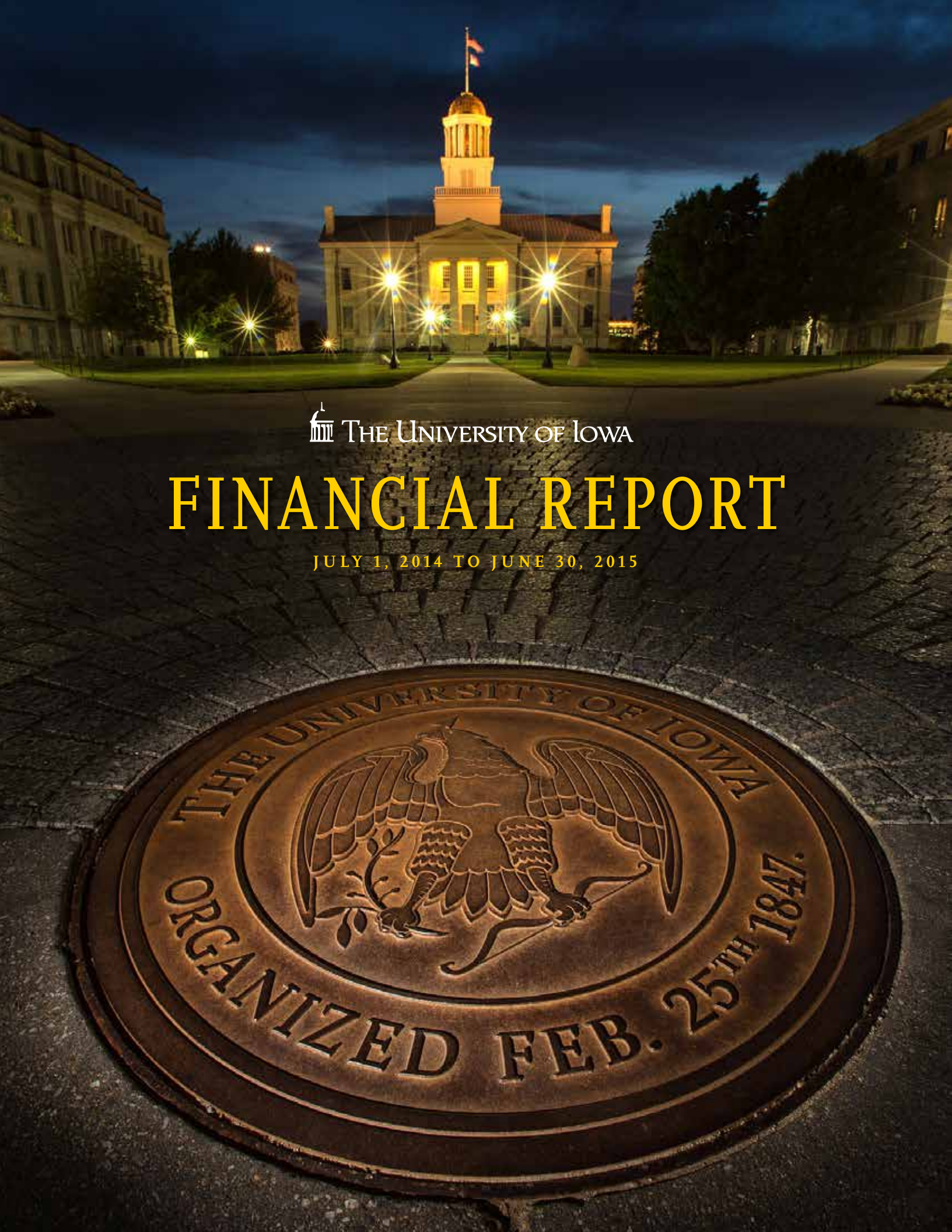


THE UNIVERSITY OF IOWA

FINANCIAL REPORT

JULY 1, 2014 TO JUNE 30, 2015

TABLE OF CONTENTS

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 2015

University of Iowa achievements during fiscal year 2015 include:

- Recruiting the University's 21st president—Bruce Harreld appointed in September 2015
- Enrolling another record first-year undergraduate class (5,241 students, up from 4,666 in fall 2014)
- Opening the 501-bed Peterson Residence Hall, the first new University residence hall since 1968
- Implementing TIER initiatives aimed at improving efficiency in information technology, finance, human resources, and academic support
- Developing new programs in the Des Moines area, including at the former AIB campus gifted to the University

ENROLLMENT

Group	Fall 2015	Fall 2014
Total students	32,150	31,387
Undergraduates	23,357	22,354
Graduate and professional	8,793	9,033
Iowa residents	54.5%	54.3%
Total non-residents	45.5%	45.7%
International students	12.8%	12.1%
Minority enrollment	16.7%	15.2%

EMPLOYMENT

Group (by FTEs)	Fall 2015	Fall 2014
Total faculty and staff	23,183	22,748
Tenure-track faculty	1,552	1,598
Clinical-track faculty	675	610
Postdoctoral and other faculty	711	709
Professional and scientific staff	9,108	8,583
Merit staff	4,284	4,358
Residents	796	748
Graduate assistants	2,367	2,405
Temporary	3,690	3,737

The Iowa Memorial Union has been fully reopened following the 2008 flood, including a new terrace overlooking the Iowa River.

EXTERNAL SUPPORT AND GIVING

The University reported strong grants and contracts support during 2015:

- Fiscal year 2015 grants and contracts: **$565 million**
- Number of grants and contracts awarded: **2,240**

The University and the UI Foundation marked significant progress toward goals for the *For Iowa. Forever More.* comprehensive fund-raising campaign:

- Campaign gifts raised by June 30, 2015: **$1,499,347,388**
- Percentage of $1.7 billion campaign goal: **88%**
- Number of campaign donors: **approximately 183,000**
- Combined value of University and UI Foundation endowments: **$1.27 billion**

RECENT RANKINGS

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

- *U.S. News & World Report* rank among 200-plus U.S. public universities: **34**
- *U.S. News* rank among best global universities: **128**
- Number of graduate programs ranked among the top 25 of their kind by *U.S. News*: **25**
- *U.S. News* rank among Iowa hospitals: **1**
- Number of medical specialties on *U.S. News* "Best Hospitals" list: **7**
- Number of pediatric specialties ranked by *U.S. News*: **9**

A statue of Herky, the UI mascot, stands proud in a renovated area of the IMU.

Message from Interim University Chief Financial Officer and Treasurer, Terry L. Johnson

PRESIDENT HARRELD AND MEMBERS OF THE BOARD OF REGENTS:

I am pleased to present the University of Iowa's audited Financial Report for fiscal years ended June 30, 2015 and June 30, 2014. The University remains financially sound with net position increasing by $269.4 million (7.6%) during fiscal year 2015. Continued strong credit ratings by Moody's (Aa1) and Standard & Poor's (AA), both with a stable outlook, are important indicators of the institution's financial health.

Quality and ease of access are critical for a successful public university. The University of Iowa is recognized as a "best buy" in several national college guides. Resident student undergraduate tuition and fees remain among the lowest in the University's peer group, nearly $4,000 less than the Big Ten public institution average. The focus on value, student success, and academic excellence yielded the largest enrollments in the history of the University over the past four academic years. The enrollment for the fall of 2015 yielded another record-setting year when the University welcomed its largest, most academically accomplished and diverse undergraduate class in history. The class of 2019 is made up of 5,241 students, 575 more students than in fall 2014. The University continues to attract a significant number of non-resident and international undergraduate students while vigorously recruiting all eligible Iowans. Indeed, the University of Iowa is working hard to reach out and make its presence known in every county, every state and in many countries throughout the world.

Educate to Career ranks the University 27th overall amongst all public and private universities in the U.S. for adding economic value to its graduates. This ranking takes into consideration the average net cost of attendance for in-state students, jobs and salary data of recent graduates, loan default rates and graduation rates. The University's ranking is the second highest among Big Ten universities and the highest amongst all colleges and universities within the state of Iowa.

The University of Iowa Hospitals & Clinics (UIHC) continues to be recognized by the U.S. News & World Report as the top hospital in the state of Iowa and in the top 3% of all U.S. hospitals. Forbes Magazine recently published a listing of America's best employers and acknowledged UIHC as the top health care employer in the country and the 12th best employer overall. To enable UIHC to continue as one of the nation's best hospitals, the Board of Regents authorized the new Children's Hospital which is expected to open in late 2016 or early 2017. Supporting this initiative to give Iowa the very best children's medical services is UIHC's strong financial performance reflected in its positive and consistent operating margin (6.4% in fiscal year 2015).

Expense management and operational efficiency have never been more important to maintain our quality and competitiveness. Building on our history of continual process improvement, the University of Iowa is an active participant in the Board of Regents TIER reviews pointed toward transformational change and improvement. Project teams are implementing finance shared services centers, IT centralization projects and improving the HR delivery model. Also in progress are projects that will improve and streamline the academic enterprise. Some examples include, course scheduling, improved classroom utilization, better enrollment management and enhancing the number of e-learning offerings.

Calendar year 2016 is shaping up to be a very transformative year for our University. Bruce Harreld, the University of Iowa's newly appointed President, will begin to work with the University community to develop a shared vision for the University. In addition to this change in leadership the campus will see dramatic changes to the campus landscape with the opening of the new School of Music, Studio Arts Building and our new Hancher Performing Arts Center. These facilities will help propel the arts to new heights at the University of Iowa.

We hope you agree that there is much to be proud of at your University. The following financial information in the report of the Auditor of State and in the "Management Discussion and Analysis" section is a very good recap of the University's performance over the last year.

Very truly yours,

Terry L. Johnson
Interim University Chief Financial Officer and Treasurer

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying Statement of Net Position, and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows, of the State University of Iowa, Iowa City, Iowa, (University of Iowa) and its aggregate discretely presented component units as of and for the years ended June 30, 2015 and 2014, and the related Notes to Financial Statements, which collectively comprise the University of Iowa's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Iowa Research Foundation, the State University of Iowa Foundation and Affiliates and the University of Iowa Health System and Subsidiaries, discussed in Note 1, which represent 100% of the assets, net position and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those financial statements, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with Government Auditing Standards.

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

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Iowa and its aggregate discretely presented component units as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years ended June 30, 2015 and 2014 in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in Note 1, the financial statements of the University of Iowa are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of the University of Iowa. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2015 and 2014 and the changes in its financial position and its cash flows for the years ended June 30, 2015 and 2014 in conformity with U.S. generally accepted accounting principles.

As discussed in Note 15 to the financial statements, the University of Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the University's Proportionate Share of Net Pension Liability, the Schedule of University Contributions and the Schedule of Funding Progress by Valuation Date on pages 7 through 17 and 68 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

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

Mary Mosiman

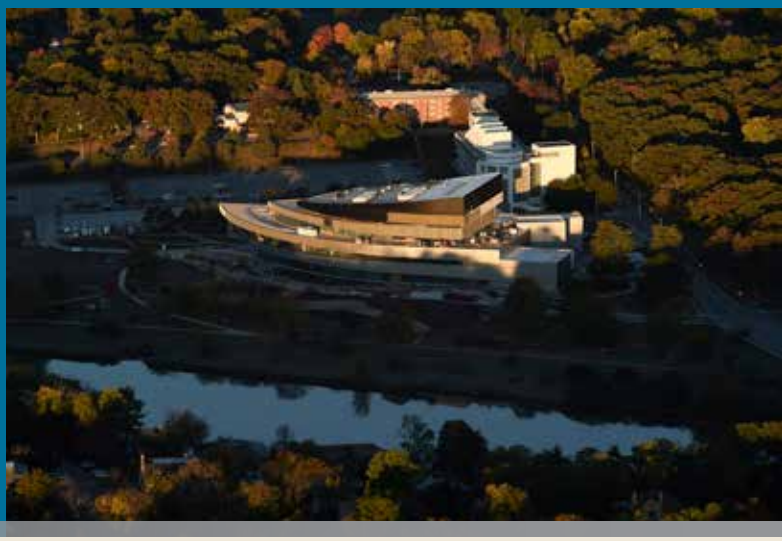
MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 10, 2015

Management's Discussion and Analysis



Left: Construction of the new Hancher Auditorium, scheduled to open to the public in 2016, is nearing completion. Right: The modern, innovative architecture of the new Hancher makes for a distinctive addition to the landscape.

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, 2015 and 2014. 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, 2015, with assets of $6,061 million and liabilities of $2,263 million as compared to June 30, 2014 assets of $5,778 million and liabilities of $2,207 million. Net position, the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, increased by $269.4 million (7.6%) from July 1, 2014 to June 30, 2015. The increase from June 30, 2013 to June 30, 2014 was $289.1 million (8.8%).

