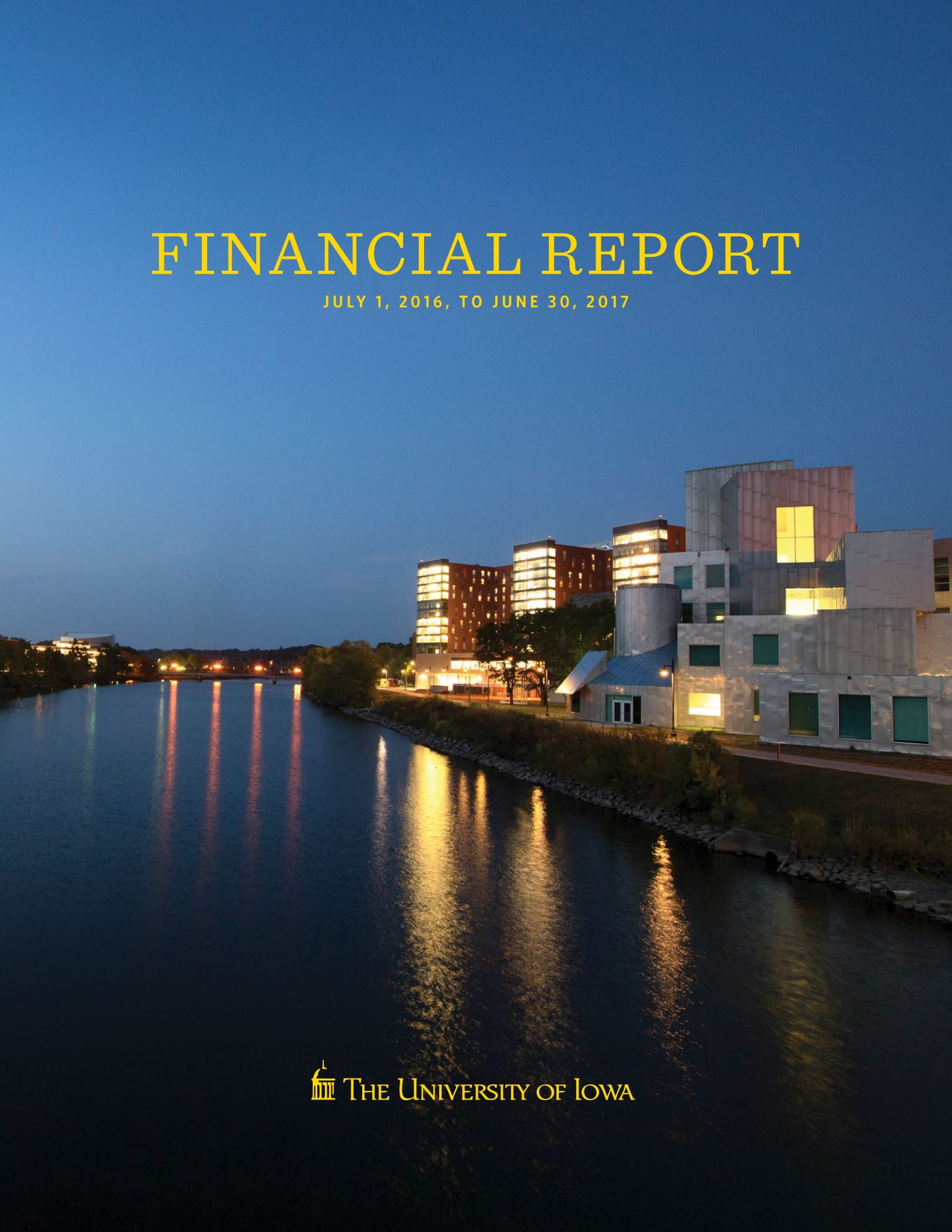
FINANCIAL REPORT

JULY 1, 2016, TO JUNE 30, 2017



THE UNIVERSITY OF IOWA

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FOR IOWA AND THE WORLD

The University of Iowa is a comprehensive research university with particular distinction in the arts, humanities, and sciences; a world-class academic health center; and a wide array of exceptional professional programs. While serving as the state's most comprehensive institution of higher learning, the university also enjoys a national and international reputation for excellence, and competes at that level for the best faculty and the most talented graduate and professional students.

UNIVERSITY OF IOWA MISSION

In pursuing its missions of teaching, research, and service, the university seeks to advance scholarly and creative endeavor through leading-edge research and artistic production; to use this research and creativity to enhance undergraduate, graduate, and professional education, health care, and other services provided to the people of Iowa, the nation, and the world; and to educate students for success and personal fulfillment.

THE UNIVERSITY IN 2017

University of Iowa achievements during 2017 include:

- Enrolling the highest-achieving class of incoming freshman in UI history (Class of 2021: 5,027 students, average GPA: 3.69)
- Opening the University of Iowa Stead Family Children's Hospital to the public
- Appointing Dr. Melissa S. Shivers as new vice president for student life
- Naming Dr. J. Brooks Jackson as new vice president for medical affairs and dean of the Carver College of Medicine effective Nov. 30, 2017.

ENROLLMENT

Group	Fall 2017	Fall 2016
Total students	33,564	33,334
Undergraduates	24,503	24,476
Graduate and professional	9,061	8,858
Iowa residents	57.2%	54.5%
Total non-residents	42.8%	45.5%
International students	10.2%	11.7%
Minority enrollment	17.8%	17.5%

EMPLOYMENT

Group (by FTEs)	Fall 2017	Fall 2016
Total faculty and staff	24,918	24,210
Tenure-track faculty	1,506	1,516
Clinical-track faculty	777	729
Postdoctoral and other faculty	761	731
Professional and scientific staff	10,154	9,723
Merit staff	4,490	4,455
Residents	838	816
Graduate assistants	2,282	2,353
Temporary	4,090	3,866

The Old Capitol Building after receiving some restorative construction to replace deteriorated components, completed in early 2017.

EXTERNAL SUPPORT AND GIVING

The university reported strong external support during FY2017.

- Fiscal year 2017 total external funding: **$557.7 million**

The university and the UI Foundation concluded the For Iowa. Forever More. campaign, the most successful fundraising campaign in UI history:

- Number of individual campaign donors: **272,543**
- Total contributions: **$1.975 billion**

RECENT RANKINGS

Snapshot of the University's standing in recent national surveys:

- *U.S. News & World Report* rank among 629 public universities: **31**
- *U.S. News & World Report* rank among best global universities: **130**
- Number of graduate programs ranked among the top 25 in their field by *U.S. News & World Report*: **24**
- *U.S. News & World Report* rank among Iowa hospitals: **1**
- Number of adult medical specialties among the top 50 in their fields by *U.S News & World Report*: **5 (2 among the top 10)**
- Number of pediatric specialties ranked among the top 50 in their fields by *U.S News & World Report*: **6**

In 2017, the UI Alumni Association and UI Foundation began merging together, consolidating resources into a single entity focused on advancement, outreach, and fundraising that will be housed in the Levitt Center for University Advancement (shown above).

Message from Chief Financial Officer and Treasurer Terry L. Johnson

PRESIDENT HARRELD AND MEMBERS OF THE BOARD OF REGENTS:

I am pleased to present the University of Iowa's audited financial report for fiscal years ended June 30, 2017 and June 30, 2016. The University remains financially sound with net position increasing by $144.0 million (3.6%) during fiscal year 2017. Continued strong credit ratings by Moody's (Aa1) and Standard & Poor's (AA), both with a stable outlook, are important indicators of the institution's financial health.

Quality and ease of access are critical for a successful public university. The University of Iowa is not only recognized as a "best buy" in several national college guides but *U.S. News & World Report* ranks the University as the 31st best public university in the country and a top 150 global university.

Resident student undergraduate tuition and fees remain among the lowest in the University's peer group, over $3,900 less than the Big Ten public institution average. The focus on value, student success, and academic excellence yielded the largest enrollments in the history of the University. The class of 2021 is composed of 5,027 students, the third-largest class ever. The University continues to attract a significant number of non-resident and international undergraduate and graduate students while vigorously recruiting all eligible Iowans. Indeed, the University of Iowa is working hard to reach out and make its presence known in every county, every state, and in many countries throughout the world.

Fiscal year 2018 is shaping up to be a very transformative year for our University. Bruce Harreld, the University of Iowa's 21st president, has begun implementation of a new resource-allocation model centered on student success, quality metrics, UI values, and development of a University that is attentive to its future. Significant focus is on diversification of revenue streams, improving expense management, and refining operational efficiency to maintain our quality and competitiveness. In recognition of the University's dedication to process improvement, the Iowa LEAN Consortium presented the University with its 2017 Iowa Partners in Efficiency Award for its implementation of Board of Regents TIER shared services centers, executing IT centralization projects and improving the HR delivery model. Also in progress are projects that will improve and streamline the academic enterprise. Examples include course scheduling, improved classroom utilization, focused enrollment management, and enhancing the number of e-learning offerings.

University of Iowa Hospitals and Clinics (UIHC) continues to be recognized by *U.S. News & World Report* as the top hospital in the state of Iowa and one of the top hospitals in the United States. *Forbes* magazine continues to list UIHC as one of America's best employers, ranking UIHC as the top 5 health care employer in the country and the 14th best employer overall. Iowans from every county in the state and people from around the world seek to have their medical procedures performed at UIHC. With the opening of the new Stead Family Children's Hospital, UIHC provided state-of-the-art patient care to over one million clinic visitors during the year ending June 30, 2017, a new milestone. The current fiscal year is on track to exceed these totals.

We hope you agree that there is much to be proud of at your University. The following financial information in this report, including data in the "Management Discussion and Analysis" section, provides an excellent recap of the University's performance over the last year.

Very truly yours,

Terry L. Johnson
Chief Financial Officer and Treasurer

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

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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 the State University of Iowa, Iowa City, Iowa, (University of Iowa) and its aggregate discretely presented component units as of and for the years ended June 30, 2017 and 2016, and the related Notes to Financial Statements, which collectively comprise the University of Iowa'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 opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Iowa Research Foundation, the State University of Iowa Foundation and Affiliate and the University of Iowa Health System discussed in Note 1, which represent 100% of the assets, net position and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those financial statements, 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 State University of Iowa Foundation and Affiliate 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 the University of Iowa'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 the University of Iowa'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 the University of Iowa and its aggregate discretely presented component units as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years ended June 30, 2017 and 2016 in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in Note 1, the financial statements of the University of Iowa 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 the University of Iowa. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2017 and 2016 and the changes in its financial position and its cash flows for the years ended June 30, 2017 and 2016 in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the University's Proportionate Share of Net Pension Liability, Schedule of University Contributions and the Schedule of Funding Progress by Valuation Date on pages 7 through 17 and 75 through 76 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.

The Introduction and Highlights Section and the Message from University Chief Financial Officer and Treasurer, Terry L. Johnson, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

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

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

December 8, 2017

Management's Discussion and Analysis

Catlett Hall, the UI's new residence hall. Open to students in the fall of 2017, Catlett Hall features many works of art, including a mural on glass (shown above) and a sculpture created by the building's namesake, Elizabeth Catlett.

INTRODUCTION

The following discussion and analysis of the University of Iowa's financial statements presents an overview of the University's financial activities for the years ended June 30, 2017 and 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes that follow.

FINANCIAL HIGHLIGHTS

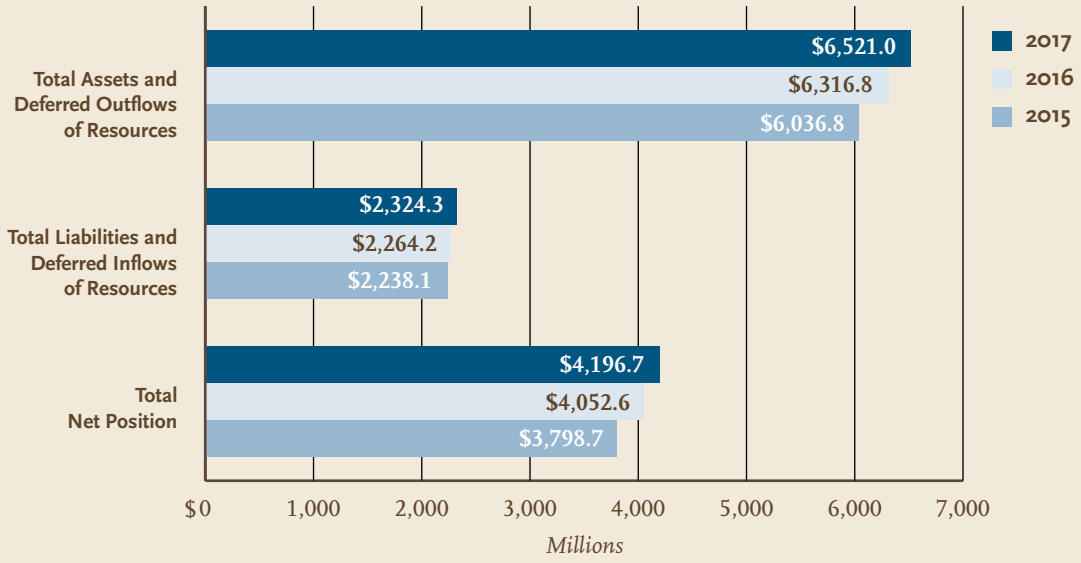
The University's financial position remained strong at June 30, 2017, with assets of $6,464 million and liabilities of $2,319 million as compared to June 30, 2016 assets of $6,284 million and liabilities of $2,255 million. Net position, the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, increased by $144.1 million (3.6%) from July 1, 2016 to June 30, 2017. The increase from June 30, 2015 to June 30, 2016 was $253.9 million (6.7%).

The change in net position reports the financial results during the fiscal year by measuring the relationship between revenues and expenses. It is important to note that public universities such as the University of Iowa generally report an operating loss, as the financial reporting model classifies state appropriations, investment income and gifts as nonoperating revenues. Operating revenues are received for providing goods and services to the various students, customers and constituencies of the University. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided.

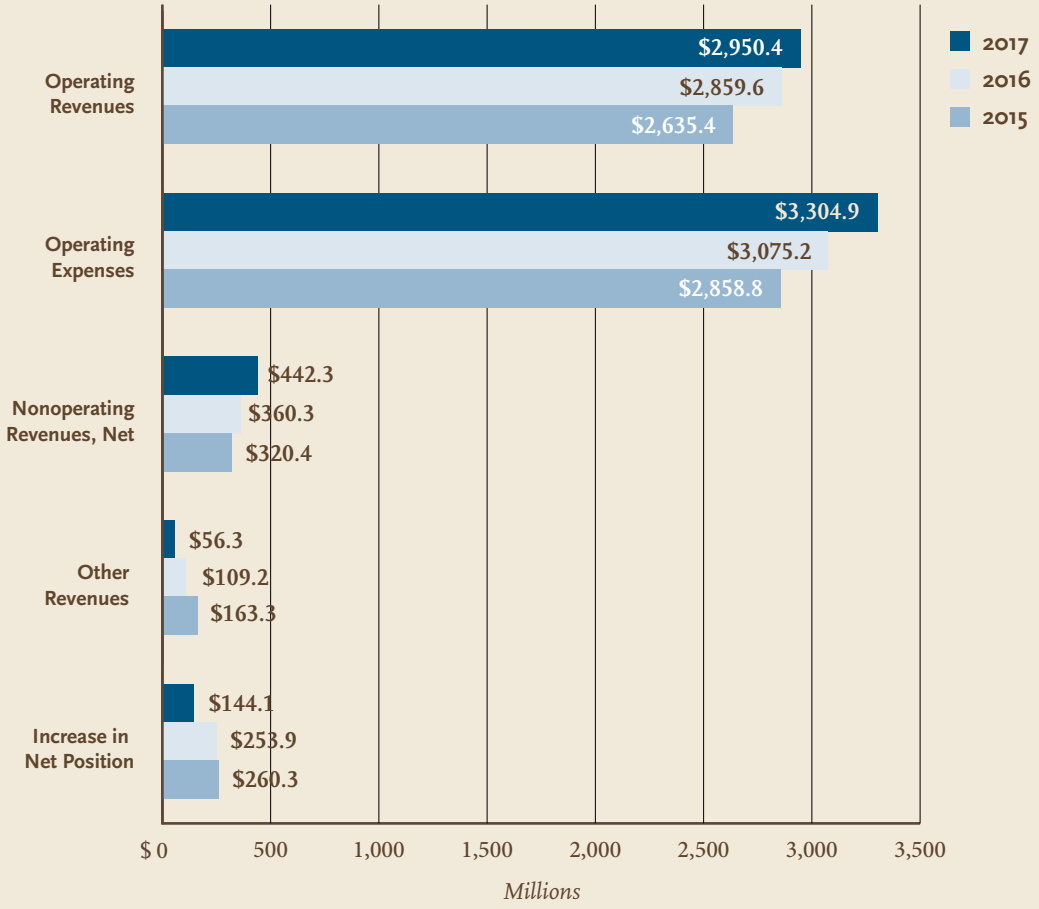
During a review of the University's records for investments and deposits held in custody for others in fiscal year 2016, it was discovered that an elimination entry had not been recorded for the amount of the investments held for Musser-Davis Land Company, whose net position is recorded as an investment in wholly owned subsidiary. The elimination entry for fiscal year 2015 reduces noncurrent investments and deposits held in custody for others by $42,170,000. Additionally, due to Musser-Davis Land Company preparing their financial statements on a modified cash basis of accounting, the investments are carried at cost basis and, therefore, the difference between fair value and cost basis was not recognized in the University's net position. This adjustment for fiscal year 2015 reduced deposits held in custody for others and increased investment income by $3,098,000.

