Iowa State University

Financial Report

For the year ended June 30, 2018

On the Cover: The Advanced Teaching and Research Building, which opened during Spring 2018, houses key faculty and staff working in the biosciences, including the entire Department of Plant Pathology and Microbiology and portions of the entomology and genetics, development and cell biology departments. Located at the northwest corner of Stange Road and Pammel Drive, ATRB includes five stories of labs, classrooms and offices plus a rooftop of nine greenhouses. One floor, which is expected to be completed Fall 2019, will serve as the headquarters of the Nanovaccine Institute, an Iowa State-led consortium. Together, ATRB and the Bessey Hall Addition, which opened Fall 2017, made up the Biosciences Facilities Project, which strengthens teaching, interdisciplinary research and extension in biosciences. (Photo credit: Barb McBreen/Iowa State University) **Below:** *Rhythms—Bean Fields at Sunset*, 2018, oil on canvas, by Rose Frantzen (American, b. 1965). Commissioned by the College of Agriculture and Life Sciences and the University Museums for the Advanced Teaching and Research Building. In the Art on Campus Collection, University Museums, Iowa State University, Ames, Iowa. U2018.220.

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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, 2018 and 2017, 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 .6% 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, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years ended June 30, 2018 and 2017 in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

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, 2018 and 2017 and the changes in its financial position and its cash flows for the years ended June 30, 2018 and 2017 in conformity with U.S. generally accepted accounting principles.

As discussed in Note 9 to the financial statements, Iowa State University adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the University's Proportionate Share of the Net Pension Liability, the Schedule of University Contributions and the Schedule of Changes in the University's Total OPEB Liability, Related Ratios and Notes on pages 3 through 9 and 56 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

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

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

November 30, 2018

Above: The Advanced Teaching and Research Building on the Iowa State University campus.

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, 2018, along with comparative data for the years ended June 30, 2017 and 2016. Readers are encouraged to consider this information in conjunction with the University's financial statements and related notes to the financial statements that follow.

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

USING THIS ANNUAL REPORT

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

THE UNIVERSITY AS A WHOLE

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, liabilities and deferred inflows/outflows of resources of the University. Net Position—the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources—is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved during the year. The Statement of Net Position is also a good source for readers to determine how much the University owes to outside vendors, investors, and lending institutions. Similarly, the Statement presents the available assets that can be used to satisfy those liabilities. The comparison of current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, deferred inflows of resources, and net position as of June 30, 2018, 2017, and 2016 is shown below.

	June 30, 2018	June 30, 2017	June 30, 2016
Current Assets	$ 406,488,847	$ 325,073,206	$ 273,437,704
Capital Assets	1,466,741,209	1,411,717,369	1,351,786,480
Other Noncurrent Assets	745,435,828	753,877,338	737,071,525
Total Assets	2,618,665,884	2,490,667,913	2,362,295,709
Deferred Outflows of Resources	39,400,325	24,604,000	13,741,879
Current Liabilities	364,172,522	296,507,368	239,321,924
Noncurrent Liabilities	695,701,885	660,808,043	654,376,588
Total Liabilities	1,059,874,407	957,315,411	893,698,512
Deferred Inflows of Resources	2,333,309	2,295,249	4,269,087
Total Net Position	$1,595,858,493	$1,555,661,253	$1,478,069,989

Total assets at June 30, 2018, were $2.62 billion, which is $128 million higher than the prior year. Net capital assets comprised $1.47 billion of the $2.62 billion in assets, which is slightly smaller in proportion to that of June 30, 2017. Total liabilities were $1.1 billion at June 30, 2018, an increase of $102.6 million.

Net position increased $40.2 million, or 2.58% 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, 2018, was $1.6 billion. The largest portion of the University's net position (62.6%) is categorized as Net Investment in Capital Assets. This category contains the land, buildings, infrastructure, land improvements, equipment, and intangible assets owned by the University. The restricted portion of net position (4.1%) is divided into two categories, nonexpendable and expendable. The nonexpendable restricted net position is only available for investment purposes. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by the external entities that have placed time or purpose restrictions on the use of the assets. The remaining net position is unrestricted and includes funds used to meet specific purposes, such as funding for bonded enterprises. The composition of the net position balance is shown below.

	June 30, 2018	June 30, 2017	June 30, 2016
Net Investment in Capital Assets	$ 999,598,146	$ 962,297,627	$ 896,085,898
Restricted Nonexpendable	28,542,907	28,959,069	28,959,984
Restricted Expendable	36,446,135	36,036,634	38,703,228
Unrestricted	531,271,305	528,367,923	514,320,879
Total Net Position	$1,595,858,493	$1,555,661,253	$1,478,069,989

Statement of Revenues, Expenses and Changes in Net Position

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

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

Had state appropriations been included in operating revenues, the operating loss for 2018 would have been $46.5 million compared to $39.4 million for 2017 and $23.8 million for 2016. 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 $58.9 million for 2018.

The table below includes a restatement of the 2018 Net Position, Beginning of Year balance to reflect an $18.7 million decrease*. This restatement resulted from the implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Refer to Note 12 for additional information. Fiscal year 2016 and 2017 financial statement amounts for total OPEB liabilities, OPEB expense, deferred outflows of resources, and deferred inflows of resources were not restated because the information was not available.

	For the Years Ended		
	June 30, 2018	June 30, 2017	June 30, 2016
Operating Revenues	$ 948,382,803	$ 920,813,552	$ 902,620,063
Operating Expenses	1,229,320,096	1,204,623,221	1,178,158,702
Operating Loss	(280,937,293)	(283,809,669)	(275,538,639)
Nonoperating Revenues and Expenses	314,065,639	328,989,616	320,818,128
Income Before Other Revenues, Expenses, Gains and Losses	33,128,346	45,179,947	45,279,489
Other Revenues, Expenses, Gains and Losses	25,721,666	32,411,317	22,599,858
Increase in Net Position	58,850,012	77,591,264	67,879,347
Net Position, Beginning of Year*	1,537,008,481	1,478,069,989	1,410,190,642
Net Position, End of Year	$1,595,858,493	$1,555,661,253	$1,478,069,989

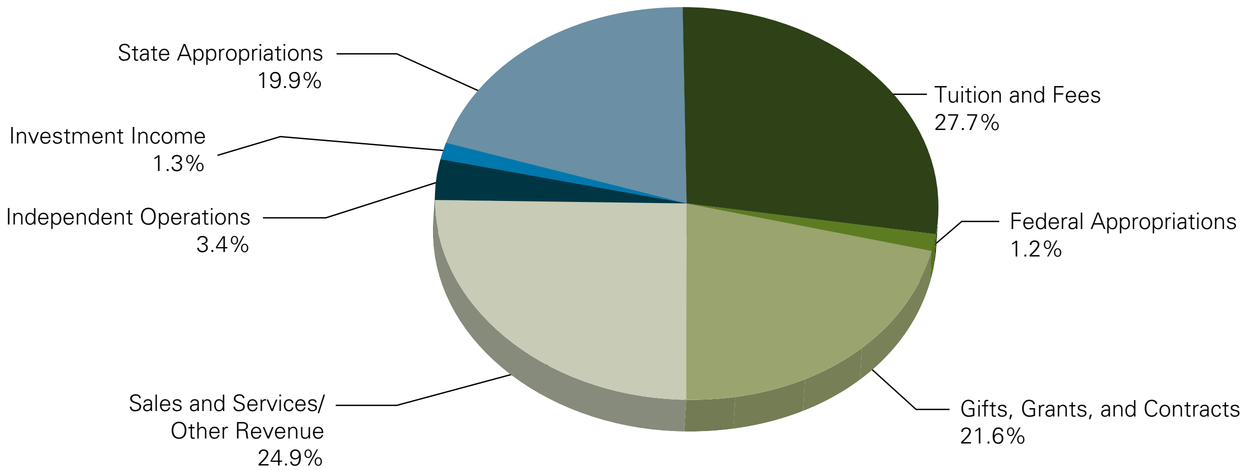
Revenues

Operating revenues for the year ended June 30, 2018, increased $27.6 million. Tuition and fees, net of scholarship allowances, increased $9.8 million, or 2.8%, reflecting increased tuition rates to offset reductions in state appropriations. Sales and services of educational activities increased $8.3M, primarily due to increased revenues from events in conference services and sales and services in the Lloyd Veterinary Medical Center and the Veterinary Diagnostic Laboratory.

