The University of Iowa

Financial Report

July 1, 2008 to June 30, 2009

Board of Regents, State of Iowa

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University Secretary

THE UNIVERSITY OF IOWA

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December 18, 2009

President Mason and Members of the Board of Regents:

I am pleased to submit the University of Iowa's audited Financial Report for fiscal year 2009. This report presents the financial position and results of operations of the University of Iowa for the past two fiscal years ended June 30, 2008 and June 30, 2009. The University remains financially sound and stable with net assets increasing by $73.7 million (3.2%) during fiscal year 2009, and the University maintained its strong credit ratings by Moody's (Aa2) and Standard & Poor's (AA).

The University continues to be recognized as a "best buy" in national publications and is at a near record enrollment level of 30,328 students for the Fall 2009 term. The Registrar reports continued improvement in the academic quality and diversity of the 2009 entering class. The University continues to attract a significant number of non-resident students without denying access to any qualified Iowan. The strong demand by non-resident students helps the University as well as the local and state economy. Growth in student demand is a direct result of the University's dedication to maintaining strong academic programs at an affordable price. Combined tuition and fees for resident undergraduate students remains the lowest in the Big Ten by nearly $1,500 per year. To help assure affordability, approximately 20% of all tuition collected is redirected to student financial aid with emphasis on students with financial need.

The University has weathered the global financial crisis and has positioned its investment portfolios to improve diversification and expected returns while accepting only a prudent level of risk. In contrast to many universities, the UI maintained strong liquidity for operations and was well positioned for the investment recovery seen during the last nine months of 2009. This occurred concurrent with major commitments toward flood recovery stemming from the greatest natural disaster in UI history occurring in June 2008.

Strategic investments in University buildings and other renovation projects is paying dividends in significantly improved sponsored research opportunities for faculty and staff. Just under $430 million in external sponsored grants and contracts was awarded to the University in fiscal year 2009; this is an all-time record and is up by 10.3% from one year ago. Clearly the UI faculty have done an outstanding job over this past year competing for funding from federal and private research sponsors.

During fiscal year 2009 state appropriations for University operations were reduced by $7.5 million. An additional $59.7 million was cut from state appropriations during fiscal year 2010, while $35.4 million was replaced by one-time federal stimulus funding. The federal stimulus funds will provide the University with a one year bridge to help address in other ways this reduction in state appropriations. The University continues to focus on cost controls, as well as the diligent pursuit of administrative and programmatic efficiencies.

The financial report reflects the efforts of faculty, staff, students, alumni and friends in furthering the mission of this University. We all take enormous pride in being a part of this treasured asset. The University's faculty and staff eagerly look forward to addressing creatively society's most vexing problems, being an economic catalyst for improving the economy of Iowa and our country, and creating an environment supporting entrepreneurship and a strong educational vision.

Very truly yours,

Douglas K. True
Senior Vice President and Treasurer

Management's Discussion and Analysis

INTRODUCTION

The following discussion and analysis of the University of Iowa's financial statements presents an overview of the University's financial activities for the years ended June 30, 2009 and 2008. 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, 2009, with assets of $3,779 million and liabilities of $1,382 million as compared to June 30, 2008 assets of $3,614 million and liabilities of $1,291 million. Net assets, the difference between total assets and total liabilities, increased by $73.7 million (3.2%) from June 30, 2008 to June 30, 2009. The increase from June 30, 2007 to June 30, 2008 was $150.4 million (6.9%).

The change in net assets reports the financial results during the fiscal year by measuring the relationship between revenues and expenses. It is important to note that public universities such as the University of Iowa generally report an operating loss, as the financial reporting model classifies state appropriations, investment income and gifts as nonoperating revenues. Operating revenues are received for providing goods and services to the various students, customers and constituencies of the University. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided. The following table summarizes the financial activity for the fiscal years ended June 30, 2009, 2008 and 2007.

Change in Net Assets (in millions)

	2009	2008	2007
Total operating revenues	$ 1,889.3	$ 1,734.3	$ 1,609.2
Total operating expenses	2,160.1	1,999.1	1,859.4
Net operating income (loss)	(270.8)	(264.8)	(250.2)
Net nonoperating revenues (expenses)	288.4	342.4	382.2
Income (loss) before other revenues, expenses	17.6	77.6	132.0
Other revenues (expenses)	52.9	17.7	19.0
Increase in net assets before extraordinary items	70.5	95.3	151.0
Net extraordinary items	3.2	55.1	-
Increase in net assets	73.7	150.4	151.0
Net assets, beginning of year	2,323.4	2,173.0	2,022.0
Net assets, end of year	$ 2,397.1	$ 2,323.4	$ 2,173.0

* UIHC Iowa Care revenue for the years ended June 30, 2008 and 2007 has been reclassified from nonoperating revenue to operating revenue to conform to current year presentations.

During the fiscal year ended June 30, 2009, the University increased operating revenues and expenses by 8.9% and 8.0% respectively, resulting in an operating loss of 14.3% compared to 15.3% last year. However, after factoring in state appropriations, investment income, gifts and other revenues, the University increased net assets by $70.5 million before extraordinary items for the year ended June 30, 2009. In June 2008, the University sustained significant damage to property and impairment to capital assets as a result of flooding. A net gain of $3.2 and $55.1 million was reported as an extraordinary item for the years ended June 30, 2009 and 2008, respectively. Details are provided in the Extraordinary Event section of the MD&A.

During the fiscal year ended June 30, 2009, net nonoperating revenues (expenses) decreased by 15.8% primarily the result of net investment losses of $37.7 million due to declines in the market value of investments.

USING THIS ANNUAL REPORT

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

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

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

These statements are reported under the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid. The following table summarizes the University's assets, liabilities and net assets at June 30, 2009, 2008 and 2007.

Net Assets, End of Year (in millions)

	2009	2008	2007
Assets:			
Current assets	$ 1,583.9	$ 1,635.9	$ 1,415.2
Capital assets, net	2,066.8	1,848.4	1,823.3
Other noncurrent assets	128.1	130.0	123.2
Total Assets	3,778.8	3,614.3	3,361.7
Liabilities:			
Current liabilities	519.7	471.0	492.5
Noncurrent liabilities	862.0	819.9	696.2
Total Liabilities	1,381.7	1,290.9	1,188.7
Net Assets:			
Invested in capital assets, net of related debt	1,343.7	1,188.5	1,229.6
Restricted	387.4	402.4	321.1
Unrestricted	666.0	732.5	622.3
Total Net Assets	$ 2,397.1	$ 2,323.4	$ 2,173.0

Management's Discussion and Analysis

The following table summarizes the University's revenues, expenses and changes in net assets for the years ended June 30, 2009, 2008 and 2007.

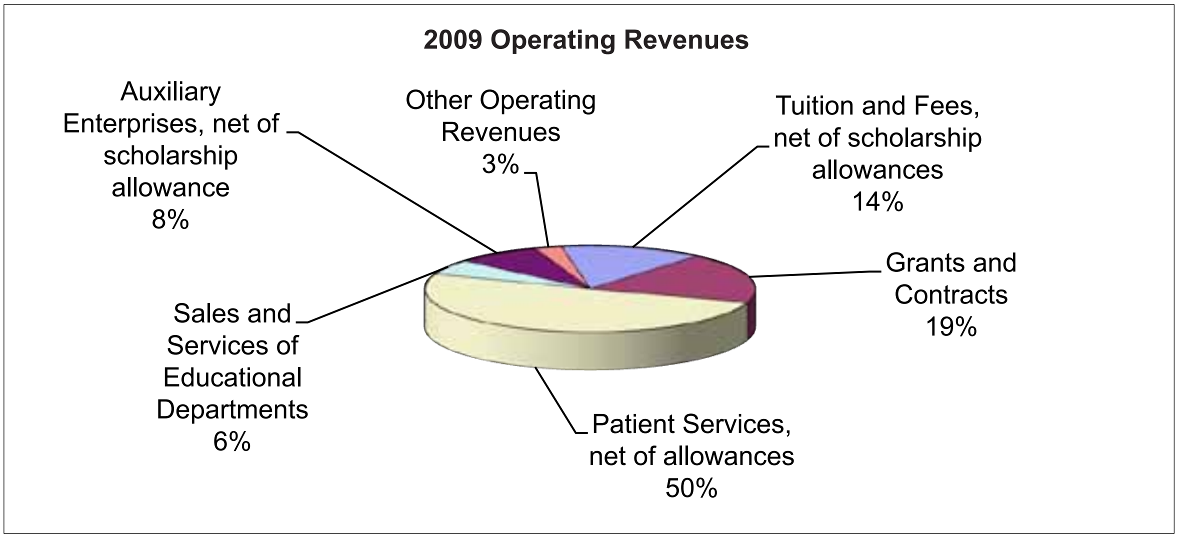
Revenues, Expenses and Changes in Net Assets (in millions)

	2009	2008	2007
Operating Revenues:			
Tuition and fees, net of scholarship allowances	$ 262.4	$ 238.9	$ 218.7
Grants and contracts	361.5	336.3	324.6
Patient services, net of allowances	952.3	898.8	826.3
Sales and services of educational departments	107.6	77.8	83.4
Auxiliary enterprises, net of scholarship allowances	155.6	149.9	136.5
Other operating revenue	49.9	32.6	19.7
Total Operating Revenues	1,889.3	1,734.3	1,609.2
Operating Expenses:			
Instruction	322.8	307.3	287.5
Research	275.2	250.8	241.4
Academic support	125.8	106.6	107.1
Patient services	872.1	798.1	729.7
Depreciation	149.2	141.3	127.2
Auxiliary enterprises	141.4	137.9	129.9
Other operating expenses	273.6	257.1	236.6
Total Operating Expenses	2,160.1	1,999.1	1,859.4
Operating Income (Loss)	(270.8)	(264.8)	(250.2)
Nonoperating Revenues (Expenses):			
State appropriations	301.5	289.7	279.6
Investment income (loss), net of investment expenses	(37.7)	26.4	77.7
Gifts	61.0	62.2	53.7
Interest expense	(29.1)	(31.7)	(23.0)
Loss on disposal of capital assets	(7.3)	(4.2)	(5.8)
Net Nonoperating Revenues (Expenses)	288.4	342.4	382.2
Income Before Other Revenues	17.6	77.6	132.0
Other Revenues:			
Capital appropriations, State	20.6	5.9	9.4
Additions to endowments	-	4.4	-
Capital contributions and grants	10.6	7.4	9.6
Other nonoperating revenue and expense, net	21.7	-	-
Net Other Revenues	52.9	17.7	19.0
Increase in Net Assets Before Extraordinary Items	70.5	95.3	151.0
Extraordinary Items Due to Flood	3.2	55.1	-
Increase in Net Assets	73.7	150.4	151.0
Net assets, beginning of year	2,323.4	2,173.0	2,022.0
Net assets, end of year	$ 2,397.1	$ 2,323.4	$ 2,173.0

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase in net assets for the fiscal year ended June 30, 2009 of $73.7 million (3.2%).

