Iowa State University | LIVE GREEN!

Financial Report

For the year ended June 30, 2009

TOWARD a SUSTAINABLE FUTURE

IOWA STATE UNIVERSITY
LIVE GREEN!

On the cover:

Energy sustainability is a critical goal for Iowa and the nation, and Iowa State is tackling this broad and complex issue through research and development and its own conservation programs. LiveGreen! is our initiative to make Iowa State a model of energy efficiency. For more information visit www.livegreen.iastate.edu.

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For the year ended June 30, 2009

Iowa State University provides this Management's Discussion and Analysis as a narrative overview of the financial activities of the University for the year ended June 30, 2009, along with comparative data for the years ended June 30, 2008, and 2007. Readers are encouraged to consider this information in conjunction with the University's financial statements that follow.

Iowa State University follows GASB Statement No. 39 which requires the primary government to discretely present, within its own statements, the financial statements of certain component units. As explained in Note 1B3, the Iowa State University Foundation, Iowa State University Achievement Fund, and the Original University Foundation (herein collectively referred to as the "Foundation") are a legally separate, tax-exempt component unit of the University and, accordingly, the combined financial statements are discretely presented with those of the University. However, since the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University, a discussion of these assets is not included in this Management's Discussion and Analysis.

USING THIS ANNUAL REPORT

This analysis is intended to serve as an introduction to Iowa State University's basic financial statements. These basic financial statements consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These provide information on the University as a whole and present both a short term as well as a longer term view of the University's financial position. These basic financial statements also include the Notes to the Financial Statements which explain and provide further detail of the basic statements.

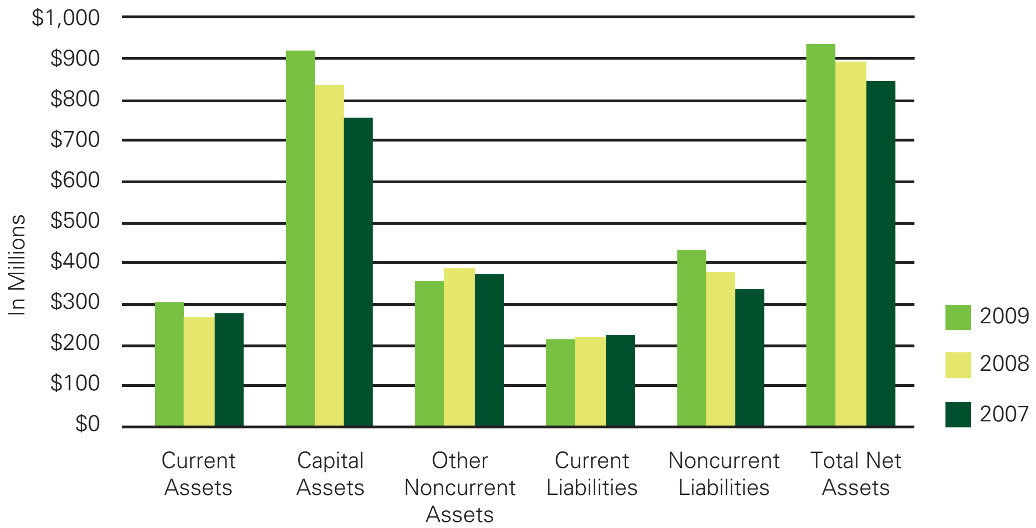
THE UNIVERSITY AS A WHOLE

Statement of Net Assets

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. Net Assets—the difference between assets and liabilities—is one indicator of the current financial condition of the University, while the change in net assets (shown on the next statement) is an indicator of whether the overall financial condition has improved during the year. The Statement of Net Assets is also a good source for readers to determine how much the University owes to outside vendors, investors, and lending institutions. Similarly, the Statement presents the available assets that can be used to satisfy those liabilities.

	June 30, 2009	June 30, 2008	June 30, 2007
Current Assets	$ 306,482,696	$ 266,229,286	$ 276,948,838
Capital Assets	918,129,950	833,065,139	755,060,122
Other Noncurrent Assets	356,983,951	390,632,369	372,746,857
Total Assets	1,581,596,597	1,489,926,794	1,404,755,817
Current Liabilities	214,210,652	221,827,988	225,434,219
Noncurrent Liabilities	435,394,720	378,387,096	335,344,550
Total Liabilities	649,605,372	600,215,084	560,778,769
Total Net Assets	$ 931,991,225	$ 889,711,710	$ 843,977,048

Total assets at June 30, 2009, were $1.6 billion, which is $91.7 million higher than the prior year. Net capital assets comprised $918.1 million of the $1.6 billion in assets, which is a similar proportion to that of 2008. Total liabilities were $649.6 million at June 30, 2009, an increase of $49.4 million. The comparison of current and noncurrent assets, liabilities, and net assets as of June 30, 2009, 2008, and 2007 is shown above. The proportional increases in assets and liabilities are explained in more detail in the Changes in Net Assets section.



Changes in Net Assets

Net assets increased $42.3 million, or 4.8%, for the year. Generally, an increase in net assets indicates that the financial condition has improved over the year, at least on a short-term basis. Significant changes in net assets occurred in the following areas, all of which are explained in greater detail later in this Management's Discussion & Analysis.

- Cash and cash equivalents plus investments decreased $18.5 million in 2009. This was due to FY08 having significant construction funds on hand from several bond issuances as well as the decline in fair value of investments in FY09.
- Capital assets, net of depreciation, increased $85.1 million.
- Due from government agencies increased $18.3 million, due primarily to large capital appropriations from the State of Iowa.
- Long term debt increased $36.5 million due to additional bond issuances.
- Other long term liabilities increased $19.2 million, due to increases in early retirement benefits payable from a new Retirement Incentive Option as well as an increase in the other postemployment benefits liability from the ongoing implementation of GASB 45.

Total net assets at June 30, 2009, were $932 million. The largest portion of the University's net assets (64.9%) is categorized as Invested in Capital Assets, Net of Related Debt. This category contains the land, buildings, infrastructure, land improvements, and equipment owned by the University. The restricted portion of the net assets (8.9%) is divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted assets is only available for investment purposes. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by the external entities that have placed time or purpose restrictions on the use of the assets. The remaining net assets are unrestricted net assets, including those used to meet specific purposes such as funding for the bonded enterprises. The composition of the net asset balances is shown below. The categories, as a percentage of total net assets, have not changed significantly since 2007.

	June 30, 2009	*June 30, 2008*	*June 30, 2007*
Invested in Capital Assets, Net of Related Debt	*$604,435,750*	*$543,281,522*	*$502,553,811*
Restricted Nonexpendable	*32,058,281*	*31,534,140*	*30,847,113*
Restricted Expendable	*50,977,327*	*40,414,460*	*41,633,934*
Unrestricted	*244,519,867*	*274,481,588*	*268,942,190*
Total Net Assets	*$931,991,225*	*$889,711,710*	*$843,977,048*

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented in the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the operating and nonoperating revenues earned by the University, the operating and nonoperating expenses incurred by the University, and any other revenues, expenses, gains and losses earned or incurred by the University.

In general, a public University such as Iowa State University will report an operating loss since the financial reporting model classifies state appropriations 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 paid to carry out the missions of the University. Nonoperating revenues are revenues received where goods and services are not provided.

Had state appropriations been included in operating revenues, the operating loss for 2009 would have been $19.8 million compared to $9.9 million for 2008 and $20.7 million for 2007.

As noted in the previous section, when all nonoperating and other revenues and expenses are considered, revenues exceeded expenses by $42.3 million for 2009.

	For the Years Ended		
	June 30, 2009	*June 30, 2008*	*June 30, 2007*
Operating Revenues	*$595,671,590*	*$571,550,723*	*$544,382,372*
Operating Expenses	*903,047,994*	*857,287,056*	*815,697,211*
Operating Loss	*(307,376,404)*	*(285,736,333)*	*(271,314,839)*
Nonoperating Revenues and Expenses	*297,756,531*	*301,037,980*	*314,981,165*
Income/(Loss) Before Other Revenues, Expenses, Gains and Losses	*(9,619,873)*	*15,301,647*	*43,666,326*
Other Revenues, Expenses, Gains and Losses	*51,899,388*	*30,433,015*	*21,662,090*
Increase in Net Assets	*42,279,515*	*45,734,662*	*65,328,416*
Net Assets, Beginning of Year	*889,711,710*	*843,977,048*	*778,648,632*
Net Assets, End of Year	*$931,991,225*	*$889,711,710*	*$843,977,048*

Revenues

Operating revenues for the year ended June 30, 2009, increased $24.1 million. Major components of this change were:

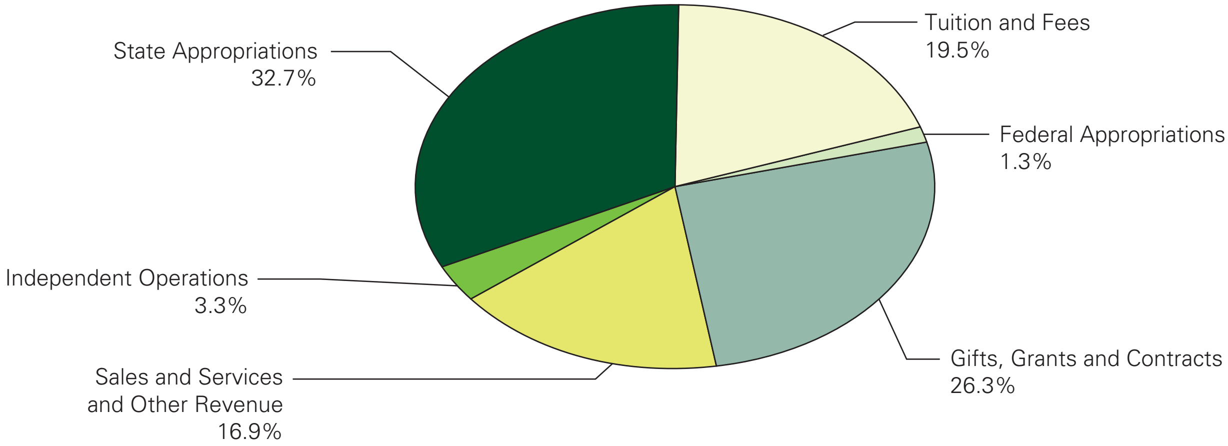
- Tuition and fees, net of scholarship allowances, increased $13.4 million, or 7.7%. The increase is primarily attributable to a 3.2% increase in the tuition rate coupled with an increase in enrollment.
- Revenue from auxiliary enterprises increased $11.1 million, or 9.3%, primarily in Department of Residence/ISU Dining and Athletics.

Nonoperating revenues decreased $4.8 million, comprised primarily of an $11.8 million increase in state appropriations offset by a $19.9 million negative change in investment income. In the prior year, investments lost $3.5 million but in FY09, the loss was $23.4 million, of which $17.3 million was due to a decline in the fair value of investments. This decline is reflective of national market conditions.

Other revenues increased $21.5 million, due primarily to a $20.3 million increase in capital appropriations from the State. Capital Appropriations, Grants and Contracts are discussed in greater detail later in this Management's Discussion & Analysis.

In summary, total revenues of the University increased $40.8 million in fiscal year 2009 from $920.6 to $961.3 million. The components of these revenues are shown on the following chart.

Total Revenues



In comparing the years ended June 30, 2008, and 2007, operating revenues increased $27.2 million. The major elements of this increase were tuition and fees, net of scholarship allowances, which increased $10.1 million, revenue from auxiliary enterprises which increased $7.9 million, Federal appropriations which increased $6.3 million and other operating revenues that decreased $5.1 million. In fiscal 2008, nonoperating revenues decreased $9.4 million over 2007, due to lower investment income.