Net non-operating revenues decreased $14.9 million, due primarily to reductions in state appropriations.

Other revenues, expenses, gains and losses decreased $6.7 million. While capital appropriations increased $8.7 million, this increase was offset by a $15.4 million decrease in capital gifts grants and contracts during fiscal year (FY) 2018. 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 $7.1 million in FY 2018 from $1.3 billion to $1.31 billion. The components of these revenues are shown on the following chart.



In comparing the years ended June 30, 2017, and 2016, operating revenues increased $18.2 million. The major components of that increase were tuition and fees, net of scholarship allowances, which increased $23.1 million. In FY 2017, net non-operating revenues increased $8.2 million over FY 2016 due primarily to increases in net realized investment income and the fair market value of investments.

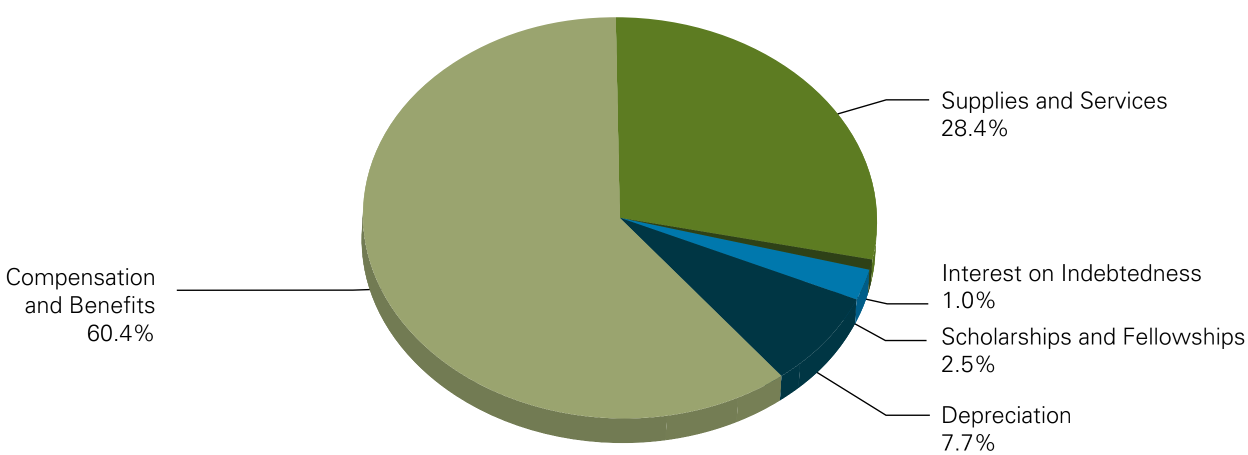
Expenses

Operating expenses were $1.23 billion for FY 2018. This was an increase of $24.7 million, or 2.1%, over the previous year. Changes in the major natural expense categories were:

- Services, repairs, and professional services increased $7.9 million, or 5.7%, primarily in the areas of academic support and operations and maintenance.
- Supplies increased $7.7 million, or 4%, primarily in the area of academic support
- As the largest expense of the university, compensation and benefits increased slightly by .6% or $4.6 million.
- Other operating expenses increased $4.5 million, or 3.6%, 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 FY 2018 all functional categories, as a percentage of total expenses, remained substantially the same as the previous year.

Overall, total expenses for FY 2018 were $1.25 billion, an increase of $25.9 million, or 2.1%. The components of these expenses are shown in the following chart:



Comparing the years ended June 30, 2017, and 2016, operating expenses in FY 2017 increased $26.5 million over those of FY 2016, which was a 2.3% 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 FY 2018, cash and cash equivalents increased $21.3 million, or 18.8%. This increase was primarily due to the receipt of bond proceeds and state capital appropriations to cover previously incurred costs for the Biosciences Advanced Teaching and Research Building (ATRB). Sources and uses are shown in the following table.

	For the Years Ended		
	June 30, 2018	June 30, 2017	June 30, 2016
Cash Provided/(Used) by:			
Operating Activities	($187,420,646)	($182,598,461)	($219,664,882)
Non-capital Financing Activities	369,314,742	311,694,775	328,857,739
Capital and Related Financing Activities	(112,620,345)	(77,408,906)	(113,391,750)
Investing Activities	(48,006,658)	(82,231,481)	(2,342,268)
Net Increase/(Decrease) in Cash	21,267,093	(30,544,073)	(6,541,161)
Cash and Cash Equivalents, Beginning of Year	112,956,841	143,500,914	150,042,075
Cash and Cash Equivalents, End of Year	$134,223,934	$112,956,841	$143,500,914

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 $47 million for FY 2018 compared to $61.9 million for FY 2017 and $32.1 million for FY 2016.

CAPITAL ASSETS

At June 30, 2018, the University had $2.93 billion invested in capital assets, with accumulated depreciation and amortization of $1.46 billion, for net capital assets of $1.47 billion. Depreciation and amortization charges for FY 2018 totaled $96.8 million. Capital assets, net of accumulated depreciation and amortization, were as follows:

	June 30, 2018	June 30, 2017	June 30, 2016
Land and Land Improvements, Nondepreciable/Nonamortizable	$ 26,988,921	$ 26,988,921	$ 24,743,556
Construction in Progress and Intangible Assets in Development	105,159,396	102,994,306	92,945,468
Infrastructure and Land Improvements, Depreciable/Amortizable	130,829,900	133,826,076	130,084,529
Buildings	1,019,677,965	962,954,588	920,741,518
Equipment and Library Collections	180,537,760	180,778,750	178,469,227
Intangible Assets	3,547,267	4,174,728	4,802,182
Total Capital Assets, Net Of Accumulated Depreciation and Amortization	$1,466,741,209	$1,411,717,369	$1,351,786,480

The largest capital projects placed into service during FY 2018 were the Biosciences Advanced Teaching and Research Building and the Bessey Hall Addition. The Biosciences ATRB was funded with state and private funds and ISU Facilities Corporation bonding. The Bessey Hall Addition was funded with state appropriations.

There were several construction projects in progress at June 30, 2018. 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 is 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 $25.5 million in capital appropriations from the Statement of Revenues, Expenses and Changes in Net Position for FY 2018 represents funding for the Biosciences ATRB and Student Innovation Center. In FY 2017, the $16.8 million represented funding appropriated for the Biosciences ATRB, Student Innovation Center, and Research Park Facility.

Capital gifts and grants revenue, consisting primarily of private gifts funding for major building projects, was $0.2 million for FY 2018, a decrease of $15.4 million from 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, 2018, the University had $548 million in outstanding debt compared to $540.1 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, 2018	June 30, 2017	June 30, 2016
Bonds Payable-Academic Building	$133,522,230	$140,743,339	$144,587,009
Bonds Payable-Enterprise Funds	404,472,960	383,259,365	382,376,889
Capital Leases	8,216,493	11,037,768	12,384,193
Notes Payable	1,773,637	5,055,216	8,134,968
Total Debt	$547,985,320	$540,095,688	$547,483,059

In FY 2018, the University issued $116.2 million in Academic Building Revenue Refunding Bonds, Athletic Facilities Revenue Refunding Bonds, Recreational System Facilities Revenue Refunding Bonds, and ISU Facilities Corporation Revenue Bonds. The increase in bonds payable resulted from issuance of the $37.9 million ISU Facilities Corporation Revenue Bonds offset by 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 U.S. economy grew 4.2 percent at an annual rate in the second quarter of 2018, the best quarter in almost four years. The state of Iowa's net General Fund revenues increased 2% in FY 2018, resulting in a $127 million surplus. The October 2018 State Revenue Estimating Conference forecasts even stronger growth for FY 2019, projecting state revenue to increase by 4.9%. For FY 2018, the state of Iowa appropriated $172.9 million for Iowa State University's general operations but, due to a projected revenue decline, implemented a budget reversion in March 2018. This required Iowa State to return $5.4 million in state funds, resulting in a net appropriation of $167.5 million. For FY 2019, Iowa State has been allocated $170.6 million in general operating appropriations, with new capital appropriation authority for $63.5 million over six years.