The following charts compare Total Assets and Deferred Outflows of Resources, Total Liabilities and Deferred Inflows of Resources, and Total Net Position at June 30, 2017, 2016, and 2015 and the components of changes in Net Position at June 30, 2017, 2016 and 2015.

STATEMENT OF NET POSITION



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION



USING THIS ANNUAL REPORT

The University's annual report consists of three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These statements provide information on the University as a whole and present a long-term and short-term view of the University's activities.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position present the financial position of the University at the end of the fiscal year and report the University's net position and changes in them during the current fiscal year, respectively. 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 over time determines whether the financial health of the University is improving. To assess the overall health of the University, non-financial factors are relevant as well. Such factors include student enrollment, patient volumes, the University's ability to attract and retain qualified faculty and staff and the overall condition of the University's buildings and infrastructure. These statements are reported under the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid.

The following table summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position for the years ended June 30, 2017, 2016 and 2015.

NET POSITION, END OF YEAR (in millions)

	2017	2016	Restated 2015
Assets			
Current assets	$857.3	$819.0	$848.7
Capital assets, net	3,854.0	3,647.0	3,294.9
Other noncurrent assets	1,752.4	1,818.1	1,875.2
Total Assets	6,463.7	6,284.1	6,018.8
Deferred Outflows of Resources	57.3	32.7	18.0
Liabilities			
Current liabilities	743.6	707.6	704.4
Noncurrent liabilities	1,575.8	1,547.3	1,513.0
Total Liabilities	2,319.4	2,254.9	2,217.4
Deferred Inflows of Resources	4.9	9.3	20.7
Net Position			
Net investment in capital assets	2,569.0	2,368.6	2,041.1
Restricted	452.3	453.4	452.7
Unrestricted	1,175.4	1,230.6	1,304.9
Total Net Position	$4,196.7	$4,052.6	$3,798.7

The following table summarizes the University's revenues, expenses and changes in net position for the years ended June 30, 2017, 2016 and 2015.

REVENUES, EXPENSES AND CHANGES IN NET POSITION
(in millions)

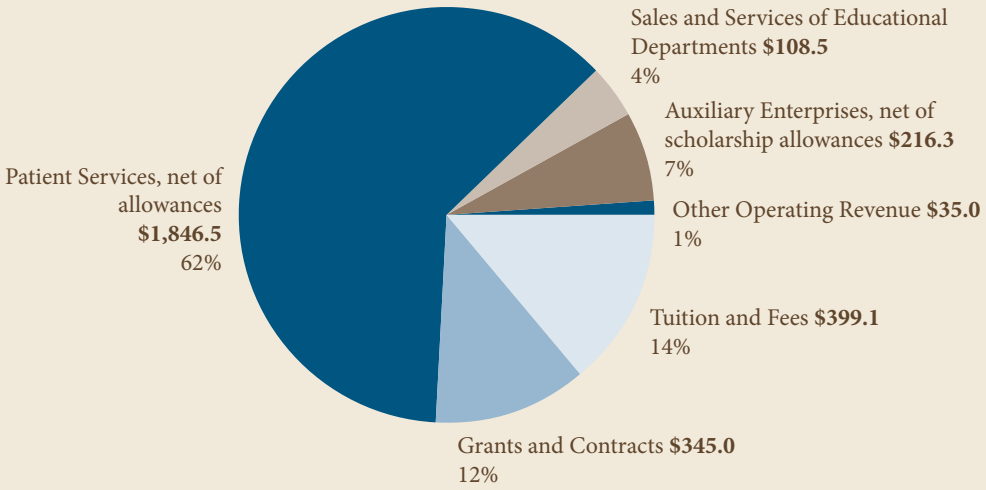
	2017	2016	Restated 2015
Operating Revenues:			
Tuition and fees, net of scholarship allowances	$399.1	$379.1	$377.8
Grants and contracts	345.0	343.7	333.9
Patient services, net of allowances	1,846.5	1,789.4	1,611.6
Sales and services of educational departments	108.5	108.4	98.9
Auxiliary enterprises, net of scholarship allowances	216.3	197.0	180.6
Other operating revenue	35.0	42.0	32.6
Total Operating Revenues	2,950.4	2,859.6	2,635.4
Operating Expenses:			
Instruction	341.8	337.3	352.7
Research	330.3	332.2	294.7
Academic support	226.4	181.4	164.6
Patient services	1,621.7	1,508.9	1,343.8
Depreciation and amortization	226.7	196.9	182.7
Auxiliary enterprises	203.2	182.1	172.8
Other operating expenses	354.8	336.4	347.5
Total Operating Expenses	3,304.9	3,075.2	2,858.8
Operating (Loss)	(354.5)	(215.6)	(223.4)
Nonoperating Revenues (Expenses):			
State appropriations	239.3	247.3	247.3
Grants and contracts	18.2	17.3	17.1
Investment income, net of investment expenses	113.4	43.7	9.4
Gifts	109.2	89.0	82.0
Interest expense	(32.5)	(31.4)	(33.3)
Loss on disposal of capital assets	(5.3)	(5.6)	(2.1)
Net Nonoperating Revenues (Expenses)	442.3	360.3	320.4
Income Before Other Revenues	87.8	144.7	97.0
Other Revenues:			
Capital appropriations, State	20.6	19.4	18.3
Capital contributions and grants	33.6	15.7	4.9
FEMA reimbursement for capital costs, net of expenses	2.1	74.1	140.1
Net Other Revenues	56.3	109.2	163.3
Increase in Net Position	144.1	253.9	260.3
Net position, beginning of year	4,052.6	3,798.7	3,538.4
Net position, end of year	$4,196.7	$4,052.6	$3,798.7

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in net position for the fiscal year ended June 30, 2017 of $144.1 million (3.6%). During the fiscal year ended June 30, 2017, the University increased operating revenues and operating expenses by 3.2% and 7.5%, respectively. The net result from operating revenues and expenses is an operating loss of 12.0% compared to 7.5% last year. However, after factoring in state appropriations, investment income, gifts and other revenues, the University increased net position by $144.1 million for the year ended June 30, 2017. During the fiscal year ended June 30, 2017, net nonoperating revenues (expenses) increased by 22.8%.

OPERATING REVENUES

For the fiscal years (FY) ended June 30, 2017, 2016 and 2015, operating revenues totaled $2,950.4 million, $2,859.6 million and $2,635.4 million, respectively. Operating revenues increased $90.8 million (3.2%) over FY 2016 revenues. The increase is primarily from patient services, auxiliary enterprises, and student tuition and fees. The following is a graphic illustration of revenues by source which are used to fund the University's operating activities for the year ended June 30, 2017.

FY 2017 OPERATING REVENUES $2,950.4 million

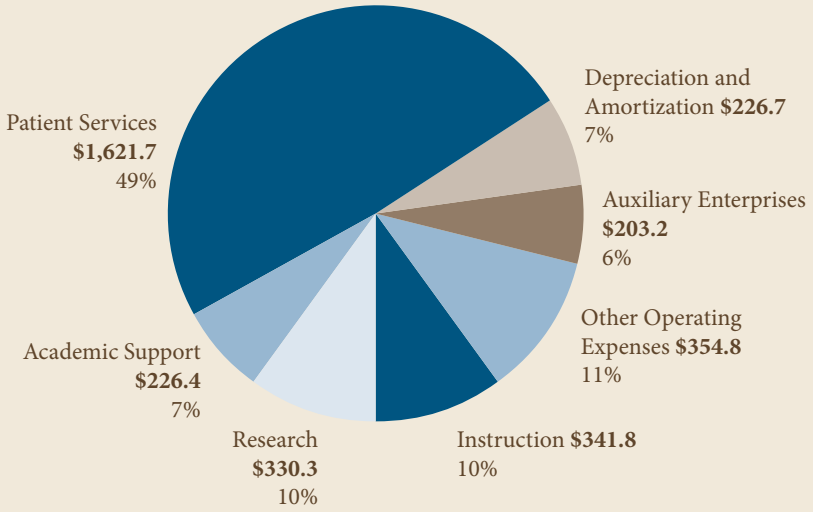


In the most recent National Science Foundation, Higher Education Research and Development survey (2015), the University of Iowa ranked 53rd among public and private universities combined in terms of federally financed expenditures for research and development. Grants, contracts and other sponsored agreements operating revenue exceeded $344 million in FY 2017, $343 million in FY 2016 and $333 million in FY 2015.

OPERATING EXPENSES

For the fiscal years ended June 30, 2017, 2016 and 2015, operating expenses totaled $3,304.9 million, $3,075.2 million and $2,858.8 million, respectively. Operating expenses increased $229.7 million (7.5%) over FY 2016 expenses. The increase is primarily from patient services, academic support, depreciation, and auxiliary enterprises. The following is a graphic illustration of the University's operating expenses for the year ended June 30, 2017.

FY 2017 OPERATING EXPENSES $3,304.9 million



Other operating expenses include Public Service (2017, $92 million; 2016, $93 million), Student Services (2017, $41 million; 2016, $36 million), Institutional Support (2017, $64 million; 2016, $54 million), Operation and Maintenance of Plant (2017, $85 million; 2016, $78 million), Scholarships and Fellowships (2017, $31 million; 2016, $30 million), and Other (2017, $42 million; 2016, $45 million).

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues and expenses netted a positive $442.3 million for the fiscal year ended June 30, 2017 and $360.3 million for the fiscal year ended June 30, 2016.

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2017, 2016 and 2015.

NONOPERATING REVENUES (EXPENSES) (in millions)

	2017	2016	Restated 2015
Nonoperating Revenues (Expenses)			
State appropriations	$239.3	$247.3	$247.3
Grants and contracts	18.2	17.3	17.1
Investment income, net of investment expenses	113.4	43.7	9.4
Gifts	109.2	89.0	82.0
Interest expense	(32.5)	(31.4)	(33.3)
Loss on disposal of capital assets	(5.3)	(5.6)	(2.1)
Net Nonoperating Revenues (Expenses)	**$442.3**	**$360.3**	**$320.4**

State appropriations decreased by $8.0 million (3.2%) in the fiscal year ended June 30, 2017. Grants and contracts revenue increased by $0.9 million (5.2%), investment income increased by $69.7 million (159.5%) and gifts increased by $20.2 million (22.7%) in the fiscal year ended June 30, 2017.

OTHER REVENUES AND EXPENSES

Not included, by definition, as nonoperating revenues and expenses are state appropriations for capital projects, contributions and grants for capital projects and reimbursement from FEMA for capital costs, net of expenses. Other revenues decreased from $109.2 million for the fiscal year ended June 30, 2016 to $56.3 million for the fiscal year ended June 30, 2017, a decrease of $52.9 million, or 48.4%. Capital appropriations, contributions, and grants increased from $35.1 million for the fiscal year ended June 30, 2016 to $54.2 million for the fiscal year ended June 30, 2017, an increase of $19.1 million, or 54.4%. For the fiscal years ended June 30, 2017 and 2016, $2.1 million and $74.1 million, respectively, was recognized in FEMA reimbursement for capital costs, net of expenses, a decrease of $72.0 million, or 97.2%. The net revenue is intended to fund flood-related expenses.

After insurance recoveries, FEMA has agreed to reimburse the University at 90% of actual cost of approved project work orders. All FEMA related activity is reported in Other Revenues. In fiscal year 2017, the University received $2.1 million in FEMA reimbursements towards flood-related costs expended ($8.7 million for capital costs and $6.6 million for expenses).

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information regarding the University's cash receipts and disbursements during the fiscal year. This provides an assessment of the University's ability to generate net cash flows and meet obligations as they come due.

The following table summarizes the University's cash flow for the fiscal years ended June 30, 2017, 2016 and 2015.

CASH FLOWS FOR THE YEAR (in millions)

	2017	2016	2015
Cash provided (used) by:			
Operating activities	($123.7)	$78.8	($89.8)
Noncapital financing activities	390.7	343.9	332.2
Capital and related financing activities	(420.9)	(498.3)	(436.0)
Investing activities	143.8	81.2	173.4
Net change in cash and cash equivalents	(10.1)	5.6	(20.2)
Cash and cash equivalents, beginning of year	217.4	211.8	232.0
Cash and cash equivalents, end of year	$207.3	$217.4	$211.8

The University's overall liquidity decreased during the year, with a net decrease in cash and cash equivalents of $10.1 million. The net decrease is due to a $12.0 million decrease in unpsent bond proceeds for the Utility segment, a $4.1 million decrease in unspent note proceeds for Master Lease projects, and a $6.0 million increase in unspent bond proceeds for the Residence Services segment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The following table summarizes the University's capital assets, net of depreciation and amortization, as of June 30, 2017, 2016 and 2015.

CAPITAL ASSETS, NET OF DEPRECIATION AND AMORTIZATION

(in millions)

	2017	2016	2015
Nondepreciable/nonamortizable			
Land	$66.6	$64.5	$65.3
Construction in progress	293.5	695.3	728.9
Intangibles in development	1.8	7.8	6.2
Art & historical collections	28.2	26.3	26.2
Library materials	345.8	328.1	314.2
Depreciable/amortizable			
Land improvements, net	7.4	4.7	5.3
Infrastructure, net	285.1	267.4	273.3
Buildings, net	2,490.9	1,973.6	1,604.2
Equipment, net	284.8	230.4	218.9
Intangibles, net	49.9	48.9	52.4
Total Capital Assets, Net	**$3,854.0**	**$3,647.0**	**$3,294.9**

The University of Iowa is wrapping up several major projects. The leading contributor to the current construction workload is the UIHC Children's Hospital ($360.2 million) which is opening for patients this fiscal year. Other projects scheduled to reach occupancy this year include the new Catlett Residence Hall ($95 million), the John and Mary Pappajohn Biomedical Discovery Building – Fit-Out Central Vivarium Space ($24 million), and the Power Plant – Air Regulation Compliance project ($18.8 million).

There are several projects under way within the UIHC complex including the Pomerantz Family Pavilion – MRI Linear Accelerator Installation ($10.5 million), Relocation of Neurology and Neonatology Faculty Offices ($5.7 million), Pediatric Specialty Clinic Expansion and Conference Center Development ($39 million), Level 3 Replacement of Air Handling units for the John W. Colloton Pavilion ($6.2 million) and the UIHC's Heart and Vascular Center ($13.3 million). The Heart and Vascular Center is to be completed late summer 2017.

Construction also continues on the South Annex Addition to the Seamans Center for the Engineering Arts and Sciences ($37.1 million) and on the Modernize Building Systems in Bowen Science Building ($18.5) while the new College of Pharmacy Building ($96.3 million) and the University of Iowa Pharmaceuticals Fit Out and Manufacturing Equipment ($28.4 million) projects progress with foundation and structure work.

Additionally, commencement of construction this year includes the reconstruction of the Kinnick Stadium North End Zone ($89.9 million), the Power Plant – Capacity Expansion ($49.5 million), Phase 2 to replace Riverside Drive/Grand Avenue Steam Distribution System ($17.9 million), a renovation of the Gerdin Athletic Learning Center including the build-out of the 3rd floor ($6.3 million), the Remodel of U of I Foundation Advancement Services Building ($5.8 million), and the Water Plant – Install Reverse Osmosis System ($5.9 million).

Projects currently under design include a $33.5 million building for the Department of Psychological and Brain Sciences (within the College of Liberal Arts and Sciences), a new Museum of Art to replace the flood damaged facility ($50 million), Modifications to the College of Nursing Building ($11.8 million), a new Finkbine Golf Club House and Support Facility and Level 3 JCP – Relocation of Acute Leukemia and Bone Marrow Transplant Unit.

Debt

As of June 30, 2017, the University had $1,314.4 million in outstanding bonds, notes and capital leases, an increase of $1.3 million from the prior year. Debt principal payments of $61.6 million and interest payments of $37.2 million were made during the fiscal year ended June 30, 2017.

The following table summarizes outstanding debt by type as of June 30, 2017, 2016 and 2015.

BONDS, NOTES AND CAPITAL LEASES

(in millions)

	2017	2016	2015
Revenue bonds	$1,259.7	$1,252.9	$1,254.7
Notes	36.3	40.7	49.1
Capital leases	18.4	19.5	20.5
Total Debt Outstanding	$1,314.4	$1,313.1	$1,324.3

During the fiscal year ended June 30, 2017, $62.9 million of new revenue bonds were issued for Residence Services. The University carries an Aa1 institutional bond rating from Moody's and an AA rating from Standard & Poor's. UIHC carries a rating of AA2 and AA. Additional information related to the University's noncurrent liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University of Iowa continues to have significant appeal to prospective students. This is attributable, in large part, to the University's high academic standards and its national reputation as a best buy in undergraduate education. The University continues to draw a high percentage of students from outside the state of Iowa, most notably from the state of Illinois. The Class of 2021 is comprised of 5,027 students, making it the third-largest, most academically gifted class in the University's 170-year history. Total enrollment for fall 2017 is 33,564, the highest enrollment in the University's history. It is forecasted these trends will continue with strong enrollment demand at the University of Iowa, despite overall high school graduation demographics remaining flat within the state of Iowa.