Expenses

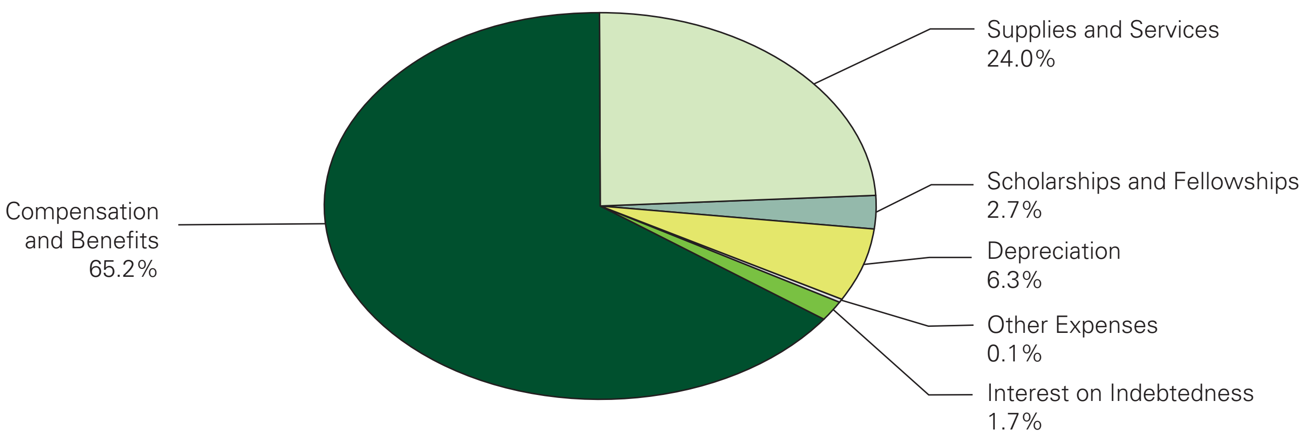
Operating expenses were $903 million for the 2009 fiscal year. This was an increase of 5.3%, or $45.8 million, over the previous year. Changes in the major natural expense categories were:

- Compensation and benefits increased $45.9, or 8.3%
- Supplies increased $4.7 million, or 3.8%.
- Services and repairs decreased $2.5 million, or 2.7%.
- Other operating expenses decreased $2.3 million or 2.7%

Operating expenses may be classified according to natural categories as in the previous paragraph or functionally as shown in the financial statements. From a functional perspective, the largest dollar increases were in instruction, institutional support, and auxiliary enterprises.

In summary, total expenses for 2009 were $919.1 million, an increase of $44.2 million, or 5.1%. The components of these expenses are shown in the following chart:

Total Expenses



Comparing the years ended June 30, 2008, and 2007, operating expenses in fiscal 2008 increased $41.6 million over those of 2007, which was a larger increase than the previous year's. In the natural classifications, percentages of the total have remained relatively consistent over recent years. Functionally, instruction, research and auxiliaries had the majority of the increase. Non-operating expenses were also consistent in the prior two years.

Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of the University for the fiscal year. This Statement also aids in the assessment of the University's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, categorized as operating, non-capital financing, capital and related financing, and investing activities.

Cash provided by operating activities includes tuition and fees and grant and contract revenues. Cash used for operating activities includes payments to employees and to suppliers. Cash provided or used by non-capital financing activities includes state appropriations, the receipt and disbursement of the federal direct loan program, and non-capital gifts. Cash provided or used for capital and related financing activities represents proceeds from debt, the principal and interest payments towards debt, capital appropriations, capital gifts and grants, and the purchase and construction of capital assets. Cash provided or used by investing activities includes purchases and sales of investments as well as investment income and losses realized.

Cash and cash equivalents increased $47.2 million, or 29.7%, in 2009. An increase in cash is typically considered a positive financial indicator.

	For the Years Ended		
	June 30, 2009	*June 30, 2008*	*June 30, 2007*
Cash Provided/(Used) by:			
Operating Activities	*($244,627,254)*	*($229,879,947)*	*($222,001,462)*
Non-capital Financing Activities	*336,448,692*	*321,920,438*	*296,631,599*
Capital and Related Financing Activities	*(84,235,535)*	*(69,724,245)*	*(90,248,441)*
Investing Activities	*39,596,887*	*33,329,739*	*36,847,949*
Net Increase in Cash	*47,182,790*	*55,645,985*	*21,229,645*
Cash and Cash Equivalents, Beginning of Year	*158,970,963*	*103,324,978*	*82,095,333*
Cash and Cash Equivalents, End of Year	*$206,153,753*	*$158,970,963*	*$103,324,978*

As noted previously, the financial reporting model mandates that state appropriations be classified as non-capital financing sources of cash. If state appropriations had been classified as operating sources of cash, the cash provided by operations would have been $43 million for 2009 compared to $46 million for 2008 and $28.6 million for 2007.

CAPITAL ASSETS

At June 30, 2009, the University had $1.8 billion invested in capital assets, with accumulated depreciation of $862.3 million for net capital assets of $918.1 million. Depreciation charges for fiscal year 2009 totaled $57.5 million. Capital assets, net of accumulated depreciation, were as follows:

	June 30, 2009	*June 30, 2008*	*June 30, 2007*
Land and Land Improvements, Nondepreciable	*$ 19,085,370*	*$ 18,774,370*	*$ 17,274,605*
Construction in Progress	*104,437,566*	*102,672,520*	*69,431,192*
Infrastructure and Land Improvements, Depreciable	*84,003,437*	*81,018,163*	*82,965,951*
Buildings	*584,882,414*	*513,880,731*	*474,824,572*
Equipment and Library Collections	*125,721,163*	*116,719,355*	*110,563,802*
Total Capital Assets, Net Of Accumulated Depreciation	*$918,129,950*	*$833,065,139*	*$755,060,122*

During fiscal year 2009, several major projects were placed in service, including the Lloyd Veterinary Medical Center which was funded with proceeds from Academic Building Revenue Bonds and private gifts, the Alumni Center which was funded primarily with private gifts and Jack Trice Stadium improvements which were funded with proceeds from Athletic Facilities Revenue Bonds and private gifts.

Several major construction projects were in progress at June 30, 2009. These are included in capital assets as construction in progress and will not be depreciated until the year they are placed in service. These projects include:

- Hach Hall
- Biorenewables Research Laboratory
- East Campus Dining Center

Hach Hall has been funded with proceeds from Academic Building Revenue Bonds, capital appropriations, and private gifts. The Biorenewables Research Laboratory has been funded with capital appropriations. The East Campus Dining Center has been funded with proceeds from the Dormitory and Dining Services Revenue Bonds.

Capital Appropriations, Grants and Contracts

Capital appropriations from the State of Iowa have traditionally been a significant source of funding for construction of new buildings as well as major renovations. In fiscal year 2009, an additional $11.8 million was received for the veterinary laboratory which also received $.6 million in 2008 and $2 million in 2007. Also in 2009, $14.8 million was received for the Biorenewables Research Laboratory which initially received $5.6 million in 2008. Also in 2007, $5 million in capital appropriations were received for a new chemistry building (Hach Hall) and $1 million for the BioCentury Farm.

Capital gifts and grants revenue of $24.9 million was consistent with that of the prior year. More detailed information about the University's capital assets is presented in Note 5 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2009 the University had $379.6 million in outstanding debt compared to $343.1 million at the end of the prior year. Detailed information about the University's outstanding debt is presented in Note 6 to the financial statements. The table below summarizes outstanding debt by type:

	June 30, 2009	*June 30, 2008*	*June 30, 2007*
Bonds Payable-Academic Building	*$ 122,835,399*	*$ 104,297,568*	*$ 84,923,594*
Bonds Payable-Enterprise Funds	*249,411,604*	*234,815,788*	*212,141,262*
Capital Leases	*1,960,079*	*2,441,607*	*4,173,540*
Notes Payable	*5,414,773*	*1,574,864*	*1,755,719*
Total Debt	*$ 379,621,855*	*$ 343,129,827*	*$ 302,994,115*

In 2009, a $25 million Academic Building Revenue Bond issuance increased academic bonds payable. Issuance of a $27 million Recreational System Facilities Revenue Bond increased bonds payable in the enterprise funds. These increases in bonds payable were partially offset by the normal paying down of debt from the other issuances as well as the defeasance of $10.8 million of Dormitory Revenue Bonds and $2.2 million of Recreational Facility Revenue Bonds. In 2008, new issuances increased academic bonds payable by $19.4 million and enterprise funds by $22.7 million.

The 2009 increase in notes payable is primarily issuance of a new note for Athletics facilities construction.

ECONOMIC OUTLOOK

During the past fiscal year, the University's economic resources were impacted by the changes in the global, national, and Iowa economies. The University began fiscal 2010 with a $38.8 million reduction in state appropriations which was partially offset by projected higher tuition and fee income and the availability of $31.6 million of funding from the American Reinvestment and Recovery Act. However, as the Iowa economy continued to deteriorate, in October 2009, the Governor imposed an additional 10% reduction in all state appropriations, further reducing Iowa State University support by $24.5 million. Subject to final approvals in December 2009 by the Board of Regents, State of Iowa, the University is accommodating these funding changes through a combination of a $100 per student surcharge for the spring semester, temporary reductions in retirement contributions, temporary layoffs and furloughs, and budget reductions in General Fund operations. Although significant, the University anticipates retaining its competitive position and adjusting to these changing economic conditions relative to its peer institutions since these are national economic conditions impacting higher education as a whole.

Fall 2009 enrollments continue above projections at 27,945, the highest in the history of Iowa State University. We continue to enroll more Iowa high school graduates and more transfer students from Iowa's community colleges than any other university in the state. There were significant increases in international freshmen, records in Veterinary Medicine and minority students from the US, and a 30-year enrollment high in the College of Agriculture and Life Sciences. The entering freshman class had an average ACT score of 24.9, the highest ever, increasing the quality of our students.

In 2009, sponsored funding increased 11% and funding continues to increase in fiscal 2010. Through the first third of the current fiscal year, sponsored funding is up 80% over the same period last year. The University faculty and staff continue to be competitive in seeking outside funding, demonstrating the success and relevance of the University's programs. In the current economic climate, this indicates the high regard the University and its faculty and staff have with both governmental and private sponsors.

The University also continues to have and anticipates future success in private fund raising. In spite of the economic downturn, the University exceeded last year's private fund raising target of $125 million by almost $3 million. The ISU Foundation is entering the last year of its comprehensive fund raising campaign, "Campaign Iowa State: With Pride and Purpose", with an $800 million goal. Current commitments exceed $728 million, 91% of the goal. The ISU Foundation anticipates completing a successful campaign in the coming year. In the past year, this campaign provided 600 new scholarships which greatly assisted in meeting student financial needs.

The Board of Regents, State of Iowa, has completed the draft of a new strategic plan which will guide all of the Regents institutions. It provides the framework for Iowa State to update and revise its current strategic plan *Forward Thinking* which is in its fifth and final year. Lead by the Provost, the University will be developing a new five-year strategic plan and multi-year budgeting process. The University will be planning where we want to be in 2050 and, in the near term, mapping how to move in that direction. The University intends to be a powerful magnet for attracting outstanding faculty, staff, and students and to be recognized around the world for the impact it has made in addressing the major issues of our planet—energy sufficiency, food security, water and infrastructure, sustainability and climate change, and animal and human health. The University should be regarded as a treasured resource for Iowa, for our nation, and for the world.

In spite of the current economic challenges, the University anticipates continuing to build upon its recent successes. These include completing several new facilities in the coming year including Hach Hall, a new chemistry facility, continued renovations and expansion of the Lloyd Veterinary Medical Center, BioCentury Farm, Biorenewables Research Laboratory, modernized student dining facilities, and progress in addressing deferred maintenance and energy conservation projects.

Although there is uncertainty in the economy, overall financial resources remain solid. Direct state support, where the major reductions have occurred, is a smaller portion of the University's overall financial resources. As is the case with our peers and many other public universities, state funding is now less than 27% of the overall budget. The other major revenue sources continue to increase including student tuition and fees, sponsored funding and private support. Our revenue mix is diverse and our bond ratings continue to be upgraded or maintained. With modest existing debt, continuing strong enrollments, and strong levels of sponsored funding, we anticipate being able to deal with the economic fluctuations and continuing reductions in state support. In spite of the economic uncertainty, the University is strengthening its academic excellence and taking advantage of the current opportunities to attract additional support and recruit outstanding faculty and staff. Iowa State continues to be one of the nation's best universities in fulfilling its land-grant mission.