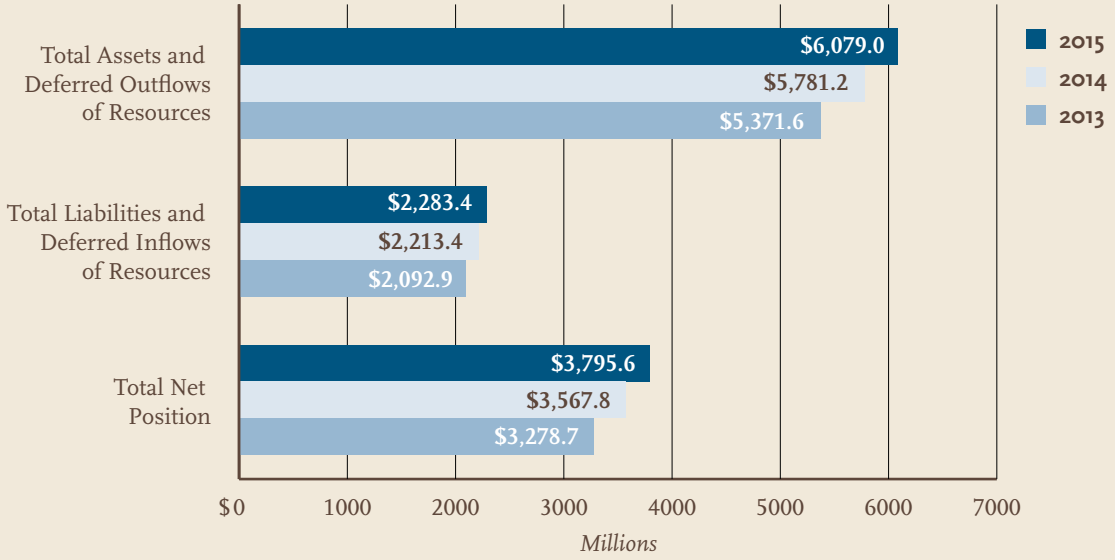
The change in net position reports the financial results during the fiscal year by measuring the relationship between revenues and expenses. It is important to note that public universities such as the University of Iowa generally report an operating loss, as the financial reporting model classifies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

GASB Statement No. 65 Items Previously Reported as Assets and Liabilities was implemented during fiscal year 2014 and required restatement of prior year prepaid expense and unrestricted net position to reduce each for the balance of unamortized bond issuance costs. The bar graphs and tables of Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows have been revised to reflect these adjustments.

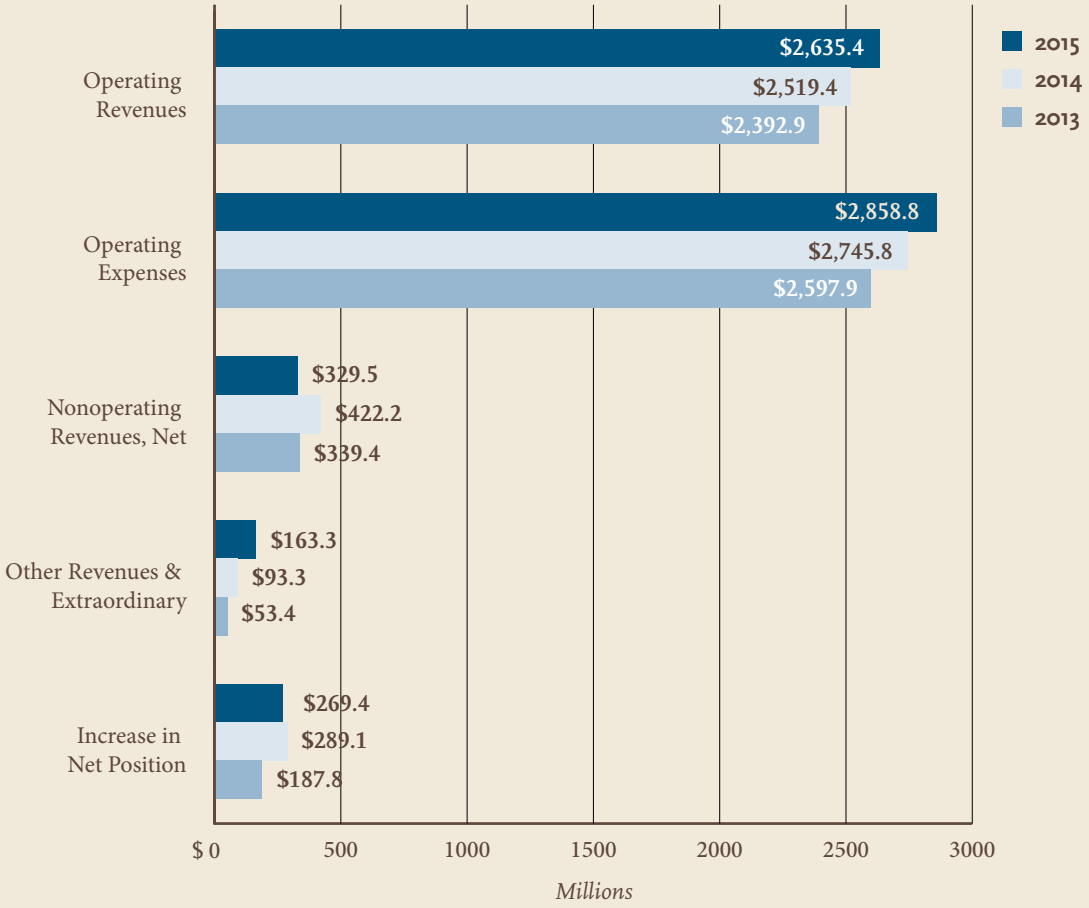
GASB Statement No. 68 Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 2014 was restated by $41.68 million to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for the net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the pension information needed to restate the amounts was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year. See Note 15 for additional information.

The following charts compare Total Assets and Deferred Outflows of Resources, Total Liabilities and Deferred Inflows of Resources, and Total Net Position at June 30, 2015, 2014, and 2013 and the components of changes in Net Position at June 30, 2015, 2014 and 2013.

STATEMENT OF NET POSITION



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION



USING THIS ANNUAL REPORT

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

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

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position present the financial position of the University at the end of the fiscal year and report the University's net position and changes in them during the current fiscal year, respectively. Net position, the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, is one indicator of the current financial condition of the University, while the change in net position over time determines whether the financial health of the University is improving. To assess the overall health of the University, non-financial factors are relevant as well. Such factors include student enrollment, patient volumes, the University's ability to attract and retain qualified faculty and staff and the overall condition of the University's buildings and infrastructure.

These statements are reported under the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid.

The following table summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position for the years ended June 30, 2015, 2014 and 2013.

NET POSITION, END OF YEAR (in millions)

	2015	Not Restated 2014	Not Restated 2013
Assets			
Current assets	$848.7	$776.9	$737.4
Capital assets, net	3,294.9	2,921.9	2,649.6
Other noncurrent assets	1,917.4	2,079.5	1,982.1
Total Assets	6,061.0	5,778.3	5,369.1
Deferred Outflows of Resources	18.0	2.9	2.5
Liabilities			
Current liabilities	749.6	765.2	732.9
Noncurrent liabilities	1,513.1	1,441.5	1,354.9
Total Liabilities	2,262.7	2,206.7	2,087.8
Deferred Inflows of Resources	20.7	6.7	5.1
Net Position			
Net invesetment in capital assets	2,041.1	1,777.5	1,615.4
Restricted	452.7	438.8	412.2
Unrestricted	1,301.8	1,351.5	1,251.1
Total Net Position	$3,795.6	$3,567.8	$3,278.7

The following table summarizes the University's revenues, expenses and changes in net position for the years ended June 30, 2015, 2014 and 2013.

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

	2015	Not Restated 2014	Not Restated 2013
Operating Revenues:			
Tuition and fees, net of scholarship allowances	$377.8	$382.1	$374.8
Grants and contracts	333.9	347.9	352.3
Patient services, net of allowances	1,611.6	1,462.0	1,356.5
Sales and services of educational departments	98.9	102.9	108.3
Auxiliary enterprises, net of scholarship allowances	180.6	179.6	175.3
Other operating revenue	32.6	44.9	25.7
Total Operating Revenues	2,635.4	2,519.4	2,392.9
Operating Expenses:			
Instruction	352.7	349.8	336.0
Research	294.7	297.1	287.3
Academic support	164.6	167.4	163.1
Patient services	1,343.8	1,281.0	1,190.0
Depreciation and amortization	182.7	171.6	167.8
Auxiliary enterprises	172.8	166.7	157.5
Other operating expenses	347.5	312.2	296.2
Total Operating Expenses	2,858.8	2,745.8	2,597.9
Operating (Loss)	(223.4)	(226.4)	(205.0)
Nonoperating Revenues (Expenses):			
State appropriations	247.3	238.1	229.6
Grants and contracts	17.1	15.7	16.1
Investment income, net of investment expenses	18.5	131.8	61.2
Gifts	82.0	83.4	74.1
Interest expense	(33.3)	(35.5)	(36.2)
Loss on disposal of capital assets	(2.1)	(11.3)	(5.4)
Net Nonoperating Revenues (Expenses)	329.5	422.2	339.4
Income Before Other Revenues	106.1	195.8	134.4
Other Revenues:			
Capital appropriations, State	18.3	21.4	19.9
Capital contributions and grants	4.9	8.4	9.2
FEMA reimbursement for capital costs, net of expenses	140.1	63.5	24.3
Net Other Revenues	163.3	93.3	53.4
Increase in Net Position	269.4	289.1	187.8
Net position, beginning of year	3,526.2	3,278.7	3,090.9
Net position, end of year	$3,795.6	$3,567.8	$3,278.7

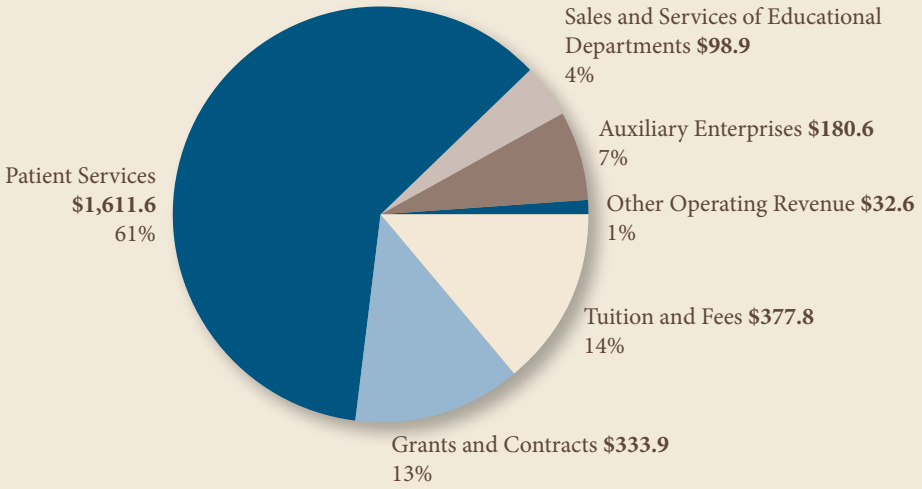
The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in net position for the fiscal year ended June 30, 2015 of $269.4 million (7.6%). During the fiscal year ended June 30, 2015, the University increased operating revenues and operating expenses by 4.6% and 4.1%, respectively. The net result from operating revenues and expenses is an operating loss of 8.5% compared to 9.0% last year. However, after factoring in state appropriations, investment income, gifts and other revenues, the University increased net position by $269.4 million for the year ended June 30, 2015.

During the fiscal year ended June 30, 2015, net nonoperating revenues (expenses) decreased by 22.0%.

OPERATING REVENUES

For the fiscal years (FY) ended June 30, 2015, 2014 and 2013, operating revenues totaled $2,635 million, $2,519 million and $2,393 million, respectively. Operating revenues increased $116 million (4.6%) over FY 2014 revenues. The increase is from patient services. 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, 2015.

