

# **Iowa Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2015**

Effigy Mounds National Monument in Harpers Ferry, Iowa, is home to over 200 prehistoric American Indian burial and ceremonial mounds, 31 of which are shaped in the likeness of bears or birds. The park is located on 2,500 scenic acres of forested land along the Mississippi River in Northeast Iowa.

Photo: Iowa Tourism Office



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

For the Fiscal Year  
Ended June 30, 2015

GOVERNOR:  
Terry E. Branstad

PREPARED BY:  
The Iowa Department of Administrative Services - State Accounting Enterprise

---

---

**STATE OF IOWA**

**Comprehensive Annual Financial Report  
Table of Contents**

For the Fiscal Year Ended June 30, 2015

***INTRODUCTORY SECTION***

Letter of Transmittal	6-10
GFOA Certificate of Achievement	11
State of Iowa Organizational Chart	12
Principal Officials	13

***FINANCIAL SECTION***

<b>INDEPENDENT AUDITOR'S REPORT</b>	16-18
-------------------------------------	-------

<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	19-31
---	-------

**BASIC FINANCIAL STATEMENTS**

***Government-wide Financial Statements***

Statement of Net Position	34-35
Statement of Activities	37

***Governmental Fund Financial Statements***

Balance Sheet	40
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	41
Statement of Revenues, Expenditures and Changes in Fund Balances	42
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	43

***Proprietary Fund Financial Statements***

Statement of Net Position	46
Statement of Revenues, Expenses and Changes in Fund Net Position	47
Statement of Cash Flows	48-49

***Fiduciary Fund Financial Statements***

Statement of Fiduciary Net Position	52
Statement of Changes in Fiduciary Net Position	53

***Component Unit Financial Statements***

Statement of Net Position	56-57
Statement of Activities	58-59

<b><i>Notes to the Financial Statements</i></b>	61-127
---	--------

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule - General Fund	130-131
Budgetary Comparison Schedule - Budget to GAAP Reconciliation - General Fund	132
Notes to Required Supplementary Information - Budgetary Reporting	133-135
Schedules of Funding Progress	136
Schedule of the Proportionate Share of the Net Pension Liability	137
Schedules of Changes in Net Pension Liability and Related Ratios	138-139
Schedules of Contributions	140-142
Notes to Required Supplementary Information - Schedules of Contributions	143-146

**SUPPLEMENTARY INFORMATION**

**Governmental Funds**

Combining Balance Sheet - By Fund Type	148
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - By Fund Type	149

**Special Revenue Funds**

Combining Balance Sheet	152
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	153
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary Basis	155-157

**Capital Projects Funds**

Combining Balance Sheet	160
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	161

**Permanent Funds**

Combining Balance Sheet	164
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	165

**Proprietary Funds**

**Enterprise Funds**

Combining Statement of Net Position	168
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	169
Combining Statement of Cash Flows	171

**Internal Service Funds**

Combining Statement of Net Position	174
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	175
Combining Statement of Cash Flows	177

**Fiduciary Funds**

**Pension and Other Employee Benefit Funds**

Combining Statement of Fiduciary Net Position	180
Combining Statement of Changes in Fiduciary Net Position	181

**Private Purpose Trust Funds**

Combining Statement of Fiduciary Net Position	184
Combining Statement of Changes in Fiduciary Net Position	185

**Agency Funds**

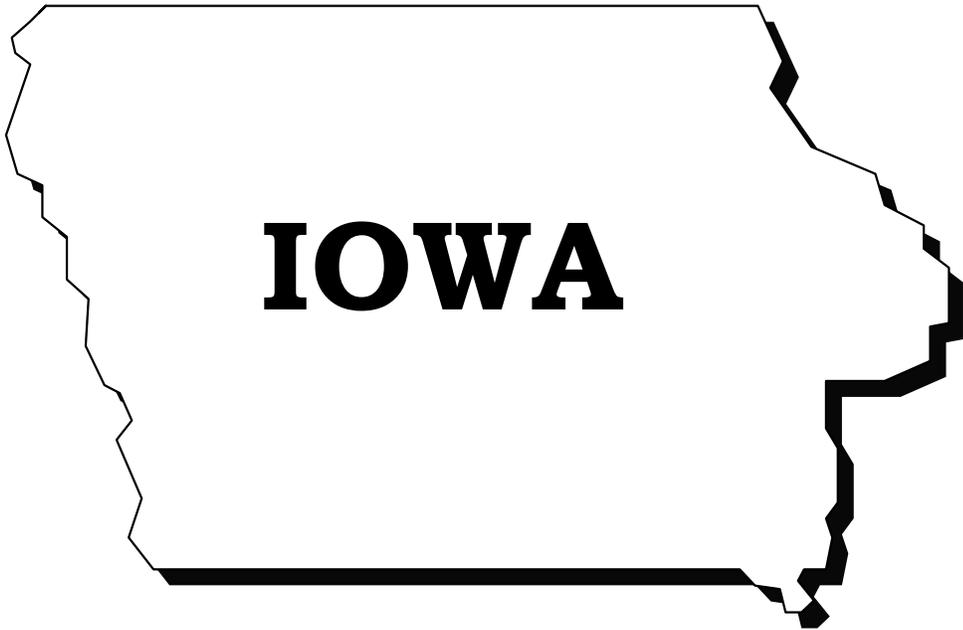
Combining Statement of Fiduciary Net Position	188
Combining Statement of Changes in Assets and Liabilities	189

**STATISTICAL SECTION**

**Schedule**

Schedule of Net Position by Component	1	194
Schedule of Changes in Net Position	2	195-196
Schedule of Fund Balances of Governmental Funds	3	197
Schedule of Changes in Fund Balances of Governmental Funds	4	198
Schedule of Tax Revenue by Source - Governmental Funds	5	199
Schedule of Individual Income Tax Returns Filed and Tax Rates	6	200
Schedule of Retail Sales by Business Classification	7	201
Schedule of Ratios of Outstanding Debt by Type	8	202
Schedule of Revenue Bond Coverage	9	203-206
Schedule of Demographic and Economic Statistics	10	207
Schedule of Principal Non-governmental Employers	11	208
Schedule of Significant Classes of Capital Assets by Function	12	209-210
Schedule of Operating Indicators by Function	13	211
Schedule of Number of Employees - Primary Government	14	212
Schedule of Current Expenditures - General Fund	15	213

**ACKNOWLEDGMENTS**



INTRODUCTORY  
SECTION



December 14, 2015

**TO THE CITIZENS, GOVERNOR AND MEMBERS OF THE IOWA GENERAL ASSEMBLY**

In accordance with Iowa Code Section 8A.502(8), we are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the State of Iowa for the fiscal year ended June 30, 2015. As required by State statute, this report has been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB).

The Department of Administrative Services and the Department of Management are responsible for both the accuracy of the presented data and the completeness and fairness of the presentation. We believe the information presented is accurate in all material respects and the necessary disclosures have been made in order to enable the reader to understand the State's financial activity.

The State's system of internal controls over assets recorded in the accounting system have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded against unauthorized use or disposition and financial records from all appropriate sources are reliable for preparing financial statements and maintaining accountability. The concept of reasonable assurance recognizes the cost of internal controls should not exceed the benefits likely to be derived from their use. To monitor the adequacy of internal controls, the Auditor of State reviews internal control procedures as an integral part of departmental audits.

The Auditor of State is required by Chapter 11 of the Code of Iowa to audit annually all departments of the State. The accompanying basic financial statements of the State of Iowa have been audited by the Auditor of State 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. The Auditor of State's report appears elsewhere herein. In addition, the Auditor of State conducts a single audit under the requirements set forth in the Single Audit Act of 1984, the Single Audit Amendments of 1996 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations which is issued separately.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

## **PROFILE OF THE GOVERNMENT**

The State of Iowa was admitted into the Union as the 29<sup>th</sup> state in 1846. Iowa is a midsize state with a mid-continent location. It covers 56,276 square miles, making it the 26<sup>th</sup> largest state in the United States. The Mississippi River carves out Iowa's eastern border, while the flow of the Missouri and Big Sioux Rivers form the western border. Iowa has a population of 3.1 million.

In Iowa, government power is distributed among three branches. The Legislative branch creates laws that establish policies and programs; the Executive branch carries out the policies and programs created in the laws and the Judicial branch resolves any conflicts arising from interpretation or application of the laws. The Executive branch agencies are the Governor, Lieutenant Governor, Secretary of State, Treasurer of State, Secretary of Agriculture, Attorney General, and Auditor of State, as well as 31 agencies lead by appointed State officials. The Legislative branch is comprised of two houses, a 50 member Senate and a 100 member House of Representatives. The Judicial branch is presided over by the Iowa Supreme Court, which is led by the Chief Justice of the Iowa Supreme Court.

The State provides a range of services such as education, health and human services, highway maintenance and construction, natural resources and agriculture management, law enforcement, public safety, and economic development programs.