OPERATING REVENUES

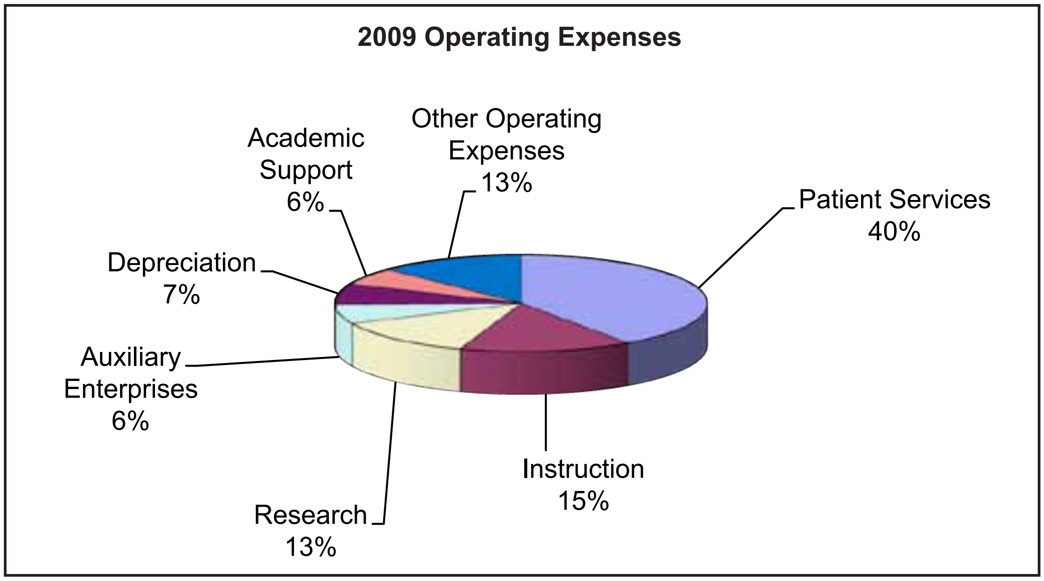
For the fiscal years ended June 30, 2009, 2008 and 2007, operating revenues totaled $1,889 million, $1,734 million and $1,609 million, respectively. Operating revenues for FY 2009 increased by $155 million (8.9%) over FY 2008 revenues. The increase is primarily due to the categories of patient services, educational departments, tuition and fees, and federal grants and contracts. 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, 2009.



In the most current National Institutes of Health (NIH) report, from 2005, the University of Iowa was ranked 13th among all public universities receiving NIH funding. According to the most recent National Science Foundation survey in 2007, the University of Iowa ranked 20th among public universities in terms of federally financed expenditures for research and development. Grants, contracts and other sponsored agreements revenue exceeded $361 million in FY 2009, $336 million in FY 2008 and $324 million in FY 2007.

OPERATING EXPENSES

For the fiscal years ended June 30, 2009, 2008 and 2007, operating expenses totaled $2,160 million, $1,999 million and $1,859 million, respectively. Operating expenses increased by $161 million (8.1%) over FY 2008. The increase is primarily due to the categories of patient services, educational functions and services, and research. The following is a graphic illustration of the University's operating expenses for the year ended June 30, 2009.



Other operating expenses include Public Service (2009, $68 million; 2008, $62 million), Student Services (2009, $26 million; 2008, $23 million), Institutional Support (2009, $74 million; 2008, $69 million), Operation and Maintenance of Plant (2009, $71 million; 2008, $63 million), and Scholarships and Fellowships (2009, $33 million; 2008, $31 million).

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues and expenses netted a positive $288.4 million for the fiscal year ended June 30, 2009 and a positive $342.4 million for the fiscal year ended June 30, 2008.

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2009, 2008 and 2007.

Nonoperating Revenues (Expenses) (in millions)

	2009	2008	2007
State appropriations	$ 301.5	$ 289.7	$ 279.6
Investment income (loss), net of investment expenses	(37.7)	26.4	77.7
Gifts	61.0	62.2	53.7
Interest expense	(29.1)	(31.7)	(23.0)
Loss on disposal of capital assets	(7.3)	(4.2)	(5.8)
Net Nonoperating Revenues (Expenses)	$ 288.4	$ 342.4	$ 382.2

State appropriations increased by $11.8 million (4.1%) in the fiscal year ended June 30, 2009. However, investment income (loss) decreased by $64.1 million (242.8%) in the fiscal year ended June 30, 2009 due to lower returns compared with fiscal year ended June 30, 2008.

OTHER REVENUES

Not included, by definition, as nonoperating revenues and expenses are state appropriations for capital projects, additions to endowments and contributions and grants for capital projects. The other revenues increased from $17.7 million for the year ended June 30, 2008 to $52.9 million for the fiscal year ended June 30, 2009 (198.9%). Capital appropriations, contributions, and grants increased from $13.2 million for the year ended June 30, 2008 to $31.2 million for the year ended June 30, 2009, an increase of $18 million or 136%. Additionally, for the year ended June 30, 2009, $34.3 million in FEMA revenues was recognized. This revenue was intended to fund $12.6 million in flood-related operating expenses and $21.7 million in capital costs, invested in the recovery of capital assets impaired by the 2008 flood.

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

Other Revenues (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 (Expenses). In 2009, we received $34.3 million in FEMA reimbursements towards flood-related costs expended ($21.7 million for building costs to be capitalized and $12.6 million in non-capitalized costs).

REPORTING FOR JUNE 2008 FLOOD

Extraordinary Event

In the last month of fiscal year 2008, the University of Iowa sustained significant damage to property and impairment to capital assets as a result of the flooding of the Iowa River. This event was treated as an extraordinary event as it met the criteria for being both unusual in nature and infrequent in occurrence. In fiscal year 2009, we have updated damage, restoration and recovery estimates.

This year we have recognized a $3.2 million gain as shown in the extraordinary items section. Of the total, a $4.4 million gain is attributable to building impairment gain, net of insurance recovery. This is further described in Note X of the Notes to the Financial Statements. The remaining $1.2 million loss is related to $22.8 million in non-capital flood expenses incurred, offset by $21.6 million in realizable insurance recoveries.

Extraordinary Items (in millions)	2009	2008
Building (Capital) - Net Impairment Gain After Insurance Recovery	$ 4.4	$ 35.7
Increase in Buildings & Infrastructure write-down (impairment loss) of $1.3M, offset by increase in realizable insurance recovery of $5.7M.		
Non-Building (Non-capital) - Flood Expenses Incurred	(22.8)	(4.9)
Content Repair/Replacement, Extra Expense/ Temporary Measures, etc.		
Realizable Insurance Recoveries	21.6	24.3
Total	$ 3.2	$ 55.1

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 years ended June 30, 2009, 2008 and 2007.

Cash Flows for the Year (in millions)

	2009	2008	2007
Cash provided (used) by:			
Operating activities	$ (108.0)	$ (130.1)	$ (116.8)
Noncapital financing activities	367.0	342.7	288.0
Capital and related financing activities	(238.2)	(105.0)	(149.3)
Investing activities	47.1	58.7	26.9
Net change in cash and cash equivalents	67.9	166.3	48.8
Cash & cash equivalents, beginning of year	491.4	325.1	276.3
Cash & cash equivalents, end of year	$ 559.3	$ 491.4	$ 325.1

The University's overall liquidity increased during the year, with a net increase in cash and cash equivalents of $67.9 million. The most significant factor contributing to the increase is receipts received from insurance and FEMA associated with the 2008 flood recovery.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The following table summarizes the University's capital assets, net of depreciation, as of June 30, 2009, 2008 and 2007.

Capital Assets, Net of Depreciation (in millions)

	2009	2008	2007
Land, nondepreciable	$ 22.4	$ 19.5	$ 19.0
Construction in progress, nondepreciable	248.9	183.1	143.0
Art & historical collections, nondepreciable	32.7	32.1	31.7
Library materials, nondepreciable	230.3	217.6	205.8
Land improvements, net	7.2	8.1	6.9
Infrastructure, net	185.8	142.8	133.3
Buildings, net	1,062.8	1,001.7	1,045.6
Equipment, net	276.7	243.5	238.0
Total Capital Assets, Net	$ 2,066.8	$ 1,848.4	$ 1,823.3

The University was struck by a historic 500-year flood in June 2008. The University is working very closely with FEMA and the Federal Homeland Security Agency to get buildings directly impacted by the flood back in operation as quickly as possible.

Phased construction continues on the renovation of the Chemistry Building which will significantly improve academic and research programs of the Chemistry department. Construction continues on a new $53 million Campus Recreation & Wellness Center which will provide much needed recreation space for students and will be open for use in July 2010. Construction on a 112,500 gross square-foot University Hygienic Laboratory building also continues and is expected to be completed in Spring 2010. The College of Public Health also is constructing a new building to house teaching, research and administrative functions.

Several new construction projects were initiated in calendar year 2009 and include an addition to Carver Hawkeye Arena, a new 200,000 square foot inter-disciplinary biomedical research facility and a data center which will consolidate hospital and University IT organizations into a single joint-use facility.

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

Debt

As of June 30, 2009, the University had $799.6 million in outstanding bonds, notes and capital leases, an increase of $47.6 million over the prior year. Debt principal payments of $32.2 million and interest payments of $28.7 million were made during the year ended June 30, 2009. The following table summarizes outstanding debt by type as of June 30, 2009, 2008 and 2007.

Bonds, Notes and Capital Leases (in millions)

	2009	2008	2007
Revenue bonds	$ 639.9	$ 606.7	$ 504.7
Notes	15.4	0.5	1.2
Capital leases	144.3	144.8	150.8
Total Debt Outstanding	$ 799.6	$ 752.0	$ 656.7

During the fiscal year ended June 30, 2009, $59 million of new revenue bonds were issued. The revenue bond proceeds were $33 million for hospital improvements and $26 million to help finance a portion of the Campus Recreation and Wellness Center. The University continues to carry an Aa2 institutional bond rating from Moody's and an AA rating from Standard & Poor's. Additional information related to the University's long-term liabilities is presented in Note V to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University of Iowa continues to have significant appeal to prospective students. This is attributable, in part, to the University's high academic standards and its national reputation as a best buy due to its relative low cost of education. The University continues to draw a high percentage of students from outside the state of Iowa, most notably from the state of Illinois. Total first year enrollment for the 2009-2010 academic term dropped slightly to 4,063 from the previous year's record enrollment of 4,246. Total enrollment went from 30,561 in the Fall of 2008 to 30,328 in the Fall of 2009.

Other revenue streams are also robust. During the fiscal year ended June 30, 2009, the University generated an all-time record of $429.5 million in grants and contracts to promote research, education and service. The recent completion of new research labs and continued investment in new research buildings and infrastructure improvements will enable the University's researchers to be more productive and better positioned to compete for external grants and contracts as new federal research and development programs emerge.

The University of Iowa Hospitals & Clinics continues to be recognized as one of the nation's best teaching hospitals. Many of its programs are ranked in the top 10 and fiscal operations continue to report strong patient census data.

The world economy appears to be a on a slow rebound after experiencing a financial crisis not seen previously by most Americans. Investment returns are significantly improved and the concern expressed last year over access to liquidity has greatly diminished. Endowment market values remain below 2007 levels and will negatively affect various university programs for many years to come.

State revenues have declined substantially resulting in the state reducing the University's state appropriation by $7 million, or approximately 2.4%, in fiscal year 2009. In FY2010, the state further reduced the University appropriation by an additional $59 million. In total, the University's GEF state appropriation has been reduced approximately 24% during fiscal years 2009 and 2010.

CONTACTING THE UNIVERSITY OF IOWA'S FINANCIAL MANAGEMENT

This financial report is designed to provide users with a general overview of the University of Iowa's finances and to demonstrate the University's accountability for the funds received. Questions regarding this report, or requests for additional financial information, should be directed to the Controller's Office, University of Iowa, Jessup Hall, Iowa City, IA 52242.

