FINANCIAL REPORT

JULY 1, 2011 TO JUNE 30, 2012

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 in a diverse world.

THE UNIVERSITY IN 2012

University of Iowa achievements during fiscal year 2012 include:

- Drawing record total enrollment in fall 2012, with a first-year undergraduate class that is among the most diverse and accomplished in University history.
- Introducing new student-success initiatives, including expansion of living-learning communities to all first-year students, and a commitment to match awards from major scholarship gifts.
- Completing new LEED-certified buildings, launching renewable energy projects, and charting other progress toward the University's 2020 Vision sustainability targets.

ENROLLMENT

Group	Fall 2012	Fall 2011
Total students	31,498	31,181
Undergraduates	21,999	21,565
Graduate and professional	9,499	9,616
Iowa residents	55.23%	55.22 %
Total non-residents	44.77%	44.78 %
International students	11.35%	10.46%
Minority enrollment	12.59%	11.82%

EMPLOYMENT

Group (by FTEs)	Fall 2012	Fall 2011
Total faculty and staff	22,278	22,011
Institutional officers	21	21
Tenure-track faculty	1,615	1,588
Clinical-track faculty	555	522
Postdoctoral and other faculty	652	648
Professional and scientific staff	7,932	7,715
Merit staff	4,484	4,558
Residents	744	741
Graduate assistants	2,572	2,590
Temporary	3,703	3,628

EXTERNAL SUPPORT AND GIVING

The University reported strong grants and contracts support during 2012:

- Fiscal year 2012 grants and contracts: **$438 million**
- Number of grants and contracts awarded: **2,124**
- Rank among public and private universities combined in federal research and development support: **45**
- Fiscal year 2012 gifts to the University and the University of Iowa Foundation: **$203 million**
- Total number of UI Foundation gifts: **154,595**
- UI Foundation endowment: **$695 million**
- University endowment: **$302 million**

A REVITALIZED CAMPUS

Major infrastructure projects promise to provide advanced facilities for education, research, health care, and sports, including:

- The University's first new residence hall in 40 years, built around the concept of living-learning communities.
- A 37,000-square-foot Main Library Learning Commons with study and classroom space for more than 500 students.
- Continued progress on the Pappajohn Biomedical Discovery Building.
- A new 14-story, 195-bed Children's Hospital.
- Athletics projects, including the Golf Training Facility and the Football Operations Center.
- Planned buildings for Hancher, the School of Music, and the School of Art and Art History.

When completed in 2016, the new 14-story UI Children's Hospital will overlook Kinnick Stadium to the west and the University of Iowa campus to the east. Illustration by Stanley Beaman & Sears.

Message from Senior Vice President and Treasurer, Douglas K. True

PRESIDENT MASON AND MEMBERS OF THE BOARD OF REGENTS:

I am pleased to present the University of Iowa's audited Financial Report for fiscal year 2012, summarizing the financial position and results of operations of the University for the past two fiscal years. The University remains financially sound and stable with net assets increasing by $219.6 million (7.7%) during fiscal year 2012 and continued strong credit ratings by Moody's (Aa1) and Standard & Poor's (AA), important indicators of the institution's financial health.

Quality and access are critical for a successful University. The University of Iowa is the only Big Ten institution to be recognized as a "best buy" in several national college guides. Resident undergraduate tuition and fees remain among the lowest in our peer group, nearly $4,000 less than the Big Ten public average. The focus on value, student success, and academic excellence yielded record enrollment of 31,498 students for fall 2012, and the University's best-prepared, most diverse first-year undergraduate class. The University continues to attract a significant number of non-resident undergraduate students without denying access to qualified Iowans.

The University has reached agreement with FEMA on finalizing most of the renovation or replacement of facilities devastated by the historic flood of 2008. Replacement facilities for Hancher Auditorium, the School of Music, and the School of Art and Art History are proceeding rapidly toward construction beginning in late 2012 and early 2013. Over the next three years, the University expects to invest at least $600 million toward the completion of flood recovery work.

The UI Hospitals & Clinics gained Board of Regents approval for design of a new Children's Hospital, secured financing this past fall, and is proceeding with construction. This and related enabling projects will result in $400 million of added construction activity over the next three years. Supporting this initiative is UIHC's strong financial performance, reflected in its positive operating margin (4.3% in fiscal year 2012) and low cost of borrowed capital.

The largest single change in the University's financial statements was the inclusion in this report of medical and dental college faculty practice plans. In prior years practice plans were considered "agency" accounts and not included in operations in this report. This adjustment totaled $245 million for fiscal year 2012.

Outstanding investment results continued within the University's Diversified Operating Pool and companion Diversified Intermediate Pool, as well as endowment results at the University of Iowa and the University of Iowa Foundation. The Board of Regents examined the two pools in 2012, covering the first three years performance of these investments.

The low interest rate environment has contributed to a number of successful refundings of outstanding bond issues. The subsequent reduction in the cost of borrowed capital benefits all sectors of the University. In fiscal year 2012, the University of Iowa refunded at a lower interest cost six prior bond issues (includes bonds sold by UI Facilities Corp) with a total net present value savings of $9.7 million.

The University of Iowa benefits from a strong internal audit function that works in conjunction with external auditors, particularly the Auditor of State. Regular reports are provided to University management, and the Board of Regents receives results of this audit work approximately four times per year. This system is an important part of our financial checks and balances.

We hope you agree that there is much to be proud of at your University. The following financial information is a very good recap of the University's performance over the last year.

Very truly yours,

Douglas K. True
Senior Vice President and Treasurer

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David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report

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

We have audited the accompanying Statement of Net Assets, and the related Statements of Revenues, Expenses and Changes in Net Assets and Cash Flows, of the State University of Iowa, Iowa City, Iowa, (University of Iowa) and its discretely presented component unit as of and for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit, the State University of Iowa Foundation and Affiliates, discussed in Note I, which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the discretely presented component unit, is based on the report of the other auditor.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the State University of Iowa Foundation and Affiliates were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits and the report of the other auditor provide a reasonable basis for our opinion.

As discussed in Note I, 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, 2012 and 2011 and the changes in its financial position and its cash flows for the years ended June 30, 2012 and 2011 in conformity with U.S. generally accepted accounting principles.

In our opinion, based upon our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Iowa and its discretely presented component unit at June 30, 2012 and 2011, and the respective changes in their financial position and their cash flows, where applicable, for the years then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and page 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally

accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our report on the University of Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters required by Government Auditing Standards will be issued under separate cover. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 14, 2012

Management's Discussion and Analysis

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, 2012 and 2011. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes that follow.

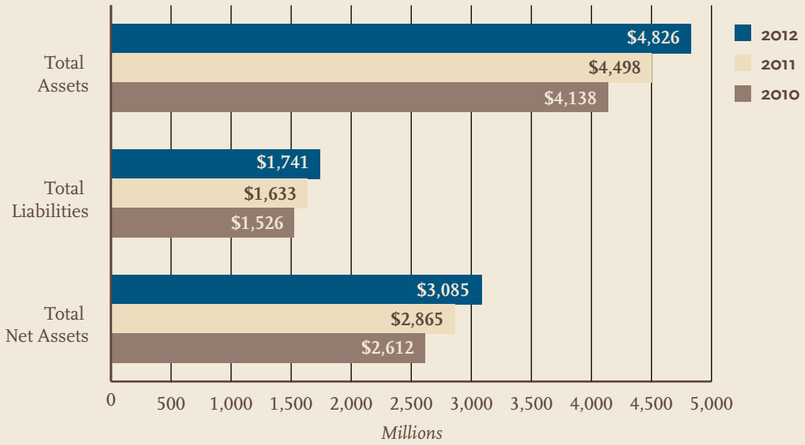
FINANCIAL HIGHLIGHTS

The University's financial position remained strong at June 30, 2012, with assets of $4,826 million and liabilities of $1,741 million as compared to June 30, 2011 assets of $4,498 million and liabilities of $1,633 million. Net assets, the difference between total assets and total liabilities, increased by $219.6 million (7.7%) from June 30, 2011 to June 30, 2012. The increase from June 30, 2010 to June 30, 2011 was $253.8 million (9.7%).

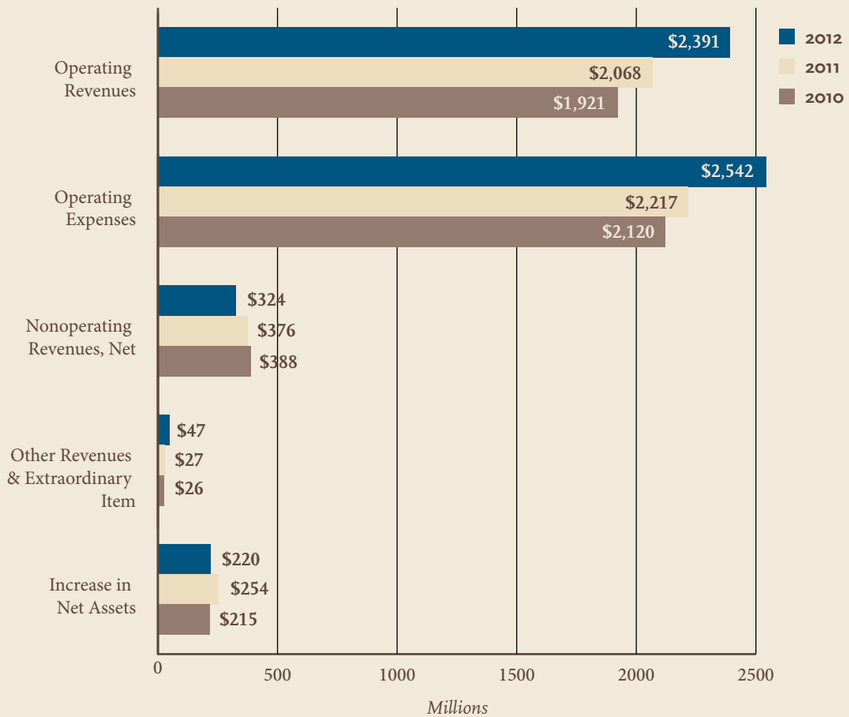
The change in net assets reports the financial results during the fiscal year by measuring the relationship between revenues and expenses. It is important to note that public universities such as the University of Iowa generally report an operating loss, as the financial reporting model classifies state 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.

The following charts compare Total Assets, Total Liabilities and Total Net Assets at June 30, 2012, 2011, and 2010 and the components of changes in Net Assets at June 30, 2012, 2011 and 2010.