This report includes all of the fund types, departments and agencies of the State, as well as the boards, commissions, authorities and universities for which the State is financially accountable. Component units also included in the report are the Iowa Finance Authority, Iowa Economic Development Authority, Iowa State Fair Authority, Iowa Lottery Authority, University Foundations, University of Iowa Research Foundation, and University of Iowa Health System and Subsidiaries. The reader is directed to Note 1.B in the Notes to the Financial Statements for a more complete description of the factors used to define the reporting entity.

**State Budget and Budgetary Controls.** The annual budgetary process serves as the foundation for the State's financial planning and control. Each year state departments submit budget requests to the Governor's Office by October 1. The State's budget is prepared by the Governor on an annual basis and is required to be submitted, along with proposed appropriation bills, to the General Assembly by the first of February prior to the new fiscal year. The General Assembly approves appropriation bills which establish spending authority for the upcoming fiscal year. The Governor has the ability to approve, veto or item veto appropriation bills as they are presented to him.

Departments may request revisions to allotments, appropriation transfers, or supplemental appropriations. The Department of Management approves revised allotments within an appropriation, subject to the Governor's review. The Governor and the Department of Management approve all appropriation transfers. The General Assembly and the Governor act on supplemental appropriation bills in a manner similar to original appropriations. Appropriations lapse at fiscal year-end and all unencumbered or unobligated balances revert to the State treasury, unless otherwise provided.

All claims presented for payment must be approved by the appropriate department. The expenditure must be for a purpose intended by law and a sufficient existing and unexpended appropriation balance must be available. Budgetary controls are incorporated into State accounting systems. The annual budget of the State is established through separate appropriations to individual departments for specific purposes, special outlays and/or operating expenditures. Budgetary control is essentially maintained at the departmental level except for certain grant and aid programs where control is maintained at the program level.

## **ECONOMIC CONDITION AND OUTLOOK**

### **National Economic Outlook 2015-2016**

During calendar year 2014, gross domestic product showed growth of 2.4 percent, reflecting the continued overall rebound the national economy is experiencing. According to Moody's Analytics, the projection for gross domestic product growth in calendar year 2015 is 2.5 percent and 3.2 percent in calendar year 2016.

Job growth has continued to improve over the past year. During calendar year 2014, 1.9 million jobs were gained nationally. Projections provided by Moody's Analytics for calendar year 2015 are for continued growth with 2.1 million jobs gained, and 1.9 million gained for calendar year 2016.

### **State and Local Economy**

Iowa's economy is supported by a diverse mixture of industry, agriculture, services and government employment. In calendar year 2014, 18.3 percent of the state's gross domestic product was in manufacturing, down from 20.4 percent 10 years ago. The finance, insurance, and real estate sector has continued to be the largest part of the State's economy at 21.5 percent during calendar year 2014. With the growth in renewable fuels processing in Iowa, and higher grain and livestock prices, agriculture has grown from 5.7 percent in 2004 to 7.2 percent in 2014. However, with the slowdown in the past year in agriculture, in calendar year 2014, Iowa's real gross domestic product increased only 0.4 percent ranking Iowa 45th in growth rate nationally. The United States average growth during the calendar year was 2.2 percent.

**Personal Income.** Personal income, as reported by the U.S. Department of Commerce, for the nation increased 3.9 percent during calendar year 2014. Iowa's personal income rose 1.3 percent for the calendar year 2014, ranking Iowa 49th in growth rate nationally. For the second quarter, calendar year 2015, Iowa's personal income increased 0.8 percent, ranking Iowa 31st in growth rate nationally.

**Employment.** Over the past 10 years, Iowa's unemployment rate has been between one and three percentage points below the national average. As of June 2015, the state unemployment rate stood at 3.7 percent, while the national average stood at 5.3 percent. Following the national trend, unemployment at the state level has continued to drop during calendar year 2014, from 4.4 percent in January 2014 to 4.3 percent in December 2014. During calendar year 2014, nonfarm employment on a nonseasonally adjusted basis increased a net 22,800 jobs. During this time period, the construction sector gained 7,900 jobs, the trade and transportation and government sectors gained 3,100 jobs each, leisure and hospitality sector gained 3,000 jobs, 2,400 jobs were gained in

the education and health sector, 2,200 jobs gained in the professional and business sector, and 600 jobs in the financial activities and other services sectors. These gains were offset by reductions of 500 jobs in the information sector. The rest of the economic sectors had smaller job changes.

**Exports.** Exporting industries have been an important factor in Iowa's economic growth since the 1990's. Growth in exports of various agriculture and manufacturing commodities have helped diversify Iowa's economy. In calendar year 2014 according to the U.S. Census Bureau, Iowa exports increased 8.7 percent, after dropping 5.0 percent in calendar year 2013.

Canada continues to remain the top country for Iowa's exports, with Mexico as Iowa's second best trading partner. In 2014, Iowa's agricultural export value was second to California nationally.

**Farmland Values.** The Federal Reserve Bank of Chicago, in their August 2015 public release, reported that farmland values for the Seventh Federal Reserve District (Chicago) had decreased 3.0 percent from a year ago for the second quarter of 2015. Farmland values in Iowa decreased by 7.0 percent for the period July 1, 2014 to July 1, 2015. A majority of bankers responding to the survey sent out by the Federal Reserve Bank of Chicago believe that land values have stabilized, while some projected agricultural land values will decrease in the coming quarters.

**Manufacturing.** Iowa's manufacturing employment increased to an average of 216,800 for 2014, up from the 2013 level of 214,400. During calendar year 2014, durable goods products accounted for about 60.4 percent of manufacturing employment.

## **Financial Policies**

The Governor and General Assembly have statutory responsibility to balance the budget.

- Spending is limited to 99.0 percent of adjusted revenues, 95.0 percent of any new revenue implemented in a fiscal year, and any carry-over from the previous year.
- The Governor and the Legislature are required to use the revenue estimates agreed to by the December Revenue Estimating Conference, or the spring estimate if it is lower, as a basis to determine the General Fund budget for the following fiscal year.
- Two reserve funds have been created: the Cash Reserve Fund and the Economic Emergency Fund. Expenditures from these funds are limited by statute for nonrecurring, emergency expenditures.

## **MAJOR INITIATIVES AND ISSUES**

**Increase funding for transportation infrastructure.** During the 2015 session, the General Assembly passed and the Governor signed into law an increase in gasoline tax which is estimated to support the investment of \$3.2 billion over five years in Iowa's roads and bridges.

**Connect Every Acre.** During the 2015 session, the Governor recommended and the General Assembly passed the Connect Every Acre high-speed broadband bill. The bill encourages the expansion of high-speed broadband internet to all corners of the State helping to foster growth for modern agriculture, increase access for rural communities and school districts, and connect small business to the global marketplace. The bill provides for coordination and facilitation of broadband access in targeted services throughout the State, establishes a grant program to award grants to communication service providers by installing broadband infrastructure in targeted service areas that prioritize connecting Iowa farms, schools and communities, creates uniform rules and limitations for wireless communications facilities and infrastructure pertaining to cell towers, and tasks the Office of the Chief Information Officer to lead and coordinate the installation of fiberoptic conduit where it doesn't currently exist.

## **AWARDS AND ACKNOWLEDGMENTS**

**Certificate of Achievement.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Iowa for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgment.** The preparation of this report on a timely basis requires the collective efforts of numerous finance personnel throughout the State and is made possible only with the cooperation and support of the Executive, Legislative and Judicial branch agencies, universities and component units of the State.

This report was accomplished through the professionalism and dedication of the staff in the Department of Management, the State Accounting Enterprise within the Department of Administrative Services, the Auditor of State's Office, and the financial and management personnel throughout State government.

This report, issued for the twenty-seventh consecutive year, continues our commitment to the citizens of the State of Iowa, the Governor, the Legislature and the financial community, to maintain our financial statements in conformance with the highest standards of financial accountability.