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STATE OF IOWA

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Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report

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

We have audited the accompanying statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows, of the State University of Iowa, Iowa City, Iowa, (University of Iowa) and its discretely presented component unit as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit, the State University of Iowa Foundation and Affiliates, discussed in Note I, which represents 100% of the assets and revenues of the discretely presented component unit. We also did not audit the financial statements of the blended component unit, Iowa Measurement Research Foundation, discussed in Note I, which represents .56% and 0%, respectively, of the assets and revenues of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented and blended component units, is based on the reports of the other auditors.

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

As discussed in Note I, the financial statements of the University of Iowa are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of the University of Iowa. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2009 and 2008 and the changes in its financial position and its cash flows for the years ended June 30, 2009 and 2008 in conformity with U.S. generally accepted accounting principles.

In our opinion, based upon our audits 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 discretely presented component unit at June 30, 2009 and 2008, and the respective changes in their financial position and their cash flows, where applicable, for the years then ended in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis and the Schedule of Funding Progress on pages 2 through 10 and page 49, respectively, are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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

David A. Vaudt

DAVID A. VAUDT, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 18, 2009

Statement of Net Assets

June 30, 2009 (in 000s)
(with comparative statement as of June 30, 2008)

ASSETS	2009	2008
Current Assets:		
Cash and cash equivalents	$ 441,901	$ 373,478
Restricted cash and cash equivalents	97,424	88,463
Investments	641,090	732,073
Restricted investments	40	1,001
Deposits with trustees	32,389	54,975
Accounts receivable, net	260,454	288,808
Notes receivable, current portion, net	2,925	3,378
Interest receivable	2,602	4,284
Due from government agencies	62,174	46,313
Inventories	29,856	30,344
Prepaid expenses and other current assets	13,006	12,797
Total current assets	1,583,861	1,635,914
Noncurrent Assets:		
Restricted cash and cash equivalents	19,995	29,417
Restricted investments	57,270	48,288
Notes receivable, noncurrent portion, net	25,167	26,297
Capital assets, net	2,066,783	1,848,432
Investment in wholly owned subsidiary	25,753	25,912
Total noncurrent assets	2,194,968	1,978,346
Total Assets	$ 3,778,829	$ 3,614,260
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 82,729	$ 72,081
Salaries and wages payable	127,728	122,492
Unpaid claims	25,667	23,679
Interest payable	13,615	13,123
Long term debt, current portion	46,120	31,927
Other long term liabilities, current portion	86,184	83,556
Deposits held in custody for others	137,659	124,105
Total current liabilities	519,702	470,963
Noncurrent Liabilities:		
Long term debt, noncurrent portion	753,473	720,045
Other long term liabilities, noncurrent portion	108,556	99,855
Total noncurrent liabilities	862,029	819,900
Total Liabilities	1,381,731	1,290,863
Net Assets:		
Invested in capital assets, net of related debt	1,343,728	1,188,489
Restricted:		
Nonexpendable	65,250	74,353
Expendable	322,138	328,080
Unrestricted	665,982	732,475
Total Net Assets	2,397,098	2,323,397
Total Liabilities and Net Assets	$ 3,778,829	$ 3,614,260

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

Statement of Revenues, Expenses and Changes in Net Assets

for the year ended June 30, 2009 (in 000s)
(with comparative statement for the year ended June 30, 2008)

	2009	2008
OPERATING REVENUES		
Student tuition & fees, net of scholarship allowances of $68,358 and $61,466 for the years ended June 30, 2009 and 2008, respectively (pledged as payment on revenue bonds)	$ 262,435	$ 238,885
Federal grants and contracts	308,399	288,054
State and other governmental grants and contracts	12,230	8,692
Nongovernmental grants and contracts	40,855	39,522
Patient services, net of write-offs, contractual adjustments and indigent care of $1,087,752 and $901,102 for the years ended June 30, 2009 and 2008, respectively (pledged as payment on revenue bonds)	952,263	898,902
Sales and services of educational departments	107,607	77,792
Interest on student loans	821	1,959
Auxiliary enterprises, net of scholarship allowances of $6,066 and $6,243 for the years ended June 30, 2009 and 2008, respectively (pledged as payment on revenue bonds)	155,582	149,881
Other operating revenue	49,097	30,623
Total Operating Revenues	1,889,289	1,734,310
OPERATING EXPENSES		
Instruction	322,784	307,336
Research	275,163	250,755
Public service	68,239	62,292
Academic support	125,763	106,615
Patient services	872,139	798,114
Student services	25,955	23,407
Institutional support	73,837	69,103
Operation and maintenance of plant	70,722	63,054
Scholarships and fellowships	32,894	31,202
Depreciation	149,243	141,347
Student loan write-offs, collection and administration	854	5,178
Auxiliary enterprises	141,424	137,896
Other operating expenses	1,042	2,764
Total Operating Expenses	2,160,059	1,999,063
Operating Income (Loss)	(270,770)	(264,753)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	301,546	289,627
Investment income (loss), net of investment expenses of $1,564 and $1,991 for the years ended June 30, 2009 and 2008, respectively	(37,670)	26,430
Gifts	61,003	62,261
Interest expense	(29,170)	(31,706)
Loss on disposal of capital assets	(7,306)	(4,211)
Net Nonoperating Revenues (Expenses)	288,403	342,401
Income Before Other Revenues	17,633	77,648
OTHER REVENUES		
Capital appropriations, State	20,590	5,850
Additions to endowments from gifts	-	4,389
Capital contributions and grants	10,647	7,376
Other Nonoperating Revenue - FEMA	34,270	-
Other Nonoperating Expense - FEMA	(12,599)	-
Net Other Revenues	52,908	17,615
Increase in Net Assets before Extraordinary Items	70,541	95,263
EXTRAORDINARY ITEMS DUE TO FLOOD		
Net Building Impairment Gain After Insurance Recovery	4,416	35,686
Flood Expenses Incurred - Recoverable from Insurance	(21,636)	(4,871)
Flood Expenses Incurred - UI Funded	(1,256)	-
Other Realizable Insurance Recoveries	21,636	24,269
Net Extraordinary Items	3,160	55,084
Increase in Net Assets	73,701	150,347
NET ASSETS		
Net assets, beginning of year	2,323,397	2,173,050
Net assets, end of year	$ 2,397,098	$ 2,323,397

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

Statement of Cash Flows

for the year ended June 30, 2009 (in 000s)
(with comparative statement for the year ended June 30, 2008)

CASH FLOWS FROM OPERATING ACTIVITIES	2009	2008
Tuition and fees	$ 262,307	$ 239,857
Patient receipts	947,239	888,965
Grants and contracts	350,815	328,625
Payments for salaries and benefits	(1,196,855)	(1,107,494)
Payments for goods and services	(607,471)	(571,492)
Scholarships	(32,894)	(31,202)
Loans issued to students	(4,482)	(5,841)
Collections of loans from students	5,737	8,029
Interest on loans to students	806	2,495
Sales of educational activities	104,942	77,417
Other receipts (payments)	52,005	31,650
Auxiliary enterprise receipts	151,248	146,825
Auxiliary enterprise payments	(141,424)	(137,896)
Net Cash (Used) by Operating Activities	(108,027)	(130,062)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	301,546	287,044
Proceeds from noncapital gifts	61,003	66,650
Funds held for others receipts	266,184	252,590
Funds held for others payments	(261,663)	(263,613)
William D. Ford Direct Lending & Plus Loans receipts	179,494	158,228
William D. Ford Direct Lending & Plus Loans made	(179,520)	(158,227)
Other noncapital receipts (payments)	26	-
Net Cash Provided by Noncapital Financing Activities	367,070	342,672
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(357,037)	(191,924)
Interest paid on capital debt and leases	(28,678)	(29,968)
Proceeds from sale of capital assets	1,861	712
Capital appropriations	18,803	6,106
Capital gifts and grants received	190	6,774
Deposits with trustee	22,586	(1,724)
Principal paid on capital debt and leases	(32,166)	(30,615)
Proceeds from capital debt and leases	74,585	125,665
Other capital and related financing receipts	100,906	10,000
Other capital and related financing payments	(39,265)	-
Net Cash (Used) by Capital and Related Financing Activities	(238,215)	(104,974)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	36,978	52,989
Proceeds from sale and maturities of investments	404,265	90,636
Purchase of investments	(394,109)	(84,968)
Net Cash Provided by Investing Activities	47,134	58,657
Net Increase in Cash & Cash Equivalents	67,962	166,293
Cash & Cash Equivalents, beginning of year	491,358	325,065
Cash & Cash Equivalents, end of year	$ 559,320	$ 491,358

for the year ended June 30, 2009 (in 000s)

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:	2009	2008
Cash and cash equivalents in current assets	$ 441,901	$ 373,478
Current restricted cash and cash equivalents	97,424	88,463
Noncurrent restricted cash and cash equivalents	19,995	29,417
Total Cash and Cash Equivalents	$ 559,320	$ 491,358

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:	2009	2008
Operating income (loss)	$ (270,770)	$ (264,753)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	149,243	141,347
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,338)	(17,188)
Interest receivable	14	(536)
Inventories	488	(302)
Prepaid expenses and other current assets	(209)	(958)
Due from government agencies, net of receivable from State for capital appropriations	(15,855)	(3,142)
Notes receivable, net	1,584	2,215
Accounts payable	11,286	(2,203)
Salaries and wages payable	5,236	8,990
Unpaid claims liability	1,988	(2,587)
Other long term liabilities	(93)	(63)
Deferred revenue	(1,176)	3,239
Other postemployment benefits other than pension liability	6,026	4,514
Compensated absences	7,153	5,032
Early retirement benefits	(604)	(3,667)
Net Cash (Used) by Operating Activities	$ (108,027)	$ (130,062)

SIGNIFICANT NONCASH TRANSACTIONS		
Assets acquired under capital leases	$ 6,122	$ 200
Assets acquired by gift	10,457	602

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

The State University of Iowa Foundation and Affiliates
Balance Sheet
June 30, 2009 (in 000s)
(with comparative statement as of June 30, 2008)

ASSETS	2009	2008
Cash and cash equivalents	$ 66,308	$ 60,920
Receivables:		
Pledges, at net present value, less allowance for doubtful pledges	113,083	83,293
Other receivables and prepaids	356	541
	113,439	83,834
Investments:		
Carried at fair value		
U.S. Government and governmental agency securities	13,760	13,030
Corporation stocks, primarily common stocks	2,290	2,917
Managed separate investment accounts, primarily equity securities	547,389	665,799
Assets in living trusts, testamentary trusts and gift annuities	47,020	63,353
Beneficial interest in perpetual trusts	8,860	11,186
Other		
Real estate	2,965	3,019
Cash value of life insurance	4,095	5,610
Other	936	936
	627,315	765,850
Property leasehold interest and equipment, net	22,225	21,951
TOTAL ASSETS	$ 829,287	$ 932,555

LIABILITIES AND NET ASSETS	2009	2008
Liabilities:		
Accounts payable and accrued expenses	$ 1,002	$ 3,554
Accrued vacations	989	947
Annuity and life income obligations	24,435	30,131
Capital lease obligation	6,885	7,460
Amounts held on behalf of others	57,363	68,134
Total liabilities	90,674	110,226
Net Assets:		
Unrestricted	23,595	33,069
Temporarily restricted	272,430	374,600
Permanently restricted	442,588	414,660
Total net assets	738,613	822,329
TOTAL LIABILITIES AND NET ASSETS	$ 829,287	$ 932,555