STATEMENT OF NET ASSETS



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS



The following table summarizes the University's financial activity for the fiscal years ended June 30, 2012, 2011 and 2010.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(in millions)

	2012	2011	2010
Total operating revenues	$2,391.0	$2,067.9	$1,921.1
Total operating expenses	2,541.5	2,216.5	2,120.4
Operating (loss)	(150.5)	(148.6)	(199.3)
Net nonoperating revenues (expenses)	323.6	375.6	388.0
Income before other revenues	173.1	227.0	188.7
Net other revenues	46.5	26.8	41.7
Increase in net assets before extraordinary item	219.6	253.8	230.4
Net extraordinary item due to 2008 flood	-	-	(15.8)
Increase in net assets	219.6	253.8	214.6
Net assets, beginning of year	2,865.5	2,611.7	2,397.1
Net assets, end of year	$3,085.1	$2,865.5	$2,611.7

During the fiscal year ended June 30, 2012, the University increased operating revenues and operating expenses by 15.6% and 14.7%, respectively. The large percentage changes are due to a change in reporting methodology of the University of Iowa Physicians and the Faculty Practice Plan for the College of Dentistry within the category of patient services. This change in reporting methodology is described further in the sections for opertating revenues and expenses. The net result from operating revenues and expenses is an operating loss of 6.3% compared to 7.2% last year. However, after factoring in state appropriations, investment income, gifts and other revenues, the University increased net assets by $219.6 million for the year ended June 30, 2012.

During the fiscal year ended June 30, 2012, net nonoperating revenues (expenses) decreased by 13.8%, primarily the result of a decrease in investment income of $47.6 million.

USING THIS ANNUAL REPORT

The University's annual report consists of three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, 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 ASSETS AND THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets present the financial position of the University at the end of the fiscal year and report the University's net assets and changes in them during the current fiscal year, respectively. Net assets, the difference between total assets and total liabilities, are one indicator of the current financial condition of the University, while the change in net assets 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, liabilities, and net assets for the years ended June 30, 2012, 2011 and 2010.

NET ASSETS, END OF YEAR (in millions)

	2012	2011	2010
Assets			
Current assets	$2,210.9	$2,113.8	$1,864.8
Capital assets, net	2,441.4	2,244.7	2,141.8
Other noncurrent assets	173.8	139.9	131.2
Total Assets	4,826.1	4,498.4	4,137.8
Liabilities			
Current liabilities	728.4	605.8	528.8
Noncurrent liabilities	1,012.6	1,027.1	997.3
Total Liabilities	1,741.0	1,632.9	1,526.1
Net Assets			
Invested in capital assets, net of related debt	1,526.9	1,393.2	1,354.2
Restricted	327.9	323.3	301.7
Unrestricted	1,230.3	1,149.0	955.8
Total Net Assets	$3,085.1	$2,865.5	$2,611.7

The following table summarizes the University's revenues, expenses and changes in net assets for the years ended June 30, 2012, 2011 and 2010.

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

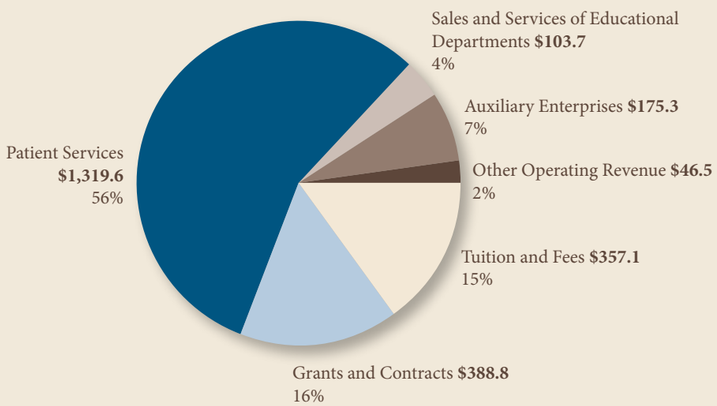
	2012	2011	2010
Operating Revenues:			
Tuition and fees, net of scholarship allowances	$357.1	$310.1	$277.1
Grants and contracts	388.8	394.1	400.3
Patient services, net of allowances	1,319.6	1,065.7	965.7
Sales and services of educational departments	103.7	105.1	109.4
Auxiliary enterprises, net of scholarship allowances	175.3	166.7	164.1
Other operating revenue	46.5	26.2	4.5
Total Operating Revenues	2,391.0	2,067.9	1,921.1
Operating Expenses:			
Instruction	336.6	314.9	308.8
Research	290.1	291.9	292.3
Academic support	137.9	120.3	124.9
Patient services	1,165.4	882.1	811.9
Depreciation and amortization	160.1	157.5	153.8
Auxiliary enterprises	165.1	157.1	152.1
Other operating expenses	286.3	292.7	276.6
Total Operating Expenses	2,541.5	2,216.5	2,120.4
Operating (Loss)	(150.5)	(148.6)	(199.3)
Nonoperating Revenues (Expenses):			
State appropriations	232.0	245.2	284.7
Investment income, net of investment expenses	56.7	104.3	74.6
Gifts	68.4	64.8	63.6
Interest expense	(32.1)	(26.9)	(27.2)
Loss on disposal of capital assets	(1.4)	(11.8)	(7.7)
Net Nonoperating Revenues (Expenses)	323.6	375.6	388.0
Income Before Other Revenues	173.1	227.0	188.7
Other Revenues:			
Capital appropriations, State	10.5	9.7	22.4
Capital contributions and grants	20.2	1.1	1.7
FEMA reimbursement for capital costs, net of expenses	15.8	16.0	17.6
Net Other Revenues	46.5	26.8	41.7
Increase in Net Assets Before Extraordinary Item	219.6	253.8	230.4
Net extraordinary item due to 2008 flood	-	-	(15.8)
Increase in Net Assets	219.6	253.8	214.6
Net assets, beginning of year	$2,865.5	$2,611.7	$2,397.1
Net assets, end of year	$3,085.1	$2,865.5	$2,611.7

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in net assets for the fiscal year ended June 30, 2012 of $219.6 million (7.7%).

OPERATING REVENUES

For the fiscal years (FY) ended June 30, 2012, 2011 and 2010, operating revenues totaled $2,391 million, $2,068 million and $1,921 million, respectively. Operating revenues increased $323 million (15.6%) over FY 2011 revenues. Most of this increase ($245 million) is due to a change in reporting methodology within the category of patient services. The University of Iowa Physicians (UIP) and the Faculty Practice Plan (FPP) for the College of Dentistry were previously reported as agency funds within the accounting system and their revenues and expenses were excluded from the financial report. Effective with FY 2012, the UIP and FPP are reported within operating fund designations due to the fact that they are a part of the University and not separate legal entities. Their revenues and expenses are now included in the financial report. Excluding the effect of the change in reporting methodology, operating revenues increased by $78 million (3.8%) over FY 2011 revenues. The increase is primarily from student tuition and fees, patient services, and other operating revenue. 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, 2012.

FY2012 OPERATING REVENUES $2,391.0 million

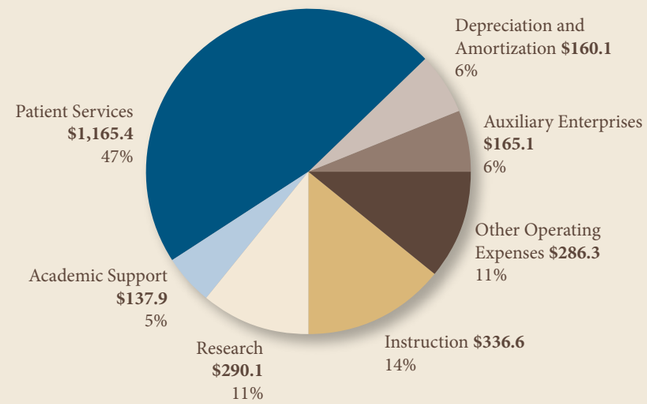


In the most recent National Science Foundation, Higher Education Research and Development survey (2010), the University of Iowa ranked 45th among public and private universities combined in terms of federally financed expenditures for research and development. Grants, contracts and other sponsored agreements revenue exceeded $388 million in FY 2012, $394 million in FY 2011 and $400 million in FY 2010.

OPERATING EXPENSES

For the fiscal years ended June 30, 2012, 2011 and 2010, operating expenses totaled $2,542 million, $2,216 million and $2,120 million, respectively. Operating expenses increased $325 million (14.7%) over FY 2011 expenses. Most of this increase ($231 million) is due to a change in reporting methodology within the category of patient services. The University of Iowa Physicians (UIP) and the Faculty Practice Plan (FPP) for the College of Dentistry were previously reported as agency funds within the accounting system and their revenues and expenses were excluded from the financial report. Effective with FY 2012, the UIP and FPP are reported within operating fund designations due to the fact that they are a part of the University and not separate legal entities. Their revenues and expenses are now included in the financial report. Excluding the effect of the change in reporting methodology, operating expenses increased by $94 million (4.2%) over FY 2011 expenses. The increase is primarily from patient services, academic support, and instruction. The following is a graphic illustration of the University's operating expenses for the year ended June 30, 2012.

FY2012 OPERATING EXPENSES $2,541.5 million



Other operating expenses include Public Service (2012, $70 million; 2011, $70 million), Student Services (2012, $30 million; 2011, $28 million), Institutional Support (2012, $75 million; 2011, $79 million), Operation and Maintenance of Plant (2012, $78 million; 2011, $77 million), Scholarships and Fellowships (2012, $29 million; 2011, $29 million), and Other (2012, $4 million; 2011, $10 million).

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues and expenses netted a positive $323.6 million for the fiscal year ended June 30, 2012 and a positive $375.6 million for the fiscal year ended June 30, 2011.

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2012, 2011 and 2010.

NONOPERATING REVENUES (EXPENSES) (in millions)

	2012	2011	2010
Nonoperating Revenues (Expenses)			
State appropriations	$232.0	$245.2	$284.7
Investment income, net of investment expenses	56.7	104.3	74.6
Gifts	68.4	64.8	63.6
Interest expense	(32.1)	(26.9)	(27.2)
Loss on disposal of capital assets	(1.4)	(11.8)	(7.7)
Net Nonoperating Revenues (Expenses)	$323.6	$375.6	$388.0

State appropriations decreased by $13.2 million (5.4%) in the fiscal year ended June 30, 2012. Also, investment income decreased by $47.6 million (45.6%) in the fiscal year ended June 30, 2012 due to less favorable market conditions compared with the fiscal year ended June 30, 2011.

OTHER REVENUES

Not included, by definition, as nonoperating revenues and expenses are state appropriations for capital projects, additions to endowments from gifts and contributions and grants for capital projects. The other revenues increased from $26.8 million for the fiscal year ended June 30, 2011 to $46.5 million for the fiscal year ended June 30, 2012 (73.5%). Capital appropriations, contributions, and grants increased from $10.8 million for the fiscal year ended June 30, 2011 to $30.7 million for the fiscal year ended June 30, 2012, an increase of $19.9 million, or 184%. For the fiscal years ended June 30, 2012 and 2011, $15.8 million and $16.0 million, respectively, was recognized in FEMA reimbursement for capital costs, net of expenses. The net revenue is intended to fund flood-related expenses.