Respectfully submitted,



Janet E. Phipps, Director  
Department of Administrative Services



David Roederer, Director  
Department of Management



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

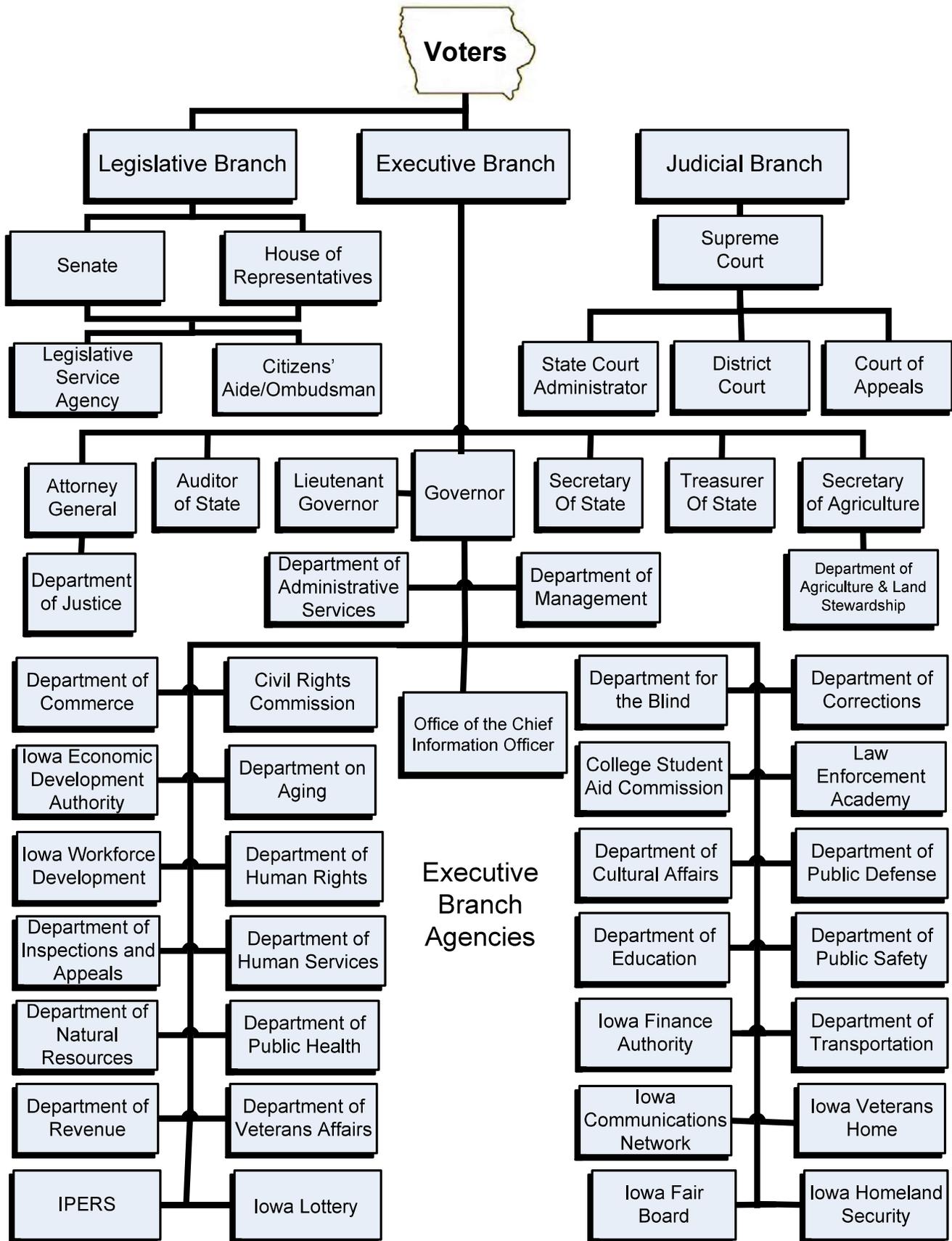
**State of Iowa**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# State of Iowa Organizational Chart



# Principal Officials

---

## Elected Officials

---

GOVERNOR - **Terry E. Branstad**  
LIEUTENANT GOVERNOR - **Kimberly K. Reynolds**  
SECRETARY OF STATE - **Paul D. Pate**  
AUDITOR OF STATE - **Mary Mosiman**  
TREASURER OF STATE - **Michael L. Fitzgerald**  
SECRETARY OF AGRICULTURE - **William H. Northey**  
ATTORNEY GENERAL - **Thomas J. Miller**

---

## Legislative Branch

---

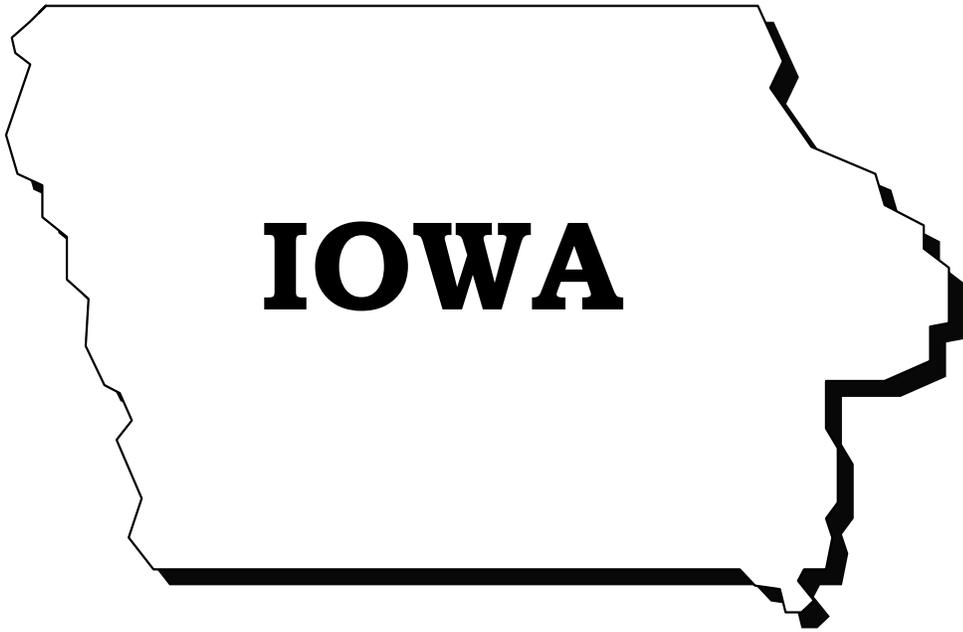
PRESIDENT OF THE SENATE - **Pam Jochum**  
SPEAKER OF THE  
HOUSE OF REPRESENTATIVES - **Kraig Paulsen**

---

## Judicial Branch

---

CHIEF JUSTICE OF  
THE SUPREME COURT - **Mark S. Cady**



FINANCIAL  
SECTION



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Governor and Members of the General Assembly:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the State's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Tobacco Settlement Authority, which is a major fund and represents 3% of the assets and less than 1% of the net position and the revenues of the governmental activities. We did not audit the financial statements of the Iowa Finance Authority, the University of Iowa Foundation, the Iowa State University Foundation, the University of Northern Iowa Foundation, the University of Iowa Research Foundation and the University of Iowa Health System and Subsidiaries, which represent a total of 93%, 92% and 47%, respectively, of the assets, the net position and the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Tobacco Settlement Authority, the Iowa Finance Authority, the University of Iowa Foundation, the Iowa State University Foundation, the University of Northern Iowa Foundation, the University of Iowa Research Foundation and the University of Iowa Health System and Subsidiaries, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Iowa Foundation, the Iowa State University Foundation, the University of Northern Iowa Foundation and the University of Iowa Health System and Subsidiaries were not audited in accordance with Government Auditing Standards.

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

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

### Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Iowa as of June 30, 2015, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of a Matter

As discussed in Note 20 to the financial statements, the State of Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedules of Funding Progress, the Schedule of the Proportionate Share of the Net Pension Liability, the Schedules of Changes in Net Pension Liability and Related Ratios and the Schedules of Contributions on pages 19 through 31 and 130 through 146 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the auditors of the Tobacco Settlement Authority, the Iowa Finance Authority and the University of Iowa Research Foundation have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to the auditor's inquiries, the basic financial statements and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Iowa's basic financial statements. The supplementary information identified in the Table of Contents and the Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

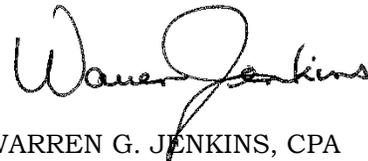
The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

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



MARY MOSIMAN, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 14, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the State of Iowa's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended on June 30, 2015. Readers are encouraged to consider this information in conjunction with the letter of transmittal located at the front of the CAFR and the State's financial statements, which follow this section of the CAFR.

### FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

#### Government-wide Highlights

- The assets and deferred outflows of resources of the State of Iowa exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2015 by \$15,501.3 million (net position). Of this amount, \$1,346.2 million (unrestricted net position) is available to be used to meet the State's ongoing obligations to citizens and creditors.
- Total net position decreased \$437.9 million from June 30, 2014 (not restated) to June 30, 2015. See NOTE 20 – BEGINNING BALANCE ADJUSTMENTS. Net position of governmental activities decreased \$737.1 million, or 7.8%, while net position of business-type activities increased \$299.2 million, or 4.6%.
- In the State's governmental activities, revenues increased 6.3% to \$16,123.3 million while expenses increased 7.5% to \$15,409.7 million.
- For business-type activities, revenues increased 0.7% to \$4,845.2 million while expenses increased 3.0% to \$5,000.3 million.

#### Fund Highlights

- The State's governmental funds reported a combined ending fund balance of \$2,482.6 million, a \$481.7 million decrease from the prior year. Of this amount, \$60.9 million represents nonspendable fund balances, \$1,299.1 million represents spendable restricted fund balances, \$1,700.7 million represents spendable committed fund balances and a negative \$578.1 million represents unassigned fund balances.
- The General Fund total fund balance decreased \$474.7 million to \$2,309.6 million.
- The proprietary funds reported net position at year-end of \$6,937.1 million, an increase of \$288.6 million.