CONTACTING IOWA STATE UNIVERSITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide users with a general overview of Iowa State University'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 Department, Iowa State University, 3607 Administrative Services Building, Ames, IA 50011-3607.

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0004

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David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report

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

We have audited the accompanying statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows, of Iowa State University of Science and Technology, Ames, Iowa, (Iowa State University) 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, Iowa State University Foundation, Iowa State University Achievement Fund and the Original University Foundation (herein collectively referred to as the "Foundation"), discussed in note 1, 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 State University Research Foundation, Incorporated, discussed in note 1, which represents 1.8% and .5%, 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, are 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 Iowa State University Foundation, Iowa State University Achievement Fund and the Original University Foundation (the "Foundation") and Iowa State University Research Foundation, Incorporated 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 1, the financial statements of Iowa State University 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 Iowa State University. 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 then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, based on 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 Iowa State University 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 9 and page 43, 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 thereon.

Our report on Iowa State University'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 15, 2009

As of June 30, 2009 and 2008

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2A)	$ 132,397,635	$ 77,644,520
Investments (Note 2B)	98,782,616	120,224,175
Deposits with trustees (Note 2D)	98,403	98,403
Accounts receivable, net (Note 3A)	22,954,767	21,032,397
Due from government agencies (Note 3B)	27,024,763	24,422,681
Interest receivable	1,642,471	1,807,882
Loans receivable, net (Note 3C)	1,191,143	78,189
Inventories (Note 4)	17,185,143	16,805,881
Prepaid expenses	5,205,755	4,115,158
Total Current Assets	**306,482,696**	**266,229,286**
Noncurrent Assets		
Cash and cash equivalents (Note 2A)	73,756,118	81,326,443
Investments (Note 2B)	228,348,048	272,564,668
Accounts receivable, net (Note 3A)	2,945,897	4,737,019
Due from government agencies (Note 3B)	21,413,000	5,689,000
Interest receivable	475,403	467,259
Prepaid expenses	9,979	3,994
Loans receivable, net (Note 3C)	29,975,135	25,783,615
Equity in wholly owned subsidiary (Note 1B)	60,371	60,371
Capital assets, net of accumulated depreciation (Note 5)	918,129,950	833,065,139
Total Noncurrent Assets	**1,275,113,901**	**1,223,697,508**
TOTAL ASSETS	**1,581,596,597**	**1,489,926,794**
LIABILITIES		
Current Liabilities		
Accounts payable	39,833,141	41,420,291
Salaries and wages payable	2,811,515	2,800,746
Unpaid claims liability (Note 10B)	4,210,000	4,019,000
Deferred revenue	37,767,252	40,696,800
Interest payable	7,621,469	8,638,826
Long-term debt, current portion (Note 6)	18,042,741	17,273,399
Other long-term liabilities, current portion (Note 6)	21,902,582	22,189,242
Deposits held in custody for others	82,021,952	84,789,684
Total Current Liabilities	**214,210,652**	**221,827,988**
Noncurrent Liabilities		
Accounts payable	11,086,332	9,242,650
Long-term debt, noncurrent portion (Note 6)	361,579,114	325,856,428
Other long-term liabilities, noncurrent portion (Note 6)	62,729,274	43,288,018
Total Noncurrent Liabilities	**435,394,720**	**378,387,096**
TOTAL LIABILITIES	**649,605,372**	**600,215,084**
NET ASSETS		
Invested in capital assets, net of related debt	604,435,750	543,281,522
Restricted (Note 8):		
Nonexpendable	32,058,281	31,534,140
Expendable	50,977,327	40,414,460
Unrestricted	244,519,867	274,481,588
TOTAL NET ASSETS	**$ 931,991,225**	**$ 889,711,710**

See the accompanying notes which are an integral part of these financial statements.

IOWA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $56,638,893 and $50,565,107 for the years ended June 30, 2009 and 2008, respectively (Note 1N)	$ 187,308,086	$ 173,889,637
Federal appropriations	12,536,421	15,820,799
Federal grants and contracts	126,534,859	129,737,446
State and local government grants and contracts	20,331,467	18,485,228
Nongovernmental grants and contracts	31,859,892	26,133,444
Sales and services of educational activities	44,416,875	43,608,659
Auxiliary enterprises, net of scholarship allowances of $4,211,726 and $3,774,110 for the years ended June 30, 2009 and 2008, respectively (Note 1N)	131,611,595	120,464,592
Independent operations	32,040,363	32,511,223
Interest on student loans	455,760	460,504
Other operating revenues	8,576,272	10,439,191
TOTAL OPERATING REVENUES	**595,671,590**	**571,550,723**
OPERATING EXPENSES		
Instruction	209,555,886	198,456,295
Research	159,741,670	158,724,864
Public service	82,235,249	79,429,420
Academic support	102,920,249	94,426,150
Student services	30,054,400	32,069,801
Institutional support	40,101,915	28,262,534
Operation and maintenance of plant	51,960,916	51,105,002
Scholarships and fellowships	24,429,945	25,757,938
Auxiliary enterprises	111,887,295	101,645,127
Independent operations	32,005,804	33,453,478
Depreciation	57,538,086	53,513,910
Other operating expenses	616,579	442,537
TOTAL OPERATING EXPENSES	**903,047,994**	**857,287,056**
OPERATING LOSS	**(307,376,404)**	**(285,736,333)**
NONOPERATING REVENUES/(EXPENSES)		
State appropriations	287,611,209	275,861,180
Federal grants and contracts	15,252,625	13,636,854
Nonfederal gifts, grants and contracts	34,267,377	32,572,462
Investment loss	(23,363,327)	(3,475,945)
Interest on indebtedness	(15,380,673)	(13,947,362)
Loss on disposal of capital assets	(603,571)	(1,043,076)
Other nonoperating loss	(27,109)	(2,566,133)
NET NONOPERATING REVENUES/(EXPENSES)	**297,756,531**	**301,037,980**
INCOME/(LOSS) BEFORE OTHER REVENUES, EXPENSES GAINS AND LOSSES	**(9,619,873)**	**15,301,647**
Capital appropriations	26,556,000	6,247,000
Capital gifts, grants and contracts	24,939,641	23,731,015
Additions to permanent endowments	403,747	455,000
TOTAL OTHER REVENUES, EXPENSES, GAINS & LOSSES	**51,899,388**	**30,433,015**
INCREASE IN NET ASSETS	**42,279,515**	**45,734,662**
Net Assets, Beginning of Year	889,711,710	843,977,048
NET ASSETS, END OF YEAR	**$ 931,991,225**	**$ 889,711,710**

See the accompanying notes which are an integral part of these financial statements.

IOWA STATE UNIVERSITY
STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 186,528,192	$ 173,526,930
Federal appropriations	13,558,405	16,059,799
Grants and contracts	172,133,566	170,213,532
Sales of educational activities	44,760,269	43,362,812
Sales and services of auxiliary enterprises	129,106,097	119,717,027
Receipts of independent operations	32,206,277	32,360,440
Interest on loans to students	512,270	492,258
Collections of loans from students	2,899,847	3,420,148
Payments for salaries and benefits	(585,271,632)	(554,248,247)
Payments for goods and services	(223,648,597)	(223,932,163)
Scholarship payments	(23,526,074)	(24,895,486)
Loans issued to students	(3,641,717)	(5,072,891)
Other operating receipts	9,755,843	19,115,894
NET CASH USED BY OPERATING ACTIVITIES	**(244,627,254)**	**(229,879,947)**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	287,611,209	275,861,180
Non-capital gifts, grants and contracts	49,092,205	46,393,132
Direct lending receipts	155,561,214	145,246,652
Direct lending payments	(155,760,685)	(145,339,294)
Funds held for others receipts	273,650,080	262,716,424
Funds held for others payments	(273,705,331)	(262,957,656)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	**336,448,692**	**321,920,438**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	10,832,000	7,428,000
Capital gifts and grants received	25,470,041	17,686,167
Proceeds from capital debt	65,853,046	68,836,068
Proceeds from sale of capital assets	487,692	962,278
Acquisition and construction of capital assets	(142,044,861)	(127,611,311)
Principal paid on capital debt	(18,901,918)	(18,469,492)
Interest paid on capital debt	(15,639,903)	(15,176,278)
Defeased debt payments	(13,587,468)	(2,018,686)
Other capital and related financing sources/(payments)	3,295,836	(1,360,991)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(84,235,535)**	**(69,724,245)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received on investments	5,851,248	20,116,862
Proceeds from sales of investments	548,980,459	552,230,150
Purchases of investments	(515,234,820)	(539,017,273)
NET CASH PROVIDED BY INVESTING ACTIVITIES	**39,596,887**	**33,329,739**
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,182,790	55,645,985
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	158,970,963	103,324,978
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 206,153,753**	**$ 158,970,963**

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

OPERATING LOSS	**$(307,376,404)**	**$ (285,736,333)**
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	57,538,086	53,513,910
Changes in assets and liabilities:		
Accounts receivable, net	(1,819,981)	10,365,490
Inventories	(375,916)	(499,842)
Prepaid expenses	(1,081,841)	(125,376)
Loans receivable	(514,882)	(1,637,190)
Accounts payable	(2,024,266)	(5,466,758)
Deferred revenue	(3,543,401)	(5,895,816)
Compensated absences	2,085,107	1,535,820
Early retirement benefits payable	7,197,045	(1,246,320)
Other postemployment benefits obligation	5,222,786	5,194,285
Deferred compensation liability	66,413	118,183
NET CASH USED BY OPERATING ACTIVITIES	**$(244,627,254)**	**$(229,879,947)**

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital gifts-in-kind	$ 621,000	$ 3,466,765

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS

Cash and cash equivalents classified as current assets	$ 132,397,635	$ 77,644,520
Cash and cash equivalents classified as noncurrent assets	73,756,118	81,326,443
TOTAL CASH AND CASH EQUIVALENTS	**$ 206,153,753**	**$ 158,970,963**

See the accompanying notes which are an integral part of these financial statements.

IOWA STATE UNIVERSITY FOUNDATION
IOWA STATE UNIVERSITY ACHIEVEMENT FUND
ORIGINAL UNIVERSITY FOUNDATION
COMBINED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2009 and 2008

	2009	2008
ASSETS		
Cash and cash equivalents	$ 5,216,799	$ 8,263,437
Receivables:		
Pledges, net (Note 3D)	75,166,479	69,379,501
Estates	6,003,285	4,433,213
Funds held in trust by others	15,874,343	18,106,387
Total receivables	97,044,107	91,919,101
Investments (Note 2C):		
Pooled investments	414,252,974	490,901,510
Other marketable securities	28,957,867	36,135,126
Equity in subsidiary	2,185,702	2,209,667
Real estate and other investments	11,785,897	10,770,070
Total investments	457,182,440	540,016,373
Property and equipment	3,194,962	3,356,484
Other assets	5,254,143	3,325,799
TOTAL ASSETS	**$567,892,451**	**$646,881,194**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 2,388,903	$ 1,929,386
Due to related organizations	6,213,467	6,836,878
Bonds payable	2,961,737	3,067,575
Long-term liabilities	1,170,918	2,999,608
Annuities payable	19,977,765	21,665,526
TOTAL LIABILITIES	**32,712,790**	**36,498,973**
NET ASSETS (Note 8)	**535,179,661**	**610,382,221**
TOTAL LIABILITIES AND NET ASSETS	**$567,892,451**	**$646,881,194**

See the accompanying notes which are an integral part of these financial statements.