Following the mid-year budget reversion, the Board of Regents, State of Iowa, in June 2018, approved a 3.8% increase in base tuition for residents and a 4% increase for nonresident undergraduates for the 2018-2019 academic year. The Board also approved expanding differential tuition to specific ISU programs due to their equipment, lab or increased educational costs. The Board's FY 2019 legislative request for Iowa State included a $5 million appropriation to be used exclusively for resident undergraduate financial aid, which was funded at $3.1 million. For FY 2020, the Board is seeking a $7 million increase in general state appropriations for ISU's resident undergraduate financial aid. In addition, Iowa State continues to work with the University's network of generous donors to increase private support for student aid. In FY 2018, the Iowa State University Foundation awarded more than $18 million in scholarship support to more than 6,400 students.

Private funds are a key component of the University's financial support structure. Iowa State has been very successful at raising private funds as part of the historic *Forever True, For Iowa State* fundraising campaign. As of October 12, 2018, the campaign surpassed its $1.1 billion goal ahead of the June 30, 2020 deadline. The campaign has since increased its target by $400 million and extended the deadline a year to June 30, 2021. The Iowa State University Foundation expects that at least half of the total money raised will be directed to student support and scholarships.

President Wendy Wintersteen remains committed to maintaining Iowa State's status as one of the most efficiently run universities by maximizing every tax dollar and tuition dollar the University receives. In accordance with the Board of Regents' recommendations, Iowa State is making significant investments to modernize and enhance its administrative operations. With the implementation of Workday, a new enterprise resource planning system, and the development of new approaches to Finance and Human Resources services, Iowa State is working to transform its business functions for the 21st century, resulting in more consistent, streamlined, high-quality operations. In addition, the newly established Institutional Budget Management Team continues to take a comprehensive look at the University's budget model and processes, to ensure the budget is fully aligned with ISU's strategic goals. Through this new process, $12 million was identified in strategic realignments for FY 2019.

Iowa State broke another record in FY 2018, generating $509.2 million in external funding, an increase of $5.6 million over the prior year. Of that total, funds dedicated specifically to research totaled $245.8 million, including a $1.6 million increase in federal research funds. That growth included funding increases from the National Institutes of Health, Defense, and Transportation agencies. Early career researchers were particularly successful in competing for federal support. A record 14 faculty members won National Science Foundation CAREER awards, which are the foundation's most prestigious awards for early career faculty.

An Iowa State degree remains in high demand as evidenced by a robust fall 2018 enrollment of 34,992, including the largest number of undergraduates enrolled at any Iowa college or university (29,621). Iowa State welcomed 6,047 new freshmen – 103 more than last fall – and they have the highest-ever average high school GPA for an incoming Iowa State class: 3.64. More than a quarter of them (26.5 percent) ranked in the top 10 percent of their high school class, and their average ACT score was 25.1.

According to 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 continues to be a primary source for agriculture and STEM professionals in Iowa and across the country. Iowa State is home to the nation's second-largest College of Veterinary Medicine, third-largest College of Agriculture and Life Sciences, and seventh-largest College of Engineering. Iowa State's Ivy College of Business is the first public university in Iowa to offer an undergraduate degree in entrepreneurship and only the eighth in the country to offer a PhD in this field. Iowa State also is responsive to the state's changing economic and workforce needs. For example, the University is working to establish the first-in-the-state Bachelor of Science in Cyber Security Engineering degree to help address the critical shortage of cyber security workers in Iowa and across the country, and a new partnership with Des Moines University will help strengthen the pipeline for students who want to work in the health and medical fields requiring advanced degrees. During the 2017-18 academic year, Iowa State conferred a record 8,356 degrees. Historically, more than 62% of ISU resident graduates stay in Iowa to work; 22% of non-residents stay; and that number is even higher for international graduates – 29% work here in Iowa.

State-of-the-art facilities are a critical need to support Iowa State's leading role in preparing entrepreneurial-focused and workforce-ready graduates, developing solutions for 21st century challenges, and fueling Iowa's economy with innovative ideas. The Student Innovation Center is progressing toward completion in spring 2020. This facility will provide an additional 140,000 square feet of applied learning and collaboration space as the hub for Iowa State's entrepreneurial and innovative ecosystem. This is where students will nurture big ideas into new business concepts, work with industry partners, advance science, and solve real-world problems. The $84 million facility is supported by a partnership between the state and University, including Iowa State's largest private gift ever for an academic facility. The donor couple who made the original $20 million pledge has since increased their commitment by an additional $10 million. Iowa State also will begin planning this year for a new $75 million Veterinary Diagnostic Laboratory. The state of Iowa approved $63.5 million of Iowa State's $100 million legislative request for the facility, with the rest supported by private and university funds. 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. Iowa State's strong industry partnerships are providing resources for new facilities and equipment to strengthen the University's academic and research programs. In August 2018, Iowa State broke ground on the Robert T. Hamilton Poultry Teaching and Research Farm, which is funded entirely through private gifts from the Robert and Arlene Hamilton Charitable Foundation, the Iowa Egg Council, Hy-Line organization, and others. This farm will advance Iowa State's teaching and research programs in support of the state's role as the top egg producer in the nation. In October, Danfoss Power Solutions announced a nearly $3 million gift to purchase and install a vehicle chassis dynamometer at the ISU Agronomy & Agriculture Engineering Research Farm. The dynamometer will be one of the few in the world capable of testing large construction and farm machinery, like tractors, combines and wheel loaders, to advance engineering technologies and industry solutions.

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, 2018 and 2017*

ASSETS	2018	2017 (Not Restated)
Current Assets		
Cash and cash equivalents (Note 2A)	$ 28,680,785	$ 20,931,180
Investments (Note 2B)	279,214,683	204,917,409
Accounts receivable, net (Note 3A)	29,342,142	30,975,489
Due from government agencies (Note 3B)	30,194,733	26,469,033
Interest receivable	2,210,862	965,094
Notes receivable, net (Note 3C)	4,702	4,167,697
Inventories (Note 4)	14,404,315	16,749,194
Prepaid expenses (Note 1G)	22,436,625	19,898,110
Total Current Assets	**406,488,847**	**325,073,206**
Noncurrent Assets		
Cash and cash equivalents (Note 2A)	105,543,149	92,025,661
Investments (Note 2B)	599,293,432	610,729,936
Accounts receivable, net (Note 3A)	2,527,284	2,834,643
Due from government agencies (Note 3B)		1,000,000
Interest receivable	584,486	551,795
Prepaid expenses (Note 1G)	10,200,000	10,800,000
Notes receivable, net (Note 3C)	27,287,477	35,935,303
Capital assets, net (Note 5)	1,466,741,209	1,411,717,369
Total Noncurrent Assets	**2,212,177,037**	**2,165,594,707**
TOTAL ASSETS	**2,618,665,884**	**2,490,667,913**
DEFERRED OUTFLOWS OF RESOURCES		
OPEB-related deferred outflows (Note 9)	8,002,852	
Pension-related deferred outflows (Note 8B)	20,908,265	17,676,114
Unamortized loss from refunding of debt	10,489,208	6,927,886
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**39,400,325**	**24,604,000**

	2018	2017 (Not Restated)
LIABILITIES		
Current Liabilities		
Accounts payable	$ 44,616,716	$ 48,651,049
Salaries and wages payable	3,137,549	3,371,999
Unpaid claims and contingent liabilities (Note 10B)	6,448,000	4,443,000
Unearned revenue	33,225,460	38,513,731
Interest payable	7,914,041	8,683,752
Long-term debt, current portion (Note 6)	31,751,231	30,533,290
Other long-term liabilities, current portion (Note 6)	22,687,134	26,495,372
Deposits held in custody for others	214,392,391	135,815,175
Total Current Liabilities	**364,172,522**	**296,507,368**
Noncurrent Liabilities		
Accounts payable	10,499,783	11,614,027
Long-term debt, noncurrent portion (Note 6)	516,234,089	509,562,398
Other long-term liabilities, noncurrent portion (Note 6)	168,968,013	139,631,618
Total Noncurrent Liabilities	**695,701,885**	**660,808,043**
TOTAL LIABILITIES	**1,059,874,407**	**957,315,411**
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows (Note 8B)	809,534	423,355
Unamortized gain from refunding of debt	1,523,775	1,871,894
TOTAL DEFERRED INFLOWS OF RESOURCES	**2,333,309**	**2,295,249**
NET POSITION		
Net investment in capital assets	999,598,146	962,297,627
Restricted:		
Nonexpendable:		
Permanent endowment	28,542,907	28,959,069
Expendable:		
Student loans	13,189,344	13,023,581
Scholarships, research, and educational purposes	7,441,535	5,700,961
Reserve for debt service	5,105,142	5,586,460
Capital projects	10,710,114	11,725,632
Unrestricted	531,271,305	528,367,923
TOTAL NET POSITION	**$ 1,595,858,493**	**$ 1,555,661,253**