The state reduced its general fund appropriation to the University by $14.2 million since fiscal year 2016. This loss in state support was offset by increasing tuition rates 5% for resident undergraduate students and 6.3% for all other students in fiscal year 2018. The state economy continues to report revenue growth over the prior year. However, the October 2017 projection from the state's revenue estimating committee estimates fiscal year 2018 general fund receipts will be $134 million below previous revenue estimates. This lowered revenue projection puts pressure on all discretionary spending within the state budget, including funding to higher education institutions.

The University continues to be one of the nation's top research-intensive universities with grant and contract research awards to the University exceeding $400 million per year for the past nine years. The recent completion of new research labs, continuation of hiring highly productive faculty within focused clusters, and infrastructure improvements will enable the University's researchers to be more productive and better positioned to compete for external grants and contracts as new sponsored research opportunities emerge. Particular emphasis is on developing stronger partnerships with industry leading to improved marketability of intellectual capital generated by UI faculty and staff.

Despite the volatility of investment returns over the last several years, investment income continues to be an important component of UI's ongoing revenue diversification with the University generating a 13.7% return on its endowment, placing it in the upper quartile of educational endowment returns across the U.S. The University achieved benchmark or better returns in its operating and intermediate investment pools. The University will continue to employ its long-term investment strategy to maximize total returns, at an appropriate level of risk. The Board of Regents investment advisor is a partner in this process to ensure prudently managed and well diversified investment portfolios.

The University of Iowa Hospitals & Clinics (UIHC) continues to be recognized as one of the nation's best, and has achieved successful operating results for fiscal year 2017 with an operating margin of 1.8%. According to U.S. News & World Report, UIHC has been included again as one of the top hospitals in the United States in its annual "best hospitals" rankings. Eleven programs are ranked in the top 50 in the country. Of the eleven programs, five are in adult specialties and six are in pediatric specialty areas. The University of Iowa Health Care is rated by U.S. News & World Report as the #1 hospital in the state of Iowa and it continues to report robust patient census data with over 1 million clinic visits in fiscal year 2017. Iowa's future doctors are in a great learning environment attributable to outstanding medical faculty and exposure to a high complexity case mix at UIHC.

THE UNIVERSITY OF IOWA

Statement of Net Position

June 30, 2017 (in thousands)

With comparative statement as of June 30, 2016

ASSETS	2017	2016
Current Assets:		
Cash and cash equivalents	$169,284	$144,959
Investments	187,215	186,671
Accounts receivable, net	354,976	340,933
Notes receivable, net	2,270	2,298
Interest receivable	1,113	2,046
Due from government agencies	75,900	85,413
Inventories	42,350	37,399
Prepaid expenses and other current assets	24,180	19,267
Total current assets	857,288	818,986
Noncurrent Assets:		
Cash and cash equivalents	38,017	72,452
Deposits with trustees	14,650	14,772
Investments	1,658,683	1,675,350
Notes receivable, net	25,939	25,968
Investment in wholly owned subsidiary	15,106	29,578
Capital assets, net	3,854,049	3,647,010
Total noncurrent assets	5,606,444	5,465,130
Total Assets	6,463,732	6,284,116
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	39,125	19,872
Debt refunding loss	17,015	12,803
Other deferred outflow	1,116	-
Total Deferred Outflows of Resources	57,256	32,675
Total Assets and Deferred Outflows of Resources	$6,520,988	$6,316,791

Statement of Net Position, continued

June 30, 2017 (in thousands)

With comparative statement as of June 30, 2016

LIABILITIES	2017	2016
Current Liabilities:		
Accounts payable	$98,616	$102,629
Salaries and wages payable	191,102	181,854
Unpaid claims	26,001	30,929
Unearned revenue	45,276	49,201
Interest payable	16,123	16,816
Long-term debt, current portion	70,741	64,714
Other long-term liabilities, current portion	107,855	101,644
Deposits held in custody for others	187,912	159,792
Total current liabilities	743,626	707,579
Noncurrent Liabilities:		
Accounts payable	22,561	42,890
Long-term debt, noncurrent portion	1,243,691	1,248,375
Other long-term liabilities, noncurrent portion	309,495	256,002
Total noncurrent liabilities	1,575,747	1,547,267
Total Liabilities	2,319,373	2,254,846
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	959	4,449
Debt refunding gain	3,601	4,486
Contract and grant deferred inflows	385	373
Total Deferred Inflows of Resources	4,945	9,308
NET POSITION		
Net investment in capital assets	2,568,966	2,368,562
Restricted:		
Nonexpendable:		
Permanent endowment	46,883	44,562
Expendable:		
Research and gifts	77,421	80,150
Student loans	22,131	21,357
Quasi endowments	81,155	80,916
Debt service and capital projects	224,758	226,456
Unrestricted	1,175,356	1,230,634
Total Net Position	4,196,670	4,052,637
Total Liabilities, Deferred Inflows of Resources and Net Position	$6,520,988	$6,316,791

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF IOWA

Statement of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2017 (in thousands)

With comparative statement for the year ended June 30, 2016

	2017	2016
Operating Revenues		
Student tuition and fees, net of scholarship allowances of $123,565 and $115,306 for the years ended June 30, 2017 and 2016, respectively (pledged as payment on revenue bonds)	$399,094	$379,141
Federal grants and contracts	279,120	275,047
State and other governmental grants and contracts	15,103	15,498
Nongovernmental grants and contracts	50,775	53,150
Patient services, net of write-offs, contractual adjustments and indigent care of $3,452,899 and $3,014,151 for the years ended June 30, 2017 and 2016, respectively (pledged as payment on revenue bonds)	1,846,448	1,789,411
Sales and services of educational departments	108,532	108,375
Interest on student loans	691	709
Auxiliary enterprises, net of scholarship allowances of $9,558 and $9,208 for the years ended June 30, 2017 and 2016, respectively (pledged as payment on revenue bonds)	216,339	197,017
Other operating revenue	34,246	41,240
Total Operating Revenues	2,950,348	2,859,588
Operating Expenses		
Instruction	341,804	337,258
Research	330,330	332,210
Public service	91,620	93,171
Academic support	226,382	181,398
Patient services	1,621,651	1,508,948
Student services	40,924	35,708
Institutional support	63,792	54,484
Operation and maintenance of plant	85,224	78,174
Scholarships and fellowships	31,235	30,234
Depreciation and amortization	226,653	196,888
Auxiliary enterprises	203,168	182,133
Other operating expenses	42,098	44,563
Total Operating Expenses	3,304,881	3,075,169
Operating (Loss)	(354,533)	(215,581)
Nonoperating Revenues (Expenses)		
State appropriations	239,325	247,258
Federal grants and contracts	18,183	17,310
Investment income, net of investment expenses of $2,218 and $2,231 for the years ended June 30, 2017 and 2016, respectively	113,405	43,730
Gifts	109,179	88,939
Interest expense	(32,540)	(31,378)
Loss on disposal of capital assets	(5,328)	(5,573)
Net Nonoperating Revenues (Expenses)	442,224	360,286
Income Before Other Revenues	87,691	144,705
Other Revenues		
Capital appropriations, State	20,611	19,383
Capital contributions and grants	33,582	15,694
FEMA reimbursement for capital costs, net of expenses	2,149	74,162
Net Other Revenues	56,342	109,239
Increase in Net Position	144,033	253,944
Net Position		
Net position, beginning of year	4,052,637	3,798,693
Net position, end of year	$4,196,670	$4,052,637

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF IOWA

Statement of Cash Flows

For the Year ended June 30, 2017 (in thousands)

With comparative statement for the year ended June 30, 2016

	2017	2016
Cash Flows From Operating Activities		
Tuition and fees	$398,611	$380,395
Patient receipts	1,837,269	1,822,719
Grants and contracts	349,407	369,618
Payments for salaries and benefits	(1,794,848)	(1,674,672)
Payments for goods and services	(1,037,436)	(958,806)
Scholarships	(31,235)	(30,234)
Loans issued to students	(5,066)	(6,271)
Collections of loans from students	7,885	5,854
Sales of educational activities	105,803	109,080
Other receipts	34,645	41,245
Auxiliary enterprise receipts	214,386	202,028
Auxiliary enterprise payments	(203,168)	(182,133)
Net Cash (Used) Provided by Operating Activities	(123,747)	78,823
Cash Flows From Noncapital Financing Activities		
State appropriations	239,325	247,258
Grants and contracts	18,183	17,310
Proceeds from noncapital gifts	109,179	88,939
Funds held for others receipts	300,481	237,587
Funds held for others payments	(276,436)	(247,204)
William D. Ford Direct Lending & Plus Loans receipts	165,676	155,865
William D. Ford Direct Lending & Plus Loans made	(164,990)	(155,690)
Other noncapital payments	(686)	(176)
Net Cash Provided by Noncapital Financing Activities	390,732	343,889
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(436,512)	(537,975)
Interest paid on capital debt and leases	(37,214)	(35,153)
Proceeds from sale of capital assets	1,110	(1,663)
Capital appropriations	19,940	18,449
Capital gifts and grants received	28,649	561
Deposits with trustee	121	80
Principal paid on capital debt and leases	(61,631)	(63,927)
Proceeds from capital debt and leases	69,027	55,083
Defeased debt payments	(87,100)	(167,950)
Other capital and related financing receipts	82,730	234,239
Net Cash (Used) by Capital and Related Financing Activities	(420,880)	(498,256)
Cash Flows From Investing Activities		
Interest and dividends on investments	28,928	27,961
Proceeds from sale and maturities of investments	736,727	670,083
Purchase of investments	(621,870)	(616,857)
Net Cash Provided by Investing Activities	143,785	81,187
Net (Decrease) Increase in Cash and Cash Equivalents	(10,110)	5,643
Cash and Cash Equivalents, beginning of year	217,411	211,768
Cash and Cash Equivalents, end of year	$207,301	$217,411

THE UNIVERSITY OF IOWA

Statement of Cash Flows

For the year ended June 30, 2017 (in thousands)

With comparative statement for the year ended June 30, 2016

	2017	2016
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and cash equivalents in current assets	$169,284	$144,959
Noncurrent cash and cash equivalents	38,017	72,452
Total Cash and Cash Equivalents	$207,301	$217,411
Reconciliation of Operating (Loss) to Net Cash (Used) Provided by Operating Activities:		
Operating (loss)	($354,533)	($215,581)
Adjustments to reconcile operating (loss) to net cash (used) provided by operating activities:		
Depreciation and amortization expense	226,653	196,888
Changes in operating assets and liabilities:		
Accounts receivable, net	(11,460)	33,754
Interest receivable	1,149	(92)
Inventories	(4,951)	(3,756)
Prepaid expenses and other current assets	(4,913)	(1,575)
Due from government agencies, net of receivable from State for capital appropriations	10,183	31,355
Notes receivable, net	57	(1,082)
Accounts payable	(23,799)	(5,364)
Salaries and wages payable	9,247	15,933
Unpaid claims liability	(4,928)	(712)
Other long-term liabilities	398	5
Unearned revenue	(3,487)	(2,527)
Contract and grant deferred inflows	13	(116)
Pension liability	26,906	14,802
Pension related deferred outflows	(19,253)	(5,681)
Pension related deferred inflows	(3,490)	(10,294)
Other postemployment benefits other than pension liability	28,917	25,951
Compensated absences	5,547	9,054
Early retirement benefits	(2,003)	(2,139)
Net Cash (Used) Provided by Operating Activities	($123,747)	$78,823
Significant Noncash Transactions:		
Receivable from State for capital appropriations	$1,834	$1,163
Assets acquired by gift	$4,933	$15,133
Net unrealized gain on investment	$35,395	$10,383

The accompanying notes are an integral part of these financial statements.

THE STATE UNIVERSITY OF IOWA FOUNDATION AND AFFILIATE

Consolidated Statement of Financial Position

June 30, 2017 (in thousands)

With comparative statement as of June 30, 2016

ASSETS	2017	2016
Cash and cash equivalents	$21,567	$28,015
Receivables:		
Pledges, at net present value, less allowance for losses	147,358	114,812
Other receivables and prepaids	242	228
	147,600	115,040
Investments:		
Carried at fair value		
U.S. Government and governmental agency securities	3,773	3,847
Corporation stocks, primarily common stocks	7,951	7,169
Managed separate investment accounts, primarily equity securities	1,166,442	1,086,331
Assets in living trusts, testamentary trusts and gift annuities	59,550	61,088
Beneficial interest in perpetual trusts	16,481	12,534
	1,254,197	1,170,969
Other:		
Real estate	6,010	6,010
Cash value of life insurance	7,037	6,599
Other	936	936
	13,983	13,545
Property leasehold interest and equipment, net	17,837	18,353
Total Assets	$1,455,184	$1,345,922
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$2,142	$4,419
Annuity and life income obligations	24,408	24,725
Capital lease obligation	1,605	2,345
Amounts held on behalf of others	97,839	94,211
	125,994	125,700
Net Assets:		
Unrestricted	29,599	30,912
Temporarily restricted	605,024	553,362
Permanently restricted	694,567	635,948
	1,329,190	1,220,222
Total Liabilities and Net Assets	$1,455,184	$1,345,922

The accompanying notes are an integral part of these financial statements.

THE STATE UNIVERSITY OF IOWA FOUNDATION AND AFFILIATE

Consolidated Statement of Activites

For the year ended June 30, 2017 (in thousands)

With comparative statement for the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Support and revenue:					
Total contributions raised	$445	$100,990	$58,142	$159,577	$139,595
Change in value of life income gifts	-	1,025	3,103	4,128	1,017
Subtotal	445	102,015	61,245	163,705	140,612
Less amounts attributed to others	-	(3,888)	(1,608)	(5,496)	(5,011)
Total contributions and change in value of life income gifts	445	98,127	59,637	158,209	135,601
Investment income (expense):					
Interest and dividends	3,182	2,095	-	5,277	4,674
Asset based management and service fees	12,414	(12,215)	-	199	182
Change in fair value of investments	509	96,609	-	97,118	(3,797)
Subtotal	16,105	86,489	-	102,594	1,059
Less amounts attributed to others	-	(7,597)	-	(7,597)	1,578
Total investment income	16,105	78,892	-	94,997	2,637
Other revenue:					
Other, primarily fundraising service revenue	10,850	6,572	-	17,422	16,468
Less amounts attributed to others	-	(262)	-	(262)	(337)
Total other revenue	10,850	6,310	-	17,160	16,131
Net assets released from restrictions and changes in donor restrictions	132,685	(131,667)	(1,018)	-	-
Total support and revenue	160,085	51,662	58,619	270,366	154,369
Transfers to and Expenses of The State University of Iowa and Affiliate					
Student support	27,250	-	-	27,250	25,766
Faculty support	16,987	-	-	16,987	16,787
Research	22,774	-	-	22,774	22,454
Facilities and equipment	44,936	-	-	44,936	14,881
Program support	19,873	-	-	19,873	16,090
Fundraising	7,577	-	-	7,577	7,797
Management and service fees	3,015	-	-	3,015	2,731
Subtotal	142,412	-	-	142,412	106,506
Less amounts attributed to others	(9,727)	-	-	(9,727)	(8,950)
Total	132,685	-	-	132,685	97,556
Expenses of The State University of Iowa Foundation and Affiliate:					
Operating Expenses	28,713	-	-	28,713	26,659
Total expenses	161,398	-	-	161,398	124,215
Change in net assets	(1,313)	51,662	58,619	108,968	30,154
Net assets, beginning	30,912	553,362	635,948	1,220,222	1,190,068
Net assets, ending	$29,599	$605,024	$694,567	1,329,190	1,220,222

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

The University of Iowa Stead Family Children's Hospital opened to the public in 2017. In addition to state-of-the-art treatment facilities, the hospital also offers pediatric patients an unmatched view of Kinnick Stadium from its top floor. This has led to the creation of Iowa's new favorite tradition, "The wave" (shown above).

Note 1—Organization and Summary of Significant Accounting Policies

ORGANIZATION

The State University of Iowa (University), located in Iowa City, Iowa, is a coeducational university owned and operated by the State of Iowa (State) under the supervision of the Board of Regents, State of Iowa (Board of Regents). The University was established by the First General Assembly on February 25, 1847, and has been in continuous operation since classes began in 1855.

The University is classified as a state instrumentality under Internal Revenue Code Section 115 and its income 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.

BASIS OF PRESENTATION

The 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). These statements present the University as a whole. These GASB Statements establish standards for external financial reporting for public colleges and universities and require that resources be classified for accounting and reporting purposes into four net position categories:

- **Net investment in capital assets**—Capital assets, net of accumulated depreciation and amortization and reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets.

- **Restricted, nonexpendable**—Net position subject to externally imposed constraints in which the donors or other outside sources have stipulated as a condition that the principal is to be retained in perpetuity. Such assets include the University's permanent endowments.
- **Restricted, expendable**—Net position whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time.
- **Unrestricted**—Net position not subject to externally imposed constraints which may be used by the governing board to meet current obligations for any purpose. Unrestricted net position is derived from student tuition and fees, state appropriations, and sales and services of auxiliary enterprises and are generally designated for academic, research and capital programs or to meet contractual obligations of the University.