FY2015 OPERATING REVENUES $2,635.4 million

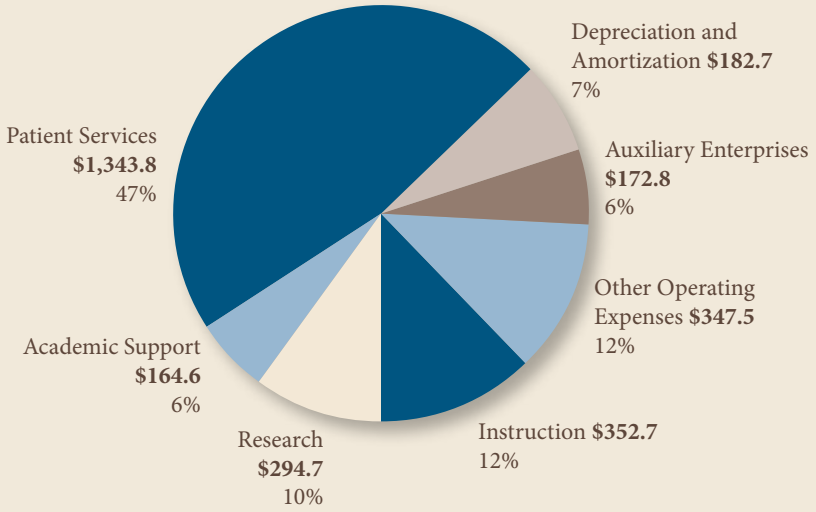


In the most recent National Science Foundation, Higher Education Research and Development survey (2013), the University of Iowa ranked 52nd among public and private universities combined in terms of federally financed expenditures for research and development. Grants, contracts and other sponsored agreements operating revenue exceeded $333 million in FY 2015, $347 million in FY 2014 and $352 million in FY 2013.

OPERATING EXPENSES

For the fiscal years ended June 30, 2015, 2014 and 2013, operating expenses totaled $2,859 million, $2,746 million and $2,598 million, respectively. Operating expenses increased $113 million (4.1%) over FY 2014 expenses. The increase is primarily from patient services, depreciation, institutional support and public service. The following is a graphic illustration of the University's operating expenses for the year ended June 30, 2015.

FY2015 OPERATING EXPENSES $2,858.8 million



Other operating expenses include Public Service (2015, $88 million; 2014, $82 million), Student Services (2015, $36 million; 2014, $32 million), Institutional Support (2015, $75 million; 2014, $64 million), Operation and Maintenance of Plant (2015, $75 million; 2014, $79 million), Scholarships and Fellowships (2015, $31 million; 2014, $31 million), and Other (2015, $42 million; 2014, $24 million).

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues and expenses netted a positive $329.5 million for the fiscal year ended June 30, 2015 and $422.2 million for the fiscal year ended June 30, 2014.

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2015, 2014 and 2013.

NONOPERATING REVENUES (EXPENSES) (in millions)

	2015	2014	2013
Nonoperating Revenues (Expenses)			
State appropriations	$247.3	$238.1	$229.6
Grants and contracts	17.1	15.7	16.1
Investment income, net of investment expenses	18.5	131.8	61.2
Gifts	82.0	83.4	74.1
Interest expense	(33.3)	(35.5)	(36.2)
Loss on disposal of capital assets	(2.1)	(11.3)	(5.4)
Net Nonoperating Revenues (Expenses)	$329.5	$422.2	$339.4

State appropriations increased by $9.2 million (3.9%) in the fiscal year ended June 30, 2015. Grants and contracts revenue increased by $1.4 million (8.9%), investment income decreased by $113.3 million (86.0%) and gifts decreased by $1.4 million (1.7%) in the fiscal year ended June 30, 2015.

OTHER REVENUES AND EXPENSES

Not included, by definition, as nonoperating revenues and expenses are state appropriations for capital projects, contributions and grants for capital projects and reimbursement from FEMA for capital costs, net of expenses. The other revenues and expenses increased from net revenue of $93.3 million for the fiscal year ended June 30, 2014 to $163.3 million for the fiscal year ended June 30, 2015, an increase of $70.0 million, or 75.0%. Capital appropriations, contributions, and grants decreased from $29.8 million for the fiscal year ended June 30, 2014 to $23.2 million for the fiscal year ended June 30, 2015, a decrease of $6.6 million, or 22.1%. For the fiscal years ended June 30, 2015 and 2014, $140.1 million and $63.5 million, respectively, was recognized in FEMA reimbursement for capital costs, net of expenses, an increase of $76.6 million, or 120.6%. The net revenue is intended to fund flood-related expenses.

After insurance recoveries, FEMA has agreed to reimburse the University at 90% of actual cost of approved project work orders. All FEMA related activity is reported in Other Revenues and Expenses. In fiscal year 2015, the University received $138.7 million in FEMA reimbursements towards flood-related costs expended ($140.1 million for capital costs and an adjustment of ($1.4) million to amounts received previously for expenses).

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information regarding the University's cash receipts and disbursements during the fiscal year. This provides an assessment of the University's ability to generate net cash flows and meet obligations as they come due. See Note 1 for a description of reporting changes that have occurred with cash and cash equivalents.

The following table summarizes the University's cash flow for the fiscal years ended June 30, 2015, 2014 and 2013.

CASH FLOWS FOR THE YEAR (in millions)

	2015	2014	2013
Cash provided (used) by:			
Operating activities	($89.8)	($51.4)	$27.8
Noncapital financing activities	302.5	338.0	335.8
Capital and related financing activities	(436.0)	(298.4)	(85.2)
Investing activities	203.1	5.8	(290.0)
Net change in cash and cash equivalents	(20.2)	(6.0)	(11.6)
Cash and cash equivalents, beginning of year	232.0	238.0	249.6
Cash and cash equivalents, end of year	$211.8	$232.0	$238.0

The University's overall liquidity decreased during the year, with a net decrease in cash and cash equivalents of $20.2 million. The decrease is primarily due to the acquisition and construction of capital assets.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The following table summarizes the University's capital assets, net of depreciation and amortization, as of June 30, 2015, 2014 and 2013.

CAPITAL ASSETS, NET OF DEPRECIATION AND AMORTIZATION

(in millions)

	2015	2014	2013
Nondepreciable/nonamortizable			
Land	$65.3	$63.1	$63.1
Construction in progress	728.9	585.3	386.9
Intangibles in development	6.2	15.6	6.4
Art & historical collections	26.2	25.0	33.7
Library materials	314.2	299.0	285.6
Depreciable/amortizable			
Land improvements, net	5.3	5.6	6.8
Infrastructure, net	273.3	272.0	236.9
Buildings, net	1,604.2	1,395.4	1,374.0
Equipment, net	218.9	219.3	211.0
Intangibles, net	52.4	41.6	45.2
Total Capital Assets, Net	**$3,294.9**	**$2,921.9**	**$2,649.6**

The University of Iowa is currently in construction on numerous major, impactful projects accounting for a campus construction workload of roughly $1.3 billion.

A primary contributor to the current construction workload continues to be related to recovery from the 2008 flood. Construction is coming to a close on the three major flood replacement projects; the Visual Art Building, the School of Music Building and the Hancher Auditorium. All are scheduled to complete construction in 2016 with the School of Music wrapping up the flood recovery by the fall of 2016. The UIHC Children's Hospital ($360.2 million) is another primary contributor to the construction workload and will also be coming to a close by the end of 2016. Other projects scheduled to wrap up in 2016 include the interior renovations and modernization of the 1973-built College of Dentistry Building budgeted at $48 million and the fit-out of the fifth floor of the College of Public Health Building ($4.6 million).

The Hospital Parking Ramp No. 2 Replacement ($77.0 million) along with the second design-build bridging/alternative delivery project, the Biomedical Research Support Facility ($33.9 million) will complete by the fall of 2015 just prior to a $37.1 million addition to the College of Engineering Seamans Center project bidding at the end of 2015.

Construction work continues to fit-out 35,000 gross square feet of research support space under the courtyard adjacent to the Pappajohn Biomedical Discovery Building ($24.0 million) and construction is off to a strong start for the new 1,050-bed Madison Street residence hall and dining facility located on the east side of the Iowa River. This $95 million facility, the second residence hall to be built on the University campus since 1968, will be complete in the summer of 2017.

Projects in design or study phases include a $96.3 million College of Pharmacy building, a $27.0 million building for the Department of Psychology, within the College of Liberal Arts and Sciences, a $17.8 million building system modernization for the Bowen Science Building, a $75.0 million West Campus Energy Plant, a $22.5 million College of Nursing building modernization, a $5.6 million Currier Hall utility steam tunnel reconstruction at Burge Hall as well as a few other projects including the renovation of Kinnick Stadium's north end zone, construction of a new west campus residence hall and an indoor track and field facility.

Additionally, the University continues with planning and programming for a new Museum of Art to replace the flood damaged facility, which can no longer host the University collection due to inability to insure the collection in the riverside facility. This project will be delivered as a private-public partnership and is expected to begin construction in 2016-17.

Additional information about the University's capital assets is presented in Note 4 to the financial statements.

Debt

As of June 30, 2015, the University had $1,324.3 million in outstanding bonds, notes and capital leases, a decrease of $6.2 million from the prior year. Debt principal payments of $61.0 million and interest payments of $37.9 million were made during the fiscal year ended June 30, 2015.

The following table summarizes outstanding debt by type as of June 30, 2015, 2014 and 2013.

BONDS, NOTES AND CAPITAL LEASES
(in millions)

	2015	2014	2013
Revenue bonds	$1,254.7	$1,257.7	$1,198.1
Notes	49.1	52.4	22.1
Capital leases	20.5	20.4	21.3
Total Debt Outstanding	$1,324.3	$1,330.5	$1,241.5

During the fiscal year ended June 30, 2015, $49.6 million of new revenue bonds were issued. The revenue bond proceeds were $24.6 million for Academic Buildings and $25 million for utilities. The University carries an Aa1 institutional bond rating from Moody's and an AA rating from Standard & Poor's. UIHC carries a rating of AA2 and AA-. Additional information related to the University's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University of Iowa continues to have significant appeal to prospective students. This is attributable, in great part, to the University's high academic standards and its national reputation as a best buy for prospective students. The University continues to draw a high percentage of students from outside the state of Iowa, most notably from the state of Illinois. In addition international non-resident undergraduate enrollment continues to increase and is at an all-time high of 2,651 students. The University is pleased to report it has the most diversified student

body in its history. Total first year undergraduate enrollment for the 2015-2016 academic term is 5,241, which is up 12.3% over the prior year. Total enrollment for fall 2015 is 32,150, the highest enrollment in the University's history. It is forecasted that these trends will continue with strong enrollment demand at the University of Iowa, despite overall neutral high school graduation demographics within the state of Iowa.

The University continues to be one of the nation's top research-intensive universities with grant and contract research awards to the University exceeding $400 million per year for the past 7 years. The recent completion of new research labs, hiring of highly productive faculty within focused clusters, and infrastructure improvements will enable the University's researchers to be more productive and better positioned to compete for external grants and contracts as new sponsored research opportunities emerge. Particular emphasis is on developing stronger partnerships with industry leading to improved marketability of intellectual capital generated by University faculty and staff. The University's new Informatics Program and related facilities will add a competitive edge to many research categories.

The University of Iowa Hospitals & Clinics continues to be recognized as one of the nation's best, and has achieved successful operating results for fiscal year 2015 with an operating margin of 6.4%. According to US News & World Report, UIHC was ranked among the top 3% in the U.S. in its annual "best hospitals" rankings. Sixteen programs were ranked in the top 50 in the country. Of the sixteen, seven are in adult specialties and nine are in pediatric specialty areas. The University of Iowa Health Care continues to report robust patient census data and strong financial performance overall. Iowa's future doctors are in a great learning environment attributable to outstanding medical faculty and exposure to a high complexity case mix at UIHC.

The state economy continues to report stable revenue growth over the prior year. The October 2015 projection from the state's revenue estimating committee projects current year receipts to be 3.7% above FY 2015 actual receipts. FY 2017 receipts are estimated to be 3.9% above the projection for FY 2016.