The University endowment is essentially a perpetuity for the benefit of the University. The endowments and similar long term assets are invested in accordance with the Board of Regents, State of Iowa (Regents) policies to maximize total return over the long term, with an appropriate level of risk. All investment managers and investment strategies are approved by the Regents and reviewed by the Regents at least quarterly. Any reduction in the fair value of the endowment portfolio will not have a significant, immediate impact on the portion of investment income available to support current year operating expenses since the University makes such distributions pursuant to its spending rate policy as described in Note II to the financial statements.

Other Revenues

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 2012, the University received $21.8 million in FEMA reimbursements towards flood-related costs expended ($15.8 million for capital costs and $6.0 million for expenses).

REPORTING FOR JUNE 2008 FLOOD

Extraordinary Event

In fiscal year 2008, the University of Iowa sustained significant damage to property and impairment to capital assets as a result of the flooding of the Iowa River. This event was treated as an extraordinary event in prior years as it met the criteria for being both unusual in nature and infrequent in occurrence. Beginning with fiscal year 2011, we are no longer reporting the remaining effects of the flood as an extraordinary event. With the exception of FEMA reimbursements, all other flood-related activity is reported within the natural classifications of the financial statements.

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, 2012, 2011 and 2010.

CASH FLOWS FOR THE YEAR (in millions)

	2012	2011	2010
Cash provided (used) by:			
Operating activities	$42.4	$37.2	($76.1)
Noncapital financing activities	340.6	348.2	369.9
Capital and related financing activities	(277.7)	(216.8)	(160.3)
Investing activities	(100.7)	(112.6)	(95.9)
Net change in cash and cash equivalents	4.6	56.0	37.6
Cash and cash equivalents, beginning of year	652.9	596.9	559.3
Cash and cash equivalents, end of year	$657.5	$652.9	$596.9

The University's overall liquidity increased slightly during the year, with a net increase in cash and cash equivalents of $4.6 million. Many factors contribute to this increase, with the most significant being collections of tuition, patient services, and grant and contract receipts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The following table summarizes the University's capital assets, net of depreciation, as of June 30, 2012, 2011 and 2010.

CAPITAL ASSETS, NET OF DEPRECIATION AND AMORTIZATION (in millions)

	2012	2011	2010
Nondepreciable			
Land	$50.2	$37.3	$23.3
Construction in progress	256.3	236.5	301.7
Intangibles in development	5.1	6.4	11.7
Art & historical collections	33.3	33.2	32.8
Library materials	272.9	256.9	242.9
Depreciable			
Land improvements, net	5.4	6.2	7.1
Infrastructure, net	220.2	216.2	178.8
Buildings, net	1,339.3	1,209.0	1,086.6
Equipment, net	213.7	198.1	211.4
Intangibles, net	45.0	44.9	45.5
Total Capital Assets, Net	$2,441.4	$2,244.7	$2,141.8

The University has completed or is nearing completion of several major projects during the fall of 2012. The Football Indoor Practice Facility was opened in August, at a project cost of $19.5 million. This allowed for the removal of the former Football Practice Bubble and the construction of a major new surface parking area. That work was completed in September and cost $4.3 million. In coordination with that work, a new $18.8 million West Campus Transportation Center, including relocated Parking Services offices was opened in October, with final completion expected in November. Those projects now enable the initiation of early construction packages for the $358 million UIHC Children's Hospital and underground parking structure. Another UIHC project, the 150,000 square foot ambulatory clinic facility at Coralville's Iowa River Landing was completed in October. Construction work continues on the $133 million Pappajohn Biomedical Discovery Center, with completion expected in early 2014. On-site construction activities began in September for a new 500-bed residence hall on the west side of the Iowa River. The building portion of this $53 million project will be bid in early 2013, with completion expected in the summer of 2015. Projects in planning or design include a $90 million College of Pharmacy facility and a new building for Psychology, currently estimated at $20 million. The timing of those projects is yet to be fully defined. Work continues on multiple fronts related to flood recovery. Replacement projects (Hancher, Art, Music) currently being reviewed and considered by the Federal government are estimated at a total of $405 million. Major recovery projects (including Iowa Memorial Union, Iowa Advanced Technology Labs, Mayflower Residence Hall, Theater Building, and the Power Plant) are currently being designed while being reviewed by FEMA. Combined they are expected to cost $80-90 million. Pending final Federal approvals, all of these projects are expected to be bid within the period of late 2012 to mid-2013.

Additional information about the University's capital assets is presented in Note IV to the financial statements.

Debt

As of June 30, 2012, the University had $967.7 million in outstanding bonds, notes and capital leases, an increase of $32.7 million over the prior year. Debt principal payments of $50.5 million and interest payments of $30.9 million were made during the fiscal year ended June 30, 2012.

The following table summarizes outstanding debt by type as of June 30, 2012, 2011 and 2010.

BONDS, NOTES AND CAPITAL LEASES
(in millions)

	2012	2011	2010
Revenue bonds	$808.5	$786.8	$753.5
Notes	5.0	15.1	15.3
Capital leases	154.2	133.1	129.7
Total Debt Outstanding	$967.7	$935.0	$898.5

During the fiscal year ended June 30, 2012, $51.8 million of new revenue bonds were issued. The revenue bond proceeds were $26.8 million for construction of a new medical office building and $25 million for Utility System improvements. The University carries an Aa1 institutional bond rating from Moody's and an AA rating from Standard & Poor's. Additional information related to the University's long-term liabilities is presented In Note V 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 part, to the University's high academic standards and its national reputation as a best buy due to its relative low cost of education. The University continues to draw a high percentage of students from outside the state of Iowa, most notably from the state of Illinois. Total first year enrollment for the 2012-2013 academic term decreased slightly to 4,470 from the previous year's record enrollment of 4,565. Total enrollment increased from 31,181 in the Fall of 2011 to a record high of 31,498 in the Fall of 2012. Enormous effort is undertaken to achieve student success leading to improved retention and graduation of undergraduates.

Other revenue streams are also in good condition. During the fiscal year ended June 30, 2012, the University generated $438 million in grant and contract awards to promote research, education and service. Excluding short-term stimulus funding from the American Recovery and Reinvestment Act from last year and this year, total external funding increased 3.2% over fiscal 2011. The recent completion of new research labs and continued investment in new research buildings 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.

The University of Iowa Hospitals & Clinics continues to be recognized as one of the nation's best teaching hospitals and achieved outstanding operating results for fiscal year 2012 with an operating margin 4.3%. Eighteen programs were ranked in the top 50 in the country, nineteen were ranked in total, and an additional five were designated as high-performing. Fiscal operations continue to report strong patient census data and good financial performance overall.

The state economy continues to report solid revenue growth over the prior year. The state increased the University's general education fund appropriation by $6.7 million or approximately 3% for fiscal year 2013. Discussion is underway with Board leadership and the Governor's Office to replace the University's tuition set aside program so that need-based scholarship funding serving Iowa undergraduates is provided by the state instead of setting aside a percentage of tuition revenue collected by the University to fund the scholarship program.

Statement of Net Assets

June 30, 2012 (in thousands)

With comparative statement as of June 30, 2011

ASSETS	2012	2011
Current Assets:		
Cash and cash equivalents	$552,265	$545,140
Restricted cash and cash equivalents	79,146	82,400
Investments	1,146,882	1,022,238
Restricted investments	-	1
Deposits with trustees	-	28,444
Accounts receivable, net	277,349	261,697
Notes receivable, current portion, net	2,483	3,061
Interest receivable	752	864
Due from government agencies	101,109	118,821
Inventories	30,301	31,171
Prepaid expenses and other current assets	20,603	19,985
Total current assets	2,210,890	2,113,822
Noncurrent Assets:		
Restricted cash and cash equivalents	26,075	25,410
Restricted investments	74,630	63,196
Notes receivable, noncurrent portion, net	23,592	23,286
Capital assets, net	2,441,440	2,244,742
Investment in wholly owned subsidiary	49,471	27,937
Total noncurrent assets	2,615,208	2,384,571
Total Assets	$4,826,098	$4,498,393
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$105,244	$96,839
Salaries and wages payable	148,504	134,876
Unpaid claims	23,116	25,654
Unearned revenue	51,577	53,983
Interest payable	13,561	13,514
Long term debt, current portion	72,172	55,398
Other long term liabilities, current portion	90,180	44,810
Deposits held in custody for others	224,027	180,664
Total current liabilities	728,381	605,738
Noncurrent Liabilities:		
Long term debt, noncurrent portion	895,494	879,624
Other long term liabilities, noncurrent portion	117,102	147,534
Total noncurrent liabilities	1,012,596	1,027,158
Total Liabilities	1,740,977	1,632,896
Net Assets:		
Invested in capital assets, net of related debt	1,526,875	1,393,162
Restricted:		
Nonexpendable	92,655	72,752
Expendable	235,226	250,519
Unrestricted	1,230,365	1,149,064
Total Net Assets	3,085,121	2,865,497
Total Liabilities and Net Assets	$4,826,098	$4,498,393

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

Statement of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2012 (in thousands)

With comparative statement for the year ended June 30, 2011

Operating Revenues	2012	2011
Student tuition and fees, net of scholarship allowances of $85,212 and $94,809 for the years ended June 30, 2012 and 2011, respectively (pledged as payment on revenue bonds)	$357,076	$310,106
Federal grants and contracts	341,181	343,764
State and other governmental grants and contracts	12,761	11,984
Nongovernmental grants and contracts	34,874	38,319
Patient services, net of write-offs, contractual adjustments and indigent care of $2,100,909 and $1,388,042 for the years ended June 30, 2012 and 2011, respectively (pledged as payment on revenue bonds)	1,319,642	1,065,744
Sales and services of educational departments	103,758	105,099
Interest on student loans	623	784
Auxiliary enterprises, net of scholarship allowances of $7,748 and $6,808 for the years ended June 30, 2012 and 2011, respectively (pledged as payment on revenue bonds)	175,223	166,651
Other operating revenue	45,893	25,482
Total Operating Revenues	2,391,031	2,067,933
Operating Expenses		
Instruction	336,587	314,892
Research	290,066	291,945
Public service	69,612	69,612
Academic support	137,860	120,347
Patient services	1,165,412	882,072
Student services	30,209	28,944
Institutional support	74,824	78,973
Operation and maintenance of plant	78,289	76,591
Scholarships and fellowships	29,162	28,757
Depreciation and amortization	160,079	157,518
Auxiliary enterprises	165,067	157,135
Other operating expenses	4,344	9,760
Total Operating Expenses	2,541,511	2,216,546
Operating (Loss)	(150,480)	(148,613)
Nonoperating Revenues (Expenses)		
State appropriations	231,959	245,191
Investment income, net of investment expenses of $1,089 and $1,090 for the years ended June 30, 2012 and 2011, respectively	56,729	104,332
Gifts	68,377	64,819
Interest expense	(32,134)	(26,924)
Loss on disposal of capital assets	(1,356)	(11,814)
Net Nonoperating Revenues (Expenses)	323,575	375,604
Income Before Other Revenues	173,095	226,991
Other Revenues		
Capital appropriations, State	10,501	9,701
Capital contributions and grants	20,177	1,106
FEMA reimbursement for capital costs, net of expenses	15,851	15,991
Net Other Revenues	46,529	26,798
Increase in Net Assets	219,624	253,789
Net Assets		
Net assets, beginning of year	2,865,497	2,611,708
Net assets, end of year	$3,085,121	$2,865,497