When an expense is incurred in which both unrestricted and restricted net position are available, the University's policy is to first apply the expense against the restricted, and then toward the unrestricted net position.

FINANCIAL REPORTING ENTITY

The University's financial statements include schools, colleges and departments, the University of Iowa Hospitals & Clinics (UIHC), the Iowa Medical Mutual Insurance Company (IMMIC, a captive insurance company) and certain affiliated operations determined to be a part of the University's financial reporting entity. The University has also considered all potential component units for which it is financially accountable, and other organizations 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. GASB has set forth criteria to be considered in determining financial accountability. The GASB classification of these entities for the University's financial reporting purposes does not affect their respective legal or organizational relationships with the University. As required by United States generally accepted accounting principles as prescribed by the GASB, these financial statements present the University and its component units. These component units are included in the University's reporting entity because of the significance of their operational or financial relationships with the University. These component units are separate legal entities from the University, but are so intertwined with the University they are, in substance, the same as the University.

Blended Component Units

The Iowa Measurement Research Foundation, Miller Endowment, Incorporated and University of Iowa Research Park Corporation are included in the reporting entity as blended component units. These legally separate entities are included in the University's financial reporting entity because of the nature of their relationship to the University.

The Iowa Measurement Research Foundation (IMRF) was formed in 1970 under the provisions of the Iowa Nonprofit Corporation Act. The primary purpose of the Foundation is to advance and extend knowledge in the field of educational measurement by providing financial assistance to the University of Iowa and its College of Education for promising research and educational projects in furtherance of this purpose.

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 coexecutors 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.

The University of Iowa Research Park Corporation (Corporation) is a not-for-profit corporation and a component unit of the University of Iowa (University). The Corporation leases from the State of Iowa approximately 185 acres of land located in the University of Iowa Research Park. The land subject to this lease is designated as the University of Iowa Research Park and is platted as a subdivision of Coralville, Iowa. Under terms of its master lease with the State of Iowa, the Corporation subleases parcels of the University of Iowa Research Park to businesses (or to private developers working on behalf of businesses) wishing to locate close to the University and its research assets.

The Corporation's revenues derive primarily from the proceeds of its leases to tenant companies or developers and from an annual special purpose appropriation from the State of Iowa.

Discretely Presented Component Units

The State University of Iowa Foundation and Affiliate (Foundation), the University of Iowa Research Foundation, and the University of Iowa Health System are included in the reporting entity as discretely presented component units. These legally separate entities are included in the University's financial reporting entity because of the nature of their relationship to the University.

The purpose of The State University of Iowa Foundation (Foundation) is to solicit, receive and manage gifts for the benefit of research and education at The State University of Iowa (University of Iowa). The Foundation is legally a not-for-profit corporation that is organizationally and operationally independent of the University of Iowa, but is generally subject to restrictions imposed by donors and holds investments primarily for temporary and permanently restricted uses of the University of Iowa.

During the years ended June 30, 2017 and 2016 the Foundation distributed to the University or expended on behalf of the University $132,685,000 and $97,556,000, respectively, for both restricted and unrestricted purposes.

The Foundation is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Statements 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.

The Foundation acts as a financial agent for other organizations benefiting the University of Iowa. Since the Foundation is not considered to be financially interrelated to these organizations, the total amount of funds held on behalf of these organizations has been reflected as a liability on the consolidated statement of financial position. The Foundation does not have variance power to re-direct the assets held for others and the funds are generally payable quarterly with a 15 day notification period. On the consolidated statement of activities, the Foundation reports the gross amounts of support, revenue and expenses with the amount raised and expended on behalf of these organizations shown as a reduction in the gross amounts of support, revenue and expenses.

Assets held on behalf of these organizations include remainder interests in trusts, pledges and investments, which are for the benefit of the University. The following table identifies these legally separate, tax-exempt organizations.

Amounts Held on Behalf of Others: (in thousands):	**2017**	**2016**
Iowa Law School Foundation	$82,060	$77,950
Iowa Scholarship Fund	7,933	8,620
University of Iowa Alumni Association	6,871	6,586
Student Publications Incorporated	975	1,055
Total	**$97,839**	**$94,211**

Complete financial statements for the Foundation can be obtained from The University of Iowa Foundation, One West Park Road, P.O. Box 4550, Iowa City, Iowa 52244-4550, Attn: Controller.

The University of Iowa Research Foundation (UIRF) – a 501(c)(3) corporation – commercializes University of Iowa (University) developed technologies and inventions through licensing and new venture formation, and manages the subsequent revenue stream. UIRF's primary functions are:

- Licensing: finding suitable partners for commercialization of University technologies and inventions;
- New Ventures: identifying and helping develop new high growth University technology spinout companies suitable for licensing UIRF technologies;
- Intellectual Property (IP) Management: protecting University inventions through patents and copyrights, advising on IP terms for Clinical Trials and Sponsored Research, and executing out-going material transfer agreements.

The UIRF is a private nonprofit corporation tied to the University and was created in 1975 as the designated manager for these inventions and selected University intellectual properties. UIRF aspires to maximize public benefit through commercial use of University technologies, excellence in commercialization, and long term sustainability. The intention of the UIRF is to effectively manage University intellectual property to successful outcomes including: champion the commercialization of selected University inventions for public benefit and for return on investment, catalyze economic development and an entrepreneurial culture in Iowa, build the vitality and sustainability of the University and the community through technology commercialization, and serve the research mission for continued innovation.

The University owns inventions made by faculty, staff, or students during the course of the inventor's employment by or in association with the University, or if the invention was enabled by significant use of University resources, and as a consequence of federal law, the Bayh-Dole Act. The UIRF may take an ownership stake in any intellectual property or materials owned by the University. All inventions arising from federal research support must be disclosed to the UIRF and must be reported to the associated funding agencies.

The UIRF takes ownership of selected inventions through assignment from the inventor(s) based on University Intellectual Property Policy. For these inventions, the UIRF exercises the right and the obligation to manage the intellectual property, with activities and authorities that include: performing market and intellectual property opportunity analysis; filing patent applications and managing the patent portfolio; seeking licensees for inventions; receiving and distributing earnings derived from the license(s); monitoring licensee performance; and enforcing intellectual property rights. Note that the UIRF retains ownership of intellectual property (i.e., patents are not "sold"), and instead licenses the use there-of.

University of Iowa Health System (UIHS or the System) was incorporated under the provisions of the Iowa Nonprofit Corporation Act on December 2, 1994. UIHS was formed to support the clinical, academic, and research programs of the University of Iowa College of Medicine (UICOM) and the University of Iowa Hospitals and Clinics (UIHC).

UIHS does not have members with voting rights. Upon dissolution, any remaining assets will be transferred to the University of Iowa, or its successor, if in existence. Otherwise the assets may be transferred by the board of directors to various entities exclusively for public purposes in accordance with the articles of incorporation for UIHS.

UIHS has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with UIHS are such that exclusion would cause UIHS' financial statements to be misleading or incomplete. Government Accounting Standards Board (GASB) has set forth the criteria to be considered in determining financial accountability. The GASB classification of these entities for UIHS financial reporting purposes does not affect their respective legal or organizational relationship with UIHS.

These financial statements present UIHS and its component units. These component units are included in the UIHS reporting entity because of the significance of their operational or financial relationship with UIHS. These component units are separate legal entities from UIHS, but are so intertwined with UIHS, they are, in substance, the same as UIHS. Below are the blended component units of UIHS:

- University of Iowa Community Medical Services, Inc. (UICMS) is a for-profit wholly owned subsidiary, which was formed in 1995 and began operations in 1996. UICMS provides a full spectrum of practice management and consulting services. UICMS has a for-profit wholly owned subsidiary, University of Iowa Community Homecare, Inc. (UICH), which was also formed in 1995 and began operations in 1996. UICH is a full-service home infusion and medical equipment services provider. UI Health Works, L.L.C. (UIHW) is a wholly owned subsidiary of UIHS, was formed and began operations in 1998. UIHW provides a comprehensive array of workers' health services. During April 2016, UIHW and UICH were merged into UICMS. Immediately thereafter, UICMS underwent a statutory conversion from a corporation to a limited liability company (LLC).

- Pediatric Associates of the University of Iowa Children's Hospital, LLC (PAUICH) is a wholly owned subsidiary, which was purchased and formed in 2014. PAUICH has been organized as a physician specialty practice providing pediatric services to communities served by UIHS.
- Iowa City Cancer Treatment Center, LLC (ICCTC) – a wholly owned subsidiary, which was purchased in May 2015. ICCTC is organized as a physician specialty practice providing radiation oncology services in the Iowa City area.

BASIS OF ACCOUNTING

For financial reporting purposes, the University is considered a special-purpose government engaged only in Business Type Activity as defined in GASB Statement No. 35 Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities. Accordingly, the financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. As a result, revenues are recognized when earned, expenses are recorded when an obligation is incurred and all significant intra-agency transactions have been eliminated.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Net Position and Statement of Cash Flows, cash and cash equivalents are reported in accordance with Board of Regents, State of Iowa policy Chapter 2.2, section 4.C.ix (http://www.iowaregents.edu/plans-and-policies/board-policy-manual/22-business-procedures/%23Investment%20Policy), which states in part: to appropriately reflect the Board's overall investment strategy and as outlined in the GASB Statement No. 9 Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, paragraph 11), that all funds held by external investment managers, as defined in section 2.2.4.C.iv of the Board's investment policy, shall be reported on the audited financial statements of the Regent institutions as investments. Investments purchased by the 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.

INVESTMENTS (UNIVERSITY)

Investments are reported at fair value in accordance with GASB Statement No. 31 Accounting and Financial Reporting for Certain Investments and for External Investment Pools, GASB Statement No. 34 Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, 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. Please see Note 2 for further discussion.

INVESTMENTS (FOUNDATION)

Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation elected to report the fair value of alternative investments, comprised of hedge funds and private capital funds, included in managed separate investment accounts using the practical expedient. The practical expedient allows for the use of net

asset value (NAV), either as reported by the investee fund or as adjusted by the Foundation management based on various factors including considering contributions and withdrawals to the fund and monitoring unaudited interim reporting provided by the fund related to investment returns to calculate NAV as of June 30. Absent donor restrictions, unrealized gains and losses on investments are reported in unrestricted net assets.

PLEDGES RECEIVABLE (FOUNDATION)

Pledges receivable are recorded at the net present value of estimated cash flows based on appropriate rates commensurate with the risks involved, 5 percent for pledges held at June 30, 2017, less an allowance for doubtful pledges. Conditional promises to give are not included as support until the conditions are met. The provision for losses on doubtful pledges is an adjustment to contributions at the time the pledge is made equal to 2.5 percent of gross pledges. Pledges written off totaled $1,660,000 and $953,000 for the years ended June 30, 2017 and 2016, respectively.

INVENTORIES

Inventories, primarily expendable materials and supplies held for consumption, are valued using the lower of cost or market, with cost determined on the first-in, first-out or weighted average basis.

CAPITAL ASSETS

Purchased capital assets. Purchased capital assets with a useful life greater than one year are stated at cost at the acquisition date.

Donated capital assets. Donated capital assets acquired prior to FY 2016, are reported at estimated fair value at the time of acquisition. In accordance with GASB Statement No. 72 Fair Value Measurement and Application, donated capital assets acquired after FY 2015 are reported at their acquisition value at the date of acquisition. Acquisition value is defined as the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

Library collections. Library materials exist in the Law Library and the Main Library (includes Hardin and other library branches). The University capitalizes library materials as a collection (including perpetual electronic subscriptions). Additions to the collection are catalogued in the library where detailed records of the inventory are maintained. The library does not routinely digitize their physical collection. However, for items that are digitized, the cost incurred is typically internal staff time and is not capitalized. The Main Library and Law Library prepare annual reports which include the annual expenditures for collection additions, the amount of in-kind gifts, the number of volumes added and the number of volumes withdrawn. This information is used to adjust the capitalized amount for additions and withdrawals. Since the University deems the library materials as a collection and adjusts the capitalized balance for additions and withdrawals, the University considers the collection to be inexhaustible and, therefore, does not depreciate the capitalized balance.

Interest costs. Interest costs are capitalized on University construction projects when the interest cost during the construction period exceeds the interest earned on the investment of debt proceeds.

Depreciation and amortization. Depreciation and amortization of capital assets is calculated using the straight-line method over the estimated useful lives (five to fifty years) of the respective assets.

Capitalization thresholds.

- Purchased equipment $5,000
- Leased capital equipment $50,000
- Intangible assets, non-UIHC $500,000
- Intangible assets, UIHC $5,000
- Art assets $5,000

WHOLLY OWNED SUBSIDIARY (UNIVERSITY)

Musser-Davis Land Company (the Company) is a wholly-owned subsidiary of the State University of Iowa (the University). It is a separate legal entity governed by a Board of Directors. The Company's directors consist of eight members, including representatives of the Office of the Senior Vice President for Finance and Operations and the Office of the Dean of the Roy J. and Lucille A. Carver College of Medicine (CCOM). The other directors are appointed by the University. Based on this relationship, the Company is a wholly-owned subsidiary of the University and its financial statements are reported using the Governmental Accounting Standards framework.

The Company was formed in 1916, and its stock was gifted to the University of Iowa over a number of years for the benefit of the CCOM. The University became the sole stockholder in 1977, and in 1981 the Company was granted tax-exempt status as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. It is authorized to make distributions; for the benefit of the CCOM. The Articles of Incorporation bar any transfer or assignment of common stock.

The Company owns land in Louisiana subject to a number of agreements that produce royalties from oil production and timber rights. The Company owns a total of 14,502 acres of land.

The Company's fiscal year ends December 31 and its financial statements are presented on a modified cash basis of accounting. As of December 31, 2016, assets (including investments of $30,088,000) totaled $31,856,000, liabilities were $0 and net assets were $31,856,000. As of December 31, 2015, assets (including investments of $41,207,000) totaled $43,078,000, liabilities were $0 and net assets were $43,078,000. During fiscal year 2017, Musser-Davis Land Company distributed $16,750,000 to the Roy J. and Lucille A. Carver College of Medicine for support of capital projects. Consequently, as of June 30, 2017, assets (including investments of $13,338,000) totaled $15,106,000, liabilities were $0 and net assets were $15,106,000. During the month of June 2016, Musser-Davis Land Company distributed $13,500,000 to the Roy J. and Lucille A. Carver College of Medicine for support of capital projects. Consequently, as of June 30, 2016, assets (including investments of $27,707,000) totaled $29,578,000, liabilities were $0 and net assets were $29,578,000.

INVESTMENT IN SUBSIDIARY (FOUNDATION)

The University of Iowa Facilities Corporation (Corporation) is an affiliate of the Foundation because the Foundation elects the Corporation's Board of Directors. The Corporation is organized to assist the Foundation in its programs which support the University. The Corporation accomplishes this objective by acquiring and holding property for the benefit and use of the University. The Corporation may incur debt obligations, either through the issuance of bonds or incurring commercial mortgages, for the purchase of properties. Simultaneously, the Corporation leases these buildings to the University. The lease agreements provide for the University to service the debt and pay for expenses related to the facilities. The leases also provide for the Corporation to convey title of the facilities to the University at the end of each lease term when the debt agreements are fully amortized.

Since the Corporation has not and will not have an economic interest in the outstanding bonds, the asset and the related debt and revenue and expenses related to the asset are not recorded on the financial statements of the Corporation. The asset and the related debt and revenue and expenses related to the asset are recorded as a segment of the University and included within the University's financial statements.

The Corporation also acquires and holds real estate, which will ultimately be deeded to the University after a period of time. These assets are recorded on the Corporation's books.

The assets and net income (loss) of the subsidiary described above is not material to the financial statements and the Foundation uses the equity method of accounting for its investment in the controlled corporation.

BOND ISSUANCE COSTS, DISCOUNTS, AND PREMIUMS

Bond issuance costs are expensed in the year the bonds are sold. Bond discounts and premiums are deferred and amortized over the life of the bonds using the effective interest rate method.

UNEARNED REVENUE

Unearned revenue includes advance tickets sales, student tuition related to next fiscal year and amounts received from leases, grants and contracts that have not yet been earned.

COMPENSATED ABSENCES PAYABLE

University employees accumulate vacation and sick leave under the provisions of Chapters 70A and 262 of the Code of Iowa. It is the policy of the State to liquidate these accrued benefits under specific circumstances. The State pays for accrued vacation at 100% of the employee's hourly rate upon retirement, death, or termination and, with certain exceptions, for accrued sick leave at 100% of the hourly rate to a maximum of $2,000 upon retirement. The liability for accrued compensated absences as reported in the Statement of Net Position is based on the current rates of pay.

REFUNDABLE ALLOWANCES ON STUDENT LOANS

Refundable allowances on student loans consist of federal capital contributions to the University from the Perkins or Health Profession student loan programs. The federal capital contribution amounts are refundable to the United States government if the loan programs are discontinued or the University closes an associated degree program.

