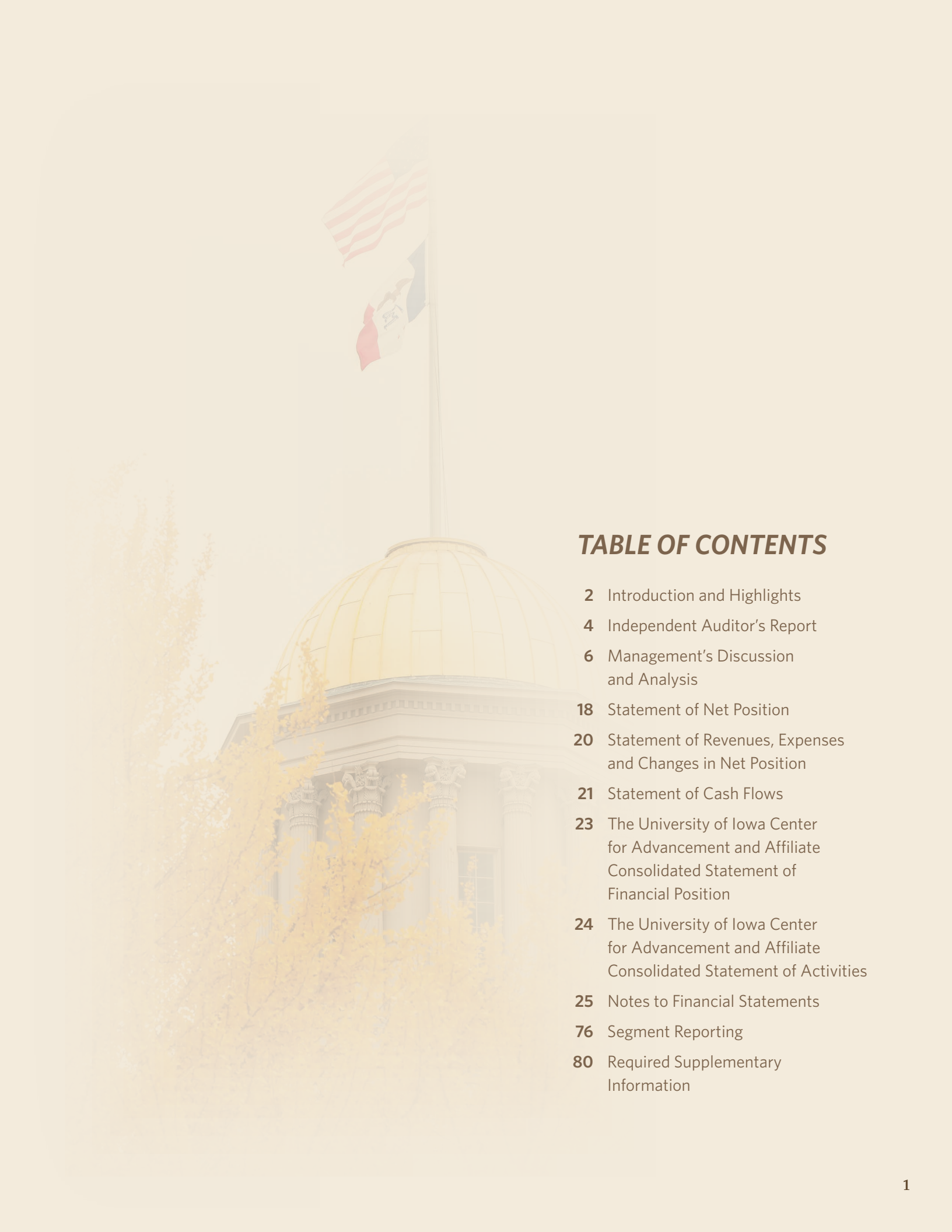
FINANCIAL REPORT

JULY 1, 2017, TO JUNE 30, 2018

THE UNIVERSITY OF IOWA



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FOR IOWA AND THE WORLD

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

UNIVERSITY OF IOWA MISSION

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

THE UNIVERSITY IN 2018

University of Iowa achievements during 2018 include:

- Enrolling the highest-achieving class of incoming freshman in UI history (Class of 2022: 4,806 students, mean GPA: 3.71)
- Conferring 5,093 baccalaureate degrees, 1,734 higher degrees, and 481 professional degrees
- Appointing Dr. Melissa S. Shivers as Interim Chief Diversity Officer
- Beginning construction of the new Psychological and Brain Sciences Building (to be completed January 2020) and continuing construction of new College of Pharmacy building (to be completed fall 2019).

ENROLLMENT

Group	Fall 2018	Fall 2017
Total students	32,948	33,564
Undergraduates	23,989	24,503
Graduate and professional	8,959	9,061
Iowa residents	59.8%	57.2%
Total non-residents	40.2%	42.8%
International students	9.3%	10.2%
Minority enrollment	18.4%	17.8%

EMPLOYMENT

Group (by FTEs)	Fall 2018	Fall 2017
Total faculty and staff	24,717	24,918
Tenure-track faculty	1,490	1,506
Clinical-track faculty	811	777
Postdoctoral and other faculty	799	761
Institutional officers	19	20
Professional and scientific staff	10,355	10,154
Merit staff	4,392	4,490
Residents	831	838
Graduate assistants	2,215	2,282
Temporary	3,805	4,090

U.S. News & World Report places the University of Iowa among the top 15% of the 1,250 "Best Global Universities".

EXTERNAL SUPPORT AND GIVING

The university reported strong external support during FY2018.

- Fiscal year 2018 total external funding: **$554 million**

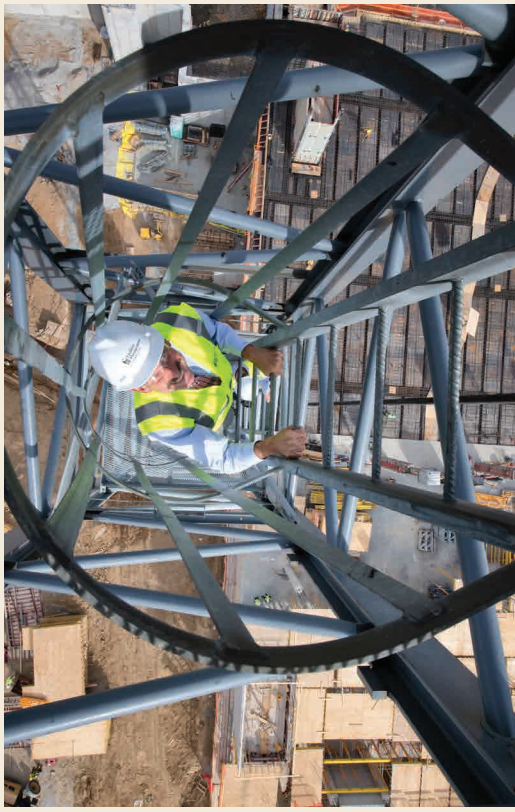
The university and the UI Center for Advancement concluded the For Iowa. Forever More. campaign, the most successful fundraising campaign in UI history:

- Number of individual campaign donors: **272,543**
- Number of students that have received scholarship support from campaign: **3,455**

RECENT RANKINGS

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

- *U.S. News & World Report* rank among 132 national, public universities: **38**
- *U.S. News & World Report* rank among best global universities: **153**
- Number of graduate programs ranked among the top 10 in their field by *U.S. News & World Report*: **13**
- *U.S. News & World Report* rank among Iowa hospitals: **1**
- Number of adult medical specialties among the top 50 in their fields by *U.S News & World Report*: **7**
- Number of pediatric specialties ranked among the top 50 in their fields by *U.S News & World Report*: **4**



Donald Letendre, dean of the College of Pharmacy, tours construction of the college's new facility to be completed in early 2020.

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying Statement of Net Position, and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows, of 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, 2018 and 2017, 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of the University of Iowa Center for Advancement and Affiliate, the University of Iowa Research Foundation, and the University of Iowa Health System discussed in Note 1, which represent 100% of the assets, net position and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those financial statements, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Iowa Center for Advancement and Affiliate were not audited in accordance with Government Auditing Standards.

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

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Iowa and its aggregate discretely presented component units as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years ended June 30, 2018 and 2017 in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in Note 1, the financial statements of 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, 2018 and 2017 and the changes in its financial position and its cash flows for the years ended June 30, 2018 and 2017 in conformity with U.S. generally accepted accounting principles.

As discussed in Note 8 to the financial statements, the University of Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the University's Proportionate Share of Net Pension Liability, Schedule of University Contributions and the Schedule of Changes in the University's Total OPEB Liability, Related Ratios and Notes on pages 6 through 17 and 80 through 83 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

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

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

December 13, 2018

Management's Discussion and Analysis

The new South Annex of the Seaman's Center—home of the College of Engineering—opened to the public in February 2018, adding 65,000 sq. ft. of state-of-the-art classroom and research space.

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, 2018 and 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes that follow.

FINANCIAL HIGHLIGHTS

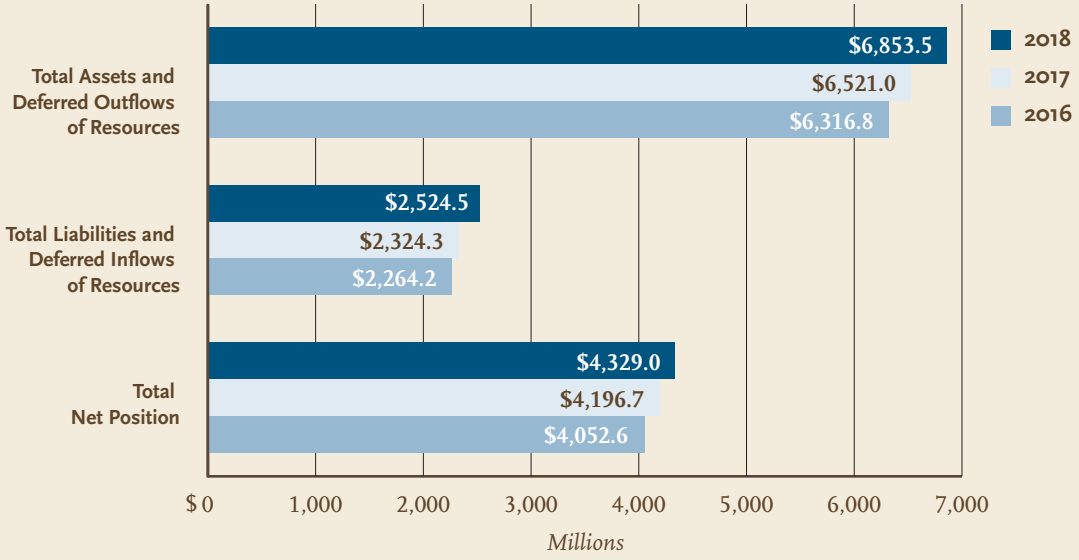
The University's financial position remained strong at June 30, 2018, with assets of $6,732 million and liabilities of $2,434 million as compared to June 30, 2017 assets of $6,464 million and liabilities of $2,319 million. Net position, the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, increased by $132.3 million (3.2%) from July 1, 2017 to June 30, 2018 before restatement. The increase from June 30, 2016 to June 30, 2017 was $144.1 million (3.6%).

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.

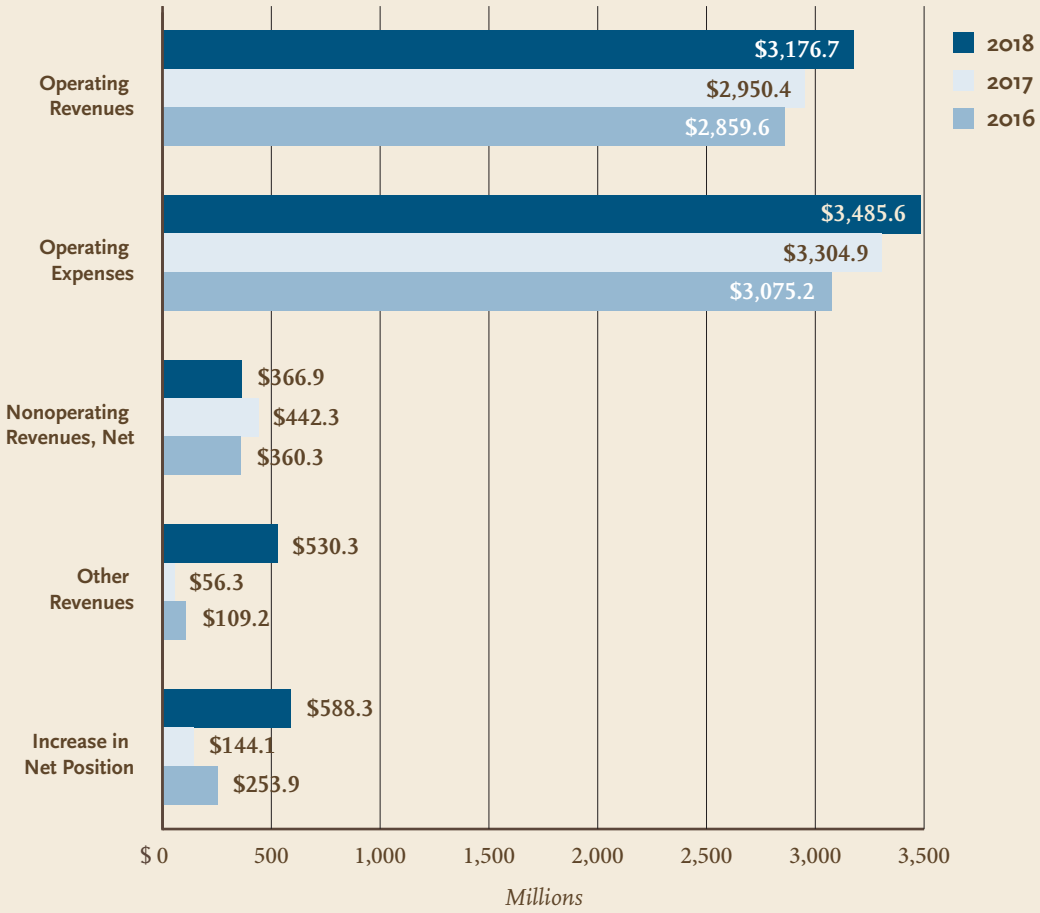
GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions was implemented during fiscal year 2018. The beginning net position was restated by $455.96 million to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available. In order to minimize the OPEB liability for FY18 and in the future, the University implemented a cap on the University's contribution for retiree health at the current $288 per month for current and future retirees. The University sent letters to retirees by the June 30, 2017 measurement date in order to be incorporated into the FY18 GASB 75 valuation. See Note 15–Restatement 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, 2018, 2017, and 2016 and the components of changes in Net Position at June 30, 2018, 2017 and 2016.