#### Long-term Debt

- The State's total long-term debt decreased \$0.3 million to \$3,679.1 million during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of the CAFR consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information and an optional section that presents supplementary information.

#### Basic Financial Statements

The basic financial statements include the government-wide financial statements, the fund financial statements and the notes to the financial statements.

##### ***Government-wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the State's financial activity. These statements are prepared using the accrual basis of accounting and the economic resources measurement focus, in a manner similar to a private-sector business.

- The *Statement of Net Position* presents financial information on all of the State's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating, respectively.
- The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. This statement is formatted to report direct expenses, program revenues and the

net revenues or expenses for each of the State's governmental functions and business-type activities. This format identifies the extent to which each function is self-financed or is supported by the general revenues of the State.

The government-wide financial statements of the State are divided into three categories:

- *Governmental activities* – Most services generally associated with State government, such as administration & regulation, education, health & human rights, human services, justice & public defense, economic development, transportation and agriculture & natural resources, are included in this category.
- *Business-type activities* – State operations such as the Universities and the Unemployment Benefits Fund that charge fees to external customers and function similarly to private business are included here.
- *Component units* – These are operations that are legally separate from the State, but for which the State is financially accountable. The State's discretely presented component units are:
  - Iowa Finance Authority (Business-type)
  - Iowa Economic Development Authority (Business-type)
  - Iowa State Fair Authority (Business-type)
  - Iowa Lottery Authority (Business-type)
  - University of Iowa Foundation (Business-type)
  - Iowa State University Foundation (Business-type)
  - University of Northern Iowa Foundation (Business-type)
  - University of Iowa Research Foundation (Business-type)
  - University of Iowa Health System & Subsidiaries (Business-type)

Additional information about the State's component units is presented in NOTE 1-B of the Notes to the Financial Statements.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the State's most significant funds. The State has three types of funds:

- *Governmental funds* – Most of the basic services provided by the State are accounted for in governmental funds. Governmental funds use the modified accrual basis of accounting and the flow of current financial resources measurement focus. Modified accrual accounting is used to show the flow of financial assets of the funds and the balances available for spending at year-end. These statements provide a detailed *short-term* view that assists in determining whether there are adequate financial resources available to meet the current needs of the State. Because this information does not encompass the long-term focus of the government-wide statements, reconciliation schedules accompany the governmental funds statements. The General Fund, Tobacco Settlement Authority and Tobacco Collections Fund are the State's major governmental funds. Nonmajor governmental funds are reported by fund type in the Combining Financial Statements – Nonmajor Funds.
- *Proprietary funds* – Services for which the State charges customers a fee are generally reported in proprietary funds. Proprietary funds use the accrual basis of accounting and, like the government-wide statements, provide both long-term and short-term financial information.
  - The State's enterprise funds (one type of proprietary fund) are used to report activities, such as universities, that are presented as business-type activities in the government-wide statements.
  - The State's internal service funds (the other type of proprietary fund) are used to account for activities that provide supplies and services for other State programs and activities – such as the Workers' Compensation Fund.

The University Funds and the Unemployment Benefits Fund are the State's major proprietary funds. Nonmajor proprietary funds are reported by fund type in the Combining Financial Statements – Nonmajor Funds.

- *Fiduciary funds* – These funds are used to show assets held by the State as trustee or agent for others outside the State, such as the Iowa Public Employees' Retirement System and the Iowa Educational Savings Plan Trust. Similar to proprietary funds, these funds use the accrual basis of accounting.

Because the State cannot use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed above.

**Table 1**

<b>Major Features of the State's Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary, such as Human Services and Transportation	Activities the State operates similar to private businesses: the universities and the Iowa Communications Network	Instances in which the State is the trustee or agent for someone else's resources, such as the retirement plan for public employees
<b>Required financial statements</b>	Statement of net position  Statement of activities	Balance sheet  Statement of revenues, expenditures, and changes in fund balances	Statement of net position  Statement of revenues, expenses, and changes in fund net position  Statement of cash flows	Statement of fiduciary net position  Statement of changes in fiduciary net position
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the State's funds do not contain capital assets, although they can
<b>Type of deferred outflow/inflow information</b>	Consumption/acquisition of net position that is applicable to a future reporting period.	Consumption/acquisition of fund balance that is applicable to a future reporting period.	Consumption/acquisition of net position that is applicable to a future reporting period.	Consumption/acquisition of net position that is applicable to a future reporting period.
<b>Type of inflow/outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

**Notes to the Financial Statements**

The notes provide additional information that is essential to fully understand the government-wide and fund financial statements. The notes also explain some of the information contained in the financial statements and present more detail than is practical in the financial statements.

**Required Supplementary Information**

In addition to this Management's Discussion and Analysis, Required Supplementary Information (RSI) includes the Budgetary Comparison Schedule. This schedule presents both the original and final appropriated budget for major funds. The Budgetary Comparison Schedule is accompanied by a Budget to GAAP Reconciliation and by

Notes to RSI. Schedules of funding progress for Other Postemployment Benefits and schedules of net pension liability and contributions for the pension plans are also presented.

### Supplementary Information

The Supplementary Information includes combining financial statements for non-major governmental funds, non-major enterprise funds, internal service funds and fiduciary funds, which are added together and presented in single columns in the basic financial statements.

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

### Net Position

The State's combined net position (governmental and business-type activities) totaled \$15,501.3 million at June 30, 2015, compared to \$15,939.2 million at June 30, 2014, as indicated in Table 2.

The State of Iowa implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* in fiscal year 2015. These standards establish new accounting and financial reporting standards for governmental employee pensions and are applicable to the State's three pension plans: the Iowa Public Employees' Retirement System (IPERS), the Peace Officers' Retirement, Accident and Disability System (PORS) and the Judicial Retirement System (JRS).

The beginning net position as of July 1, 2014, was restated by \$996.4 million to retroactively report the net pension liability and related deferred outflows of resources as of June 30, 2014. Fiscal year 2014 financial statement amounts were not restated because the information was not available. The pension related balances at June 30, 2015 were: net pension liability \$820.9 million, deferred outflows of resources related to pensions \$181.2 million, and deferred inflows of resources related to pensions \$347.4 million. See NOTE 15 – PENSION PLANS and NOTE 20 – BEGINNING BALANCE ADJUSTMENTS for more details.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2014-2015
	Not Restated		Not Restated		Not Restated		
	2015	2014	2015	2014	2015	2014	
Current &							
other assets	\$ 4,634.1	\$ 4,851.1	\$ 5,116.0	\$ 5,106.1	\$ 9,750.1	\$ 9,957.2	-2.1%
Capital assets	8,662.7	8,269.0	5,041.0	4,612.0	13,703.7	12,881.0	6.4%
Total assets	<u>13,296.8</u>	<u>13,120.1</u>	<u>10,157.0</u>	<u>9,718.1</u>	<u>23,453.8</u>	<u>22,838.2</u>	2.7%
Deferred outflows of resources	177.1	23.3	32.5	4.6	209.6	27.9	651.3%
Long-term liabilities	2,649.5	1,995.3	2,324.4	2,165.1	4,973.9	4,160.4	19.6%
Other liabilities	1,804.8	1,709.9	1,027.6	1,047.3	2,832.4	2,757.2	2.7%
Total liabilities	<u>4,454.3</u>	<u>3,705.2</u>	<u>3,352.0</u>	<u>3,212.4</u>	<u>7,806.3</u>	<u>6,917.6</u>	12.8%
Deferred inflow of resources	318.5	-	37.3	9.3	355.8	9.3	3725.8%
Net position:							
Net investment in capital assets	8,360.4	7,960.1	3,225.0	2,917.0	11,585.4	10,877.1	6.5%
Restricted	855.8	1,064.2	1,713.9	1,662.9	2,569.7	2,727.1	-5.8%
Unrestricted	(515.1)	413.9	1,861.3	1,921.1	1,346.2	2,335.0	-42.3%
Total net position	<u>\$ 8,701.1</u>	<u>\$ 9,438.2</u>	<u>\$ 6,800.2</u>	<u>\$ 6,501.0</u>	<u>\$ 15,501.3</u>	<u>\$ 15,939.2</u>	-2.7%