IOWA STATE UNIVERSITY FOUNDATION
IOWA STATE UNIVERSITY ACHIEVEMENT FUND
ORIGINAL UNIVERSITY FOUNDATION
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended June 30, 2009 and 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	$ 2,522,804	$ 51,790,793	$ 20,828,512	$ 75,142,109	$ 102,991,351
Investment return					
Pooled investments	5,192,850	12,950,148	(95,269,993)	(77,126,995)	(13,630,514)
Nonpooled investments	886,150	(979,511)	(588,799)	(682,160)	(266,985)
Equity in net income/(loss) of subsidiary	(23,965)			(23,965)	264,771
Total investment return	6,055,035	11,970,637	(95,858,792)	(77,833,120)	(13,632,728)
Fundraising service revenue	1,864,582			1,864,582	1,918,499
Return on funds held in trust by others		(1,590,092)	(850,174)	(2,440,266)	(201,173)
Other earnings	31,241	717,466	152,324	901,031	1,142,920
Net assets released from restrictions	60,076,480	(60,076,480)		-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	**70,550,142**	**2,812,324**	**(75,728,130)**	**(2,365,664)**	**92,218,869**
EXPENSES					
Program	60,310,519			60,310,519	53,837,576
Operating:					
Fundraising	8,791,368			8,791,368	9,324,390
Administrative	3,536,145			3,536,145	3,466,938
Annuity liability adjustment		(145,296)	344,160	198,864	1,043,973
TOTAL EXPENSES	**72,638,032**	**(145,296)**	**344,160**	**72,836,896**	**67,672,877**
CHANGE IN NET ASSETS	**(2,087,890)**	**2,957,620**	**(76,072,290)**	**(75,202,560)**	**24,545,992**
Net Assets, Beginning of Year	15,191,848	160,757,532	434,432,841	610,382,221	585,836,229
NET ASSETS, END OF YEAR	**$13,103,958**	**$163,715,152**	**$358,360,551**	**$535,179,661**	**$610,382,221**

See the accompanying notes which are an integral part of these financial statements.

For the Year Ended June 30, 2009

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Iowa State University of Science and Technology (Iowa State University), located in Ames, Iowa, is a land grant institution owned and operated by the State of Iowa, under the governance of the Board of Regents, State of Iowa (Board of Regents). The Board of Regents is appointed by the governor and confirmed by the state senate. Because the Board of Regents holds the corporate powers of Iowa State University, the University is not deemed to be legally separate. Accordingly, for financial reporting purposes, the University is included in the financial report of the State of Iowa, the primary government, as required by U.S. generally accepted accounting principles. The University is classified as a state instrumentality under Internal Revenue Code Section 115 and 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.

The University offers courses of study leading to degrees at the undergraduate, graduate, and post-graduate levels. Degrees are available from seven colleges: Agriculture and Life Sciences, Business, Design, Engineering, Human Sciences, Liberal Arts and Sciences, and Veterinary Medicine. Other major operating units of the University are: Agriculture & Home Economics Experiment Station; statewide Cooperative Extension Service; and the Ames Laboratory, a U.S. Department of Energy sponsored Independent Operation. The campus consists of approximately 1,794 acres. In addition, farms and other properties, which are stocked and equipped for teaching and research purposes, total approximately 9,579 acres.

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB), these financial statements present the financial position and financial activities of the University (the primary government) and certain other entities 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. 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.

1. **Wholly Owned Subsidiary** - Effective July 1, 1987, the University formed the ISU Equities Corp., (ISUEC), as a wholly owned subsidiary. The University has recorded the investment in this wholly owned subsidiary following the equity method of accounting. The University's carrying value as of June 30, 2009, was $60,371, the carrying value of ISUEC.

2. **Blended Component Units –** The Iowa State University Research Foundation, Inc. and Miller Endowment, Incorporated are entities which are legally separate from the University, but are so intertwined with the University that they are, in substance, part of the University. Accordingly, they are blended into the University's financial statements.

   Iowa State University Research Foundation, Inc. was organized as a corporation to assist in securing protection for intellectual property such as patents and copyrights resulting from research, writing, and other projects of members of the Iowa State University community. The financial statements of this entity have been audited by other independent auditors, and their report may be obtained from the Office of the Vice President for Business and Finance at Iowa State University. The revenues of this organization are included in the "Other operating revenues" classification and expenses included in the "Institutional support" classification in the Statement of Revenues, Expenses and Changes in Net Assets. For the year ended June 30, 2009, the revenues and expenses were $4,527,555 and $6,822,230, respectively.

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

3. **Discretely Presented Component Unit –** The Iowa State University Foundation, Iowa State University Achievement Fund, and the Original University Foundation (herein collectively referred to as the "Foundation") are a legally separate, tax-exempt component unit of the University. The combined financial statements of the Foundation's organizations are presented in these financial statements because the organizations have a common Board of Directors, common management, and the common objective to promote the welfare of the University and its faculty, graduates, students, and former students. The mission of the Foundation is to secure and manage private gifts that support the University's aspiration to become the nation's best land-grant university. The Foundation strives to maximize the interest, involvement and, ultimately, enduring commitment of donors, and to manage donated assets for the benefit of the University in accordance with donors' wishes.

Although the University does not control the Foundation or the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University and its faculty, graduates, students and former students, 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 and expended $60,310,519 and $53,837,576, respectively, on behalf of the University for both restricted and unrestricted purposes as follows:

	2009	*2008*
Scholarships, loan funds, and awards	*$ 15,775,296*	*$ 13,733,418*
Faculty and staff support	*5,662,722*	*5,636,842*
College and administrative support	*13,623,182*	*12,052,903*
Buildings, equipment, and repairs	*23,284,556*	*22,025,673*
Gifts in kind	*1,964,763*	*388,740*
Total Program Support	*$ 60,310,519*	*$ 53,837,576*

The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting 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.

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

Complete financial statements for the Foundation can be obtained from the Foundation at 2505 University Boulevard, Ames, IA 50010-2230 or from the Foundation's website at www.foundation.iastate.edu.

C. Financial Statement Presentation

The University's 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.)

The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive entity-wide perspective of the University by requiring a Management's Discussion and Analysis; a Statement of Net Assets; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows.

When an expense is incurred for which both unrestricted and restricted net assets are available, the University's policy is to first apply the restricted resources before the unrestricted resources.

The University has the option to apply all FASB pronouncements issued after November 30, 1989, unless those pronouncements conflict or contradict GASB. The University has elected not to apply FASB pronouncements issued after the applicable date.

D. Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities 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 has been incurred, and all significant intra-agency transactions have been eliminated.

E. Cash and Cash Equivalents

For purposes of the Statement of Net Assets and 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. Cash equivalents are readily convertible to known amounts of cash.

F. Investments

Investments of the University are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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 of the Foundation are carried at fair value as determined by values provided by an external investment manager and quoted market values. The carrying values of other investments and long-term liabilities approximate fair value because these financial instruments bear interest at rates that approximate current rates the Foundation could obtain on contracts or notes with similar maturities and credit qualities.

G. Inventories

Inventories consist of supplies, merchandise, and grain for resale and livestock. Inventories of supplies and merchandise are valued at the lower of cost (primarily weighted average) or market. Inventories of livestock and grain are reported at year-end market value.

H. Capital Assets

Capital assets are recorded at cost at the date of acquisition or at estimated fair market value at the date of donation. Capitalization of interest on assets under construction has been included in the cost of those assets. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings, 10 to 30 years for infrastructure and land improvements, 2 to 20 years for equipment, and 10 years for library collections.

I. Deferred Revenue

Deferred revenue includes items such as advance ticket sales, summer school tuition not earned during the current year, and amounts received from grants and contracts that have not yet been earned.

J. Compensated Absences

Employees' compensated absences are accrued when earned under the provisions of Chapters 79 and 262 of the Code of Iowa. Accrued vacation is paid at 100% of the employee's hourly rate upon retirement, death, or termination and, with certain exceptions, accrued sick leave is paid at 100% of the employee's 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.

K. Noncurrent Liabilities

Noncurrent liabilities include principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year, as well as estimated amounts for accrued compensated absences, refundable advances on student loans, net other post-employment benefits obligation, and other liabilities that will not be paid within the next fiscal year.

L. Net Assets

The University's net assets are classified as follows:

1. **Invested in capital assets, net of related debt –** Capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted, nonexpendable –** Net assets subject to externally imposed restrictions in which the donors or other outside sources have stipulated the principal is to be maintained inviolate and retained in perpetuity and invested for the purpose of producing income which will either be expended or added to principal.
3. **Restricted, expendable –** Net assets subject to externally imposed restrictions on use of resources either legally or contractually.
4. **Unrestricted –** Net assets not subject to externally imposed restrictions and which may be used to meet current obligations for any purpose or designated for specific purposes by action of management or the Board of Regents.

M. Operating Revenues and Expenses

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

N. Revenue Pledged for Debt Service

Tuition and fees are pledged as security for Academic Building Revenue Bonds, Ice Arena Facility Revenue Notes, Indoor Multipurpose Use and Training Facility Revenue Bonds, Memorial Union Revenue Bonds, Recreational

System Facilities Revenue Bonds, and Student Health Facility Revenue Bonds. Auxiliary enterprise revenues are pledged as security for Athletic Facilities Revenue Bonds, Dormitory Revenue Bonds, Indoor Multipurpose Use and Training Facility Revenue Bonds, Memorial Union Revenue Bonds, Parking System Revenue Bonds, Recreational System Facilities Revenue Bonds, Regulated Materials Facility Revenue Bonds, Student Health Facility Revenue Bonds, and Utility System Revenue Bonds.

O. Auxiliary Enterprise Revenues

Auxiliary enterprise revenues primarily represent revenues generated by the Athletic Department, University Book Store, Indoor Multipurpose Use and Training Facility, Iowa State Center, Memorial Union, Parking System, Recreation Services, Reiman Gardens, Residence Department, ISU Dining, Student Health Center, Telecommunications System, and Utility System.

P. Bond Issuance Costs

Bond issuance costs are expensed in the year the bonds are sold. Bond discounts and premiums are deferred and amortized over the life of the bonds.

Q. Encumbrances

The University utilizes encumbrance accounting for budgetary control purposes. 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 relating to the Agriculture Experiment Station, Cooperative Extension Service, and Special Purpose Funds. The June 30, 2009, encumbered balance carried forward to fiscal year 2010 was $9,634,862.

As allowed in Section 262.9(18) of the Code of Iowa, the University has utilized non-tuition components of the General University funds first. Accordingly, General University funds remaining at June 30, 2009 are comprised solely of student fees and charges and are exempt from reversion.

R. Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

S. Reclassifications

Certain prior year amounts for fiscal year 2008 were reclassified at June 30, 2009 to conform to current year reporting requirements. Net other postemployment benefit costs, which were originally aggregated in fiscal year 2008, have been reclassified into the various operating expense functions.

NOTE 2 - CASH, CASH EQUIVALENTS, INVESTMENTS AND DEPOSITS WITH TRUSTEES

A. Cash and Cash Equivalents

As of June 30, 2009 and 2008, the book balances of cash and cash equivalents were $206,153,753 and $158,970,963, respectively. As of June 30, 2009 and 2008, the bank balances were $211,248,846 and $166,014,354, respectively, of which $90,417,198 and $76,438,643, respectively, were covered by Federal Depository Insurance (FDIC) or by the State's Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Of the bank balances as of June 30, 2009 and 2008, $120,831,648 and $89,575,711, respectively, were uninsured and uncollateralized.

B. Investments (University)

In accordance with the Code of Iowa and the Board of Regents' policy, the University's operating portfolio may be invested in obligations of the U.S. government or its agencies, certain high rated commercial paper, highly rated corporate bonds, certain limited maturity zero coupon securities, fully insured or collateralized certificates of deposits and savings, eligible bankers acceptances of 180 days or less, certain repurchase agreements, high quality money market funds and highly rated guaranteed investment contracts. The University's endowment portfolio may invest in all of the above as well as certain listed investment grade securities, certain shares of investment companies, and new issues of investment grade common stock.