NONCURRENT DEBT AND OTHER NONCURRENT LIABILITIES

Noncurrent debt includes principal amounts of revenue bonds, notes and capital leases payable with contractual maturities greater than one year. Noncurrent debt also includes unamortized discounts and premiums, resulting from bond issuances. Other noncurrent liabilities include estimated amounts for accrued early retirement, other postemployment and pension benefits, compensated absences payable, refundable allowances on student loans, and unearned revenue that will not be earned within the next fiscal year. 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.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources include unamortized bond refunding losses, University Hospital acquisition of clinics, and pension related amounts derived from the differences between expected and actual experience, change in assumptions, difference between projected and actual earnings on pension plan investments, change in proportion and difference between the University contributions and proportionate share of contributions and University contributions subsequent to the measurement date. Deferred inflows include unamortized bond refunding gains, qualifying receipts for sponsored programs, and pension amounts derived from the differences between expected and actual experience and the net difference between the pension plan's projected and actual investment earnings on pension plan investments. Bond refunding losses and gains are the difference between the reacquisition price of the new debt and the net carrying amount of the debt being refunded. The receipts for sponsored programs represent resources received before time requirements are met, but after all other eligibility requirements have been met.

FRINGE BENEFITS

The University utilizes the fringe benefits pool method to account for fringe benefits. Under the fringe benefits pool method, fringe benefits are expensed as a percentage of actual salary or wage costs. The use of fringe benefits rates rather than actual fringe benefits costs is accepted by the Federal Government and widely used by universities. Rates are reviewed annually prior to the beginning of the fiscal year and adjusted to reflect differences between the rates charged and actual benefits costs as well as future benefits projections. The Federal Government must approve the annual rate study.

DEFINITION OF OPERATING ACTIVITIES

Operating activities reported on 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.

NON-VESTED EQUIPMENT

Capital assets purchased with restricted contract and grant proceeds have been excluded from the Statement of Net Position.

USE OF ESTIMATES

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

Note 2—Cash, Cash Equivalents, Investments, And Deposits With Trustees

CASH AND CASH EQUIVALENTS

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

	2017	2016
Book Balance	$207,301	$217,411
Bank Balance	224,542	229,373
Covered by FDIC insurance or State Sinking Fund	36,095	21,698
Invested in money market funds as cash equivalents	188,447	207,675

The University's balances for current cash and cash equivalents represent amounts that are reasonably expected to be consumed within a year and are comprised of deposit and disbursement bank accounts, money market funds, demand deposit accounts, savings accounts, and government securities for the debt service and construction fund balances for bonded enterprises. The liquidity pool shall be managed to ensure funds are available to support operations for the current budget year.

Cash and cash equivalents are used to fund obligations such as controlled disbursements for accounts payable, salaries and wages payable, bond principal and interest payments, and federal and state withholding taxes.

DEPOSITS WITH TRUSTEES

Investments on deposit with trustees, paying and copaying agents for the purpose(s) of paying current obligations of bond principal and interest, for holding Bond Reserve Funds or for holding Construction Funds as specified by bond resolutions at June 30, 2017 and 2016, totaled $14,650,000 and $14,772,000, respectively. At June 30, 2017, $13,855,000 of the $14,650,000 was invested in U.S. Government Agency securities with a credit quality rating of AAA and an effective duration of 2.35 years.

INVESTMENTS

Investments are made in accordance with Chapter 12B.10, of the Code of Iowa, and Board of Regents, State of Iowa policy. (http://www.iowaregents.edu/plans-and-policies/board-policy-manual/22-business-procedures/#Investment Policy). In order to achieve economies of scale, the

University of Northern Iowa's endowments and a portion of its operating portfolio are pooled with the University's investments. The University's endowment portfolio included $9,625,000 and $8,894,000 at June 30, 2017 and 2016, respectively, held for the University of Northern Iowa. The University's operating portfolio included $45,722,000 and $39,123,000 at June 30, 2017 and 2016, respectively, as well as $21,134,000 and $10,271,000 invested in the University's intermediate term portfolio at June 30, 2017 and 2016, respectively, held for the University of Northern Iowa. The University of Northern Iowa investments are recorded as Deposits Held in Custody for Others.

For donor restricted endowments, Chapter 540A of the Code of Iowa permits the University to spend the net appreciation of realized and unrealized earnings as the University determines to be prudent. The University's spending policy adjusts dollar payouts by the trailing calendar year Consumer Price Index (inflation rate). Total payout is banded at no less than 4% and no greater than 6% of calendar year end market values.

Net appreciation of permanent endowment funds, which totaled $12,978,000 and $10,722,000 at June 30, 2017 and 2016, respectively, is available to meet spending rate distributions and is recorded in restricted nonexpendable net position.

INTEREST RATE RISK

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. This risk is measured using effective duration. At the time of purchase, the effective maturity of direct investment purchases by the University in the operating portfolio cannot exceed sixty-three months. There is no explicit limit on the average maturity of fixed income securities in the endowment portfolios. Each fixed income portfolio is managed to an appropriate benchmark.

CREDIT RISK

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligation to the University. Each fixed income portfolio is managed to an appropriate benchmark.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. Except for Treasury or Agency debentures, pass-throughs or REMICs, no more than 5% of University investment portfolios are invested in securities of a single issuer. All direct investment purchases by the University in the operating portfolio are U.S. Treasury and Agency securities.

The University's investments are recorded at fair value. As of June 30, 2017 and 2016, the University had the following investments and quality credit ratings (in thousands):

INVESTMENT TYPE	Effective Duration (Years)	TSY/AGY/ AAA	AA	A	BBB	BB	B	Total Fair Value
Fixed Income:								
Corporate Notes and Bonds	2.08	$2,538	$1,895	$5,927	$7,266	$82	$46	$17,754
U.S. Government Agencies	2.38	200	71,172	-	-	-	-	71,372
U.S. Treasury Obligations	1.96	-	64,208	-	-	-	-	64,208
Mutual Funds	4.26	-	251,896	47,340	158,184	106,092	104,018	667,530
Total		$2,738	$389,171	$53,267	$165,450	$106,174	$104,064	820,864
Equity and Other:								
U.S. Equity Mutual Funds								189,509
Non-U.S. Equity Mutual Funds								190,808
Real Assets								269,253
Private Equity								52,784
Bank Investments								162,539
Money Market/Cash Equivalents								160,141
Total Investments June 30, 2017								$1,845,898

INVESTMENT TYPE	Effective Duration (Years)	TSY/AGY/ AAA	AA	A	BBB	BB	B	Total Fair Value
Fixed Income:								
Corporate Notes and Bonds	1.49	$3,127	$1,333	$5,528	$5,170	$371	$141	$15,670
U.S. Government Agencies	1.07	829	57,497	-	-	-	-	58,326
U.S. Treasury Obligations	1.54	-	54,698	-	-	-	-	54,698
Mutual Funds	4.08	-	258,322	55,026	153,112	120,126	120,014	706,600
Total		$3,956	$371,850	$60,554	$158,282	$120,497	$120,155	835,294
Equity and Other:								
U.S. Equity Mutual Funds								189,121
Non-U.S. Equity Mutual Funds								164,192
Real Assets								300,380
Private Equity								38,053
Bank Investments								217,522
Money Market/Cash Equivalents								117,459
Total Investments June 30, 2016								$1,862,021

FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles provide a hierarchy that prioritizes the inputs to fair value measurements based on the extent inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that would reflect the University's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements should maximize the use of observable inputs and minimize the use of the unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability that are used to measure fair value when observable inputs are not available. These inputs are developed based upon the best information available in such circumstances.

The categorization of fair value measurements by level of the hierarchy is based upon the lowest level input that is significant to the overall fair value measurement for a given asset or liability.

In the event that changes in the inputs used in the fair value measurement of an asset or liability result in a transfer into a different level, such transfers are recognized at the end of the reporting period.

University investments that do not have a readily determinable fair value, such as ownership interest in partners' capital, are reported using Net Asset Value per share (NAV). Used as a practical expedient for the estimated fair value, NAV per share or its equivalent is provided by the fund manager and reviewed by the University. Investment holdings using the NAV as a practical expedient consist of University interests in funds investing in nonmarketable private equity and real assets, as well as indirect holdings of publicly traded assets in fixed income and international equity commingled funds

Due to the nature of the investments held by the funds, changes in market conditions, economic environment, regulatory environment, currency exchange rates, interest rates, and commodity price fluctuations may significantly impact the NAV of the funds and, consequently, the fair value of the University's interest in the funds and could materially affect the amounts reported in the consolidated financial statements. The University attempts to manage these risks through diversification, ongoing due diligence of fund managers, maintaining adequate liquidity, and continuously monitoring economic and market conditions.

The following tables reflect fair value measurements of investment assets at June 30, 2017 and 2016, respectively, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV (in thousands):

INVESTMENT TYPE	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fixed Income:					
Corporate Notes and Bonds	$ -	$17,651	$103	$ -	$17,754
U.S. Government Agencies	-	71,372	-	-	71,372
U.S. Treasury Obligations	64,208	-	-	-	64,208
Mutual Funds	447,997	-	-	219,533	667,530
Equity and Other:					
U.S. Equity Mutual Funds	188,689	820	-	-	189,509
Non-U.S. Equity Mutual Funds	45,568	-	-	145,240	190,808
Real Assets	209,459	-	-	59,794	269,253
Private Equity	-	-	-	52,784	52,784
Subtotal	955,921	89,843	103	477,351	1,523,218
Bank Investments					162,539
Money Market/Cash Equivalents					160,141
Total Investments June 30, 2017					$1,845,898

INVESTMENT TYPE	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fixed Income:					
Corporate Notes and Bonds	$ -	$15,670	$ -	$ -	$15,670
U.S. Government Agencies	-	58,326	-	-	58,326
U.S. Treasury Obligations	54,698	-	-	-	54,698
Mutual Funds	480,305	-	-	226,295	706,600
Equity and Other:					
U.S. Equity Mutual Funds	188,678	443	-	-	189,121
Non-U.S. Equity Mutual Funds	38,472	-	-	125,720	164,192
Real Assets	247,376	-	-	53,004	300,380
Private Equity	-	-	-	38,053	38,053
Subtotal	$1,009,529	$74,439	$ -	$443,072	1,527,040
Bank Investments					217,522
Money Market/Cash Equivalents					117,459
Total Investments June 30, 2016					$1,862,021

The following tables summarize the University's investments at June 30, 2017 and 2016, respectively, for which NAV was used as a practical expedient to estimate fair value (in thousands):

INVESTMENT TYPE	Fair Value determined using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income Mutual Funds	$219,533	$ -	daily-monthly	5-30 days
Non-U.S. Equity Mutual Funds	145,240	-	monthly-semi-monthly	2-30 days
Real Assets:				
Redeemable	25,019	-	quarterly	90 days
Nonredeemable	34,775	65,072	N/A	N/A
Private Equity:				
Redeemable	-	-	N/A	N/A
Nonredeemable	52,784	18,375	N/A	N/A
Investments measured at NAV at June 30, 2017	$477,351	$83,447		

INVESTMENT TYPE	Fair Value determined using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income Mutual Funds	$226,295	$ -	daily-monthly	5-30 days
Non-U.S. Equity Mutual Funds	125,720	-	monthly-semi-monthly	2-30 days
Real Assets:				
Redeemable	22,630	-	quarterly	90 days
Nonredeemable	30,374	70,395	N/A	N/A
Private Equity:				
Redeemable	-	-	N/A	N/A
Nonredeemable	38,053	53,661	N/A	N/A
Investments measured at NAV at June 30, 2016	$443,072	$124,056		

The following information is provided for investments that are valued using the net asset value per share as a practical expedient:

- **Fixed Income Mutual Funds**—This category includes investments in mutual funds holding assets that provide stability, generate income, and diversify market risk.
- **Non-U.S. Equity Funds**—This category includes investments in international equities including both developed and emerging markets.

- **Real Assets**—This category includes investments in private real estate and natural resource equities funds. Capital is committed during the course of the investment period, typically four years, of each fund, after which point capital commitments stop. The University's interest in the nonredeemable funds is considered to be illiquid in that distributions from liquidation of the underlying asset 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.
- **Private Equity**—This category includes funds that invest in strategies such as venture capital, leveraged buyouts and mezzanine debt. Capital is committed during the course of the investment period, typically four years, of each fund, after which point capital commitments stop. The University's interest in the nonredeemable funds is considered to be illiquid in that distributions from liquidation of the underlying asset 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.

Note 3—Accounts Receivable, Pledges Receivable, Due From Government Agencies and Notes Receivable

ACCOUNTS RECEIVABLE

A summary of the accounts receivable at June 30, 2017 and 2016 is as follows (in thousands):

	University and Blended Component Units	UIHC, Affiliates and UI Physicians	Total
Accounts Receivable	$101,789	$870,717	$972,506
Allowance for Uncollectible Accounts, Indigent Patients and Contractual Adjustments	(6,645)	(610,885)	(617,530)
Accounts Receivable, Net, June 30, 2017	$95,144	$259,832	$354,976
Accounts Receivable	$91,996	$807,097	$899,093
Allowance for Uncollectible Accounts, Indigent Patients and Contractual Adjustments	(3,429)	(554,731)	(558,160)
Accounts Receivable, Net, June 30, 2016	$88,567	$252,366	$340,933

PLEDGES RECEIVABLE (FOUNDATION)

A summary of the pledges receivable (unconditional promises to give) at June 30, 2017 and 2016 is as follows (in thousands):

	2017	2016
Gross pledges receivable	$182,273	$138,582
Less present value discount of $30,358 for 2017 and $20,306 for 2016 and allowance for doubtful pledges of $4,557 for 2017 and $3,464 for 2016	(34,915)	(23,770)
Total	$147,358	$114,812

Gross pledges receivable at June 30, 2017 and 2016, respectively, are expected to be collected as follows (in thousands):

	2017	2016
In one year or less	$45,679	$40,265
Between one year and five years	90,674	71,317
More than five years	45,920	27,000
Total	$182,273	$138,582

DUE FROM GOVERNMENT AGENCIES

Due from government agencies at June 30, 2017 and 2016 are comprised of $10,789,000 and $14,489,000, respectively, due from the State of Iowa and $65,111,000 and $70,924,000, respectively, due from United States government agencies.

NOTES RECEIVABLE

Current notes receivable at June 30, 2017 and 2016 are $2,270,000, net of an allowance of $154,000, and $2,298,000, net of an allowance of $142,000, respectively. Noncurrent notes receivable at June 30, 2017 and 2016 are $25,939,000, net of an allowance of $1,758,000, and $25,968,000, net of an allowance of $1,605,000, respectively.

Note 4—Capital Assets

A summary of capital assets activity for the year ended June 30, 2017 is as follows (in thousands):

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Nondepreciable/Nonamortizable					
Land	$64,474	2,172	-	-	$66,646
Construction in Progress	695,327	290,210	(691,992)	-	293,545
Intangibles in Development	7,777	232	(6,195)	-	1,814
Art and Historical Collections	26,296	1,897	-	(11)	28,182
Library Materials	328,141	19,068	-	(1,425)	345,784
Capital Assets, Nondepreciable/ Nonamortizable	1,122,015	313,579	(698,187)	(1,436)	735,971
Depreciable/Amortizable					
Land Improvements	23,798	-	3,801	-	27,599
Infrastructure	618,954	-	37,531	-	656,485
Buildings	3,507,548	-	650,660	(9,330)	4,148,878
Equipment	730,987	124,253	-	(35,449)	819,791
Intangibles	107,777	2,428	6,195	(2,104)	114,296
Capital Assets, Depreciable/ Amortizable	4,989,064	126,681	698,187	(46,883)	5,767,049
Less Accumulated Depreciation/Amortization	(2,464,069)	(226,653)	-	41,751	(2,648,971)
Depreciable/Amortizable Capital Assets, Net	2,524,995	(99,972)	698,187	(5,132)	3,118,078
Capital Assets, Net June 30, 2017	$3,647,010	213,607	-	(6,568)	$3,854,049

A summary of capital assets activity for the year ended June 30, 2016 is as follows (in thousands):

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Nondepreciable/Nonamortizable					
Land	$65,322	3,683	-	(4,531)	$64,474
Construction in Progress	728,915	459,114	(490,242)	(2,460)	695,327
Intangibles in Development	6,232	3,909	(2,364)	-	7,777
Art and Historical Collections	26,224	638	-	(566)	26,296
Library Materials	314,232	15,457	-	(1,548)	328,141
Capital Assets, Nondepreciable/ Nonamortizable	1,140,925	482,801	(492,606)	(9,105)	1,122,015
Depreciable/Amortizable					
Land Improvements	23,615	-	193	(10)	23,798
Infrastructure	606,373	-	13,200	(619)	618,954
Buildings	3,042,522	-	476,849	(11,823)	3,507,548
Equipment	684,643	75,529	-	(29,185)	730,987
Intangibles	104,155	1,915	2,364	(657)	107,777
Capital Assets, Depreciable/ Amortizable	4,461,308	77,444	492,606	(42,294)	4,989,064
Less Accumulated Depreciation/Amortization	(2,307,333)	(196,888)	-	40,152	(2,464,069)
Depreciable/Amortizable Capital Assets, Net	2,153,975	(119,444)	492,606	(2,142)	2,524,995
Capital Assets, Net June 30, 2016	$3,294,900	363,357	-	(11,247)	$3,647,010

