEAR	**$ 1,555,661,253**	**$ 1,478,069,989**

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

STATEMENT OF CASH FLOWS .... *For the Years Ended June 30, 2017 and 2016*

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 350,250,051	$ 328,633,274
Federal appropriations	19,492,486	12,211,417
Grants and contracts	204,129,435	178,988,090
Sales of educational activities	67,252,289	75,405,861
Sales and services of auxiliary enterprises	220,920,407	216,402,381
Payments for auxiliary enterprises	(164,741,875)	(164,364,213)
Receipts of independent operations	43,977,187	42,581,915
Collections of loans from students	4,536,857	4,481,071
Payments for salaries and benefits	(661,427,754)	(635,602,431)
Payments for goods and services	(255,155,420)	(268,815,705)
Scholarship payments	(30,727,449)	(29,433,132)
Loans issued to students	(4,762,126)	(5,307,566)
Other operating receipts	23,657,451	25,154,156
NET CASH USED BY OPERATING ACTIVITIES	**(182,598,461)**	**(219,664,882)**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	244,458,106	251,782,168
Non-capital gifts, grants and contracts	76,739,412	74,143,910
Direct lending receipts	156,571,730	154,985,215
Direct lending payments	(156,730,181)	(154,966,424)
Funds held for others receipts	357,472,754	330,844,254
Funds held for others payments	(366,817,046)	(327,931,384)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	**311,694,775**	**328,857,739**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	16,864,154	22,493,407
Capital gifts and grants received	33,318,207	22,416,001
Proceeds from capital and refunding debt	99,515,560	42,201,378
Proceeds from sale of capital assets	1,468,709	974,959
Acquisition and construction of capital assets	(154,493,609)	(147,161,971)
Principal paid on capital debt	(32,128,377)	(28,954,182)
Interest paid on capital debt	(17,824,272)	(19,729,986)
Defeased debt payments	(23,727,031)	(13,962,832)
Other capital and related financing sources/(uses)	(402,247)	8,331,476
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(77,408,906)**	**(113,391,750)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received on investments	10,465,297	5,652,400
Proceeds from sales of investments	510,951,298	552,985,716
Purchases of investments	(603,648,076)	(560,980,384)
NET CASH USED BY INVESTING ACTIVITIES	**(82,231,481)**	**(2,342,268)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(30,544,073)**	**(6,541,161)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	143,500,914	150,042,075
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 112,956,841**	**$ 143,500,914**

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STATEMENT OF CASH FLOWS *(continued)* .... *For the Years Ended June 30, 2017 and 2016*

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
OPERATING LOSS	**$ (283,809,669)**	**$ (275,538,639)**
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation/amortization	91,459,031	88,387,515
Changes in assets, liabilities, deferred outflows, and deferred inflows:		
Accounts receivable and due from government agencies	8,574,183	(16,807,496)
Inventories	(67,961)	684,987
Prepaid expenses	(1,940,926)	(16,399,552)
Notes receivable	(1,653,632)	(1,267,950)
Deferred outflows of resources	(7,096,987)	(4,441,564)
Accounts payable	(6,177,268)	(5,208,366)
Unearned revenue	3,133,410	1,317,649
Compensated absences	471,681	919,162
Early retirement benefits payable	(235,833)	(1,099,302)
Other postemployment benefits obligation	5,816,264	5,154,696
Pension liability	10,852,475	8,498,414
Deferred compensation liability	(297,510)	235,010
Deferred inflows of resources	(1,625,719)	(4,099,446)
NET CASH USED BY OPERATING ACTIVITIES	**$ (182,598,461)**	**$ (219,664,882)**

	2017	2016
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Capital gifts-in-kind	$ 1,208,814	$ 6,533,483
Assets acquired under capital leases	$ 32,200	$ –
Net unrealized gain/(loss) on investments	$ 12,441,944	$ 1,976,811

	2017	2016
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents classified as current assets	$ 20,931,180	$ 54,727,787
Cash and cash equivalents classified as noncurrent assets	92,025,661	88,773,127
TOTAL CASH AND CASH EQUIVALENTS	**$ 112,956,841**	**$ 143,500,914**

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

COMBINED STATEMENTS OF FINANCIAL POSITION.....*As of June 30, 2017 and 2016*

	2017	2016
ASSETS		
Cash and cash equivalents	$ 3,794,434	$ 3,840,176
Receivables:		
Pledges, net (Note 3D)	65,515,215	65,080,179
Estates	6,842,756	9,982,471
Funds held in trust by others	19,816,233	25,181,733
Due from related organizations	16,144,753	1,671,102
Total receivables	108,318,957	101,915,485
Investments (Note 2C):		
Pooled investments	798,061,949	738,504,601
Other marketable securities	38,802,641	37,304,473
Real estate and other investments	10,224,890	11,031,340
Investment in Curriculum Associates	221,021,508	
Total investments	1,068,110,988	786,840,414
Property and equipment	3,714,289	3,897,132
Other assets	6,103,120	5,674,351
TOTAL ASSETS	**$ 1,190,041,788**	**$ 902,167,558**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 918,868	$ 868,910
Due to related organizations	12,660,960	13,630,560
Bonds payable	2,063,288	2,199,999
Long-term liabilities	2,084,954	1,782,679
Due to unrelated organization	50,000,000	
Deferred income tax liability	25,879,038	
Split-interest agreement obligations	19,985,785	18,880,158
TOTAL LIABILITIES	**113,592,893**	**37,362,306**
NET ASSETS		
Unrestricted:	19,346,344	22,569,300
Temporarily Restricted:		
College program support	96,241,385	84,282,342
Student financial aid	46,083,691	41,490,973
Faculty and staff support	18,017,214	16,948,692
Research	13,126,552	14,041,516
Building, equipment and maintenance	59,624,709	67,502,195
Other	16,894,249	13,585,977
Total temporarily restricted	249,987,800	237,851,695
Permanently Restricted:		
College program support	330,831,247	178,489,756
Student financial aid	251,601,041	220,941,002
Faculty and staff support	168,643,534	155,056,352
Research	16,190,312	14,776,462
Building, equipment and maintenance	4,564,748	4,277,927
Other	35,283,869	30,842,758
Total permanently restricted	807,114,751	604,384,257
TOTAL NET ASSETS	**1,076,448,895**	**864,805,252**
TOTAL LIABILITIES AND NET ASSETS	**$ 1,190,041,788**	**$ 902,167,558**

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, 2017 and 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	$28,730,847	$ 67,258,357	$ 85,731,410	$ 181,720,614	$ 90,117,355
Investment return:					
Pooled investments	8,070,106	29,639,000	37,834,228	75,543,334	(15,304,140)
Nonpooled investments	(498,522)	1,628,851	79,825,868	80,956,197	(327,583)
Total investment return	7,571,584	31,267,851	117,660,096	156,499,531	(15,631,723)
Fundraising service revenue	3,186,709			3,186,709	2,950,266
Return on funds held in trust by others		723,080	56,414	779,494	304,805
Other	265,795	899,886	264,965	1,430,646	2,540,516
Net assets released from restrictions	86,872,964	(86,872,964)		–	–
TOTAL REVENUES, GAINS AND OTHER SUPPORT	**126,627,899**	**13,276,210**	**203,712,885**	**343,616,994**	**80,281,219**
EXPENSES					
Program	87,198,321			87,198,321	80,008,697
Operating:					
Fundraising	12,199,709			12,199,709	11,430,309
Administrative	4,573,787			4,573,787	4,113,958
Income tax expense	25,879,038			25,879,038	
Change in value of split-interest agreements		1,140,105	982,391	2,122,496	1,369,975
TOTAL EXPENSES	**129,850,855**	**1,140,105**	**982,391**	**131,973,351**	**96,922,939**
CHANGE IN NET ASSETS	**(3,222,956)**	**12,136,105**	**202,730,494**	**211,643,643**	**(16,641,720)**
Net Assets, Beginning of Year	22,569,300	237,851,695	604,384,257	864,805,252	881,446,972
NET ASSETS, END OF YEAR	**$19,346,344**	**$249,987,800**	**$807,114,751**	**$1,076,448,895**	**$864,805,252**

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 1,883 acres. In addition, farms and other properties, which are stocked and equipped for teaching and research purposes, total approximately 9,654 acres.

B. Basis of Presentation

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

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

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 Division of 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. Revenues were $8,872,677 and $3,859,134 respectively for the years ended June 30, 2017 and 2016. Expenses were $4,654,209 and $4,150,583 respectively for the years ended June 30, 2017 and 2016.

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 Senior 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. Revenues were $3,538,280 and $3,711,397 while expenses were $3,535,300 and $4,253,707, respectively, for the years ended June 30, 2017 and 2016.

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, 2017 and 2016, the Foundation distributed and expended $87,198,321 and $80,008,697, respectively, on behalf of the University for both restricted and unrestricted purposes as follows:

	2017	2016
Scholarships, loan funds, and awards	$ 27,009,118	$ 27,445,847
Faculty and staff support	7,461,653	7,215,769
College and administrative support	28,099,019	21,643,431
Buildings, equipment, and repairs	20,990,633	21,937,876
Gifts in kind	3,637,898	1,765,774
Total Program Support	$ 87,198,321	$ 80,008,697

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, cash and cash equivalents are reported in accordance with Board of Regents policy, section 7.04.H.2. The policy states investments purchased by the Regent institutions through Board authorized brokerage firms that meet the definition of cash equivalents, investments with original purchase dates to maturity of three months or less, shall be reported on the audited financial statements of the Regent institutions as cash equivalents.