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

The State University of Iowa Foundation and Affiliates
Statement of Activities
for the year ended June 30, 2009 (in 000s)
(with comparative statement for the year ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Support and revenue:					
Total contributions raised	$ 402	$ 68,899	$ 34,976	$ 104,277	$ 87,792
Change in value of split interest agreements	-	(5,353)	(7,521)	(12,874)	(2,636)
Less amounts raised on behalf of others	-	(5,309)	200	(5,109)	(4,604)
Total contributions and change in value of split interest agreements	402	58,237	27,655	86,294	80,552
Investment income:					
Interest and dividends	1,056	2,247	-	3,303	4,858
Asset based management and service fees	7,184	(6,883)	-	301	394
Net appreciation (depreciation) in fair value of investments	(3,851)	(109,628)	-	(113,479)	(68,485)
	4,389	(114,264)	-	(109,875)	(63,233)
Less amounts attributed to others	-	9,356	-	9,356	6,109
Total investment income (loss)	4,389	(104,908)	-	(100,519)	(57,124)
Other revenue:					
Fundraising service revenue and other	7,561	2,466	-	10,027	9,965
Less amounts attributed to others	-	(325)	-	(325)	(254)
Total other revenue	7,561	2,141	-	9,702	9,711
Net assets released from restrictions and changes in donor restrictions	57,367	(57,640)	273	-	-
Total support and revenue	69,719	(102,170)	27,928	(4,523)	33,139
Expenditures and deductions on behalf of The State University of Iowa and its affiliates:					
Programs and expense disbursements:					
Student financial aid	11,283	-	-	11,283	11,986
Faculty and staff support	4,023	-	-	4,023	3,954
Research	10,193	-	-	10,193	11,373
Capital/equipment	6,947	-	-	6,947	11,749
Fellowships	2,617	-	-	2,617	2,215
Professorships	2,879	-	-	2,879	1,907
Faculty chairs	4,468	-	-	4,468	4,971
Program support	14,920	-	-	14,920	17,132
Fundraising	5,052	-	-	5,052	4,796
Management and service fees	1,835	-	-	1,835	1,727
	64,217	-	-	64,217	71,810
Less amounts incurred on behalf of others	(6,849)	-	-	(6,849)	(6,346)
	57,368	-	-	57,368	65,464
Expenses of The State University of Iowa Foundation:					
Operating expenses	21,740	-	-	21,740	19,530
Foundation grants to The State University of Iowa	85	-	-	85	111
	21,825	-	-	21,825	19,641
Total expenses	79,193	-	-	79,193	85,105
Change in net assets	(9,474)	(102,170)	27,928	(83,716)	(51,966)
Net assets, beginning of year	33,069	374,600	414,660	822,329	874,295
Net assets, end of year	$ 23,595	$ 272,430	$ 442,588	$ 738,613	$ 822,329

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

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

Under GASB Statements No. 34 and No. 35, the basic financial statements are the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These statements present the University as a whole. Previously, the financial statements focused on the accountability of individual fund groups. These GASB Statements establish standards for external financial reporting for public colleges and universities and require that resources be classified for accounting and reporting purposes into four net asset categories:

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

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

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

Financial Reporting Entity

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

The University's financial statements include schools, colleges and departments, the University of Iowa Hospitals & Clinics (UIHC), the Iowa Medical Mutual Insurance Company (IMMIC, a captive insurance company) and certain affiliated operations determined to be a part of the University's financial reporting entity. The University has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the University are such that exclusion would cause the University's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the University to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the University. In May, 2002, GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units.* This statement, which amends GASB Statement No. 14, *The Financial Reporting Entity,* was implemented for the year ended June 30, 2004. The GASB classification of these entities for the University's financial reporting purposes does not affect their respective legal or organizational relationships to the University.

As required by United States Generally Accepted Accounting Principles (GAAP), these financial statements present the University and its component units. These component units are included in the University's reporting entity because of the significance of their operational or financial relationships with the University. These component units are separate legal entities from the University, but are so intertwined with the University that they are, in substance, the same as the University.

<u>Blended Component Units</u>
The Iowa Measurement Research Foundation and Miller Endowment, Incorporated are included in the reporting entity as blended component units. These legally separate entities are included in the University's financial reporting entity because of the nature of their relationship to the University. The most recently audited financial statements for the Iowa Measurement Research Foundation may be obtained from the Controller's Office at the University.

<u>Discretely Presented Component Unit</u>
The State University of Iowa Foundation and Affiliates (Foundation) is a legally separate, tax-exempt component unit of the University. The Foundation's financial statements include its affiliated organization, the University of Iowa Facility Corporation and Ascend Technologies, Inc, both of which are wholly controlled by the Foundation. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the Foundation or the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. During the years ended June 30, 2009 and 2008, the Foundation distributed to the University or expended on behalf of the University, $57,368,000 and $65,464,000, respectively, for both restricted and unrestricted purposes.

The Foundation is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Statements for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

The Foundation acts as an agent for other organizations benefiting the University of Iowa. Since the Foundation is not considered to be financially interrelated to these organizations as defined by SFAS No. 136, the total amount of funds held on behalf of these organizations has been reflected as a liability on the Balance Sheet (Amounts held on behalf of others). The Foundation does not have variance power to re-direct the assets held for others and the funds are generally payable on demand. On the Statement of Activities, the Foundation reports the gross amounts of support, revenue and expenses with the amount raised and expended on behalf of these organizations shown as a reduction in the gross amounts of support, revenue and expenses.

Assets held on behalf of these organizations include remainder interests in trusts, pledges and investments, which are for the benefit of the University.

The following table identifies these legally separate, tax-exempt organizations (in thousands of dollars):

	Amounts Held on Behalf of Others
Iowa Law School Foundation	$ 46,331
Iowa Scholarship Fund	7,001
University of Iowa Alumni Association	3,408
Others	623
Total	$ 57,363

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

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

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

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

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

Investments (Foundation)
Investments are carried at fair value. The fair value of the investments in bonds, corporate stocks, mutual funds and investment management funds is based upon quoted values on national securities exchanges. For limited partnerships where the quoted market prices are not available, fair values are based on information provided by the general partners, which includes quoted market prices for investments when available and estimates of the fair value of investments which are not readily ascertainable.

Pledges Receivable (Foundation)
Pledges receivable are recorded at their net present value of estimated cash flows using the currently effective interest rate, less an allowance for doubtful pledges. Conditional promises to give are not included as support until the conditions are met. The provision for losses on doubtful pledges is an adjustment to contributions at the time the pledge is made. Pledges written off totaled $1,246,000 and $1,026,000 in the years ended 2009 and 2008, respectively.

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

Capital Assets
Capital assets estimated to have a useful life greater than one year are stated at cost at the date of acquisition or estimated fair market value at date of receipt in the case of gifts. The equipment capitalization threshold is $5,000. Routine repairs and maintenance costs are expensed as incurred. Interest cost is capitalized on all UIHC construction projects during the construction period. For all other University projects, interest costs are capitalized when the interest cost during the construction period exceeds the interest earned on the investment of debt proceeds. Depreciation of capital assets is calculated using the straight-line method over the estimated useful lives (five to fifty years) of the respective assets.

Wholly Owned Subsidiary (University)
The University owns all of the outstanding stock of Musser-Davis Land Company (acquired by gift) and reports such ownership as a wholly owned subsidiary. The Company's operations consist primarily of leasing mineral rights to others and planting seedlings to be harvested by others. The Company's fiscal year ends December 31 and its financial statements are presented on a modified cash basis of accounting. As of December 31, 2008, assets (including investments of $23,989,000) totaled $25,753,000; liabilities were $0; and net assets were $25,753,000. As of December 31, 2007, assets (including investments of $24,168,000) totaled $25,912,000; liabilities were $0; and net assets were $25,912,000.

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

Since the Corporation has not and will not have an economic interest in the outstanding bonds, the asset and the related debt and revenue and expenses related to the asset are not recorded on the financial statements of the Corporation.

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

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

Bond Issuance Costs

Generally, bond discount and issuance costs are deferred and amortized over the life of the bonds using the effective interest rate method.

Deferred Revenue

Deferred revenue includes advance tickets sales, student tuition related to a future fiscal year and amounts received from rents, grants and contracts that have not yet been earned.

Compensated Absences Payable

University employees accumulate vacation and sick leave under the provisions of Chapters 79 and 262 of the Code of Iowa. It is the policy of the State to liquidate these accrued benefits under specific circumstances. The State pays for accrued vacation at 100% of the employee's hourly rate upon retirement, death, or termination, and, with certain exceptions, for accrued sick leave at 100% of the hourly rate to a maximum of $2,000 upon retirement. The liability for accrued compensated absences as reported on the Statement of Net Assets is based on the current rates of pay.

Long Term Debt and Other Long Term Liabilities

Long term debt includes principal amounts of revenue bonds payable, notes payable and capital lease obligations with contractual maturities greater than one year. Other long term liabilities include estimated amounts for accrued early retirement benefits, accrued other post employment benefits, compensated absences payable, refundable allowances on student loans and deferred revenue that will not be paid or earned within the next fiscal year.

Fringe Benefits

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

Definition of Operating Activities

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

Non-Vested Equipment

Capital assets purchased with restricted contract and grant proceeds have been excluded from the Statement of Net Assets at June 30, 2009.

Use of Estimates

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

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

II. CASH DEPOSITS, INVESTMENTS, AND DEPOSITS WITH TRUSTEES

Cash Deposits and Cash Equivalents
As of June 30, 2009 and 2008, the book balance of cash and cash equivalents totaled $559,320,000 and $491,358,000, respectively, and the bank balance of cash and cash equivalents totaled $566,920,000 and $501,686,000, respectively. Of the bank balances as of June 30 2009, $30,912,000 was covered by FDIC insurance or by the State Sinking Fund in accordance with the Code of Iowa and $536,008,000 was invested in money market funds as cash equivalents. Of the bank balances as of June 30, 2008, $51,324,000 was covered by FDIC insurance or by the State Sinking Fund in accordance with the Code of Iowa and $450,362,000 was invested in money market funds as cash equivalents.

Investments
In accordance with the Code of Iowa, the University's operating portfolio may be invested in obligations of the U.S. government and its agencies, certificates of deposit, prime bankers' acceptances, investment grade commercial paper, repurchase agreements, investments authorized for the Iowa Public Employees' Retirement System in Section 97B.7 of the Code of Iowa, investment grade corporate debt, mortgage pass through and asset backed securities with an A rating at time of purchase, and an open-end management investment company organized in trust form registered with the S.E.C. under the Investment Company Act of 1940. The University's endowment portfolio may invest in all of the above as well as certain international and listed domestic equities. The University of Northern Iowa's endowments are pooled with the University's endowments to achieve economies of scale. At June 30, 2009 and 2008, the University included $6,686,000 and $8,896,000, respectively, held for the University of Northern Iowa as Investments and as a Deposit Held in Custody for Others

For donor restricted endowments, Chapter 540A of the Code of Iowa permits the University to spend the net appreciation of realized and unrealized earnings as the University determines to be prudent. The University's spending rule is five percent (5%) of market value, calculated and distributed quarterly, based on a twelve quarter rolling market average.