Statement of Net Position

June 30, 2015 (in thousands)

With comparative statement as of June 30, 2014

ASSETS	2015	Not Restated 2014
Current Assets:		
Cash and cash equivalents	$133,689	$127,839
Deposits with trustees	52	31
Investments	171,627	220,007
Accounts receivable, net	371,923	305,263
Notes receivable, net	2,304	2,255
Interest receivable	1,891	1,442
Due from government agencies	115,834	77,097
Inventories	33,643	28,898
Prepaid expenses and other current assets	17,694	14,074
Total current assets	848,657	776,906
Noncurrent Assets:		
Cash and cash equivalents	78,079	104,151
Deposits with trustees	14,800	14,971
Investments	1,755,795	1,866,178
Notes receivable, net	24,880	24,647
Investment in wholly owned subsidiary	43,867	69,580
Capital assets, net	3,294,900	2,921,875
Total noncurrent assets	5,212,321	5,001,402
Total Assets	6,060,978	5,778,308
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	14,190	-
Debt refunding loss	3,795	2,883
Total Deferred Outflows of Resources	17,985	2,883
Total Assets and Deferred Outflows of Resources	$6,078,963	$5,781,191

Statement of Net Position, continued

June 30, 2015 (in thousands)

With comparative statement as of June 30, 2014

LIABILITIES	2015	Not Restated 2014
Current Liabilities:		
Accounts payable	$115,312	$106,882
Salaries and wages payable	165,921	159,919
Unpaid claims	31,641	26,597
Unearned revenue	51,728	42,992
Interest payable	16,467	17,092
Long term debt	60,479	59,441
Other long term liabilities	94,910	95,073
Deposits held in custody for others	213,218	257,230
Total current liabilities	749,676	765,226
Noncurrent Liabilities:		
Accounts payable	34,871	27,250
Long term debt	1,263,774	1,271,084
Other long term liabilities	214,361	143,149
Total noncurrent liabilities	1,513,006	1,441,483
Total Liabilities	2,262,682	2,206,709
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	14,744	-
Debt refunding gain	5,453	6,551
Contract and grant deferred inflows	489	85
Total Deferred Inflows of Resources	20,686	6,636
NET POSITION		
Net investment in capital assets	2,041,059	1,777,534
Restricted:		
Nonexpendable	46,372	47,856
Expendable	406,389	390,966
Unrestricted	1,301,775	1,351,490
Total Net Position	3,795,595	3,567,846
Total Liabilities, Deferred Inflows of Resources and Net Position	$6,078,963	$5,781,191

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

Statement of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2015 (in thousands)

With comparative statement for the year ended June 30, 2014

Operating Revenues:	2015	Not Restated 2014
Student tuition and fees, net of scholarship allowances of $104,136 and $95,162 for the years ended June 30, 2015 and 2014, respectively (pledged as payment on revenue bonds)	$377,837	$382,136
Federal grants and contracts	276,235	280,673
State and other governmental grants and contracts	15,491	18,118
Nongovernmental grants and contracts	42,219	49,126
Patient services, net of write-offs, contractual adjustments and indigent care of $2,580,091 and $2,424,586 for the years ended June 30, 2015 and 2014, respectively (pledged as payment on revenue bonds)	1,611,592	1,461,969
Sales and services of educational departments	98,938	102,949
Interest on student loans	714	702
Auxiliary enterprises, net of scholarship allowances of $9,138 and $8,626 for the years ended June 30, 2015 and 2014, respectively (pledged as payment on revenue bonds)	180,636	179,465
Other operating revenue	31,688	44,208
Total Operating Revenues	2,635,350	2,519,346
Operating Expenses:		
Instruction	352,679	349,814
Research	294,655	297,059
Public service	87,622	81,910
Academic support	164,642	167,424
Patient services	1,343,804	1,281,003
Student services	36,504	32,024
Institutional support	75,059	64,216
Operation and maintenance of plant	75,431	78,999
Scholarships and fellowships	30,516	30,833
Depreciation and amortization	182,762	171,609
Auxiliary enterprises	172,792	166,654
Other operating expenses	42,286	24,256
Total Operating Expenses	2,858,752	2,745,801
Operating (Loss)	(223,402)	(226,455)
Nonoperating Revenues (Expenses):		
State appropriations	247,258	238,097
Federal grants and contracts	17,081	15,661
Investment income, net of investment expenses of $2,421 and $1,465 for the years ended June 30, 2015 and 2014, respectively	18,567	131,766
Gifts	82,034	83,459
Interest expense	(33,319)	(35,457)
Loss on disposal of capital assets	(2,141)	(11,285)
Net Nonoperating Revenues (Expenses)	329,480	422,241
Income Before Other Revenues	106,078	195,786
Other Revenues		
Capital appropriations, State	18,282	21,440
Capital contributions and grants	4,951	8,428
FEMA reimbursement for capital costs, net of expenses	140,106	63,506
Net Other Revenues	163,339	93,374
Increase in Net Position	269,417	289,160
Net Position		
Net position, beginning of year	3,526,178	3,278,686
Net position, end of year	$3,795,595	$3,567,846

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

Statement of Cash Flows

For the Year ended June 30, 2015 (in thousands)

With comparative statement for the year ended June 30, 2014

	2015	2014
Cash Flows From Operating Activities		
Tuition and fees	$379,798	$383,829
Patient receipts	1,545,007	1,443,342
Grants and contracts	301,691	331,593
Payments for salaries and benefits	(1,592,213)	(1,541,729)
Payments for goods and services	(832,601)	(787,606)
Scholarships	(30,516)	(30,833)
Loans issued to students	(5,189)	(5,624)
Collections of loans from students	4,774	4,794
Sales of educational activities	99,733	99,052
Other receipts	30,654	45,089
Auxiliary enterprise receipts	181,868	173,396
Auxiliary enterprise payments	(172,792)	(166,654)
Net Cash (Used) by Operating Activities	(89,786)	(51,351)
Cash Flows From Noncapital Financing Activities		
State appropriations	247,258	238,098
Grants and contracts	17,081	15,661
Proceeds from noncapital gifts	82,034	83,459
Funds held for others receipts	238,522	230,549
Funds held for others payments	(282,463)	(229,809)
William D. Ford Direct Lending & Plus Loans receipts	153,054	164,160
William D. Ford Direct Lending & Plus Loans made	(159,984)	(162,050)
Other noncapital receipts (payments)	6,930	(2,110)
Net Cash Provided by Noncapital Financing Activities	302,432	337,958
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(557,822)	(453,903)
Interest paid on capital debt and leases	(37,893)	(37,239)
Proceeds from sale of capital assets	1,119	1,320
Capital appropriations	18,706	22,059
Capital gifts and grants received	3,726	7,356
Deposits with trustee	150	5,441
Principal paid on capital debt and leases	(60,977)	(61,089)
Proceeds from capital debt and leases	55,345	158,045
Defeased debt payments	(57,575)	(54,930)
Other capital and related financing receipts	199,246	114,496
Net Cash (Used) by Capital and Related Financing Activities	(435,975)	(298,444)
Cash Flows From Investing Activities		
Interest and dividends on investments	27,389	31,610
Proceeds from sale and maturities of investments	1,125,357	1,158,442
Purchase of investments	(949,639)	(1,184,267)
Net Cash Provided by Investing Activities	203,107	5,785
Net Decrease in Cash and Cash Equivalents	(20,222)	(6,052)
Cash and Cash Equivalents, beginning of year	231,990	238,042
Cash and Cash Equivalents, end of year	$211,768	$231,990

Statement of Cash Flows

For the year ended June 30, 2015 (in thousands)

With comparative statement for the year ended June 30, 2014

	2015	2014
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and cash equivalents in current assets	$133,689	$127,839
Noncurrent cash and cash equivalents	78,079	104,151
Total Cash and Cash Equivalents	$211,768	$231,990
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:		
Operating (loss)	($223,402)	($226,455)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation and amortization expense	182,762	171,609
Changes in operating assets and liabilities:		
Accounts receivable, net	(64,911)	(19,677)
Interest receivable	(512)	(447)
Inventories	(4,745)	(255)
Prepaid expenses and other current assets	(3,620)	8,407
Due from government agencies, net of receivable from State for capital appropriations	(39,162)	(6,885)
Notes receivable, net	(282)	(750)
Accounts payable	16,310	14,663
Salaries and wages payable	6,002	5,743
Unpaid claims liability	5,044	908
Other long term liabilities	(1,612)	270
Unearned revenue	7,995	(14,124)
Contract and grant deferred inflows	404	-
Pension liability	(8,705)	-
Pension related deferred outflows	(8,494)	-
Pension related deferred inflows	14,744	-
Other postemployment benefits other than pension liability	21,818	15,090
Compensated absences	3,856	3,004
Early retirement benefits	6,724	(2,452)
Net Cash (Used) by Operating Activities	($89,786)	($51,351)
Significant Noncash Transactions:		
Assets acquired under capital leases	$1,022	-
Assets acquired by gift	$1,225	$1,071
Net unrealized gain (loss) on investment	($50,166)	$80,016

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

THE STATE UNIVERSITY OF IOWA FOUNDATION AND AFFILIATES

Consolidated Statement of Financial Position

June 30, 2015 (in thousands)

With comparative statement as of June 30, 2014

ASSETS	2015	2014
Cash and cash equivalents	$46,114	$17,168
Receivables:		
Pledges, at net present value, less allowance for losses	110,346	124,161
Other receivables and prepaids	18	356
	110,364	124,517
Investments:		
Carried at fair value		
U.S. Government and governmental agency securities	3,975	5,018
Corporation stocks, primarily common stocks	6,189	4,127
Managed separate investment accounts, primarily equity securities	1,044,423	1,021,633
Assets in living trusts, testamentary trusts and gift annuities	65,883	69,998
Beneficial interest in perpetual trusts	12,831	13,139
	1,133,301	1,113,915
Other:		
Real estate	6,123	6,123
Cash value of life insurance	5,975	5,762
Other	937	936
	13,035	12,821
Property leasehold interest and equipment, net	18,933	19,373
Total Assets	$1,321,747	$1,287,794
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$2,218	$2,116
Annuity and life income obligations	27,000	28,992
Capital lease obligation	3,070	3,760
Amounts held on behalf of others	99,391	99,516
	131,679	134,384
Net Assets:		
Unrestricted	30,224	29,376
Temporarily restricted	577,229	562,831
Permanently restricted	582,615	561,203
	1,190,068	1,153,410
Total Liabilities and Net Assets	$1,321,747	$1,287,794

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

THE STATE UNIVERSITY OF IOWA FOUNDATION AND AFFILIATES

Consolidated Statement of Activites

For the year ended June 30, 2015 (in thousands)

With comparative statement for the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Support and revenue:					
Total contributions raised	$1,013	$91,674	$23,244	$115,931	$115,394
Change in value of life income gifts	369	(1,535)	(444)	(1,610)	7,260
Subtotal	1,382	90,139	22,800	114,321	122,654
Less amounts attributed to others	-	(3,793)	(1,331)	(5,124)	(7,114)
Total contributions and change in value of life income gifts	1,382	86,346	21,469	109,197	115,540
Investment income (expense):					
Interest and dividends	1,152	3,068	-	4,220	3,755
Asset based management and service fees	12,272	(12,064)	-	208	187
Change in fair value of investments	697	31,973	-	32,670	110,669
Subtotal	14,121	22,977	-	37,098	114,611
Less amounts attributed to others	-	(2,127)	-	(2,127)	(9,429)
Total investment income	14,121	20,850	-	34,971	105,182
Other revenue:					
Other, primarily fundraising service revenue	9,899	3,080	-	12,979	12,816
Less amounts attributed to others	-	(385)	-	(385)	(584)
Total other revenue	9,899	2,695	-	12,594	12,232
Net assets released from restrictions and changes in donor restrictions	95,550	(95,493)	(57)	-	-
Total support and revenue	120,952	14,398	21,412	156,762	232,954
Transfers to and Expenses of The State University of Iowa and Affiliates					
Student support	24,595	-	-	24,595	22,376
Faculty support	15,296	-	-	15,296	13,887
Research	18,333	-	-	18,333	19,133
Facilities and equipment	21,083	-	-	21,083	22,741
Program support	14,184	-	-	14,184	11,268
Fundraising	6,920	-	-	6,920	6,312
Management and service fees	2,900	-	-	2,900	2,473
Subtotal	103,311	-	-	103,311	98,190
Less amounts attributed to others	(7,761)	-	-	(7,761)	(6,646)
Total	95,550	-	-	95,550	91,544
Expenses of The State University of Iowa Foundation and Affiliates:					
Operating Expenses	24,554	-	-	24,554	23,844
Total expenses	120,104	-	-	120,104	115,388
Change in net assets	848	14,398	21,412	36,658	117,566
Net assets, beginning	29,376	562,831	561,203	1,153,410	1,035,844
Net assets, ending	$30,224	$577,229	$582,615	$1,190,068	$1,153,410

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

Notes to Financial Statements

Left: The new Visual Arts Building, to be completed mid-2016, employs an innovative ecological design while emphasizing open, natural lighting. Right: The new Voxman Music Building, built to replace the previous music facility that was damaged in the 2008 flood, is on track to open its doors in mid-2016.