E. Investments

Investments are reported in accordance with Board of Regents policy, section 7.04.H.2. The policy states that, to appropriately reflect the Board's overall investment strategy and as outlined in GASB Statement No. 9 paragraph 11, the Board sets forth that all funds held by external investment managers, as defined in section 7.04.C.4 of the Board's investment policy, shall be reported on the audited financial statements of the Regent institutions as investments.

In accordance with the Board of Regents investment policy, the University considers all funds held by external investment managers, regardless of maturity, to be investments. Investments of the University are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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 Statement No. 157, investments of the Foundation are carried at fair value as determined by values provided by an external investment manager and quoted market values. The carrying values of other investments 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. Prepaid Expenses

The University was appropriated $12 million from the State of Iowa to reimburse the Iowa State University Research Park for the construction of a Hub Square Facility in exchange for office space at the facility for the 20-year period beginning July 1, 2016. Accordingly, the University recognized prepaid rent expense while the Iowa State University Research Park recognized an equal amount of unearned revenue in the amount of $11.4 million as of June 30, 2017.

H. Capital Assets

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

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

I. Unearned Revenue

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

J. Compensated Absences

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

K. Noncurrent Liabilities

Noncurrent liabilities include principal amounts of revenue bonds payable, notes payable, and capital leases payable with contractual maturities greater than one year, as well as estimated amounts for accrued compensated absences, 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.

L. Net Pension Liability

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

M. Refundable Advances on Student Loans

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

N. Deferred Outflows and Deferred Inflows of Resources

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

1. **Pension-related** – Deferred outflows consist of unrecognized items not yet charged to pension expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments, and contributions by the University after the measurement date but before the end of the University's reporting period. Deferred inflows consist of unrecognized items not yet credited to pension expense.

2. **Unamortized bond refunding losses and gains** – Bond refunding losses and gains, which will be recognized over the life of the bonds, are the difference between the reacquisition price of the new debt and the net carrying amount of the debt being refunded. Deferred outflows consist of unamortized losses resulting from the refunding of bonds. Deferred inflows consist of unamortized gains resulting from the refunding of bonds.

O. 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.

P. 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.

Q. 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.

R. 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.

S. Bond Discounts and Premiums

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

T. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

U. Reclassification

Certain balances in the financial statements of the Foundation, a discretely presented component unit of the University, for the year ended June 30, 2016 have been reclassified with no effect on net asset classification or the change in net assets, to conform to the classification used for the year ended June 30, 2017.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

A. Cash and Cash Equivalents

A summary of the book and bank balances for cash and cash equivalents at June 30, 2017 and 2016 is as follows:

	June 30, 2017	June 30, 2016
Book Balance	$112,956,841	$143,500,914
Bank Balance:		
Covered by FDIC Insurance or State Sinking Fund	$ 80,165,582	$ 84,175,832
Uninsured and Uncollateralized	39,919,363	64,817,528
Total Bank Balance	$120,084,945	$148,993,360

B. Investments (University)

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

For donor-restricted endowments, Chapter 540A of the Code of Iowa permits the University to appropriate an amount of realized and unrealized endowment appreciation as the University determines to be prudent pursuant to a consideration of the University's long-term and short-term needs, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. The University's policy is to retain the realized and unrealized appreciation with the endowment pursuant to the spending rules of the University. The University's spending policy is 5.5%, which includes a 1.25% administrative fee of a three-year moving average market value. Net appreciation of endowment funds, which totaled $5,700,961 and $5,982,806 at June 30, 2017 and 2016, respectively, is available to meet the spending rate distribution and is recorded in restricted expendable net position.

Cash and investments for the University's discretely presented component unit are not subject to GASB disclosure requirements. These amounts were $1.072 billion and $791 million as of June 30, 2017 and 2016, respectively.

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

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

Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Of the University's $815.6 million investments at June 30, 2017, $1,669,547 and $276,835 of pooled funds are held by the Iowa State University Foundation and Iowa State University Research Foundation, respectively, 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:

	June 30, 2017		June 30, 2016	
Issuer	Fair Value	% of Total Operating Portfolio Assets	Fair Value	% of Total Operating Portfolio Assets
Federal Farm Credit Bank	$ 44,664,036	5%	$ 37,825,472	5%
Federal Home Loan Bank	$178,016,879	21%	$ 129,860,960	17%

As of June 30, 2017, the effective duration, credit quality ratings, and fair value of the University's investments were as follows:

		Credit Quality Rating									
	Effective Duration (Years)	TSY/AGY	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated	Total Fair Value
Fixed Income:											
U.S. Government Treasuries	1.30	$157,079,129	$	$	$	$	$	$	$	$	$157,079,129
U.S. Government Agencies	1.76	955,072		223,236,060							224,191,132
Corporate Notes and Bonds	1.21		918,292	559,685	1,689,914	2,409,596	35,057	20,121		122	5,632,787
Mutual Funds, Short Term	5.54	60,070,150	8,670,563	4,198 407	10,253,507	13,722,385	11,971,757	12,230,335	1,964,201	920,533	124,001,838
Mutual Funds, Long Term	3.25		1,763,424	1,649,655	2,579,278	1,879,720	7,714,257	7,356,786	1,280,261	654,256	24,877,637
Subtotal		$218,104,351	$ 11,352,279	$229,643,807	$ 14,522,699	$ 18,011,701	$ 19,721,071	$ 19,607,242	$ 3,244,462	$ 1,574,911	535,782,523
Equity and Other:											
Common Stock											13,247,591
Preferred Stock											276,835
Mutual Funds											126,939,322
Private Equity											22,440,014
Foundation Pooled Funds											1,669,547
Real Estate											27,867,813
Money Market											87,423,700
Total Investments											$815,647,345

As of June 30, 2016, the effective duration, credit quality ratings, and fair value of the University's investments were as follows:

		Credit Quality Rating									
	Effective Duration (Years)	TSY/AGY	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated	Total Fair Value
Fixed Income:											
U.S. Government Treasuries	1.97	$123,176,204	$	$	$	$	$	$	$	$	$123,176,204
U.S. Government Agencies	1.30			169,441,228							169,441,228
Corporate Notes and Bonds	0.67		1,239,452	450,133	1,512,491	1,238,057	156,900	60,247			4,657,280
Mutual Funds, Short Term	5.47	59,235,986	8,049,381	4,091,062	10,725,852	13,900,297	10,906,113	11,098,789	1,777,903	2,258,069	122,043,452
Mutual Funds, Long Term	3.66		1,256,501	4,166,434	2,090,116	1,951,408	6,821,518	6,483,310	1,286,073	859,235	24,914,595
Subtotal		$182,412,190	$ 10,545,334	$178,148,857	$ 14,328,459	$ 17,089,762	$ 17,884,531	$ 17,642,346	$ 3,063,976	$ 3,117,304	444,232,759
Equity and Other:											
Common Stock											12,243,693
Preferred Stock											198,507
Mutual Funds											139,116,918
Private Equity											19,160,020
Foundation Pooled Funds											1,568,640
Real Estate											24,398,258
Money Market											66,368,959
Total Investments											$707,287,754

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

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

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

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

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

The classifications or levels by investment category as of June 30, 2017 and 2016, are shown below.

	June 30, 2017				
Investments Type	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fixed Income:					
U.S. Government Treasuries	$157,079,129	$	$	$	$157,079,129
U.S. Government Agencies		224,191,132			224,191,132
Corporate Notes and Bonds		5,632,787			5,632,787
Mutual Funds, Short Term	105,983,040	18,018,798			124,001,838
Mutual Funds, Long Term		16,751,258	8,126,379		24,877,637
Equity and Other:					
Common Stock	12,643,973	603,618			13,247,591
Preferred Stock	276,835	-			276,835
Mutual Funds	83,083,949	14,089,997	29,765,376		126,939,322
Private Equity-Limited Partnerships			-	22,440,014	22,440,014
Foundation Pooled Funds	523,737	636,765	509,045		1,669,547
Real Assets-Limited Partnership				27,867,813	27,867,813
Money Market (1)					87,423,700
Total Investments	$359,590,663	$279,924,355	$ 38,400,800	$ 50,307,827	$815,647,345

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Private Equity-Limited Partnership (2)	$ 22,440,014	$ 37,381,820	N/A	N/A
Real Asset Funds (2)	27,867,813	4,931,813	N/A	N/A
Total investments measured at NAV	$ 50,307,827	$ 42,313,633		

	June 30, 2016				
Investments Type	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fixed Income:					
U.S. Government Treasuries	$123,176,204	$	$	$	$123,176,204
U.S. Government Agencies		169,441,228			169,441,228
Corporate Notes and Bonds		4,657,280			4,657,280
Mutual Funds, Short Term	105,315,390	16,728,062			122,043,452
Mutual Funds, Long Term		16,418,750	8,495,845		24,914,595
Equity and Other:					
Common Stock	11,951,958	291,735			12,243,693
Preferred Stock	198,507				198,507
Mutual Funds	104,162,430	11,717,328	23,237,160		139,116,918
Private Equity-Limited Partnerships				19,160,020	19,160,020
Foundation Pooled Funds	492,082	598,280	478,278		1,568,640
Real Assets-Limited Partnership				24,398,258	24,398,258
Money Market (1)					66,368,959
Total Investments	$345,296,571	$219,852,663	$ 32,211,283	$ 43,558,278	$707,287,754

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Private Equity-Limited Partnership (2)	$ 19,160,020	$ 43,846,343	N/A	N/A
Real Asset Funds (2)	24,398,258	5,189,248	N/A	N/A
Total investments measured at NAV	$ 43,558,278	$ 49,035,591		

1) Money Market funds. In accordance with the Board of Regents policy, a minimum of 40% of the endowment pool must be held in liquid investments.