For donor-restricted endowments, Chapter 540A of the Code of Iowa permits the University to appropriate an amount of realized and unrealized endowment appreciation as the University determines to be prudent pursuant to a consideration of the University's long-term and short-term needs, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. The University's policy is to retain the realized and unrealized appreciation with the endowment pursuant to the spending rules of the University. The University's spending policy is 5.5%, which includes a 1.25% administrative fee of a three-year moving average market value.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University manages this risk within the portfolio using the effective duration method which is widely used in the management of fixed income portfolios in that it quantifies to a much greater degree the risk of interest rate changes.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the University. The University reduces exposure to this risk by following the operating and endowment portfolio benchmarks as established by the Board of Regents.

Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Of the University's $327.1 million investments, $1,190,077 of Pooled Funds are held by the Foundation, not in the University's name.

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the University's investment in a single issuer. The University reduces exposure to this risk by complying with the Board of Regents investment policy which requires that, except for U. S. Government securities, no more than 5% of the investment portfolio shall be invested in securities of a single issuer.

As of June 30, 2009, the effective duration, Standard & Poor's credit quality ratings, and fair value of the University's investments were as follows:

		Credit Quality Rating						
	Effective Duration	*TSY/AGY /N/A*	*AAA*	*AA*	*A*	*BBB*	*BB*	*Total Fair Value*
Fixed Income:								
U.S. Government Agencies	*1.35*	*$ 91,932,109*	*$*	*$*	*$*	*$*	*$*	*$ 91,932,109*
U.S. Treasury Obligations	*1.35*	*78,175,620*						*78,175,620*
Corporate Notes and Bonds	*3.86*		*2,615,083*	*1,184,402*	*3,159,003*	*3,139,804*	*831,575*	*10,929,867*
Mutual Funds, Short Term	*1.30*			*42,955,916*				*42,955,916*
Mutual Funds, Long Term	*3.57*				*15,232,759*			*15,232,759*
Subtotal		*$170,107,729*	*$ 2,615,083*	*$44,140,318*	*$18,391,762*	*$ 3,139,804*	*$ 831,575*	*239,226,271*
Equity:								
Common Stock								*20,199,587*
Mutual Funds								*57,070,037*
Private Equity								*2,459,780*
Foundation Pooled Funds								*1,190,077*
Real Estate								*6,984,912*
Total Investments								*$ 327,130,664*

C. Investments (Foundation)

Investments were comprised of the following balances as of June 30, 2009 and 2008:

Investment	*June 30, 2009*	*June 30, 2008*
Pooled Investments:		
Equity	*$170,046,096*	*$203,171,722*
Fixed Income	*119,866,725*	*143,082,136*
Hedge Funds	*63,448,820*	*83,697,658*
Private Equity	*28,842,807*	*29,091,848*
Real Estate	*2,751,516*	*3,012,939*
Natural Resources/Commodities	*12,190,314*	*23,407,612*
Cash and Cash Equivalents	*16,866,982*	*5,500,592*
Accrued Interest	*489,714*	*187,003*
Accrued Manager Fees	*(250,000)*	*(250,000)*
Total Pooled Investments	*414,252,974*	*490,901,510*
Other Marketable Securities:		
Fixed Income	*13,520,856*	*20,456,602*
Equity	*14,931,271*	*15,678,524*
Cash and cash equivalents	*505,740*	
Total Other Marketable Securities	*28,957,867*	*36,135,126*
Equity in Subsidiary	*2,185,702*	*2,209,667*
Real Estate and Other Investments:		
Real Estate	*9,055,801*	*5,872,032*
Notes Receivable	*1,944,815*	*4,034,322*
Notes Receivable from Affiliated Entities	*785,281*	*863,716*
Total Real Estate and Other Investments	*11,785,897*	*10,770,070*
Total Investments	*$457,182,440*	*$540,016,373*

D. Deposits with Trustees

Funds on deposit with trustees for the purpose of paying current obligations of bond principal and interest at June 30, 2009 and 2008, totaled $98,403 and $98,403, respectively.

NOTE 3 - ACCOUNTS RECEIVABLE, DUE FROM GOVERNMENT AGENCIES, LOANS RECEIVABLE, AND PLEDGES RECEIVABLE

A. Accounts Receivable

Accounts receivable is shown net of allowances for doubtful accounts in the accompanying Statement of Net Assets. At June 30, 2009 and 2008, accounts receivable consisted of the following:

	June 30, 2009	*June 30, 2008*
Accounts Receivable	*$26,856,622*	*$26,578,300*
Allowance for Doubtful Accounts	*(955,958)*	*(808,884)*
Accounts Receivable, Net	*$25,900,664*	*$25,769,416*

B. Due from Government Agencies

Due from government agencies is composed of $24,182,664 due from state and local government agencies and $24,255,099 due from United States government agencies at June 30, 2009 and $7,618,176 due from state and local government agencies and $22,493,505 due from United States government agencies at June 30, 2008.

C. Loans Receivable

Loans receivable is shown net of allowances for doubtful accounts in the accompanying Statement of Net Assets. Loans receivable consisted of the following:

	June 30, 2009	June 30, 2008
Student Loans Receivable	$26,497,333	$26,027,401
Allowance for Doubtful Accounts	(142,939)	(165,597)
Other Loans Receivable	4,811,884	-
Loans Receivable, Net	$31,166,278	$25,861,804

D. Pledges Receivable (Foundation)

The components of the net pledges receivable as of June 30, 2009 and 2008 are as follows:

	June 30, 2009	June 30, 2008
Gross Pledges Receivable	$84,981,195	$82,804,447
Allowance for Uncollectible Pledges	(4,201,334)	(3,579,335)
Discount to Present Value	(5,613,382)	(9,845,612)
Net Pledges Receivable	$75,166,479	$69,379,501

The Foundation estimates payments on these pledges receivable as of June 30, 2009, will be received as follows:

Year Ending June 30,	Principal
2010	$ 20,705,921
2011	15,590,416
2012	13,040,637
2013	11,221,582
2014	11,688,036
Thereafter	12,734,603
Total	$ 84,981,195

In addition, the Foundation has received notification of deferred gifts totaling approximately $411,000,000 and $365,000,000 as of June 30, 2009 and 2008, respectively, primarily in the form of revocable wills.

NOTE 4 - INVENTORIES

The inventory balances on the Statement of Net Assets are comprised of two distinct categories as described in Note 1G above and scheduled below:

	June 30, 2009	June 30, 2008
Supplies, Merchandise, and Grain for Resale	$ 15,254,658	$ 14,469,414
Livestock	1,930,485	2,336,467
Total Inventories	$ 17,185,143	$ 16,805,881

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009, is summarized as follows:

	July 1, 2008	Additions	Transfers	Deductions	June 30, 2009
Capital Assets, Nondepreciable:					
Land	$ 13,151,237	$ 201,000	$	$	$ 13,352,237
Land Improvements	5,623,133		110,000		5,733,133
Construction in Progress	102,672,520	113,129,053	(111,313,832)	(50,175)	104,437,566
Capital Assets, Nondepreciable	121,446,890	113,330,053	(111,203,832)	(50,175)	123,522,936
Capital Assets, Depreciable:					
Buildings	949,180,600		99,962,122	(485,692)	1,048,657,030
Land Improvements	17,800,540		1,203,616		19,004,156
Infrastructure	179,760,580		10,038,094		189,798,674
Equipment	207,420,910	19,561,800		(8,614,027)	218,368,683
Library	171,076,656	10,802,307		(788,540)	181,090,423
Capital Assets, Depreciable	1,525,239,286	30,364,107	111,203,832	(9,888,259)	1,656,918,966
Accumulated Depreciation:					
Buildings	435,299,869	28,800,264		(325,517)	463,774,616
Land Improvements	8,313,085	889,895			9,202,980
Infrastructure	108,229,872	7,366,541			115,596,413
Equipment	128,614,202	12,252,411		(7,733,114)	133,133,499
Library	133,164,009	8,228,975		(788,540)	140,604,444
Accumulated Depreciation	813,621,037	57,538,086	-	(8,847,171)	862,311,952
Depreciable Assets, Net	711,618,249	(27,173,979)	111,203,832	(1,041,088)	794,607,014
Total Capital Assets, Net	$ 833,065,139	$ 86,156,074	$ -	$ (1,091,263)	$ 918,129,950

Capital assets, net of accumulated depreciation, purchased with resources provided by outstanding capital lease agreements at June 30, 2009, consisted of $82,313 of buildings and $2,584,566 of equipment.

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2009, is summarized as follows:

	July 1, 2008	Additions	Deductions	June 30, 2009	Current Portion
Long-Term Debt:					
Bonds Payable	$ 339,113,356	$ 50,287,028	$ 17,153,381	$ 372,247,003	$ 16,590,000
Notes Payable	1,574,864	4,637,335	797,426	5,414,773	958,682
Capital Leases Payable	2,441,607	53,400	534,928	1,960,079	494,059
Total Long-Term Debt	343,129,827	54,977,763	18,485,735	379,621,855	18,042,741
Other Long-Term Liabilities:					
Compensated Absences	40,101,463	21,546,461	19,387,696	42,260,228	19,287,477
Early Retirement Benefits Payable	963,998	7,955,548	758,503	8,161,043	1,186,980
Refundable Advances on Student Loans	18,178,893			18,178,893	
Deferred Revenue	694,016		302,298	391,718	252,397
Deferred Compensation	344,605	66,414		411,019	
Due to State	-	4,811,884		4,811,884	1,175,728
Net Other Post-Employment Benefits Obligation	5,194,285	8,054,626	2,831,840	10,417,071	
Total Other Long-Term Liabilities	65,477,260	42,434,933	23,280,337	84,631,856	21,902,582
Total Long-Term Liabilities	$ 408,607,087	$ 97,412,696	$ 41,766,072	$ 464,253,711	$ 39,945,323

A. Bonds Payable

Outstanding long-term revenue bond indebtedness at June 30, 2009, consisted of the following:

	Interest Rates	Maturity Dates	Amount
Academic Building	3.00 – 5.25%	2010-2036	$ 123,745,000
Less: Unamortized Discount			(909,601)
Athletic Facilities	4.10 – 6.10%	2010-2034	20,395,000
Less: Unamortized Discount			(256,936)
Dormitory	3.00 – 5.25%	2010-2030	133,845,000
Less: Unamortized Discount			(184,647)
Less: Unamortized Refunding Loss			(160,000)
Indoor Multi-Purpose	3.00 – 4.50%	2010-2021	4,785,000
Less: Unamortized Discount			(62,000)
Memorial Union	3.00 – 4.625%	2010-2031	22,730,000
Less: Unamortized Discount			(278,452)
Parking System	3.80 – 5.00%	2010-2023	4,785,000
Recreational System Facilities	3.50 – 4.75%	2014-2038	27,000,000
Less: Unamortized Discount			(297,972)
Regulated Materials Facility	3.00 – 4.55%	2010-2020	5,260,000
Less: Unamortized Discount			(40,644)
Student Health Facility	5.30 – 5.50%	2010-2014	2,175,000
Utility System	2.90 – 4.85%	2010-2027	29,915,000
Less: Unamortized Discount			(197,745)
Total Bonds Payable			$ 372,247,003

Debt service requirements to maturity, as of June 30, 2009, are as follows:

Year Ending June 30,	*Principal*	*Interest*	*Total*
2010	*$ 16,590,000*	*$ 16,048,091*	*$ 32,638,091*
2011	*17,610,000*	*15,399,072*	*33,009,072*
2012	*19,020,000*	*14,654,088*	*33,674,088*
2013	*18,340,000*	*13,887,948*	*32,227,948*
2014	*19,450,000*	*13,098,484*	*32,548,484*
2015-2019	*78,705,000*	*55,507,906*	*134,212,906*
2020-2024	*83,065,000*	*38,076,524*	*121,141,524*
2025-2029	*81,235,000*	*18,674,418*	*99,909,418*
2030-2034	*30,095,000*	*5,466,187*	*35,561,187*
2035-2038	*10,525,000*	*844,797*	*11,369,797*
Less: Unamortized Discount	*(2,227,997)*		*(2,227,997)*
Less: Unamortized Refunding Loss	*(160,000)*		*(160,000)*
Total	*$ 372,247,003*	*$ 191,657,515*	*$ 563,904,518*

In March 2009, the University deposited funds into a trust fund held by the University Treasurer to defease $2,200,000 of Recreational Facility Revenue Refunding Bonds, Series I.S.U. 2004. As a result, the Series 2004 bonds are considered defeased, and the liability for those bonds has been removed from the financial statements.