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, 2018, 2017 and 2016.

NET POSITION, END OF YEAR (in millions)

	2018	Not Restated 2017	Not Restated 2016
Assets			
Current assets	$863.9	$857.3	$819.0
Capital assets, net	3,943.8	3,854.0	3,647.0
Other noncurrent assets	1,924.2	1,752.4	1,818.1
Total Assets	6,731.9	6,463.7	6,284.1
Deferred Outflows of Resources	121.6	57.3	32.7
Liabilities			
Current liabilities	802.6	743.6	707.6
Noncurrent liabilities	1,630.9	1,575.8	1,547.3
Total Liabilities	2,433.5	2,319.4	2,254.9
Deferred Inflows of Resources	91.0	4.9	9.3
Net Position			
Net investment in capital assets	2,653.7	2,569.0	2,368.6
Restricted	426.1	452.3	453.4
Unrestricted	1,249.2	1,175.4	1,230.6
Total Net Position	$4,329.0	$4,196.7	$4,052.6

The following table summarizes the University's revenues, expenses and changes in net position for the years ended June 30, 2018, 2017 and 2016.

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

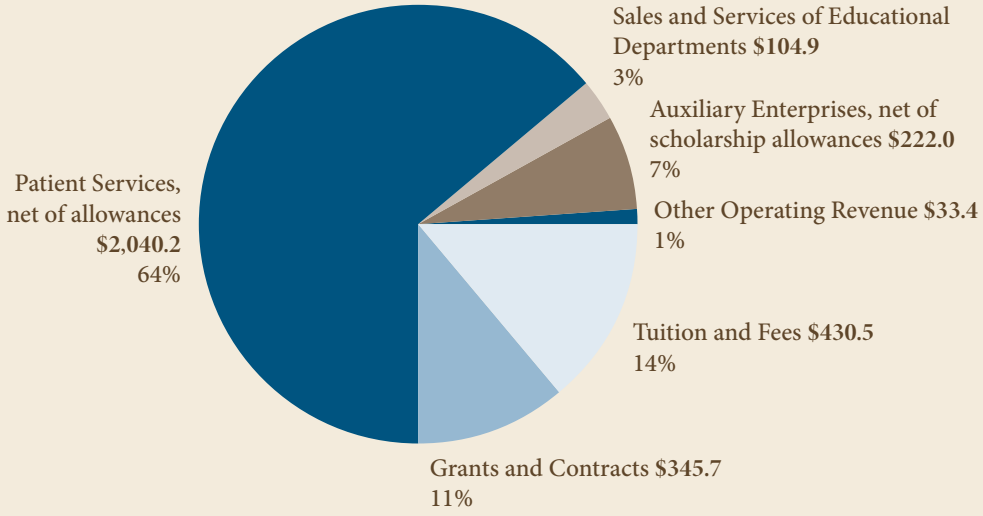
	2018	Not Restated 2017	Not Restated 2016
Operating Revenues:			
Tuition and fees, net of scholarship allowances	$430.5	$399.1	$379.1
Grants and contracts	345.7	345.0	343.7
Patient services, net of allowances	2,040.2	1,846.5	1,789.4
Sales and services of educational departments	104.9	108.5	108.4
Auxiliary enterprises, net of scholarship allowances	222.0	216.3	197.0
Other operating revenue	33.4	35.0	42.0
Total Operating Revenues	**3,176.7**	**2,950.4**	**2,859.6**
Operating Expenses:			
Instruction	349.7	341.8	337.3
Research	334.7	330.3	332.2
Academic support	153.0	226.4	181.4
Patient services	1,848.9	1,621.7	1,508.9
Depreciation and amortization	247.3	226.7	196.9
Auxiliary enterprises	203.3	203.2	182.1
Other operating expenses	348.7	354.8	336.4
Total Operating Expenses	**3,485.6**	**3,304.9**	**3,075.2**
Operating (Loss)	**(308.9)**	**(354.5)**	**(215.6)**
Nonoperating Revenues (Expenses):			
State appropriations	227.3	239.3	247.3
Grants and contracts	20.2	18.2	17.3
Investment income, net of investment expenses	65.2	113.4	43.7
Gifts	97.2	109.2	89.0
Interest expense	(37.8)	(32.5)	(31.4)
Loss on disposal of capital assets	(5.2)	(5.3)	(5.6)
Net Nonoperating Revenues (Expenses)	**366.9**	**442.3**	**360.3**
Income Before Other Revenues	**58.0**	**87.8**	**144.7**
Other Revenues:			
Capital appropriations, State	53.0	20.6	19.4
Capital contributions and grants	10.5	33.6	15.7
FEMA reimbursement for capital costs, net of expenses	1.8	2.1	74.1
Other—OPEB benefit change	465.0	0.0	0.0
Net Other Revenues	**530.3**	**56.3**	**109.2**
Increase in Net Position	**588.3**	**144.1**	**253.9**
Net position, beginning of year, as restated	**3,740.7**	**4,052.6**	**3,798.7**
Net position, end of year	**$4,329.0**	**$4,196.7**	**$4,052.6**

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, 2018 of $132.3 million (3.2%). This calculation does not include the restatement of net position as of July 1, 2017 required by the implementation of GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions during fiscal year 2018. The beginning net position was restated by $456.0 million to retroactively report the increase in the OPEB liability as of July 1, 2017, referenced in Note 15—Restatement. Net position increased $465.0 million during fiscal year 2018 due to the University's implementation of a change in OPEB benefit terms during fiscal year 2018. When these items are included, net position increased $588.3 million for the fiscal year ended June 30, 2018. During the fiscal year ended June 30, 2018, the University increased operating revenues and operating expenses by 7.7% and 5.5%, respectively. The net result from operating revenues and expenses is an operating loss of 9.7% compared to 12.0% last year. However, after factoring in state appropriations, investment income, gifts and other net non-operating revenues (expenses), the University increased net position by $58.0 million for the year ended June 30, 2018. During the fiscal year ended June 30, 2018, net nonoperating revenues (expenses) decreased by 17.0%. Other revenues of state appropriations for capital projects, contributions and grants for capital projects, and FEMA reimbursement for capital costs, net of expenses increased $9.0 million (16.0%). The other revenue for the change in OPEB benefit terms is $465.0 million, as referenced above.

OPERATING REVENUES

For the fiscal years (FY) ended June 30, 2018, 2017 and 2016, operating revenues totaled $3,176.7 million, $2,950.4 million and $2,859.6 million, respectively. Operating revenues increased $226.3 million (7.7%) over FY 2017 revenues. The increase is primarily from patient services and student tuition and fees. The following is a graphic illustration of revenues by source which are used to fund the University's operating activities for the year ended June 30, 2018.

FY 2018 OPERATING REVENUES $3,176.7 million

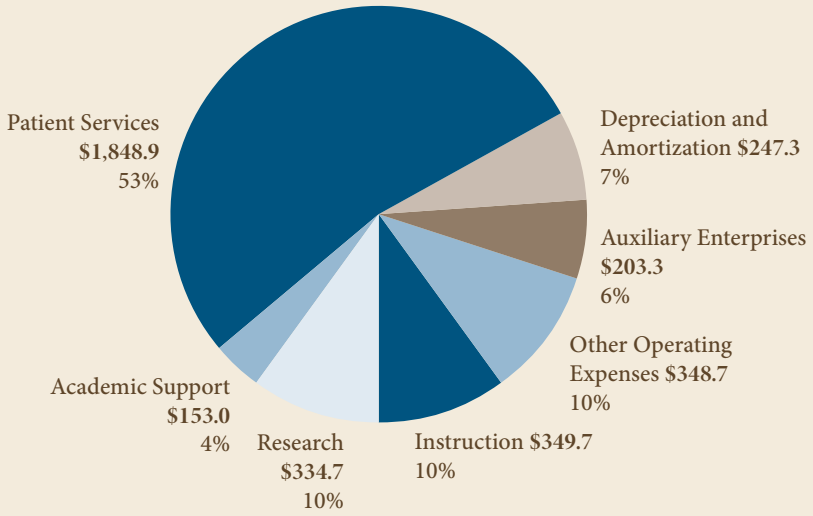


In the most recent National Science Foundation, Higher Education Research and Development survey (2016), the University of Iowa ranked 48th among public and private universities combined in terms of federally financed expenditures for research and development. Grants, contracts and other sponsored agreements operating revenue exceeded $345 million in FY 2018, $344 million in FY 2017 and $343 million in FY 2016.

OPERATING EXPENSES

For the fiscal years ended June 30, 2018, 2017 and 2016, operating expenses totaled $3,485.6 million, $3,304.9 million and $3,075.2 million, respectively. Operating expenses increased $180.7 million (5.5%) over FY 2017 expenses. The increase is primarily from patient services and depreciation. The following is a graphic illustration of the University's operating expenses for the year ended June 30, 2018.

FY 2018 OPERATING EXPENSES $3,485.6 million



Other operating expenses include Public Service (2018, $90 million; 2017, $92 million), Student Services (2018, $37 million; 2017, $41 million), Institutional Support (2018, $56 million; 2017, $64 million), Operation and Maintenance of Plant (2018, $84 million; 2017, $85 million), Scholarships and Fellowships (2018, $32 million; 2017, $31 million), and Other (2018, $49 million; 2017, $42 million).

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues and expenses netted a positive $366.9 million for the fiscal year ended June 30, 2018 and $442.3 million for the fiscal year ended June 30, 2017.

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2018, 2017 and 2016.

NONOPERATING REVENUES (EXPENSES) (in millions)

	2018	2017	2016
Nonoperating Revenues (Expenses)			
State appropriations	$227.3	$239.3	$247.3
Grants and contracts	20.2	18.2	17.3
Investment income, net of investment expenses	65.2	113.4	43.7
Gifts	97.2	109.2	89.0
Interest expense	(37.8)	(32.5)	(31.4)
Loss on disposal of capital assets	(5.2)	(5.3)	(5.6)
Net Nonoperating Revenues (Expenses)	**$366.9**	**$442.3**	**$360.3**

State appropriations decreased by $12.0 million (5.0%) in the fiscal year ended June 30, 2018. Grants and contracts revenue increased by $2.0 million (11.0%), investment income, net of investment expenses decreased by $48.2 million (42.5%) and gifts decreased by $12.0 million (11.0%) in the fiscal year ended June 30, 2018.

OTHER REVENUES AND EXPENSES

Not included, by definition, as nonoperating revenues and expenses are state appropriations for capital projects, contributions and grants for capital projects and reimbursement from FEMA for capital costs, net of expenses. Other revenues increased from $56.3 million for the fiscal year ended June 30, 2017 to $530.3 million for the fiscal year ended June 30, 2018, an increase of $474.0 million, or 841.9%. Other revenues included an increase of $465.0 million during fiscal year 2018 due to the University's implementation of a change in OPEB benefit terms during fiscal year 2018; see Note 15-Restatement for additional information. Capital appropriations, contributions, and grants increased from $54.2 million for the fiscal year ended June 30, 2017 to $63.5 million for the fiscal year ended June 30, 2018, an increase of $9.3 million, or 17.2%. For the fiscal years ended June 30, 2018 and 2017, $1.8 million and $2.1 million, respectively, was recognized in FEMA reimbursement for capital costs, net of expenses, a decrease of $0.3 million, or 14.3%. The net revenue is intended to fund flood-related expenses.

After insurance recoveries, FEMA has agreed to reimburse the University at 90% of actual cost of approved project work orders. All FEMA related activity is reported in Other Revenues. In fiscal year 2018, the University received $1.8 million in FEMA reimbursements towards flood-related costs expended ($2.2 million for capital costs and $0.4 million for expenses).

STATEMENT OF CASH FLOWS

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

The following table summarizes the University's cash flow for the fiscal years ended June 30, 2018, 2017 and 2016.

CASH FLOWS FOR THE YEAR (in millions)

	2018	2017	2016
Cash provided (used) by:			
Operating activities	$9.9	($123.7)	$78.8
Noncapital financing activities	367.7	390.7	343.9
Capital and related financing activities	(264.3)	(420.9)	(498.3)
Investing activities	(49.5)	143.8	81.2
Net change in cash and cash equivalents	63.8	(10.1)	5.6
Cash and cash equivalents, beginning of year	207.3	217.4	211.8
Cash and cash equivalents, end of year	$271.1	$207.3	$217.4

The University's overall liquidity increased during the year, with a net increase in cash and cash equivalents of $63.8 million. The net increase is primarily due to receipts for patient services.

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, 2018, 2017 and 2016.

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

	2018	2017	2016
Nondepreciable/nonamortizable			
Land	$68.7	$66.6	$64.5
Construction in progress	261.1	293.5	695.3
Intangibles in development	0.3	1.8	7.8
Art & historical collections	28.8	28.2	26.3
Library materials	358.2	345.8	328.1
Depreciable/amortizable			
Land improvements, net	10.0	7.4	4.7
Infrastructure, net	296.3	285.1	267.4
Buildings, net	2,602.1	2,490.9	1,973.6
Equipment, net	274.9	284.8	230.4
Intangibles, net	43.4	49.9	48.9
Total Capital Assets, Net	$3,943.8	$3,854.0	$3,647.0

The University of Iowa wrapped up construction of several important projects this year including the new south annex addition to the Seamans Center for the Engineering Arts and Sciences ($37.1 million), the Fit-out of the Central Vivarium Space in the John and Mary Pappajohn Biomedical Discovery Building ($24.0 million) and the UIHC Heart and Vascular Center ($13.3 million). Other important milestones were reached with the substantial completion and occupancy of the Gerdin Athletic Learning Center – Renovation and Build Out of 3rd Floor ($6.3 million), the University of Iowa Center for Advancement Services Building – Remodel Space ($5.8 million) and the John Colloton Pavilion – Material Services, Processed Stores Relocation project that supports the Central Sterilization Services Expansion ($5.0 million).