2) Private equity and Real Asset funds. Includes private equity funds that invest in strategies such as venture capital, leveraged buyouts and mezzanine debt. Capital is committed during the course of the investment period of each fund, typically four years, of each fund, after which point capital commitments stop. The University's interest in the nonredeemable funds is considered illiquid in that distributions from liquidation of the underlying assets of the fund are at the discretion of the general partner according to the terms of the limited partnership agreement. Funds are typically liquidated over a period of five to ten years and include a mechanism to extend the length of the partnership for two to three years with approval from the limited partners.

Geoffroy Hall Student Lounge (Photo credit: McClanahan Studio)

C. Investments (Foundation)

Investments were comprised of the following balances as of June 30, 2017 and 2016:

Investment	June 30, 2017	June 30, 2016
Pooled Investments:		
Equity	$ 302,726,356	$ 253,334,362
Fixed Income	137,997,279	165,891,352
Hedge Funds	170,179,400	162,379,966
Private Equity	93,354,820	89,188,190
Real Estate	11,810,705	15,327,608
Natural Resources/Commodities	27,509,095	22,587,701
Cash and Cash Equivalents	54,334,017	29,674,029
Accrued Interest	400,277	371,393
Accrued Manager Fees	(250,000)	(250,000)
Total Pooled Investments	798,061,949	738,504,601
Other Marketable Securities:		
Fixed Income	12,281,146	12,013,846
Equity	25,703,515	24,501,012
Cash and Cash Equivalents	817,980	789,615
Total Other Marketable Securities	38,802,641	37,304,473
Real Estate and Other Investments:		
Real Estate	8,921,903	9,743,482
Notes Receivable from Affiliated Entities	1,302,987	1,287,858
Total Real Estate and Other Investments	10,224,890	11,031,340
Investment in Curriculum Associates	221,021,508	
Total Investments	$1,068,110,988	$ 786,840,414

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

A. Accounts Receivable

Accounts receivable is shown net of allowances for doubtful accounts in the accompanying Statement of Net Position. At June 30, 2017 and 2016, accounts receivable consisted of the following:

	June 30, 2017	June 30, 2016
Accounts Receivable	$ 35,846,693	$ 37,570,184
Allowance for Doubtful Accounts	(2,036,561)	(1,943,410)
Accounts Receivable, Net	$ 33,810,132	$ 35,626,774

B. Due from Government Agencies

Due from government agencies is comprised of $3,729,731 due from state and local government agencies and $23,739,302 due from United States government agencies at June 30, 2017 and $4,741,778 due from state and local government agencies and $32,904,111 due from United States government agencies at June 30, 2016.

C. Notes Receivable

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

	June 30, 2017	June 30, 2016
Student Loans Receivable	$ 25,470,624	$ 24,844,776
Split-Dollar Loan Receivable	1,000,000	
Other Notes Receivable	14,040,244	15,659,839
Allowance for Doubtful Accounts	(407,868)	(397,429)
Notes Receivable, Net	$ 40,103,000	$ 40,107,186

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

D. Pledges Receivable (Foundation)

The components of net pledges receivable as of June 30, 2017 and 2016 are as follows:

	June 30, 2017	June 30, 2016
Gross Pledges Receivable	$ 70,949,267	$ 70,701,535
Allowance for Uncollectible Pledges	(1,719,935)	(1,747,175)
Discount to Present Value	(3,714,117)	(3,874,181)
Net Pledges Receivable	$ 65,515,215	$ 65,080,179

The Foundation estimates payments on pledges receivable as of June 30, 2017, will be received as follows:

Year Ending June 30,	Principal
2018	$ 22,200,803
2019	11,839,679
2020	8,446,074
2021	6,288,967
2022	4,853,267
Thereafter	17,320,477
Total	$ 70,949,267

The Foundation estimates payments on pledges receivable as of June 30, 2016, will be received as follows:

Year Ending June 30,	Principal
2017	$ 22,135,174
2018	12,130,891
2019	11,259,489
2020	6,105,587
2021	4,089,047
Thereafter	14,981,347
Total	$ 70,701,535

In addition, the Foundation has received notification of deferred gifts totaling approximately $609 million and $554 million as of June 30, 2017 and 2016, 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, 2017	June 30, 2016
Supplies, Merchandise, and Grain	$ 14,130,452	$ 14,255,170
Livestock	2,618,742	2,428,940
Total Inventories	$ 16,749,194	$ 16,684,110

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017, is summarized as follows:

	July 1, 2016	Additions	Transfers	Deductions	June 30, 2017
Capital Assets, Nondepreciable/Nonamortizable:					
Land	$ 18,761,213	$ 2,496,076	$	$ (1,500)	$ 21,255,789
Land Improvements	5,982,343		(249,211)		5,733,132
Construction in Progress	92,945,468	111,699,226	(105,494,422)	(194,664)	98,955,608
Intangible Assets in Development		4,038,698			4,038,698
Capital Assets, Nondepreciable/Nonamortizable	117,689,024	118,234,000	(105,743,633)	(196,164)	129,983,227
Capital Assets, Depreciable/Amortizable:					
Buildings	1,666,470,363	2,293,300	91,649,367	(188,048)	1,760,224,982
Land Improvements	30,080,981		1,088,132		31,169,113
Infrastructure	284,918,606		13,006,134	(814,768)	297,109,972
Equipment	308,945,469	23,816,926		(20,413,207)	312,349,188
Library	242,268,652	9,319,561		(2,678,711)	248,909,502
Intangible Assets	7,077,566				7,077,566
Capital Assets, Depreciable/Amortizable	2,539,761,637	35,429,787	105,743,633	(24,094,734)	2,656,840,323
Accumulated Depreciation/Amortization:					
Buildings	745,728,845	51,729,580		(188,031)	797,270,394
Land Improvements	17,601,026	1,435,760			19,036,786
Infrastructure	167,314,032	8,692,716		(590,525)	175,416,223
Equipment	177,818,363	18,573,079		(18,559,764)	177,831,678
Library	194,926,531	10,400,442		(2,678,711)	202,648,262
Intangible Assets	2,275,384	627,454			2,902,838
Accum. Depreciation/Amortization	1,305,664,181	91,459,031		(22,017,031)	1,375,106,181
Depreciable/Amortizable Assets, Net	1,234,097,456	(56,029,244)	105,743,633	(2,077,703)	1,281,734,142
Total Capital Assets, Net	$1,351,786,480	$ 62,204,756	$ –	$ (2,273,867)	$1,411,717,369

Capital assets, net of accumulated depreciation and amortization, purchased with resources provided by outstanding capital lease agreements at June 30, 2017, consisted of $15,090,546 of buildings and $239,162 of equipment.

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

	July 1, 2015	Additions	Transfers	Deductions	June 30, 2016
Capital Assets, Nondepreciable/Nonamortizable:					
Land	$ 17,451,213	$ 1,310,000	$	$	$ 18,761,213
Land Improvements	5,733,133		249,210		5,982,343
Construction in Progress	108,595,133	107,323,271	(122,927,831)	(45,105)	92,945,468
Capital Assets, Nondepreciable/Nonamortizable	131,779,479	108,633,271	(122,678,621)	(45,105)	117,689,024
Capital Assets, Depreciable/Amortizable:					
Buildings	1,586,559,873	5,979,022	75,297,495	(1,366,027)	1,666,470,363
Land Improvements	28,651,883		1,429,098		30,080,981
Infrastructure	239,824,946		45,952,028	(858,368)	284,918,606
Equipment	288,765,816	28,416,118		(8,236,465)	308,945,469
Library	233,252,493	10,330,811		(1,314,652)	242,268,652
Intangible Assets	7,077,566				7,077,566
Capital Assets, Depreciable/Amortizable	2,384,132,577	44,725,951	122,678,621	(11,775,512)	2,539,761,637
Accumulated Depreciation/Amortization:					
Buildings	697,640,842	49,189,461		(1,101,458)	745,728,845
Land Improvements	16,226,345	1,374,681			17,601,026
Infrastructure	158,631,800	9,033,981		(351,749)	167,314,032
Equipment	166,872,398	17,789,215		(6,843,250)	177,818,363
Library	185,868,458	10,372,724		(1,314,651)	194,926,531
Intangible Assets	1,647,931	627,453			2,275,384
Accum. Depreciation/Amortization	1,226,887,774	88,387,515		(9,611,108)	1,305,664,181
Depreciable/Amortizable Assets, Net	1,157,244,803	(43,661,564)	122,678,621	(2,164,404)	1,234,097,456
Total Capital Assets, Net	$1,289,024,282	$ 64,971,707	$ –	$ (2,209,509)	$1,351,786,480

Capital assets, net of accumulated depreciation and amortization, purchased with resources provided by outstanding capital lease agreements at June 30, 2016, consisted of $15,688,142 of buildings and $247,213 of equipment.