The University's investments are recorded at fair value. As of June 30, 2009, the University had the following investments and quality credit ratings (in thousands of dollars):

Investment Type	Total Market Value	Average Quality Rating	Effective Duration
University of Iowa Quasi 2 Endowment Pool			
Agency Asset-Backed Securities	$ 162		**4.97**
Agency Mortgage-Backed Securities	587		**2.41**
Agency Pools	457		**6.18**
Asset-Backed Securities	6,230	**AA+**	**4.34**
Financials	8,890	**A-**	**5.06**
Industrials	5,334	**BBB+**	**5.89**
Other Corporate Bonds	794	**BBB**	**6.12**
Other Global Corporate Bonds	2,042	**BBB+**	**7.20**
Private Placements	4,660	**A**	**4.73**
TBA's	875		**5.34**
US Treasury Bonds and Notes	7,259		**2.80**
Utilities	218	**BBB+**	**6.91**
Mutual Funds - Fixed Income	34,659	**A1**	**3.70**
Total Fixed Income - Quasi 2 Endowments	**$ 72,167**	**A+**	**6.15**
University of Iowa Long Term Endowment Pool			
Agency Asset-Backed Securities	$ 110		**4.97**
Agency Mortgage-Backed Securities	407		**2.41**
Agency Pools	326		**6.08**
Asset-Backed Securities	3,581	**AA+**	**4.53**
Financials	5,414	**A-**	**4.92**
Industrials	3,209	**BBB+**	**5.98**
Other Corporate Bonds	476	**BBB**	**6.08**
Other Global Corporate Bonds	1,110	**A-**	**7.25**
Private Placements	2,699	**A**	**4.62**
TBA's	596		**5.34**
US Treasury Bonds and Notes	4,954		**2.80**
Utilities	143	**BBB+**	**6.92**
Mutual Funds - Fixed Income	26,223	**A1**	**3.70**
Mutual Funds - Fixed Income	11,371	**B+**	**3.52**
Total Fixed Income - Long Term Endowment	**$ 60,619**	**A+**	**4.03**
U.S. Equity	$ 36,184		
Domestic Equity Mutual Funds	25,535		
International Equity Mutual Funds	61,596		
Principal - Real Estate	9,303		
Alternative Assets - Private Equities	4,080		
Total Equities/Real Assets-Long Term Endowment	**$ 136,698**		
Total Long Term Endowment	**$ 197,317**		

Investment Type		Total Market Value	Average Quality Rating	Effective Duration
University of Iowa Non-Endowment Operations				
Agency Bonds	$	31,514		**1.69**
Agency Mortgage-Backed Securities		5,755		**0.32**
Agency Pools		24,295		**1.73**
Asset-Backed Securities		68,957	**AA-**	**1.75**
Energy		1,928	**AA**	**1.76**
Financials		14,597	**A**	**1.97**
Government Agency		14,361		**1.69**
Industrials		10,142	**A-**	**2.51**
Municipal - Tax Exempt		1,011	**AA+**	**0.38**
Other Global Corp Bonds		4,669	**AA-**	**2.59**
Private Placements		5,447	**AA-**	**3.08**
US Treasury Bonds and Notes		69,893		**2.61**
Utilities		5,812	**A-**	**2.13**
Mutual Funds - Fixed Income		21,046	**AA**	**1.30**
Mutual Funds - Fixed Income		8,843	**Ba3**	**4.30**
Mutual Funds - Fixed Income		16,814	**AAA**	**3.40**
Mutual Funds - Fixed Income		50,138	**AA1**	**4.30**
Total Fixed Income - Operations	**$**	**355,222**	**AA**	**2.43**
Certificates of Deposit	$	46,333		
Domestic Equity Mutual Funds		14,401		
International Equity Mutual Funds		3,783		
REIT Mutual Funds		9,177		
Total Equities/Real Assets-Non Endowment Operations	**$**	**73,694**		
Total Non-Endowment Operations	**$**	**428,916**		
Total Investments	**$**	**698,400**		

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is measured using effective duration. The maximum duration of the University's unrestricted operating portfolio may not exceed the duration of the Merrill 1-3 year Government/Corporate Index by more than 20%. At time of purchase, the effective maturity of securities 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 that an issuer or other counterparty to an investment will not fulfill its obligation to the University. The University manages exposure to credit risk by measuring portfolios against benchmarks as established by the Board of Regents. As of June 30, 2009, the operating portfolio benchmark is AAA and the endowment portfolios benchmark is AA1.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. Except for Treasury or Agency debentures, pass-throughs or REMICs, no more than 5% of the operating and fixed income endowment portfolios are invested in securities of a single issuer.

Deposits with Trustees

Investments on deposit with trustees, paying and co-paying 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, 2009 and 2008, totaled $32,389,000 and $54,975,000, respectively. At June 30, 2009, $14,235,000 of the $32,389,000 deposits with trustees was invested in U.S. Government Agency securities with a credit quality rating of AAA and an effective duration of 1.849 years.

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

III. ACCOUNTS RECEIVABLE, PLEDGES RECEIVABLE, DUE FROM GOVERNMENT AGENCIES AND NOTES RECEIVABLE

Accounts Receivable (in thousands of dollars)

	University & Blended Component Units	UIHC, Affiliates & UI Physicians	Total
Accounts Receivable	$ 121,355	379,697	$ 501,052
Allowance for Uncollectible Accounts, Indigent Patients and Contractual Adjustments	2,245	238,353	240,598
Accounts Receivable, Net, June 30, 2009	$ 119,110	141,344	$ 260,454
Accounts Receivable	$ 159,888	327,837	$ 487,725
Allowance for Uncollectible Accounts, Indigent Patients and Contractual Adjustments	916	198,001	198,917
Accounts Receivable, Net, June 30, 2008	$ 158,972	129,836	$ 288,808

The June 30, 2008 accounts receivable amounts for UIHC, Affiliates & UI Physicians has been restated to include UI Physicians for comparison purposes.

Pledges Receivable (Foundation)

A summary of the pledges receivable (unconditional promises to give) at June 30, 2009 and 2008 is as follows (in thousands of dollars):

	2009	2008
Gross pledges receivable	$ 131,367	$ 97,721
Less present value discount 2009 $14,871,000; 2008 $11,868,000 and allowance for doubtful pledges 2009 $3,413,000; 2008 $2,560,000	18,284	14,428
Total	$ 113,083	$ 83,293

Pledges receivable at June 30, 2009 are expected to be collected in the following periods (in thousands of dollars):

	Total
In one year or less	$ 53,160
Between one year and five years	64,444
More than five years	13,763
Total	$ 131,367

Due from Government Agencies
Due from government agencies at June 30, 2009 and 2008 are composed of $14,926,000 and $15,994,000, respectively, due from the State of Iowa and $47,248,000 and $30,319,000, respectively, due from United States government agencies.

Notes Receivable
Current notes receivable at June 30, 2009 and 2008 are $3,191,000, net of an allowance of $266,000, and $3,643,000, net of an allowance of $265,000, respectively. Noncurrent notes receivable at June 30, 2009 and 2008 are $27,452,000, net of an allowance of $2,285,000, and $28,364,000, net of an allowance of $2,067,000, respectively.

IV. CAPITAL ASSETS

A summary of capital assets activity for the year ended June 30, 2009 is as follows (in thousands of dollars):

Nondepreciable	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Land	$ 19,526	2,871	-	-	$ 22,397
Construction in Progress	183,067	287,175	(221,369)	-	248,873
Art & Historical Collections	32,101	554	-	4	32,651
Library Materials	217,649	14,221	-	1,570	230,300
Capital Assets, Nondepreciable	452,343	304,821	(221,369)	1,574	534,221
Depreciable					
Land Improvements	20,402	-	356	26	20,732
Infrastructure	363,346	-	57,997	231	421,112
Buildings	1,897,090	3,998	128,147	9,027	2,020,208
Equipment	566,971	65,208	34,869	22,013	645,035
Capital Assets, Depreciable	2,847,809	69,206	221,369	31,297	3,107,087
Less Accum. Depreciation	(1,451,720)	(149,243)	-	(26,438)	(1,574,525)
Depreciable Assets, Net	1,396,089	(80,037)	221,369	4,859	1,532,562
Capital Assets, Net	$ 1,848,432	224,784	-	6,433	$ 2,066,783

V. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2009 is as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long term debt:					
Bonds payable	$ 606,655	67,795	34,549	639,901	$ 28,080
Notes payable	495	15,000	112	15,383	120
Capital leases payable	144,822	36,257	36,770	144,309	17,920
Total long term debt	751,972	119,052	71,431	799,593	46,120
Other long-term liabilities:					
Early retirement benefits payable	809	-	604	205	181
Other post employment benefits other than pensions	4,514	6,026	-	10,540	-
Compensated absences	107,037	43,546	36,393	114,190	41,108
Refundable allowances on student loans	22,063	81	174	21,970	-
Deferred revenue and other	48,988	45,403	46,556	47,835	44,895
Total other long-term liabilities	183,411	95,056	83,727	194,740	86,184
Total long-term liabilities	$ 935,383	214,108	155,158	994,333	$ 132,304

Bonds Payable

Bonds have been sold to finance certain capital projects and are outstanding at June 30, 2009, as follows (in thousands of dollars):

Bond Issues	Interest Rates (Percent)	Fiscal Year Maturity Date Range	Amount
Academic Buildings	3.00 - 8.38	1994 - 2031	$ 108,631
Residence Services	3.25 - 6.25	2002 - 2025	51,190
Hospital	4.00 - 6.125	2005 - 2029	104,300
Recreational Facilities	3.00 - 4.75	2011 - 2035	52,000
Athletic Facilities	3.00 - 5.30	2007 - 2032	112,490
Telecommunications	2.00 - 3.80	2005 - 2016	14,445
Utility System	2.00 - 5.00	1996 - 2030	154,435
Iowa Memorial Union	2.50 - 4.30	2003 - 2026	10,265
Parking System	3.10 - 5.00	2001 - 2026	23,400
Center for University Advancement	3.75 - 4.75	2006 - 2020	7,460
Student Health Facility	3.60 - 4.75	1999 - 2013	1,285
Total			$ 639,901

As of June 30, 2009, unspent bond proceeds were as follows: $28,762,000, Academic Building Revenue Bonds; $14,806,000, Utilities System Revenue Bonds; $15,170,000, Recreation Facilities Revenue Bonds; $132,000, Parking Revenue Bonds; $17,668,000, Hospital Revenue Bonds.

The bonds will mature as follows (in thousands of dollars):

Year Ending June 30	Principal	Interest	Total
2010	$ 28,080	29,937	$ 58,017
2011	29,141	28,191	57,332
2012	31,730	25,092	56,822
2013	32,065	23,808	55,873
2014	33,050	22,474	55,524
2015-2019	149,665	93,191	242,856
2020-2024	158,580	58,934	217,514
2025-2029	134,165	24,649	158,814
2030-2034	40,500	3,900	44,400
2035	2,925	69	2,994
Total	$ 639,901	310,245	$ 950,146

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 a note payable with an interest rate of 6.50%, as well as a line of credit with an interest rate of 3.325%. The notes will mature as follows (in thousands of dollars):

Year Ending June 30	Principal	Interest	Total
2010	$ 120	565	$ 685
2011	127	557	684
2012	15,136	413	15,549
Total	$ 15,383	1,535	$ 16,918

Capital Leases Payable

Capital leases outstanding at June 30, 2009, are as follows (in thousands of dollars):

Capital Lease	Interest Rates	Lease Period	Amount
Medical Education and Biomedical Research Facility*	2.50 - 5.38%	1999 - 2023	$ 39,530
Oakdale Research Park*	5.25	2006 - 2021	8,115
Plaza Centre One*	4.59	2002 - 2016	1,063
Roy J. and Lucille A. Carver Biomedical Research Building*	2.00 - 5.90	2002 - 2030	44,130
Pomerantz Center, Series 2003*	5.00	2004 - 2010	11,325
Copy Machines and Other Equipment	0.37 - 21.96	2004 - 2014	1,106
Old Capitol Town Center*	3.50 - 4.70	2006 - 2031	33,385
University Athletic Club*	5.05	2009 - 2016	5,655
Total			$ 144,309

* These capital leases are with The University of Iowa Facilities Corporation (UIFC), a wholly owned subsidiary of The University of Iowa Foundation. UIFC has issued revenue bonds for these facilities that have as their sole source of repayment the proceeds of these capital leases.