Note 5— Noncurrent Liabilities

A summary of the changes in noncurrent liabilities for the year ended June 30, 2017 and 2016 is as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Noncurrent debt:					
Bonds payable	$1,252,855	150,381	(143,533)	1,259,703	$60,605
Notes payable	40,754	4,500	(8,974)	36,280	9,074
Capital leases payable	19,480	-	(1,031)	18,449	1,062
Total noncurrent debt	1,313,089	154,881	(153,538)	1,314,432	70,741
Other noncurrent liabilities:					
Early retirement benefits	6,653	-	(2,003)	4,650	1,995
Other postemployment benefits other than pensions	122,802	36,405	(7,488)	151,719	-
Pension	53,461	26,906	-	80,367	-
Compensated absences	149,660	105,188	(99,641)	155,207	105,405
Refundable allowances on student loans	22,763	59	(116)	22,706	-
Unearned revenue and other	2,307	455	(61)	2,701	455
Total other noncurrent liabilities	357,646	169,013	(109,309)	417,350	107,855
Total noncurrent liabilities June 30, 2017	$1,670,735	323,894	(262,847)	1,731,782	$178,596

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Noncurrent debt:					
Bonds payable	$1,254,686	221,121	(222,952)	1,252,855	$55,400
Notes payable	49,087	3,200	(11,533)	40,754	8,283
Capital leases payable	20,480	-	(1,000)	19,480	1,031
Total noncurrent debt	1,324,253	224,321	(235,485)	1,313,089	64,714
Other noncurrent liabilities:					
Early retirement benefits	8,791	-	(2,138)	6,653	2,003
Other postemployment benefits other than pensions	96,851	32,887	(6,936)	122,802	-
Pension	38,659	14,802	-	53,461	-
Compensated absences	140,607	101,870	(92,817)	149,660	99,641
Refundable allowances on student loans	22,758	82	(77)	22,763	-
Unearned revenue	1,605	746	(44)	2,307	-
Total other noncurrent liabilities	309,271	150,387	(102,012)	357,646	101,644
Total noncurrent liabilities June 30, 2016	$1,633,524	374,708	(337,497)	1,670,735	$166,358

BONDS PAYABLE

Bonds have been sold to finance certain capital projects and are outstanding at June 30, 2017, as follows (in thousands):

	Interest Rates (Percent)	Fiscal Year Maturity Date Range	Amount
Bond Issues			
Academic Buildings	2.00 - 5.00	2018 - 2037	189,620
Add: Unamortized Premium			7,574
Athletic Facilities	2.00 - 4.35	2018 - 2037	128,160
Add: Unamortized Premium			1,212
Center for University Advancement	4.75	2018 - 2020	2,345
Hospital	1.25 - 5.00	2018 - 2039	291,510
Add: Unamortized Premium			15,698
Iowa Memorial Union	2.00 - 5.00	2018 - 2026	5,445
Add: Unamortized Premium			572
Parking System	2.00 - 4.00	2018 - 2041	55,135
Add: Unamortized Premium			714
Recreational Facilities	2.00 - 5.00	2018 - 2035	61,800
Add: Unamortized Premium			3,003
Residence Services	2.00 - 4.00	2018 - 2043	172,660
Less: Unamortized Discount			(102)
Add: Unamortized Premium			2,091
Telecommunications	3.00 - 4.50	2018 - 2037	31,660
Add: Unamortized Premium			143
University of Iowa Facility Corporation	2.00 - 5.00	2018 - 2038	131,105
Add: Unamortized Premium			1,769
Utility System	2.00 - 5.00	2018 - 2041	150,475
Add: Unamortized Premium			7,114
Total			**$1,259,703**

As of June 30, 2017, unspent bond proceeds totaled $15,935,000. Unspent bond proceeds by segment are: Residence Services Revenue Bonds $12,695,000; Utility Systems Revenue Bonds $3,240,000.

The bonds will mature as follows (in thousands):

	Principal	Interest	Total
Year Ending June 30			
2018	$60,605	41,831	$102,436
2019	63,920	39,666	103,586
2020	66,120	37,674	103,794
2021	62,825	35,608	98,433
2022	64,245	33,611	97,856
2023-2027	334,730	134,068	468,798
2028-2032	290,710	77,587	368,297
2033-2037	204,840	31,696	236,536
2038-2042	69,980	4,805	74,785
2043	1,940	34	1,974
Less: Unamortized Discount	(102)	-	(102)
Add: Unamortized Premium	39,890	-	39,890
Total	**$1,259,703**	**436,580**	**$1,696,283**

As provided in the various bond resolutions, the University has the right to redeem certain bonds prior to the above maturity dates, under stated conditions.

NOTES PAYABLE

The University has the following notes payable outstanding at June 30, 2017 (in thousands):

	Interest Rates (Percent)	Maturity Dates	Amount
Purpose			
Athletic Facility	2.48	2018-2024	$19,169
Fleet Services 1	1.60	2018	63
Fleet Services 2	1.69	2018-2019	551
Fleet Services 3	2.00	2018-2020	1,400
Kinnick Scoreboard	2.41	2018-2019	1,822
Market Street Property	2.50	2018-2025	2,185
Oakdale Research Park	2.42	2018-2021	2,757
Parking Access & Revenue	2.24	2018-2019	1,879
Athletics Recreation Building Banked Track	2.55	2018-2022	2,645
Athletics Carver Audio and Video System	3.60	2018-2022	3,809
Total			**$36,280**

Assets acquired under these notes had a net book value of $51,067,000 as of June 30, 2017.

The notes will mature as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2018	$9,074	817	$9,891
2019	7,180	609	7,789
2020	6,166	437	6,603
2021	5,458	281	5,739
2022	3,722	157	3,879
2023-2025	4,680	84	4,764
Total	$36,280	2,385	$38,665

CAPITAL LEASES PAYABLE

Capital leases outstanding at June 30, 2017, are as follows (in thousands):

Purpose	Interest Rates (Percent)	Lease Period	Amount
Parking structure - Iowa River Landing	2.95-5.00	2018-2031	$17,491
Burlington Street Properties	3.00	2018-2035	958
Total			$18,449

The following is a schedule, by year, of future minimum payments required (in thousands):

Year Ending June 30	Principal	Interest	Total
2018	$1,062	544	$1,606
2019	1,094	512	1,606
2020	1,124	480	1,604
2021	1,158	447	1,605
2022	1,193	413	1,606
2023-2027	6,535	2,496	9,031
2028-2032	6,054	785	6,839
2033-2035	229	10	239
Total	$18,449	5,687	$24,136

Assets acquired under these capital leases had a net book value of $18,747,000 as of June 30, 2017.

Note 6—Operating Leases

The University has leased various buildings to house several departments of the University. These leases have been classified as operating leases. Accordingly, all rents are charged to expense as incurred. These leases expire from fiscal year 2018 to fiscal year 2037, and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is an annual schedule of future minimum rental payments required under operating leases which have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2017 (in thousands).

Year Ending June 30	**Amount**
2018	$13,484
2019	9,633
2020	8,863
2021	7,956
2022	7,844
2023-2027	34,571
2028-2032	25,723
2033-2037	10,836
Total	**$118,910**

All leases contain non-appropriation clauses indicating that continuation of the lease is subject to funding by the Iowa State Legislature.

Rental expense for the year ended June 30, 2017, for all operating leases, except those with terms of a month or less that were not renewed, totaled $16,029,000.

Note 7—Retirement Programs

TEACHERS INSURANCE AND ANNUITY ASSOCIATION

The University contributes to the Teachers Insurance and Annuity Association (TIAA) retirement program, which 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 and the Code of Iowa, all eligible University employees must participate in a retirement plan from the date they are employed.

Contributions made by both employer and employee 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 the $4,800. Upon completion of five years of service, the participant contributes 5% and the University 10% on all earnings. During fiscal years 2017 and 2016, the University's required and actual contribution amounted to $116,957,000 and $111,334,000, respectively. During fiscal years 2017 and 2016, the employees' required and actual contribution amounted to $58,479,000 and $55,667,000, respectively.

At June 30, 2017 and 2016, the University reported payables to the defined contribution pension plan of $10,414,000 and $9,989,000, respectively, for legally required employer contributions and $5,103,000 and $4,895,000, respectively, for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA.

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 IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

Pension Benefits —A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime 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. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used 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 percent 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 percent 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—Effective July 1, 2012, as a result of a 2010 law change, the 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 year to year contribution rate increases or decreases to 1%. 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 the 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 years 2017 and 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the University contributed 8.93% for a total rate of 14.88%.

The University's contributions to IPERS for the years ended June 30, 2017 and 2016 were $9,931,000 and $8,184,000, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2017 and 2016, the University reported a liability of $80,367,000 and $53,461,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on the University's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016 and 2015, the University's proportion was 1.2770236% and 1.0820964%, respectively.

For the year ended June 30, 2017 and 2016, the University recognized pension expense of $14,093,000 and $7,010,000, respectively.

At June 30, 2017 and 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Recources (2017)	Deferred Inflows of Resouces (2017)	Deferred Outflows of Recources (2016)	Deferred Inflows of Resouces (2016)
Differences between expected and actual experience	$710	$959	$808	-
Changes of assumptions	1,226	-	1,472	-
Difference between projected and actual earnings on pension plan investments	11,450	-	-	4,449
Change in proportion and differences between University contributions and proportionate share of contributions	15,808	-	9,408	-
University contributions subsequent to the measurement date	9,931	-	8,184	-
Total	$39,125	$959	$19,872	$4,449

The $9,931,000 reported as deferred outflows of resources related to pensions resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year Ending June 30	Amount
2018	$6,110
2019	6,110
2020	9,685
2021	5,742
2022	588
Total	$28,235

There are no non-employer contributing entities to IPERS.

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

Rate of Inflation (effective June 30, 2014)	3.00%	per annum
Salary increase (effective June 30, 2010)	4.00 to 17.00%	average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.50%	per annum, componded annually, net of pension plan investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan 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 (Percent)	Long-Term Expected Real Rate of Return (Percent)
Core Plus Fixed Income	28	1.90
Domestic Equity	24	5.85
International Equity	16	6.32
Private Equity/Debt	11	10.31
Real Estate	8	3.87
Credit Opportunities	5	4.48
U.S. TIPS	5	1.36
Other Real Assets	2	6.42
Cash	1	(0.26)
Total	**100**	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
University's proportionate share of the net pension liability	$130,023	$80,367	$38,457

Pension Plan Fiduciary Net Position—Detailed information about 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 the Pension Plan—At June 30, 2017 and 2016, the University reported payables to IPERS of $1,691,000 and $1,411,000, respectively, for legally required employer contributions and $1,126,000 and $940,000, respectively, for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8—Post-Employment Benefits

EARLY RETIREMENT

The early retirement program was approved by the Board of Regents in February, 2015. Eligible for participation in the 2015 program were non-UI Health Care faculty, P&S, and merit employees and institutional officials, who had attained age 57 and at least 10 years of continuous benefit eligible employment by January 31, 2015. The employee's department head and the appropriate administrative officers approved the employee's participation. The following benefits are applicable during participation in the Early Retirement Program:

1. **Health and Dental Insurance**—The University will pay the full cost of the single employee premium for health and dental insurance or its standard share of any coverage other than single for a period of five years. This contribution shall be equal to the amount contributed for an active employee in the same plan.
2. **TIAA Contributions**—During the first three years, the University will pay both the employer and employee retirement contributions. During the next two years in the program, the university will pay only the employer contribution.

The University has recognized an early retirement benefit liability of $4,650,000 and $6,653,000 as of June 30, 2017 and 2016, respectively. The early retirement liability for health and dental insurance has been rolled into GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). During fiscal year 2017, retirement expenditures for the one hundred eighty-three (183) participants in the early retirement incentive program totaled $2,003,000.

PHASED RETIREMENT

The phased retirement program approved by the Board of Regents in 2015 ended June 30, 2017. 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.

A staff member 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 staff member's appointment will be no greater than fifty 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 the phased retirement 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 staff member's appointment will be no greater than fifty percent and the salary will be proportional to the budgeted salary had the person worked full time.
- **Benefits**—During the phased retirement period, institution and staff member contributions will continue for life insurance, health and dental insurance, and disability insurance at the same levels which would have prevailed had the staff member continued a regular appointment. University retirement contributions to TIAA will be based on the salary which would have been obtained had the individual continued a regular appointment. As mandated by law, FICA contributions will be based on the staff member's actual salary during the partial or pre-retirement period. The same is true for retirement contributions for those participating in the Iowa Public Employee Retirement System or Federal Civil Service System. Accrual of vacation and sick leave will be based on percentage of appointment.

This program is closed to new entrants. A new phased retirement program became effective July 1, 2017.

PHASED RETIREMENT (EFFECTIVE JULY 1, 2017)

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

Eligibility. Faculty, professional and scientific staff, and merit system staff members employed by the Board of Regents for a period of at least 15 years and who have attained the age of 57, are eligible to negotiate with their department a schedule for phasing into retirement. All requests for admission to the institution's Phased Retirement Program must receive approval from the appropriate administrative offices of the institution by which they are employed. The program does not create a right for the employee and the request to enter the program may not be approved if it is not in the best interest of the institution.

Schedule of Phasing. A staff member 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 an 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%. The phasing period will be set by agreement between the institution and the individual with full retirement required at the end of the specified phasing period. Once phased retirement is initiated, employees may not return to full-time.

Phased Retirement Period. The phasing period is limited to two years.

The following benefits are applicable during participation in the phased retirement 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, up to 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 staff member's appointment will be no greater than fifty percent, and the salary will be proportional to the budgeted salary had the person worked full-time.
- **Benefits**—During the phased retirement period, institution and staff member contributions will continue for life insurance, health and dental insurance, and disability insurance at the same levels which would have prevailed had the staff member continued a regular appointment. University retirement contributions to TIAA will be based on the salary which would have been obtained had the individual continued a regular appointment. As mandated by law, FICA contributions will be based on the staff member's actual salary during the partial or pre-retirement period. The same is true for retirement contributions for those participating in the Iowa Public Employee Retirement System or Federal Civil Service System. Accrual of vacation and sick leave will be based on percentage of appointment. An individual participating in this program will be allowed access to their retirement funds to assist in supplementing the loss of income that occurs when the person reduces their appointment down to 50% through 65% time, the maximum percentage permitted by the program.

Duration of Program. Subject to annual review, the program will expire on June 30, 2022, unless renewed by the Board prior to expiration.

REGULAR RETIREMENT

GASB Statement No. 45 requires the University to record and disclose an actuarially determined liability for the present value of projected future benefits for retired and active employees.

PLAN DESCRIPTION

The University operates a single-employer retiree benefit plan. For post-employment benefits of retirees, the University contributes toward the cost of University of Iowa health insurance and, for those who qualified for the benefit and retired prior to July 1, 2013, the entire cost to purchase a paid-up life insurance policy, which varies in amounts from $2,000 to $4,000, depending upon length of service.

FUNDING POLICY

The contribution requirements of plan members are established and may be amended by the University. Benefits are financed centrally by the University on a pay-as-you-go basis. Health insurance total expenditures for fiscal year 2017 and 2016 were $6,175,000 and $5,863,000, respectively, with 1,903 and 1,878 eligible participants as of June 30, 2017 and 2016, respectively. Life insurance total expenditures for fiscal year 2017 and 2016 were $47,000 and $49,000, respectively, with 2,763 and 2,874 eligible participants as of June 30, 2017 and 2016, respectively.

ANNUAL OPEB COST AND NET OPEB OBLIGATION FOR PROFESSIONAL & SCIENTIFIC AND FACULTY

For fiscal year 2017 and 2016, the University contributed $7.5 and $6.9 million, respectively, to the plan. Plan members receiving benefits contributed 50 and 47 percent of the premium costs, respectively. In fiscal year 2017 and 2016, total member contributions were $7.4 and $6.2 million, respectively.

The University currently plans to continue to finance retiree healthcare benefits on a pay-as-you-go basis from internal University monies. The University will amortize the initial unfunded accrued liability (UAL) over an open thirty year period. The annual required contribution of the employer (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess). The current ARC of $32.3 and $30.7 million are 2.9% and 3.1% of fiscal year 2017 and 2016, respectively, annual payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2017 and 2016 (in thousands):

	2017	2016
Annual Required Contribution	$32,318	$30,678
Interest on Net OPEB Obligation	4,663	3,523
Adjustment to Annual Required Contribution	(4,330)	(3,272)
Annual OPEB Cost (Expense)	$32,651	$30,929
Contributions Made	(7,488)	(6,936)
Increase in Net OPEB Obligation	$25,163	$23,993
Net OPEB Obligation - Beginning of Year	98,173	74,180
Net OPEB Obligation - End of Year	$123,336	$98,173

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2015, 2016, 2017 was as follows (in thousands):

	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Fiscal Year Ended			
6/30/15	$27,280	28.1	$74,180
6/30/16	$30,929	22.4	$98,173
6/30/17	$32,651	22.9	$123,336

FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2017 and 2016, the actuarial accrued liability (AAL) for benefits was $90.6 and $324.8 million, respectively, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $90.6 and $324.8 million, respectively. The reduction in the UAAL resulted from capping the University's contribution for retiree health at the current $288 per month for current and future retirees. See Note 15 for additional explanation. The covered payroll for fiscal years 2017 and 2016 (annual payroll of active employees covered by the plan) was $1,112.6 and $990.5 million, respectively, and the ratio of the UAAL to the covered payroll was 8.1 and 32.8 percent, respectively. As of June 30, 2017 and 2016, there were no trust fund assets.