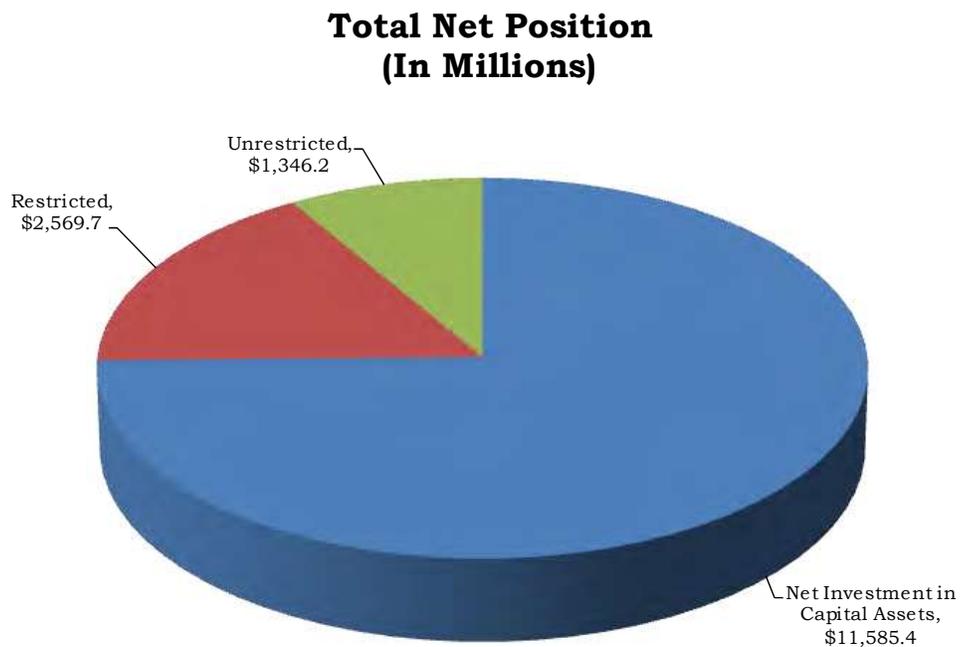
Net position of the State's governmental activities decreased 7.8% to \$8,701.1 million. The largest component (96.1%) of the State's net position is its investment in capital assets (e.g. land, buildings, equipment, infrastructure and others), less any related outstanding debt that was used to acquire or construct the assets. Restricted net position is the next largest component (9.8%). These represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position is the remaining portion (negative 5.9%) and may be used at the State's discretion, but often have limitations on use based on State statutes.

The net position of business-type activities increased 4.6% to \$6,800.2 million. Generally, the State can only use the net position to finance the continuing operations of the universities, unemployment insurance and other business-type activities.

Long-term liabilities increased 19.6% to \$4,973.9 million due primarily to an increase of \$757.1 million in net pension liability. Deferred outflows of resources and deferred inflows of resources increased \$181.7 million and \$346.5 million, respectively due almost entirely to the recognition of amounts related to pensions.

Other liabilities increased 2.7% to \$2,832.4 million. The \$75.2 million increase resulted from an increase of \$119.4 million in accounts payable & accruals, offset largely by a decrease in funds held in custody of \$38.5 million.

The chart presented below provides a visual representation of the three components of the State's total net position of \$15,501.3 million at June 30, 2015.



## Changes in Net Position

The State's total net position decreased by \$437.9 million from June 30, 2014 (not restated) to June 30, 2015, as indicated in Table 3.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2014-2015
	2015	Not Restated 2014	2015	Not Restated 2014	2015	Not Restated 2014	
<b>Program revenues</b>							
Charges for services	\$ 1,980.9	\$ 1,981.0	\$ 3,813.4	\$ 3,673.5	\$ 5,794.3	\$ 5,654.5	2.5%
Operating grants & contributions	5,349.9	4,905.6	746.7	783.0	6,096.6	5,688.6	7.2%
Capital grants & contributions	501.4	472.9	173.1	90.3	674.5	563.2	19.8%
<b>General revenues</b>							
Personal income tax	3,456.5	3,206.5	-	-	3,456.5	3,206.5	7.8%
Corporate income tax	464.1	387.2	-	-	464.1	387.2	19.9%
Sales & use tax	2,670.1	2,625.3	-	-	2,670.1	2,625.3	1.7%
Other tax	771.7	756.2	7.8	7.5	779.5	763.7	2.1%
Motor fuel tax restricted for transportation purposes	524.6	446.4	-	-	524.6	446.4	17.5%
Road use tax restricted for transportation purposes	346.9	322.5	-	-	346.9	322.5	7.6%
Unrestricted investment earnings	19.2	21.4	46.9	186.9	66.1	208.3	-68.3%
Other	38.0	36.3	57.3	68.1	95.3	104.4	-8.7%
<b>Total revenues</b>	<b>16,123.3</b>	<b>15,161.3</b>	<b>4,845.2</b>	<b>4,809.3</b>	<b>20,968.5</b>	<b>19,970.6</b>	5.0%
<b>Expenses</b>							
Administration & regulation	1,595.9	1,436.5	-	-	1,595.9	1,436.5	11.1%
Education	3,909.9	3,749.2	-	-	3,909.9	3,749.2	4.3%
Health & human rights	422.7	423.7	-	-	422.7	423.7	-0.2%
Human services	6,463.8	5,757.1	-	-	6,463.8	5,757.1	12.3%
Justice & public defense	1,202.4	1,255.6	-	-	1,202.4	1,255.6	-4.2%
Economic development	158.6	160.0	-	-	158.6	160.0	-0.9%
Transportation	1,340.5	1,236.0	-	-	1,340.5	1,236.0	8.5%
Agriculture & natural resources	223.9	219.1	-	-	223.9	219.1	2.2%
Interest expense	92.0	95.3	-	-	92.0	95.3	-3.5%
University Funds	-	-	4,339.4	4,156.1	4,339.4	4,156.1	4.4%
Unemployment Benefits Fund	-	-	396.8	439.9	396.8	439.9	-9.8%
Other	-	-	264.1	260.6	264.1	260.6	1.3%
<b>Total expenses</b>	<b>15,409.7</b>	<b>14,332.5</b>	<b>5,000.3</b>	<b>4,856.6</b>	<b>20,410.0</b>	<b>19,189.1</b>	6.4%
Increase (decrease) in net position before transfers	713.6	828.8	(155.1)	(47.3)	558.5	781.5	-28.5%
Special items -							
Loss on extinguishment of debt	-	(5.7)	-	-	-	(5.7)	-100.0%
Transfers	(534.1)	(575.6)	534.1	575.6	-	-	0.0%
<b>Increase in net position</b>	<b>179.5</b>	<b>247.5</b>	<b>379.0</b>	<b>528.3</b>	<b>558.5</b>	<b>775.8</b>	-28.0%
<b>Net position - July 1, restated</b>	<b>8,521.6</b>	<b>9,190.7</b>	<b>6,421.2</b>	<b>5,972.7</b>	<b>14,942.8</b>	<b>15,163.4</b>	-1.5%
<b>Net position - June 30</b>	<b>\$ 8,701.1</b>	<b>\$ 9,438.2</b>	<b>\$ 6,800.2</b>	<b>\$ 6,501.0</b>	<b>\$ 15,501.3</b>	<b>\$ 15,939.2</b>	-2.7%

The American Recovery and Reinvestment Act of 2009 (ARRA) programs are concluding. As a result, the State of Iowa received and spent only minimal ARRA funds in fiscal year 2015, and does not anticipate receiving significant ARRA funds in the future.

### Governmental Activities

Overall, total revenues for governmental activities increased 6.3% over the prior year.

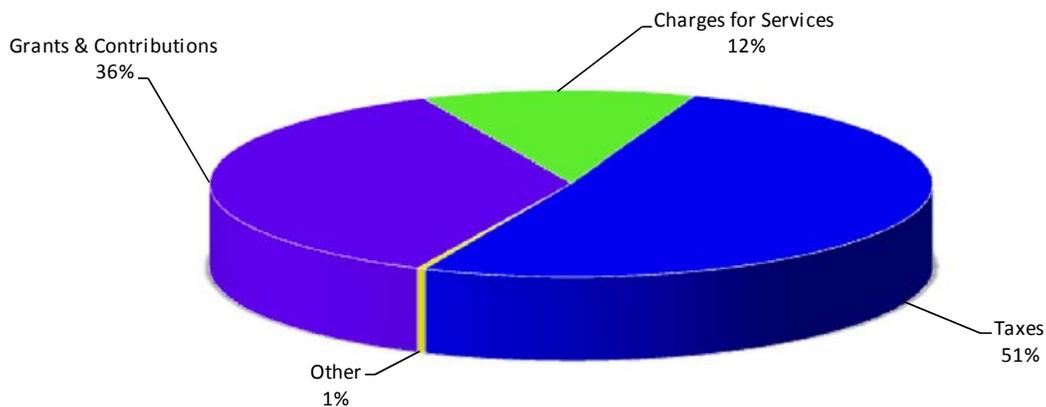
Program revenues increased \$472.7 million, or 6.4%. The largest fluctuation in program revenues was in operating grants and contributions with an increase of \$444.3 million. The increase in operating grants and contributions occurred primarily in human services and was largely due to an increase in federal support for medical assistance. Capital grants and contributions increased \$28.5 million, or 6.0%. This increase is attributable to an increase in federal highway planning and construction funding.