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

Statement of Cash Flows

For the Year ended June 30, 2012 (in thousands)

With comparative statement for the year ended June 30, 2011

	2012	2011
Cash Flows From Operating Activities		
Tuition and fees	$357,098	$308,256
Patient receipts	1,303,620	1,063,479
Grants and contracts	400,740	390,571
Payments for salaries and benefits	(1,439,720)	(1,185,793)
Payments for goods and services	(712,564)	(657,892)
Scholarships	(29,162)	(28,757)
Loans issued to students	(5,202)	(4,872)
Collections of loans from students	5,655	5,360
Interest on loans to students	672	733
Sales of educational activities	104,634	106,492
Other receipts	48,717	24,998
Auxiliary enterprise receipts	172,940	171,753
Auxiliary enterprise payments	(165,067)	(157,135)
Net Cash Provided by Operating Activities	42,361	37,193
Cash Flows From Noncapital Financing Activities		
State appropriations	231,959	245,191
Proceeds from noncapital gifts	68,377	64,819
Funds held for others receipts	256,790	306,213
Funds held for others payments	(216,493)	(268,057)
William D. Ford Direct Lending & Plus Loans receipts	212,940	212,286
William D. Ford Direct Lending & Plus Loans made	(213,182)	(212,046)
Other noncapital receipts (payments)	241	(240)
Net Cash Provided by Noncapital Financing Activities	340,632	348,166
Cash Flows From Capital And Related Financing Activities		
Acquisition and construction of capital assets	(329,370)	(261,138)
Interest paid on capital debt and leases	(30,935)	(28,002)
Proceeds from sale of capital assets	552	296
Capital appropriations	11,621	8,504
Capital gifts and grants received	16,038	532
Deposits with trustee	28,444	13,208
Principal paid on capital debt and leases	(50,503)	(35,827)
Proceeds from capital debt and leases	55,523	61,605
Other capital and related financing receipts	107,393	29,749
Other capital and related financing payments	(86,450)	(5,680)
Net Cash (Used) by Capital and Related Financing Activities	(277,687)	(216,753)
Cash Flows From Investing Activities		
Interest and dividends on investments	34,522	34,057
Proceeds from sale and maturities of investments	126,852	397,492
Purchase of investments	(262,144)	(544,145)
Net Cash (Used) by Investing Activities	(100,770)	(112,596)
Net Increase in Cash and Cash Equivalents	4,536	56,010
Cash and Cash Equivalents, beginning of year	652,950	596,940
Cash and Cash Equivalents, end of year	$657,486	$652,950

Statement of Cash Flows

For the year ended June 30, 2012 (in thousands)

With comparative statement for the year ended June 30, 2011

	2012	2011
Reconciliation Of Cash And Cash Equivalents to the Statement Of Net Assets:		
Cash and cash equivalents in current assets	$552,265	$545,140
Current restricted cash and cash equivalents	79,146	82,400
Noncurrent restricted cash and cash equivalents	26,075	25,410
Total Cash and Cash Equivalents	$657,486	$652,950
Reconciliation Of Operating (Loss) To Net Cash Provided By Operating Activities:		
Operating (loss)	$(150,480)	$(148,613)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	160,079	157,518
Changes in operating assets and liabilities:		
Accounts receivable, net	(16,489)	1,995
Interest receivable	(49)	50
Inventories	870	(690)
Prepaid expenses and other current assets	(671)	(3,335)
Due from government agencies, net of receivable from State for capital appropriations	16,592	(10,452)
Notes receivable, net	272	685
Accounts payable	8,587	16,811
Salaries and wages payable	13,628	7,897
Unpaid claims liability	(2,539)	(3,453)
Other long term liabilities	218	221
Deferred revenue	(2,376)	3,812
Other postemployment benefits other than pension liability	11,182	11,095
Compensated absences	7,166	5,239
Early retirement benefits	(3,629)	(1,587)
Net Cash Provided by Operating Activities	$42,361	$37,193
Significant Noncash Transactions		
Assets acquired under capital leases	$27,430	$11,272
Assets acquired by gift	$4,139	$574

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

THE STATE UNIVERSITY OF IOWA FOUNDATION AND AFFILIATES

Balance Sheet

June 30, 2012 (in thousands)

With comparative statement as of June 30, 2011

ASSETS	2012	2011
Cash and cash equivalents	$13,613	$30,012
Receivables:		
Pledges, at net present value, less allowance for doubtful pledges	104,656	108,089
Other receivables and prepaids	445	373
	105,101	108,462
Investments:		
Carried at fair value		
U.S. Government and governmental agency securities	5,275	5,099
Corporation stocks, primarily common stocks	4,006	3,284
Managed separate investment accounts, primarily equity securities	841,399	872,552
Assets in living trusts, testamentary trusts and gift annuities	56,249	57,101
Beneficial interest in perpetual trusts	11,012	11,347
Other		
Real estate	6,912	7,244
Cash value of life insurance	4,997	4,661
Other	936	936
	930,786	962,224
Property leasehold interest and equipment, net	20,235	21,108
Total Assets	$1,069,735	$1,121,806
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$1,031	$1,275
Accrued vacations	862	809
Annuity and life income obligations	25,423	25,748
Capital lease obligation	5,075	5,685
Amounts held on behalf of others	80,457	80,916
Total liabilities	112,848	114,433
Net Assets:		
Unrestricted	21,600	24,794
Temporarily restricted	425,271	485,018
Permanently restricted	510,016	497,561
Total net assets	956,887	1,007,373
Total Liabilities And Net Assets	$1,069,735	$1,121,806

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

THE STATE UNIVERSITY OF IOWA FOUNDATION AND AFFILIATES

Statement of Activites

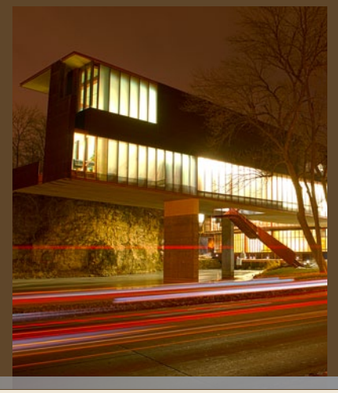
For the year ended June 30, 2012 (in thousands)

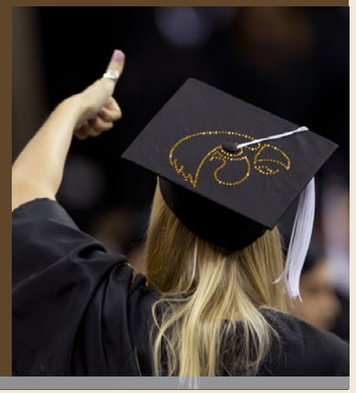
With comparative statement for the year ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
Support and revenue:					
Total contributions raised	$1,044	$60,095	$15,219	$76,358	$78,365
Change in value of split interest agreements	-	(253)	(94)	(347)	9,555
Less amounts raised on behalf of others	-	(4,282)	(2,641)	(6,923)	(6,776)
Total contributions and change in value of split interest agreements	1,044	55,560	12,484	69,088	81,144
Investment income:					
Interest and dividends	1,334	3,256	-	4,590	2,875
Asset based management and service fees	9,889	(9,737)	-	152	136
Net appreciation (depreciation) in fair value of investments	(379)	(23,704)	-	(24,083)	173,323
Less amounts attributed to others	-	2,979	-	2,979	(14,252)
Total investment income	10,844	(27,206)	-	(16,362)	162,082
Other revenue:					
Fundraising service revenue and other	8,325	4,564	-	12,889	8,952
Less amounts attributed to others	-	(1,994)	-	(1,994)	(8)
Total other revenue	8,325	2,570	-	10,895	8,944
Net assets released from restrictions and changes in donor restrictions	90,700	(90,671)	(29)	-	-
Total support and revenue	110,913	(59,747)	12,455	63,621	252,170
Expenditures and deductions on behalf of The State University of Iowa and its affiliates:					
Programs and expense disbursements:					
Student financial aid	14,108	-	-	14,108	13,704
Faculty and staff support	3,980	-	-	3,980	3,755
Research	14,612	-	-	14,612	11,411
Capital/equipment	31,426	-	-	31,426	17,832
Fellowships	1,661	-	-	1,661	1,272
Professorships	2,348	-	-	2,348	2,062
Faculty chairs	5,480	-	-	5,480	3,986
Program support	16,409	-	-	16,409	14,306
Fundraising	5,177	-	-	5,177	4,799
Management and service fees	1,896	-	-	1,896	1,882
	97,097	-	-	97,097	75,009
Less amounts incurred on behalf of others	(6,397)	-	-	(6,397)	(6,040)
Total	90,700	-	-	90,700	68,969
Expenses of The State University of Iowa Foundation:					
Operating expenses	23,313	-	-	23,313	20,771
Foundation grants to The State University of Iowa	94	-	-	94	18
Total	23,407	-	-	23,407	20,789
Total expenses	114,107	-	-	114,107	89,758
Change in net assets	(3,194)	(59,747)	12,455	(50,486)	162,412
Net assets, beginning of year	24,794	485,018	497,561	1,007,373	844,961
Net assets, end of year	$21,600	$425,271	$510,016	$956,887	$1,007,373

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

Notes to Financial Statements





I. 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 it 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).

Under GASB Statements No. 34 and No. 35, the basic financial statements are the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. 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 asset categories:

- **Invested in capital assets, net of related debt**—Capital assets, net of accumulated depreciation/amortization and reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted, nonexpendable**—Net assets 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 assets 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 assets not subject to externally imposed constraints which may be used by the governing board to meet current obligations for any purpose. Unrestricted net assets are 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 assets are available, the University's policy is to first apply the expense against the restricted, and then toward the unrestricted net assets.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, provided that such pronouncements do not conflict or contradict GASB pronouncements. The University has elected not to apply all FASB Statements and Interpretations issued after November 30, 1989.

FINANCIAL REPORTING ENTITY

A separate report is prepared for the State that includes all funds, departments, agencies and universities over which the State exercises or has the ability to exercise oversight authority. The University is included in the financial statements of the State.