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the following, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects for legal or contractual funding limitations on the pattern of cost sharing between the employer and plan member in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2017 and 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 6.75 percent discount rate based on the University's funding policy (pay-as-you-go) and a weighted average of the expected long-term returns on the University's internal capital based on the percentage of liability covered by previously earmarked assets. The projected annual healthcare trend rate in the June 30, 2017 and 2016 actuarial valuation is initially 7.55 and 7.25 percent, respectively, for pre-65 costs and 9.17 and 8.00 percent, respectively, for post-65 costs, reduced in decrements to an ultimate rate of 4.50 percent after nine years. The expected long-term payroll growth rate is assumed to be 3.00 percent per year. The UAAL is being amortized as a level percent of pay on an open basis over thirty years.

TERMINATION

The University continues faculty, P&S, and merit exempt terminated employees' benefits for health, dental, liveWELL the University's comprehensive health and wellness program and the Employee Assistance Program (EAP) under the Consolidated Omnibus Budget Reconciliation Act of 1985, modified by the Tax Reform Act and the Budget Reconciliation Act of 1986.

Four hundred fifty-four (454) terminated employees continued their benefits by assuming total financial responsibility. No University costs are associated with the premiums, but claims are the responsibility of the University since the insurance plans are self-insured.

OTHER POSTEMPLOYMENT BENEFITS

The University's merit employees are participants in the State of Iowa postretirement medical plan (OPEB Plan). The State of Iowa recognized the implicit rate subsidy for the OPEB Plan as required by GASB Statement No. 45. The annual valuation of liabilities under the OPEB Plan is calculated using the entry age normal cost method. This method requires the calculation of an unfunded actuarial liability, which is approximately $192 million for the State of Iowa at June 30, 2017 and 2016. The University's portion of the unfunded actuarial accrued liability is not separately determinable.

Details of the OPEB Plan are provided on a state-wide basis and are available in the State of Iowa's Comprehensive Annual Financial Report for the year ended June 30, 2017 and 2016. The report may be obtained by writing to the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

As of June 30, 2017 and 2016, the University recognized a net OPEB liability of $28.4 and $24.6 million, respectively for other postemployment benefits, which represents the University's portion of the State's net OPEB liability. The University's portion of the net OPEB liability was calculated using the ratio of full time equivalent University merit employees compared to all full time equivalent employees of the State of Iowa.

The University recognized a net OPEB liability of $123.3 and $98.2 million for its retiree benefit plan and a liability of $28.4 and $24.6 million for its allocated portion of the State's net OPEB liability, for a total net OPEB liability of $151.7 and $122.8 million, respectively, for fiscal year 2017 and 2016.

Note 9—Other Commitments and Risk Management

COMMITMENTS

At June 30, 2017 and 2016, the University had outstanding construction contract commitments of $331,651,000 and $288,071,000, respectively.

RISK MANAGEMENT

Following are risk financing and insurance related issues as defined by GASB Statement No. 10 Accounting and Financial Reporting for Risk Financing and Related Insurance Issues.

Property Loss—The University purchases catastrophic property insurance for academic/general fund facilities with a single incident deductible of $5 million. The University may seek reimbursement for property losses in excess of $5,000 from the State of Iowa pursuant to Iowa Code Chapter 29C.20. Money from the state contingent fund may be requested for repairing, rebuilding, or restoring state property injured, destroyed, or lost by fire, storm, theft, or unavoidable causes. The University maintains conventional property insurance on self-supporting, revenue-producing, and auxiliary facilities which are an integral part of the

operations of the University. Insured facilities include the Residence Halls, the Utility System, Telecommunications, Iowa Memorial Union, Athletic Facilities, University of Iowa Hospitals and Clinics, and other auxiliary operations. The University's annual limit is $2 billion, the maximum available on the November 1, 2016 renewal.

The properties of the Utility and Telecommunications Systems are appraised annually and specific coverage and valuation data are as follows (in thousands):

	2017	2016
Utility System specific coverage is as follows:		
Utility System Operations Building & Contents	$805,072	$786,583
Power Plant Building & Contents	$221,009	$218,271
Telecommunications Facilities premium is based on the following values:		
Building	$31,771	$31,771
Contents	$9,720	$9,720
Income	$5,878	$5,878

Tort Liability—The University of Iowa is an agency of the State of Iowa and is covered by the State's self-insurance for tort liability. Tort claims against the State are handled as provided in the Iowa Tort Claims Act (Iowa Code, Chapter 669) which also sets forth the procedures by which tort claims may be brought. Claims under Chapter 669 may be filed against the State on account of wrongful death, personal injury or property damage incurred by reason of the negligence of the University or its employees while acting within the scope of employment. By inter-agency agreement, tort liability claims under $5,000 may be administered by the University subject to a maximum expenditure of $100,000 per year. All other tort claims may be paid from the State's general fund.

Motor Vehicle Liability—The University of Iowa and other Board of Regents' institutions are self-insured for automobile liability up to $250,000. Claims over $250,000 are paid by the State of Iowa, as provided in Chapter 669 of the Code of Iowa. Coverage for physical damage (comprehensive and collision) to University vehicles is included in the Board of Regents' self-insurance program. Each loss is subject to a $500 deductible.

Fidelity/Crime Coverage—The State maintains an employee fidelity bond where the first $150,000 in losses is the responsibility of the University. Under the State coverage, losses in excess of the $150,000 deductible are insured up to $2,000,000. The University maintains separate fidelity and crime coverage, which extends to all employees, and includes coverage for robbery and theft. The University's crime policy provides an additional $8,000,000 in coverage over the state bond.

Insurance Settlements—For those risks that the University has purchased commercial insurance, only the property insurance has claims in excess of the commercial coverage due to the 2008 flood. All other settled claims have not exceeded commercial coverage in the past three years.

Workers' Compensation—The University participates in a State self-funded program. The University pays a monthly premium for this coverage.

Unemployment Compensation—The University self-funds unemployment compensation claims received from Iowa Workforce Development on a reimbursement basis.

Employee Medical and Dental Claims—The University purchases life, health, dental and disability insurance for eligible permanent employees. Based on actuarial analysis of employee medical and dental claims, the University has incurred but not reported claims of $12,841,000 and $14,727,000 as of June 30, 2017 and 2016, respectively.

College of Medicine Faculty Malpractice Claims—Iowa Medical Mutual Insurance Company (the Company) was incorporated on May 19, 2004, and was established to provide medical malpractice coverage on a claims-made basis to physicians at the University of Iowa Carver School of Medicine. The Company is owned 100% by the University of Iowa Carver College of Medicine Faculty Practice Plan (FPP).

Pursuant to a 28E Agreement with the State of Iowa, the FPP self-funds the professional medical liability exposures of its members with a self-insurance pool for all claims up to $3 million per claim. On any claim exceeding $3 million, the Company provides coverage on a claims-made basis limited to $2 million per claim and subject to a $2 million annual aggregate per named insured. All claims which exceed $5 million per claim or a $9 million aggregate limit per fiscal year are covered by the State of Iowa. Based on actuarial analysis, the College of Medicine has incurred an unpaid loss and allocated loss adjustment expense estimate of $13,160,000 and $16,202,000 as of 12/31/16 and 12/31/15, respectively.

Reconciliation of Loss Contingencies (in thousands):

	2017	2016
Claims and contingent liabilities accrued at July 1	$30,929	$31,641
Claims incurred and contingent liabilities accrued for the current year	209,332	202,503
Payments on claims during the fiscal year	(214,260)	(203,215)
Claims and contingent liabilities at June 30	$26,001	$30,929

Pollution Remediation — In accordance with GASB Statement No. 49 Accounting & Financial Reporting for Pollution Remediation Obligation, the University has identified a potential pollution remediation liability event. A description of the nature of the site and allegation is described below.

In August 2016, the University of Iowa received a letter from the EPA Region 7 regarding an anonymous complaint about the alleged presence of PCBs in caulk in our Institute for Rural and Environmental Health. Upon receiving the letter, the University opened a dialogue with EPA Region 7, wherein the EPA directed that the University develop and implement a compliance and remediation plan for the areas of the building where sampling indicated the presence of PCBs. The University hired a consultant, Woodard and Curran, to develop the remediation plan. The plan was provided to the EPA Region 7 in August 2017. Upon approval by EPA Region 7, the

University will hire a contractor to perform the remediation work which will include the removal and replacement of two windows and caulking. We do not have an estimate of the cost of the remediation effort but it is not expected to be significant.

Note 10—Debt Defeasance

In August of 2016, the University issued $23,640,000 of Academic Building Revenue Refunding Bonds, Series S.U.I. 2016A, with an average interest rate of 3.02% and accrued interest of $33,000 to advance refund $23,625,000 of outstanding Academic Building Revenue Refunding Bonds, Series S.U.I. 2008, with interest rates ranging between 4.00 and 4.75%.

Net bond proceeds of $25,532,000 were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Academic Building Revenue Refunding Bonds, Series S.U.I. 2008 will be called on July 1, 2018.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $2,951,000; and reduced the aggregate debt service payments by $3,292,000 over the next thirteen years.

In October of 2016, the University issued $17,015,000 of Utility System Revenue Refunding Bonds, Series S.U.I. 2016A, with an average interest rate of 4.01% and accrued interest of $9,000 to advance refund $19,525,000 of outstanding Utility System Revenue Refunding Bonds, Series S.U.I. 2007A, with interest rates ranging between 4.00 and 4.75%. The University chose to early fund principal of $1,050,000. As a result, the outstanding amount of the bonds at time of closing was $18,475,000.

Net bond proceeds of $19,667,000 were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Utility System Revenue Refunding Bonds, Series S.U.I. 2007A will be called on November 1, 2018.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $2,201,000; and reduced the aggregate debt service payments by $2,420,000 over the next thirteen years.

In January of 2017, the University issued $18,650,000 of Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2017, with an average interest rate of 5.01% and accrued interest of $10,000 to advance refund $20,475,000 of outstanding Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2007 with interest rates ranging between 4.00 and 4.75%.

Net bond proceeds of $21,172,000 were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2007 will be called on July 1, 2018.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $938,000; and reduced the aggregate debt service payments by $1,086,000 over the next seventeen years.

In March of 2017, the University issued $20,625,000 of Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2017A, with an average interest rate of 2.98% and accrued interest of $35,000 to advance refund $20,750,000 of outstanding Recreational Facilities Refunding Bonds, Series S.U.I. 2008, with interest rates ranging between 4.00 and 4.75%. The University chose to early fund principal of $925,000. As a result, the outstanding amount of the bonds at time of closing was $19,825,000.

Net bond proceeds of $20,813,000 were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2008 will be called on July 1, 2019.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $1,458,000; and reduced the aggregate debt service payments by $1,739,000 over the next seventeen years.

The amount of defeased debt outstanding but removed from the Statement of Net Position at June 30, 2017 and 2016, is as follows (in thousands):

Bond Issues	2017	2016
Academic	$44,150	$20,525
Athletics	-	71,500
Hospital	56,850	60,550
Recreational Facilities	41,225	-
Utility	35,875	35,825
Total	**$178,100**	**$188,400**

Note 11—Operating Expenses By Function

A summary of operating expenses by functional classification for the year ended June 30, 2017 and 2016 follows (in thousands):

	Compensation & Benefits	Supplies	Other	Depreciation & Amortization	Total
Instruction	$300,557	11,014	30,233	-	$341,804
Research	224,100	40,078	66,152	-	330,330
Public service	58,208	10,728	22,684	-	91,620
Academic support	187,073	11,408	27,901	-	226,382
Patient services	949,812	368,493	303,346	-	1,621,651
Student services	25,770	2,515	12,639	-	40,924
Institutional support	62,234	7,721	(6,163)	-	63,792
Operations and maintenance of plant	565	4,561	80,098	-	85,224
Scholarships and fellowships	12,696	-	18,539	-	31,235
Depreciation and amortization	-	-	-	226,653	226,653
Auxiliary enterprises	98,071	18,853	86,244	-	203,168
Other operating expenses	27,473	4,044	10,581	-	42,098
Total June 30, 2017	$1,946,559	479,415	652,254	226,653	$3,304,881

	Compensation & Benefits	Supplies	Other	Depreciation & Amortization	Total
Instruction	$296,533	11,023	29,702	-	$337,258
Research	217,803	37,409	76,998	-	332,210
Public service	61,408	10,420	21,343	-	93,171
Academic support	167,155	11,977	2,266	-	181,398
Patient services	878,446	343,310	287,192	-	1,508,948
Student services	23,785	2,721	9,202	-	35,708
Institutional support	54,754	8,289	(8,559)	-	54,484
Operations and maintenance of plant	761	1,912	75,501	-	78,174
Scholarships and fellowships	11,648	-	18,586	-	30,234
Depreciation and amortization	-	-	-	196,888	196,888
Auxiliary enterprises	89,478	16,123	76,532	-	182,133
Other operating expenses	20,940	444	23,179	-	44,563
Total June 30, 2016	$1,822,711	443,628	611,942	196,888	$3,075,169

Note 12—Restricted Net Position

The Foundation's temporarily restricted net assets at June 30, 2017 and 2016 were restricted for the following (in thousands):

	June 30, 2017	June 30, 2016
Program support	$179,900	$179,971
Student support	99,475	83,530
Faculty support	112,291	96,348
Facilities and equipment	75,628	77,048
Research	116,023	96,119
Remainder interest in trusts	21,707	20,346
Total	**$605,024**	**$553,362**

The Foundation's permanently restricted net assets at June 30, 2017 and 2016 were restricted for the following (in thousands):

	June 30, 2017	June 30, 2016
Undesignated	$7,315	$6,834
Program support	125,793	121,842
Student support	213,369	194,941
Faculty support	238,807	210,760
Facilities and equipment	9,277	6,445
Research	79,873	76,498
Perpetual trusts	8,035	7,546
Remainder interest in trusts	12,098	11,082
Total	**$694,567**	**$635,948**

Note 13— Other Discretely Presented Component Units

GASB Statement No. 61, The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34, provides guidance in determining whether organizations are to be included as part of a reporting entity. The University of Iowa has determined that, in accordance with the provisions of these statements, the financial activity of the University of Iowa Research Foundation (UIRF) and University of Iowa Health System (UIHS) should be reported as discretely presented component units.

A - The University of Iowa Research Foundation

The University of Iowa Research Foundation (UIRF)–a 501(c)(3) corporation–commercializes University of Iowa developed technologies and inventions through licensing and new venture formation, and manages the subsequent revenue stream. See Note 1 for additional information. UIRF reports on a fiscal year ended June 30. Requests for the separately issued financial statements should be directed to the Chief Financial Officer, University of Iowa, 105 Jessup Hall, Iowa City, IA 52242.

Significant financial data for UIRF for the years ended June 30, 2017 and 2016 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2017	2016
Assets		
Cash, investments and other assets	$16,670	$18,193
Capital assets, net	-	2
Total Assets	$16,670	$18,195
Liabilities		
Accounts payable and other current liabilities	$1,541	$1,125
Noncurrent liabilities (current and noncurrent portions)	189	159
Total Liabilities	1,730	1,284
Net Position		
Net investment in capital assets	-	2
Unrestricted	14,940	16,909
Total Net Position	14,940	16,911
Total Liabilities and Net Position	$16,670	$18,195

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2017	2016
Program Expenses		
Intellectual properties expense	$6,084	$6,701
Other	206	341
Total Program Expenses	6,290	7,042
Program Revenues		
Intellectual properties income	3,252	3,257
Investment income	1,067	37
Total Program Revenues	4,319	3,294
Change in Net Position	(1,971)	(3,748)
Net Position, Beginning of Year	16,911	20,659
Net Position, End of Year	$14,940	$16,911

B - University of Iowa Health System

University of Iowa Health System (UIHS or the System) was incorporated under the provisions of the Iowa Nonprofit Corporations Act on December 2, 1994. UIHS was formed to support the clinical, academic, and research programs of the University of Iowa College of Medicine and the University of Iowa Hospitals and Clinics. See Note 1 for additional information. UIHS reports on a fiscal year ended December 31. Requests for the separately issued financial statements should be directed to the Chief Financial Officer, University of Iowa, 105 Jessup Hall, Iowa City, IA 52242.

Significant financial data for UIHS for the years ended December 31, 2016 and 2015 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2016	2015
Assets		
Cash, investments and other assets	$37,121	$23,667
Capital assets, net	1,139	1,237
Total Assets	38,260	24,904
Deferred Outflows of Resources		
Acquisition deferred outflow	4,853	5,446
Total Assets and Deferred Outflows of Resources	$43,113	$30,350
Liabilities		
Accounts payable and other current liabilities	$6,117	$3,995
Accounts held for other component units	9,940	4,358
Total Liabilities	16,057	8,353
Net Position		
Net investment in capital assets	$1,139	$1,237
Unrestricted	25,917	20,760
Total Net Position	27,056	21,997
Total Liabilities and Net Position	$43,113	$30,350

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2016	2015
Program Expenses		
Patient and Management Services	$54,165	$37,163
Depreciation	1,045	641
Total Program Expenses	55,210	37,804
Program Revenues		
Patient Services	18,306	19,014
Management services	22,304	13,370
Investment income	374	45
Other	19,285	7,728
Total Program Revenues	60,269	40,157
Change in Net Position	5,059	2,353
Net Position, Beginning of Year	21,997	19,644
Net Position, End of Year	$27,056	$21,997

Note 14—Subsequent Events

In June 2017, the University received approval from the State Board of Regents to issue Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2017B in the amount of $20,685,000 in July 2017. The proceeds of the Bonds will be used to provide for the defeasance and advance refunding of the outstanding principal of the July 1, 2018 through July 1, 2034 maturities of the Board's $25,175,000 Recreational Facilities Revenue Bonds, Series S.U.I. 2009, and paying the cost of issuing said Bonds. These bonds will bear interest at varying rates between 3.00% and 4.00% and will mature in varying amounts from July 1, 2018 through July 1, 2034.