Note 1—Organization and Summary of Significant Accounting Policies

ORGANIZATION

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

The University is classified as a state instrumentality under Internal Revenue Code Section 115 and its income is exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). These statements present the University as a whole. These GASB Statements establish standards for external financial reporting for public colleges and universities and require that resources be classified for accounting and reporting purposes into four net position categories:

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

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

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

FINANCIAL REPORTING ENTITY

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

Blended Component Units

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

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

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

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

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

Discretely Presented Component Units

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

The 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. Additional information regarding the University of Iowa Facilities Corporation is provided in the footnote Investments in Subsidiaries (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, 2015 and 2014, the Foundation distributed to the University or expended on behalf of the University $95,550,000 and $91,544,000, 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 Consolidated Statement of Financial Position (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	$81,392
Iowa Scholarship Fund	9,678
University of Iowa Alumni Association	7,032
Student Publications Incorporated	1,289
Total	**$99,391**

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

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

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

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

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

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

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

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

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

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

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

- University of Iowa Community Medical Services, Inc. (UICMS) is a for-profit wholly owned subsidiary, which was formed in 1995 and began operations in 1996. UICMS provides a full spectrum of practice management and consulting services. UICMS has a for-profit wholly owned subsidiary, University of Iowa Community Homecare, Inc. (UICH), which was also formed in 1995 and began operations in 1996. UICH is a full-service home infusion and medical equipment services provider.
- UI HealthWorks, L.L.C. (UIHW) is a wholly owned subsidiary, which was formed and began operations in 1998. UIHW provides a comprehensive array of workers' health services.
- Pediatric Associates of the University of Iowa Children's Hospital, LLC (PAUICH) is a wholly owned subsidiary, which was purchased and formed in 2014. PAUICH has been organized as a physician specialty practice providing pediatric services to communities served by UIHS.

BASIS OF ACCOUNTING

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

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Net Position and Statement of Cash Flows, cash and cash equivalents are reported in accordance with Board of Regents, State of Iowa policy Chapter 7.04, section H.2 (www.regents.iowa.gov/Policies/Chapter%207/chapter7.04.htm), which states in part: to appropriately reflect the Board's overall investment strategy and as outlined in the GASB Statement No. 9 Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, paragraph 11), that all funds held by external investment managers, as defined in section 7.04.C.4 of the Board's investment policy,

shall be reported on the audited financial statements of the Regent institutions as investments. Investments purchased by the institutions through Board authorized brokerage firms that meet the definition of cash equivalents, investments with original purchase dates to maturity of three months or less shall be reported on the audited financial statements of the Regent institutions as cash equivalents.

INVESTMENTS (UNIVERSITY)

Investments are reported at fair value in accordance with GASB Statement No. 31 Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB Statement No. 34 Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position.

INVESTMENTS (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 the net present value of estimated cash flows based on appropriate rates commensurate with the risks involved, less an allowance for doubtful pledges. Conditional promises to give are not included as support until the conditions are met. The provision for losses on doubtful pledges is an adjustment to contributions at the time the pledge is made equal to 2.5% of gross pledges. Pledges written off totaled $422,000 and $1,243,000 for the years ended June 30, 2015 and 2014, 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 capitalization thresholds for capital assets are as follows:

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

Library materials for the Main Library and Law Library are capitalized as a collection and adjusted annually to account for additions, withdrawals, etc. Routine repair and maintenance costs are expensed as incurred. Interest costs are capitalized on University construction projects when the interest cost during the construction period exceeds the interest earned on the investment of debt proceeds. Depreciation and amortization 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, 2014, assets (including investments of $72,170,000) totaled $73,867,000, liabilities were $0 and net assets were $73,867,000. As of December 31, 2013, assets (including investments of $67,806,000) totaled $69,580,000, liabilities were $0 and net assets were $69,580,000. During the month of June 2015, Musser-Davis Land Company distributed $30,000,000 to the Roy J. and Lucille A. Carver College of Medicine for support of capital projects. Consequently, as of June 30, 2015, assets (including investments of $42,170,000) totaled $43,867,000, liabilities were $0 and net assets were $43,867,000.

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 asset and the related debt and revenue and expenses related to the asset are recorded as a segment of the University and included within the University's financial statements.

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

The assets and net income (loss) of the 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, DISCOUNTS, AND PREMIUMS

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

UNEARNED REVENUE

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

COMPENSATED ABSENCES PAYABLE

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

REFUNDABLE ALLOWANCES ON STUDENT LOANS

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

LONG TERM DEBT AND OTHER LONG TERM LIABILITIES

Long term debt includes principal amounts of revenue bonds, notes and capital leases payable with contractual maturities greater than one year. Long term debt also includes unamortized discounts and premiums, resulting from bond issuances. Other long term liabilities include estimated amounts for accrued early retirement, other postemployment and pension benefits, compensated absences payable, refundable allowances on student loans and unearned revenue that will not be earned within the next fiscal year. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources include unamortized bond refunding losses and pension related amounts derived from the difference between expected and actual experience, change in assumptions, change in proportion and difference between the University contributions and proportionate share of contributions and University contributions subsequent to the measurement date. Deferred inflows include unamortized bond refunding gains, qualifying receipts for sponsored programs, pension amounts derived from the net difference between the pension plan's projected and actual investment earnings on pension plan investments. Bond refunding losses and gains are the difference between the reacquisition price of the new debt and the net carrying amount

of the debt being refunded. The receipts for sponsored programs represent resources received before time requirements are met, but after all other eligibility requirements have been met.

FRINGE BENEFITS

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

DEFINITION OF OPERATING ACTIVITIES

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

NON-VESTED EQUIPMENT

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

USE OF ESTIMATES

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

RECLASSIFICATIONS

Certain amounts presented for the prior year have been reclassified to be consistent with the current years' presentation.

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

CASH AND CASH EQUIVALENTS

A summary of the book and bank balances for cash and cash equivalents at June 30, 2015 and 2014 is as follows (in thousands):

	2015	2014
Book Balance	$211,768	$231,990
Bank Balance	229,411	245,911
Covered by FDIC insurance or State Sinking Fund	92,930	99,681
Invested in money market funds as cash equivalents	136,481	146,230

The University's balances for current cash and cash equivalents represent amounts that are reasonably expected to be consumed within a year and are comprised of deposit and disbursement bank accounts, the liquidity pool components of money market funds, demand deposit accounts, savings accounts, and government securities for the debt service and construction fund balances for bonded enterprises. As defined by Board of Regents, State of Iowa policy Chapter 7.04 (http://www.regents.iowa.gov/Policies/Chapter%207/chapter7.04.htm) the primary goal of the liquidity pool is to maintain the necessary liquidity to match expected liabilities while seeking to preserve capital and obtain a reasonable return for a prudent level of risk. The liquidity pool shall be managed to ensure funds are available to support operations for the current budget year.

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

INVESTMENTS

Investments are made in accordance with Chapter 12B.10A, section 5d of the Code of Iowa, and Board of Regents, State of Iowa policy. The University's portfolios may be invested in obligations of the U.S. government and its agencies, certificates of deposit, prime bankers' acceptances, commercial paper, repurchase agreements, investments authorized for the Iowa Public Employees' Retirement System in Section 97B.7A of the Code of Iowa, corporate debt, mortgage pass through and asset backed securities, bank loans, 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, commingled vehicles/mutual funds/exchange traded funds, non U.S. dollar bond, 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 $9,382,000 and $8,658,000 at June 30, 2015 and 2014, respectively, held for the University of Northern Iowa. The University's operating portfolio included $33,004,000 and $32,103,000 at June 30, 2015 and 2014, respectively, held for the University of Northern Iowa. The University's intermediate term pool included $10,037,000 and $6,309,000 at June 30, 2015 and 2014, respectively. The University of Northern Iowa investments are recorded as Deposits Held in Custody for Others.

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

Net appreciation of permanent endowment funds, which totaled $12,805,000 and $14,288,000 at June 30, 2015 and 2014, respectively, is available to meet spending rate distributions and is recorded in restricted nonexpendable net position.

The University's investments are recorded at fair value. As of June 30, 2015, the University had the following investments and quality credit ratings (in thousands):

INVESTMENT TYPE	Effective Duration (Years)	AAA/ TSY/AGY	AA	A	BBB	BB	B	Total Market Value
Fixed Income								
Corporate Notes and Bonds	1.63	$4,867	$1,168	$8,498	$5,789	$143	-	$20,465
U.S. Government Agencies	1.35	6,631	48,291	-	-	-	-	54,922
U.S. Treasury Obligations	1.55	73,092	-	-	-	-	-	73,092
Mutual Funds	4.14	-	202,374	58,735	102,230	60,529	184,546	608,414
Total		$84,590	$251,833	$67,233	$108,019	$60,672	$184,546	756,893
Equity and Other								
U.S. Equity Mutual Funds								204,903
Non-U.S. Equity Mutual Funds								193,459
Real Assets								251,673
Private Equity								26,514
Repurchase Agreement								44,804
Bank Investments								259,141
Money Market/Cash Equivalents								190,035
Total Investments								$1,927,422

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, 2015, 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 U.S. Treasury and Agency securities.

DEPOSITS WITH TRUSTEES

Investments on deposit with trustees, paying and copaying agents for the purpose(s) of paying current obligations of bond principal and interest, for holding Bond Reserve Funds or for holding Construction Funds as specified by bond resolutions at June 30, 2015 and 2014, totaled $14,852,000 and $15,002,000, respectively. At June 30, 2015, $8,299,000 of the $14,852,000 was invested in U.S. Government Agency securities with a credit quality rating of AAA and an effective duration of 1.48 years.

Note 3—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	$91,740	$890,588	$982,328
Allowance for Uncollectible Accounts, Indigent Patients and Contractual Adjustments	3,061	607,344	610,405
Accounts Receivable, Net, June 30, 2015	$88,679	$283,244	$371,923
Accounts Receivable	86,800	632,113	718,913
Allowance for Uncollectible Accounts, Indigent Patients and Contractual Adjustments	2,596	411,054	413,650
Accounts Receivable, Net, June 30, 2014	$84,204	$221,059	$305,263

PLEDGES RECEIVABLE (FOUNDATION)

A summary of the pledges receivable (unconditional promises to give) at June 30, 2015 and 2014 is as follows (in thousands):

	2015	2014
Gross pledges receivable	$132,540	$147,087
Less present value discount of $18,881 for 2015 and $19,249 for 2014 and allowance for doubtful pledges of $3,314 for 2015 and $3,677 for 2014	22,194	22,926
Total	$110,346	$124,161

Pledges receivable at June 30, 2015 are expected to be collected in the following periods (in thousands):

	Total
In one year or less	$37,501
Between one year and five years	69,772
More than five years	25,267
Total	$132,540

DUE FROM GOVERNMENT AGENCIES

Due from government agencies at June 30, 2015 and 2014 are comprised of $41,015,000 and $5,853,000, respectively, due from the State of Iowa and $74,819,000 and $71,244,000, respectively, due from United States government agencies.

NOTES RECEIVABLE

Current notes receivable at June 30, 2015 and 2014 are $2,304,000, net of an allowance of $137,000, and $2,255,000, net of an allowance of $163,000, respectively. Noncurrent notes receivable at June 30, 2015 and 2014 are $24,880,000, net of an allowance of $1,474,000, and $24,647,000, net of an allowance of $1,784,000, respectively.

Note 4—Capital Assets

A summary of capital assets activity for the year ended June 30, 2015 is as follows (in thousands):

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Nondepreciable/Nonamortizable					
Land	$63,096	2,226	-	-	$65,322
Construction in Progress	585,267	469,984	(326,336)	-	728,915
Intangibles in Development	15,601	8,112	(17,481)	-	6,232
Art and Historical Collections	24,970	1,238	-	(16)	26,224
Library Materials	298,951	15,651	-	370	314,232
Capital Assets, Nondepreciable/ Nonamortizable	987,885	497,211	(343,817)	354	1,140,925
Depreciable/Amortizable					
Land Improvements	23,154	-	461	-	23,615
Infrastructure	586,147	116	20,110	-	606,373
Buildings	2,743,291	-	305,765	6,534	3,042,522
Equipment	647,145	61,217	-	23,719	684,643
Intangibles	86,880	964	17,481	1,170	104,155
Capital Assets, Depreciable/ Amortizable	4,086,617	62,297	343,817	31,423	4,461,308
Less Accumulated Depreciation/Amortization	(2,152,627)	(182,762)	-	(28,056)	(2,307,333)
Depreciable/Amortizable Capital Assets, Net	1,933,990	(120,465)	343,817	3,367	2,153,975
Capital Assets, Net	$2,921,875	376,746	-	3,721	$3,294,900

Note 5—Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2015 is as follows (in thousands):

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
Bonds payable	$1,257,743	109,506	112,563	1,254,686	$51,395
Notes payable	52,383	4,950	8,246	49,087	8,084
Capital leases payable	20,399	1,022	941	20,480	1,000
Total long-term debt	1,330,525	115,478	121,750	1,324,253	60,479
Other long term liabilities:					
Early retirement benefits	2,067	8,738	2,014	8,791	2,092
Other postemployment benefits other than pensions	75,033	29,471	7,653	96,851	-
Pension	47,364	-	8,705	38,659	-
Compensated absences	136,751	96,939	93,083	140,607	92,818
Refundable allowances on student loans	22,721	144	107	22,758	-
Unearned revenue	1,650	-	45	1,605	-
Total other long term liabilities	285,586	135,292	111,607	309,271	94,910
Total long term liabilities	$1,616,111	250,770	233,357	1,633,524	$155,389

BONDS PAYABLE

Bonds have been sold to finance certain capital projects and are outstanding at June 30, 2015, as follows (in thousands):

	Interest Rates (Percent)	Fiscal Year Maturity Date Range	Amount
Bond Issues			
Academic Buildings	2.00 - 5.00	2016 - 2037	$189,759
Add: Unamortized Premium			4,928
Athletic Facilities	2.50 - 5.30	2016 - 2037	135,765
Less: Unamortized Discount			(29)
Add: Unamortized Premium			887
Center for University Advancement	4.25 - 4.75	2016 - 2020	3,760
Hospital	2.00 - 6.125	2016 - 2039	318,900
Add: Unamortized Premium			12,069
Iowa Memorial Union	2.00 - 5.00	2016 - 2026	6,420
Add: Unamortized Premium			789
Parking System	2.00 - 4.00	2016 - 2041	59,650
Add: Unamortized Premium			1,025
Recreational Facilities	3.00 - 4.875	2016 - 2035	67,700
Add: Unamortized Premium			146
Residence Services	0.30 - 4.00	2016 - 2035	86,860
Add: Unamortized Premium			2,784
Telecommunications	2.00 - 4.50	2016 - 2037	34,655
Add: Unamortized Premium			170
University of Iowa Facility Corporation (UIFC)	2.00 - 5.00	2016 - 2038	150,670
Add: Unamortized Premium			2,403
Utility System	2.00 - 5.00	2016 - 2038	172,465
Add: Unamortized Premium			2,910
Total			**$1,254,686**

As of June 30, 2015, unspent bond proceeds totaled $67,407,000. Unspent bond proceeds by segment are: Academic Revenue Bonds $1,309,000; Hospital Revenue Bonds $35,144,000; Residence Services Revenue Bonds $7,837,000; Utility Systems Revenue Bonds $23,117,000.