Geoffroy Hall Student Residence (Photo credit: McClanahan Studio)

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2017 and 2016 is summarized as follows:

	July 1, 2016	Additions	Deductions	June 30, 2017	Current Portion
Long-Term Debt:					
Bonds Payable	$526,963,898	$ 98,989,352	$101,950,546	$524,002,704	$ 28,560,000
Notes Payable	8,134,968		3,079,752	5,055,216	531,579
Capital Leases Payable	12,384,193	32,200	1,378,625	11,037,768	1,441,711
Total Long-Term Debt	547,483,059	99,021,552	106,408,923	540,095,688	30,533,290
Other Long-Term Liabilities:					
Compensated Absences	45,576,212	23,984,471	23,502,082	46,058,601	22,333,153
Early Retirement Benefits Payable	235,833		235,833	–	
Refundable Advances on Student Loans	18,178,893			18,178,893	
Deferred Compensation	297,510		297,510	–	
Due to State	15,550,166	3,210,822	4,811,109	13,949,879	4,162,219
Net Pension Liability	24,620,553	10,852,475		35,473,028	
Net Other Postemployment Benefits Obligation	46,650,325	10,470,222	4,653,958	52,466,589	
Total Other Long-Term Liabilities	151,109,492	48,517,990	33,500,492	166,126,990	26,495,372
Total Long-Term Liabilities	$698,592,551	$147,539,542	$139,909,415	$706,222,678	$ 57,028,662

	July 1, 2015	Additions	Deductions	June 30, 2016	Current Portion
Long-Term Debt:					
Bonds Payable	$518,998,522	$ 42,805,089	$ 34,839,713	$526,963,898	$ 26,720,000
Notes Payable	9,073,368		938,400	8,134,968	685,615
Capital Leases Payable	13,719,975		1,335,782	12,384,193	1,378,625
Total Long-Term Debt	541,791,865	42,805,089	37,113,895	547,483,059	28,784,240
Other Long-Term Liabilities:					
Compensated Absences	44,705,010	22,664,191	21,792,989	45,576,212	21,408,158
Early Retirement Benefits Payable	1,335,135		1,099,302	235,833	235,833
Refundable Advances on Student Loans	18,178,893			18,178,893	
Deferred Compensation	62,500	235,010		297,510	
Due to State	15,037,606	4,254,355	3,741,795	15,550,166	4,290,326
Net Pension Liability	16,122,139	8,498,414		24,620,553	
Net Other Postemployment Benefits Obligation	41,495,629	9,907,677	4,752,981	46,650,325	
Total Other Long-Term Liabilities	136,936,912	45,559,647	31,387,067	151,109,492	25,934,317
Total Long-Term Liabilities	$678,728,777	$ 88,364,736	$ 68,500,962	$698,592,551	$ 54,718,557

A. Bonds Payable

Outstanding long-term revenue bond indebtedness at June 30, 2017, consisted of the following:

	Interest Rates	Maturity Dates	Amount
Academic Building	2.00 – 5.00%	2018-2036	$137,805,000
Less: Unamortized Discount			(254,025)
Add: Unamortized Premium			3,192,364
Athletic Facilities	2.00 – 4.50%	2018-2041	71,875,000
Less: Unamortized Discount			(389,952)
Add: Unamortized Premium			179,884
Dormitory	1.00 – 5.00%	2018-2036	170,330,000
Less: Unamortized Discount			(710,190)
Add: Unamortized Premium			3,202,127
Memorial Union	1.50 – 3.00%	2018-2031	17,170,000
Less: Unamortized Discount			(178,783)
Parking System	2.25 – 3.00%	2018-2023	2,170,000
Add: Unamortized Premium			61,959
Recreational System Facilities	3.00 – 4.75%	2018-2038	46,545,000
Less: Unamortized Discount			(404,812)
Regulated Materials Facility	2.00%	2018-2020	1,400,000
Add: Unamortized Premium			26,894
Utility System	2.00 – 5.00%	2018-2037	69,680,000
Add: Unamortized Premium			2,302,238
Total Bonds Payable			$524,002,704

Debt service requirements to maturity, as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 28,560,000	$ 17,357,584	$ 45,917,584
2019	29,185,000	15,650,746	44,835,746
2020	30,175,000	14,819,118	44,994,118
2021	26,995,000	14,008,581	41,003,581
2022	28,025,000	13,216,310	41,241,310
2023-2027	148,935,000	52,288,086	201,223,086
2028-2032	126,045,000	28,604,324	154,649,324
2033-2037	87,110,000	9,122,722	96,232,722
2038-2041	11,945,000	566,578	12,511,578
Less: Unamortized Discount	(1,937,762)		(1,937,762)
Add: Unamortized Premium	8,965,466		8,965,466
Total	$524,002,704	$165,634,049	$689,636,753

In August 2016, the University issued $23,160,000 of Academic Building Revenue Refunding Bonds, Series I.S.U. 2016. The bond proceeds were placed in an irrevocable trust to refund $22,725,000 of Academic Building Revenue Bonds, Series I.S.U. 2008. 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 $2,515,039 and will reduce future aggregate debt service payments over the next 19 years by $3,092,894.

In November 2016, the University issued $14,345,000 of Dormitory Revenue Refunding Bonds, Series I.S.U. 2016. The bond proceeds were placed in an irrevocable trust to refund $16,580,000 of Dormitory Revenue Bonds, Series I.S.U. 2006 and 2006A. 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 $3,073,667 and will reduce future aggregate debt service payments over the next 11 years by $2,779,757.

In November 2016, the University issued $24,480,000 of Utility System Revenue and Refunding Bonds, Series I.S.U. 2016. A portion of the bond proceeds were placed in an irrevocable trust to refund $4,460,000 of Utility System Revenue Bonds, Series I.S.U. 2006. 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 $796,878 and will reduce future aggregate debt service payments over the next 10 years by $636,488.

In March 2017, the University issued $8,295,000 of Dormitory Revenue Refunding Bonds, Series I.S.U. 2017. The bond proceeds were placed in an irrevocable trust to refund $9,000,000 of Dormitory Revenue Bonds, Series I.S.U. 2007. 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 $1,574,284 and will reduce future aggregate debt service payments over the next 11 years by $1,385,904.

In May 2017, the University issued $24,175,000 of Academic Building Revenue Refunding Bonds, Series I.S.U. 2017. The bond proceeds were placed in an irrevocable trust to refund $22,400,000 of Academic Building Revenue Bonds, Series I.S.U. 2008A. 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 $3,978,127 and will reduce future aggregate debt service payments over the next 13 years by $4,407,809.

Outstanding long-term revenue bond indebtedness at June 30, 2016, consisted of the following:

	Interest Rates	Maturity Dates	Amount
Academic Building	2.00 – 5.25%	2017-2036	$143,300,000
Less: Unamortized Discount			(662,769)
Add: Unamortized Premium			1,949,778
Athletic Facilities	2.00 – 5.50%	2017-2041	74,290,000
Less: Unamortized Discount			(411,742)
Add: Unamortized Premium			187,705
Dormitory	1.00 – 5.00%	2017-2036	184,000,000
Less: Unamortized Discount			(888,027)
Add: Unamortized Premium			802,953
Memorial Union	1.50 – 3.00%	2017-2031	18,210,000
Less: Unamortized Discount			(192,535)
Parking System	2.25 – 3.00%	2017-2023	2,505,000
Add: Unamortized Premium			74,351
Recreational System Facilities	2.625 – 4.75%	2017-2038	47,885,000
Less: Unamortized Discount			(425,053)
Regulated Materials Facility	2.00%	2017-2020	1,855,000
Add: Unamortized Premium			40,341
Utility System	2.00 – 5.00%	2017-2035	52,360,000
Less: Unamortized Discount			(38,360)
Add: Unamortized Premium			2,122,256
Total Bonds Payable			$526,963,898

Debt service requirements to maturity, as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 26,720,000	$ 18,094,376	$ 44,814,376
2018	27,540,000	17,105,859	44,645,859
2019	28,290,000	16,301,106	44,591,106
2020	29,100,000	15,442,381	44,542,381
2021	25,955,000	14,604,360	40,559,360
2022-2026	142,260,000	59,142,445	201,402,445
2027-2031	131,315,000	33,318,855	164,633,855
2032-2036	94,960,000	12,290,874	107,250,874
2037-2041	18,265,000	1,127,206	19,392,206
Less: Unamortized Discount	(2,618,486)		(2,618,486)
Add: Unamortized Premium	5,177,384		5,177,384
Total	$526,963,898	$187,427,462	$714,391,360

In December 2015, the University issued $12,095,000 of Academic Building Revenue Refunding Bonds, Series I.S.U. 2015. The bond proceeds were placed in an irrevocable trust to refund $12,130,000 of Academic Building Revenue Bonds, Series I.S.U. 2007. 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 $1,268,389 and will reduce future aggregate debt service payments over the next 11 years by $1,389,940.