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

Year Ending June 30	Principal	Interest	Total
2010	$ 17,920	6,636	$ 24,556
2011	6,891	5,764	12,655
2012	7,086	5,483	12,569
2013	7,235	5,196	12,431
2014	7,505	4,903	12,408
2015-2019	43,391	19,038	62,429
2020-2024	27,936	10,491	38,427
2025-2029	21,415	4,487	25,902
2030-2032	4,930	328	5,258
Total	$ 144,309	62,326	$ 206,635

Assets acquired under these capital leases had a net book value of $156,921,000 as of June 30, 2009.

VI. OPERATING LEASES

The University has leased various buildings to house several departments of the University. These leases have been classified as operating leases. Accordingly, all rents are charged to expense as incurred. These leases expire from fiscal year 2010 to fiscal year 2015, 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, 2009 (in thousands of dollars).

Year Ending June 30	Amount
2010	$ 4,465
2011	4,196
2012	1,431
2013	726
2014	326
2015	37
Total	$ 11,181

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, 2009, for all operating leases, except those with terms of a month or less that were not renewed, totaled $3,682,000.

VII. RETIREMENT PROGRAMS

Teachers Insurance and Annuity Association

The University contributes to the Teachers Insurance and Annuity Association (TIAA) retirement program, which is a defined contribution plan. TIAA administers the retirement plan for the University. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents establishes and amends the plan's provision and contribution requirements. As required by the Board of Regents policy, all eligible University employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA, each employee through the fifth year of employment contributes 3 1/3% of the first $4,800 of earnings and 5% on the balance of earnings. The University, through the fifth year of employment, is required to contribute 6 2/3% of the first $4,800 of earnings and 10% on earnings above the $4,800. Upon completion of five years of service, the participant contributes 5% and the University 10% on all earnings. During fiscal years 2009 and 2008, the University's required and actual contribution amounted to $92,486,000 and $87,211,000, respectively. During fiscal years 2009 and 2008, the employees' required and actual contribution amounted to $46,242,000 and $43,606,000, respectively.

Iowa Public Employees Retirement System

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

Plan members are required to contribute 4.1%, 3.9% and 3.7%, respectively, of their annual covered salary and the University is required to contribute 6.35%, 6.05% and 5.75%, respectively, of annual covered payroll for the years ended June 30, 2009, 2008, and 2007. Contribution requirements are established by State statute. The required contribution paid by employees for the years ended June 30, 2009, 2008, and 2007 were $943,000, $754,000, and $678,000, respectively.
The University's required contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were $1,460,000, $1,170,000, and $1,053,000, respectively, equal to required contributions for each year.

VIII. POST-EMPLOYMENT BENEFITS

Early Retirement

An early retirement program was approved by the Board of Regents in June 1986, and modified in July 1990, and in July 1992. In July 2001, the Board of Regents approved discontinuation of the program upon its expiration on June 30, 2002. The Board of Regents authorized each institutional head to exercise discretion as to whether faculty and staff who were qualified for participation in the program on June 30, 2002, may have two years after expiration of the program to request participation. This program expired June 30, 2004. Those eligible for participation were faculty, professional-scientific employees, institutional officials, staff of the Board Office and all merit system employees employed by the Board of Regents for a period of at least fifteen years and who had attained the age of 57 by June 30, 2002. 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. Life Insurance - A paid-up life insurance policy of $2,000 to $4,000 equal to what the individual would have received if he/she had retired at the age of 65.

2. 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 until the employee reaches eligibility for Medicare benefits. This contribution shall be equal to the amount contributed for an active employee in the same plan.

3. TIAA/CREF Contributions - During the first three years, the University will pay both the employer and employee retirement contributions. During the remaining years in the program, the university will pay only the employer contribution. Contributions are payable for a maximum of five years or until the employee is eligible for full Social Security benefits, whichever occurs first.

4. IPERS Contributions - The employee may only elect a lump sum payment.

The employee may have elected, prior to approval of participation in the program, to accept the present value of all or part of the incentives, except life insurance, as a lump sum payment on the beginning date of participation in the program. The rate of interest used to calculate the present value was established annually by the Board of Regents. The rate approved for fiscal year 2004 was 1%. There are no future rates since the program ended June 30, 2004.

The University has recognized an early retirement benefit liability of $205,000 as of June 30, 2009, calculated on merit employee personnel only. The early retirement liability relating to faculty, professional and scientific employees has been rolled into the new GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. During fiscal year 2009, expenditures for the 76 merit participants in the early retirement incentive program totaled $618,000.

Regular Retirement

The University implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, for the fiscal year ended June 30, 2008. The Statement requires the University to record and disclose an actuarially determined liability for the present value of projected future benefits for retired and active employees.

Plan Description

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

Funding Policy

The contribution requirements of plan members are established and may be amended by the University. Benefits are financed centrally by the University on a pay-as-you-go basis. Health insurance total expenditures for fiscal year 2009 were $3,721,000 with 1,537 eligible participants as of June 30, 2009. Life insurance total expenditures for fiscal year 2009 were $53,000 with 2,852 eligible participants as of June 30, 2009.

Annual OPEB Cost and Net OPEB Obligation

For fiscal year 2009, the University contributed $5.3 million to the plan. Plan members receiving benefits contributed 54 percent of the premium costs. In fiscal year 2009, total member contributions were $6.2 million.

The University currently plans to continue to finance retiree healthcare benefits on a pay-as-you-go basis from internal University monies. However, the University plans to earmark internal assets in the amount of 65 percent of the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The University will amortize the initial unfunded accrued liability (UAL) over an open thirty year period. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess). The current ARC of $11.2 million is 1.4 percent of annual payroll. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2009 (in thousands):

Annual Required Contribution	$ 11,224
Interest on Net OPEB Obligation	314
Adjustment to Annual Required Contribution	(249)
Annual OPEB Cost (Expense)	$ 11,289
Contributions Made	(5,263)
Increase in Net OPEB Obligation	$ 6,026
Net OPEB Obligation (Asset) - Beginning of Year	4,514
Net OPEB Obligation (Asset) - End of the Year	$ 10,540

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 was as follows (in thousands):

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost	Net OPEB Obligation
6/30/09	$ 11,289	46.6%	$ 10,540

Funded Status and Funding Progress

As of June 30, 2009, the actuarial accrued liability (AAL) for benefits was $123.4 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $123.4 million. The covered payroll (annual payroll of active employees covered by the plan) was $815.4 million and the ratio of the UAAL to the covered payroll was 15.1 percent. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions

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

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

In the June 30, 2009 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 6.95 percent discount rate based on the University's funding policy (earmarking 65% of the ARC internally) and the expected long-term returns on the University's internal capital. The projected annual healthcare trend rate is 9 percent initially, reduced in increments to an ultimate rate of 5 percent after six years. The expected long-term payroll growth rate was assumed to be 3.5 percent per year. The UAAL is being amortized as a level percent of pay on an open basis over thirty years.

Termination
The University continues terminated employees' benefits for health, dental, vision and hearing aid insurance under the Consolidated Omnibus Budget Reconciliation Act of 1985, modified by the Tax Reform Act and the Budget Reconciliation Act of 1986.

Four hundred twenty-four (424) 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.

IX. OTHER COMMITMENTS, RISK MANAGEMENT AND ENCUMBRANCES

Commitments
At June 30, 2009 and 2008, the University had outstanding construction contract commitments of $150,557,000 and $171,486,000, respectively.

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

Property Loss - The University purchases catastrophic property insurance for academic/general funded facilities with a single incident deductible of $2 million, which in the event of a claim, the State provides payment for pursuant to Chapter 29C.20 of the Code of Iowa. A contingent fund exists under Chapter 29C.20 of the Code of Iowa to provide compensation for loss or damage to state property. Claims over $5,000 may be submitted to the State Executive Council for consideration. The University also purchases commercial property insurance for auxiliary enterprise facilities including Athletics, Utilities, Parking, Residence Halls and Family Housing, Laundry, Printing, Telecommunications, the Iowa Memorial Union, Virgil M. Hancher Auditorium and the University of Iowa Hospitals & Clinics. The University's annual limit is $1 billion, the maximum available on the September 1, 2009 renewal.

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

Utility system specific coverage is as follows:

Utility System Operations Building & Content	$626,093,000
Power Plant Building & Content	$178,421,000

Telecommunications Facilities premium is based on the following values:

Building	$29,000,000
Contents	$8,635,000
Income	$5,758,000

Liability Loss - The State Appeal Board, subject to the advice and approval of the Attorney General, is authorized to settle tort liability claims against the State as set forth in Chapter 669 of the Code of Iowa. Tort liability claims settled in excess of $5,000 must have the unanimous approval of all the members of the Appeal Board, the State Attorney General and the District Court of the State of Iowa for Polk County. By inter-agency agreement, tort liability claims under $5,000 may be administered by the University subject to a maximum expenditure of $100,000 per year. All other tort claims may be paid from the State's general fund.

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

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

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

Fidelity/Crime Coverage - The State maintains an employee fidelity bond where the first $100,000 in losses is the responsibility of the University. Under the State coverage, losses in excess of the $100,000 deductible are insured up to $2,000,000. The University maintains separate fidelity and crime coverage, which extends to all employees, and includes coverage for robbery and theft. The University's bond provides an additional $8,000,000 in coverage over the state bond.

College of Medicine Faculty Malpractice Claims - Based on actuarial analysis, the College of Medicine has incurred a probable loss of $15,478,000 as of June 30, 2009. From May 26, 2004 to June 30, 2009, the College of Medicine Faculty malpractice insurance coverage was provided by IMMIC, a wholly-owned captive insurance company. The College of Medicine University of Iowa Physicians (UIP) maintains a self-insured retention (SIR) of $3 million per event and each IMMIC policy covers an additional $2 million per event above the SIR. The State of Iowa provides malpractice insurance coverage for claims in excess of $5 million per occurrence and $9 million in the aggregate per fiscal year.

Employee Medical and Dental Claims - The University purchases life, health, dental and disability insurance for eligible permanent employees. Based on actuarial analysis of employee medical and dental claims, the University has incurred but not reported claims of $9,538,000 as of June 30, 2009.

Reconciliation of Loss Contingencies -

	(in thousands of dollars) FY 2009	FY 2008
Claims and contingent liabilities accrued at July 1	$ 23,679	$ 26,266
Claims incurred and contingent liabilities accrued for the current year	110,788	99,674
Payments on claims during the fiscal year	(108,800)	(102,261)
Claims liabilities at June 30	$ 25,667	$ 23,679

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.

Encumbrances

According to Section 8.33 of the Code of Iowa, the University is permitted to carry encumbrances for specialized equipment and building repairs forward to the next fiscal year. Purchase orders and contracts on state appropriated funds totaling $2,881,000 were outstanding at June 30, 2009.