Work continued with ongoing construction for many prominent projects including the Kinnick Stadium North End Zone ($89.9 million), a three-year project that is well into its second year; the UIHC Pediatric Specialty Clinic Expansion and Conference Center Development ($39.0 million), the Modernization of Building Systems in Bowen Science Building ($18.5 million), the renovation of Lab Floors 1 – 5 within the John W. Eckstein Medical Research Building ($9.1 million), two College of Pharmacy projects (the new College of Pharmacy Building ($96.3 million) and the UIP Fit Out and Manufacturing Equipment ($28.4 million) project progresses with building envelope and equipment procurement, and several utility projects.

The utility projects include the Power Plant – Capacity Expansion ($49.5 million) which will add a new boiler and replace turbine generators at the main plant, the Steam Utility Enterprise systems – Replace Riverside Drive/Grand Avenue Steam Distribution System final phase ($18.0 million), and the Water Plant – Install Reverse Osmosis System ($5.9 million).

Several projects were bid and awarded for construction this year including construction of a new Psychological and Brain Sciences Building Facility ($33.5 million), replacement of L3 Air Handling Units serving John W. Colloton Pavilion ($6.2 million), relocation of Acute Leukemia and Bone Marrow Transplant Unit on Level 3 of John W. Colloton Pavilion ($15.3 million), installation of a MRI Linear Accelerator in Pomerantz Family Pavilion ($10.5 million), Modifications to the College of Nursing Building ($11.8 million), increasing the Cooling Tower Capacity at the Chilled Water Plant 2 (West) – ($5.2 million) and finally updating of Student Living Spaces in Burge Residence Hall which is a four year project ($8.4 million).

Additionally, projects currently under design include a new Museum of Art to replace the flood-damaged facility ($50.0 million), a UIHC Central Sterilization Services facility that consolidates sterilization services for the hospital into one facility and will be located on the Oakdale Campus ($31.5 million) and the Roy J. Carver Pavilion – Inpatient Psychiatry Expansion and Renovation project ($8.3 million), a new Finkbine Golf Club House and Support Facility ($9.95 million), renovation of Pathology Core Lab at Roy Carver Pavilion ($20.1 million), the expansion and renovation of an MRI and Pet/MRI Suite in John W. Colloton Pavilion ($5.4 million) and the relocation of Respiratory Specialty and Comprehensive Care Unit/Palliative Care within UIHC ($15.3 million).

Debt

As of June 30, 2018, the University had $1,365.7 million in outstanding bonds, notes and capital leases, an increase of $51.3 million from the prior year. Debt principal payments of $69.3 million and interest payments of $41.6 million were made during the fiscal year ended June 30, 2018.

The following table summarizes outstanding debt by type as of June 30, 2018, 2017 and 2016.

BONDS, NOTES AND CAPITAL LEASES

(in millions)

	2018	2017	2016
Revenue bonds	$1,321.0	$1,259.7	$1,252.9
Notes	27.3	36.3	40.7
Capital leases	17.4	18.4	19.5
Total Debt Outstanding	**$1,365.7**	**$1,314.4**	**$1,313.1**

During the fiscal year ended June 30, 2018, $122.3 million of new revenue bonds were issued. The revenue bond proceeds were $64.6 million for Athletic Facilities, $32.7 million for Hospital, and $25.0 million for Utility System. The University carries an Aa1 institutional bond rating from Moody's and an AA rating from Standard & Poor's. UIHC carries a rating of AA2 and AA. Additional information related to the University's noncurrent liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University of Iowa continues to have significant appeal to prospective students. This is attributable, in large part, to the University's high academic standards and its national reputation as a best buy in undergraduate education. The University continues to draw a high percentage of students from outside the state of Iowa, most notably from the state of Illinois. The Class of 2022 is comprised of 4,806 students, making it the fourth-largest, most academically gifted class in the University's 171-year history. Total enrollment for fall 2018 is 32,948, the third highest enrollment in the University's history. It is forecasted these trends will continue with strong enrollment demand at the University of Iowa, despite overall high school graduation demographics remaining flat within the state of Iowa.

The state reduced its general fund appropriation to the University by $17.4 million since the beginning of fiscal year 2017. This loss in state support was offset by increasing tuition rates for resident undergraduate students 5% in FY 2018 and 3.8% in FY2019, and, for all other students 6.35% in FY 2018 and 2.1% in FY 2019. Even considering these significant tuition rate increases, the University of Iowa continues to charge one of the lowest tuition rates amongst peer institutions. The state economy continues to report revenue growth over the prior year. In fact, the October 2018 projection from the state's revenue estimating committee estimates fiscal year 2019 state tax receipts will be $355.8 million above fiscal year 2018 actual net receipts, representing a year-over-year increase of 4.9%.

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 ten years. The continuation of hiring highly productive faculty within focused clusters, and infrastructure improvements will enable the University's researchers to be more productive and better positioned to compete for external grants and contracts as new sponsored research opportunities emerge. Federally sponsored research increased 16% in FY 2018 while the University realized a significant decrease in state & local government research support. Particular emphasis is on developing stronger partnerships with industry leading to improved marketability of intellectual capital generated by UI faculty and staff.

Despite the increasing volatility in the investment markets over the last several years, investment income continues to be an important component of UI's ongoing revenue diversification with the University generating an 8.4% return on its endowment, placing it near the upper quartile of educational endowment returns across the U.S. The University achieved benchmark or better returns in its operating and intermediate investment pools over the 1-year, 3-year and 5-year return periods. The University will continue to employ its long-term investment strategy to maximize total returns, at an appropriate level of risk. The Board of Regents investment advisor is a partner in this process to ensure prudently managed and well diversified investment portfolios.

The University of Iowa Hospitals & Clinics (UIHC) continues to be recognized as one of the nation's best, and has achieved successful operating results for fiscal year 2018 with an operating margin of 3.7% (unaudited). According to U.S. News & World Report, UIHC has been included again as one of the top hospitals in the United States in its annual "best hospitals" rankings. Eleven programs are ranked in the top 50 in the country. Of the eleven programs, seven are in adult specialties and four are in pediatric specialty areas. The University of Iowa Health Care is rated by U.S. News & World Report as the #1 hospital in the state of Iowa and it continues to report robust patient census data with over 1 million clinic visits in fiscal year 2018. Iowa's future doctors and other health care professional students are in a great learning environment attributable to outstanding faculty and exposure to a high complexity case mix at UIHC.

THE UNIVERSITY OF IOWA

Statement of Net Position

June 30, 2018 (in thousands)

With comparative statement as of June 30, 2017

ASSETS	2018	Not Restated 2017
Current Assets:		
Cash and cash equivalents	$145,976	$169,284
Deposits with trustees	1	-
Investments	217,992	187,215
Accounts receivable, net	364,630	354,976
Notes receivable, net	2,234	2,270
Interest receivable	1,308	1,113
Due from government agencies	65,028	75,900
Inventories	45,212	42,350
Prepaid expenses and other current assets	21,492	24,180
Total current assets	863,873	857,288
Noncurrent Assets:		
Cash and cash equivalents	125,109	38,017
Deposits with trustees	14,725	14,650
Investments	1,741,971	1,658,683
Notes receivable, net	26,922	25,939
Investment in wholly owned subsidiary	15,500	15,106
Capital assets, net	3,943,809	3,854,049
Total noncurrent assets	5,868,036	5,606,444
Total Assets	6,731,909	6,463,732
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related deferred outflow	54,448	-
Pension related deferred outflows	49,227	39,125
Debt refunding loss	17,089	17,015
Other deferred outflow	879	1,116
Total Deferred Outflows of Resources	121,643	57,256
Total Assets and Deferred Outflows of Resources	$6,853,552	$6,520,988

Statement of Net Position, continued

June 30, 2018 (in thousands)

With comparative statement as of June 30, 2017

LIABILITIES	2018	Not Restated 2017
Current Liabilities:		
Accounts payable	$99,826	$98,616
Salaries and wages payable	198,306	191,102
Unpaid claims	37,658	26,001
Unearned revenue	44,989	45,276
Interest payable	16,293	16,123
Long-term debt, current portion	74,204	70,741
Other long-term liabilities, current portion	122,246	107,855
Deposits held in custody for others	209,122	187,912
Total current liabilities	802,644	743,626
Noncurrent Liabilities:		
Accounts payable	35,074	22,561
Long-term debt, noncurrent portion	1,291,443	1,243,691
Other long-term liabilities, noncurrent portion	304,359	309,495
Total noncurrent liabilities	1,630,876	1,575,747
Total Liabilities	2,433,520	2,319,373
DEFERRED INFLOWS OF RESOURCES		
OPEB related deferred inflow	85,859	-
Debt refunding gain	2,803	3,601
Pension related deferred inflows	1,923	959
Contract and grant deferred inflows	371	385
Total Deferred Inflows of Resources	90,956	4,945
NET POSITION		
Net investment in capital assets	2,653,746	2,568,966
Restricted:		
Nonexpendable:		
Permanent endowment	47,798	46,883
Expendable:		
Research and gifts	65,408	77,421
Student loans	15,901	22,131
Quasi endowments	82,245	81,155
Debt service and capital projects	214,729	224,758
Unrestricted	1,249,249	1,175,356
Total Net Position	4,329,076	4,196,670
Total Liabilities, Deferred Inflows of Resources and Net Position	$6,853,552	$6,520,988

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, 2018 (in thousands)

With comparative statement for the year ended June 30, 2017

	2018	Not Restated 2017
Operating Revenues		
Student tuition and fees, net of scholarship allowances of $121,815 and $123,565 for the years ended June 30, 2018 and 2017, respectively (pledged as payment on revenue bonds)	$430,515	$399,094
Federal grants and contracts	281,944	279,120
State and other governmental grants and contracts	13,655	15,103
Nongovernmental grants and contracts	50,142	50,775
Patient services, net of write-offs, contractual adjustments and indigent care of $3,938,026 and $3,452,899 for the years ended June 30, 2018 and 2017 respectively (pledged as payment on revenue bonds)	2,040,227	1,846,448
Sales and services of educational departments	104,866	108,532
Interest on student loans	693	691
Auxiliary enterprises, net of scholarship allowances of $10,202 and $9,558 for the years ended June 30, 2018 and 2017, respectively (pledged as payment on revenue bonds)	222,021	216,339
Other operating revenue	32,710	34,246
Total Operating Revenues	**3,176,773**	**2,950,348**
Operating Expenses		
Instruction	349,683	341,804
Research	334,689	330,330
Public service	90,402	91,620
Academic support	152,985	226,382
Patient services	1,848,906	1,621,651
Student services	36,867	40,924
Institutional support	56,313	63,792
Operation and maintenance of plant	84,244	85,224
Scholarships and fellowships	32,078	31,235
Depreciation and amortization	247,336	226,653
Auxiliary enterprises	203,316	203,168
Other operating expenses	48,806	42,098
Total Operating Expenses	**3,485,625**	**3,304,881**
Operating (Loss)	**(308,852)**	**(354,533)**
Nonoperating Revenues (Expenses)		
State appropriations	227,289	239,325
Federal grants and contracts	20,240	18,183
Investment income, net of investment expenses of $2,369 and $2,218 for the years ended June 30, 2018 and 2017, respectively	65,192	113,405
Gifts	97,209	109,179
Interest expense	(37,849)	(32,540)
Loss on disposal of capital assets	(5,204)	(5,328)
Net Nonoperating Revenues (Expenses)	**366,877**	**442,224**
Income Before Other Revenues	**58,025**	**87,691**
Other Revenues		
Capital appropriations, State	52,994	20,611
Capital contributions and grants	10,496	33,582
FEMA reimbursement for capital costs, net of expenses	1,843	2,149
Other—OPEB benefit change	465,008	-
Net Other Revenues	**530,341**	**56,342**
Increase in Net Position	**588,366**	**144,033**
Net Position		
Net position, beginning of year, as restated	**3,740,710**	**4,052,637**
Net position, end of year	**$4,329,076**	**$4,196,670**

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

THE UNIVERSITY OF IOWA

Statement of Cash Flows

For the Year ended June 30, 2018 (in thousands)

With comparative statement for the year ended June 30, 2017

	2018	2017
Cash Flows From Operating Activities		
Tuition and fees	$425,784	$398,611
Patient receipts	2,038,262	1,837,269
Grants and contracts	354,793	349,407
Payments for salaries and benefits	(1,868,422)	(1,794,848)
Payments for goods and services	(1,068,122)	(1,037,436)
Scholarships	(32,078)	(31,235)
Loans issued to students	(6,545)	(5,066)
Collections of loans from students	6,413	7,885
Sales of educational activities	101,285	105,803
Other receipts	41,383	34,645
Auxiliary enterprise receipts	220,496	214,386
Auxiliary enterprise payments	(203,316)	(203,168)
Net Cash Provided (Used) by Operating Activities	**9,933**	**(123,747)**
Cash Flows From Noncapital Financing Activities		
State appropriations	227,289	239,325
Grants and contracts	20,240	18,183
Proceeds from noncapital gifts	97,209	109,179
Funds held for others receipts	235,441	300,481
Funds held for others payments	(212,488)	(276,436)
William D. Ford Direct Lending & Plus Loans receipts	173,396	165,676
William D. Ford Direct Lending & Plus Loans made	(173,487)	(164,990)
Other noncapital activities	91	(686)
Net Cash Provided by Noncapital Financing Activities	**367,691**	**390,732**
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(340,128)	(436,512)
Interest paid on capital debt and leases	(41,646)	(37,214)
Proceeds from sale of capital assets	915	1,110
Capital appropriations	52,963	19,940
Capital gifts and grants received	8,374	28,649
Deposits with trustee	(74)	121
Principal paid on capital debt and leases	(69,301)	(61,631)
Proceeds from capital debt and leases	125,253	69,027
Defeased debt payments	(44,400)	(87,100)
Other capital and related financing receipts	43,725	82,730
Net Cash (Used) by Capital and Related Financing Activities	**(264,319)**	**(420,880)**
Cash Flows From Investing Activities		
Interest and dividends on investments	25,986	28,928
Proceeds from sale and maturities of investments	1,171,280	736,727
Purchase of investments	(1,246,787)	(621,870)
Net Cash (Used) Provided by Investing Activities	**(49,521)**	**143,785**
Net Increase (Decrease) in Cash and Cash Equivalents	**63,784**	**(10,110)**
Cash and Cash Equivalents, beginning of year	**207,301**	**217,411**
Cash and Cash Equivalents, end of year	**$271,085**	**$207,301**