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. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the University to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the University. In May, 2002, GASB issued Statement No. 39, Determining Whether Certain Organizations Are Component Units. 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 (GAAP), 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 and Miller Endowment, Incorporated 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.

Discretely Presented Component Unit

The State University of Iowa Foundation and Affiliates (Foundation) is a legally separate, tax-exempt component unit of the University. The Foundation's financial statements include its affiliated organization, the University of Iowa Facilities Corporation, wholly controlled by the Foundation. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the Foundation or the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. During the years ended June 30, 2012 and 2011, the Foundation distributed to the University or expended on behalf of the University $90,700,000 and $68,969,000, 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 an agent for other organizations benefiting the University. Since the Foundation is not considered to be financially interrelated to these organizations, as defined by SFAS No. 136, the total amount of funds held on behalf of these organizations has been reflected as a liability in the Balance Sheet (Amounts held on behalf of others). The Foundation does not have variance power to redirect the assets held for others and the funds are generally payable on demand. In the 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 (in thousands):

	Amounts Held on Behalf of Others
Iowa Law School Foundation	$66,070
Iowa Scholarship Fund	8,942
University of Iowa Alumni Association	4,912
Others	533
Total	$80,457

Although the University is the exclusive beneficiary of the Foundation, the Foundation is independent of the University in all respects. The Foundation is not a subsidiary or affiliate of the University and is not directly or indirectly controlled by the University. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University. The University is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The University does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation are entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University. Third parties dealing with the University should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

Complete financial statements for the Foundation can be obtained from The University of Iowa Foundation, One West Park Road, P.O. Box 4550, Iowa City, Iowa 52240, Attn: Controller.

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. 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 Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. However, as permitted by GASB standards, cash equivalents held in Deposits with Trustees are treated as investments.

INVESTMENTS (UNIVERSITY)

Investments are reported at fair value in accordance with GASB Statements No. 31 and No. 34. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Assets.

INVESTMENTS (FOUNDATION)

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

PLEDGES RECEIVABLE (FOUNDATION)

Pledges receivable are recorded at their net present value of estimated cash flows using the currently effective interest rate, 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. Pledges written off totaled $1,289,000 and $5,356,000 in the fiscal years ended 2012 and 2011, 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

Capital assets estimated to have a useful life greater than one year are stated at cost at the date of acquisition or estimated fair market value at date of receipt in the case of gifts. The purchased equipment capitalization threshold is $5,000. Beginning with fiscal year 2011, the threshold for leased capital equipment has increased from $5,000 to $50,000. The capitalization threshold for intangibles (software) is $500,000, except for UIHC which is $5,000. Routine repair and maintenance costs are expensed as incurred. Interest cost is capitalized on all UIHC construction projects during the construction period. For all other University projects, interest costs are capitalized when the interest cost during the construction period exceeds the interest earned on the investment of debt proceeds. 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.

WHOLLY OWNED SUBSIDIARY (UNIVERSITY)

The University owns all of the outstanding stock of Musser-Davis Land Company (acquired by gift) and reports such ownership as a wholly owned subsidiary. The Company's operations consist primarily of leasing mineral rights to others and planting seedlings to be harvested by others. 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, 2011, assets (including investments of $47,697,000) totaled $49,471,000, liabilities were $0 and net assets were $49,471,000. As of December 31, 2010, assets (including investments of $26,168,000) totaled $27,937,000, liabilities were $0 and net assets were $27,937,000.

INVESTMENTS IN SUBSIDIARIES (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 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 subsidiaries described above are not material to the financial statements and the Foundation uses the equity method of accounting for its investment in these controlled corporations.

BOND ISSUANCE COSTS
Generally, bond premium, discount and issuance costs are 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 rents, grants and contracts that have not yet been earned.

COMPENSATED ABSENCES PAYABLE
University employees accumulate vacation and sick leave under the provisions of Chapters 79 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 Assets is based on the current rates of pay.

LONG TERM DEBT AND OTHER LONG TERM LIABILITIES
Long term debt includes principal amounts of revenue bonds payable, notes payable and capital lease obligations with contractual maturities greater than one year. Long term debt also includes unamortized discount, premium, and refunding gain or loss resulting from bond issuances. Other long term liabilities include estimated amounts for accrued early retirement benefits, accrued other postemployment benefits, compensated absences payable, and refundable allowances on student loans that will not be paid within the next fiscal year.

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

NON-VESTED EQUIPMENT
Capital assets purchased with restricted contract and grant proceeds have been excluded from the Statement of Net Assets at June 30, 2012.

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.

RECLASSIFICATIONS
Certain prior year amounts have been reclassified to conform to current year presentations.

II. Cash Deposits, Investments, And Deposits With Trustees

CASH DEPOSITS AND CASH EQUIVALENTS
As of June 30, 2012 and 2011, the book balance of cash and cash equivalents totaled $657,486,000 and $652,950,000, respectively, and the bank balance of cash and cash equivalents totaled $670,936,000 and $667,525,000, respectively. Of the bank balances as of June 30 2012, $51,635,000 was covered by FDIC insurance or by the State Sinking Fund in accordance with the Code of Iowa and $619,301,000 was invested in money market funds as cash equivalents. Of the bank balances as of June 30, 2011, $62,250,000 was covered by FDIC insurance or by the State Sinking Fund in accordance with the Code of Iowa and $605,275,000 was invested in money market funds as cash equivalents.

INVESTMENTS
In accordance with Chapter 12B.10A, section 5d of the Code of Iowa, the University's portfolios may be invested in obligations of the U.S. government and its agencies, certificates of deposit, prime bankers' acceptances, investment grade commercial paper, repurchase agreements, investments authorized for the Iowa Public Employees' Retirement System in Section 97B.7A of the Code of Iowa, an open-end management investment company organized in trust form registered with the S.E.C. under the Investment Company Act of 1940, the Common Fund for nonprofit organizations, and common stocks. 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 $7,540,000 and $7,951,000 at June 30, 2012 and 2011, respectively, held for the University of Northern Iowa. The University's operating portfolio included $40,104,000 and $25,818,000 at June 30, 2012 and 2011, respectively, held for the University of Northern Iowa. The University of Northern Iowa investments are recorded as a Deposit 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 $9,797,000 and $11,431,000 at June 30, 2012 and 2011, respectively, is available to meet spending rate distributions and is recorded in restricted nonexpendable net assets.

The University's investments are recorded at fair value. As of June 30, 2012, 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	NA	Total Market Value
Fixed Income										
Corporate Notes and Bonds	3.88		$8,574	$1,995	$9,366	$8,188	$635		$123	$28,881
U.S. Government Agencies	2.36	$41,443	475	50,634		617			218	93,387
U.S. Treasury Obligations	4.33	71,432								71,432
Mutual Funds	5.63		129,626	352,261	34,931		16,772	62,357		595,947
		$112,875	$138,675	$404,890	$44,297	$8,805	$17,407	$62,357	$341	789,647
Equity and Other										
U.S. Equity Mutual Funds										197,340
Non-U.S. Equity Mutual Funds										115,776
REIT Mutual Funds										58,520
Real Assets										38,556
Private Equity										11,555
Certificates of deposit										10,118
Total Investments										$1,221,512

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. The University manages exposure to credit risk by measuring portfolios against benchmarks as established by the Board of Regents. As of June 30, 2012, the University's long term bond funds benchmark is AA (Barclays Capital Aggregate Bond Index).

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 US Treasury and Agency securities.

DEPOSITS WITH TRUSTEES

On September 22, 2011, the Treasurer of the State University of Iowa became the Successor Trustee, Registrar and Paying Agent for Utility System Revenue Bonds. Pursuant to the Trust Indenture (and Supplemental Indentures) upon payment in full, defeasance or otherwise discharge of the Prior Outstanding Utility Revenue Bonds, the Trustee shall be removed upon direction of the Issuer. Wells Fargo Bank, National Association was removed as Trustee, Registrar and Paying Agent with respect to the Series 2004 Bonds, Series 2006 Bonds, Series 2006A Bonds, Series 2007 Bonds, Series 2007A Bonds, Series 2009 Bonds, Series 2010 Bonds, the Series 2011 Bonds and any additional bonds. This action removed all remaining 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.

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, 2011 totaled $28,444,000. At June 30, 2011, $14,776,000 of the $28,444,000 deposits with trustees was invested in U.S. Government Agency securities with a credit quality rating of AAA and an effective duration of 1.295 years.

As authorized by the Board of Regents, the University holds a surety bond, with a face value of $3,500,000, as a substitute for a portion of the balance required for debt service of the Utility System Revenue Bonds.

III. Accounts Receivable, Pledges Receivable, Due From Government Agencies And Notes Receivable

ACCOUNTS RECEIVABLE (IN THOUSANDS)

	University and Blended Component Units	UIHC, Affiliates and UI Physicians	Total
Accounts Receivable	$95,720	$517,354	$613,074
Allowance for Uncollectible Accounts, Indigent Patients and Contractual Adjustments	2,622	333,103	335,725
Accounts Receivable, Net, June 30, 2012	$93,098	$184,251	$277,349
Accounts Receivable	$102,377	$444,381	$546,758
Allowance for Uncollectible Accounts, Indigent Patients and Contractual Adjustments	2,652	282,409	285,061
Accounts Receivable, Net, June 30, 2011	$99,725	$161,972	$261,697

PLEDGES RECEIVABLE (FOUNDATION)

A summary of the pledges receivable (unconditional promises to give) at June 30, 2012 and 2011 is as follows (in thousands):

	2012	2011
Gross pledges receivable	$122,028	$127,070
Less present value discount of $14,321 for 2012 and $15,804 for 2011 and allowance for doubtful pledges of $3,051 for 2012 and $3,177 for 2011	17,372	18,981
Total	$104,656	$108,089

Pledges receivable at June 30, 2012 are expected to be collected in the following periods (in thousands):

	Total
In one year or less	$30,986
Between one year and five years	66,572
More than five years	24,470
Total	$122,028

DUE FROM GOVERNMENT AGENCIES

Due from government agencies at June 30, 2012 and 2011 are composed of $4,153,000 and $5,515,000, respectively, due from the State of Iowa and $96,956,000 and $113,306,000, respectively, due from United States government agencies.

NOTES RECEIVABLE

Current notes receivable at June 30, 2012 and 2011 are $2,655,000, net of an allowance of $172,000, and $3,306,000, net of an allowance of $245,000, respectively. Noncurrent notes receivable at June 30, 2012 and 2011 are $25,228,000, net of an allowance of $1,636,000, and $25,150,000, net of an allowance of $1,864,000, respectively.