In October 2017, the University received approval from the State Board of Regents to issue Athletic Facilities Revenue Bonds, Series S.U.I. 2017 in the amount of $31,685,000 in November 2017. The proceeds of the Bonds will be used for paying the costs of (i) improving, remodeling, repairing, furnishing, equipping, and building additions to Kinnick Stadium; (ii) funding a Reserve Fund; and (iii) paying the costs of issuance of the Series 2017 Bonds. These bonds will bear interest at varying rates between 3.00% and 3.25% and will mature in varying amounts from July 1, 2018 through July 1, 2037.

In October 2017, the University received approval from the State Board of Regents to issue Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2017A in the amount of $22,075,000 in November 2017. The proceeds of the Bonds will be used to (i) provide for the defeasance and advance refunding of the outstanding principal of the July 1, 2018 through July 1, 2035 maturities of the Board's $26,000,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2009, and paying the cost of issuing said Bonds. These bonds will bear interest at 3.00% and will mature in varying amounts from July 1, 2018 through July 1, 2035.

Note 15—Prospective Accounting Change

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions effective for the year ended June 30, 2018 (FY2018), further changes the accounting and reporting requirements for post-employment benefits and potentially results in significant increases in liability and expense. The standard requires the use of a more aggressive actuarial costing method, a lower discount rate, a shortened amortization period and other changes in assumptions which has the potential of drastically increasing the OPEB liability. The University of Iowa evaluated options to minimize its liability and has made the decision to cap the University's contribution for retiree health at the current $288 per month for both current and future retirees. This decision passed through the appropriate approval channels and communication process (Staff Council Leadership, Funded Retirement and Insurance Committee Co-chairs, Faculty Senate leadership, Retiree Association Leadership). The University sent letters to retirees by the June 30, 2017 measurement date in order to be incorporated into the FY18 GASB 75 valuation. This option is expected to reduce the projected FY18 Net OPEB liability, which would have been over $500 million, to potentially less than $120 million.

Note 16—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 fees revenues generated by the University for repayment. Investors in bonds of all other bond enterprises rely solely on the revenue generated by the individual activities for repayment. The University's segments are described as follows:

ACADEMIC BUILDING REVENUE BONDS

The Academic Building Revenue Bond Funds were created to defray the costs of constructing and renovating academic buildings of the University.

ATHLETIC FACILITIES REVENUE BONDS

The Athletic Facilities Revenue Bond Funds were created to defray the costs of constructing and equipping certain athletic and recreational buildings and facilities at the University. The revenues pledged to these bonds are generated by Big Ten Conference revenue distributions, student fees and tickets sold, concessions, and contract revenues for athletic events.

CENTER FOR UNIVERSITY ADVANCEMENT REVENUE BONDS

The Center for University Advancement Revenue Bond Funds were created to defray the costs of constructing, furnishing, and equipping a building to be used as the Center for University Advancement at the University. The revenues pledged to these bonds are rental payments received from the University of Iowa Foundation for the use of the building.

HOSPITAL REVENUE BONDS

The Hospital Revenue Bond Funds were created to defray the costs of various construction and renovation projects at the University of Iowa Hospitals & Clinics. The revenues pledged to these bonds consist of charges to patients for medical services.

IOWA MEMORIAL UNION (IMU) REVENUE BONDS

The Iowa Memorial Union (IMU) Revenue Bond Funds were created to defray the cost of alterations and improvements to the IMU at the University. The revenues pledged to these bonds are generated by fees paid by users of the IMU and from student fees.

PARKING SYSTEM REVENUE BONDS

The Parking System Revenue Bond Funds were created to defray additional costs of constructing, improving, and equipping various parking facilities at the University. The revenues pledged to these bonds are generated by fees paid by users of the parking facilities.

RECREATIONAL FACILITIES REVENUE BONDS

The Recreational Facilities Revenue Bonds were created to defray the costs of building, furnishing, and equipping the Campus Recreation and Wellness Center and constructing improvements to the University Field House at the University. The revenues pledged to these bonds consist of student fees and charges.

RESIDENCE SERVICES REVENUE BONDS

The Residence Services Revenue Bond Funds were created to defray additional costs of constructing, improving and maintaining various residence halls and related facilities at the University. The revenues pledged to these bonds are generated by fees paid by users of the residence halls' services.

TELECOMMUNICATIONS FACILITIES REVENUE BONDS

The Telecommunications Facilities Revenue Bond Funds were created to defray the costs of constructing, equipping, furnishing, and improving the telecommunications facilities of the University. The revenues pledged to these bonds come from charges assessed to the users of the telecommunications facilities.

UNIVERSITY OF IOWA FACILITIES CORPORATION REVENUE BONDS

The University of Iowa Facilities Corporation Revenue Bond Funds were created to provide financial assistance to the University of Iowa for the acquisition and construction of facilities for the benefit of the University of Iowa. The bonds are payable solely from the lease payments paid by the University of Iowa for the facilities. Upon repayment of the bonds, ownership of the acquired facilities transfers to the University of Iowa.

UTILITY SYSTEM REVENUE BONDS

The Utility System Revenue Bond Funds were created to defray additional costs to construct, equip and furnish the utility system of the University. The revenues pledged to these bonds come from charges assessed to the users of the utility system.

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, reserves, 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 IN (OUT)

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.

Segment Reporting (in thousands)
As of and for the year ended June 30, 2017

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Center for University Advancement Revenue Bonds	Hospital Revenue Bonds
CONDENSED STATEMENT OF NET POSITION				
Assets:				
Current assets	$23,972	$24,390	$797	$356,482
Capital assets	835,197	132,017	3,929	1,093,211
Other noncurrent assets	15,689	10,789	935	575,615
Total assets	874,858	167,196	5,661	2,025,308
Deferred outflows of resources	2,346	2,494	-	23,797
Liabilities:				
Current liabilities	23,602	24,284	796	223,940
Noncurrent liabilities	187,454	123,301	1,605	438,347
Total liabilities	211,056	147,585	2,401	662,287
Deferred inflows of resources	764	-	-	447
Net Position:				
Net investment in capital assets	639,586	5,140	1,584	750,916
Restricted - expendable	25,798	16,859	1,676	4,876
Unrestricted	-	106	-	630,579
Total net position	$665,384	$22,105	$3,260	$1,386,371
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	$381,098	$79,701	$ -	$1,502,410
Depreciation expense	(40,023)	(7,234)	(901)	(90,411)
Other operating expenses	(1,372)	(16,454)	-	(1,385,283)
Net operating income (loss)	339,703	56,013	(901)	26,716
Nonoperating revenues (expenses)	(5,545)	(3,818)	(111)	45,266
Transfers from/(to) University funds	(301,031)	(34,585)	842	(24,425)
Change in net position	33,127	17,610	(170)	47,557
Net position, beginning of year	632,257	4,495	3,430	1,338,814
Net position, end of year	$665,384	$22,105	$3,260	$1,386,371
CONDENSED STATEMENT OF CASH FLOWS				
Net cash provided (used) by operating activities	$379,739	$61,751	$ -	$113,301
Net cash provided (used) by noncapital financing activities	(364,561)	(53,398)	842	(24,423)
Net cash provided (used) by capital and related financing activities	(14,309)	(9,922)	(853)	(199,418)
Net cash provided (used) by investing activities	(4,629)	519	7	118,496
Net increase (decrease) in cash	(3,760)	(1,050)	(4)	7,957
Cash and cash equivalents, beginning of year	19,409	23,944	848	16,101
Cash and cash equivalents, end of year	$15,649	$22,894	$844	$24,058

IMU Revenue Bonds	Parking System Revenue Bonds	Recreational Facilities Revenue Bonds	Residence Services Revenue Bonds	Telecomm. Facilities Revenue Bonds	UI Facilities Corporation Revenue Bonds	Utility System Revenue Bonds
$3,423	$4,692	$3,236	$10,310	$5,633	$38	$17,919
44,961	107,195	92,807	233,523	29,594	204,561	294,506
640	25,097	10,643	56,395	12,070	14,650	21,036
49,024	136,984	106,686	300,228	47,297	219,249	333,461
-	-	2,669	25	-	1,607	3,408
3,428	4,495	3,422	12,170	3,144	10,603	13,913
5,492	53,432	63,533	170,750	30,613	122,634	148,026
8,920	57,927	66,955	182,920	33,757	133,237	161,939
463	326	-	634	-	216	1,199
38,481	51,020	30,673	70,961	(2,208)	73,078	142,367
1,165	6,953	8,286	36,879	3,772	14,325	16,526
(5)	20,758	3,441	8,859	11,976	-	14,838
$39,641	$78,731	$42,400	$116,699	$13,540	$87,403	$173,731
$13,220	$22,269	$5,583	$81,205	$24,378	$ -	$93,775
(2,687)	(5,862)	(3,548)	(9,008)	(874)	(9,584)	(16,163)
(17,154)	(12,120)	(8,246)	(60,465)	(18,913)	-	(65,047)
(6,621)	4,287	(6,211)	11,732	4,591	(9,584)	12,565
559	(1,379)	(2,407)	(2,794)	(841)	(4,395)	(1,571)
8,481	4,981	9,983	705	(1,945)	10,622	(1,309)
2,419	7,889	1,365	9,643	1,805	(3,357)	9,685
37,222	70,842	41,035	107,056	11,735	90,760	164,046
$39,641	$78,731	$42,400	$116,699	$13,540	$87,403	$173,731
($3,961)	$9,982	($2,254)	$13,818	$5,586	$ -	$28,046
4,396	(60)	(1,396)	(90)	(2,567)	14,479	(20,374)
(395)	(6,422)	2,642	535	(2,395)	(14,596)	(21,577)
(620)	(5,501)	2,388	(4,864)	301	117	(745)
(580)	(2,001)	1,380	9,399	925	-	(14,650)
1,266	15,706	10,646	42,292	10,534	-	39,917
$686	$13,705	$12,026	$51,691	$11,459	$ -	$25,267

Segment Reporting (in thousands)
As of and for the year ended June 30, 2017

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Center for University Advancement Revenue Bonds	Hospital Revenue Bonds
DEBT SERVICE COVERAGE				
Debt service coverage % - Required	N/A	125%	100%	130%
Debt service coverage % - Actual	N/A	636%	100%	613%
PORTION OF REVENUE PLEDGED				
Annual debt service (principal & interest)	$16,133	$10,152	$851	$19,115
Net pledged revenue	365,765	64,539	851	117,127
Annual debt service/Net operating revenues (%)	4%	16%	100%	16%

REVENUE BONDS PAYABLE

A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2017, is as follows:

Beginning Balance	$203,712	$135,650	$3,070	$316,893
Additions	25,564	-	-	-
Reductions	(32,082)	(6,278)	(725)	(9,685)
Ending Balance	**$197,194**	**$129,372**	**$2,345**	**$307,208**

DEBT SERVICE REQUIREMENTS

A summary of revenue bond debt service for payment of principal and interest is shown below. As of June 30, 2017, the amount shown for debt service payments due on July 1 were on hand.

Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Mar & Sep 1st
2018	$16,349	$10,082	$834	$22,939
2019	15,926	10,110	838	23,388
2020	15,888	10,162	844	23,291
2021	16,034	10,271	-	23,277
2022	15,797	10,308	-	23,184
2023-2027	74,324	52,478	-	114,757
2028-2032	59,764	51,132	-	89,047
2033-2037	35,500	13,155	-	70,933
2038-2042	-	-	-	24,322
2043	-	-	-	-
Unamortized Discount and Premium	7,574	1,212	-	15,698
Total	**$257,156**	**$168,910**	**$2,516**	**$430,836**

COMMITMENTS

As of June 30, 2017, the University has entered into contract commitments for construction projects as follows:

Contract Commitments	**$115,767**	**$73,712**	**-**	**$80,715**

IMU Revenue Bonds	Parking System Revenue Bonds	Recreational Facilities Revenue Bonds	Residence Services Revenue Bonds	Telecomm. Facilities Revenue Bonds	UI Facilities Corporation Revenue Bonds	Utility System Revenue Bonds
120%	120%	125%	135%	110%	N/A	120%
142%	238%	183%	237%	250%	N/A	209%
$743	$4,551	$5,073	$10,196	$2,409	$14,596	$14,415
1,058	10,851	9,285	24,201	6,026	N/A	30,081
70%	42%	55%	42%	40%	N/A	48%
$6,633	$58,882	$65,959	$118,091	$32,976	$143,131	$167,858
-	-	42,188	62,903	-	-	19,726
(616)	(3,033)	(43,344)	(6,345)	(1,173)	(10,257)	(29,995)
$6,017	**$55,849**	**$64,803**	**$174,649**	**$31,803**	**$132,874**	**$157,589**
Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Dec & Jun 1st	May & Nov 1st
$738	$4,511	$3,664	$11,306	$2,391	$14,594	$15,028
737	4,514	4,701	11,306	2,380	14,634	15,052
734	4,466	5,085	11,689	2,383	14,207	15,045
742	3,748	5,178	11,871	2,392	10,912	14,008
739	3,750	5,278	11,481	2,395	10,927	13,997
2,957	17,787	25,824	54,821	12,068	51,249	62,533
-	13,174	24,093	51,777	12,273	34,307	32,730
-	13,257	14,202	42,416	9,046	17,082	20,945
-	10,716	-	30,766	-	1,601	7,380
-	-	-	1,974	-	-	-
572	714	3,003	1,989	143	1,769	7,114
$7,219	**$76,637**	**$91,028**	**$241,396**	**$45,471**	**$171,282**	**$203,832**
$1,768	**$1,427**	**$278**	**$16,055**	**$11**	**$1,473**	**$23,895**

Required Supplementary Information
June 30, 2017

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

Iowa Public Employees' Retirement System Last Fiscal Year* (in thousands):

	2017	2016	2015
University's proportion of the net pension liability	1.2770236%	1.0820964%	0.9747910%
University's proportionate share of the net pension liability	$80,367	$53,461	$38,659
University's covered-employee payroll	$92,356	$74,409	$63,967
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.02%	71.85%	60.44%
Plan fiduciary net position as a percentage of the total pension liability	81.82%	85.19%	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 fiscal year.*

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the University will present information for those years for which information is available.

SCHEDULE OF UNIVERSITY CONTRIBUTIONS

Iowa Public Employees' Retirement System Last 10 Fiscal Years (in thousands):

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	$9,931	$8,184	$6,620	$5,696	$4,718	$3,802	$2,428	$1,654	$1,460	$1,170
Contributions in relation to the statutorily required contribution	(9,931)	(8,184)	(6,620)	(5,696)	(4,718)	(3,802)	(2,428)	(1,654)	(1,460)	(1,170)
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
University's covered-employee payroll	$111,914	$92,356	$74,409	$63,967	$54,658	$46,653	$33,646	$24,521	$22,792	$19,259
Contributions as a percentage of the covered-employee payroll	8.9%	8.9%	8.9%	8.9%	8.6%	8.1%	7.2%	6.7%	6.4%	6.1%

See accompanying independent auditor's report.

Notes to Required Supplementary Information– June 30, 2017

PENSION LIABILITY

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.

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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- 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.

OTHER POST EMPLOYMENT BENEFITS LIABILITY

The following schedule represents the University's actuarially determined funding progress using the projected unit credit actuarial cost method. See Note 8 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, Net OPEB Obligation, and funded status and funding progress.

SCHEDULE OF FUNDING PROGRESS BY VALUATION DATE

(in thousands)

		Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a percentage of Covered Payroll
Fiscal Year Ended	*Valuation Date*						
6/30/15	7/1/14	-	$301,100	$301,100	0.0%	$980,800	30.7%
6/30/16	7/1/15	-	$324,800	$324,800	0.0%	$990,500	32.8%
6/30/17	7/1/16	-	$90,600	$90,600	0.0%	$1,112,600	8.1%

The reduction in the Unfunded Actuarial Accrued Liability from June 30, 2016 to June 30, 2017 resulted from capping the University's contribution for retiree health at the current $288 per month for current and future retirees. See Note 15 for additional explanation.

See accompanying independent auditor's report.

THE UNIVERSITY OF IOWA

OFFICE OF THE CHIEF FINANCIAL OFFICER
ACCOUNTING AND FINANCIAL REPORTING

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Chief Financial Officer and Treasurer

Selina J. Martin
Associate Controller

Steve Romont
Director, Accounting and Financial Reporting

Yan Huang
Assistant Director, Accounting and Financial Reporting

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Assistant Director, Accounting and Financial Reporting

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This financial report is designed to provide users with a general overview of the University of Iowa'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 Chief Financial Officer, University of Iowa, 105 Jessup Hall, Iowa City, IA 52242 or phone 319-335-3552. An electronic version can be found at afr.fo.uiowa.edu/annual-reports.

The University of Iowa