THE UNIVERSITY OF IOWA

Statement of Cash Flows

For the year ended June 30, 2018 (in thousands)

With comparative statement for the year ended June 30, 2017

	2018	2017
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and cash equivalents in current assets	$145,976	$169,284
Noncurrent cash and cash equivalents	125,109	38,017
Total Cash and Cash Equivalents	**$271,085**	**$207,301**
Reconciliation of Operating (Loss) to Net Cash (Used) Provided by Operating Activities:		
Operating (loss)	($308,852)	($354,533)
Adjustments to reconcile operating (loss) to net cash (used) provided by operating activities:		
Depreciation and amortization expense	247,336	226,653
Changes in operating assets and liabilities:		
Accounts receivable, net	(11,974)	(11,460)
Interest receivable	56	1,149
Inventories	(2,862)	(4,951)
Prepaid expenses and other current assets	2,688	(4,913)
Due from government agencies, net of receivable from State for capital appropriations	10,903	10,183
Notes receivable, net	(947)	57
Accounts payable	14,587	(23,799)
Salaries and wages payable	7,205	9,247
Unpaid claims liability	11,657	(4,928)
Other long-term liabilities	(375)	398
Unearned revenue	(487)	(3,487)
Contract and grant deferred inflows	(14)	13
Pension liability	18,390	26,906
Pension related deferred outflows	(10,102)	(19,253)
Pension related deferred inflows	964	(3,490)
Other postemployment benefits other than pension liability	(11,883)	28,917
OPEB related deferred outflows	(54,448)	-
OPEB related deferred inflows	85,859	-
Other expenses—OPEB change benefit	9,048	-
Compensated absences	5,179	5,547
Early retirement benefits	(1,995)	(2,003)
Net Cash Provided (Used) by Operating Activities	**$9,933**	**($123,747)**
Significant Noncash Transactions:		
Receivable from State for capital appropriations	$1,865	$1,834
Assets acquired by gift	$2,121	$4,933
Net unrealized (loss) gain on investment	($30,890)	$35,395

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

THE UNIVERSITY OF IOWA CENTER FOR ADVANCEMENT AND AFFILIATE

Consolidated Statement of Financial Position

June 30, 2018 (in thousands)

With comparative statement as of June 30, 2017

ASSETS	2018	2017
Cash and cash equivalents	$66,865	$21,567
Receivables:		
Pledges, at net present value, less allowance for losses	156,141	147,358
Other receivables and prepaids	268	242
	156,409	147,600
Investments:		
Carried at fair value		
U.S. Government and governmental agency securities	3,736	3,773
Corporation stocks, primarily common stocks	8,735	7,951
Managed separate investment accounts, primarily equity securities	1,210,930	1,166,442
Assets in living trusts, testamentary trusts and gift annuities	56,931	59,550
Beneficial interest in perpetual trusts	17,076	16,481
	1,297,408	1,254,197
Other:		
Real estate	4,548	6,010
Cash value of life insurance	6,741	7,037
Other	864	936
	12,153	13,983
Property leasehold interest and equipment, net	17,096	17,837
Total Assets	$1,549,931	$1,455,184

LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$2,046	$2,142
Annuity and life income obligations	22,618	24,408
Capital lease obligation	825	1,605
Amounts held on behalf of others	92,507	97,839
	117,996	125,994
Net Assets:		
Unrestricted	33,651	29,599
Temporarily restricted	665,981	605,024
Permanently restricted	732,303	694,567
	1,431,935	1,329,190
Total Liabilities and Net Assets	$1,549,931	$1,455,184

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

THE UNIVERSITY OF IOWA CENTER FOR ADVANCEMENT AND AFFILIATE

Consolidated Statement of Activites

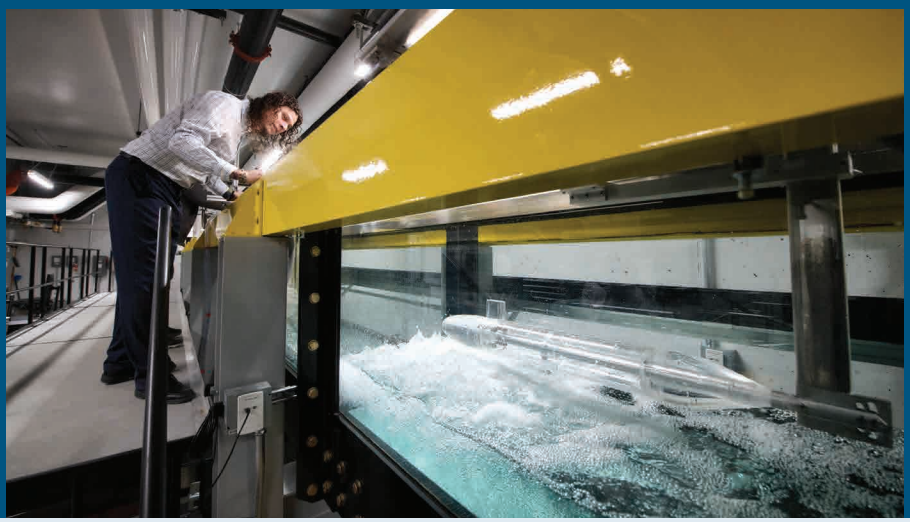
For the year ended June 30, 2018 (in thousands)

With comparative statement for the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Support and revenue:					
Total contributions raised	$62	$97,506	$36,699	$134,267	$159,577
Change in value of life income gifts	-	3,437	1,181	4,618	4,128
Subtotal	**62**	**100,943**	**37,880**	**138,885**	**163,705**
Less amounts attributed to others	-	(1,063)	(699)	(1,762)	(5,496)
Total contributions and change in value of life income gifts	**62**	**99,880**	**37,181**	**137,123**	**158,209**
Investment income (expense):					
Interest and dividends	3,569	1,550	-	5,119	5,277
Asset based management and service fees	13,004	(12,797)	-	207	199
Change in fair value of investments	117	93,401	-	93,518	97,118
Subtotal	**16,690**	**82,154**	**-**	**98,844**	**102,594**
Less amounts attributed to others	-	(6,892)	-	(6,892)	(7,597)
Total investment income	**16,690**	**75,262**	**-**	**91,952**	**94,997**
Other revenue:					
Other, primarily fundraising service revenue	10,689	3,767	-	14,456	17,422
Less amounts attributed to others	-	(193)	-	(193)	(262)
Total other revenue	**10,689**	**3,574**	**-**	**14,263**	**17,160**
Net assets released from restrictions and changes in donor restrictions	123,565	(123,806)	241	-	-
Total support and revenue	**151,006**	**54,910**	**37,422**	**243,338**	**270,366**
Transfers to and Expenses of The State University of Iowa					
Student support	28,640	-	-	28,640	27,250
Faculty support	19,394	-	-	19,394	16,987
Research	26,564	-	-	26,564	22,774
Facilities and equipment	23,204	-	-	23,204	44,936
Program support	16,322	-	-	16,322	19,873
Fundraising	7,633	-	-	7,633	7,577
Management and service fees	3,637	-	-	3,637	3,015
Subtotal	**125,394**	**-**	**-**	**125,394**	**142,412**
Less amounts attributed to others	(7,818)	-	-	(7,818)	(9,727)
Total	**117,576**	**-**	**-**	**117,576**	**132,685**
Expenses of The University of Iowa Center for Advancement and Affiliate					
Operating Expenses	29,819	-	-	29,819	28,713
Total expenses	**147,395**	**-**	**-**	**147,395**	**161,398**
Change in net assets, prior to contribution of UIAA	**3,611**	**54,910**	**37,422**	**95,943**	**108,968**
Contribution of UIAA	441	6,047	314	6,802	-
Change in net assets	**4,052**	**60,957**	**37,736**	**102,745**	**108,968**
Net assets, beginning	29,599	605,024	694,567	1,329,190	1,220,222
Net assets, ending	**$33,651**	**$665,981**	**$732,303**	**1,431,935**	**1,329,190**

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

Notes to Financial Statements



The University of Iowa leads the world in hydroscience research, leveraging top-tier facilities to support unmatched academic programs, experimentation, and outreach to communities across Iowa.

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

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

During the year ending June 30, 2018, UIF and the University of Iowa Alumni Association (UIAA) merged to create one new, unified organization. This transaction was treated as an acquisition in accordance with accounting principles generally accepted in the United States of America. The effective date of the transaction was end of day December 31, 2017 with UIF acquiring all assets and assuming all liabilities of the UIAA on this date, which has been reflected in the financial statements as of and for the year ended June 30, 2018 as follows (in thousands):

	2018
Cash	$178
Other receivables and prepaids	322
Investments (A)	6,128
Property and equipment, net	192
Total	**$6,820**

	2018
Accounts payable and other accrued expenses	$18
Contribution of UIAA	6,802
Total	**$6,820**

(A) Prior to December 31, 2017, UIAA's investments were recorded by UICA with a corresponding liability, amounts held on behalf of others. Upon merger the amounts held on behalf of others is included in the contribution of UIAA in the consolidated statement of activities.

During the years ended June 30, 2018 and 2017 the UICA distributed to the University or expended on behalf of the University $125,394,000 and $142,412,000, respectively, for both restricted and unrestricted purposes.

The UICA 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 UICA's financial information in the University's financial reporting entity for these differences.

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

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

Amounts Held on Behalf of Others (in thousands)	2018	2017
Iowa Law School Foundation	$85,210	$82,060
Iowa Scholarship Fund	6,396	7,933
University of Iowa Alumni Association	-	6,871
Student Publications Incorporated	901	975
Total	**$92,507**	**$97,839**

Complete financial statements for the UICA can be obtained from The University of Iowa Center for Advancement, One West Park Road, P.O. Box 4550, Iowa City, Iowa 52244-4550, Attn: CFO & Treasurer.

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 companies based on University technologies that may be suitable for venture capital financing;
- 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 the public benefit of University research through commercial use of University technologies. 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, 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 technologies; receiving and distributing earnings derived from the license(s); monitoring licensee performance; and enforcing intellectual property rights. Note that the UIRF retains ownership of intellectual property (i.e., patents are not "sold"), and instead licenses the use there-of.

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

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

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

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

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

BASIS OF ACCOUNTING

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS (UNIVERSITY)

Investments are reported at fair value in accordance with GASB Statement No. 31 Accounting and Financial Reporting for Certain Investments and for External Investment Pools, GASB Statement No. 34 Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, and GASB Statement No. 72 Fair Value Measurement and Application. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position. Please see Note 2 for further discussion.

INVESTMENTS (UI CENTER FOR ADVANCEMENT (UICA))

Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The UICA elected to report the fair value of alternative investments, comprised of hedge funds and private capital funds, included in managed separate investment accounts using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the UICA management based on various factors including considering contributions and withdrawals to the fund and monitoring unaudited interim reporting provided by the fund related to investment returns to calculate NAV as of June 30. Realized and unrealized gains and losses on investments are included in the change in fair value of investments in the consolidated statements of activities and absent donor restrictions, are reported in unrestricted net assets.

PLEDGES RECEIVABLE (UI CENTER FOR ADVANCEMENT (UICA))

Pledges receivable are recorded at the net present value of estimated cash flows based on appropriate rates commensurate with the risks involved, 5 percent for pledges held at June 30, 2018, less an allowance for doubtful pledges. Conditional promises to give are not included as support until the conditions are substantially met. The provision for losses on doubtful pledges is an adjustment to contributions at quarter-end equal to 2.5 percent of gross pledges and totaled $219,611 for the year ended June 30, 2018. Pledges written off totaled $2,975,000 and $1,660,000 for the years ended June 30, 2018 and 2017, respectively.

INVENTORIES

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

CAPITAL ASSETS

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

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

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

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

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

Capitalization thresholds.

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

WHOLLY OWNED SUBSIDIARY (UNIVERSITY)

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

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

The Company owns land in Louisiana subject to a number of agreements that produce royalties from oil production and timber rights. The Company owns a total of 14,499 acres of land.

The Company's fiscal year ends December 31 and its financial statements are presented on a modified cash basis of accounting. As of December 31, 2017, assets (including investments of $16,052,000) totaled $17,900,000, liabilities were $0 and net assets were $17,900,000. As of December 31, 2016 assets (including investments of $30,088,000) totaled $31,856,000, liabilities were $0 and net assets were $31,856,000. During fiscal year 2018, Musser-Davis Land Company distributed $2,400,000 to the Roy J. and Lucille A. Carver College of Medicine for support of capital projects. Consequently, as of June 30, 2018, assets (including investments of $13,652,000) totaled $15,500,000, liabilities were $0 and net assets were $15,500,000. During fiscal year 2017, Musser-Davis Land Company distributed $16,750,000 to the Roy J. and Lucille A. Carver College of Medicine for support of capital projects. Consequently, as of June 30, 2017, assets (including investments of $13,338,000) totaled $15,106,000, liabilities were $0 and net assets were $15,106,000.