In May 2009, the University issued $10,925,000 in Dormitory Revenue Refunding Bonds, Series I.S.U. 2009, the proceeds of which were placed in an irrevocable trust to advance refund $10,815,000 of Dormitory Revenue Bonds, Series I.S.U. 1998A. The refunding of these bonds permitted the University to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $717,537 and will reduce future aggregate debt service payments over the next 17 years by $936,027.

B. Notes Payable

The University had the following notes payable outstanding at June 30, 2009:

	Interest Rates	*Maturity Dates*	*Amount*
Athletic System	*5.82%*	*2010-2025*	*$ 4,000,000*
Compost Facility	*0.00%*	*2010-2014*	*117,029*
Design College Computer	*4.61 – 6.11%*	*2010-2012*	*684,087*
Ice Arena Facility	*5.95%*	*2010-2013*	*613,657*
Total			*$ 5,414,773*

Debt service requirements to maturity, as of June 30, 2009, are as follows:

Year Ending June 30,	*Principal*	*Interest*	*Total*
2010	*$ 958,682*	*$ 287,500*	*$ 1,246,182*
2011	*811,513*	*239,959*	*1,051,472*
2012	*744,535*	*196,740*	*941,275*
2013	*289,920*	*161,120*	*451,040*
2014	*198,222*	*148,256*	*346,478*
2015-2019	*913,166*	*590,384*	*1,503,550*
2020-2024	*1,211,803*	*285,780*	*1,497,583*
2025	*286,932*	*12,584*	*299,516*
Total	*$ 5,414,773*	*$ 1,922,323*	*$ 7,337,096*

C. Capital Leases Payable

The University has an equipment master lease agreement to finance the acquisition of certain equipment. The lease payments are due semi-annually through fiscal year 2012 and bear interest rates ranging from 3.56% to 5.63%. The principal balance was $353,501 and $529,195, respectively, as of June 30, 2009 and 2008.

In addition to the master lease agreement, the University has other capital lease agreements with various manufacturers. These lease payments are due through fiscal year 2014 at interest rates ranging from 1.9% to 7.49%. The principal balance of these leases was $1,606,578 and $1,912,412, respectively, as of June 30, 2009 and 2008.

The following is a schedule by year of future minimum lease payments required as of June 30, 2009:

Year Ending June 30,	*Principal*	*Interest*	*Total*
2010	*$ 494,059*	*$ 105,025*	*$ 599,084*
2011	*513,432*	*77,145*	*590,577*
2012	*516,990*	*48,329*	*565,319*
2013	*428,277*	*20,326*	*448,603*
2014	*7,321*	*497*	*7,818*
Total	*$ 1,960,079*	*$ 251,322*	*$ 2,211,401*

D. Net Other Post-Employment Benefits (OPEB) Obligation

The University implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2008.

Plan Description. The University operates a single-employer retiree benefit plan which provides medical, dental and life insurance benefits for faculty and staff and their spouses. The actuarial valuation was based on 4,547 active and 1,470 retired members in the plan. Employees must be age 55 or older at retirement.

The medical and prescription drug benefit, which is a self-funded plan, is administered by Wellmark Blue Cross Blue Shield of Iowa. The dental benefit, which is also self-funded, is administered by Delta Dental of Iowa. The life insurance benefit is administered by Principal Mutual Life Insurance Co. Retirees pay full group-blended rates for medical and prescription drug coverage, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit. Retirees continuously enrolled in the University-sponsored plan for a minimum of 10 years preceding retirement are eligible for a University-sponsored term life policy which results in an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the University. The University currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost is calculated based on the annual required contribution (ARC) of the University, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the University's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

Annual Required Contribution (ARC)	*$ 8,147,241*
Interest on Net OPEB Obligation	*207,771*
Adjustment to Annual Required Contribution	*(300,386)*
Annual OPEB Cost	*8,054,626*
Contributions Made	*(2,831,840)*
Increase in Net OPEB Obligation	*5,222,786*
Net OPEB Obligation, Beginning of Year	*5,194,285*
Net OPEB Obligation, End of Year	*$ 10,417,071*

For fiscal year 2009, the University contributed $2.8 million to the medical plan. Plan members receiving benefits contributed $1.7 million, or 38% of the premium costs.

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Fiscal Year Ended	*Annual OPEB Cost*	*Percentage of Annual OPEB Cost Contributed*	*Net OPEB Obligation*
6/30/2009	*$8,054,626*	*35.2%*	*$10,417,071*

Funded Status and Funding Progress. As of the valuation date, for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was $65.1 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $65.1 million. The covered payroll (annual payroll of active employees covered by the plan) was $293.8 million, and the ratio of the UAAL to the covered payroll was 22.2%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to the Financial Statements, will 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.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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.

As of the July 1, 2007 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate based on the pay-as-you-go funding policy. The projected annual medical trend rate is 8.5%. The ultimate medical trend rate is 5%. The medical trend rate is held at 8.5% for three years and then is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Healthy Fully Generational Mortality Table. Annual retirement and termination probabilities were developed by adjusting industry tables to reflect University experience. The UAAL is being amortized over a rolling 30-year open period using the level dollar method.

NOTE 7 - OPERATING LEASES

The University has leased various buildings and equipment. These leases have been classified as operating leases and, accordingly, all rents are charged to expense as incurred. These leases expire before June 30, 2014, and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the leased properties. In most cases, management expects the leases will be renewed or replaced by other leases.

The following is a schedule, by year, of future minimum rental payments required under operating leases, which have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2009.

Year Ending June 30,	*Amount*
2010	*$ 2,149,965*
2011	*1,913,668*
2012	*1,015,214*
2013	*483,576*
2014	*356,846*
Total	*$ 5,919,269*

All leases contain nonappropriation clauses indicating continuation of the lease is subject to funding by the legislature.

Rental expense for the operating leases disclosed above was $2,190,915 and $1,730,518, respectively, for the years ended June 30, 2009 and 2008.

NOTE 8 - RESTRICTED NET ASSETS

The University's restricted net assets are classified according to externally imposed restrictions. The following table provides detail of the Restricted Net Assets balances.

	June 30, 2009	*June 30, 2008*
Restricted-Nonexpendable:		
Permanently Endowed Funds	*$32,058,281*	*$31,534,140*
Restricted-Expendable:		
Student Loans	*10,460,649*	*8,910,464*
Scholarships, Research, and Educational Purposes	*9,122,641*	*13,545,981*
Reserve for Debt Service	*12,831,450*	*12,978,396*
Capital Projects	*18,562,587*	*4,979,619*
Total Restricted-Expendable	*50,977,327*	*40,414,460*
Total Restricted Net Assets	*$83,035,608*	*$71,948,600*

The Foundation's temporarily and permanently restricted net assets are available for the following purposes:

	June 30, 2009	June 30, 2008
Temporarily Restricted:		
College Program Support	*$ 50,018,830*	*$ 43,239,288*
Student Financial Aid	*19,863,648*	*18,436,337*
Faculty and Staff Support	*9,499,309*	*9,631,161*
Research	*9,295,564*	*9,878,195*
Building, Equipment, and Maintenance	*71,795,955*	*76,867,976*
Other	*3,241,846*	*2,704,575*
Total Temporarily Restricted Net Assets	*$163,715,152*	*$ 160,757,532*
Permanently Restricted:		
College Program Support	*$133,813,112*	*$164,293,259*
Student Financial Aid	*124,632,425*	*153,446,478*
Faculty and Staff Support	*75,569,793*	*87,389,894*
Research	*10,209,599*	*13,421,166*
Building, Equipment, and Maintenance	*1,858,266*	*2,350,920*
Other	*12,277,356*	*13,531,124*
Total Permanently Restricted Net Assets	*$358,360,551*	*$434,432,841*

NOTE 9 - RETIREMENT PROGRAMS

A. Teachers Insurance and Annuity Association (TIAA-CREF)

The University contributes to the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) retirement program that is a defined contribution plan. TIAA-CREF administers the retirement plan for the University. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents establishes and amends the plan's provisions and contribution requirements. As required by the Board of Regents' policy, all eligible University employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, 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 $4,800. Upon completion of five years of service, the participant contributes 5% and the University 10% on all earnings. The University's required and actual contributions amounted to $35,731,759 and $33,749,478 respectively, for the years ended June 30, 2009 and 2008. The employees' required and actual contributions amounted to $17,865,950 and $16,874,739 respectively, for the years ended June 30, 2009 and 2008.

B. Iowa Public Employees' Retirement System

The University contributes to the Iowa Public Employees' Retirement System (IPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. 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. That report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.1% of their annual covered salary; the University is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. For the year ended June 30, 2008, plan members were required to contribute 3.9% of their annual covered salary while the University was required to contribute 6.05% of annual covered payroll. For the year ended June 30, 2007, plan members were required to contribute 3.7% of their annual covered salary while the University was required to contribute 5.75% of annual covered payroll. These contribution requirements are established by State statute. The University's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were $829,978, $716,819, and $687,839, respectively, equal to the required contributions for each year.

C. 1997 Early Retirement Program

Faculty, professional and scientific employees, merit system employees, institutional officials, and staff of the Board Office not under the Regent Merit System who were employed by the Board of Regents for a period of at least fifteen continuous years and who attained the age of 57 by June 30, 2002 were eligible for participation in the early retirement incentives program. During the years of participation in the program, the University provides the following fringe benefits based upon the employee's salary at the time of retirement and adjusted for changes in benefits that occur at specific ages: (1) the employer's contributions for health and dental insurance until the employee is eligible for Medicare coverage; (2) a $4,000 paid-up life insurance policy; and (3) for employees covered by the TIAA/CREF retirement program, employee's and employer's contributions for up to three years and employer's contributions for up to an additional two years, with contributions payable for a maximum of five years or until eligible for full Social Security benefits, whichever occurs first (contributions for employees covered by IPERS are available as a cash payment equal to the present value of the benefits). As an alternative, if the employer agrees, all or part of the incentives except the $4,000 life insurance policy could be provided as a cash payment equal to the present value of the benefit(s) for which it is substituted.

At its July 2001 meeting, the Board of Regents approved discontinuation of the early retirement incentive program upon its expiration on June 30, 2002. The Board also authorized each institutional head to exercise discretion as to whether faculty and staff who qualified for participation in the program on June 30, 2002, may have two years after expiration of the program to request participation. As a result of this change, faculty and staff of the University who were qualified for participation as of June 30, 2002, had through June 30, 2004, to elect participation.

As of June 30, 2009, 40 employees had elected to receive these early retirement benefits, for which the University is committed to future benefit payments totaling $205,495 as reported on the Statement of Net Assets. During the fiscal years ended June 30, 2009 and 2008, the University paid $813,130 and $1,390,318, respectively, for continuing benefits. All incentive payments are financed on a pay-as-you-go basis.

D. 2009 Retirement Incentive Option

At its March 2009 meeting, the Board of Regents approved a Retirement Incentive Option (RIO) program. Faculty, professional and scientific employees, merit system employees, and institutional officials who accumulate ten years of service with the University and who attain the age of 60 by the date of retirement are eligible for participation. This program is a one-time program with retirement required to occur no later than January 31, 2010. Upon retirement, the participant will be provided health and dental coverage for a period of up to five years with the University providing both the employee and employer share of contributions not to exceed the employee and spouse/domestic partner rate for the University's professional plans and not to exceed the employee and family rate for the State of Iowa plans. Eligible employees who elect the incentive and reach Medicare eligibility during the incentive period will be allowed to continue in the incentive with the contributions reduced to integrate with Medicare eligibility. Term life insurance benefits are fully insured for eligible retirees and are paid for directly by the life insurance carrier. The University pays a stated premium based on the value of the policy (which is $4,000) directly to the carrier. The stated premium rate is the same as the premium rate for the active employer life coverage in effect during the fiscal year.