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, 2018 and 2017

	2018	2017 (Not Restated)
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $141,428,395 and $127,919,163 for the years ended June 30, 2018 and 2017, respectively (Note 1R)	$ 362,191,086	$ 352,373,920
Federal appropriations	16,158,281	17,254,865
Federal grants and contracts	149,301,891	146,448,329
State and local government grants and contracts	17,189,812	18,569,739
Nongovernmental grants and contracts	32,833,183	30,393,844
Sales and services of educational activities	74,219,115	65,884,153
Auxiliary enterprises, net of scholarship allowances of $7,541,021 and $7,172,905 for the years ended June 30, 2018 and 2017, respectively (Note 1R)	226,513,400	220,890,841
Independent operations	44,335,032	44,315,217
Interest on student loans	495,069	506,275
Other operating revenues	25,145,934	24,176,369
TOTAL OPERATING REVENUES	**948,382,803**	**920,813,552**
OPERATING EXPENSES		
Instruction	280,629,333	280,156,753
Research	174,177,836	179,089,940
Public service	79,748,651	77,573,813
Academic support	190,841,172	176,899,358
Student services	34,882,978	37,614,345
Institutional support	52,559,886	48,662,296
Operation and maintenance of plant	75,737,577	71,212,424
Scholarships and fellowships	30,595,576	31,468,460
Auxiliary enterprises	168,267,438	165,547,781
Independent operations	44,702,921	44,575,785
Depreciation/amortization	96,826,364	91,459,031
Other operating expenses	350,364	363,235
TOTAL OPERATING EXPENSES	**1,229,320,096**	**1,204,623,221**
OPERATING LOSS	**(280,937,293)**	**(283,809,669)**
NONOPERATING REVENUES/(EXPENSES)		
State appropriations	234,395,530	244,458,106
Federal grants and contracts	28,432,517	25,468,351
Nonfederal gifts, grants and contracts	54,501,458	54,343,304
Investment income	16,285,402	23,076,083
Interest on indebtedness	(13,107,252)	(17,325,499)
Loss on disposal of capital assets	(1,167,943)	(805,157)
Other net nonoperating revenues/(expenses)	(5,274,073)	(225,572)
NET NONOPERATING REVENUES/(EXPENSES)	**314,065,639**	**328,989,616**
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	**33,128,346**	**45,179,947**
Capital appropriations	25,500,000	16,825,766
Capital gifts, grants and contracts	221,666	15,571,879
Other revenues		13,672
TOTAL OTHER REVENUES, EXPENSES, GAINS & LOSSES	**25,721,666**	**32,411,317**
CHANGE IN NET POSITION	**58,850,012**	**77,591,264**
Net Position, Beginning of Year (as restated)	1,537,008,481	1,478,069,989
NET POSITION, END OF YEAR	**$1,595,858,493**	**$1,555,661,253**

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

STATEMENT OF CASH FLOWS .... *For the Years Ended June 30, 2018 and 2017*

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 359,537,976	$ 350,250,051
Federal appropriations	15,568,558	19,492,486
Grants and contracts	190,828,528	204,129,435
Sales of educational activities	74,274,615	67,252,289
Sales and services of auxiliary enterprises	228,070,853	220,920,407
Payments for auxiliary enterprises	(166,530,182)	(164,741,875)
Receipts of independent operations	43,898,684	43,977,187
Collections of loans from students	4,366,002	4,536,857
Payments for salaries and benefits	(660,825,626)	(661,427,754)
Payments for goods and services	(266,804,573)	(255,155,420)
Scholarship payments	(29,804,749)	(30,727,449)
Loans issued to students	(4,599,469)	(4,762,126)
Other operating receipts	24,598,737	23,657,451
NET CASH USED BY OPERATING ACTIVITIES	**(187,420,646)**	**(182,598,461)**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	234,395,530	244,458,106
Non-capital gifts, grants and contracts	82,575,836	76,739,412
Direct lending receipts	157,088,191	156,571,730
Direct lending payments	(157,022,931)	(156,730,181)
Funds held for others receipts	345,058,621	357,472,754
Funds held for others payments	(292,780,505)	(366,817,046)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	**369,314,742**	**311,694,775**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	26,825,767	16,864,154
Capital gifts and grants received	5,179,559	33,318,207
Proceeds from capital and refunding debt	117,296,784	99,515,560
Proceeds from sale of capital assets	884,133	1,468,709
Acquisition and construction of capital assets	(154,238,809)	(154,493,609)
Principal paid on capital debt	(36,382,853)	(32,128,377)
Interest paid on capital debt	(17,286,798)	(17,824,272)
Defeased debt payments	(54,910,199)	(23,727,031)
Other capital and related financing sources/(uses)	12,071	(402,247)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(112,620,345)**	**(77,408,906)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received on investments	19,076,181	10,465,297
Proceeds from sales of investments	486,678,826	510,951,298
Purchases of investments	(553,761,665)	(603,648,076)
NET CASH USED BY INVESTING ACTIVITIES	**(48,006,658)**	**(82,231,481)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**21,267,093**	**(30,544,073)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	112,956,841	143,500,914
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 134,223,934**	**$ 112,956,841**

continued on next page

STATEMENT OF CASH FLOWS *(continued)* .... *For the Years Ended June 30, 2018 and 2017*

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
OPERATING LOSS	**$ (280,937,293)**	**$ (283,809,669)**
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation/amortization	96,826,364	91,459,031
Changes in assets, liabilities, deferred outflows, and deferred inflows:		
Accounts receivable and due from government agencies	(2,960,041)	8,574,183
Inventories	2,320,269	(67,961)
Prepaid expenses	(2,095,859)	(1,940,926)
Notes receivable	(1,280,247)	(1,653,632)
Deferred outflows of resources	(3,232,151)	(7,096,987)
Accounts payable	(4,003,695)	(6,177,268)
Unearned revenue	(5,302,140)	3,133,410
Compensated absences	(117,745)	471,681
Early retirement benefits payable		(235,833)
Other postemployment benefits obligation	6,011,868	5,816,264
Pension liability	6,891,292	10,852,475
Deferred compensation liability	72,553	(297,510)
Deferred inflows of resources	386,179	(1,625,719)
NET CASH USED BY OPERATING ACTIVITIES	**$ (187,420,646)**	**$ (182,598,461)**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Capital gifts-in-kind	$ 992,445	$ 1,208,814
Assets acquired under capital leases	$ -	$ 32,200
Net unrealized gain/(loss) on investments	$ (2,842,243)	$ 12,441,944
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents classified as current assets	$ 28,680,785	$ 20,931,180
Cash and cash equivalents classified as noncurrent assets	105,543,149	92,025,661
TOTAL CASH AND CASH EQUIVALENTS	**$ 134,223,934**	**$ 112,956,841**

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

COMBINED STATEMENTS OF FINANCIAL POSITION.....*As of June 30, 2018 and 2017*

	2018	2017
ASSETS		
Cash and cash equivalents	$ 3,269,489	$ 3,794,434
Receivables:		
Pledges, net (Note 3D)	118,361,080	65,515,215
Estates	7,119,130	6,842,756
Funds held in trust by others	20,571,758	19,816,233
Due from related organizations	7,183,273	16,144,753
Total receivables	153,235,241	108,318,957
Investments (Note 2C):		
Pooled investments	1,037,215,391	798,061,949
Other marketable securities	47,701,633	38,802,641
Real estate and other investments	11,666,820	10,224,890
Investment in Curriculum Associates		221,021,508
Total investments	1,096,583,844	1,068,110,988
Property and equipment	3,808,776	3,714,289
Other assets	6,361,981	6,103,120
TOTAL ASSETS	**$1,263,259,331**	**$1,190,041,788**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 1,096,654	$ 918,868
Due to related organizations	11,156,072	12,660,960
Bonds payable	1,923,259	2,063,288
Long-term liabilities	2,122,267	2,084,954
Due to unrelated organizations		50,000,000
Deferred income tax liability		25,879,038
Income tax payable	652,799	
Split-interest agreement obligations	21,021,083	19,985,785
TOTAL LIABILITIES	**37,972,134**	**113,592,893**
NET ASSETS		
Unrestricted:	20,917,577	19,346,344
Temporarily Restricted:		
College program support	113,719,154	96,241,385
Student financial aid	48,556,542	46,083,691
Faculty and staff support	20,547,150	18,017,214
Research	14,197,080	13,126,552
Building, equipment and maintenance	80,638,632	59,624,709
Other	16,313,759	16,894,249
Total temporarily restricted	293,972,317	249,987,800
Permanently Restricted:		
College program support	401,032,175	330,831,247
Student financial aid	273,310,262	251,601,041
Faculty and staff support	179,117,207	168,643,534
Research	16,465,682	16,190,312
Building, equipment and maintenance	4,701,016	4,564,748
Other	35,770,961	35,283,869
Total permanently restricted	910,397,303	807,114,751
TOTAL NET ASSETS	**1,225,287,197**	**1,076,448,895**
TOTAL LIABILITIES AND NET ASSETS	**$1,263,259,331**	**$1,190,041,788**