X. NET BUILDING IMPAIRMENT GAIN DUE TO FLOOD

The calculation of a net impairment gain associated with the impaired buildings has been updated to reflect current estimate of damages, restoration, and recovery. This is compliant with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

The gross impairment loss is calculated using the restoration cost approach using a ratio of the estimated restoration costs to replacement costs, multiplied by the carrying value of each impaired asset. As a result, assets fully depreciated prior to the flood would have an impairment loss of zero, regardless of damage. The expected cost to restore the impaired buildings (excluding building content) is $161.4 million. Estimated replacement cost of impaired buildings is $1.73 billion. The restoration cost ratio is calculated separately for each impaired building resulting in a weighted average ratio of 9.3%, compared to the previous year's weighted average estimate of 7.7%. The resulting total gross impairment loss, based on each asset's net book value, is $21.6 million. GASB Statement No. 42 requires that impairment loss be reported net of insurance recoveries. We have estimated realizable insurance recovery associated with building impairment to be $61.72 million, resulting in a net impairment gain of $40.1 million. The FY 2008 net impairment gain reported was $35.68 million; therefore, an incremental change in net impairment gain of $4.4 million is recorded in the financial statements for the year ended June 30, 2009.

The June 2008 flood was treated as an extraordinary event as it meets the criteria for being both unusual in nature and infrequent in occurrence. The increase in GASB Statement No. 42 net impairment gain is recorded as an extraordinary item in the financial statements. The future costs which will be expended to restore impaired buildings will be recorded as separate transactions as restoration occurs.

XI. DEBT DEFEASANCE

In July of 2008, the University issued $8,210,000 of Telecommunications Facilities Revenue Refunding Bonds, Series S.U.I. 2008, with an average interest rate of 3.063% and accrued interest of $10,000 to advance refund $8,855,000 of outstanding Telecommunications Facilities Revenue Bonds, Series S.U.I. 2000 with interest rates ranging between 5.00 and 5.40%.

Net bond proceeds of $8,126,000 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 Telecommunication Facilities Revenue Bonds, Series S.U.I. 2000 were called on August 1, 2008.

The advance refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $544,000; and reduced the aggregate debt service payments by $584,000 over the next seven years.

In June of 2009, the University received a good faith deposit for Parking System Revenue Refunding Bonds, Series S.U.I. 2009 to advance refund outstanding Parking System Revenue Bonds, Series S.U.I. 1999B in the following fiscal year.

The amount of defeased debt outstanding but removed from the Statement of Net Assets at June 30, 2009, is as follows:

Bond Issues	Amount (in thousands)
Athletics Facilities	$ 7,905
Hancher Auditorium	5
Parking System (Good Faith)	132
Total	$ 8,042

XII. OPERATING EXPENSES BY FUNCTION

A summary of operating expenses by functional classification for the year ended June 30, 2009 follows (in thousands of dollars):

	Compensation & Benefits	Supplies	Other	Depreciation	Total
Instruction	$ 295,453	$ 9,647	$ 17,684	$ -	$ 322,784
Research	182,059	35,074	58,030	-	275,163
Public service	40,182	5,796	22,260	-	68,239
Academic support	106,437	6,666	12,660	-	125,763
Patient services	520,159	194,857	157,123	-	872,139
Student services	19,704	1,718	4,533	-	25,955
Institutional support	50,815	4,189	18,834	-	73,837
Operations and maintenance of plant	767	196	69,759	-	70,722
Scholarships and fellowships	21,006	5	11,883	-	32,894
Depreciation	-	-	-	149,243	149,243
Student loan write-offs, collection and administration	-	-	854	-	854
Auxiliary enterprises	64,120	12,249	65,055	-	141,424
Other operating expenses	1,077	4,136	(4,171)	-	1,042
Total	$ 1,301,779	$ 274,533	$ 434,504	$ 149,243	$ 2,160,059

XIII. RESTRICTED NET ASSETS

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

	June 30, 2009	June 30, 2008
Restricted - nonexpendable:		
Permanent endowment	$ 65,250	$ 74,353
Restricted - expendable:		
Research and gifts	$ 39,101	$ 32,050
Student loans	16,084	16,226
Term endowments	27,190	35,416
Capital projects:		
Sinking	27,468	28,479
Construction	69,996	60,985
Reserve	46,786	41,909
Renewal & replacement	18,975	20,987
Unspent proceeds (less accounts payable)	76,538	92,028
Total	$ 322,138	$ 328,080

The Foundation's temporarily restricted net assets at June 30, 2009 and 2008 were restricted for the following (in thousands of dollars):

	FY 2009	FY 2008
Program support	$ 106,577	$ 123,908
Student aid	28,110	60,063
Faculty/staff support	30,043	67,811
Capital/equipment	56,701	48,514
Research	39,166	57,039
Remainder interest in trusts	11,833	17,265
Total	$ 272,430	$ 374,600

The Foundation's net assets during the years ended June 30, 2009 and 2008 were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence or passage of time.

The Foundation's permanently restricted net assets at June 30, 2009 and 2008 were restricted for the following (in thousands of dollars):

	FY 2009	FY 2008
Unrestricted	$ 6,800	$ 6,860
Program support	69,752	65,688
Student aid	129,460	120,069
Faculty/staff support	158,877	143,981
Capital/equipment	10,059	11,259
Research	57,668	50,677
Perpetual trusts	5,195	6,417
Remainder interest in trusts	4,777	9,709
Total	$ 442,588	$ 414,660

XIV. SUBSEQUENT EVENTS

In June 2009, the University received approval from the State Board of Regents to issue Parking System Revenue Refunding Bonds, Series 2009 in the amount of $6,255,000 in July 2009 for the purpose of currently refunding the July 1, 2010 through July 1, 2019 maturities of the Board's Parking System Revenue Bonds, Series 1999B, dated February 1, 1999 (the "Series 1999B Refunded Bonds"), and to pay the costs of issuance.

In June 2009, the University received approval from the State Board of Regents to issue Recreational Facilities Revenue Bonds, Series S.U.I. 2009 in the amount of $25,175,000 in July 2009 for the purpose of financing a portion of the cost of building, furnishing, and equipping a Campus Recreation and Wellness Center ("CRWC") on the campus of the University, constructing improvements to the University's Field House, to fund a deposit to the Reserve Fund, and to pay the costs of issuance.

In August 2009, the University received approval from the State Board of Regents to issue Utility System Revenue Refunding Bonds, Series 2009 in the amount of $19,010,000 in September 2009 for the costs of currently refunding the following in advance of maturity: (i) the outstanding principal of the November 1, 2010 through November 1, 2019 maturities of the Board's Utility System Revenue Bonds, Series S.U.I. 1998, dated December 1, 1998, (ii) the outstanding principal of the November 1, 2010 through November 1, 2013 maturities of the Board's Utility System Revenue Refunding Bonds, Series S.U.I. 1999A, dated March 1, 1999, and (iii) the outstanding principal of the November 1, 2010 through November 1, 2013 maturities of the Board's Utility System Revenue Refunding Bonds, Series S.U.I. 1999B, dated October 1, 1999, and to pay the costs of issuance.

In October 2009, the University received approval from the State Board of Regents to issue Athletic Facilities Revenue Bonds, Series S.U.I. 2009 in the amount of $26,000,000 in November 2009 for the purpose of financing a portion of the costs of improving, remodeling, repairing, furnishing, equipping, and building additions to Carver-Hawkeye Arena located on the campus of the University, to fund the Reserve Fund, and to pay the costs of issuance.

In December 2009, the University received approval from the State Board of Regents to issue Telecommunications Facilities Revenue Bonds, Series S.U.I. 2009 in the amount of $25,000,000 in December 2009 for the purpose of constructing a new secured computer data center to house and protect the computing and networking systems critical to the daily operations of the University and University Hospitals and Clinics, to fund a debt service Reserve Fund, and to pay the costs of issuance.

In December 2009, the University received approval from the State Board of Regents to issue Academic Building Revenue Flood Anticipation Notes, Series S.U.I. 2009 in the amount of $26,750,000 in December 2009 for the purpose of paying or reimbursing a portion of the costs of constructing, improving, remodeling, repairing, and equipping various facilities on the campus of the University damaged by the flood of 2008, funding a capitalized interest fund, and to pay the costs of issuance.

In April 2009, the State Board of Regents approved an Early Retirement Plan to eligible employees as a tool to help the University address budget shortfalls. Approval for participation in the program must be in the University's best interest and units must achieve significant cost savings. Eligible employees were to submit requests between July 1, 2009 and September 30, 2009.

XV. 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 & 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:

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

<u>Athletic Facilities Revenue Bonds</u>
The Athletic Facilities Revenue Bond Funds were created to defray the costs of constructing and equipping certain athletic and recreational buildings and facilities at the University. The revenues pledged to these bonds are generated by student fees, tickets sold to athletic events and concessions at athletic events.

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

<u>Hospital Revenue Bonds</u>
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.

Recreation Building Revenue Bonds
The Recreation Building Revenue Bond Funds were created to defray the costs of the construction, operation and maintenance of a recreation building at the University. The revenues pledged to these bonds consist of student fees and charges.

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

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

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

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

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

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

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

June 30, 2009 (in 000s)

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Center for University Advancement Revenue Bonds	Hospital Revenue Bonds
CONDENSED STATEMENT OF NET ASSETS				
Assets:				
Current assets	$ 65,771	$ 20,444	$ 782	$ 260,708
Capital assets	306,532	105,047	11,138	528,101
Other noncurrent assets	12,889	10,027	941	444,033
Total assets	385,192	135,518	12,861	1,232,842
Liabilities:				
Current liabilities	18,153	19,580	738	154,880
Noncurrent liabilities	103,317	110,135	6,885	109,378
Total liabilities	121,470	129,715	7,623	264,258
Net Assets:				
Invested in capital assets, net of related debt	197,784	(7,556)	3,678	417,763
Restricted - expendable	65,938	12,514	1,560	20,868
Unrestricted		845	-	529,953
Total net assets	$ 263,722	$ 5,803	$ 5,238	$ 968,584
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS				
Operating revenues	$ 228,229	$ 34,092	$ -	$ 928,194
Depreciation expense	(14,965)	(4,451)	(901)	(72,975)
Other operating expenses	(584)	(15,188)	-	(863,978)
Net operating income (loss)	212,680	14,453	(901)	(8,759)
Nonoperating revenues (expenses)	(3,243)	(4,356)	(256)	(3,200)
Transfers from/(to) University funds	(178,071)	(8,961)	875	788
Extraordinary Items	2,555	(492)	-	-
Change in net assets	33,921	644	(282)	(11,171)
Net assets, beginning of year	229,801	5,159	5,520	979,755
Net assets, end of year	$ 263,722	$ 5,803	$ 5,238	$ 968,584
CONDENSED STATEMENT OF CASH FLOWS				
Net cash provided (used) by operating activities	$ 228,766	$ 14,593	$ -	$ 72,659
Net cash provided (used) by noncapital financing activities	(218,161)	(12,854)	875	3,977
Net cash provided (used) by capital and related financing activities	(26,549)	(6,713)	(897)	(70,056)
Net cash provided (used) by investing activities	150	(1,035)	(373)	(6,452)
Net increase (decrease) in cash	(15,794)	(6,009)	(395)	128
Cash & Cash Equivalents, beginning of year	54,532	25,297	1,172	610
Cash & Cash Equivalents, end of year	$ 38,738	$ 19,288	$ 777	$ 738
DEBT SERVICE COVERAGE				
Debt Service Coverage % - Required	N/A	125%	100%	130%
Debt Service Coverage % - Actual	N/A	269%	100%	1197%
PROPORTION OF REVENUE PLEDGED				
Annual Debt Service (principal & interest)	11,751	7,371	901	5,379
Net Operating Revenue (pledged)	229,176	19,800	945	67,529
Annual Debt Service / Net Operating Revenue (%)	5%	37%	95%	8%

June 30, 2009 (in 000s)