The bonds will mature as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2016	$51,395	44,944	$96,339
2017	58,015	43,400	101,415
2018	60,935	41,448	102,383
2019	62,870	39,367	102,237
2020	64,695	37,170	101,865
2021-2025	317,734	151,377	469,111
2026-2030	299,105	90,674	389,779
2031-2035	212,690	39,730	252,420
2036-2040	95,080	7,676	102,756
2041	4,085	76	4,161
Less: Unamortized Discount	(29)	-	(29)
Add: Unamortized Premium	28,111	-	28,111
Total	$1,254,686	495,862	$1,750,548

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

NOTES PAYABLE

The University has the following notes payable outstanding at June 30, 2015:

Purpose	Interest Rates	Maturity Dates	Amount
Athletic Facility	2.48%	2016-2024	$24,865
Fleet Services 1	1.60%	2016-2018	809
Fleet Services 2	1.69%	2016-2019	1,543
Fleet Services 3	2.00%	2016-2020	2,314
Kinnick Scoreboard	2.41%	2016-2019	5,069
Oakdale Research Park	2.23%	2016-2021	4,231
Parking Access & Revenue	2.24%	2016-2019	3,677
Plaza Centre One	4.59%	2016	173
University Athletic Club	5.05%	2016-2021	3,806
Market Street Property	2.50%	2016-2025	2,600
Total			$49,087

Assets acquired under these notes had a net book value of $56,408,000 as of June 30, 2015.

As of June 30, 2015, unspent note proceeds totaled $4,665,000. Unspent note proceeds by project are: Fleet Services $799,000; Parking Access and Revenue System $3,866,000.

The notes will mature as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2016	$8,084	1,185	$9,269
2017	8,120	970	9,090
2018	7,999	773	8,772
2019	6,077	594	6,671
2020	5,034	451	5,485
2021-2025	13,773	527	14,300
Total	$49,087	4,500	$53,587

CAPITAL LEASES PAYABLE

Capital leases outstanding at June 30, 2015, are as follows (in thousands):

Purpose	Interest Rates	Lease Period	Amount
Parking structure - Iowa River Landing	2.95%-5.00%	2016-2031	$19,458
Burlington Street Properties	3.00%	2016-2035	1,022
Total			$20,480

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

Year Ending June 30	Principal	Interest	Total
2016	$1,000	604	$1,604
2017	1,031	574	1,605
2018	1,062	544	1,606
2019	1,094	512	1,606
2020	1,124	480	1,604
2021-2025	6,154	2,549	8,703
2026-2030	7,153	1,500	8,653
2031-2035	1,862	101	1,963
Total	$20,480	6,864	$27,344

Assets acquired under these capital leases had a net book value of $20,559,000 as of June 30, 2015.

Note 6—Operating Leases

The University has leased various buildings to house several departments of the University. These leases have been classified as operating leases. Accordingly, all rents are charged to expense as incurred. These leases expire from fiscal year 2016 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, 2015 (in thousands).

	Amount
Year Ending June 30	
2016	$13,955
2017	11,973
2018	9,175
2019	7,278
2020	6,430
2021-2025	27,446
2026-2030	21,715
2031-2032	4,904
Total	**$102,876**

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, 2015, for all operating leases, except those with terms of a month or less that were not renewed, totaled $10,063,000.

Note 7—Retirement Programs

TEACHERS INSURANCE AND ANNUITY ASSOCIATION

The University contributes to the Teachers Insurance and Annuity Association (TIAA) retirement program, which is a defined contribution plan. TIAA administers the retirement plan for the University. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents establishes and amends the plan's provisions and contribution requirements. As required by the Board of Regents policy and the Code of Iowa, all eligible University employees must participate in a retirement plan from the date they are employed.

Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA, each employee through the fifth year of employment contributes 3 1/3% of the first $4,800 of earnings and 5% on the balance of earnings. The University, through the fifth year of employment, is required to contribute 6 2/3% of the first $4,800 of earnings and 10% on earnings above the $4,800. Upon completion of five years of service, the participant contributes 5% and the University 10% on all earnings. During fiscal years 2015 and 2014, the University's required and actual contribution amounted to $106,352,000 and $104,065,000, respectively. During fiscal years 2015 and 2014, the employees' required and actual contribution amounted to $53,175,000 and $52,030,000, respectively.

At June 30, 2015, the University reported payables to the defined contribution pension plan of $9,632,000 for legally required employer contributions and $4,688,000 for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA.

IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)

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

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

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

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

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

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

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

Contributions—Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits contribution rate increases or decreases to year to 1%. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal years 2015 and 2014, pursuant to the required rate, Regular members contributed 5.95% of pay and the University contributed 8.93% for a total rate of 14.88%.

The University's contributions to IPERS for the years ended June 30, 2015 and 2014 were $6,620,000 and $5,696,000, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2015, the University reported a liability of $38,659,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the University's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the University's proportion was 0.9747910%, which was an increase of 0.149888% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the University recognized pension expense of $4,165,000. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Recources	Deferred Inflows of Resouces
Differences between expected and actual experience	$420	-
Changes of assumptions	1,706	-
Net difference between projected and actual earnings on pension plan investments	-	14,744
Change in proportion and differences between university contributions and proportionate share of contributions	5,444	-
University contributions subsequent to the measurement date	6,620	-
Total	**$14,190**	**$14,744**

$6,620,000 reported as deferred outflows of resources related to pensions resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

	Amount
Year Ending June 30	
2016	($1,917)
2017	(1,917)
2018	(1,917)
2019	(1,917)
2020	494
Total	**($7,174)**

There are no non-employer contributing entities to IPERS.

Actuarial Assumptions—The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	28%	2.06%
US Equity	23%	6.31%
Non US Equity	15%	6.76%
Private Equity	13%	11.34%
Credit Opportunities	5%	3.67%
Real Estate	8%	3.52%
TIPS	5%	1.92%
Other Real Assets	2%	6.27%
Cash	1%	(0.69%)
Total	100%	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
University's proportionate share of the net pension liability	$73,046	$38,659	$9,634

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

Payables to the Pension Plan—At June 30, 2015, the University reported payables to IPERS of $1,164,000 for legally required employer contributions and $775,000 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8—Post-Employment Benefits

EARLY RETIREMENT

The early retirement programs were approved by the Board of Regents in April, 2009, March, 2010 and February, 2015. Those eligible for participation were faculty, professional-scientific (P&S) and merit system employees, institutional officials, and staff of the Board Office 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. Those eligible for participation in the 2015 program were non-UI Health Care faculty, P&S, and merit employees and institutional officials, who had attained age 57 and at least 10 years of continuous benefit eligible employment by January 31, 2015. The employee's department head and the appropriate administrative officers approved the employee's participation. The following benefits are applicable during participation in the Early Retirement Program:

1. **Health and Dental Insurance**—The University will pay the full cost of the single employee premium for health and dental insurance or its standard share of any coverage other than single for a period of five years. This contribution shall be equal to the amount contributed for an active employee in the same plan.
2. **TIAA/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 $8,791,000 as of June 30, 2015. The early retirement liability for health and dental insurance has been rolled into GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). During fiscal year 2015, retirement expenditures for the four hundred forty-three (443) participants in the early retirement incentive program totaled $2,014,000.

REGULAR RETIREMENT

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

PLAN DESCRIPTION

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

FUNDING POLICY

The contribution requirements of plan members are established and may be amended by the University. Benefits are financed centrally by the University on a pay-as-you-go basis. Health insurance total expenditures for fiscal year 2015 were $5,922,000 with 1,965 eligible participants as of June 30, 2015. Life insurance total expenditures for fiscal year 2015 were $53,000 with 2,979 eligible participants as of June 30, 2015.

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

For fiscal year 2015, the University contributed $7.6 million to the plan. Plan members receiving benefits contributed 45 percent of the premium costs. In fiscal year 2015, total member contributions were $6.1 million.

The University currently plans to continue to finance retiree healthcare benefits on a pay-as-you-go basis from internal University monies. The University will amortize the initial unfunded accrued liability (UAL) over an open thirty year period. The annual required contribution of the employer (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess). The current ARC of $26.9 million is 2.7% of annual payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2015 (in thousands):

Annual Required Contribution	$26,887
Interest on Net OPEB Obligation	2,727
Adjustment to Annual Required Contribution	(2,334)
Annual OPEB Cost (Expense)	$27,280
Contributions Made	(7,653)
Increase in Net OPEB Obligation	$19,627
Net OPEB Obligation - Beginning of Year	54,553
Net OPEB Obligation - End of Year	$74,180

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

	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Fiscal Year Ended			
6/30/13	$17,272	51.90%	$41,182
6/30/14	$20,579	35.00%	$54,553
6/30/15	$27,280	28.10%	$74,180

FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2015, the actuarial accrued liability (AAL) for benefits was $301.1 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $301.1 million. The covered payroll (annual payroll of active employees covered by the plan) was $980.8 million and the ratio of the UAAL to the covered payroll was 30.7 percent. As of June 30, 2015, there were no trust fund assets.

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as

required supplementary information in the following, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.75 percent discount rate based on the University's funding policy (pay-as-you-go) and a weighted average of the expected long-term returns on the University's internal capital based on the percentage of liability covered by previously earmarked assets. The projected annual healthcare trend rate is initially 7.50 percent for pre-65 costs and 8.50 percent for post-65 costs, reduced in decrements to an ultimate rate of 5.00 percent after ten years. The expected long-term payroll growth rate is assumed to be 3.00 percent per year. The UAAL is being amortized as a level percent of pay on an open basis over thirty years.

TERMINATION

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

Three hundred eighty-six (386) 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 $218 million for the State of Iowa at June 30, 2015. 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, 2015. 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 $22.7 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 $74.2 million for its retiree benefit plan and a liability of $22.7 million for its allocated portion of the State's net OPEB liability, for a total net OPEB liability of $96.9 million.

Note 9—Other Commitments and Risk Management

COMMITMENTS

At June 30, 2015 and 2014, the University had outstanding construction contract commitments of $426,977,000 and $554,234,000, respectively.

RISK MANAGEMENT

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

Property Loss—The University purchases catastrophic property insurance for academic/general fund facilities with a single incident deductible of $5 million. The University may seek reimbursement for property losses in excess of $5,000 from the State of Iowa pursuant to Iowa Code Chapter 29C.20. Money from the state contingent fund may be requested for repairing, rebuilding, or restoring state property injured, destroyed, or lost by fire, storm, theft, or unavoidable causes. The University maintains conventional property insurance on self-supporting, revenue-producing, and auxiliary facilities which are an integral part of the operations of the University. Insured facilities include the Residence Halls, the Utility System, Telecommunications, Iowa Memorial Union, Athletic Facilities, University of Iowa Hospitals and Clinics, and other auxiliary operations. The University's annual limit is $2 billion, the maximum available on the November 1, 2014 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 & Contents	$774,431,000
Power Plant Building & Contents	$218,271,000

Telecommunications Facilities premium is based on the following values:

Building	$31,771,000
Contents	$9,815,000
Income	$5,878,000

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

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

Fidelity/Crime Coverage—The State maintains an employee fidelity bond where the first $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.