At the close of the application period on June 30, 2009, 209 employees had elected the Retirement Incentive Option for which the University is committed to providing health and dental benefits for a total of five years. The University is committed to future benefit payments totaling $7,955,548. All incentive payments are financed on a pay-as-you-go basis.

In the event of the retiree's death, the University's obligation to pay the cost of the health and dental coverage will cease on the first day of the month following the date of death.

NOTE 10 - COMMITMENTS AND RISK MANAGEMENT

A. Commitments

At June 30, 2009 and 2008, the University had outstanding construction contract commitments of $60,902,850 and $46,368,202, respectively.

B. Risk Management

Iowa State University has elected to self-insure, or internally assume, certain potential losses where management believes it is more economical to manage these risks internally. The University's exposure and management of various risks are delineated below.

1. Employee Health and Dental Benefits

The State of Iowa purchases commercial health and dental insurance for general service staff of the University. The University and employees share the cost of the premium and reimburse the State for the coverage. The University self-funds its medical and dental insurance for non-general service staff employees. The University insures its medical claims with stop-loss insurance at 125% in aggregate for all plans and a $300,000 individual maximum.

The following schedule presents the changes in claims liabilities for self-funded medical and dental insurance. The claims liabilities were calculated according to generally accepted actuarial principles in accordance with Actuarial Standard of Practice No. 5, and based on data provided by the University and the health plan vendors.

	2009	*2008*
Unpaid Claims and Contingent Liabilities Accrued at July 1, 2008 and 2007	$ 4,019,000	$ 3,544,000
Claims Incurred and Contingent Liabilities Accrued During the Fiscal Year	39,202,472	40,080,111
Payments on Claims During the Fiscal Year	(39,011,472)	(39,605,111)
Unpaid Claims and Contingent Liabilities Accrued at June 30, 2009 and 2008	$ 4,210,000	$ 4,019,000

2. Employee Workers' Compensation/Unemployment Insurance

The State of Iowa self-insures, on behalf of the University, for losses related to workers' compensation and unemployment claims on state supported employees. The Iowa Department of Administrative Services (DAS) administers both programs. At the beginning of the fiscal year, DAS calculates an annual workers' compensation premium to be paid in quarterly increments for non-state supported employees of the University. The University's share of unemployment claims for non-state supported employees is also billed quarterly. The University establishes an internal rate for each program and separately charges each department for the benefits. Receipts from these charges are deposited into two separate reserve funds, considered self-insured pools, from which the quarterly payments are made. Since these reserves are maintained at a level adequate to pay the required premiums by adjusting the internal rates, no additional risk is assumed.

3. Employee Medical and Dependent Care Flexible Spending Programs

Eligible University employees have an option to participate in one or two flexible spending programs where they can elect to have a maximum of $5,000 deducted from payroll on a pre-tax, non-refundable basis for either or both programs. These pre-tax deductions are used by the employee to cover qualified uninsured medical, dental and vision claims under the Medical Flexible Spending Program and/or qualified dependent care expenses under the Dependent Care Flexible Spending Program. The Medical Flexible Spending Program carries an element of self-insurance risk, as required by federal law. Since the University deducts only 1/12 of an annually elected amount from the employee's pay each month, but is liable for the total annual elected amount upon presentation of appropriate claims, it would be at risk for the difference between an employee's total reimbursed claims and the amount collected from payroll deductions should the employee terminate before contributing the total amount. The University, by law, cannot seek restitution for this difference. This same risk does not apply to the payroll deduction for the Dependent Care Flexible Spending Program as an employee can only claim what has been deducted from their payroll. These employee contributions are maintained in a separate account, which has carried a surplus balance since inception of the program due to contributions exceeding claims each year. This surplus balance is used to fund the administrative costs of the program.

4. General Liability

The State maintains an employee fidelity bond whereby the first $100,000 of losses is the responsibility of the University. Losses between $100,000 and $2,000,000 are insured. The University also maintains an employee blanket bond to cover losses up to $4,000,000.

The State of Iowa self-insures, on behalf of the University, losses related to tort claims. The Board of Regents entered into a 28E agreement with the Department of Management, the State Appeal Board, and the Attorney General for resolution of tort claims of $5,000 or less. Regents institutions are authorized to approve individual claims up to $5,000, but not to exceed $100,000 in aggregate per year. Tort claims settled in excess of $5,000 must be unanimously approved by all members of the State Appeal Board, the Attorney General, and the District Court of the State of Iowa for Polk County. Tort claims may be paid from the State's General Fund without limit.

5. Motor Vehicle Insurance

The Board of Regents' institutions cooperatively self-insure for liability losses related to motor vehicles up to $250,000. Each Regents' institution is required to pay a pre-determined monthly premium for each vehicle into the cooperative insurance pool. Losses in excess of $250,000 are self-insured by the State as provided in Chapter 669 of the Code of Iowa. The University self-insures its vehicles for physical damage. In addition to liability coverage, the insurance pool also self-insures for comprehensive and collision damage.

6. Property Insurance

The State of Iowa self-insures, on behalf of the University, property deemed general university property which is exclusive of property belonging to self-supporting enterprises. A contingency fund exists under Section 29C.20 of the Code of Iowa to provide compensation for loss or damage to state property (includes general university property). The Code of Iowa states that claims in excess of $5,000 may be submitted to the Executive Council for consideration. When a loss exceeds $500,000, it is necessary to seek an appropriation from the General Assembly. The University purchases catastrophic commercial property insurance, including earthquake and flood coverage, for its general fund buildings with a $2,000,000 per incident deductible. The University commercial insurance program also includes coverage for enterprise facilities such as the residence system, Iowa State Center, power plant, etc., with deductibles ranging from $10,000 to $1,000,000 per occurrence.

7. Business Interruption and Extra Expense Insurance

The University self-insures for business interruption losses of its general mission revenues, such as tuition and fees, etc. Commercial insurance is purchased to cover business interruption losses for self-supporting enterprises such as the golf course, residence system, Iowa State Center, etc.

8. Insurance Settlements

The University had no settlements exceeding insurance coverage in any of the past three fiscal years.

NOTE 11 – OPERATING EXPENSE BY FUNCTION

The following is a summary of operating expenses by functional classification for the year ended June 30, 2009.

	Compensation And Benefits	Supplies	Services, Repairs & Professional Services	Other	Total
Instruction	$ 186,138,539	$ 11,819,674	$ 11,597,673	$	$ 209,555,886
Research	108,006,906	20,844,036	30,890,728		159,741,670
Public Service	58,021,197	9,209,188	15,004,864		82,235,249
Academic Support	82,450,708	8,320,585	12,148,956		102,920,249
Student Services	18,591,424	6,247,961	5,215,015		30,054,400
Institutional Support	32,080,163	4,193,934	3,827,818		40,101,915
Operation & Maintenance	31,051,161	19,529,572	1,380,183		51,960,916
Scholarships & Fellowships				24,429,945	24,429,945
Auxiliary Enterprises	60,613,179	39,799,740	11,474,376		111,887,295
Independent Operations	22,810,239	7,704,253	1,491,312		32,005,804
Depreciation				57,538,086	57,538,086
Other Operating Expenses				616,579	616,579
Total Operating Expenses	$ 599,763,516	$ 127,668,943	$ 93,030,925	$ 82,584,610	$ 903,047,994

NOTE 12 - SEGMENT INFORMATION

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

A. Academic Building Revenue Bonds

The Academic Building Revenue Bonds were issued to construct and renovate academic buildings of the University. Revenues pledged for these issues are gross student fees and institutional income received by the University.

B. Athletic Facilities Revenue Bonds

The Athletic Facilities Revenue bonds were issued to construct and equip intercollegiate athletic facilities. Revenues pledged for these issues are net revenues of the athletic facilities system.

C. Dormitory Revenue Bonds

The Dormitory Revenue Bonds were issued to build various residence halls, suites, and apartments. Revenues pledged for these issues are the net rents, profits, and income from the Department of Residence facilities of the University.

D. Ice Arena Facility Revenue Notes

The Ice Arena Facility Revenue Notes were issued in 2000 to construct, improve, and equip an Ice Arena Facility. Revenues pledged for this issue are the student ice arena facility fees.

E. Indoor Multipurpose Use and Training Facility Revenue Bonds

The Indoor Multipurpose Use and Training Facility Revenue Bonds were issued in 2003 to construct the Stephen and Debora Bergstrom Indoor Multipurpose Use and Training Facility. Revenues pledged for this issue are gift income and the rents, profits, and income derived from the operation of the facility, including the Multipurpose Use and Training Facility Student Fee.

F. Memorial Union Revenue Bonds

The Memorial Union Revenue Bonds were issued in 2004 to improve, remodel, repair, and construct additions to the Memorial Union Building and the Memorial Union Parking Facility and to refund the outstanding Memorial Union Series 2000 Notes. Revenues pledged for this issue are the net revenues of the Memorial Union and student building fees.

G. Parking System Revenue Bonds

The Parking System Revenue Bonds were issued in 2002 to recondition and expand vehicle parking spaces with the construction of a connecting roadway at Jack Trice Stadium. In addition, the bonds were used to construct a single level parking deck on the University campus. Revenues pledged for this issue are the net revenues of the University's parking system.

H. Recreational System Facilities Revenue Bonds

The Recreational System Facilities Revenue Bonds were issued in 2009 to construct, furnish and equip new recreational building space and to complete other improvements to recreational facilities. Revenues pledged for this issue are the net revenues of the recreational facilities system.

I. Regulated Materials Facility Revenue Bonds

The Regulated Materials Facility Revenue Bonds were issued in 2003 to construct, furnish, and equip a regulated materials facility now known as the Environmental Health & Safety Services Building. Revenues pledged for this issue are the net revenues of the Regulated Materials Facility system.

J. Student Health Facility Revenue Bonds

The Student Health Facility Revenue Bonds were issued in 1995 to construct, improve, and equip a student health center now known as the Thomas H. Thielen Student Health Center. Revenues pledged for this issue are the Student Health Facility Fees, net income from the Student Health Center operations, and gift income.

K. Utility System Revenue Bonds

The Utility System Revenue Bonds were issued to construct, improve and equip various components of the University's utility system. Revenues pledged for this issue are the net revenues of the utility system, utility system student fees and interest on investments.

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, 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 - 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.

Insurance – The University maintains property and business interruption insurance coverage on various bonded enterprise facilities per requirements of the bond covenants.