INVESTMENT IN SUBSIDIARY (UICA)

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

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

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

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

BOND ISSUANCE COSTS, DISCOUNTS, AND PREMIUMS

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

UNEARNED REVENUE

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

COMPENSATED ABSENCES PAYABLE

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

REFUNDABLE ALLOWANCES ON STUDENT LOANS

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

NONCURRENT DEBT AND OTHER NONCURRENT LIABILITIES

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

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

FRINGE BENEFITS

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

DEFINITION OF OPERATING ACTIVITIES

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

NON-VESTED EQUIPMENT

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

USE OF ESTIMATES

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

Note 2—Cash, Cash Equivalents, Investments, and Deposits with Trustees

CASH AND CASH EQUIVALENTS

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

	2018	2017
Book Balance	$271,085	$207,301
Bank Balance	294,986	224,542
Covered by FDIC insurance or State Sinking Fund	33,043	36,095
Invested in money market funds as cash equivalents	261,943	188,447

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

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

DEPOSITS WITH TRUSTEES

Investments on deposit with trustees, paying and copaying agents for the purpose(s) of paying current obligations of bond principal and interest, for holding Bond Reserve Funds or for holding Construction Funds as specified by bond resolutions at June 30, 2018 and 2017, totaled $14,726,000 and $14,650,000, respectively. At June 30, 2018, $13,780,000 of the $14,725,000 was invested in U.S. Government Agency securities with a credit quality rating of AAA and an effective duration of 1.37 years.

INVESTMENTS

Investments are made in accordance with Chapter 12B.10, of the Code of Iowa, and Board of Regents, State of Iowa policy. (http://www.iowaregents.edu/plans-and-policies/board-policy-manual/22-business-procedures/#Investment Policy). In order to achieve economies of scale, the University of Northern Iowa's endowments and a portion of its operating portfolio are pooled with the University's investments. The University's endowment portfolio included $10,462,000 and $9,625,000 at June 30, 2018 and 2017, respectively, held for the University of Northern Iowa. The University's operating portfolio included $46,639,000 and $45,722,000 at June 30, 2018 and 2017, respectively, as well as $21,830,000 and $21,134,000 invested in the University's intermediate term portfolio at June 30, 2018 and 2017, respectively, held for the University of Northern Iowa. The University of Northern Iowa investments are recorded as Deposits Held in Custody for Others.

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

Net appreciation of permanent endowment funds, which totaled $13,893,000 and $12,978,000 at June 30, 2018 and 2017, respectively, is available to meet spending rate distributions and is recorded in restricted nonexpendable net position.

INTEREST RATE RISK

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

CREDIT RISK

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

CONCENTRATION OF CREDIT RISK

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

The University's investments are recorded at fair value. As of June 30, 2018 and 2017, the University had the following investments and quality credit ratings (in thousands):

INVESTMENT TYPE	Effective Duration (Years)	TSY/AGY/ AAA	AA	A	BBB	BB	B	Total Fair Value
Fixed Income:								
Corporate Notes and Bonds	0.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -
U.S. Government Agencies	1.33	-	68,848	-	-	-	-	68,848
U.S. Government Treasuries	1.29	-	43,109	-	-	-	-	43,109
Mutual Funds	4.53	-	599,513	151,141	51,200	97,211	85,381	984,446
Total		$ -	$711,470	$151,141	$51,200	$97,211	$85,381	1,096,403
Equity and Other:								
Common Stock								14,465
Mutual Funds								436,155
Real Assets								155,144
Private Equity								71,379
Bank Investments								64,892
Money Market/Cash Equivalents								121,525
Total Investments June 30, 2018								$1,959,963

INVESTMENT TYPE	Effective Duration (Years)	TSY/AGY/ AAA	AA	A	BBB	BB	B	Total Fair Value
Fixed Income:								
Corporate Notes and Bonds	2.08	$2,538	$1,895	$5,927	$7,266	$82	$46	$17,754
U.S. Government Agencies	2.38	200	71,172	-	-	-	-	71,372
U.S. Government Treasuries	1.96	-	64,208	-	-	-	-	64,208
Mutual Funds	4.26	-	251,896	47,340	158,184	106,092	104,018	667,530
Total		$2,738	$389,171	$53,267	$165,450	$106,174	$104,064	820,864
Equity and Other:								
Common Stock								17,577
Mutual Funds								362,740
Real Assets								269,253
Private Equity								52,784
Bank Investments								162,539
Money Market/Cash Equivalents								160,141
Total Investments June 30, 2017								$1,845,898

FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

The following tables reflect fair value measurements of investment assets at June 30, 2018 and 2017, respectively, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV (in thousands):

INVESTMENT TYPE	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fixed Income:					
Corporate Notes and Bonds	$ -	$ -	$ -	$ -	$ -
U.S. Government Agencies	-	68,848	-	-	68,848
U.S. Government Treasuries	43,109	-	-	-	43,109
Mutual Funds	490,103	-	-	494,343	984,446
Equity and Other:					
Common Stock	13,860	605	-	-	14,465
Mutual Funds	224,890	-	-	211,265	436,155
Real Assets	-	-	-	155,144	155,144
Private Equity	-	-	-	71,379	71,379
Subtotal	771,962	69,453	-	932,131	1,773,546
Bank Investments					64,892
Money Market/Cash Equivalents					121,525
Total Investments June 30, 2018					$1,959,963

INVESTMENT TYPE	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fixed Income:					
Corporate Notes and Bonds	$ -	$17,651	$103	$ -	$17,754
U.S. Government Agencies	-	71,372	-	-	71,372
U.S. Government Treasuries	64,208	-	-	-	64,208
Mutual Funds	447,997	-	-	219,533	667,530
Equity and Other:					
Common Stock	16,757	820	-	-	17,577
Mutual Funds	217,500	-	-	145,240	362,740
Real Assets	209,459	-	-	59,794	269,253
Private Equity	-	-	-	52,784	52,784
Subtotal	$955,921	$89,843	$103	$477,351	1,523,218
Bank Investments					162,539
Money Market/Cash Equivalents					160,141
Total Investments June 30, 2017					$1,845,898

The following tables summarize the University's investments at June 30, 2018 and 2017, respectively, for which NAV was used as a practical expedient to estimate fair value (in thousands):

INVESTMENT TYPE	Fair Value determined using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income Mutual Funds	$494,343	$ -	daily-monthly	5-60 days
Equity Mutual Funds	211,265	-	daily-thrice-monthly	2-30 days
Real Assets:				
Redeemable	116,825	-	quarterly	60-90 days
Nonredeemable	38,319	58,693	N/A	N/A
Private Equity:				
Redeemable	-	-	N/A	N/A
Nonredeemable	71,379	26,343	N/A	N/A
Investments measured at NAV at June 30, 2018	**$932,131**	**$85,036**		

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

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

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

- **Real Assets**—This category includes investments in private real estate and natural resource equities funds. Capital is committed during the course of the investment period, typically four years, of each fund, after which point capital commitments stop. The University's interest in the nonredeemable funds is considered to be illiquid in that distributions from liquidation of the underlying asset of the fund are at the discretion of the general partner per the terms of the limited partnership agreement. Funds are typically liquidated over a period of five to ten years, and include a mechanism to extend the length of the partnership with approval from the limited partners.
- **Private Equity**—This category includes funds that invest in strategies such as venture capital, leveraged buyouts and mezzanine debt. Capital is committed during the course of the investment period, typically four years, of each fund, after which point capital commitments stop. The University's interest in the nonredeemable funds is considered to be illiquid in that distributions from liquidation of the underlying asset of the fund are at the discretion of the general partner per the terms of the limited partnership agreement. Funds are typically liquidated over a period of five to ten years, and include a mechanism to extend the length of the partnership with approval from the limited partners.

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

ACCOUNTS RECEIVABLE

A summary of the accounts receivable at June 30, 2018 and 2017 is as follows (in thousands):

	University and Blended Component Units	UIHC, Affiliates and UI Physicians	Total
Accounts Receivable	$95,293	$942,184	$1,037,477
Allowance for Uncollectible Accounts, Indigent Patients and Contractual Adjustments	(6,886)	(665,961)	(672,847)
Accounts Receivable, Net, June 30, 2018	**$88,407**	**$276,223**	**$364,630**
Accounts Receivable	$101,789	$870,717	$972,506
Allowance for Uncollectible Accounts, Indigent Patients and Contractual Adjustments	(6,645)	(610,885)	(617,530)
Accounts Receivable, Net, June 30, 2017	**$95,144**	**$259,832**	**$354,976**

PLEDGES RECEIVABLE (UICA)

A summary of the pledges receivable (unconditional promises to give) at June 30, 2018 and 2017 is as follows (in thousands):

	2018	2017
Gross pledges receivable	$191,057	$182,273
Less present value discount of $30,140 for 2018 and $30,358 for 2017 and allowance for doubtful pledges of $4,776 for 2018 and $4,557 for 2017	(34,916)	(34,915)
Total	**$156,141**	**$147,358**

Gross pledges receivable at June 30, 2018 and 2017, respectively, are expected to be collected as follows (in thousands):

	2018	2017
In one year or less	$47,012	$45,679
Between one year and five years	101,172	90,674
More than five years	42,873	45,920
Total	**$191,057**	**$182,273**

DUE FROM GOVERNMENT AGENCIES

Due from government agencies at June 30, 2018 and 2017 are comprised of $11,434,000 and $10,789,000, respectively, due from the State of Iowa and $53,594,000 and $65,111,000, respectively, due from United States government agencies.

NOTES RECEIVABLE

Current notes receivable at June 30, 2018 and 2017 are $2,234,000, net of an allowance of $148,000, and $2,270,000, net of an allowance of $154,000, respectively. Noncurrent notes receivable at June 30, 2018 and 2017 are $26,922,000, net of an allowance of $1,787,000, and $25,939,000, net of an allowance of $1,758,000, respectively.

Note 4—Capital Assets

A summary of capital assets activity for the year ended June 30, 2018 is as follows (in thousands):

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Nondepreciable/Nonamortizable					
Land	$66,646	2,083	-	-	$68,729
Construction in Progress	293,545	260,940	(292,470)	(930)	261,085
Intangibles in Development	1,814	133	(1,680)	-	267
Art and Historical Collections	28,182	777	-	(165)	28,794
Library Materials	345,784	13,896	-	(1,486)	358,194
Capital Assets, Nondepreciable/ Nonamortizable	**735,971**	**277,829**	**(294,150)**	**(2,581)**	**717,069**
Depreciable/Amortizable					
Land Improvements	27,599	-	3,938	-	31,537
Infrastructure	656,485	-	32,713	-	689,198
Buildings	4,148,878	-	255,819	(5,773)	4,398,924
Equipment	819,791	64,926	-	(54,440)	830,277
Intangibles	114,296	1,171	1,680	(1,533)	115,614
Capital Assets, Depreciable/ Amortizable	5,767,049	66,097	294,150	(61,746)	6,065,550
Less Accumulated Depreciation/Amortization	(2,648,971)	(247,336)	-	57,497	(2,838,810)
Depreciable/Amortizable Capital Assets, Net	**3,118,078**	**(181,239)**	**294,150**	**(4,249)**	**3,226,740**
Capital Assets, Net June 30, 2018	**$3,854,049**	**96,590**	**-**	**(6,830)**	**$3,943,809**

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

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

Note 5— Noncurrent Liabilities

A summary of the changes in noncurrent liabilities for the year ended June 30, 2018 and 2017 is as follows (in thousands):

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Noncurrent debt:					
Bonds payable	$1,259,703	170,417	(109,130)	1,320,990	$65,865
Notes payable	36,280	-	(9,010)	27,270	7,245
Capital leases payable	18,449	-	(1,062)	17,387	1,094
Total noncurrent debt	1,314,432	170,417	(119,202)	1,365,647	74,204
Other noncurrent liabilities:					
Early retirement benefits	4,650	-	(1,995)	2,655	1,335
Other postemployment benefits other than pensions	607,679	37	(467,881)	139,835	10,692
Pension	80,367	18,391	-	98,758	-
Compensated absences	155,207	110,584	(105,405)	160,386	110,219
Refundable allowances on student loans	22,706	428	(347)	22,787	-
Unearned revenue and other	2,701	-	(517)	2,184	-
Total other noncurrent liabilities	873,310	129,440	(576,145)	426,605	122,246
Total noncurrent liabilities June 30, 2018	$2,187,742	299,857	(695,347)	1,792,252	$196,450

	Beginning Balance	Additions	Reductions	Not Restated Ending Balance	Current Portion
Noncurrent debt:					
Bonds payable	$1,252,855	150,381	(143,533)	1,259,703	$60,605
Notes payable	40,754	4,500	(8,974)	36,280	9,074
Capital leases payable	19,480	-	(1,031)	18,449	1,062
Total noncurrent debt	1,313,089	154,881	(153,538)	1,314,432	70,741
Other noncurrent liabilities:					
Early retirement benefits	6,653	-	(2,003)	4,650	1,995
Other postemployment benefits other than pensions	122,802	36,405	(7,488)	151,719	-
Pension	53,461	26,906	-	80,367	-
Compensated absences	149,660	105,188	(99,641)	155,207	105,405
Refundable allowances on student loans	22,763	59	(116)	22,706	-
Unearned revenue and other	2,307	455	(61)	2,701	455
Total other noncurrent liabilities	357,646	169,013	(109,309)	417,350	107,855
Total noncurrent liabilities June 30, 2017	$1,670,735	323,894	(262,847)	1,731,782	$178,596

BONDS PAYABLE

Bonds have been sold to finance certain capital projects and are outstanding at June 30, 2018, as follows (in thousands):

Bond Issues	Interest Rates (Percent)	Fiscal Year Maturity Date Range	Amount
Academic Buildings	2.00 - 5.00	2019 - 2037	179,880
Add: Unamortized Premium			6,437
Athletic Facilities	2.00 - 4.00	2019 - 2039	187,680
Add: Unamortized Premium			3,061
Center for University Advancement	4.75	2019 - 2020	1,605
Hospital	1.25 - 5.00	2019 - 2044	312,185
Add: Unamortized Premium			14,621
Iowa Memorial Union	2.00 - 5.00	2019 - 2026	4,920
Add: Unamortized Premium			471
Parking System	2.00 - 4.00	2019 - 2041	52,270
Add: Unamortized Premium			583
Recreational Facilities	2.00 - 5.00	2019 - 2035	59,265
Add: Unamortized Premium			5,154
Residence Services	2.00 - 4.00	2019 - 2043	166,685
Less: Unamortized Discount			(97)
Add: Unamortized Premium			1,736
Telecommunications	3.00 - 4.50	2019 - 2037	30,470
Add: Unamortized Premium			130
University of Iowa Facility Corporation	2.00 - 5.00	2019 - 2038	120,865
Add: Unamortized Premium			1,496
Utility System	2.00 - 5.00	2019 - 2043	165,475
Add: Unamortized Premium			6,098
Total			**$1,320,990**

As of June 30, 2018, unspent bond proceeds totaled $61,298,000. Unspent bond proceeds by segment are: Athletic Facilities Revenue Bonds $27,821,000; Hospital Revenue Bonds $9,077,000; Residence Services Revenue Bonds $8,000,000; Utility Systems Revenue Bonds $16,400,000.