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.

College of Medicine Faculty Malpractice Claims—Based on actuarial analysis, the College of Medicine has incurred an unpaid loss and allocated loss adjustment expense estimate of $19,342,000 as of 12/31/14. Starting 1/1/03, the University of Iowa Faculty Practice plan (the Plan) became University of Iowa Physicians (UIP) and has self-funded its physician's professional liabilities with a $5M per occurrence, $9M aggregate limit of liability with the State of Iowa picking up loss amounts in excess of $5M. Iowa Medical Mutual Insurance Company (IMMIC) was formed on 7/1/04 to provide claims-made coverage with a retroactive date of 7/1/04 for the $2M excess of $3M per occurrence layer that UIP retains. Claims reported after 7/1/04 with occurrence dates prior to 7/1/04 have a $5M per occurrence retention, while claims reported after 7/1/04 with occurrence dates after 7/1/04 have a $3M per occurrence retention.

Employee Medical and Dental Claims—The University purchases life, health, dental and disability insurance for eligible permanent employees. Based on actuarial analysis of employee medical and dental claims, the University has incurred but not reported claims of $12,293,000 as of June 30, 2015.

Reconciliation of Loss Contingencies (in thousands)—

	FY 2015	FY 2014
Claims and contingent liabilities accrued at July 1	$26,597	$25,690
Claims incurred and contingent liabilities accrued for the current year	183,979	166,124
Payments on claims during the fiscal year	(178,935)	(165,217)
Claims and contingent liabilities at June 30	$31,641	$26,597

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.

Pollution Remediation — In accordance with GASB Statement No. 49 Accounting & Financial Reporting for Pollution Remediation Obligation, the University has identified two potential pollution remediation liability events. A description of the nature of the sites and allegations are described below. The two matters were both brought pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), commonly known as "Superfund". The potential associated liability, if any, is not reasonably estimable at this time.

1. The LWD Incinerator Site is a hazardous waste disposal site located in Kentucky. The University received a demand letter regarding this site, alleging the University of Iowa, having contributed waste to the site, is a potentially responsible party (PRP). The demand letter alleged that according to EPA's database the University of Iowa contributed materials to the LWD Incinerator Site. University General Counsel responded by letter denying liability. A lawsuit was then filed in Federal District Court in Kentucky against the University and other PRP's. Iowa Attorney General's office filed a motion to dismiss and included supporting brief in the case. The federal court did not dismiss the lawsuit, and the Attorney General's Office is seeking to remove us from the case in a motion for summary judgement which would allow us to use some affidavits to support our position. Other defendants also filed challenges to the litigation which was on appeal to the appellate court. The Court of Appeals ruled in January 2015 to dismiss the case because the statute of limitations had run. However, in June 2015, the LWD Incinerator Site group sought permission to amend and the situation is still pending.
2. The Marine Shale Processors site was a hazardous waste disposal site located in Louisiana. The University received a demand letter in September 2012 from a group of potentially responsible parties (PRP) at the site claiming the University may have liability under CERCLA as a result of waste sent to sites in Louisiana. University General Counsel responded by letter in October 2012 denying liability. The University is an instrumentality of the State of Iowa and as such has sovereign immunity to suits in federal courts without its consent pursuant to the 11th Amendment. The University has not heard anything further and is not aware of any claims filed.

Note 10—Debt Defeasance

In April of 2015, the University issued $20,885,000 of Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2015, with an average interest rate of 3.00% and accrued interest of $25,000 to advance refund $20,450,000 of outstanding Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2005A with interest rates ranging between 3.85 and 4.30%.

Net bond proceeds of $21,236,000 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 Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2005A will be called on July 1, 2016.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $1,333,000; and reduced the aggregate debt service payments by $1,610,000 over the next sixteen years.

In April of 2015, the University issued $18,675,000 of University of Iowa Facilities Corp. Revenue Refunding Bonds, Series S.U.I. 2015 (Old Capitol Town Center), with an average interest rate of 2.90% and accrued interest of $21,000 to advance refund $18,025,000 of outstanding UI Facilities Corp. Revenue Refunding Bonds, Series S.U.I. 2006 (Old Capitol Town Center) with interest rates ranging between 4.00 and 4.70%.

Net bond proceeds of $18,767,000 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 UI Facilities Corp. Revenue Bonds (Old Capitol Town Center), Series S.U.I. 2006 will be called on June 1, 2016.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $1,621,000; and reduced the aggregate debt service payments by $1,960,000 over the next sixteen years.

In June of 2015, the University issued $19,315,000 of Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2015A, with an average interest rate of 2.82% and accrued interest of $33,000 to refund $19,100,000 of outstanding Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2005 with interest rates ranging between 3.35 and 4.25%.

Net bond proceeds of $19,146,000 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 Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2005 will be called on August 1, 2015.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $1,638,000; and reduced the aggregate debt service payments by $1,946,000 over the next fifteen years.

The amount of defeased debt outstanding but removed from the Statement of Net Position at June 30, 2015, is as follows:

	Amount (in thousands)
Bond Issues	
Iowa Memorial Union	$7,120
Utility	17,275
Old Capitol Town Center	18,025
Athletics	41,050
Total	$83,470

Note 11—Operating Expenses By Function

A summary of operating expenses by functional classification for the year ended June 30, 2015 follows (in thousands):

	Compensation & Benefits	Supplies	Other	Depreciation & Amortization	Total
Instruction	$310,690	10,732	31,257	-	$352,679
Research	206,997	35,558	52,100	-	294,655
Public service	56,778	9,946	20,898	-	87,622
Academic support	149,565	10,230	4,847	-	164,642
Patient services	806,097	304,906	232,801	-	1,343,804
Student services	24,596	2,789	9,119	-	36,504
Institutional support	55,065	4,685	15,309	-	75,059
Operations and maintenance of plant	770	2,207	72,454	-	75,431
Scholarships and fellowships	12,799	-	17,717	-	30,516
Depreciation and amortization	-	-	-	182,762	182,762
Auxiliary enterprises	84,747	13,739	74,306	-	172,792
Other operating expenses	22,644	7,311	12,331	-	42,286
Total	$1,730,748	402,103	543,139	182,762	$2,858,752

Note 12—Restricted Net Position

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

	June 30, 2015	June 30, 2014
Restricted - nonexpendable:		
Permanent endowment	$46,372	$47,856
Restricted - expendable:		
Research and gifts	$105,909	$105,552
Student loans	21,712	20,522
Term endowments	75,471	102,348
Capital projects:		
Sinking	33,045	34,485
Reserve	106,922	103,913
Renewal & replacement	63,330	24,146
Total	$406,389	$390,966

The Foundation's temporarily restricted net assets at June 30, 2015 and 2014 were restricted for the following (in thousands):

	June 30, 2015	June 30, 2014
Program support	$181,450	$171,392
Student support	99,849	102,712
Faculty support	113,104	113,561
Facilities and equipment	68,231	69,881
Research	92,599	81,620
Remainder interest in trusts	21,996	23,665
Total	$577,229	$562,831

The Foundation's permanently restricted net assets at June 30, 2015 and 2014 were restricted for the following (in thousands):

	June 30, 2015	June 30, 2014
Undesignated	$6,846	$6,852
Program support	99,332	97,104
Student support	183,447	172,803
Faculty support	196,825	189,638
Facilities and equipment	6,433	6,328
Research	70,732	68,662
Perpetual trusts	7,388	7,567
Remainder interest in trusts	11,612	12,249
Total	$582,615	$561,203

Note 13— Other Discretely Presented Component Units

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

A - The University of Iowa Research Foundation

The University of Iowa Research Foundation (UIRF)–a 501(c)(3) corporation–commercializes University of Iowa developed technologies and inventions through licensing and new venture formation, and manages the subsequent revenue stream. See Note 1 for additional information. UIRF reports on a fiscal year ended June 30. Requests for the separately issued financial statements should be directed to the Controller's Office, University of Iowa, B5 Jessup Hall, Iowa City, IA 52242.

Significant financial data for UIRF for the years ended June 30, 2015 and 2014 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2015	2014
Assets		
Cash, investments and other assets	$22,884	$22,650
Capital assets, net	3	4
Total Assets	$22,887	$22,654
Liabilities		
Accounts payable and other current liabilities	$2,134	$782
Long-term liabilities (current and noncurrent portions)	94	100
Total Liabilities	2,228	882
Net Position		
Net investment in capital assets	3	4
Unrestricted	20,656	21,768
Total Net Position	20,659	21,772
Total Liabilities and Net Position	$22,887	$22,654

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2015	2014
Program Expenses		
Intellectual properties expense	$7,147	$6,333
Other	336	266
Total Program Expenses	7,483	6,599
Program Revenues		
Intellectual properties income	2,682	3,503
Investment income	3,688	1,167
Payment from primary government	-	219
Total Program Revenues	6,370	4,889
Change in Net Position	(1,113)	(1,710)
Net Position, Beginning of Year	21,772	23,482
Net Position, End of Year	$20,659	$21,772

B - University of Iowa Health System and Subsidiaries

University of Iowa Health System and Subsidiaries (UIHS) was incorporated under the provisions of the Iowa Nonprofit Corporations Act on December 2, 1994. UIHS was formed to support the clinical, academic, and research programs of the University of Iowa College of Medicine and the University of Iowa Hospitals and Clinics. See Note 1 for additional information. UIHS reports on a fiscal year ended December 31. Requests for the separately issued financial statements should be directed to the Controller's Office, University of Iowa, B5 Jessup Hall, Iowa City, IA 52242.

Significant financial data for UIHS for the years ended December 31, 2014 and 2013 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2014	2013
Assets		
Cash, investments and other assets	$25,810	$22,408
Capital assets, net	633	220
Total Assets	26,443	22,628
Deferred outflows of resources		
Acquisition deferred outflow	1,542	-
Total Assets and Deferred Outflows of Resources	$27,985	$22,628
Liabilities		
Accounts payable and other current liabilities	$2,894	$1,547
Accounts held for other component units	5,447	5,155
Total Liabilities	8,341	6,702
Net Position		
Net investment in capital assets	633	220
Unrestricted	19,011	15,706
Total Net Position	19,644	15,926
Total Liabilities and Net Position	$27,985	$22,628

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2014	2013
Program Expenses		
Patient Services	$14,888	$11,530
Management services	11,260	12,001
Depreciation	105	152
Total Program Expenses	26,253	23,683
Program Revenues		
Patient Services	11,453	7,816
Management services	13,203	13,107
Investment income	37	40
Other	5,278	1,628
Total Program Revenues	29,971	22,591
Change in Net Position	3,718	(1,092)
Net Position, Beginning of Year	15,926	17,018
Net Position, End of Year	$19,644	$15,926

Note 14—Subsequent Events

In August 2015, the University received approval from the Board of Regents to issue Dormitory Revenue Bonds, Series S.U.I. 2015 in the amount of $34,680,000 in August 2015 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 3.00% and 3.75% and will mature in varying amounts from July 1, 2019 through July 1, 2040.

In August 2015, the University received approval from the Board of Regents to issue Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2015B in the amount of $12,130,000. The proceeds of the Bonds will be used to (i) provide for the advance refunding of the outstanding principal of the July 1, 2016 through July 1, 2031 maturities of the Board's $15,000,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2005B (Taxable), dated September 1, 2005 and (ii) pay the costs of issuing the Bonds. These bonds will bear interest at varying rates between 2.00% and 3.70% and will mature in varying amounts from July 1, 2016 through July 1, 2031.

In October 2015, the University received approval from the Board of Regents to issue Academic Building Revenue Bonds, Series S.U.I. 2015 in the amount of $14,055,000. The proceeds of the Bonds will be used to pay or reimburse a portion of the costs of building, repairing, replacing, reconstructing and equipping flood damaged buildings and facilities on the campus of the University damaged by the flood of 2008; fund a reserve fund; and pay the costs of issuing the Bonds. These bonds will bear interest at varying rates between 2.00% and 3.25% and will mature in varying amounts from July 1, 2017 through July 1, 2036.

In October 2015, the University received approval from the Board of Regents to issue Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2015C (Taxable) in the amount of $21,135,000. The proceeds of the Bonds will be used to (i) provide for the advance refunding of the outstanding principal of the July 1, 2016 through July 1, 2031 maturities of the Board's $27,500,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2006 dated June 1, 2006 and (ii) pay the costs of issuing the Bonds. These bonds will bear interest at varying rates between 2.00% and 3.85% and will mature in varying amounts from July 1, 2016 through July 1, 2031.