IV. Capital Assets

A summary of capital assets activity for the year ended June 30, 2012 is as follows (in thousands):

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Nondepreciable					
Land	$37,259	12,977	-	69	$50,167
Construction in Progress	236,591	252,913	(233,254)	-	256,250
Intangibles in Development	6,357	3,784	(5,005)	-	5,136
Art and Historical Collections	33,210	254	-	159	33,305
Library Materials	256,922	16,687	-	708	272,901
Capital Assets, Nondepreciable	570,339	286,615	(238,259)	936	617,759
Depreciable					
Land Improvements	21,546	55	-	-	21,601
Infrastructure	481,303	-	19,132	-	500,435
Buildings	2,304,419	-	214,122	3,285	2,515,256
Equipment	580,005	73,938	-	43,917	610,026
Intangibles	74,159	1,077	5,005	765	79,476
Capital Assets, Depreciable	3,461,432	75,070	238,259	47,967	3,726,794
Less Accum. Depreciation/ Amortization	(1,787,029)	(160,079)	-	(43,995)	(1,903,113)
Depreciable Assets, Net	1,674,403	(85,009)	238,259	3,972	1,823,681
Capital Assets, Net	$2,244,742	201,606	-	4,908	$2,441,440

V. Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2012 is as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
Bonds payable	$786,810	102,413	80,734	808,489	$63,068
Notes payable	15,136	-	10,136	5,000	-
Capital leases payable	133,076	68,335	47,234	154,177	9,104
Total long-term debt	935,022	170,748	138,104	967,666	72,172
Other long term liabilities:					
Early retirement benefits payable	11,555	-	3,629	7,926	3,407
Other postemployment benefits other than pensions	37,779	19,725	8,543	48,961	-
Compensated absences	121,137	45,586	38,420	128,303	86,773
Refundable allowances on student loans	21,873	219	-	22,092	-
Total other long term liabilities	192,344	65,530	50,592	207,282	90,180
Total long term liabilities	$1,127,366	236,278	188,696	1,174,948	$162,352

Certain amounts representing unamortized premiums (discounts) and gains (losses) which were previously reported as unearned revenue have been reclassified as bonds payable.

BONDS PAYABLE

Bonds have been sold to finance certain capital projects and are outstanding at June 30, 2012, as follows (in thousands):

	Interest Rates (Percent)	Fiscal Year Maturity Date Range	Amount
Bond Issues			
Academic Buildings	3.00 - 8.38	1996–2034	$128,205
Add: Unamortized Premium			381
Athletic Facilities	2.00 - 5.30	2007–2037	149,520
Less: Unamortized Discount			(39)
Add: Unamortized Premium			616
Center for University Advancement	3.75 - 4.75	2006–2020	5,685
Hospital	2.00 - 6.125	2009–2037	150,880
Add: Unamortized Premium			1,705
Less: Unamortized Refunding Loss			(575)
Iowa Memorial Union	3.50 - 4.30	2007–2026	8,565
Parking System	3.25 - 5.00	2007–2026	19,345
Add: Unamortized Premium			162
Add: Unamortized Refunding Gain			212
Recreational Facilities	3.00 - 4.875	2011–2035	75,200
Add: Unamortized Premium			184
Residence Services	2.00 - 4.65	2006–2025	41,160
Add: Unamortized Premium			2,477
Less: Unamortized Refunding Loss			(83)
Add: Unamortized Refunding Gain			1,652
Student Health Facility	3.60 - 4.75	1999–2013	345
Telecommunications	2.00 - 4.50	2005–2037	42,510
Less: Unamortized Discount			(2)
Add: Unamortized Premium			212
Add: Unamortized Refunding Gain			182
Utility System	2.00 - 4.75	2006–2038	177,995
Less: Unamortized Discount			(6)
Add: Unamortized Premium			1,790
Less: Unamortized Refunding Loss			(250)
Add: Unamortized Refunding Gain			461
Total			**$808,489**

As of June 30, 2012, unspent bond proceeds totaled $48,353,000. Unspent bond proceeds by segment are: Academic Building Revenue Bonds $1,090,000; Hospital Revenue Bonds $24,907,000; Telecommunications Facilities Revenue Bonds $1,940,000; and Utilities System Revenue Bonds $20,416,000.

The bonds will mature as follows (in thousands):

	Principal	Interest	Total
Year Ending June 30			
2013	$62,760	32,340	$95,100
2014	38,980	29,469	68,449
2015	36,445	28,143	64,588
2016	35,905	26,841	62,746
2017	35,760	25,528	61,288
2018-2022	194,610	105,708	300,318
2023-2027	195,405	64,870	260,275
2028-2032	139,815	26,687	166,502
2033-2037	58,310	5,545	63,855
2038	1,420	28	1,448
Less: Unamortized Discount	(47)	-	(47)
Add: Unamortized Premium	7,527	-	7,527
Add: Unamortized Refunding Gain (Loss)	1,599	-	1,599
Total	**$808,489**	**345,159**	**$1,153,648**

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.

NOTE PAYABLE

The University has a note payable with an interest rate of 1.239% per annum. The note will mature as follows (in thousands):

	Principal	Interest	Total
Year Ending June 30			
2013	$-	112	$112
2014	-	112	112
2015	5,000	84	5,084
Total	**$5,000**	**308**	**$5,308**

CAPITAL LEASES PAYABLE

Capital leases outstanding at June 30, 2012, are as follows (in thousands):

	Interest Rates	Lease Period	Amount
Capital Lease			
Medical Education and Biomedical Research Facility*	2.00%–5.38%	2009–2023	$30,390
John and Mary Pappajohn Biomedical Discovery Building*	2.00%–4.38%	2013–2037	20,885
Oakdale Research Park*	2.23%	2006–2021	6,327
Plaza Centre One*	4.59%	2004–2016	648
Roy J. and Lucille A. Carver Biomedical Research Bldg*	2.00%–4.75%	2011–2030	42,085
Old Capitol Town Center*	3.50%–4.70%	2006–2031	29,620
University Athletic Club*	5.05%	2009–2016	4,802
College of Public Health*	2.00%–4.25%	2011–2030	19,420
Total			$154,177

**These capital leases are with The University of Iowa Facilities Corporation (UIFC), a wholly owned subsidiary of The University of Iowa Foundation. UIFC has issued revenue bonds for these facilities that have as their sole source of repayment the proceeds of these capital leases. The University of Iowa Foundation has characterized the bonds as conduit debt obligations and omitted them from the University of Iowa Foundation's financial statements. Although these bonds have characteristics of conduit debt, GASB has stated such debt is not conduit debt when the issuer (University of Iowa Foundation) and the beneficiary (University of Iowa) are within the same financial reporting entity. The University of Iowa Foundation did not include the liability for the bonds and the due from University of Iowa in its financial statements. Because there is no significant effect on the net assets of the University of Iowa Foundation or the University of Iowa as a result of the Foundation's reporting, the financial statements have been prepared to reflect the reporting method used by the Foundation in its annual financial statements for the year ended June 30, 2012.*

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

	Principal	Interest	Total
Year Ending June 30			
2013	$9,104	5,892	$14,996
2014	9,518	5,486	15,004
2015	9,779	5,191	14,970
2016	16,896	4,744	21,640
2017	8,945	4,329	13,274
2018-2022	41,745	16,925	58,670
2023-2027	33,275	10,001	43,276
2028-2032	23,955	4,180	28,135
2033	960	129	1,089
Total	$154,177	56,877	$211,054

Assets acquired under these capital leases had a net book value of $170,194,000 as of June 30, 2012.

VI. 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 2013 to fiscal year 2032, 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, 2012 (in thousands).

	Amount
Year Ending June 30	
2013	$8,953
2014	5,974
2015	4,690
2016	3,751
2017	2,120
2018-2022	4,200
2023-2027	1,728
2028-2032	171
Total	$31,587

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, 2012, for all operating leases, except those with terms of a month or less that were not renewed, totaled $9,082,000.

VII. 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, 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. The Board of Regents approved a temporary reduction of the University required contribution from November 2009 through June 2011. During this period of time the University, through the fifth year of employment, was required to contribute 5.33% of the first $4,800 of earnings and 8% on earnings above the $4,800. Upon completion of five years of service, the University was required to contribute 8% on all earnings. During fiscal years 2012 and 2011, the University's required and actual contribution amounted to $97,528,000 and $74,154,000, respectively. During fiscal years 2012 and 2011, the employees' required and actual contribution amounted to $48,764,000 and $46,332,000, respectively.

IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM

The University contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Plan members are required to contribute 5.38%, 4.50%, and 4.30%, respectively, of their annual covered salary and the University is required to contribute 8.07%, 6.95%, and 6.65%, respectively, of annual covered payroll for the years ended June 30, 2012, 2011 and 2010. Contribution requirements are established by State statute. The required contribution paid by employees for the years ended June 30, 2012, 2011, and 2010 were $2,535,000, $1,576,000, and $1,070,000, respectively. The University's required contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were $3,802,000, $2,428,000, and $1,654,000, respectively, equal to required contributions for each year.

VIII. Post-Employment Benefits

EARLY RETIREMENT

The early retirement programs were approved by the Board of Regents in April, 2009, and in March, 2010. Those eligible for participation were faculty, professional-scientific employees, institutional officials, staff of the Board Office and all merit system employees employed by the Board of Regents who had attained the age of 57 by July 1, 2009 for the 2009 program and age 55 at time of termination and at least 10 years of service for the 2010 program. 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/CREF 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 $7,926,000 as of June 30, 2012, calculated on merit, faculty and P & S employee personnel. 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. During fiscal year 2012, retirement expenditures for the four hundred twenty-one (421) participants in the early retirement incentive program totaled $3,624,000.

REGULAR RETIREMENT

The University implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB), for the fiscal year ended June 30, 2008. The Statement 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 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 2012 were $4,250,000 with 1,589 eligible participants as of June 30, 2012. Life insurance total expenditures for fiscal year 2012 were $53,000 with 2,986 eligible participants as of June 30, 2012.

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

For fiscal year 2012, the University contributed $8.5 million to the plan. Plan members receiving benefits contributed 43 percent of the premium costs. In fiscal year 2012, total member contributions were $6.5 million.

The University currently plans to continue to finance retiree healthcare benefits on a pay-as-you-go basis from internal University monies. However, the University plans to earmark internal assets in the amount of 65 percent of the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The University will amortize the initial unfunded accrued liability (UAL) over an open thirty year period. The 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 $15.8 million is 1.9% of annual payroll.