B. Notes Payable

The University had the following notes payable outstanding at June 30, 2017:

	Interest Rates	Maturity Dates	Amount
Athletic System	1.75 - 5.34%	2018-2030	$ 5,055,216

Debt service requirements to maturity, as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 531,579	$ 164,220	$ 695,799
2019	560,344	135,455	695,799
2020	590,665	105,134	695,799
2021	622,628	73,171	695,799
2022		48,125	48,125
2023-2027		240,625	240,625
2028-2030	2,750,000	112,291	2,862,291
Total	$ 5,055,216	$ 879,021	$ 5,934,237

The University had the following notes payable outstanding at June 30, 2016:

	Interest Rates	Maturity Dates	Amount
Athletic System	1.25 - 5.82%	2017-2030	$ 8,134,968

Debt service requirements to maturity, as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 685,615	$ 302,200	$ 987,815
2018	723,610	264,205	987,815
2019	763,714	224,101	987,815
2020	806,044	181,771	987,815
2021	850,725	137,091	987,816
2022-2026	1,055,260	345,932	1,401,192
2027-2030	3,250,000	135,417	3,385,417
Total	$ 8,134,968	$ 1,590,717	$ 9,725,685

C. Capital Leases Payable

The University had the following capital leases outstanding at June 30, 2017:

	Interest Rates	Maturity Dates	Amount
Cyclone Sports Complex	3.86%	2018-2027	$ 8,822,264
Farm Equipment	2.90 – 3.90%	2018-2022	163,947
ISU Veterinary Services Corporation	7.33%	2018-2020	22,437
Sukup Basketball Complex	5.07%	2018-2020	2,029,120
Total			$ 11,037,768

The following is a schedule by year of future minimum lease payments required as of June 30, 2017:

Year Ending June 30,	Principal	Interest	Total
2018	$ 1,441,711	$ 434,554	$ 1,876,265
2019	1,496,232	370,522	1,866,754
2020	1,544,172	304,002	1,848,174
2021	857,004	244,805	1,101,809
2022	867,177	211,678	1,078,855
2023-2027	4,831,472	527,557	5,359,029
Total	$ 11,037,768	$ 2,093,118	$ 13,130,886

The University had the following capital leases outstanding at June 30, 2016:

	Interest Rates	Maturity Dates	Amount
Cyclone Sports Complex	3.86%	2017-2027	$ 9,532,892
Farm Equipment	2.90 – 3.90%	2017-2021	179,482
ISU Veterinary Services Corporation	5.10 – 7.33%	2017-2020	31,285
Sukup Basketball Complex	5.07%	2017-2020	2,640,534
Total			$ 12,384,193

The following is a schedule by year of future minimum lease payments required as of June 30, 2016:

Year Ending June 30,	Principal	Interest	Total
2017	$ 1,378,625	$ 494,862	$ 1,873,487
2018	1,435,779	433,436	1,869,215
2019	1,489,944	369,760	1,859,704
2020	1,537,702	303,422	1,841,124
2021	850,346	244,414	1,094,760
2022-2026	4,650,240	708,789	5,359,029
2027	1,041,557	30,249	1,071,806
Total	$ 12,384,193	$ 2,584,932	$ 14,969,125

NOTE 7 - OPERATING LEASES

The University has leased various buildings and equipment. These leases have been classified as operating leases and, accordingly, all rents are charged to expense as incurred. These leases expire before June 30, 2031, and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the leased properties. In most cases, management expects the leases will be renewed or replaced by other leases.

The following is a schedule, by year, of future minimum rental payments required under operating leases which have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2017.

Year Ending June 30,	Amount
2018	$ 4,663,458
2019	3,692,763
2020	3,236,888
2021	3,046,994
2022	3,026,742
2023-2027	2,405,502
2028-2031	1,295,588
Total	$21,367,935

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

Rental expense for these operating leases was $10,514,225 and $10,510,638, respectively, for the years ended June 30, 2017 and 2016.

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, 2016.

Year Ending June 30,	Amount
2017	$10,352,302
2018	2,023,642
2019	1,034,589
2020	711,796
2021	686,003
2022-2026	2,492,164
2027-2031	1,715,778
Total	$19,016,274

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

Rental expense for these operating leases was $10,510,638 and $4,575,244, respectively, for the years ended June 30, 2016 and 2015.

NOTE 8 - RETIREMENT PROGRAMS

A. Teachers Insurance and Annuity Association (TIAA)

The University contributes to the Teachers Insurance and Annuity Association (TIAA) retirement program that is a defined contribution plan. TIAA administers the retirement plan for the University. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents establishes and amends the plan's provisions and contribution requirements. As required by the Board of Regents' policy, all eligible University employees must participate in a retirement plan from the date they are employed. Contributions made by the employer fully vest after the completion of three years of employment; employee contributions vest immediately. As specified by the contract with TIAA, each employee through the fifth year of employment contributes 3 1/3% of the first $4,800 of earnings and 5% on the balance of earnings. The University, through the fifth year of employment, is required to contribute 6 2/3% of the first $4,800 of earnings and 10% on earnings above $4,800. Upon completion of five years of service, the participant contributes 5% and the University 10% on all earnings. The University's required and actual contributions totaled $41,748,306 and $40,537,820, respectively, for the years ended June 30, 2017 and 2016. The employees' required and actual contributions totaled $20,873,558 and $20,268,312 respectively, for the years ended June 30, 2017 and 2016. At June 30, 2017, the University reported payables to the defined contribution pension plan of $3,310,057 for legally required employer contributions and $1,654,990 for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA. At June 30, 2016, the University reported payables to the defined contribution pension plan of $3,207,305 for legally required employer contributions and $1,603,614 for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA.

B. Iowa Public Employees' Retirement System (IPERS)

Plan Description – IPERS membership is mandatory for employees of the University, except for those covered by another retirement system. Employees of the University are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

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

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

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017 and 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the University contributed 8.93% of covered payroll, for a total rate of 14.88%.

The University's contributions to IPERS for the years ended June 30, 2017 and 2016 were $4,302,564 and $3,623,343, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017 and 2016, the University reported a liability of $35,473,028 and $24,620,553, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on the University's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016 and 2015, the University's proportion was 0.5636620% and 0. 4983429%, respectively.

For the year ended June 30, 2017 and 2016, the University recognized pension expense of $6,421,218 and $3,581,048, respectively.

At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 313,510	$ 423,355
Changes in assumptions	541,208	
Net differences between projected and actual earnings on IPERS' investments	5,053,787	
Changes in proportion and differences between University contributions and proportionate share of contributions	7,465,045	
University contributions subsequent to the measurement date	4,302,564	
Total	$ 17,676,114	$ 423,355

$4,302,564 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2018	$ 2,897,546
2019	2,897,546
2020	4,508,911
2021	2,450,598
2022	195,594
Total	$ 12,950,195

At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 371,985	$ –
Changes in assumptions	677,866	
Net differences between projected and actual earnings on IPERS' investments		2,049,074
Changes in proportion and differences between University contributions and proportionate share of contributions	5,905,933	
University contributions subsequent to the measurement date	3,623,343	
Total	$ 10,579,127	$ 2,049,074

$3,623,343 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	$ 820,438
2018	820,438
2019	820,438
2020	2,175,435
2021	269,961
Total	$ 4,906,710

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00% to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24%	5.85%
International equity	16%	6.32%
Private equity / debt	11%	10.31%
Real estate	8%	3.87%
Credit opportunities	5%	4.48%
U.S. TIPS	5%	1.36%
Other real assets	2%	6.42%
Cash	1%	(0.26)%
	100%	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
University's proportionate share of the net pension liability	$57,390,559	$35,473,028	$16,974,345

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

Payables to IPERS – At June 30, 2017, the University reported payables to IPERS of $355,447 for legally required University contributions and $236,834 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS. At June 30, 2016, the University reported payables to IPERS of $318,332 for legally required University contributions and $212,103 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

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 accumulated ten years of service with the University and who attained the age of 60 (RIO1), 57 (RIO2), or 55 (RIO3) by the date of retirement were 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 was 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 elected the incentive and reached Medicare eligibility during the incentive period were allowed to continue in the incentive with the contributions reduced to integrate with Medicare eligibility. For RIO3, the participant could 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 was 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 was required to occur no later than January 1, 2012. At the end of the appointment, the employee had the option of medical coverage or employer-paid retirement contributions for the balance of five years once phased retirement began, with the same stipulations as the RIO3 program.