In October 2015, the University received approval from the Board of Regents to issue Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2015D (Taxable) in the amount of $19,755,000. The proceeds of the Bonds will be used to (i) provide for the advance refunding of the outstanding principal of the July 1, 2016 through July 1, 2031 maturities of the Board's $25,000,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2006A dated July 1, 2006 and (ii) pay the costs of issuing the Bonds. These bonds will bear interest at varying rates between 2.00% and 3.625% and will mature in varying amounts from July 1, 2016 through July 1, 2031.

In October 2015, the University received approval from the Board of Regents to accept a Gift Agreement between American Institute of Business (AIB) and the University of Iowa and authorizing the University and the Board's Executive Director to take further actions as needed to complete the gifting process.

The American Institute of Business (AIB) is a private, not-for-profit educational institution in Des Moines that has operated programs since 1921. The principal element of the gift is the real

estate and improvements comprising the AIB campus located at Fleur Drive and Bell Avenue, between downtown Des Moines and the Des Moines Airport. There are a total of 18 acres and numerous buildings. The most recent assessed valuation of the real estate property by Polk County is $21.55 million, exclusive of equipment, other personal property, and financial assets.

Note 15—Restatement

As a result of adopting GASB Statement No. 68 Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 in fiscal year 2015, the beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as following:

	(in thousands)
Net position at June 30, 2014, as previously reported	$3,567,846
Net pension liability at June 30, 2014	(47,364)
Deferred outflows of resouces related to contributions made after June 30, 2013 measurement date	5,696
Net position at June 30, 2014, as restated	$3,526,178

The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability as required by GASB statement No. 71. Pension Transaction for Contribution Made Subsequent to the Measurement Date.

As a result of adopting GASB Statement No. 65 Items Previously Reported as Assets and Liabilities in fiscal year 2014, unamortized bond issuance costs which were previously reported as assets have been expensed, as follows:

	(in thousands)
Net position at June 30, 2012, as previously reported	$3,100,158
Unamortized bond issuance costs expensed	(9,220)
Net position at June 30, 2012, as restated	$3,090,938

Note 16—Segment Information

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

ACADEMIC BUILDING REVENUE BONDS

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

ATHLETIC FACILITIES REVENUE BONDS

The Athletic Facilities Revenue Bond Funds were created to defray the costs of constructing and equipping certain athletic and recreational buildings and facilities at the University. The revenues pledged to these bonds are generated by 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.

TELECOMMUNICATIONS FACILITIES REVENUE BONDS

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

UNIVERSITY OF IOWA FACILITIES CORPORATION REVENUE BONDS

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

UTILITY SYSTEM REVENUE BONDS

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

FUND ACCOUNTING

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

TRANSFERS IN (OUT)

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

Segment Reporting (in thousands)

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Center for University Advancement Revenue Bonds	Hospital Revenue Bonds
CONDENSED STATEMENT OF NET POSITION				
Assets:				
Current assets	$19,035	$19,595	$779	$343,237
Capital assets	577,736	126,901	5,731	820,650
Other noncurrent assets	16,405	11,324	942	738,830
Total assets	613,176	157,820	7,452	1,902,717
Deferred outflows of resources	-	588	-	6,105
Liabilities:				
Current liabilities	18,679	19,813	777	213,955
Noncurrent liabilities	188,948	133,183	3,070	426,039
Total liabilities	207,627	152,996	3,847	639,994
Deferred inflows of resources	1,131	-	-	5,928
Net Position:				
Net investment in capital assets	383,227	(9,134)	1,971	486,161
Restricted - expendable	21,191	14,675	1,634	5,633
Unrestricted	-	(129)	-	771,106
Total net position	$404,418	$5,412	$3,605	$1,262,900
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	$361,080	$37,801	-	$1,314,267
Depreciation expense	(24,993)	(7,268)	(901)	(74,712)
Other operating expenses	(1,968)	(14,442)	-	(1,155,470)
Net operating income (loss)	334,119	16,091	(901)	84,085
Nonoperating revenues (expenses)	(4,476)	(4,687)	(163)	450
Transfers from/(to) University funds	(286,248)	(8,127)	857	(30,415)
Change in net position	43,395	3,277	(207)	54,120
Net position, beginning of year, as restated Hospital only	361,023	2,135	3,812	1,208,780
Net position, end of year	$404,418	$5,412	$3,605	$1,262,900
CONDENSED STATEMENT OF CASH FLOWS				
Net cash provided (used) by operating activities	$361,931	$24,347	-	$102,406
Net cash provided (used) by noncapital financing activities	(348,894)	(14,903)	856	(30,413)
Net cash provided (used) by capital and related financing activities	(35,041)	(12,378)	(859)	(218,018)
Net cash provided (used) by investing activities	(3,475)	2,907	6	140,412
Net increase (decrease) in cash	(25,479)	(27)	3	(5,613)
Cash and cash equivalents, beginning of year	41,632	21,559	818	18,996
Cash and cash equivalents, end of year	$16,153	$21,532	$821	$13,383

IMU Revenue Bonds	Parking System Revenue Bonds	Recreational Facilities Revenue Bonds	Residence Services Revenue Bonds	Telecomm. Facilities Revenue Bonds	UI Facilities Corporation Revenue Bonds	Utility System Revenue Bonds
$3,517	$3,482	$4,455	$8,971	$7,619	$59	$16,186
47,739	89,623	97,816	157,356	30,403	208,307	271,594
642	18,657	10,090	33,563	9,578	14,800	41,526
51,898	111,762	112,361	199,890	47,600	223,166	329,306
-	-	-	45	-	2,066	694
4,006	3,271	4,455	10,039	4,689	10,103	12,630
6,744	61,223	65,971	87,188	32,990	143,462	166,927
10,750	64,494	70,426	97,227	37,679	153,565	179,557
639	518	-	1,026	8	292	1,839
39,891	28,430	29,969	74,569	(4,430)	57,008	118,190
1,107	4,015	9,854	23,451	5,252	14,367	17,204
(489)	14,305	2,112	3,662	9,091	-	13,210
$40,509	$46,750	$41,935	$101,682	$9,913	$71,375	$148,604
$13,394	$19,648	$4,602	$69,328	$27,080	-	$85,390
(1,399)	(2,655)	(3,512)	(6,509)	(987)	(8,397)	(14,706)
(16,269)	(9,776)	(7,257)	(54,807)	(21,667)	(291)	(56,106)
(4,274)	7,217	(6,167)	8,012	4,426	(8,688)	14,578
353	(76)	(2,845)	20	(1,202)	(5,224)	(2,712)
17,378	(15,007)	14,493	2,540	(4,363)	22,431	2,844
13,457	(7,866)	5,481	10,572	(1,139)	8,519	14,710
27,052	54,616	36,454	91,110	11,052	62,856	133,894
$40,509	$46,750	$41,935	$101,682	$9,913	$71,375	$148,604
($2,907)	$10,377	($2,620)	$15,956	$3,146	-	$31,156
(200)	(1,024)	(490)	(670)	(2,507)	14,636	(16,552)
3,709	(14,551)	2,089	(36,957)	(4,111)	(14,875)	11,772
552	(213)	2,579	182	37	260	8,977
1,154	(5,411)	1,558	(21,489)	(3,435)	21	35,353
72	12,748	9,135	53,586	11,938	31	15,078
$1,226	$7,337	$10,693	$32,097	$8,503	$52	$50,431

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Center for University Advancement Revenue Bonds	Hospital Revenue Bonds
DEBT SERVICE COVERAGE				
Debt service coverage % - Required	N/A	125%	100%	130%
Debt service coverage % - Actual	N/A	239%	100%	640%
PORTION OF REVENUE PLEDGED				
Annual debt service (principal & interest)	$12,636	$10,823	$865	$24,674
Net pledged revenue	350,180	25,831	865	158,797
Annual debt service/Net operating revenues (%)	4%	42%	100%	16%

REVENUE BONDS PAYABLE

A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2015, is as follows:

Beginning Balance	$176,227	$141,899	$4,430	$343,118
Additions	24,880	40,658	-	-
Reductions	6,420	45,934	670	12,149
Ending Balance	**$194,687**	**$136,623**	**$3,760**	**$330,969**

DEBT SERVICE REQUIREMENTS

A summary of revenue bond debt service for payment of principal and interest is shown below. As of June 30, 2015, the amount shown for debt service payments due on July 1 were on hand.

Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Mar & Sep 1st
2016	$12,792	$8,210	$849	$24,533
2017	14,440	10,194	852	24,442
2018	15,498	10,434	834	24,305
2019	15,438	10,458	838	24,251
2020	15,397	10,515	845	24,148
2021-2025	76,655	53,796	-	119,806
2026-2030	62,968	54,413	-	106,528
2031-2035	42,324	29,056	-	74,383
2036-2040	7,890	4,260	-	52,145
2041-2042	-	-	-	-
Unamortized Discount and Premium	4,928	858	-	12,069
Total	**$268,330**	**$192,194**	**$4,218**	**$486,610**

COMMITMENTS

As of June 30, 2015, the University has entered into contract commitments for construction projects as follows:

Contract Commitments	**$97,485**	**$239**	**-**	**$151,370**

IMU Revenue Bonds	Parking System Revenue Bonds	Recreational Facilities Revenue Bonds	Residence Services Revenue Bonds	Telecomm. Facilities Revenue Bonds	UI Facilities Corporation Revenue Bonds	Utility System Revenue Bonds
120%	120%	125%	135%	110%	N/A	120%
226%	235%	157%	216%	174%	N/A	249%
$742	$3,607	$4,892	$8,581	$3,140	$14,855	$12,610
1,679	8,477	7,664	18,537	5,468	N/A	31,389
44%	43%	64%	46%	57%	N/A	40%
$7,285	$62,270	$70,783	$94,710	$37,308	$161,823	$157,890
-	-	-	-	-	18,946	25,022
76	1,595	2,937	5,066	2,483	27,696	7,537
$7,209	**$60,675**	**$67,846**	**$89,644**	**$34,825**	**$153,073**	**$175,375**
Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Dec & Jun 1st	May & Nov 1st
$698	$3,420	$4,856	$8,519	$3,113	$14,600	$14,749
733	4,612	4,979	8,484	2,395	14,596	15,688
738	4,511	5,116	8,327	2,391	14,594	15,635
737	4,515	5,098	8,289	2,380	14,634	15,599
734	4,466	5,295	8,281	2,383	14,207	15,594
3,695	18,870	27,407	32,609	12,001	53,700	70,573
743	14,314	25,602	19,060	12,190	45,445	48,515
-	13,210	24,631	17,117	10,688	18,464	22,547
-	13,350	-	-	3,296	8,469	13,346
-	2,687	-	-	-	-	1,474
789	1,025	146	2,784	170	2,403	2,910
$8,867	**$84,980**	**$103,130**	**$113,470**	**$51,007**	**$201,112**	**$236,630**
$1,635	**$4,568**	**$258**	**$87,711**	**$90**	**$17,873**	**$13,453**

Required Supplementary Information
June 30, 2015

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

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

	2015
University's proportion of the net pension liability	0.9747910%
University's proportionate share of the net pension liability	$38,659
University's covered-employee payroll	$63,967
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.4%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

**The amounts presented for the fiscal year were determined as of June 30.*

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

SCHEDULE OF UNIVERSITY CONTRIBUTIONS

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	$6,620	$5,696	$4,718	$3,802	$2,428	$1,654	$1,460	$1,170	$1,053	$974
Contributions in relation to the statutorily required contribution	(6,620)	(5,696)	(4,718)	(3,802)	(2,428)	(1,654)	(1,460)	(1,170)	(1,053)	(974)
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
University's covered-employee payroll	$74,409	63,967	54,658	46,653	33,646	24,521	22,792	19,259	17,946	16,859
Contributions as a percentage of the covered-employee payroll	8.9%	8.9%	8.6%	8.1%	7.2%	6.7%	6.4%	6.1%	5.9%	5.8%

See accompanying independent auditor's report.

Notes to Required Supplementary Information– Pension Liability
June 30, 2015

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

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

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

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.

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

SCHEDULE OF FUNDING PROGRESS BY VALUATION DATE

(in thousands)

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
6/30/13	7/1/12	-	$169,800	$169,800	0.00%	$906,000	18.70%
6/30/14	7/1/13	-	$276,300	$276,300	0.00%	$924,200	29.90%
6/30/15	7/1/14	-	$301,100	$301,100	0.00%	$980,800	30.70%

As a result of a change in the discount rate from 5.0% to 4.75%, the Actuarial Accrued Liability increased from the prior year. All other assumptions used in the calculation remained the same.

See accompanying independent auditor's report.

THE UNIVERSITY OF IOWA

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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 afr.fo.uiowa.edu/annual-reports.

The University of Iowa