General revenues experienced a net increase of \$489.3 million or 6.3% from FY2014. This is due in part to increases in personal income tax of \$250.0 million or 7.8%, corporate income tax of \$76.9 million or 19.9%, and in motor fuel tax of \$78.2 million or 17.5%. Personal income tax increased as a result of strong withholding growth during FY 2015 in line with the relatively strong employment growth during the year. Individual returns also showed strong positive gains which reflected two things, the pull back in estimated payments for the 2014 tax year as compared to 2013, resulting in higher final payments and the drop in the 2014 Taxpayers Trust Fund Tax Credit from \$54 to \$15. The corporate income tax increase is generally attributed to improved economic conditions. The increase in motor fuel tax receipts reflect four months of the ten cent per gallon increase in the tax rate.

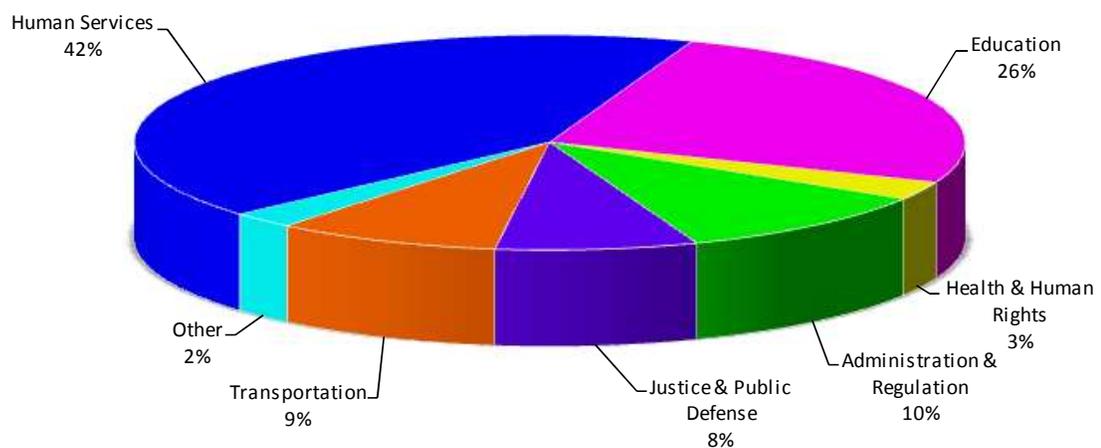
Overall, total expenses for governmental activities increased 7.5% over the prior year.

Expenses increased most significantly in human services, 12.3%, education, 4.3% and transportation, 8.5%. The increase in human services of \$706.7 million is largely a result of an increase in medical assistance payments while the increase in education expenses of \$160.7 million is primarily due to state aid to schools. The transportation increase of \$104.5 million is attributed to the inherent variability in the year to year progress and completion of construction projects. The 4.2% decrease in justice and public defense expenses relates to the decrease in state aid for disaster reimbursements.

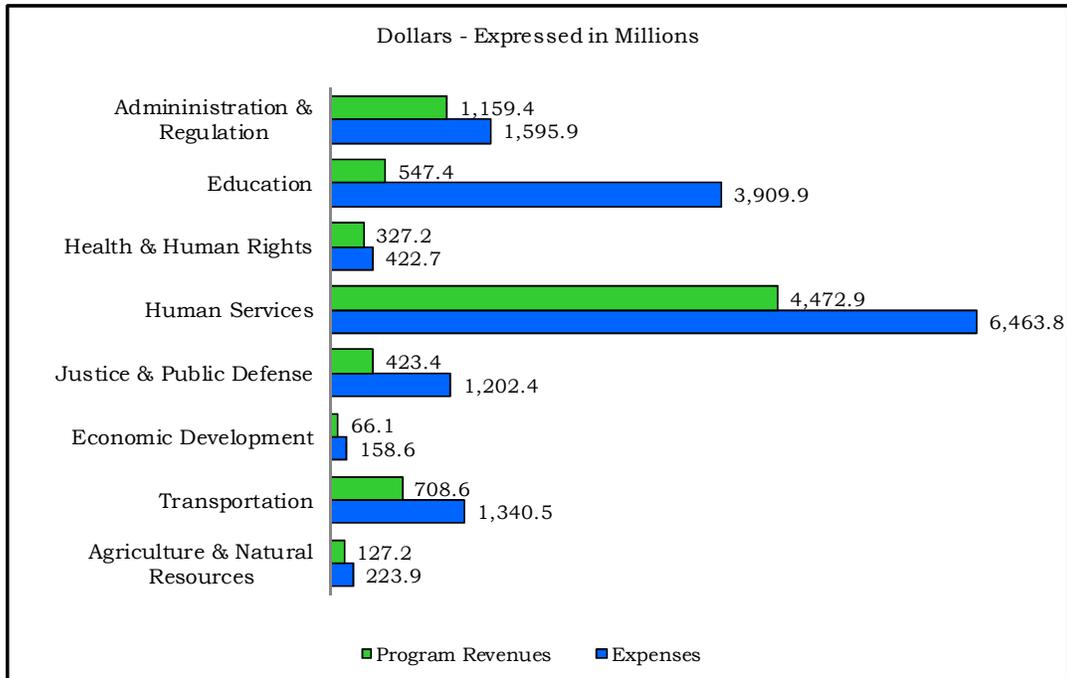
### Revenues by Source



### Expenses by Function



## Program Revenues and Expenses



The cost of all governmental activities this fiscal year was \$15,409.7 million. However, the amount that taxpayers paid for these activities through State taxes was \$8,233.9 million. Part of the cost was paid by:

- Those who directly benefited from the programs (\$1,980.9 million) or
- Other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$5,851.3 million).

### **Business-type Activities**

- University Funds had \$4,339.4 million in expenses and \$3,952.9 million in program revenues for net expenses of \$386.5 million. The largest change in revenues occurred in charges for services, which increased \$191.3 million or 6.7%. The increase was due, in part, to an increase in patient services revenue of \$149.6 million at the University of Iowa Hospitals and Clinics (UIHC). Capital grants and contributions revenue increased \$83.2 million or 92.5% due to an increase of \$76.6 million in federal reimbursements for flood related projects at the University of Iowa, and an increase of \$11.5 million in private funding for capital projects at Iowa State University. The largest increases in expenses occurred in, personal services, \$114.1 million or 4.6%, and supplies & materials, \$81.8 million or 15.2%. The increase in supplies & materials expense resulted from increased patient supplies at the UIHC. Investment income decreased \$141.7 million or 85.4% due to unfavorable market performance. Assets increased \$413.2 million to \$8,802.1 million. This was due to an increase in capital assets of \$432.5 million related to construction. Liabilities increased \$146.7 million, due to increases of \$51.2 million in bonds payable and \$64.2 million in net pension liability. Deferred outflows of resources and deferred inflows of resources increased \$25.9 million and \$23.7 million, respectively, due almost entirely to the recognition of amounts related to pensions.
- The Unemployment Benefits Fund had \$396.8 million in expenses and \$414.2 million in program revenues with operating income of \$17.4 million. The State's unemployment rate declined slightly which contributed to a \$43.1 million or 9.8% decrease in unemployment benefits paid. Revenue from the federal government decreased \$31.7 million or 88.8%, as federal stimulus programs concluded. Employer contributions decreased \$61.5 million or 13.0%, as a result of lower contribution rates triggered by the fund balance of the prior fiscal year.
- In total, business-type activities had net expenses of \$267.1 million with \$111.9 million in net general revenues and \$534.1 million in net transfers, for a net increase of \$378.9 million, to end with a net position of \$6,800.2 million.

- Other business-type activities expenses increased \$3.5 million and program revenues increased \$9.8 million. The Liquor Control Act fund which accounts for the revenues and expenses related to the sale of alcoholic beverages experienced a \$15.0 million increase in operating revenues and a \$9.8 million increase in operating expenses.

## **FINANCIAL ANALYSIS OF THE STATE'S FUNDS**

### **Governmental Funds**

The governmental funds reported total fund balances of \$2,482.6 million, a decrease of 16.3% from the previous year. Net revenues totaled \$15,992.1 million with expenditures of \$15,939.9 million.

Fund balance classifications for governmental funds are reported in categories which describe the extent to which certain resources may be spent. Resources are categorized as spendable or nonspendable.

Nonspendable fund balance includes inventory, prepaid items, noncurrent receivables and the principal of endowments. These resources cannot be spent because they are either not in spendable form or are legally required to remain intact. When the proceeds from noncurrent receivables are restricted, committed or assigned, the fund balances for those amounts will be reported in the appropriate spendable fund balance classification.

Spendable fund balance includes resources that are in spendable form (e.g. cash) and are available for spending. Spendable fund balance is further classified as restricted, committed, assigned or unassigned. The following describes the different levels of constraint, if any, on spendable fund balance classifications for the total governmental funds:

- *Restricted* – \$1,299.1 million and \$1,534.5 million for FY2015 and FY2014, respectively, includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers (e.g. creditors, grantors and contributors) or enabling legislation.
- *Committed* – \$1,700.7 million and \$1,941.6 million for FY2015 and FY2014, respectively, includes amounts that can be used only for the specific purposes determined by a formal action of the State's highest level of decision-making authority. The Iowa Legislature and Governor represent the State's highest level of decision-making authority. Formal action consists of legislation passed by both the House and Senate and signed by the Governor and is required to establish, modify or rescind a limitation.
- *Assigned* – includes amounts intended to be used by the State for a specific purpose but do not meet the criteria to be classified as restricted or committed. Currently, the State does not have a policy which authorizes the establishment of assigned fund balances.
- *Unassigned* – negative \$578.1 million and negative \$569.4 million for FY2015 and FY2014, respectively, includes the residual amount of the General Fund not included in the categories above, which is available for any purpose, and any negative fund balances in the other governmental fund types.