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, 2018 and 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	$ 2,708,368	$ 95,244,521	$ 68,511,427	$ 166,464,316	$ 181,720,614
Investment return:					
Pooled investments	14,187,893	29,089,254	19,130,635	62,407,782	75,543,334
Nonpooled investments	385,530	1,195,157	5,625,069	7,205,756	80,956,197
Total investment return	14,573,423	30,284,411	24,755,704	69,613,538	156,499,531
Fundraising service revenue	2,500,000			2,500,000	3,186,709
Return on funds held in trust by others		1,080,130	71,403	1,151,533	779,494
Other	55,863	818,158	59,938	933,959	1,430,646
Net assets transferred for income tax benefit	(11,408,808)		11,408,808	–	–
Net assets released from restrictions	82,931,595	(82,931,595)		–	–
TOTAL REVENUES, GAINS AND OTHER SUPPORT	**91,360,441**	**44,495,625**	**104,807,280**	**240,663,346**	**343,616,994**
EXPENSES					
Program	83,336,279			83,336,279	87,198,321
Operating:					
Fundraising	12,339,694			12,339,694	12,199,709
Administrative	5,522,043			5,522,043	4,573,787
Income tax benefit	(11,408,808)			(11,408,808)	
Income tax expense					25,879,038
Change in value of split-interest agreements		511,108	1,524,728	2,035,836	2,122,496
TOTAL EXPENSES	**89,789,208**	**511,108**	**1,524,728**	**91,825,044**	**131,973,351**
CHANGE IN NET ASSETS	**1,571,233**	**43,984,517**	**103,282,552**	**148,838,302**	**211,643,643**
Net Assets, Beginning of Year	19,346,344	249,987,800	807,114,751	1,076,448,895	864,805,252
NET ASSETS, END OF YEAR	**$ 20,917,577**	**$ 293,972,317**	**$ 910,397,303**	**$1,225,287,197**	**$1,076,448,895**

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.

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.

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

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

Condensed financial information for the University's blended component units, before the elimination of certain intra-University transactions, as of and for the year ended 2018 is as follows:

Condensed Statement of Net Position:	Iowa State University Research Foundation, Inc.	Iowa State University Veterinary Services Corporation	Miller Endowment, Incorporated
Current Assets	$ 4,084,940	$ 684,649	$
Noncurrent Assets	36,276,006	2,598,963	15,623,748
Total Assets	40,360,946	3,283,612	15,623,748
Current Liabilities	2,886,675	3,597,578	44,911
Noncurrent Liabilities		1,987	735,306
Total Liabilities	2,886,675	3,599,565	780,217
Deferred Inflows		1,079	
Net Position	$ 37,474,271	$ (317,032)	$ 14,843,531
Condensed Statement of Revenues, Expenses and Changes in Net Position:			
Operating Revenues	$ 5,032,220	$ 3,720,611	$
Operating Expenses	6,259,896	3,529,335	
Net Operating Income	(1,227,676)	191,276	
Nonoperating Revenues and Expenses	2,646,151	11,348	428,750
Increase in Net Position	1,418,475	202,624	428,750
Net Position, Beginning of Year	36,055,796	(519,656)	14,414,781
Net Position, End of Year	$ 37,474,271	$ (317,032)	$ 14,843,531

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, 2018 and 2017, the Foundation distributed and expended $83,336,279 and $87,198,321, respectively, on behalf of the University for both restricted and unrestricted purposes as follows:

	2018	2017
Scholarships, Loan Funds, and Awards	$ 30,452,969	$ 27,009,118
Faculty and Staff Support	7,762,908	7,461,653
College and Administrative Support	28,195,739	28,099,019
Buildings, Equipment, and Repairs	15,925,412	20,990,633
Gifts in Kind	999,251	3,637,898
Total Program Support	$ 83,336,279	$ 87,198,321

   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 Chapter 2.2, section 4. The policy states that, to appropriately reflect the Board's overall investment strategy and as outlined in GASB Statement No. 9 paragraph 11, the Board sets forth that all funds held by external investment managers, as defined in section 2.4.C.iv of the Board's investment policy, shall be reported on the audited financial statements of the Regent institutions as investments.

In accordance with the Board of Regents investment policy, the University considers all funds held by external investment managers, regardless of maturity, to be investments. Investments of the University are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position.

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

F. Inventories

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

G. Prepaid Expenses

The University was appropriated $12 million from the State of Iowa to reimburse the Iowa State University Research Park for the construction of a Hub Square Facility in exchange for office space at the facility for the 20-year period beginning July 1, 2016. Accordingly, the University recognized prepaid rent expense while the Iowa State University Research Park recognized an equal amount of unearned revenue in the amount of $10.8 million as of June 30, 2018.

H. Capital Assets

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

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

I. Unearned Revenue

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

J. Compensated Absences

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

K. Noncurrent Liabilities

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

L. Net Pension Liability

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

M. Total OPEB Liability

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

N. Refundable Advances on Student Loans

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

O. Deferred Outflows and Deferred Inflows of Resources

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

1. **OPEB-related** – Deferred outflows represent items that have not been recognized in OPEB expense. Deferred outflows consists of differences between expected and actual experience of the OPEB plan and changes in assumptions.

2. **Pension-related** – Deferred outflows consist of unrecognized items not yet charged to pension expense, 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.

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

P. Net Position
The University's net position is classified as follows:

1. **Net investment in capital assets** – Capital assets, net of accumulated depreciation/amortization and outstanding debt attributable to the acquisition, construction, or improvement of those assets.

2. **Restricted, nonexpendable** – Net position subject to externally imposed restrictions in which the donors or other outside sources have stipulated the principal is to be maintained inviolate and retained in perpetuity and invested for the purpose of producing income which will either be expended or added to principal.

3. **Restricted, expendable** – Net position subject to externally imposed restrictions on use of resources, either legally or contractually.

4. **Unrestricted** – Net position not subject to externally imposed restrictions and which may be used to meet current obligations for any purpose or designated for specific purposes by action of management or the Board of Regents.

Q. Operating Revenues and Expenses

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

R. Revenue Pledged for Debt Service

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

S. Auxiliary Enterprise Revenues

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

T. Bond Discounts and Premiums

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

U. Use of Estimates

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

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

A. Cash and Cash Equivalents

A summary of the book and bank balances for cash and cash equivalents at June 30, 2018 and 2017 is as follows:

	June 30, 2018	June 30, 2017
Book Balance	$134,223,934	$112,956,841
Bank Balance:		
Covered by FDIC Insurance or State Sinking Fund	$ 84,133,343	$ 80,165,582
Uninsured and Uncollateralized	57,859,475	39,919,363
Total Bank Balance	$141,992,818	$120,084,945

B. Investments (University)

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

For donor-restricted endowments, Chapter 540A of the Code of Iowa permits the University to appropriate an amount of realized and unrealized endowment appreciation as the University determines to be prudent pursuant to a consideration of the University's long-term and short-term needs, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. The University's policy is to retain the realized and unrealized appreciation with the endowment pursuant to the spending rules of the University. The University's spending policy is 5.5%, which includes a 1.25% administrative fee of a three-year moving average market value. Net appreciation of endowment funds, which totaled $7,441,535 and $5,700,961 at June 30, 2018 and 2017, 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 $1.1 billion and $1.072 billion as of June 30, 2018 and 2017, 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 $878.5 million investments at June 30, 2018, $1,715,035 and $354,581 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, 2018		June 30, 2017	
Issuer	Fair Value	% of Total Operating Portfolio Assets	Fair Value	% of Total Operating Portfolio Assets
Federal Farm Credit Bank	$ -	-	$ 44,664,036	5%
Federal Home Loan Bank	$142,267,826	15%	$178,016,879	21%