During the year ended June 30, 2017, the Retirement Incentive Option or the Phased Plus Retirement Program for which the University was committed to providing future benefit payments ended. At June 30, 2016, 65 employees had elected the Retirement Incentive Option or the Phased Plus Retirement Program for which the University was committed to providing future benefit payments totaling $235,833. During the fiscal year ended June 30, 2017 and 2016, the University paid $233,679 and $1,040,812, respectively, 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 9 – 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 valuations were based on 5,196 active and 1,748 retired members. 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, 2017, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

Annual Required Contribution (ARC)	$ 10,657,430
Interest on Net OPEB Obligation	1,574,892
Adjustment to Annual Required Contribution	(2,276,904)
Annual OPEB Cost	9,955,418
Contributions Made	(4,653,958)
Increase in Net OPEB Obligation	5,301,460
Net OPEB Obligation, Beginning of Year	39,372,306
Net OPEB Obligation, End of Year	$ 44,673,766

The following table shows the components of the University's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

Annual Required Contribution (ARC)	$ 10,185,548
Interest on Net OPEB Obligation	1,382,235
Adjustment to Annual Required Contribution	(1,998,369)
Annual OPEB Cost	9,569,414
Contributions Made	(4,752,981)
Increase in Net OPEB Obligation	4,816,433
Net OPEB Obligation, Beginning of Year	34,555,873
Net OPEB Obligation, End of Year	$ 39,372,306

For fiscal year 2017, the University contributed $4.65 million to the medical plan. Plan members receiving benefits contributed $4.0 million, or 46.1% of the premium costs. For fiscal year 2016, the University contributed $4.75 million to the medical plan. Plan members receiving benefits contributed $3.0 million, or 38.9% 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
6/30/2017	$ 9,955,418	46.7%	$44,673,766
6/30/2016	$ 9,569,414	49.7%	$39,372,306
6/30/2015	$ 9,171,225	68.2%	$34,555,873

Funded Status and Funding Progress. As of the valuation date, for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was $81.6 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $81.6 million. The covered payroll (annual payroll of active employees covered by the plan) was $404.2 million, and the ratio of the UAAL to the covered payroll was 20.2%. As of June 30, 2017, there were no trust fund assets.

As of the valuation date, for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was $77.1 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $77.1 million. The covered payroll (annual payroll of active employees covered by the plan) was $382.0 million, and the ratio of the UAAL to the covered payroll was 20.2%. As of June 30, 2016, 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, 2015 actuarial valuation date for the years ended June 30, 2017, and June 30, 2016, 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 health care trend rate for 2016 was reset to 9.0% and reduced to 8.5% for 2017. It will be reduced by 0.5% each year until reaching the ultimate health care trend rate of 5.0% in 2024. The underlying inflation rate used in the valuation was 2.5%.

Mortality rates for the fiscal year 2017 and 2016 valuations are from the SOA RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015. 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 on the valuation date. As of July 1, 2016, the most recent valuation date, the unfunded actuarial accrued liability for the State of Iowa was $191.5 million as of June 30, 2017. As of July 1, 2014, the unfunded actuarial accrued liability for the State of Iowa was $217.9 million as of June 30, 2016. 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 Reports for the year ended June 30, 2017 and June 30, 2016. The reports 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 $7,792,823 as of June 30, 2017 and $7,278,019 as of June 30, 2016 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 10 - COMMITMENTS AND RISK MANAGEMENT

A. Commitments

At June 30, 2017 and 2016, the University had outstanding construction contract commitments of $61,926,439 and $94,888,716, 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.

	2017	2016
Unpaid Claims and Contingent Liabilities Accrued at July 1, 2016 and 2015	$ 5,051,000	$ 5,209,000
Claims Incurred and Contingent Liabilities Accrued During the Fiscal Year	68,174,860	63,478,985
Payments on Claims During the Fiscal Year	(68,782,860)	(63,636,985)
Unpaid Claims and Contingent Liabilities Accrued at June 30, 2017 and 2016	$ 4,443,000	$ 5,051,000

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 two flexible spending programs. The Medical Flexible Spending Program allows employees to have a maximum of $2,500 for medical spending deducted from their payroll on a pre-tax basis. Federal regulations mandate that remaining funds, beyond a $500 carry over amount, are non-refundable. The Dependent Care Flexible Spending Program allows employees to have a maximum of $5,000 for dependent care deducted from their payroll on a pre-tax, non-refundable basis. These pre-tax deductions are used by employees to cover qualified uninsured medical, dental and vision claims under the Medical Flexible Spending Program and/or qualified dependent care expenses under the Dependent Care 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 $250,000 of losses is the responsibility of the University. Losses between $250,000 and $2,000,000 are insured. The University also maintains an employee blanket bond to cover losses up to $4,000,000.

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

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

6. **Property Insurance** – The State of Iowa self-insures, on behalf of the University, property deemed general university property which is exclusive of property belonging to self-supporting enterprises. A contingency fund exists under Section 29C.20 of the Code of Iowa to request compensation for loss or damage to state property (includes general university property). The Code of Iowa states that claims in excess of $5,000 may be submitted to the Executive Council for consideration. When a loss exceeds $500,000, it is necessary to seek an appropriation from the General Assembly. The University purchases catastrophic commercial property insurance, including earthquake and flood coverage, for its General Fund buildings with a $2,000,000 per incident deductible. The University commercial insurance program also includes coverage for enterprise facilities such as the residence system, Iowa State Center, power plant, etc., with deductibles ranging from $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 had no settlements exceeding insurance coverage in any of the past three fiscal years.

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NOTE 11 - OPERATING EXPENSES BY FUNCTION

The following is a summary of operating expenses by functional classification for the years ended June 30, 2017 and 2016:

For the Year Ended June 30, 2017	Compensation And Benefits	Supplies	Services, Repairs & Professional Services	Other	Total
Instruction	$ 252,898,013	$ 16,850,800	$ 10,407,940	$	$ 280,156,753
Research	112,984,430	20,991,346	45,114,164		179,089,940
Public Service	53,454,324	11,366,280	12,753,209		77,573,813
Academic Support	119,834,537	34,161,875	22,902,946		176,899,358
Student Services	24,683,079	8,920,158	4,011,108		37,614,345
Institutional Support	42,577,001	(966,242)	7,051,537		48,662,296
Operation & Maintenance	34,779,311	25,595,944	10,837,169		71,212,424
Scholarships & Fellowships				31,468,460	31,468,460
Auxiliary Enterprises	80,501,367	61,517,737	23,528,677		165,547,781
Independent Operations	27,849,572	14,984,513	1,741,700		44,575,785
Depreciation/Amortization				91,459,031	91,459,031
Other Operating Expenses				363,235	363,235
Total 2017 Operating Expenses	$ 749,561,634	$ 193,422,411	$ 138,348,450	$ 123,290,726	$ 1,204,623,221

For the Year Ended June 30, 2016	Compensation And Benefits	Supplies	Services, Repairs & Professional Services	Other	Total
Instruction	$ 241,129,527	$ 17,565,842	$ 10,477,960	$	$ 269,173,329
Research	108,520,357	20,638,691	47,207,775		176,366,823
Public Service	51,072,923	12,276,136	15,678,324		79,027,383
Academic Support	116,910,346	36,406,000	23,344,092		176,660,438
Student Services	22,476,325	9,515,776	3,630,692		35,622,793
Institutional Support	38,710,808	(2,075,996)	7,292,617		43,927,429
Operation & Maintenance	34,758,059	24,996,223	12,258,921		72,013,203
Scholarships & Fellowships				30,158,167	30,158,167
Auxiliary Enterprises	84,412,889	55,668,384	23,279,704		163,360,977
Independent Operations	26,262,951	15,389,278	1,421,604		43,073,833
Depreciation/Amortization				88,387,515	88,387,515
Other Operating Expenses				386,812	386,812
Total 2016 Operating Expenses	$ 724,254,185	$ 190,380,334	$ 144,591,689	$ 118,932,494	$ 1,178,158,702

NOTE 12 – SUBSEQUENT EVENTS

The Board of Regents, State of Iowa, authorized the sale of Recreational System Facilities Revenue Refunding Bonds, Series I.S.U. 2017 for $25,170,000 to be issued on July 1, 2017. These bonds will bear interest at varying rates and will mature in varying amounts from July 1, 2018 through July 1, 2037. The proceeds of these bonds will be used to provide for the advance refunding of the outstanding principal of the July 1, 2018 through July 1, 2037 maturities of the Recreational System Facilities Revenue Bonds, Series I.S.U. 2009, and to pay the costs of issuing the bonds. The bonds will be payable solely from net revenues of the Recreational Facilities System of the University.

Subsequent to June 30, 2017, the Board of Regents, State of Iowa, authorized the sale of Athletic Facilities Revenue Refunding Bonds, Series I.S.U. 2017 for $6,255,000 to be issued on October 1, 2017. These bonds will bear interest at varying rates and will mature in varying amounts from July 1, 2018 through July 1, 2033. The proceeds of these bonds will be used to provide for the advance refunding of the outstanding principal of the July 1, 2018 through July 1, 2033 maturities of the Athletics Facilities Revenue Bonds, Series I.S.U. 2007A, and to pay the costs of issuing the bonds. The bonds will be payable solely from the net revenues of the Athletics Facilities System of the University.

Subsequent to June 30, 2017, the Board of Regents, State of Iowa, authorized the sale of ISU Facilities Corporation Revenue Bonds, Series 2017 for $37,905,000 to be issued on October 1, 2017. These bonds will bear interest at varying rates and will mature in varying amounts from July 1, 2018 through July 1, 2042. The proceeds of these bonds will be used to finance a portion of the costs of constructing, equipping and renovating the Bessey Hall Addition and the Advanced Teaching and Research Building, fund a debt service reserve fund, and pay the costs of issuing the bonds. The bonds will be payable solely from and secured by rentals payable to the Facilities Corporation, an Iowa nonprofit corporation which is organized for charitable purposes through the performance of the functions and purposes of the Iowa State University Foundation, particularly by providing assistance through land and facilities acquisition and other means for the University.