The bonds will mature as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2019	$65,865	43,001	$108,866
2020	69,535	41,165	110,700
2021	66,975	38,979	105,954
2022	68,525	36,846	105,371
2023	70,830	34,572	105,402
2024-2028	359,080	135,744	494,824
2029-2033	298,150	77,270	375,420
2034-2038	214,170	30,258	244,428
2039-2043	66,220	4,406	70,626
2044	1,950	34	1,984
Less: Unamortized Discount	(97)	-	(97)
Add: Unamortized Premium	39,787	-	39,787
Total	**$1,320,990**	**442,275**	**$1,763,265**

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, 2018 (in thousands):

Purpose	Interest Rates (Percent)	Maturity Dates	Amount
Athletic Facility	2.48	2019-2024	$16,213
Fleet Services 2	1.69	2019	43
Fleet Services 3	2.00	2019-2020	929
Kinnick Scoreboard	2.41	2019	140
Market Street Property	2.50	2019-2025	1,969
Oakdale Research Park	2.42	2019-2021	2,058
Parking Access and Revenue	2.24	2019	950
Athletics Recreation Building Banked Track	2.55	2019-2022	2,022
Athletics Carver Audio and Video System	3.60	2019-2022	2,946
Total			**$27,270**

Assets acquired under these notes had a net book value of $48,327,000 as of June 30, 2018.

The notes will mature as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2019	$7,245	613	$7,858
2020	6,166	438	6,604
2021	5,458	281	5,739
2022	3,722	157	3,879
2023	3,590	69	3,659
2024-2025	1,089	15	1,104
Total	**$27,270**	**1,573**	**$28,843**

CAPITAL LEASES PAYABLE

Capital leases outstanding at June 30, 2018, are as follows (in thousands):

Purpose	Interest Rates (Percent)	Lease Period	Amount
Parking structure - Iowa River Landing	2.95-5.00	2019-2031	$16,464
Burlington Street Properties	3.00	2019-2035	923
Total			**$17,387**

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

Year Ending June 30	Principal	Interest	Total
2019	$1,094	513	$1,607
2020	1,124	480	1,604
2021	1,158	447	1,605
2022	1,193	413	1,606
2023	1,230	624	1,854
2024-2028	6,735	2,174	8,909
2029-2033	4,696	488	5,184
2034-2035	157	4	161
Total	**$17,387**	**5,143**	**$22,530**

Assets acquired under these capital leases had a net book value of $17,844,000 as of June 30, 2018.

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 2019 to fiscal year 2038, 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, 2018 (in thousands).

Year Ending June 30	Amount
2019	$16,057
2020	15,307
2021	14,246
2022	9,960
2023	9,409
2024-2028	42,804
2029-2033	24,370
2034-2038	8,220
Total	**$140,373**

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, 2018, for all operating leases, except those with terms of a month or less that were not renewed, totaled $16,788,000.

Note 7—Retirement Programs

TEACHERS INSURANCE AND ANNUITY ASSOCIATION

The University contributes to the University Funded Retirement Plan through the Teachers Insurance and Annuity Association (TIAA), 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 2018 and 2017, the University's required and actual contribution amounted to $121,054,000 and $116,957,000, respectively. During fiscal years 2018 and 2017, the employees' required and actual contribution amounted to $60,527,000 and $58,479,000, respectively.

At June 30, 2018 and 2017, the University reported payables to the defined contribution pension plan of $10,622,000 and $10,414,000, respectively, for legally required employer contributions and $5,236,000 and $5,103,000, respectively, for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA.

IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)

Plan Description—IPERS membership is mandatory for employees of the University except for those covered by another retirement system. Employees of the University are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by e-mail at info@ipers.org, by phone at 515-281-0020 or 1-800-622-3849, by mail at Iowa Public Employees' Retirement System, 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, a reduction of 3 percent a year is applied for each year the benefit is paid before normal retirement age. For service earned after July 1, 2012, the reduction is 6 percent for each year of retirement 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—Vested members who are awarded federal Social Security disability or Railroad Retirement disability benefits are eligible for IPERS disability benefits. 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. Statute limits the amount rates can vary each year to 1 percentage point for Regular members. 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. 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 2018 and 2017, 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%. Protection Occupation members contributed 6.56% of pay and the University contributed 9.84% for a total rate of 16.40%. Protection Occupation members are the group of public safety positions defined in Iowa Code 97B.49B.

The University's contributions to IPERS for the years ended June 30, 2018 and 2017 were $10,993,000 and $9,931,000, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2018 and 2017, the University reported a liability of $98,758,000 and $80,367,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on the University's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017 and 2016, the University's proportion was 1.4825633% and 1.2770236%, respectively.

For the year ended June 30, 2018 and 2017, the University recognized pension expense of $20,246,000 and $14,093,000, respectively.

At June 30, 2018 and 2017, 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 (2018)	Deferred Inflows of Resouces (2018)	Deferred Outflows of Recources (2017)	Deferred Inflows of Resouces (2017)
Differences between expected and actual experience	$908	$862	$710	$959
Changes of assumptions	17,224	-	1,226	-
Difference between projected and actual earnings on pension plan investments	-	1,037	11,450	-
Change in proportion and differences between University contributions and proportionate share of contributions	20,102	24	15,808	-
University contributions subsequent to the measurement date	10,993	-	9,931	-
Total	**$49,227**	**$1,923**	**$39,125**	**$959**

The $10,993,000 reported as deferred outflows of resources related to pensions resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

	Amount
Year Ending June 30	
2019	$9,011
2020	13,335
2021	8,951
2022	3,225
2023	1,789
Total	**$36,311**

There are no non-employer contributing entities to IPERS.

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

Rate of Inflation (effective June 30, 2017)	2.60%	per annum
Salary increase (effective June 30, 2017)	3.25 to 16.25%	average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 2017)	7.00%	per annum, componded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation (Percent)	Long-Term Expected Real Rate of Return (Percent)
Domestic equity	24.0	6.25
International equity	16.0	6.71
Core-plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	**100.0**	

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

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

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
University's proportionate share of the net pension liability	$162,994	$98,758	$44,786

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, 2018 and 2017, the University reported payables to IPERS of $1,848,000 and $1,691,000, respectively, for legally required employer contributions and $1,232,000 and $1,126,000, respectively, for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8—Post-Employment Benefits

EARLY RETIREMENT

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

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

The University has recognized an early retirement benefit liability of $2,655,000 and $4,650,000 as of June 30, 2018 and 2017, respectively. The early retirement liability for health and dental insurance has been rolled into GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). During fiscal year 2018, retirement expenditures for the one hundred eighty-three (183) participants in the early retirement incentive program totaled $1,995,000.

PHASED RETIREMENT

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

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

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

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

The following benefits are applicable during participation in the phased retirement program:

- **Compensation**—In the first year of a two year phasing period, the salary received will reflect the reduced responsibilities plus, at the discretion of the institution, up to an additional 10 percent of the budgeted salary, had the person worked full time. In the only or last year following the initiation of phased retirement, the staff member's appointment will be no greater than fifty percent, and the salary will be proportional to the budgeted salary had the person worked full-time.
- **Benefits**—During the phased retirement period, institution and staff member contributions will continue for life insurance, health and dental insurance, and disability insurance at the same levels which would have prevailed had the staff member continued a regular appointment. University retirement contributions to TIAA will be based on the salary which would have been obtained had the individual continued a regular appointment. As mandated by law, FICA contributions will be based on the staff member's actual salary during the partial or pre-retirement period. The same is true for retirement contributions for those participating in the Iowa Public Employee Retirement System or Federal Civil Service System. Accrual of vacation and sick leave will be based on percentage of appointment. An individual participating in this program will be allowed access to their retirement funds to assist in supplementing the loss of income that occurs when the person reduces their appointment down to 50% through 65% time, the maximum percentage permitted by the program.

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

REGULAR RETIREMENT

GASB Statement No. 75, which amended 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.

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 2018 and 2017 were $5,987,000 and $6,175,000, respectively, with 1,865 and 1,903 eligible participants as of June 30, 2018 and 2017, respectively. Life insurance total expenditures for fiscal year 2018 and 2017 were $46,000 and $47,000, respectively, with 2,666 and 2,763 eligible participants as of June 30, 2018 and 2017, respectively.

FUNDED STATUS AND FUNDING PROGRESS

The University of Iowa evaluated options to minimize its liability and has made the decision to cap the University's contribution for retiree health at the current $288 per month for both current and future retirees. This decision passed through the appropriate approval channels and communication process (Staff Council Leadership, Funded Retirement and Insurance Committee Co-chairs, Faculty Senate leadership, Retiree Association Leadership). The University sent letters to retirees by the June 30, 2017 measurement date in order to be incorporated into the FY18 GASB 75 valuation.

TERMINATION

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

Four hundred fifty-six (456) 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 recognized a net OPEB liability of $120.4 and $123.3 million for its retiree benefit plan and a liability of $19.4 and $28.4 million for its Merit employees, for a total net OPEB liability of $139.8 and $151.7 million, respectively, for fiscal year 2018 and 2017.

Plan Description—The University operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

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

	Professional, Scientific, and Faculty	Merit	Total
Inactive employees or beneficiaries currently receiving benefit payments	3,346	149	3,495
Active employees	12,970	4,173	17,143
Total	**16,316**	**4,322**	**20,638**

Total OPEB Liability – The University's total OPEB liability of $139.8 million was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date. The University's actuary produced OPEB calculations for the Professional, Scientific, and Faculty (PSF) positions and for the Merit positions. The University's merit employees were participants in the State of Iowa postretirement medical plan (OPEB Plan) until 12/31/17. Beginning 1/1/18, Merit employees are included in the University's OPEB plan.

Actuarial assumptions —The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurements. With the exception of the termination and retirement assumptions, the Merit calculations were based on all actuarial assumptions and methods used in the development of the University's fiscal 2018 PSF GASB 75 calculations (including a 3.58% discount rate at the June 30, 2017 measurement date). These calculations reflect the IPERS termination and retirement assumptions for state employees in effect at the June 30, 2017 measurement date.

Rate of inflation (effective June 30, 2017)	2.50%	
Rates of salary increase (effective June 30, 2017)	3.00%	
Discount rate (effective June 30, 2017)	3.58%	
Healthcare cost trend rate Pre-65	7.55%	initial rate decreasing to an ultimate rate of 4.50%
Healthcare cost trend rate Post-65 (effective June 30, 2017)	9.17%	initial rate decreasing to an ultimate rate of 4.50%

Discount rate —The discount rate used to measure the total OPEB liability was 3.58% which reflects the index rate for S&P Municipal Bond 20-Year High Grade index as of the measurement date.

Mortality rates are from the RP-2014 aggregate mortality table projected using Scale MP-2016. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used for IPERS.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

CHANGES IN THE TOTAL OPEB LIABILITY (in thousands)

	Professional, Scientific, and Faculty	Merit	Total
Total OPEB liability beginning of year, as restated	$588,306	$19,373	$607,679
Changes for the year:			
Service cost	32,244	1,489	33,733
Interest	17,588	580	18,168
Changes in benefit terms	(465,008)	-	(465,008)
Differences between expected and actual experiences	48,567	-	48,567
Changes of assumptions	(94,293)	(1,010)	(95,303)
Benefit payments	(6,952)	-	(6,952)
Contributions from the employer	-	(1,049)	(1,049)
Net changes	(467,854)	10	(467,844)
Total OPEB liability end of year	**$120,452**	**$19,383**	**$139,835**

The financial accounting valuation reflects the following assumption changes:

- A change in the discount rate to 3.58% as of June 30, 2017.
- A change in the withdrawal rates for staff to better anticipate future experience.
- A change in the mortality assumption from the RP-2014 Aggregate Mortality Table projected using Scale MP-2014 to the RP-2014 Aggregate Mortality Table projected using Scale MP-2016.
- The health care trend rate assumption was updated to a schedule of rates beginning at 7.55% in 2017, grading down to 4.50% in 2026 and beyond for pre-65 participants and 9.17% in 2017 grading down to 4.50% in 2026 and beyond for post-65 participants.
- The marginal cost adjustment factors were changed from 59.4% to 60.1% for pre-65 participants and from 86.8% to 87.6% for post-65 participants.
- The impact of the Excise Tax on high cost plans due to healthcare reform was updated, based on current claims and medical trend assumptions.

Sensitivity of the total OPEB liability to changes in the discount rate —The following presents the total OPEB liability of the University, as well as what the University's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate.

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Professional, Scientific, and Faculty OPEB Liability	$126,704	$120,452	$107,808
Merit OPEB Liability	20,777	19,383	18,075
Total OPEB liability	$147,481	$139,835	$125,883

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates —The following presents the total OPEB liability of the University, as well as what the University's total OPEB liability would be if it were calculated using a healthcare cost trend that is 1% lower (6.55%) or 1% higher (8.55%) than the current healthcare cost trend rate for pre-65 participants, and 1% lower (8.17%) or 1% higher (10.17%) higher than the current healthcare cost trend rate for post-65 participants.