As of and for the year ended June 30, 2009

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds	Ice Arena Facility Revenue Notes
CONDENSED STATEMENT OF NET ASSETS				
Assets:				
Current Assets	$ 9,446,352	$ 6,814,034	$ 12,036,911	$ 98,403
Noncurrent Assets	20,714,745	1,608,602	38,751,409	485,838
Capital Assets	108,246,569	21,417,828	135,635,633	2,993,081
Total Assets	138,407,666	29,840,464	186,423,953	3,577,322
Liabilities:				
Current Liabilities	9,443,179	6,803,580	10,958,881	180,934
Noncurrent Liabilities	119,793,479	19,718,064	129,857,304	450,979
Total Liabilities	129,236,658	26,521,644	140,816,185	631,913
Net Assets:				
Invested in Capital Assets, Net of Related Debt	613,612	3,236,967	19,600,726	2,459,571
Restricted	8,502,605	13,833	170,011	
Unrestricted	54,791	68,020	25,837,031	485,838
Total Net Assets	$ 9,171,008	$ 3,318,820	$ 45,607,768	$ 2,945,409
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS				
Operating Revenues	$156,650,920	$ 11,096,991	$ 71,201,450	$
Operating Expenses		(1,128,714)	(52,851,954)	
Depreciation Expense	(5,688,175)	(892,410)	(4,787,574)	(100,908)
Net Operating Income/(Loss)	150,962,745	9,075,867	13,561,922	(100,908)
Nonoperating Revenues/(Expenses)	(4,676,577)	(876,029)	(5,657,478)	(26,844)
Other Revenues/(Expenses) and Transfers	(145,230,717)	(5,306,431)	(323,572)	190,730
Change in Net Assets	1,055,451	2,893,407	7,580,872	62,978
Beginning Net Assets	8,115,557	425,413	38,026,896	2,882,431
Ending Net Assets	$ 9,171,008	$ 3,318,820	$ 45,607,768	$ 2,945,409
CONDENSED STATEMENT OF CASH FLOWS				
Net Cash and Cash Equivalents Provided/(Used) By:				
Operating Activities	$156,650,920	$ 9,651,234	$ 16,814,693	$
Non-Capital Financing Activities				
Capital and Related Financing Activities	(156,788,859)	(13,677,528)	(23,647,544)	(6,077)
Investing Activities	722,929	208,928	(5,020,055)	11,984
Net Increase/(Decrease)	584,990	(3,817,366)	(11,852,906)	5,907
Beginning Cash and Cash Equivalents	7,221,384	9,760,001	24,958,766	479,931
Ending Cash and Cash Equivalents	$ 7,806,374	$ 5,942,635	$ 13,105,860	$ 485,838

Indoor Multipurpose Facility Revenue Bonds	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Student Health Facility Revenue Bonds	Utility System Revenue Bonds
$ 673,853	$ 1,184,538	$ 865,269	$ 58,898	$ 499,556	$ 3,631,063	$ 22,426,778
744,383	4,817,127	2,740,808	25,765,118	2,552,807	1,476,475	6,076,802
8,839,145	32,572,931	5,882,140	2,523,315	7,996,763	4,243,218	56,133,484
10,257,381	38,574,596	9,488,217	28,347,331	11,049,126	9,350,756	84,637,064
673,853	1,465,841	507,932	70,441	499,556	852,704	4,841,104
4,537,321	22,800,760	4,571,000	26,951,657	4,824,356	1,931,604	26,862,255
5,211,174	24,266,601	5,078,932	27,022,098	5,323,912	2,784,308	31,703,359
4,959,795	11,457,171	1,832,390	(65,926)	3,786,220	2,383,218	28,284,147
19,183	741	18,924	26,893	7,176	1,476,476	2,651,106
67,229	2,850,083	2,557,971	1,364,266	1,931,818	2,706,754	21,998,452
$ 5,046,207	$ 14,307,995	$ 4,409,285	$ 1,325,233	$ 5,725,214	$ 6,566,448	$ 52,933,705
$ 47,500	$ 2,982,362	$ 3,274,341	$ 455,205	$ 550,501	$ 8,601,676	$ 34,513,028
(44,868)	(5,080,272)	(2,294,058)	(1,686,592)		(8,539,815)	(28,893,312)
(252,540)	(1,513,249)	(408,789)		(227,666)	(246,860)	(2,939,776)
(249,908)	(3,611,159)	571,494	(1,231,387)	322,835	(184,999)	2,679,940
(182,892)	(883,663)	(141,248)	14,031	(154,720)	(44,795)	(706,208)
524,000	5,238,066	19,096	2,542,589	250,000	418,400	100,000
91,200	743,244	449,342	1,325,233	418,115	188,606	2,073,732
4,955,007	13,564,751	3,959,943	-	5,307,099	6,377,842	50,859,973
$ 5,046,207	$ 14,307,995	$ 4,409,285	$ 1,325,233	$ 5,725,214	$ 6,566,448	$ 52,933,705
$ 2,632	$ (2,064,342)	$ 790,995	$ (1,162,606)	$ 550,501	$ 25,922	$ 5,027,938
1,869	2,103,060	(668,563)	26,991,634	(357,904)	(128,714)	(8,809,410)
10,679	128,156	73,798	(1,991,145)	51,770	530,604	(3,495,260)
15,180	166,874	196,230	23,837,883	244,367	427,812	(7,276,732)
81,296	3,015,218	2,123,462	-	1,698,137	3,664,434	26,358,378
$ 96,476	$ 3,182,092	$ 2,319,692	$ 23,837,883	$ 1,942,504	$ 4,092,246	$ 19,081,646

As of and for the year ended June 30, 2009

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds	Ice Arena Facility Revenue Notes
DEBT SERVICE COVERAGE				
Debt Service Coverage % Required	N/A	120%	135%	N/A
Debt Service Coverage % Actual	N/A	682%	207%	N/A
PROPORTION OF REVENUE PLEDGED				
Annual Debt Service	$ 11,821,872	$ 1,490,616	$ 10,821,842	$ 196,806
Net Pledged Revenue	$ 157,063,673	$10,169,997	$ 22,415,865	$ 210,730
Annual Debt Service / Net Pledged Revenue	8%	15%	48%	93%
REVENUE BONDS/NOTE PAYABLE				
A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2009, is as follows:				
Beginning Balance	$ 104,297,568	$20,127,358	$137,729,000	$ 767,071
Additions	24,700,000			
Deductions	(6,162,169)	10,706	(4,228,647)	(153,414)
Ending Balance	$ 122,835,399	$20,138,064	$133,500,353	$ 613,657
DEBT SERVICE REQUIREMENTS				
A summary of bond debt service for payment of principal and interest follows. As of June 30th, the amounts shown for debt service payments due on July 1st were on hand.				
Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st
2010	$ 12,041,859	$ 1,480,396	$ 10,658,414	$ 196,806
2011	12,026,969	1,479,441	10,651,232	196,806
2012	12,560,096	1,482,354	10,741,009	196,806
2013	11,077,210	1,474,271	10,763,203	98,403
2014	10,755,570	1,475,194	10,749,153	
2015-2019	40,965,924	7,377,915	53,566,905	
2020-2024	35,890,356	7,384,225	49,586,263	
2025-2029	33,310,187	7,378,021	39,231,884	
2030-2034	14,021,516	7,392,978	1,468,184	
2035-2038	3,628,672			
Unamortized Discount, Premium, Refunding Loss	(909,601)	(256,936)	(344,647)	
Total	$ 185,368,758	$36,667,859	$197,071,600	$ 688,821
COMMITMENTS				
As of June 30, 2009, the university had outstanding construction contract commitments as follows:				
Contract Commitments	$ 27,905,192	$ 15,067	$ 2,034,743	$ -

Indoor Multipurpose Facility Revenue Bonds	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Student Health Facility Revenue Bonds	Utility System Revenue Bonds
135%	120%	120%	125%	120%	120%	120%
221%	285%	235%	254%	421%	358%	151%
$ 517,913	$ 1,604,000	$ 474,953	$ 105,880	$ 604,113	$ 432,973	$ 4,089,628
$ 1,145,421	$ 4,574,873	$ 1,114,072	$ 269,190	$ 2,540,918	$ 1,548,619	$ 6,190,305
45%	35%	43%	39%	24%	28%	66%
$ 5,032,833	$ 23,083,289	$ 5,030,000	$ -	$ 5,600,291	$ 2,475,000	$ 32,450,136
			26,702,028			
(309,833)	(631,741)	(245,000)		(380,935)	(300,000)	(2,732,881)
$ 4,723,000	$ 22,451,548	$ 4,785,000	$ 26,702,028	$ 5,219,356	$ 2,175,000	$ 29,717,255
Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	May & Nov 1st
$ 513,038	$ 1,594,025	$ 470,107	$ 770,038	$ 598,187	$ 424,625	$ 4,087,402
512,635	1,588,850	469,963	1,155,056	595,681	422,450	4,106,795
510,984	1,592,722	469,025	1,155,056	596,750	419,308	4,146,784
508,292	1,594,933	467,403	1,155,056	596,244	420,046	4,171,290
509,325	1,595,235	469,967	1,351,556	599,215	842,550	4,200,719
2,535,544	8,004,541	2,335,805	8,732,156	2,989,104		7,705,012
1,014,100	8,049,500	1,874,704	9,033,600	593,195		7,715,581
	8,105,316		9,244,094			2,639,916
	3,266,150		9,412,359			
			7,741,125			
(62,000)	(278,452)		(297,972)	(40,644)		(197,745)
$ 6,041,918	$ 35,112,820	$ 6,556,974	$ 49,452,124	$ 6,527,732	$ 2,528,979	$ 38,575,754
$ -	$ -	$ 176,225	$ 1,371,823	$ -	$ 275,308	$ 58,106

NOTE 13 - SUBSEQUENT EVENTS

Subsequent to June 30, 2009, the Board of Regents, State of Iowa, authorized the issuance of an unsecured and subordinated promissory note, Series I.S.U. 2009B for $4,000,000, dated August 11, 2009. This note will bear interest at a variable, semiannual interest rate, provided that in no event will the interest rate exceed 10% per annum. The interest rate may be converted at the option of the University to a fixed annual rate of interest. The note will be repaid in semiannual payments from November 1, 2009 through November 1, 2029. The proceeds of the note will be used to finance certain improvements for Iowa State University's Jack Trice Stadium Improvements-East Concourse Project. The loan payments shall be payable solely out of net revenues of the Athletic Facilities System, and shall be a junior and subordinate obligation to the outstanding Athletic Facilities Revenue Bonds.

Subsequent to June 30, 2009, the Board of Regents, State of Iowa, authorized the sale of Academic Building Revenue Refunding Bonds, Series I.S.U. 2009 for $15,165,000 issued on September 1, 2009. These bonds will bear interest at varying rates between 2.5% and 4.0% and will mature in varying amounts from July 1, 2014 through July 1, 2019. The proceeds of these bonds will be used to refund in advance of maturity (i) the July 1, 2010 through July 1, 2013 maturities of the Series 1998 Refunding Bonds, (ii) the July 1, 2010 through July 1, 2013 maturities of the Series 2001A Refunding Bonds, (iii) the July 1, 2010 through July 1, 2015 maturities of the Series 2001B Refunding Bonds, and to pay the costs of issuance. These bonds will be payable solely from gross student fees and charges collected by the University and institutional income received by the University.

Subsequent to June 30, 2009, the Board of Regents, State of Iowa, authorized the issuance of a lease purchase agreement dated September 1, 2009, in the amount of $6,900,000 for a basketball practice facility. The Series A interests in the amount of $5,900,000 will bear a fixed interest rate of 5.07% and be repaid in semiannual payments from May 1, 2010, through May 1, 2020. The Series B interests in the amount of $1,000,000 will bear interest at a variable, semiannual rate and be repaid in semiannual payments from November 1, 2009, through November 1, 2019. The interest rate may be converted to a fixed annual rate of interest at the option of the University.

Also subsequent to June 30, 2009, the Board of Regents, State of Iowa, authorized the sale of Academic Building Revenue Bonds, Series I.S.U. 2009A for $26,000,000 issued on October 1, 2009. These bonds will bear interest at varying rates between 3.0% and 5.0% and will mature in varying amounts from July 1, 2016 through July 1, 2035. The proceeds of these bonds will be used to pay a portion of the costs of constructing additions to and improving, remodeling, repairing, and equipping the Chemistry Building (Hach Hall), funding a capitalized interest fund, funding the debt service reserve fund, and paying the costs of issuance. These bonds will be payable solely from gross student fees and charges collected by the University and institutional income received by the University.

Schedule of Funding Progress For the Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	$0	$56,842,690	$56,842,690	0.0%	$302,143,432	18.8%
7/1/2009	$0	$65,145,396	$65,145,396	0.0%	$293,771,877	22.2%

See Note 6D in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status, and funding progress.

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IOWA STATE UNIVERSITY
OF SCIENCE AND TECHNOLOGY

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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 Iowa State University of Science and Technology (University) as of and for the year ended June 30, 2009 and have issued our report thereon dated December 15, 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 Iowa State University Foundation, Iowa State University Achievement Fund and the Original University Foundation (collectively referred to as the "Foundation") and the Iowa State University Research Foundation, Incorporated, 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 Iowa State University of Science and Technology, citizens of the State of Iowa and other parties to whom the Iowa State University of Science and Technology 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 Iowa State University of Science and Technology 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

February 5, 2010