As of June 30, 2018, 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	1.14	$233,350,307	$	$	$	$	$	$	$	$	$233,350,307
U.S. Government Agencies	1.98			181,711,423							181,711,423
Mutual Funds, Short Term	4.62	66,461,254	11,552,605	6,513 143	22,240,416	25,411,017	7,906,971	19,167,129	1,811,920	836,282	161,900,737
Mutual Funds, Long Term	3.79	8,818,620	2,853,403	1,863,529	5,901,061	5,239,102	4,953,732	11,264,261	923,450	619,804	42,436,962
Subtotal		$308,630,181	$ 14,406,008	$190,088,095	$ 28,141,477	$ 30,650,119	$ 12,860,703	$ 30,431,390	$ 2,735,370	$ 1,456,086	619,399,429
Equity and Other:											
Common Stock											8,034,222
Preferred Stock											354,581
Mutual Funds											116,109,458
Private Equity											25,459,064
Foundation Pooled Funds											1,715,035
Real Estate											49,736,666
Money Market											57,699,660
Total Investments											$878,508,115

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

	Effective Duration (Years)	Credit Quality Rating									Total Fair Value
		TSY/AGY	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated	
Fixed Income:											
U.S. Government Treasuries	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

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, 2018 and 2017, are shown below.

	June 30, 2018				
Investments Type	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fixed Income:					
U.S. Government Treasuries	$233,350,307	$ -	$ -	$ -	$233,350,307
U.S. Government Agencies		181,711,423			181,711,423
Mutual Funds, Short Term	141,577,575			20,323,163	161,900,737
Mutual Funds, Long Term	17,190,291			25,246,671	42,436,962
Equity and Other:					
Common Stock	8,034,222				8,034,222
Preferred Stock	354,581				354,581
Mutual Funds	59,236,286			56,873,172	116,109,458
Private Equity-Limited Partnerships				25,459,064	25,459,064
Foundation Pooled Funds	538,006	654,115	522,914		1,715,035
Real Assets-Limited Partnership				49,736,666	49,736,666
Money Market (1)					57,699,660
Total Investments	$460,281,267	$182,365,537	$ 522,914	$177,638,736	$878,508,115

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

Investments Type	Level 1	Level 2	Level 3	NAV	Total Fair Value
			June 30, 2017		
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 (4)	$ 22,440,014	$ 37,381,820	N/A	N/A
Real Asset Funds (5)	27,867,813	4,931,813	N/A	N/A
Total Investments Measured at NAV	$ 50,307,827	$ 42,313,633		

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

C. Investments (Foundation)

Investments were comprised of the following balances as of June 30, 2018 and 2017:

Investment	June 30, 2018	June 30, 2017
Pooled Investments:		
Equity	$ 449,119,507	$ 302,726,356
Fixed Income	159,574,511	137,997,279
Hedge Funds	210,509,613	170,179,400
Private Equity	103,301,821	93,354,820
Real Estate	10,842,887	11,810,705
Natural Resources/Commodities	32,219,428	27,509,095
Cash and Cash Equivalents	71,339,267	54,334,017
Accrued Interest	558,357	400,277
Accrued Manager Fees	(250,000)	(250,000)
Total Pooled Investments	1,037,215,391	798,061,949
Other Marketable Securities:		
Fixed Income	12,792,248	12,281,146
Equity	27,583,175	25,703,515
Cash and Cash Equivalents	7,326,210	817,980
Total Other Marketable Securities	47,701,633	38,802,641
Real Estate and Other Investments:		
Real Estate	10,348,707	8,921,903
Notes Receivable from Affiliated Entities	1,318,113	1,302,987
Total Real Estate and Other Investments	11,666,820	10,224,890
Investment in Curriculum Associates		221,021,508
Total Investments	$1,096,583,844	$1,068,110,988

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, 2018 and 2017, accounts receivable consisted of the following:

	June 30, 2018	June 30, 2017
Accounts Receivable	$ 33,817,183	$ 35,846,693
Allowance for Doubtful Accounts	(1,947,757)	(2,036,561)
Accounts Receivable, Net	$ 31,869,426	$ 33,810,132

B. Due from Government Agencies

As of June 30, 2018 and 2017, Due from Government Agencies consisted of the following:

	June 30, 2018	June 30, 2017
Due from United States Government Agencies	$ 26,429,318	$ 23,739,302
Due from State of Iowa	3,611,279	3,729,731
Due from Local Government	154,136	
Due from Government Agencies	$ 30,194,733	$ 27,469,033

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, 2018	June 30, 2017
Student Loans Receivable	$ 26,090,620	$ 25,470,624
Split-Dollar Loan Receivable	1,500,000	1,000,000
Other Notes Receivable		14,040,244
Allowance for Doubtful Accounts	(298,441)	(407,868)
Notes Receivable, Net	$ 27,292,179	$ 40,103,000

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, 2018 and 2017 are as follows:

	June 30, 2018	June 30, 2017
Gross Pledges Receivable	$ 133,457,379	$ 70,949,267
Allowance for Uncollectible Pledges	(2,995,947)	(1,719,935)
Discount to Present Value	(12,100,352)	(3,714,117)
Net Pledges Receivable	$ 118,361,080	$ 65,515,215

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

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

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

In addition, the Foundation has received notification of deferred gifts totaling approximately $654 million and $609 million as of June 30, 2018 and 2017, 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, 2018	June 30, 2017
Supplies, Merchandise, and Grain	$ 12,085,299	$ 14,130,452
Livestock	2,319,016	2,618,742
Total Inventories	$ 14,404,315	$ 16,749,194

NOTE 5 - CAPITAL ASSETS

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

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

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

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.

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2018 and 2017 is summarized as follows:

	July 1, 2017 (As Restated)	Additions	Deductions	June 30, 2018	Current Portion
Long-Term Debt:					
Bonds Payable	$524,002,704	$119,286,004	$105,293,518	$537,995,190	$ 30,370,000
Notes Payable	5,055,216		3,281,579	1,773,637	560,344
Capital Leases Payable	11,037,768		2,821,275	8,216,493	820,887
Total Long-Term Debt	540,095,688	119,286,004	111,396,372	547,985,320	31,751,231
Other Long-Term Liabilities:					
Compensated Absences	46,058,601	22,347,650	22,500,951	45,905,300	22,687,134
Refundable Advances on Student Loans	18,178,893			18,178,893	
Deferred Compensation	-	72,553		72,553	
Due to State	13,949,879		13,949,879	-	
Net Pension Liability	35,473,028	6,891,292		42,364,320	
Total Other Postemployment Benefits Liability	71,119,361	18,668,678	4,653,958	85,134,081	
Total Other Long-Term Liabilities	184,779,762	47,980,173	41,104,788	191,655,147	22,687,134
Total Long-Term Liabilities	$724,875,450	$167,266,177	$152,501,160	$739,640,467	$ 54,438,365

	July 1, 2016	Additions	Deductions	June 30, 2017 (Not Restated)	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

A. Bonds Payable

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

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

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

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

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

In October 2017, the University issued $6,255,000 of Athletic Facilities Revenue Refunding Bonds, Series I.S.U. 2017. The bond proceeds were placed in an irrevocable trust to refund $6,220,000 of Athletic Facilities Revenue Bonds, Series I.S.U. 2007A. The advance refunding of these bonds permitted the University to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $801,747 and will reduce future aggregate debt service payments over the next 16 years by $945,393.

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

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

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.

B. Notes Payable

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

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

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

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

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

C. Capital Leases Payable

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

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

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

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

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

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, 2018.

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

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

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

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.

NOTE 8 - RETIREMENT PROGRAMS

A. Teachers Insurance and Annuity Association (TIAA)

The University contributes to the Teachers Insurance and Annuity Association (TIAA) retirement program that is a defined contribution plan. TIAA administers the retirement plan for the University. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents establishes and amends the plan's provisions and contribution requirements. As required by the Board of Regents' policy, all eligible University employees must participate in a retirement plan from the date they are employed. Contributions made by the employer fully vest after the completion of three years of employment; employee contributions vest immediately. As specified by the contract with TIAA, each employee through the fifth year of employment contributes 3 1/3% of the first $4,800 of earnings and 5% on the balance of earnings. The University, through the fifth year of employment, is required to contribute 6 2/3% of the first $4,800 of earnings and 10% on earnings above $4,800. Upon completion of five years of service, the participant contributes 5% and the University 10% on all earnings. The University's required and actual contributions totaled $42,507,504 and $41,748,306, respectively, for the years ended June 30, 2018 and 2017. The employees' required and actual contributions totaled $20,766,335 and $20,873,558, respectively, for the years ended June 30, 2018 and 2017. At June 30, 2018, the University reported payables to the defined contribution pension plan of $3,267,628 for legally required employer contributions and $1,630,823 for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA. 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.