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Pre-65 participants	(6.55%)	(7.55%)	(8.55%)
Post-65 participants	(8.17%)	(9.17%)	(10.17%)
Professional, Scientific, and Faculty OPEB Liability	$118,396	$120,452	$119,834
Merit OPEB Liability	17,419	19,383	21,706
Total OPEB liability	$135,815	$139,835	$141,540

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB—For the year ended June 30, 2018, the University recognized OPEB expense of ($419,681,000) for its retiree benefit plan, and $1,941,000 for its Merit employees. At June 30, 2018 the University reported deferred outflows and inflows of resources related to OPEB from the following sources:

	PROFESSIONAL, SCIENTIFIC, AND FACULTY		MERIT		TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$43,756	-	-	-	$43,756	-
Assumption changes	-	(84,977)	-	(882)	-	(85,859)
Contributions made in fiscal year ending June 30, 2018 after measurement date	9,346	-	1,346	-	10,692	-
Total	$53,102	($84,977)	$1,346	($882)	$54,448	($85,859)

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

Year ending June 30	Professional, Scientific, and Faculty	Merit	Total
2019	($4,505)	($ 128)	($ 4,633)
2020	(4,505)	(128)	(4,633)
2021	(4,505)	(128)	(4,633)
2022	(4,505)	(128)	(4,633)
2023	(4,505)	(128)	(4,633)
Total Thereafter	(18,696)	(242)	(18,938)
Total	**($41,221)**	**($ 882)**	**($ 42,103)**

Note 9—Other Commitments and Risk Management

COMMITMENTS

At June 30, 2018 and 2017, the University had outstanding construction contract commitments of $249,707,000 and $331,651,000, 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 $2 million for all facilities with the exception of a $5 million deductible for the Power Plant, Bowen Science Building and the Main Library. 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, 2017 renewal.

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

	2018	2017
Utility System specific coverage is as follows:		
Utility System Operations Building & Contents	$820,976	$805,072
Power Plant Building & Contents	$226,976	$221,009
Telecommunications Facilities premium is based on the following values:		
Building	$31,771	$31,771
Contents	$9,580	$9,720
Income	$5,878	$5,878

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

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

Fidelity/Crime Coverage—The State maintains an employee fidelity bond where the first $200,000 in losses is the responsibility of the University. Under the State coverage, losses in excess of the $200,000 deductible are insured up to $2,000,000. The University maintains separate fidelity and crime coverage, which extends to all employees, and includes coverage for robbery and theft. The University's crime policy provides an additional $8,000,000 in coverage over the state bond.

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

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

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

Employee Medical and Dental Claims—The University purchases life, health, dental and disability insurance for eligible permanent employees. Based on actuarial analysis of employee medical and dental claims, the University has incurred but not reported claims of $18,419,000 and $12,841,000 as of June 30, 2018 and 2017, respectively.

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

Pursuant to a 28E Agreement with the State of Iowa, the UIP self-funds the professional medical liability exposures of its members with a self-insurance pool for all claims up to $3 million per claim. On any claim exceeding $3 million, the Company provides coverage on a claims-made basis limited to $2 million per claim and subject to a $2 million annual aggregate per named insured. All claims which exceed $5 million per claim or a $9 million aggregate limit per fiscal year are covered by the State of Iowa. Based on actuarial analysis, the College of Medicine has incurred an unpaid loss and allocated loss adjustment expense estimate of $19,239,000 and $13,160,000 as of 12/31/17 and 12/31/16, respectively.

Reconciliation of Loss Contingencies (in thousands):

	2018	2017
Claims and contingent liabilities accrued at July 1	$26,001	$30,929
Claims incurred and contingent liabilities accrued for the current year	266,683	209,332
Payments on claims during the fiscal year	(255,026)	(214,260)
Claims and contingent liabilities at June 30	**$37,658**	**$26,001**

In accordance with GASB Statement No. 10 Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, the University has identified a potential risk of loss. A description of the nature of the potential risk of loss is described below.

In connection with two large construction projects on the University of Iowa campus, a prime contractor filed claims against the Board of Regents, State of Iowa, on behalf of The University of Iowa, for additional compensation. Arbitration proceedings were held in September 2017 which awarded $17.3 million to the contractor. The District Court affirmed the arbitration award in August 2018. The Iowa Attorney General's Office filed an appeal with the Iowa Supreme Court on August 31, 2018. No accruals related to this issue have been included in the accompanying financial statements and any amount ultimately awarded would be capitalized to the original building construction projects.

Note 10—Debt Defeasance

In July of 2017, the University issued $20,685,000 of Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2017B, with an average interest rate of 4.00% and accrued interest of $11,000 to advance refund $21,950,000 of outstanding Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2009, with interest rates ranging between 4.00 and 4.875%.

Net bond proceeds of $23,255,000 were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2009 will be called on July 1, 2019.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $2,671,000; and reduced the aggregate debt service payments by $3,181,000 over the next seventeen years.

In November of 2017, the University issued $22,075,000 of Athletics Facilities Revenue Refunding Bonds, Series S.U.I. 2017A, with an average interest rate of 3.01% and accrued interest of $28,000 to advance refund $21,075,000 of outstanding Athletics Facilities Revenue Refunding Bonds, Series S.U.I. 2009, with interest rates ranging between 3.60 and 4.35%.

Net bond proceeds of $22,714,000 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 Athletics Facilities Revenue Refunding Bonds, Series S.U.I. 2009 will be called on July 1, 2020.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $1,448,000; and reduced the aggregate debt service payments by $1,731,000 over the next eighteen years.

The amount of defeased debt outstanding but removed from the Statement of Net Position at June 30, 2018 and 2017, is as follows (in thousands):

	2018	2017
Academic	$22,375	$44,150
Athletics	21,075	-
Hospital	22,250	56,850
Recreational Facilities	61,450	41,225
Utility	17,375	35,875
Total	**$144,525**	**$178,100**

Note 11—Operating Expenses By Function

A summary of operating expenses by functional classification for the year ended June 30, 2018 and 2017 follows (in thousands):

	Compensation & Benefits	Supplies	Other	Depreciation & Amortization	Total
Instruction	$305,147	10,794	33,742	-	$349,683
Research	230,100	41,136	63,453	-	334,689
Public service	57,359	10,687	22,356	-	90,402
Academic support	113,171	13,428	26,386	-	152,985
Patient services	1,091,881	434,828	322,197	-	1,848,906
Student services	25,905	2,449	8,513	-	36,867
Institutional support	60,003	5,556	(9,246)	-	56,313
Operations and maintenance of plant	-	4,017	80,227	-	84,244
Scholarships and fellowships	13,116	-	18,962	-	32,078
Depreciation and amortization	-	-	-	247,336	247,336
Auxiliary enterprises	102,665	17,062	83,589	-	203,316
Other operating expenses	29,602	2,150	17,054	-	48,806
Total June 30, 2018	$2,028,949	542,107	667,233	247,336	$3,485,625

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

Note 12—Restricted Net Position

The UI Center for Advancement's temporarily restricted net assets at June 30, 2018 and 2017 were restricted for the following (in thousands):

	June 30, 2018	June 30, 2017
Program support	$199,436	$179,900
Student support	110,481	99,475
Faculty support	123,497	112,291
Facilities and equipment	91,067	75,628
Research	121,137	116,023
Remainder interest in trusts	20,363	21,707
Total	**$665,981**	**$605,024**

The UI Center for Advancement's permanently restricted net assets at June 30, 2018 and 2017 were restricted for the following (in thousands):

	June 30, 2018	June 30, 2017
Undesignated	$7,762	$7,315
Program support	132,355	125,793
Student support	222,100	213,369
Faculty support	252,641	238,807
Facilities and equipment	9,797	9,277
Research	86,374	79,873
Perpetual trusts	8,268	8,035
Remainder interest in trusts	13,006	12,098
Total	**$732,303**	**$694,567**

Note 13— Component Units

Discretely Presented Component Units

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

A—The University of Iowa Research Foundation

The University of Iowa Research Foundation (UIRF)–a 501(c)(3) corporation–commercializes University of Iowa developed technologies and inventions through licensing and new venture formation, and manages the subsequent revenue stream. See Note 1 for additional information. UIRF reports on a fiscal year ended June 30. Requests for the separately issued financial statements should be directed to the Controller, University of Iowa, 4M Jessup Hall, Iowa City, IA 52242.

Significant financial data for UIRF for the years ended June 30, 2018 and 2017 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2018	2017
Assets		
Cash, investments and other assets	$14,498	$16,670
Capital assets, net	6	-
Total Assets	**$14,504**	**$16,670**
Liabilities		
Accounts payable and other current liabilities	$990	$1,541
Noncurrent liabilities (current and noncurrent portions)	189	189
Total Liabilities	**1,179**	**1,730**
Net Position		
Net investment in capital assets	6	-
Unrestricted	13,319	14,940
Total Net Position	**13,325**	**14,940**
Total Liabilities and Net Position	**$14,504**	**$16,670**

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2018	2017
Program Expenses		
Intellectual properties expense	$5,575	$6,084
Other	235	206
Total Program Expenses	**$5,810**	**6,290**
Program Revenues		
Intellectual properties income	3,411	3,252
Investment income	784	1,067
Total Program Revenues	**4,195**	**4,319**
Change in Net Position	(1,615)	(1,971)
Net Position, Beginning of Year	14,940	16,911
Net Position, End of Year	**$13,325**	**$14,940**

B—University of Iowa Health System

University of Iowa Health System (UIHS or the System) was incorporated under the provisions of the Iowa Nonprofit Corporations Act on December 2, 1994. UIHS was formed to support the clinical, academic, and research programs of the University of Iowa Carver 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, University of Iowa, 4M Jessup Hall, Iowa City, IA 52242.

Significant financial data for UIHS for the years ended December 31, 2017 and 2016 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2017	2016
Assets		
Cash, investments and other assets	$34,994	$37,121
Capital assets, net	635	1,139
Total Assets	35,629	38,260
Deferred Outflows of Resources		
Acquisition deferred outflow	4,260	4,853
Total Assets and Deferred Outflows of Resources	$39,889	$43,113
Liabilities		
Accounts payable and other current liabilities	$6,255	$6,117
Accounts held for other component units	13,474	9,940
Total Liabilities	19,729	16,057
Net Position		
Net investment in capital assets	635	1,139
Unrestricted	19,525	25,917
Total Net Position	20,160	27,056
Total Liabilities and Net Position	$39,889	$43,113

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2017	2016
Program Expenses		
Patient and Management Services	$52,973	$54,165
Depreciation	966	1,045
Total Program Expenses	53,939	55,210
Program Revenues		
Patient Services	18,862	18,306
Management services	24,795	22,304
Investment income	443	374
Other	2,943	19,285
Total Program Revenues	47,043	60,269
Change in Net Position	(6,896)	5,059
Net Position, Beginning of Year	27,056	21,997
Net Position, End of Year	$20,160	$27,056

Blended Component Units

GASB Statement No. 85, Omnibus 2017, provides guidance for blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial presentation. The University of Iowa has determined that, in accordance with the provisions of this statement, the financial activity of the Iowa Measurement Research Foundation (IMRF), Miller Endowment, Incorporated, and the University of Iowa Research Park Corporation (UIRPC) should be reported as blended component units.

C—Iowa Measurement Research Foundation

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.

Significant financial data for IMRF for the years ended June 30, 2018 and 2017 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2018	2017
Assets		
Cash and investments	$24,623	$23,632
Total Assets	$24,623	$23,632
Liabilities		
Current and noncurrent liabilities	$ -	$ -
Total Liabilities	-	-
Net Position		
Restricted expendable	24,088	23,217
Unrestricted	535	415
Total Liabilities and Net Position	$24,623	$23,632

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

	2018	2017
Program Expenses		
Distributions	$1,032	$1,212
Total Program Expenses	1,032	1,212
Program Revenues		
Investment Income	2,023	2,867
Total Program Revenues	2,023	2,867
Change in net position	991	1,655
Net Position, Beginning of Year	23,632	21,977
Net Position, End of Year	$24,623	$23,632

D—Miller Endowment, Incorporated

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.

Significant financial data for Miller Endowment, Incorporated for the years ended June 30, 2018 and 2017 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2018	2017
Assets		
Cash and other assets	$15,624	$15,178
Total Assets	$15,624	$15,178
Liabilities		
Accounts payable	$45	$43
Accrued distributions	735	720
Total Liabilities	780	763
Net Position		
Restricted net position	12,785	12,784
Unrestricted net position	2,059	1,631
Total Net Position	14,844	14,415
Total Liabilities and Net Position	$15,624	$15,178

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2018	2017
Deductions		
Investment fees and administrative expenses	$201	$190
Distributions	735	720
Total Deductions	936	910
Additions		
Investment income:		
Interest and dividend income	135	174
Net increase in the fair value of investments	1,230	1,850
Net Investment Income	1,365	2,024
Change in net position	429	1,114
Net Position, Beginning of Year	14,415	13,301
Net Position, End of Year	$14,844	$14,415

E—University of Iowa Research Park Corporation

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.

Significant financial data for UIRPC for the years ended June 30, 2018 and 2017 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2018	2017
Assets		
Cash and other assets	$1,897	$1,786
Capital assets, net	2,521	2,534
Total Assets	**$4,418**	**$4,320**
Liabilities		
Accounts payable and other current liabilities	$86	$69
Noncurrent liabilities	2,184	2,246
Total Liabilities	**2,270**	**2,315**
Net Position		
Net investment in capital assets	2,521	2,535
Unrestricted	(373)	(530)
Total Net Position	**2,148**	**2,005**
Total Liabilities and Net Position	**$4,418**	**$4,320**

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2018	2017
Program Expenses		
Maintenance and other expenses	$117	$128
Depreciation	77	66
Total Program Expenses	**194**	**194**
Program Revenues		
Land leases	212	212
State appropriation	79	79
Other income	46	38
Total Program Revenues	**337**	**329**
Change in net position	143	135
Net Position, Beginning of Year	2,005	1,870
Net Position, End of Year	**$2,148**	**$2,005**

Note 14—Subsequent Events

In November 2018, the State Board of Regents authorized the University to issue Athletic Facilities Revenue Bonds, Series S.U.I. 2018A for $28,965,000. The proceeds of the Bonds will be used to (i) pay a portion of the costs of improving, remodeling, repairing, furnishing, equipping and building additions to Kinnick Stadium; (ii) fund a reserve fund; and (iii) pay the cost of issuing said Bonds.