On October 1, 2017, Iowa Senate File 513 transitioned management of the Iowa Energy Center from the University to the Iowa Economic Development Authority. As of June 30, 2017, the Iowa Energy Center had operating program cash of approximately $5,200,000 and pledged commitments of $3,200,000. In addition, the Alternate Energy Revolving Loan Program had cash and loans receivable balances of approximately $2,800,000 and $14,000,000 respectively, as of June 30, 2017.

NOTE 13 – PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for Universities which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the University's other postemployment benefits.

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	$ 10,786,816	$ 11,569,940	$ 17,603,050
Noncurrent Assets	12,051,595	6,847,981	67,191,722
Capital Assets	102,652,074	67,908,614	216,665,415
Total Assets	125,490,485	86,326,535	301,460,187
Deferred Outflows of Resources	3,806,415	1,328,889	1,020,104
Liabilities:			
Current Liabilities	10,857,285	11,563,968	17,561,704
Noncurrent Liabilities	132,518,339	69,709,697	164,267,154
Total Liabilities	143,375,624	81,273,665	181,828,858
Deferred Inflows of Resources	330,102		516,792
Net Position:			
Net Investment in Capital Assets	(20,935,523)	5,909,920	76,954,047
Restricted	6,521,371	462,750	
Unrestricted	5,326	9,089	43,180,594
Total Net Position	$ (14,408,826)	$ 6,381,759	$120,134,641
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating Revenues	$301,969,280	$ 12,890,134	$104,306,351
Operating Expenses		(2,883,146)	(80,030,188)
Depreciation Expense	(8,000,877)	(2,362,616)	(8,517,586)
Net Operating Income/(Loss)	293,968,403	7,644,372	15,758,577
Nonoperating Revenues/(Expenses)	(3,985,470)	(2,263,752)	(1,251,134)
Other Revenues/(Expenses) and Transfers	(290,805,316)	(5,345,963)	(3,883,530)
Change in Net Position	(822,383)	34,657	10,623,913
Beginning Net Position	(13,586,443)	6,347,102	109,510,728
Ending Net Position	$ (14,408,826)	$ 6,381,759	$120,134,641
CONDENSED STATEMENT OF CASH FLOWS			
Net Cash and Cash Equivalents Provided/(Used) By:			
Operating Activities	$301,969,279	$ 10,883,202	$ 23,701,260
Non-Capital Financing Activities	(262,132)		
Capital and Related Financing Activities	(302,705,626)	(12,425,180)	(47,126,186)
Investing Activities	1,012,823	144,124	21,628,234
Net Increase/(Decrease)	14,344	(1,397,854)	(1,796,692)
Beginning Cash and Cash Equivalents	0	11,268,399	14,679,135
Ending Cash and Cash Equivalents	$ 14,344	$ 9,870,545	$ 12,882,443

	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Utility System Revenue Bonds
	$ 1,333,557	$ 858,984	$ 2,437,554	$ 479,066	$ 2,875,708
	10,151,234	7,342,444	21,612,272	4,493,997	50,040,008
	22,945,120	5,226,250	38,111,766	6,175,435	102,738,488
	34,429,911	13,427,678	62,161,592	11,148,498	155,654,204
	734,118				38,360
	1,811,224	734,278	2,758,774	479,000	6,008,664
	15,936,217	1,963,770	44,762,580	961,894	70,074,709
	17,747,441	2,698,048	47,521,354	1,440,894	76,083,373
		110,000		131,667	783,333
	9,133,334	3,572,791	(3,054,530)	5,357,375	51,199,242
	1,408	287		288	
	8,281,846	7,046,552	17,694,768	4,218,274	27,626,616
	$ 17,416,588	$ 10,619,630	$ 14,640,238	$ 9,575,937	$ 78,825,858
	$ 5,055,751	$ 4,561,461	$ 1,107,015	$ 530,647	$ 41,330,471
	(5,277,442)	(2,724,539)	(7,055,877)	(13,726)	(31,717,481)
	(1,646,800)	(550,952)	(1,953,825)	(227,666)	(5,382,167)
	(1,868,491)	1,285,970	(7,902,687)	289,255	4,230,823
	(400,535)	48,611	(1,836,597)	88,800	(1,365,320)
	2,158,151	(60,503)	9,408,256	251,100	(395,093)
	(110,875)	1,274,078	(331,028)	629,155	2,470,410
	17,527,463	9,345,552	14,971,266	8,946,782	76,355,448
	$ 17,416,588	$ 10,619,630	$ 14,640,238	$ 9,575,937	$ 78,825,858
	$ (172,653)	$ 1,833,692	$ (5,849,493)	$ 516,920	$ 10,363,058
	(249,697)	(1,044,780)	6,000,619	(245,248)	10,039,793
	105,338	75,999	2,016,522	42,665	(13,792,796)
	(317,012)	864,911	2,167,648	314,337	6,610,055
	7,038,290	3,225,556	7,920,813	1,919,561	23,864,056
	$ 6,721,278	$ 4,090,467	$ 10,088,461	$ 2,233,898	$ 30,474,111

	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	211%	179%
PROPORTION OF REVENUE PLEDGED			
Annual Debt Service	$ 13,190,148	$ 4,805,893	$ 16,512,751
Net Pledged Revenue	$302,107,142	$ 10,155,585	$ 29,612,159
Annual Debt Service / Net Pledged Revenue	4%	47%	56%
REVENUE BONDS PAYABLE			
A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2017, is as follows:			
Beginning Balance	$144,587,009	$ 74,065,963	$183,914,927
Additions	48,890,676		25,281,115
Deductions	(52,734,346)	(2,401,031)	(36,374,105)
Ending Balance	$140,743,339	$ 71,664,932	$172,821,937
DEBT SERVICE REQUIREMENTS			
A summary of bond debt service for payment of principal and interest follows. As of June 30th, the amounts shown for debt service payments due on July 1st were on hand.			
Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st
2018	$ 12,973,905	$ 4,772,987	$ 16,442,368
2019	12,783,984	4,746,597	15,870,476
2020	12,900,478	4,733,873	15,967,744
2021	10,425,077	4,733,865	14,934,753
2022	10,604,621	4,730,878	15,003,649
2023-2027	53,359,873	23,649,259	73,038,968
2028-2032	42,831,670	23,694,916	43,412,357
2033-2037	24,966,525	19,618,325	20,538,331
2038-2041		8,992,766	
Unamortized Discount, Premium	2,938,339	(210,069)	2,491,937
Total	$183,784,472	$ 99,463,397	$217,700,583
COMMITMENTS			
As of June 30, 2017, the University had outstanding construction contract commitments as follows:			
Contract Commitments	$ –	$ 7,421,971	$ 5,848,247

	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%
	459%	524%	658%	956%	222%
	$ 1,464,493	$ 397,150	$ 3,336,656	$ 493,000	$ 4,496,810
	$ 6,723,375	$ 2,082,127	$ 21,966,133	$ 4,713,592	$ 9,974,756
	22%	19%	15%	10%	45%
	$ 18,017,465	$ 2,579,351	$ 47,459,947	$ 1,895,341	$ 54,443,895
					24,817,561
	(1,026,248)	(347,392)	(1,319,759)	(468,447)	(7,279,218)
	$ 16,991,217	$ 2,231,959	$ 46,140,188	$ 1,426,894	$ 71,982,238
	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	May & Nov 1st
	$ 1,456,580	$ 393,325	$ 3,314,069	$ 488,350	$ 6,076,000
	1,460,605	405,450	3,317,653	479,050	5,771,931
	1,459,367	397,350	3,318,725	474,700	5,741,881
	1,469,992	387,900	3,326,588		5,725,406
	1,462,443	386,950	3,350,688		5,702,081
	7,340,574	385,700	16,825,681		26,623,031
	5,938,125		17,048,312		21,723,944
			17,377,750		13,731,791
			3,518,812		
	(178,783)	61,959	(404,812)	26,894	2,302,239
	$ 20,408,903	$ 2,418,634	$ 70,993,466	$ 1,468,994	$ 93,398,304
	$ –	$ 83,642	$ 59,012	$ –	$ 9,880,237