The State's modified accrual revenue recognition policy for governmental fund statements recognizes revenues if received within sixty days of year-end and deferred if received past sixty days. This creates a negative impact when the payables/expenditures related to the deferred revenues are recognized in the statements. A portion of the negative unassigned fund balance is due to deferral of federal receivables/revenues while associated payables/expenditures have been recognized. The largest portion of the negative unassigned fund balance relates to the Tobacco Collections Fund deficit. (See NOTE 21 - DEFICIT FUND BALANCE)

### **General Fund**

The General Fund is the chief operating fund of the State. Total fund balance decreased from \$2,784.3 million for fiscal year 2014 to \$2,309.6 million for fiscal year 2015. The fiscal year 2015 General Fund consists of the following fund balances: \$44.5 million nonspendable, an increase of 8.0%, \$861.6 million restricted, a decrease of 17.6%, \$1,676.6 committed, a decrease of 12.3%, and negative \$273.1 million unassigned, a decrease of 27.2%. For fiscal year 2015, the committed fund balance includes \$697.9 million in reserve (rainy day) funds, an increase of 4.2%.

Gross revenues of the General Fund increased \$882.1 million in fiscal year 2015. Total gross taxes increased by \$502.5 million, a 6.0% increase from fiscal year 2014 to \$8,917.3 million in fiscal year 2015. Major contributors to the tax increase include an individual income tax increase of \$239.6 million, which comes after two years of significant swings caused in a large part by changes in the federal income tax rates; a fuel tax increase of \$81.8 million due primarily to increased fuel sales and an increase in the Iowa gas tax effective March 1, 2015. Also, sales tax increased \$79.7 million in fiscal year 2015. Receipts from other entities had a

net increase of \$284.2 million as a result of an increase in federal revenue for the medical assistance program in the Department of Human Services, decreases in several Department of Human Services programs and an increase of federal revenue in the Department of Transportation for federal highway planning and construction. In addition, refunds and reimbursements increased \$37.9 million due in part to the medical assistance program within the Department of Human Services receiving a new type of drug rebate.

Total expenditures of the General Fund increased \$1,121.5 million in fiscal year 2015. Medical assistance expenditures in the Department of Human Services increased \$727.7 million due to an increase in nursing facility spending due to an increased number of bed days and increased cost per day, the State's health home program was expanded, Money Follows the Person program experienced significant growth, Medicaid provider payments increased, and the Iowa Health and Wellness Program saw enrollment grow by 40%. Education expenses increased \$176.2 million due primarily to an increase in School Foundation Aid and increases of state aid for various education related programs. Capital outlays increased \$115.7 million due primarily to Department of Transportation projects. In addition, debt service payments had a net decrease of \$61.2 million primarily due to fiscal year 2014 having had expenditures for the early extinguishment of debt.

### ***Tobacco Settlement Authority***

The Tobacco Settlement Authority (Authority), a blended component unit of the State of Iowa classified as a Special Revenue Fund, receives money from the Tobacco Collections Fund to pay operating expenditures and for repayment of debt. The Authority's ending fund balance decreased \$50.7 million to \$387.5 million. The decrease was due to receipt of funds from the Tobacco Collections Fund which reduced the interfund advance (receivable). These funds were primarily used to pay principal and interest on bonds totaling \$11.7 million and \$40.6 million, respectively.

### ***Tobacco Collections Fund***

The Tobacco Collections Fund, a Special Revenue Fund, accounts for the tobacco settlement moneys received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The ending fund balance in the Tobacco Collections Fund increased \$49.7 million to a deficit balance of \$305.0 million. The increase is due to the reduction of the interfund advance (liability) for the tobacco settlement moneys remitted to the Tobacco Settlement Authority during the year.

## **Proprietary Funds**

The State of Iowa's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the University Funds increased \$268.7 million to \$5,532.6 million while unrestricted net position decreased \$54.8 million to \$1,834.4 million.

The total net position of the Unemployment Benefits Fund, which is entirely restricted for unemployment benefits, increased \$39.0 million to end fiscal year 2015 at \$1,163.3 million.

The nonmajor enterprise funds total net position decreased \$8.7 million or 7.3% to \$110.8 million. The decrease in net position in the nonmajor enterprise funds is primarily due to recognizing the net pension liability and related deferred outflows of resources and deferred inflows of resources as explained in the Financial Analysis of the State as a Whole section of management's discussion and analysis.

The Iowa Communications Network net position decreased \$4.5 million or 12.2% to \$32.7 million. The decrease in net position is primarily due to recognizing the net pension liability and related deferred outflows of resources and deferred inflows of resources.

The Honey Creek Park total net position decreased \$1.4 million or 2.8% to \$46.9 million. The decrease in net position is attributable to a \$1.4 million decrease in capital assets, net of accumulated depreciation, due to recognition of the current year's depreciation expense offset by a minimal amount of additions to capital assets.

The Liquor Control Act total net position decreased \$2.4 million or 34.9% to \$4.4 million. The decrease in net position is primarily due to recognizing the net pension liability and related deferred outflows of resources and deferred inflows of resources.

Iowa State Prison Industries total net position decreased \$0.9 million or 4.3% to \$20.6 million. The decrease in net position is primarily due to recognizing the net pension liability and related deferred outflows of resources and deferred inflows of resources.

Other factors concerning the finances of proprietary funds have already been addressed in the discussion of the State of Iowa's business-type activities.

## General Fund Budgetary Highlights

Over the course of the year, the State revised the budget several times. These budget amendments fall into two categories:

- Supplemental appropriations: \$56,040,000
- Adjustments to standing appropriations: \$20,872,780

The originally enacted General Fund budget for fiscal year 2015 of \$6,986.5 million was predicated on \$6,983.2 million or 4.5% growth in General Fund revenues, as projected by the State's Revenue Estimating Conference (REC) on December 12, 2013. The December estimate reflected the expectation that revenues would increase from an estimated -1.3% growth for fiscal year 2014. Also included in the enacted General Fund budget was a negative \$19.6 million in revenue adjustments for changes in tax law and revenue changes along with \$745.7 million in surplus from reserve funds back to the General Fund.

At the March 20, 2014 meeting, the REC kept its fiscal year 2015 General Fund revenue estimate the same at \$6,983.2 million or an estimated growth of 4.5%. At the October 9, 2014 meeting, the REC revised its fiscal year 2015 General Fund revenue estimate downward to \$6,850.3 million but as the FY2014 base changed, the growth was at 5.6%. This change was based upon the revised base of fiscal year 2014 of a decline of -4.1%. On December 12, 2014, the REC increased the revenue estimate slightly to \$6,857.1 million. On March 19, 2015, the REC decreased the revenue estimate to \$6,767.4 million or 4.3% growth, which reflected year-to-date revenues were growing slower than expected.

The State of Iowa has various statutory standing appropriations where a fixed amount is not appropriated. These are either formula-driven (as in the case of the largest General Fund appropriation, for school foundation aid to local school districts), or for items such as paying claims against the State through the State Appeal Board. These are either increases or decreases to the estimates made at the beginning of the year. For fiscal year 2015, these standing appropriations were more than the original estimates by \$20.9 million. A variety of standing appropriations make up the changes to standing appropriations.