Note 15—Restatement

As a result of adopting GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions in fiscal year 2018, the beginning net position was restated to retroactively report the beginning increase in the OPEB liability as follows:

	(in thousands)
Net position at June 30, 2017, as previously reported	$4,196,670
Net OPEB liability at June 30, 2017	151,719
Total OPEB liability at June 30, 2017, per GASB 75	(607,679)
Net position at June 30, 2017, as restated	$3,740,710

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions changes the accounting and reporting requirements for post-employment benefits and potentially results in significant increases in liability and expense. The standard requires the use of a more aggressive actuarial costing method, a lower discount rate, a shortened amortization period and other changes in assumptions which has the potential of drastically increasing the OPEB liability. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available. In order to minimize the OPEB liability for FY18 and in the future, the University implemented a cap on the University's contribution for retiree health at the current $288 per month for current and future retirees. The University sent letters to retirees by the June 30, 2017 measurement date in order to be incorporated into the FY18 GASB 75 valuation.

Note 16—Segment Information

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

ACADEMIC BUILDING REVENUE BONDS

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

ATHLETIC FACILITIES REVENUE BONDS

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

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 CENTER FOR ADVANCEMENT REVENUE BONDS

The University of Iowa Center for 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 Center for Advancement for the use of the building.

UNIVERSITY OF IOWA FACILITIES CORPORATION REVENUE BONDS

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

UTILITY SYSTEM REVENUE BONDS

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

FUND ACCOUNTING

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

TRANSFERS IN (OUT)

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

Segment Reporting (in thousands)
As of and for the year ended June 30, 2018

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Hospital Revenue Bonds	IMU Revenue Bonds
CONDENSED STATEMENT OF NET POSITION				
Assets:				
Current assets	$23,598	$29,166	$375,981	$4,857
Capital assets	863,343	161,456	1,102,002	44,232
Other noncurrent assets	15,393	43,008	738,210	641
Total assets	902,334	233,630	2,216,193	49,730
Deferred outflows of resources	1,974	3,320	45,705	-
Liabilities:				
Current liabilities	23,237	26,058	240,775	3,931
Noncurrent liabilities	176,351	183,031	454,001	4,856
Total liabilities	199,588	209,089	694,776	8,787
Deferred inflows of resources	600	-	28,460	381
Net Position:				
Net investment in capital assets	678,401	1,856	750,890	38,460
Restricted - expendable	25,719	22,800	8,314	1,176
Unrestricted	-	3,205	779,458	926
Total net position	$704,120	$27,861	$1,538,662	$40,562
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	$406,805	$94,297	$1,666,437	$14,670
Depreciation expense	(40,817)	(7,670)	(101,324)	(2,557)
Other operating expenses	-	(16,485)	(1,364,479)	(17,697)
Net operating income (loss)	365,988	70,142	200,634	(5,584)
Nonoperating revenues (expenses)	(4,990)	(2,926)	15,033	597
Transfers from/(to) University funds	(322,262)	(61,460)	80,744	5,908
Change in net position	38,736	5,756	296,411	921
Net position, beginning of year (Hospital restated)	665,384	22,105	1,242,251	39,641
Net position, end of year	$704,120	$27,861	$1,538,662	$40,562
CONDENSED STATEMENT OF CASH FLOWS				
Net cash provided (used) by operating activities	$407,366	$77,233	$ 164,303	($3,974)
Net cash provided (used) by noncapital financing activities	(391,220)	(95,750)	80,745	471
Net cash provided (used) by capital and related financing activities	(16,349)	54,009	(98,676)	3,528
Net cash provided (used) by investing activities	2,408	1,428	(149,806)	(20)
Net increase (decrease) in cash	2,205	36,920	(3,434)	5
Cash and cash equivalents, beginning of year	15,649	22,894	24,058	686
Cash and cash equivalents, end of year	$17,854	$59,814	$20,624	$691

Parking System Revenue Bonds	Recreational Facilities Revenue Bonds	Residence Services Revenue Bonds	Telecomm. Facilities Revenue Bonds	UI Center for Advancement Revenue Bonds	UI Facility Corporation Bonds	Utility System Revenue Bonds
$4,813	$3,971	$10,581	$5,211	$820	$49	$14,343
109,633	89,772	234,483	28,724	3,028	196,603	311,533
27,215	10,363	44,733	14,776	863	14,725	35,766
141,661	**104,106**	**289,797**	**48,711**	**4,711**	**211,377**	**361,642**
-	**3,669**	**17**	**-**	**-**	**1,399**	**2,895**
4,507	3,971	12,096	3,424	818	10,927	15,009
54,699	62,163	163,974	29,385	825	111,771	162,593
59,206	**66,134**	**176,070**	**32,809**	**1,643**	**122,698**	**177,602**
249	**-**	**470**	**-**		**181**	**923**
56,531	29,023	73,706	(1,876)	1,423	75,460	158,332
2,687	9,177	29,663	3,796	1,645	14,437	16,549
22,988	3,441	9,905	13,982	-	-	11,131
$82,206	**$41,641**	**$113,274**	**$15,902**	**$3,068**	**$89,897**	**$186,012**
$22,290	$5,781	$78,809	$23,483	-	-	$94,077
(5,857)	(3,602)	(12,912)	(871)	(901)	(9,993)	(17,559)
(12,712)	(8,293)	(64,737)	(17,255)	-	-	(60,706)
3,721	(6,114)	1,160	5,357	(901)	(9,993)	15,812
(1,213)	(1,973)	(3,619)	(796)	(64)	(4,104)	(1,936)
967	7,328	(966)	(2,199)	773	16,591	(1,595)
3,475	(759)	(3,425)	2,362	(192)	2,494	12,281
78,731	42,400	116,699	13,540	3,260	87,403	173,731
$82,206	**$41,641**	**$113,274**	**$15,902**	**$3,068**	**$89,897**	**$186,012**
$13,847	($2,391)	$13,726	$5,275	-	-	$35,283
85	(3,209)	(533)	(2,199)	773	14,556	(20,997)
(11,915)	5,873	(25,400)	(2,391)	(834)	(14,594)	(4,726)
(1,967)	(2,267)	(224)	2,592	639	38	3,485
50	(1,994)	(12,431)	3,277	578	-	13,045
13,705	12,026	51,691	11,459	844	-	25,267
$13,755	**$10,032**	**$39,260**	**$14,736**	**$1,422**	**-**	**$38,312**

Segment Reporting (in thousands)
As of and for the year ended June 30, 2018

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Hospital Revenue Bonds	IMU Revenue Bonds
DEBT SERVICE COVERAGE				
Debt service coverage % - Required	N/A	125%	130%	120%
Debt service coverage % - Actual	N/A	680%	1316%	283%
PORTION OF REVENUE PLEDGED				
Annual debt service (principal & interest)	$16,087	$11,883	$22,939	$743
Net pledged revenue	N/A	80,832	301,956	2,102
Annual debt service/Net operating revenues (%)	N/A	15%	8%	35%

REVENUE BONDS PAYABLE

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

Beginning Balance	$197,194	$129,372	$307,208	$6,017
Additions	-	88,780	33,202	-
Reductions	(10,877)	(27,411)	(13,604)	(626)
Ending Balance	**$186,317**	**$190,741**	**$326,806**	**$5,391**

DEBT SERVICE REQUIREMENTS

A summary of revenue bond debt service for payment of principal and interest is shown below. As of June 30, 2018, the amount shown for debt service payments due on July 1 were on hand.

Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Mar & Sep 1st	Jan & Jul 1st
2019	$15,926	$13,286	$24,284	$737
2020	15,888	14,322	24,802	734
2021	16,034	14,575	25,259	742
2022	15,797	14,596	25,173	739
2023	15,795	14,760	25,058	739
2024-2028	72,110	73,870	124,389	2,218
2029-2033	55,716	64,678	91,893	-
2034-2038	25,967	31,481	77,262	-
2039-2043	-	2,205	22,163	-
2044	-	-	1,984	-
Unamortized Discount and Premium	6,437	3,061	14,621	471
Total	**$239,670**	**$246,834**	**$456,888**	**$6,380**

COMMITMENTS

As of June 30, 2018, the University has entered into contract commitments for construction projects as follows:

Contract Commitments	**$100,349**	**$46,747**	**$60,970**	**$57**

Parking System Revenue Bonds	Recreational Facilities Revenue Bonds	Residence Services Revenue Bonds	Telecomm. Facilities Revenue Bonds	UI Center for Advancement Revenue Bonds	UI Facilities Corporation Revenue Bonds	Utility System Revenue Bonds
120%	125%	135%	110%	100%	N/A	120%
230%	275%	155%	275%	100%	N/A	235%
$4,556	$4,730	$11,712	$2,398	$856	$14,594	$15,028
10,479	13,019	18,096	6,602	856	N/A	35,351
43%	36%	65%	36%	100%	N/A	43%
$55,849	$64,803	$174,649	$31,803	$2,345	$132,874	$157,589
-	23,334	-	-	-	-	25,101
(2,996)	(23,718)	(6,325)	(1,203)	(740)	(10,513)	(11,117)
$52,853	**$64,419**	**$168,324**	**$30,600**	**$1,605**	**$122,361**	**$171,573**
Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Dec & Jun 1st	May & Nov 1st
$4,514	$4,504	$11,306	$2,380	$838	$14,634	$16,457
4,466	4,883	11,689	2,383	844	14,207	16,482
3,748	4,978	11,870	2,392	-	10,912	15,444
3,750	5,079	11,481	2,395	-	10,927	15,434
3,760	5,095	11,385	2,399	-	10,961	15,450
16,656	24,445	53,771	12,103	-	50,006	65,256
13,185	22,957	51,807	12,327	-	27,975	34,882
13,291	9,101	38,661	6,558	-	15,297	26,810
8,042	-	26,131	-	-	-	12,085
-	-	-	-		-	-
583	5,154	1,639	130	-	1,496	6,098
$71,995	**$86,196**	**$229,740**	**$43,067**	**$1,682**	**$156,415**	**$224,398**
$1,727	**$49**	**$15,912**	**$14**	**-**	**$1,358**	**$17,764**

Required Supplementary Information
June 30, 2018

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

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

For the Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	University's Covered-Employee Payroll	Net Pension Liability as a Percentage of Covered-Employee Payroll	IPERS' Net Position as a Percentage of the Total Pension Liability
6/30/18	1.4825633%	$98,758	$111,914	88.24%	82.21%
6/30/17	1.2770236%	80,367	92,356	87.02%	81.82%
6/30/16	1.0820964%	53,461	74,409	71.85%	85.19%
6/30/15	0.9747910%	38,659	63,967	60.44%	87.61%

**In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.*

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

SCHEDULE OF UNIVERSITY CONTRIBUTIONS

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

For the Year Ended	Statutorily Required Contributions	Actual Employer Contribution	Contribution/ Deficiency (Excess)	University's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
6/30/18	$10,993	$(10,993)	$ -	$124,673	8.80%
6/30/17	9,931	(9,931)	-	111,914	8.90%
6/30/16	8,184	(8,184)	-	92,356	8.90%
6/30/15	6,620	(6,620)	-	74,409	8.90%
6/30/14	5,696	(5,696)	-	63,967	8.90%
6/30/13	4,718	(4,718)	-	54,658	8.60%
6/30/12	3,802	(3,802)	-	46,653	8.10%
6/30/11	2,428	(2,428)	-	33,646	7.20%
6/30/10	1,654	(1,654)	-	24,521	6.70%
6/30/09	1,460	(1,460)	-	22,792	6.40%

See accompanying independent auditor's report.

Notes to Required Supplementary Information– June 30, 2018

PENSION LIABILITY

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

Changes of assumptions:
The 2017 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.00% to 2.60% per year.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the long-term rate of return assumption from 7.50% to 7.00% per year.
- Decreased the wage growth and payroll growth assumption from 4.00% to 3.25% per year.
- Decreased the salary increase assumption by 0.75%.

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.

SCHEDULE OF CHANGES IN THE UNIVERSITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

For the year ended June 30, 2018 (in thousands)

	Professional, Scientific, and Faculty	Merit	Total
Service cost	$32,244	$1,489	$33,733
Interest	17,588	580	18,168
Changes in benefit terms	(465,008)	-	(465,008)
Differences between expected and actual experiences	48,567	-	48,567
Changes of assumptions	(94,293)	(1,010)	(95,303)
Benefits payments	(6,952)	-	(6,952)
Contributions from the employer	-	(1,049)	(1,049)
Net change in total OPEB liability	**($467,854)**	**$10**	**($467,844)**
Total OPEB liability beginning of year, as restated	588,306	19,373	607,679
Net OPEB liability end of year	120,452	19,383	139,835
Covered-employee payroll	$1,112,619	$179,139	$1,291,758
Total OPEB Liability as a percentage of covered-employee payroll	10.83%	10.82%	10.83%

Notes to Required Supplementary Information– June 30, 2018

OPEB LIABILITY

Changes in the University's Total OPEB Liability and Related Ratios

The financial accounting valuation reflects the following method changes:

- A change in the actuarial cost method from Projected Unit Credit to Entry Age Normal.

The financial accounting valuation reflects the following assumption changes:

- A change in the discount rate to 3.58% as of June 30, 2017. The discount rate was 6.75% as of June 30, 2016.
- A change in the withdrawal rates for staff to better anticipate future experience.
- A change in the mortality assumption from the RP-2014 Aggregate Mortality Table projected using Scale MP-2014 to the RP-2014 Aggregate Mortality Table projected using Scale MP-2016.
- The health care trend rate assumption was updated to a schedule of rates beginning at 7.55% in 2017, grading down to 4.50% in 2026 and beyond for pre-65 participants and 9.17% in 2017 grading down to 4.50% in 2026 and beyond for post-65 participants.
- The marginal cost adjustment factors were changed from 59.4% to 60.1% for pre-65 participants and from 86.8% to 87.6% for post-65 participants.
- The impact of the Excise Tax on high cost plans due to healthcare reform was updated, based on current claims and medical trend assumptions.

See accompanying independent auditor's report.


JazzFestival

THE UNIVERSITY OF IOWA

OFFICE OF THE CHIEF FINANCIAL OFFICER
ACCOUNTING AND FINANCIAL REPORTING

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This financial report is designed to provide users with a general overview of the University of Iowa's finances and to demonstrate the university's accountability for the funds received. Questions regarding this report, or requests for additional financial information, should be directed to the Controller, University of Iowa, 4M Jessup Hall, Iowa City, IA 52242 or email selina-martin@uiowa.edu. An electronic version can be found at afr.fo.uiowa.edu/annual-reports.

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