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
CONDENSED STATEMENT OF NET POSITION			
Assets:			
Current Assets	$ 10,512,238	$ 10,589,098	$ 17,721,433
Noncurrent Assets	12,794,127	9,175,237	90,195,098
Capital Assets	110,652,951	67,996,158	197,810,457
Total Assets	133,959,316	87,760,493	305,726,988
Deferred Outflows of Resources	277,976	1,411,945	682,243
Liabilities:			
Current Liabilities	10,518,879	10,584,104	17,939,684
Noncurrent Liabilities	136,882,010	72,241,232	178,372,402
Total Liabilities	147,400,889	82,825,336	196,312,086
Deferred Inflows of Resources	422,846		586,417
Net Position:			
Net Investment in Capital Assets	(20,919,500)	5,819,560	66,086,340
Restricted	7,333,057	519,432	153,170
Unrestricted	–	8,110	43,271,218
Total Net Position	$ (13,586,443)	$ 6,347,102	$109,510,728
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating Revenues	$279,406,068	$ 13,812,668	$107,692,402
Operating Expenses		(2,550,222)	(83,289,587)
Depreciation Expense	(8,000,877)	(2,385,574)	(7,025,084)
Net Operating Income/(Loss)	271,405,191	8,876,872	17,377,731
Nonoperating Revenues/(Expenses)	(5,091,096)	(2,156,453)	(4,561,186)
Other Revenues/(Expenses) and Transfers	(266,717,280)	(6,356,061)	(113,165)
Change in Net Position	(403,185)	364,358	12,703,380
Beginning Net Position	(13,183,258)	5,982,744	96,807,348
Ending Net Position	$ (13,586,443)	$ 6,347,102	$109,510,728
CONDENSED STATEMENT OF CASH FLOWS			
Net Cash and Cash Equivalents Provided/(Used) By:			
Operating Activities	$279,406,068	$ 8,772,522	$ 23,942,614
Non-Capital Financing Activities	262,132		
Capital and Related Financing Activities	(279,809,475)	(18,692,753)	(16,937,308)
Investing Activities	110,738	213,014	(11,678,975)
Net Increase/(Decrease)	(30,537)	(9,707,217)	(4,673,669)
Beginning Cash and Cash Equivalents	30,537	20,975,616	19,352,804
Ending Cash and Cash Equivalents	$ –	$ 11,268,399	$ 14,679,135

	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Utility System Revenue Bonds
	$ 1,323,210	$ 837,612	$ 2,402,627	$ 473,550	$ 2,980,310
	10,488,440	6,480,078	21,470,927	4,182,622	29,358,735
	23,782,136	5,120,365	39,970,016	6,403,101	101,210,133
	35,593,786	12,438,055	63,843,570	11,059,273	133,549,178
	790,588				
	1,750,311	714,802	2,606,318	473,550	4,191,344
	17,106,600	2,245,701	46,265,986	1,441,441	52,121,136
	18,856,911	2,960,503	48,872,304	1,914,991	56,312,480
		132,000		197,500	881,250
	8,861,388	3,092,514	(1,688,910)	5,040,760	51,218,621
	19,161	4,343	24,806	3,321	
	8,646,914	6,248,695	16,635,370	3,902,701	25,136,827
	$17,527,463	$ 9,345,552	$ 14,971,266	$ 8,946,782	$ 76,355,448
	$ 5,779,661	$ 4,522,565	$ 861,848	$ 586,178	$ 45,277,383
	(5,516,344)	(2,905,230)	(6,022,920)	(57,538)	(32,531,333)
	(1,612,797)	(514,370)	(1,953,826)	(227,666)	(5,308,140)
	(1,349,480)	1,102,965	(7,114,898)	300,974	7,437,910
	(337,081)	82,493	(1,705,158)	104,283	(1,328,517)
	1,840,559	74,074	10,573,856	248,900	1,921
	153,998	1,259,532	1,753,800	654,157	6,111,314
	17,373,465	8,086,020	13,217,466	8,292,625	70,244,134
	$17,527,463	$ 9,345,552	$ 14,971,266	$ 8,946,782	$ 76,355,448
	$ 253,455	$ 1,596,332	$ (5,102,351)	$ 528,640	$ 12,180,887
	196,062	(1,149,794)	7,159,290	(244,605)	(16,242,652)
	293,388	117,964	281,474	76,886	365,249
	742,905	564,502	2,338,413	360,921	(3,696,516)
	6,295,385	2,661,054	5,582,400	1,558,640	27,560,572
	$ 7,038,290	$ 3,225,556	$ 7,920,813	$ 1,919,561	$ 23,864,056

	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	223%	197%
PROPORTION OF REVENUE PLEDGED			
Annual Debt Service	$ 13,403,852	$ 5,151,260	$ 16,498,465
Net Pledged Revenue	$279,538,089	$ 11,478,966	$ 32,474,654
Annual Debt Service / Net Pledged Revenue	5%	45%	51%
REVENUE BONDS PAYABLE			
A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2016, is as follows:			
Beginning Balance	$151,411,949	$ 75,411,994	$161,852,991
Additions	12,513,194		30,291,895
Deductions	(19,338,134)	(1,346,031)	(8,229,959)
Ending Balance	$144,587,009	$ 74,065,963	$183,914,927
DEBT SERVICE REQUIREMENTS			
A summary of bond debt service for payment of principal and interest follows. As of June 30th, the amounts shown for debt service payments due on July 1st were on hand.			
Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st
2017	$ 13,193,451	$ 4,702,242	$ 16,672,584
2018	13,282,000	4,772,988	16,374,741
2019	13,264,300	4,746,597	16,368,935
2020	13,288,259	4,733,873	16,352,982
2021	10,813,913	4,733,865	15,327,912
2022-2026	55,050,911	23,648,433	76,410,338
2027-2031	49,236,725	23,675,413	51,586,866
2032-2036	31,878,119	20,991,435	26,782,289
2037-2041		12,370,862	
Unamortized Discount, Premium	1,287,009	(224,037)	(85,073)
Total	$201,294,687	$104,151,671	$235,791,574
COMMITMENTS			
As of June 30, 2016, the University had outstanding construction contract commitments as follows:			
Contract Commitments	$ –	$ 2,463,880	$ 13,493,904

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%
437%	457%	611%	894%	274%
$ 1,465,093	$ 399,688	$ 3,332,956	$ 492,100	$ 4,785,352
$ 6,409,136	$ 1,827,479	$ 20,368,869	$ 4,399,039	$ 13,118,036
23%	22%	16%	11%	36%
$ 19,023,712	$ 2,931,743	$ 48,739,707	$ 2,368,788	$ 57,257,638
(1,006,247)	(352,392)	(1,279,760)	(473,447)	(2,813,743)
$ 18,017,465	$ 2,579,351	$ 47,459,947	$ 1,895,341	$ 54,443,895
Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	May & Nov 1st
$ 1,457,293	$ 395,919	$ 3,312,306	$ 487,550	$ 4,593,031
1,456,580	393,325	3,314,069	488,350	4,563,806
1,460,605	405,450	3,317,653	479,050	4,548,516
1,459,367	397,350	3,318,725	474,700	4,517,125
1,469,992	387,900	3,326,588		4,499,190
7,327,429	772,650	16,790,931		21,401,753
7,413,712		17,001,791		15,719,348
		17,307,178		10,291,853
		7,021,344		
(192,535)	74,350	(425,053)	40,341	2,083,896
$ 21,852,443	$ 2,826,944	$ 74,285,532	$ 1,969,991	$ 72,218,518
$ 621,563	$ 157,981	$ 142,460	$ –	$ 1,230,393

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

For the Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	University's Covered Employee Payroll	Net Pension Liability as a Percentage of Covered Payroll	IPERS' Net Position as a Percentage of Total Pension Liability
6/30/2017	0.5636620%	$ 35,473	$ 40,575	87.42%	81.82%
6/30/2016	0.4983429%	$ 24,621	$ 34,132	72.13%	85.19%
6/30/2015	0.4065184%	$ 16,122	$ 26,573	60.67%	87.61%

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

See Note 8B in the accompanying Notes to Financial Statements for the IPERS plan description, pension benefits, disability and death benefits, contributions, net pension liability, pension expenses, deferred outflows of resources and deferred inflows of resources related to pensions, actuarial assumptions, discount rate, and sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate.

See accompanying independent auditor's report.

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

For the Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Deficiency/ (Excess)	University's Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
6/30/2017	$ 4,303	$ 4,303	$0	$ 48,181	8.93%
6/30/2016	$ 3,623	$ 3,623	$0	$ 40,575	8.93%
6/30/2015	$ 3,048	$ 3,048	$0	$ 34,132	8.93%
6/30/2014	$ 2,373	$ 2,373	$0	$ 26,573	8.93%
6/30/2013	$ 1,962	$ 1,962	$0	$ 22,630	8.67%
6/30/2012	$ 1,478	$ 1,478	$0	$ 18,315	8.07%
6/30/2011	$ 1,067	$ 1,067	$0	$ 15,353	6.95%
6/30/2010	$ 899	$ 899	$0	$ 13,519	6.65%
6/30/2009	$ 830	$ 830	$0	$ 13,071	6.35%
6/30/2008	$ 717	$ 717	$0	$ 11,851	6.05%

See accompanying independent auditor's report.

Changes of benefit terms:

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

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

Changes of assumptions:

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

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

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

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

Schedule of Funding Progress for the Retiree Health Plan (In Thousands)

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
6/30/2015	7/1/2013	$0	$77,064	$77,064	0.0%	$341,612	22.6%
6/30/2016	7/1/2015	$0	$77,074	$77,074	0.0%	$381,963	20.2%
6/30/2017	7/1/2015	$0	$81,611	$81,611	0.0%	$404,210	20.2%

See Note 9 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.

See accompanying independent auditor's report.

President Emeritus Gregory L. Geoffroy returned to campus to join students, university officials and community members in celebrating the grand opening of his namesake building and Iowa State's newest student residence, Geoffroy Hall. (Photo credit: Christopher Gannon)

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

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Katie Wiegand

Above: Geoffroy Hall (Photo credit: McClanahan Studio)

At right: The 'front porch' gathering spaces on each floor of Geoffroy Hall feature floor-to-ceiling windows which offer spectacular views of campus. (Photo credit: Brandon Stengel – www.farmkidstudios.com)

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IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCIENCE with PRACTICE