B. Iowa Public Employees' Retirement System (IPERS)

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

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

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

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

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

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

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

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

In fiscal year 2018 and 2017, 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, 2018 and 2017 were $4,785,254 and $4,302,564, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018 and 2017, the University reported a liability of $42,364,320 and $35,473,028, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016 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, 2017 and 2016, the University's proportion was 0.6359800% and 0.5636620%, respectively.

For the year ended June 30, 2018 and 2017, the University recognized pension expense of $8,767,335 and $6,421,218, respectively.

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

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

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

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

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 ended 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

There were no non-employer contributing entities at IPERS.

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

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

The actuarial assumptions used in the June 30, 2017 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
Domestic Equity	24%	6.25%
International Equity	16%	6.71
Core Plus Fixed Income	27%	2.25
Public Credit	3.5%	3.46
Public Real Assets	7%	3.27
Cash	1%	(0.31)
Private Equity	11%	11.15
Private Real Assets	7.5%	4.18
Private Credit	3%	4.25
	100%	

Discount Rate – The discount rate used to measure the total pension liability as of June 30, 2017 was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the University will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
University's Proportionate Share of the Net Pension Liability	$69,799,404	$42,364,320	$19,313,579

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, 2018, the University reported payables to IPERS of $418,438 for legally required University contributions and $278,807 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS. 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.

C. Phased Retirement Programs

Phased Retirement (1982 Program)

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

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

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

The following benefits are applicable during participation in this program:

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

This program is closed to new entrants. A new phased retirement program became effective July 1, 2017. As of July 1, 2017, there were 50 employees participating in this program. As of June 30, 2018, there were 28 employees remaining in the program.

Phased Retirement (Effective July 1, 2017)

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

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

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

The following benefits are applicable during participation in this program:

- **Compensation** – In the first year of a two year phasing period, the salary received will reflect the reduced responsibilities plus, at the discretion of the institution, an additional 10 percent of the budgeted salary, had the person worked full time. In the only or last year following the initiation of phased retirement, the employee's salary will be proportional to the budgeted salary had the person worked full time.

- **Benefits** –During the phased retirement period, institution and employee contributions will continue for life insurance, health and dental insurance, disability insurance, and defined contribution retirement (TIAA and VALIC) at the same levels which would have prevailed had the employee continued a full time appointment. As mandated by law, FICA, defined benefit retirement (Iowa Public Employee Retirement System), Federal Employees Retirement System, Civil Service Retirement System, and Civil Service Retirement System Offset contributions will be based on the employee's actual salary paid. Accrual of vacation and sick leave will be based on the percentage of appointment. An employee participating in this program will be allowed access to their defined contribution retirement account (TIAA and VALIC) to assist in supplementing the loss of income that occurs when participating in this program.

Subject to annual review, the program will expire on June 30, 2022, unless renewed by the Board prior to expiration. As of June 30, 2018, 2 employees had elected participation in this phased retirement program.

NOTE 9 – TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

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

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

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	2,769
Active Employees	6,248
Total	9,017

Total OPEB Liability – The University's total OPEB liability of $85,134,081 was measured as of January 1, 2018 and was determined by an actuarial valuation as of that date.

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

Rate of Inflation (effective January 1, 2018)	3.25% per year
Rates of Payroll Growth (effective January 1, 2018)	0 to 13.0% average increases excluding inflation, based on Iowa Public Employees' Retirement System School assumptions; rates vary by years of service
Discount Rate (effective January 1, 2018)	3.44%
Healthcare Cost Trend Rate (effective January 1, 2018)	9.0% initial rate decreasing by 0.5% to an ultimate rate of 5.0%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.44% which reflects the index rate for Bond Buyer 20-Bond GO index (a representation of municipal bond trends based on a portfolio of 20 general obligation bonds that mature in 20 years) as of the measurement date.

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

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

Changes in the Total OPEB Liability –

Total OPEB Liability, Beginning of Year (as restated)	$ 71,119,361
Changes for the Year:	
Service Cost	6,463,924
Interest	2,868,094
Change in Assumptions	6,260,277
Differences between Expected and Actual Experience	3,076,383
Benefit Payments	(4,653,958)
Net Change in Total OPEB Liability	14,014,720
Total OPEB Liability, End of Year	$ 85,134,081

Changes in assumptions reflect a change in the discount rate from 3.81% in fiscal year 2017 to 3.44% in fiscal year 2018.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the University, as well as what the University's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.44%) or 1% higher (4.44%) than the current discount rate.

	1% Decrease (2.44%)	Discount Rate (3.44%)	1% Increase (4.44%)
Total OPEB Liability	$91,446,849	$85,134,081	$79,382,872

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

	1% Decrease (8.0%)	Healthcare Cost Trend Rate (9.0%)	1% Increase (10.0%)
Total OPEB Liability	$78,184,887	$85,134,081	$93,175,928

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2018, the University recognized OPEB expense of $10,665,826. At June 30, 2018, the University reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Differences between Expected and Actual Experience	$ 2,636,900
Changes in Assumptions	5,365,952
Total	$ 8,002,852

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

Year Ending June 30,	Amount
2019	$ 1,333,808
2020	1,333,808
2021	1,333,808
2022	1,333,808
2023	1,333,808
Thereafter	1,333,812
Total	$ 8,002,852

NOTE 10 - COMMITMENTS AND RISK MANAGEMENT

A. Commitments

At June 30, 2018 and 2017, the University had outstanding construction contract commitments of $72,738,621 and $61,926,439 respectively.

B. Risk Management

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

1. **Employee Health and Dental Benefits**

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

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

	2018	2017
Unpaid Claims and Contingent Liabilities Accrued at July 1, 2017 and 2016	$ 4,443,000	$ 5,051,000
Claims Incurred and Contingent Liabilities Accrued During the Fiscal Year	81,400,175	68,174,860
Payments on Claims During the Fiscal Year	(79,395,175)	(68,782,860)
Unpaid Claims and Contingent Liabilities Accrued at June 30, 2018 and 2017	$ 6,448,000	$ 4,443,000

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 monthly increments for eligible University employees. The University's share of unemployment claims for eligible University employees is billed quarterly. The University establishes an internal rate for each program and separately charges each department for the benefits. Receipts from these charges are deposited into two separate reserve funds, considered self-insured pools, from which the payments are made. Since these reserves are maintained at a level adequate to pay the required premiums by adjusting the internal rates, no additional risk is assumed.

3. **Employee Medical and Dependent Care Flexible Spending Programs**

Eligible University employees have an option to participate in two flexible spending programs. The Medical Flexible Spending Program (Med FSA) allows employees to have a maximum of $2,600 and $2,650 for medical spending deducted from their payroll on a pre-tax basis for calendar years 2017 and 2018, respectively. Federal regulations mandate that any Med FSA claims must be incurred by December 31st to be eligible for reimbursement. The University has adopted both a $500 carryover provision and a 120 day run-out period, which allows an employee to request reimbursement for prior year incurred claims for a period up to 120 days (April 30th) of the succeeding year and carryover up to $500 of remaining unclaimed funds to the succeeding year. Amounts unclaimed beyond these program requirements are non-refunded and forfeited. The Dependent Care Assistance Program (DCAP) allows employees to have a maximum of $5,000 for dependent care deducted from their payroll on a pre-tax, non-refundable basis. These pre-tax deductions are used by employees to cover qualified uninsured medical, dental and vision claims under the Medical Flexible Spending Program and/or qualified dependent care expenses under the Dependent Care Assistance Program. The Medical Flexible Spending Program carries an element of self-insurance risk, as required by federal law. Since the University deducts only 1/12 of an annually elected amount from the employee's pay each month, but is liable for the total annual elected amount upon presentation of appropriate claims, it is at risk for the difference between an employee's total reimbursed claims and the amount collected from payroll deductions should the employee terminate before contributing the total amount. The University, by law, cannot seek restitution for this difference. This same risk does not apply to the payroll deduction for the Dependent Care Assistance Program as an employee can only claim what has been deducted from their payroll. These employee contributions are maintained in a separate account, which has carried a surplus balance since inception of the program due to contributions exceeding claims each year. This surplus balance is used to fund the administrative costs of the program.