The following table presents the OPEB obligation for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2012 (in thousands):

Annual Required Contribution	$15,770
Interest on Net OPEB Obligation	1,757
Adjustment to Annual Required Contribution	(1,394)
Annual OPEB Cost (Expense)	$16,133
Contributions Made	(8,543)
Increase in Net OPEB Obligation	$7,590
Net OPEB Obligation - Beginning of Year	25,289
Net OPEB Obligation - End of Year	$32,879

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations are summarized as follows (in thousands):

	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Fiscal Year Ended			
6/30/10	$14,224	46.0%	$18,221
6/30/11	$15,230	53.6%	$25,289
6/30/12	$16,133	53.0%	$32,879

FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2012, the actuarial accrued liability (AAL) for benefits was $151.8 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $151.8 million. The covered payroll (annual payroll of active employees covered by the plan) was $836.8 million and the ratio of the UAAL to the covered payroll was 18.1%. As of June 30, 2012, 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 following the segments, 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, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 6.95% discount rate based on the University's funding policy (earmarking 65% of the ARC internally) and the expected long-term returns on the University's internal capital. The projected annual healthcare trend rate is 8% initially, reduced in increments to an ultimate rate of 5% after six years. The expected long-term payroll growth rate was assumed to be 3.5% 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, vision and hearing aid insurance under the Consolidated Omnibus Budget Reconciliation Act of 1985, modified by the Tax Reform Act and the Budget Reconciliation Act of 1986.

Three hundred ninety-eight (398) 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 $378.0 million for the State of Iowa at June 30, 2012. The University's portion of the unfunded actuarial accrued liability is not separately determinable.

Details of the OPEB Plan are provided on a state-wide basis and are available in the State of Iowa's Comprehensive Annual Financial Report for the year ended June 30, 2012. The report may be obtained by writing to the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

The University recognized a net OPEB liability of $16.1 million 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 $32.9 million for its retiree benefit plan and a liability of $16.1 million for its allocated portion of the State's net OPEB liability, for a total net OPEB liability of $49.0 million.

IX. Other Commitments and Risk Management

COMMITMENTS

At June 30, 2012 and 2011, the University had outstanding construction contract commitments of $264,978,000 and $197,510,000, respectively.

RISK MANAGEMENT

Following are risk financing and insurance related issues as defined by GASB Statement No. 10.

Property Loss—The University purchases catastrophic property insurance for academic/general funded facilities with a single incident deductible of $2 million, which in the event of a claim, the State provides payment for pursuant to Chapter 29C.20 of the Code of Iowa. A contingent fund exists under Chapter 29C.20 of the Code of Iowa to provide compensation for loss or damage to state property. Claims over $5,000 may be submitted to the State Executive Council for consideration. The University also purchases commercial property insurance for auxiliary enterprise facilities including Athletics, Utilities, Parking, Residence Halls and Family Housing, Laundry, Printing, Telecommunications, the Iowa Memorial Union, Virgil M. Hancher Auditorium and the University of Iowa Hospitals & Clinics. The University's annual limit is $1.5 billion, the maximum available on the November 1, 2011 renewal.

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

Utility System specific coverage is as follows:	
Utility System Operations Building & Content	$714,703,000
Power Plant Building & Content	$189,766,000

Telecommunications Facilities premium is based on the following values:	
Building	$30,027,000
Contents	$7,945,000
Income	$5,758,000

Liability Loss—The State Appeal Board, subject to the advice and approval of the Attorney General, is authorized to settle tort liability claims against the State as set forth in Chapter 669 of the Code of Iowa. Tort liability claims settled in excess of $5,000 must have the unanimous approval of all the members of the Appeal Board, the State Attorney General and the District Court of the State of Iowa for Polk County. 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 Board of Regents' institutions cooperatively self-insure for automobile liability and physical damage coverage. The Board of Regents' self-insured program covers liability losses up to $250,000 per claim. Claims over $250,000 are self-insured 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-insured program. Each loss is subject to a $500 deductible.

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.

Fidelity/Crime Coverage—The State maintains an employee fidelity bond where the first $100,000 in losses is the responsibility of the University. Under the State coverage, losses in excess of the $100,000 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 bond provides an additional $8,000,000 in coverage over the state bond.

College of Medicine Faculty Malpractice Claims—Based on actuarial analysis, the College of Medicine has incurred a cumulative probable loss of $13,129,000 as of June 30, 2012. Since May 26, 2004, the College of Medicine Faculty malpractice insurance coverage was provided by IMMIC, a wholly-owned captive insurance company. The College of Medicine University of Iowa Physicians (UIP) maintains a self-insured retention (SIR) of $3 million per event and each IMMIC policy covers an additional $2 million per event above the SIR. The State of Iowa provides malpractice insurance coverage for claims in excess of $5 million per occurrence and $9 million in the aggregate per fiscal year.

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 $9,986,000 as of June 30, 2012.

Reconciliation of Loss Contingencies (in thousands)—

	FY 2012	FY 2011
Claims and contingent liabilities accrued at July 1	$25,654	$29,107
Claims incurred and contingent liabilities accrued for the current year	137,289	126,373
Payments on claims during the fiscal year	(139,827)	(129,826)
Claims and contingent liabilities at June 30	$23,116	$25,654

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.

X. Debt Defeasance

In August of 2011, the University issued $10,195,000 of Utility System Revenue Refunding Bonds, Series S.U.I. 2011, with an average interest rate of 2.389% and accrued interest of $19,000 to advance refund $9,915,000 of outstanding Utility System Revenue Bonds, Series S.U.I 2002 with interest rates ranging between 4.00% and 5.00%.

Net bond proceeds of $10,314,000 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 Bonds, Series S.U.I 2002 will be called on November 1, 2012.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $1,044,000; and reduced the aggregate debt service payments by $1,142,000 over the next eleven years.

In November of 2011, the University issued $20,355,000 of Hospital Revenue Refunding Bonds, Series S.U.I. 2011A, with an average interest rate of 3.769% and accrued interest of $40,000 to advance refund $19,780,000 of outstanding Hospital Revenue Bonds, Series S.U.I 2002 with interest rates ranging between 4.125% and 5.00%.

Net bond proceeds of $20,734,000 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 Hospital Revenue Bonds, Series S.U.I 2002 will be called on September 1, 2012.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $1,434,000; and reduced the aggregate debt service payments by $1,819,000 over the next seventeen years.

In June of 2012, the University issued $16,340,000 of Dormitory Revenue Refunding Bonds, Series S.U.I. 2012, with an average interest rate of 3.882% to advance refund $17,500,000 of outstanding Dormitory Revenue Bonds, Series S.U.I 2003 with interest rates ranging between 4.00% and 4.65%.

Net bond proceeds of $17,968,000 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 Dormitory Revenue Bonds, Series S.U.I 2003 will be called on July 1, 2013.

The advance refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $1,416,000; and reduced the aggregate debt service payments by $1,600,000 over the next twelve years.

The amount of defeased debt outstanding but removed from the Statement of Net Assets at June 30, 2012, is as follows:

	Amount (in thousands)
Bond Issues	
Hospital	$19,780
Utility	9,915
Residence Services	17,500
Total	$47,195

XI. Operating Expenses By Function

A summary of operating expenses by functional classification for the year ended June 30, 2012 follows (in thousands):

	Compensation & Benefits	Supplies	Other	Depreciation & Amortization	Total
Instruction	$305,036	10,449	21,102	-	$336,587
Research	193,854	34,932	61,280	-	290,066
Public service	38,579	6,122	24,911	-	69,612
Academic support	122,136	6,004	9,720	-	137,860
Patient services	724,276	235,690	205,446	-	1,165,412
Student services	21,043	1,650	7,516	-	30,209
Institutional support	54,590	5,140	15,094	-	74,824
Operations and maintenance of plant	897	1,043	76,349	-	78,289
Scholarships and fellowships	14,457	-	14,705	-	29,162
Depreciation and amortization	-	-	-	160,079	160,079
Auxiliary enterprises	73,792	17,215	74,060	-	165,067
Other operating expenses	5,117	1,184	(1,957)	-	4,344
Total	$1,553,777	319,429	508,226	160,079	$2,541,511

XII. Restricted Net Assets

A summary of restricted net assets follows (in thousands):

	June 30, 2012	June 30, 2011
Restricted - nonexpendable:		
Permanent endowment	$92,655	$72,752
Restricted - expendable:		
Research and gifts	$65,072	$67,298
Student loans	19,672	21,312
Term endowments	31,961	37,983
Capital projects:		
Sinking	30,794	33,428
Reserve	68,312	66,911
Renewal & replacement	19,415	23,587
Total	$235,226	$250,519

The Foundation's temporarily restricted net assets at June 30, 2012 and 2011 were restricted for the following (in thousands):

	June 30, 2012	June 30, 2011
Program support	$146,522	$154,754
Student aid	68,198	83,123
Faculty/staff support	75,027	92,020
Capital/equipment	57,097	70,199
Research	60,041	66,581
Remainder interest in trusts	18,386	18,341
Total	$425,271	$485,018

The Foundation's net assets during the years ended June 30, 2012 and 2011 were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence or passage of time.

The Foundation's permanently restricted net assets at June 30, 2012 and 2011 were restricted for the following (in thousands):

	June 30, 2012	June 30, 2011
Undesignated	$6,858	$6,873
Program support	87,489	84,803
Student aid	154,896	149,346
Faculty/staff support	175,249	172,019
Capital/equipment	8,377	8,347
Research	62,489	60,177
Perpetual trusts	6,460	6,560
Remainder interest in trusts	8,198	9,436
Total	$510,016	$497,561

XIII. Subsequent Events

In August 2012, the University received approval from the State Board of Regents to issue University of Iowa Facilities Corporation Revenue Bonds, (John and Mary Pappajohn Biomedical Discovery Building Project) Series 2012 in the amount of $27,000,000 for the purpose of funding the costs of constructing and equipping the John and Mary Pappajohn Biomedical Discovery Building, to fund a debt service reserve fund, and to pay the costs of issuing the Bonds; this is the second of two series of bonds for this project. These bonds will bear interest at varying rates between 2.0% and 3.30% and will mature in varying amounts from June 1, 2014 through June 1, 2038. The University of Iowa Facilities Corporation was incorporated in 1967 as a not-for-profit supporting organization of the University of Iowa Foundation to assist in maintaining, developing, increasing, and extending the facilities and services of the University of Iowa. Although the bonds would be issued by the Facilities Corporation, they are deemed by Internal Revenue Service rulings to be issued "on behalf" of the Board of Regents and the State of Iowa.

The Board must, therefore, approve the sale and terms of the bonds. The Corporation's interest in the facility will be leased to the Board during the term of the bonds. Upon retirement of the bonds, the portion of the facility financed by the Facilities Corporation will be conveyed to the University, subject to approval of the Board of Regents.

In August 2012, the University received approval from the State Board of Regents to issue Dormitory Revenue Bonds, Series S.U.I. 2012A in the amount of $29,000,000 in August 2012 for the purpose of paying a portion of the costs of constructing and equipping a new residence hall for student housing and related facilities, funding a debt service reserve fund, and paying the costs of issuing said Bonds. These bonds will bear interest at varying rates between 3.0% and 3.125% and will mature in varying amounts from July 1, 2014 through July 1, 2033.

The Board of Regents, on behalf of the University, has entered into a Master Lease Agreement with Wells Fargo Bank whereby the University, Iowa State University of Science and Technology, and the University of Northern Iowa may from time to time finance real and personal property over a three to ten-year term on an annual appropriation lease basis. As of August 1, 2012, the University has $1,825,000 outstanding under the Master Lease Agreement. The University's Note will bear interest at 1.60% for five (5) years with monthly principal and interest payments beginning September 1, 2012.