	IMU Revenue Bonds	Parking System Revenue Bonds	Recreation Building Revenue Bonds	Recreational Facilities Revenue Bonds
CONDENSED STATEMENT OF NET ASSETS				
Assets:				
Current assets	$ 10,292	$ 9,510	$ 210	$ 18,812
Capital assets	24,585	43,566	6,455	51,976
Other noncurrent assets	789	12,829	-	5,092
Total assets	35,666	65,905	6,665	75,880
Liabilities:				
Current liabilities	4,650	2,477	2	2,115
Noncurrent liabilities	9,445	22,200	-	52,063
Total liabilities	14,095	24,677	2	54,178
Net Assets:				
Invested in capital assets, net of related debt	14,320	20,166	6,455	(87)
Restricted - expendable	2,178	4,612	-	6,072
Unrestricted	5,073	16,450	208	15,717
Total net assets	$ 21,571	$ 41,228	$ 6,663	$ 21,702
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS				
Operating revenues	$ 22,372	$ 15,447	$ 31	$ -
Depreciation expense	(837)	(2,578)	(461)	(855)
Other operating expenses	(25,675)	(10,031)	(66)	(39)
Net operating income (loss)	(4,140)	2,838	(496)	(894)
Nonoperating revenues (expenses)	77	(526)	1	(800)
Transfers from/(to) University funds	18,634	(731)	2,470	7,604
Extraordinary Items	237	-	-	-
Change in net assets	14,808	1,581	1,975	5,910
Net assets, beginning of year	6,763	39,647	4,688	15,792
Net assets, end of year	$ 21,571	$ 41,228	$ 6,663	$ 21,702
CONDENSED STATEMENT OF CASH FLOWS				
Net cash provided (used) by operating activities	$ (4,930)	$ 5,401	$ (37)	$ (39)
Net cash provided (used) by noncapital financing activities	2,097	(928)	35	590
Net cash provided (used) by capital and related financing activities	2,129	(3,637)	(135)	5,180
Net cash provided (used) by investing activities	335	(8,772)	1	(546)
Net increase (decrease) in cash	(368)	(7,936)	(136)	5,185
Cash & Cash Equivalents, beginning of year	1,961	16,712	346	13,580
Cash & Cash Equivalents, end of year	$ 1,593	$ 8,776	$ 210	$ 18,765
DEBT SERVICE COVERAGE				
Debt Service Coverage % - Required	120%	120%	100%	125%
Debt Service Coverage % - Actual	121%	260%	N/A$_2$	N/A$_1$
PROPORTION OF REVENUE PLEDGED				
Annual Debt Service (principal & interest)	1,228	2,274	-	2,151
Net Operating Revenue (pledged)	905	5,416	N/A$_2$	N/A$_1$
Annual Debt Service / Net Operating Revenue (%)	136%	42%	N/A$_2$	N/A$_1$

N/A$_1$ Campus Recreation & Wellness Center, a builidng within the Recreational Facilities, is currently under construction. Student fee revenue will begin when the building is completed.

N/A$_2$ Recreation Building Revenue Bonds final maturity of principal & interest was paid 7/1/2008. Remaining liability amounts represent unredeemed coupons for principal and/or interest at 6/30/2009.

June 30, 2009 (in 000s)

	Residence Services Revenue Bonds	Student Health Facility Revenue Bonds	Telecomm. Facilities Revenue Bonds	Utility System Revenue Bonds
CONDENSED STATEMENT OF NET ASSETS				
Assets:				
Current assets	$ 19,365	$ 1,848	$ 7,936	$ 59,362
Capital assets	92,509	4,971	7,523	202,743
Other noncurrent assets	5,248	2,511	3,612	1,181
Total assets	117,122	9,330	19,071	263,286
Liabilities:				
Current liabilities	7,329	760	4,593	12,986
Noncurrent liabilities	48,520	985	11,620	147,011
Total liabilities	55,849	1,745	16,213	159,997
Net Assets:				
Invested in capital assets, net of related debt	41,319	3,686	(6,915)	47,611
Restricted - expendable	19,619	679	4,666	54,118
Unrestricted	335	3,220	5,107	1,560
Total net assets	$ 61,273	$ 7,585	$ 2,858	$ 103,289
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS				
Operating revenues	$ 46,137	$ 1,273	$ 23,120	$ 70,026
Depreciation expense	(5,509)	(354)	(2,933)	(8,907)
Other operating expenses	(36,721)	(6,328)	(15,653)	(49,301)
Net operating income (loss)	3,907	(5,409)	4,534	11,818
Nonoperating revenues (expenses)	(1,398)	67	(135)	(4,460)
Transfers from/(to) University funds	5,963	6,433	(2,949)	13,935
Extraordinary Items	64	-	-	830
Change in net assets	8,536	1,091	1,450	22,123
Net assets, beginning of year	52,737	6,494	1,408	81,166
Net assets, end of year	$ 61,273	$ 7,585	$ 2,858	$ 103,289
CONDENSED STATEMENT OF CASH FLOWS				
Net cash provided (used) by operating activities	$ 10,597	$ (5,254)	$ 7,598	$ 22,309
Net cash provided (used) by noncapital financing activities	109	-	(2,901)	(9,757)
Net cash provided (used) by capital and related financing activities	(13,109)	6,079	(3,757)	(37,572)
Net cash provided (used) by investing activities	(1,825)	(2,034)	(1,794)	7,809
Net increase (decrease) in cash	(4,228)	(1,209)	(854)	(17,211)
Cash & Cash Equivalents, beginning of year	19,707	2,637	7,335	51,066
Cash & Cash Equivalents, end of year	$ 15,479	$ 1,428	$ 6,481	$ 33,855
DEBT SERVICE COVERAGE				
Debt Service Coverage % - Required	135%	120%	110%	120%
Debt Service Coverage % - Actual	246%	955%	241%	170%
PROPORTION OF REVENUE PLEDGED				
Annual Debt Service (principal & interest)	4,977	361	3,260	13,697
Net Operating Revenue (pledged)	9,911	98	7,670	20,725
Annual Debt Service / Net Operating Revenue (%)	50%	368%	43%	66%

June 30, 2009 (in 000s)

A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2009 is as follows:

Revenue Bonds Payable	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Center for University Advancement Revenue Bonds	Hospital Revenue Bonds
Beginning Balance	$ 114,335	$ 114,880	$ 8,020	$ 72,615
Less: Payments	5,704	2,390	560	2,065
Plus: New Issuances	-	-	-	33,750
Ending Balance	$ 108,631	$ 112,490	$ 7,460	$ 104,300

A summary of bond debt service for payment of principal and interest is shown below. As of June 30, 2009, the amount shown for debt service payments due on July 1st were on hand.

Principal & Interest Maturity	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Center for University Advancement Revenue Bonds	Hospital Revenue Bonds
Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Mar & Sep 1st
Due on demand	$ 13	$ -	$ -	$ -
2010	11,571	7,321	890	9,073
2011	11,705	7,541	882	8,459
2012	10,357	7,576	878	8,467
2013	10,633	7,586	853	8,475
2014	9,799	7,589	862	8,470
2015-2019	39,643	38,657	4,233	42,066
2020-2024	35,257	39,964	845	42,668
2025-2029	24,693	40,843	-	37,276
2030-2034	4,586	22,793	-	-
2035	-	-	-	-
	$ 158,257	$ 179,870	$ 9,443	$ 164,954

As of June 30, 2009, the University has entered into contract commitments for construction projects as follows:

Commitments	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Center for University Advancement Revenue Bonds	Hospital Revenue Bonds
Contract Commitments	$ 40,711	$ 2,830	$ -	$ 25,620

June 30, 2009 (in 000s)

A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2009 is as follows:

Revenue Bonds Payable	IMU Revenue Bonds	Parking System Revenue Bonds	Recreation Building Revenue Bonds	Recreational Facilities Revenue Bonds
Beginning Balance	$ 11,410	$ 24,565	$ 130	$ 26,000
Less: Payments	1,145	1,165	130	-
Plus: New Issuances	-	-	-	26,000
Ending Balance	$ 10,265	$ 23,400	$ -	$ 52,000

A summary of bond debt service for payment of principal and interest is shown below. As of June 30, 2009, the amount shown for debt service payments due on July 1st were on hand.

Principal & Interest Maturity	IMU Revenue Bonds	Parking System Revenue Bonds	Recreation Building Revenue Bonds	Recreational Facilities Revenue Bonds
Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st
Due on demand	$ -	$ -	$ -	$ -
2010	1,213	2,250	-	2,711
2011	801	2,247	-	2,784
2012	806	2,241	-	3,501
2013	804	2,242	-	3,530
2014	801	2,239	-	4,339
2015-2019	4,015	11,127	-	18,153
2020-2024	4,047	7,738	-	17,881
2025-2029	1,628	2,742	-	16,442
2030-2034	-	-	-	15,153
2035	-	-	-	2,994
	$ 14,115	$ 32,826	$ -	$ 87,488

As of June 30, 2009, the University has entered into contract commitments for construction projects as follows:

Commitments	IMU Revenue Bonds	Parking System Revenue Bonds	Recreation Building Revenue Bonds	Recreational Facilities Revenue Bonds
Contract Commitments	$ 1,463	$ 650	$ 157	$ 27,396

June 30, 2009 (in 000s)

A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2009 is as follows:

Revenue Bonds Payable	Residence Services Revenue Bonds	Student Health Facility Revenue Bonds	Telecomm. Facilities Revenue Bonds	Utility System Revenue Bonds
Beginning Balance	$ 53,740	$ 1,570	$ 17,910	$ 161,480
Less: Payments	2,550	285	11,510	7,045
Plus: New Issuances	-	-	8,045	-
Ending Balance	$ 51,190	$ 1,285	$ 14,445	$ 154,435

A summary of bond debt service for payment of principal and interest is shown below. As of June 30, 2009, the amount shown for debt service payments due on July 1st were on hand.

Principal & Interest Maturity	Residence Services Revenue Bonds	Student Health Facility Revenue Bonds	Telecomm. Facilities Revenue Bonds	Utility System Revenue Bonds
Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	May & Nov 1st
Due on demand	$ -	$ -	$ -	$ -
2010	4,925	354	3,225	14,471
2011	4,944	349	3,247	14,372
2012	4,964	354	3,248	14,429
2013	4,976	353	1,942	14,478
2014	4,978	-	1,943	14,504
2015-2019	24,986	-	2,107	57,869
2020-2024	18,110	-	-	52,004
2025-2029	1,908	-	-	33,282
2030-2034	-	-	-	1,868
2035	-	-	-	-
	$ 69,791	$ 1,410	$ 15,712	$ 217,277

As of June 30, 2009, the University has entered into contract commitments for construction projects as follows:

Commitments	Residence Services Revenue Bonds	Student Health Facility Revenue Bonds	Telecomm. Facilities Revenue Bonds	Utility System Revenue Bonds
Contract Commitments	$ 3,337	$ 507	$ -	$ 15,946

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

Schedule of Funding Progress (in thousands of dollars)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a percentage of Covered Payroll
July 1, 2008	-	$ 114,592	$ 114,592	0.0%	$ 739,501	15.5%
July 1, 2009	-	$ 123,448	$ 123,448	0.0%	$ 815,393	15.1%

Acknowledgments

Report prepared by The Department of Accounting Services

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the financial statements of the State University of Iowa (University) as of and for the year ended June 30, 2009 and have issued our report thereon dated December 18, 2009 under separate cover. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the State University of Iowa Foundation and Affiliates and the Iowa Measurement Research Foundation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which will be reported to management in a separate departmental report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the State University of Iowa, citizens of the State of Iowa and other parties to whom the State University of Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the State University of Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 18, 2009