4. **General Liability**

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

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

5. **Motor Vehicle Insurance**

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

6. **Property Insurance**

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

7. **Business Interruption and Extra Expense Insurance**

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

8. **Insurance Settlements**

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

NOTE 11 - OPERATING EXPENSES BY FUNCTION

The following is a summary of operating expenses by functional classification for the years ended June 30, 2018 and 2017:

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

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

NOTE 12 – ACCOUNTING CHANGE/RESTATEMENT

During fiscal year 2018, the University adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). This statement supersedes GASB Statement No. 45 and establishes new requirements for calculating and reporting the University's postemployment benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires use of the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning unrestricted net position was restated to retroactively report the change in valuation of the beginning total OPEB liability as follows:

Net Position June 30, 2017, as previously reported	$ 1,555,661,253
Net OPEB Obligation measured under GASB 45	52,466,589
Total OPEB Liability at June 30, 2017 per GASB 75	(71,119,361)
Net Position July 1, 2017, as restated	$ 1,537,008,481

NOTE 13 - SEGMENT INFORMATION

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

A. Academic Building Revenue Bonds

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

B. Athletic Facilities Revenue Bonds

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

C. Dormitory Revenue Bonds

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

D. ISU Facilities Corporation Bonds

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

E. Memorial Union Revenue Bonds

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

F. Parking System Revenue Bonds

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

G. Recreational System Facilities Revenue Bonds

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

H. Regulated Materials Facility Revenue Bonds

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

I. Utility System Revenue Bonds

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

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

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

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

Below: *Organic Dreams Synthetic Means*, 2018, formed fiberglass rods, by Benjamin Ball (American, b.1965) and Gaston Nogues (Argentinan, b. 1967). Commissioned by the College of Agriculture and Life Sciences and the University Museums for the Advanced Teaching and Research Building. In the Art on Campus Collection, University Museums, Iowa State University, Ames, Iowa. U2019.1. Located in the north atrium of the Advanced Teaching and Research Building; the design suggests biological systems and processes found in plants and other organisms. (Photo credit: Christopher Gannon/Iowa State University)

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
CONDENSED STATEMENT OF NET POSITION			
Assets:			
Current Assets	$ 10,642,363	$ 12,623,586	$ 17,991,856
Noncurrent Assets	11,523,518	4,827,171	62,221,344
Capital Assets	94,661,945	66,896,593	225,520,987
Total Assets	116,827,826	84,347,350	305,734,187
Deferred Outflows of Resources	4,518,852	1,531,591	921,288
Liabilities:			
Current Liabilities	10,647,342	12,595,682	17,116,899
Noncurrent Liabilities	124,917,229	66,745,288	155,057,508
Total Liabilities	135,564,571	79,340,970	172,174,407
Deferred Inflows of Resources	237,359		447,166
Net Position:			
Net Investment in Capital Assets	(20,519,362)	6,131,132	92,428,730
Restricted	6,058,784	378,935	
Unrestricted	5,326	27,904	41,605,172
Total Net Position	$ (14,455,252)	$ 6,537,971	$134,033,902
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating Revenues	$ 298,176,797	$ 14,474,570	$108,198,179
Operating Expenses		(2,490,467)	(79,771,056)
Depreciation Expense	(7,990,129)	(2,351,134)	(8,938,573)
Net Operating Income/(Loss)	290,186,668	9,632,969	19,488,550
Nonoperating Revenues/(Expenses)	(3,435,490)	(1,772,201)	(4,154,578)
Other Revenues/(Expenses) and Transfers	(286,797,604)	(7,704,556)	(1,434,711)
Change in Net Position	(46,426)	156,212	13,899,261
Beginning Net Position	(14,408,826)	6,381,759	120,134,641
Ending Net Position	$ (14,455,252)	$ 6,537,971	$134,033,902
CONDENSED STATEMENT OF CASH FLOWS			
Net Cash and Cash Equivalents Provided/(Used) By:			
Operating Activities	$ 298,176,797	$ 12,937,215	$ 28,489,125
Non-Capital Financing Activities	95,388		
Capital and Related Financing Activities	(298,820,866)	(14,190,080)	(33,490,650)
Investing Activities	534,337	267,268	(4,119,325)
Net Increase/(Decrease)	(14,344)	(985,597)	(9,120,850)
Beginning Cash and Cash Equivalents	14,344	9,870,545	12,882,443
Ending Cash and Cash Equivalents	$ -	$ 8,884,948	$ 3,761,593

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

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
DEBT SERVICE COVERAGE			
Debt Service Coverage % Required	N/A	125%	135%
Debt Service Coverage % Actual	N/A	259%	210%
PROPORTION OF REVENUE PLEDGED			
Annual Debt Service	$ 12,798,309	$ 4,713,655	$ 16,132,654
Net Pledged Revenue	$298,361,623	$12,196,322	$ 33,832,525
Annual Debt Service / Net Pledged Revenue	4%	39%	48%

REVENUE BONDS PAYABLE

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

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

DEBT SERVICE REQUIREMENTS

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

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

COMMITMENTS

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

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
Contract Commitments	$ -	$ -	$ 9,179,155

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

SEGMENT INFORMATION .... *As of and for the year ended June 30, 2017*

	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	-	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:

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
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.

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
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:

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds
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

Schedule of the University's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System Last Four 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
6/30/2018	0.6359800%	$ 42,364	$ 48,181	87.93%	82.21%
6/30/2017	0.5636620%	$ 35,473	$ 40,575	87.42%	81.82%
6/30/2016	0.4983429%	$ 24,621	$ 34,132	72.13%	85.19%
6/30/2015	0.4065184%	$ 16,122	$ 26,573	60.67%	87.61%

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

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

See accompanying independent auditor's report.

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

For the Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Deficiency/ (Excess)	University's Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
6/30/2018	$ 4,785	$ 4,785	$0	$ 53,586	8.93%
6/30/2017	$ 4,303	$ 4,303	$0	$ 48,181	8.93%
6/30/2016	$ 3,623	$ 3,623	$0	$ 40,575	8.93%
6/30/2015	$ 3,048	$ 3,048	$0	$ 34,132	8.93%
6/30/2014	$ 2,373	$ 2,373	$0	$ 26,573	8.93%
6/30/2013	$ 1,962	$ 1,962	$0	$ 22,630	8.67%
6/30/2012	$ 1,478	$ 1,478	$0	$ 18,315	8.07%
6/30/2011	$ 1,067	$ 1,067	$0	$ 15,353	6.95%
6/30/2010	$ 899	$ 899	$0	$ 13,519	6.65%
6/30/2009	$ 830	$ 830	$0	$ 13,071	6.35%

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.

REQUIRED SUPPLEMENTARY INFORMATION AND NOTES-OPEB LIABILITY

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

	2018
Service Cost	$ 6,463,924
Interest	2,868,094
Change in Assumptions	6,260,277
Differences between Expected and Actual Experience	3,076,383
Benefit Payments	(4,653,958)
Net Change in Total OPEB Liability	14,014,720
Total OPEB Liability, Beginning of Year (as restated)	71,119,361
Total OPEB Liability, End of Year	$ 85,134,081
Covered-Employee Payroll	$443,245,493
Total OPEB Liability as % of Covered Payroll	19.2%

See accompanying independent auditor's report.

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

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

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

For the year ended June 30, 2018	3.44%
For the year ended June 30, 2017	4.00%

Above: Several small, glassed-in conference spaces on the second floor overlook the atrium of ATRB. (Photo credit: Christopher Gannon/Iowa State University)

At left: A student lounge is part of the north atrium on the ground floor of the Advanced Teaching and Research Building. (Photo credit: Christopher Gannon/Iowa State University)

At right: The Advanced Teaching and Research Building provides this 122-student classroom with staggered-height tables and movable furniture which facilitates team-based learning.

Space for students to sit, plug in and work on laptops and other devices is part of the ground-floor lounge of ATRB. (Photo credit: Christopher Gannon/Iowa State University)

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Layout by Hobbs Designs, LLC—18151
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