In September 2012, the University received approval from the State Board of Regents to issue Hospital Revenue Bonds, Series S.U.I. 2012 in the amount of $190,000,000 in September 2012 for the purpose of constructing, improving, remodeling, repairing, furnishing, and equipping a new children's hospital at the University of Iowa Hospitals and Clinics on the campus of The State University of Iowa, funding a debt service reserve fund and paying the costs of issuing said Bonds. These bonds will bear interest at 4.00% and will mature in varying amounts from September 1, 2014 through September 1, 2038.

In October 2012, the University received approval from the State Board of Regents to issue Academic Building Revenue Bonds, Series S.U.I. 2012 in the amount of $26,830,000 in November 2012 for the purpose of paying at maturity the Board's $27,025,000 Academic Building Revenue Flood Anticipation Project Notes, Series S.U.I. 2009, dated December 1, 2009, to fund a debt service reserve fund and to pay the costs of issuance. These bonds will bear interest at varying rates between 2.0% and 3.0% and will mature in varying amounts from July 1, 2014 through July 1, 2033.

XIV. 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 student fees, tickets sold to athletic events and concessions at 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.

STUDENT HEALTH FACILITY REVENUE BONDS

The Student Health Facility Revenue Bond Funds were created to defray the costs of constructing, improving, and equipping a student health center at the University. The revenues pledged to these bonds consist of student fees and charges.

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.

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

TRANSFERS 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)

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Center for University Advancement Revenue Bonds	Hospital Revenue Bonds	IMU Revenue Bonds	Parking System Revenue Bonds	Recreational Facilities Revenue Bonds	Residence Services Revenue Bonds	Student Health Facility Revenue Bonds	Telecomm. Facilities Revenue Bonds	Utility System Revenue Bonds
CONDENSED STATEMENT OF NET ASSETS											
Assets:											
Current assets	$38,226	$25,858	$788	$343,791	$8,206	$719	$9,347	$25,771	$6,364	$8,865	$54,311
Capital assets	364,641	134,918	8,435	566,046	30,250	51,652	88,690	99,030	4,675	35,047	229,583
Other noncurrent assets	11,161	13,228	929	611,992	784	13,631	5,342	2,842	-	8,812	14,945
Total assets	414,028	174,004	10,152	1,521,829	39,240	66,002	103,379	127,643	11,039	52,724	298,839
Liabilities:											
Current liabilities	43,419	25,203	738	157,574	4,167	4,755	5,179	8,385	813	5,395	13,507
Noncurrent liabilities	94,636	146,152	5,075	202,267	8,100	18,351	73,559	41,846	-	40,377	170,113
Total liabilities	138,055	171,355	5,813	359,841	12,267	23,106	78,738	50,231	813	45,772	183,620
Net Assets:											
Invested in capital assets, net of related debt	237,145	(15,179)	2,750	405,962	21,685	31,933	13,306	53,824	4,331	(5,914)	70,009
Restricted - expendable	38,828	17,532	1,589	5,707	1,299	3,272	10,991	17,285	345	7,621	34,295
Unrestricted	-	296	-	750,319	3,989	7,691	344	6,303	5,550	5,245	10,915
Total net assets	$275,973	$2,649	$4,339	$1,161,988	$26,973	$42,896	$24,641	$77,412	$10,226	$6,952	$115,219
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS											
Operating revenues	$308,546	$32,960	$ -	$1,098,293	$16,429	$16,411	$3,964	$63,685	$1,402	$24,253	$83,654
Depreciation expense	(21,164)	(5,337)	(901)	(69,724)	(1,145)	(2,671)	(3,000)	(5,729)	(369)	(1,503)	(12,120)
Other operating expenses	(961)	(14,432)	-	(981,873)	(19,970)	(11,423)	(6,534)	(50,531)	(6,063)	(19,435)	(53,612)
Net operating income (loss)	286,421	13,191	(901)	46,696	(4,686)	2,317	(5,570)	7,425	(5,030)	3,315	17,922
Nonoperating revenues (expenses)	4,259	(4,871)	(249)	23,720	2,654	(678)	285	203	49	(1,371)	406
Transfers from/(to) University funds	(317,459)	(9,032)	843	(15,467)	4,006	634	5,842	(2,042)	6,442	(2,309)	(4,193)
Change in net assets	(26,779)	(712)	(307)	54,949	1,974	2,273	557	5,586	1,461	(365)	14,135
Net assets, beginning of year	302,752	3,361	4,646	1,107,039	24,999	40,623	24,084	71,826	8,765	7,317	101,084
Net assets, end of year	$275,973	$2,649	$4,339	$1,161,988	$26,973	$42,896	$24,641	$77,412	$10,226	$6,952	$115,219
CONDENSED STATEMENT OF CASH FLOWS											
Net cash provided (used) by operating activities	$307,938	$16,659	$ -	$120,508	$(3,427)	$6,306	$(2,543)	$13,237	$(4,670)	$4,335	$32,000
Net cash provided (used) by noncapital financing activities	(298,122)	(9,237)	843	(15,113)	790	(1,069)	346	(1,914)	(61)	(3,518)	(13,845)
Net cash provided (used) by capital and related financing activities	(18,388)	(17,418)	(878)	(106,807)	2,683	(12,444)	(346)	(13,639)	5,513	(9,660)	(1,664)
Net cash provided (used) by investing activities	984	(66)	22	1,803	(23)	3,226	2,145	3,510	1,522	(1,272)	(12,555)
Net increase (decrease) in cash	(7,588)	(10,062)	(13)	391	23	(3,981)	(398)	1,194	2,304	(10,115)	3,936
Cash and cash equivalents, beginning of year	18,467	33,183	787	1,428	666	3,981	9,579	19,946	3,725	16,793	32,064
Cash and cash equivalents, end of year	$10,879	$23,121	$774	$1,819	$689	$ -	$9,181	$21,140	$6,029	$6,678	$36,000
DEBT SERVICE COVERAGE											
Debt service coverage % - Required	N/A	125%	100%	130%	120%	120%	125%	135%	120%	110%	120%
Debt service coverage % - Actual	N/A	194%	100%	1,216%	161%	267%	157%	343%	1,888%	154%	201%
PORTION OF REVENUE PLEDGED											
Annual debt service (principal & interest)	$11,953	$10,187	$865	$9,571	$813	$2,205	$5,109	$4,717	$361	$4,089	$15,614
Net pledged revenue	308,639	19,793	865	116,420	1,311	5,896	8,006	16,163	1,272	6,289	31,427
Annual debt service/Net operating revenues (%)	4%	51%	100%	8%	62%	37%	64%	29%	28%	65%	50%

A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2012 is as follows:

REVENUE BONDS PAYABLE	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Center for University Advancement Revenue Bonds	Hospital Revenue Bonds	IMU Revenue Bonds	Parking System Revenue Bonds	Recreational Facilities Revenue Bonds	Residence Services Revenue Bonds	Student Health Facility Revenue Bonds	Telecomm. Facilities Revenue Bonds	Utility System Revenue Bonds
Beginning Balance	$135,239	$153,532	$6,295	$128,247	$9,015	$21,089	$76,822	$45,999	$675	$46,037	$163,861
Additions	-	-	-	47,322	-	-	-	19,319		-	35,772
Deductions	6,653	3,435	610	23,559	450	1,370	1,438	20,112	330	3,135	19,643
Ending Balance	$128,586	$150,097	$5,685	$152,010	$8,565	$19,719	$75,384	$45,206	$345	$42,902	$179,990

A summary of bond debt service for payment of principal and interest is shown below. As of June 30, 2012, the amount shown for debt service payments due on July 1st were on hand.

DEBT SERVICE REQUIREMENTS	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Center for University Advancement Revenue Bonds	Hospital Revenue Bonds	IMU Revenue Bonds	Parking System Revenue Bonds	Recreational Facilities Revenue Bonds	Residence Services Revenue Bonds	Student Health Facility Revenue Bonds	Telecomm. Facilities Revenue Bonds	Utility System Revenue Bonds
Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Mar & Sep 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	May & Nov 1st
Due on demand	$10	-	-	-	-	-	-	-	-	-	-
2013	38,841	10,111	853	11,862	804	2,178	5,079	4,564	353	3,946	16,500
2014	10,170	10,185	862	12,102	801	2,173	5,923	4,598	-	4,368	17,266
2015	9,082	10,625	859	12,101	803	2,179	5,995	4,625	-	3,811	14,508
2016	9,098	10,596	850	12,064	803	2,175	4,856	4,632	-	3,113	14,559
2017	8,203	10,618	853	12,083	802	2,174	4,979	4,614	-	2,395	14,568
2018-2022	40,292	53,870	2,516	60,298	4,029	9,200	26,371	21,589	-	11,941	70,212
2023-2027	33,162	55,383	-	59,876	3,253	5,493	26,854	5,280	-	12,068	58,906
2028-2032	17,388	53,866	-	31,596	-	-	25,116	-	-	12,273	26,262
2033-2037	1,564	13,155	-	11,845	-	-	14,808	-	-	9,046	13,437
2038	-	-	-	-	-	-	-	-	-	-	1,448
Unamortized Discount, Premium, Refunding Gain/Loss	381	577	-	1,130	-	374	184	4,046	-	392	1,995
Total Principal and Interest	$168,191	$228,986	$6,793	$224,957	$11,295	$25,946	$120,165	$53,948	$353	$63,353	$249,661

As of June 30, 2012, the University has entered into contract commitments for construction projects as follows:

COMMITMENTS	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Center for University Advancement Revenue Bonds	Hospital Revenue Bonds	IMU Revenue Bonds	Parking System Revenue Bonds	Recreational Facilities Revenue Bonds	Residence Services Revenue Bonds	Student Health Facility Revenue Bonds	Telecomm. Facilities Revenue Bonds	Utility System Revenue Bonds
Contract Commitments	$40,079	$1,742	-	$88,393	$2,210	$563	$41	$9,590	-	$514	$14,544

Required Supplementary Information
June 30, 2012

The following schedule represents the University's actuarially determined funding progress using the projected unit credit actuarial cost method. See Note VIII 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)

Fiscal Year Ended	*Valuation Date*	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
6/30/10	7/1/09	-	$136,939	$136,939	0.00%	$828,488	16.5%
6/30/11	7/1/10	-	$143,831	$143,831	0.00%	$822,594	17.5%
6/30/12	7/1/11	-	$151,820	$151,820	0.00%	$836,794	18.1%

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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 Controller's Office, University of Iowa, B5 Jessup Hall, Iowa City, IA 52242 or phone 319-335-0062. An electronic version can be found at http://www.uiowa.edu/~fusas/annualreports.


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