During May and June of 2015, and throughout the accrual period, actual General Fund revenue collections continued to come in above the official REC projections. At the close of fiscal year 2015, revenue collections totaled \$6,819.7 million which is a 5.1% growth over fiscal year 2014. As a result, the General Fund budgetary ending balance for fiscal year 2015, statutorily required to be transferred to the Cash Reserve Fund in fiscal year 2016, totaled \$410.6 million.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, the State had \$13,703.7 million invested in capital assets, net of accumulated depreciation of \$11,447.9 million. Depreciation charges totaled \$838.0 million in fiscal year 2015. The details of these assets are presented in Table 4. Additional information about the State's capital assets is presented in NOTE 6 of the financial statements.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2014-2015
	2015	2014	2015	2014	2015	2014	
Land	\$ 815.3	\$ 794.6	\$ 88.6	\$ 85.4	\$ 903.9	\$ 880.0	2.7%
Buildings & improvements	918.1	903.2	2,835.0	2,579.6	3,753.1	3,482.8	7.8%
Equipment	194.9	201.3	370.8	367.3	565.7	568.6	-0.5%
Land improvements	42.0	39.2	34.9	35.1	76.9	74.3	3.5%
Works of art & collections	1.2	1.2	390.8	374.1	392.0	375.3	4.4%
Computer software	91.5	67.4	63.0	53.2	154.5	120.6	28.1%
Infrastructure	6,335.9	5,978.6	401.8	398.5	6,737.7	6,377.1	5.7%
Other intangibles	-	-	1.7	1.9	1.7	1.9	-10.5%
Construction in progress	212.9	213.4	847.9	701.3	1,060.8	914.7	16.0%
Computer software in progress	50.9	70.1	6.5	15.6	57.4	85.7	-33.0%
<b>Total</b>	<b>\$ 8,662.7</b>	<b>\$ 8,269.0</b>	<b>\$ 5,041.0</b>	<b>\$ 4,612.0</b>	<b>\$ 13,703.7</b>	<b>\$ 12,881.0</b>	<b>6.4%</b>

In the governmental activities, capital assets, net of accumulated depreciation, increased \$393.7 million, or 4.8%, to \$8,662.7 million. Infrastructure increased \$357.3 million, or 6.0%, primarily due to increases in highway and bridge construction projects by the Iowa Department of Transportation (DOT), offset by the recognition of depreciation expense for the year. Land increased \$20.7 million, or 2.6%, as a result of increases of \$9.7 million and \$9.6 million at the DOT and Iowa Department of Natural Resources, respectively. In addition, buildings & improvements increased \$14.9 million, or 1.6%, due to increases at the Iowa Veterans Home, Iowa Braille School and Iowa Department of Public Defense, offset by the recognition of depreciation expense for the year.

Capital assets, net of accumulated depreciation, in the business-type activities increased \$429.0 million, or 9.3%, to \$5,041.0 million. Construction in progress increased \$146.6 million, or 20.9%, primarily due to increased construction projects at the University of Iowa. Buildings & improvements, net of accumulated depreciation, increased \$255.4 million, or 9.9%, due to increases at the University of Iowa and Iowa State University and the recognition of depreciation expense for the year. The University of Iowa experienced unprecedented construction levels on campus, including new buildings (Hancher Auditorium Replacement Facility and School of Music Replacement Facility), new dormitories and construction at Children's Hospital.

Outstanding commitments for future capital expenditures as of June 30, 2015 include \$575.1 million (net of \$522.8 million in anticipated federal funding) for highway and bridge construction, \$515.1 million for various projects at the three State universities, \$23.3 million for State facilities and buildings, \$12.3 million for State parks, recreational areas, fisheries and wetland projects, and \$9.6 million for construction at the Iowa State Penitentiary and remodeling of the Iowa Correctional Institution for Women.

## Long-term Debt

At year-end, the State had \$3,679.1 million in revenue bonds and leases and other financing arrangements outstanding as shown in Table 5. More detailed information about the State's long-term liabilities is presented in NOTE 7 to the financial statements.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2014-2015
	2015	2014	2015	2014	2015	2014	
Revenue bonds	\$ 1,675.6	\$ 1,720.3	\$ 1,903.5	\$ 1,852.3	\$ 3,579.1	\$ 3,572.6	0.2%
Leases & other financing arrangements	1.6	1.8	98.4	105.0	100.0	106.8	-6.4%
<b>Total</b>	<b>\$ 1,677.2</b>	<b>\$ 1,722.1</b>	<b>\$ 2,001.9</b>	<b>\$ 1,957.3</b>	<b>\$ 3,679.1</b>	<b>\$ 3,679.4</b>	<b>0.0%</b>

Revenue bonds issued by the State and its various authorities totaled \$4,944.3 million outstanding at fiscal year-end. This amount consisted of \$1,365.3 million of component unit (proprietary) revenue bonds (Iowa Finance Authority and Iowa State University Foundation), \$1,903.5 million in revenue bonds issued by the three State universities (for equipment and facilities), \$755.1 million in revenue bonds issued by the Tobacco Settlement Authority, \$10.5 million in revenue bonds issued by the State of Iowa for the Iowa Utilities Board, \$689.9 million in revenue bonds issued by the State of Iowa for the IJOBS program, \$138.0 million in revenue bonds issued by the State of Iowa for Prison Infrastructure and \$82.1 million in revenue bonds issued by the State of Iowa for the Vision Iowa Program. These bonds are backed by the revenues of the issuing program or authority.

Governmental activities outstanding revenue bonds decreased \$44.7 million, due to the payment of principal as it came due in fiscal year 2015.

Business-type activities outstanding revenue bonds increased \$51.2 million, due to the issuance of new debt at the University of Iowa, Iowa State University and the University of Northern Iowa and the payment of principal as it came due by the three State universities.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Iowa enjoyed improved fiscal health in fiscal year 2015 with the fiscal year showing increased growth in revenue collections. Iowa's 5.1% growth in General Fund revenues rebounded from the -4.1% growth in fiscal year 2014, showing growth in all three major tax categories.

The Governor and General Assembly finished their work on June 5, 2015, on the 145<sup>th</sup> day of the originally anticipated 110 day first session of the 86<sup>th</sup> General Assembly, finalizing the General Fund budget for fiscal year 2016. Amounts available for appropriation in fiscal year 2016 based on the 99% budget limitation after Governor's vetoes; in the General Fund budget were \$7,444.2 million. General Fund appropriations totaled \$7,174.3 million.

At the REC meeting in October 2015, the fiscal year 2016 revenue estimate was decreased from a revised \$7,186.7 million to \$7,054.5 million, largely as a reflection of actual revenue collections in fiscal year 2015, law changes passed during the 2015 Legislative Session which increased revenue a total of \$11.2 million, current year to date revenue growth, and the anticipated slow growth of tax revenues that is reflective of the slowdown in the agricultural economy in the State. The revised estimate reflects projected revenue growth of 3.4% compared to actual revenues for the previous fiscal year.

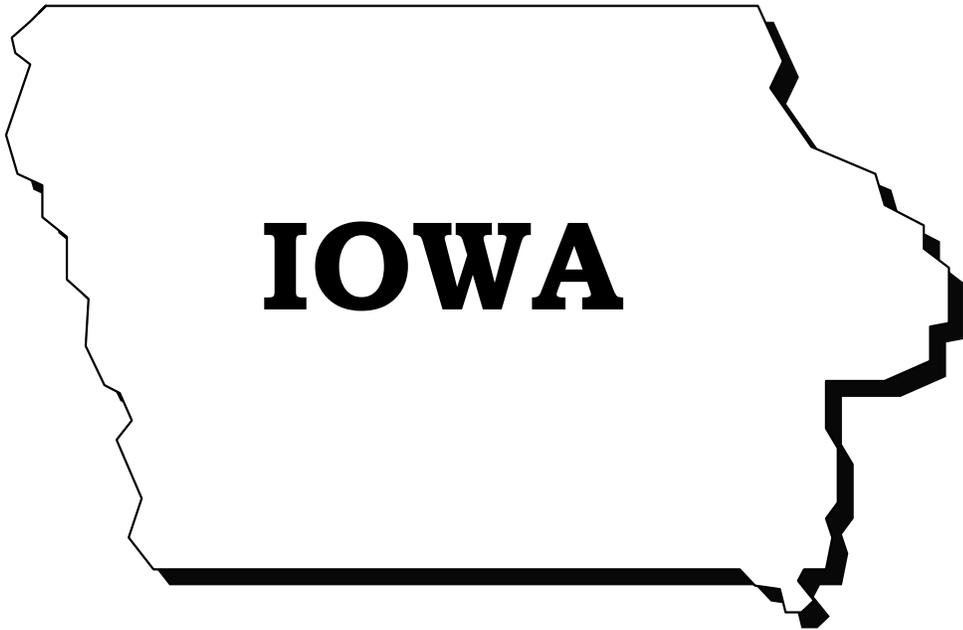
Recent revenue performance has been sluggish but positive, which is reflective of the continued impact of the agricultural slowdown on Iowa's economy. Iowa's unemployment rate was at 3.6% in September 2015, down from the rate for August 2015 of 3.7% and lower than the national rate of 5.1% for September 2015, showing Iowa's labor market holding its own.

According to Moody's Analytics, while short term overall U.S. economic growth has slowed, this should prove temporary. The U.S. economy remains on track to return to full employment by mid-2016, which should soon convince the Federal Reserve to begin normalizing interest rates. Recent job growth has reflected the recent slowdown in the U.S. economy with only 142,000 jobs added in September, well below the consensus expectation of about 200,000. Downward revisions in July and August reduced payrolls by a combined 59,000. According to Moody's Analytics, job growth is expected to reaccelerate in the near term and the past two months' of data are likely to receive upward revisions. Growth is expected to accelerate throughout 2016, with the labor market generating 2.6 million jobs through 2015 and close to 3 million in 2016. The labor market will reach full employment, below 5% unemployment, by mid-2016. Wage growth will slowly accelerate as the labor market tightens and reach 3% by 2017.

## **CONTACTING THE STATE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, legislators, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Iowa Department of Administrative Services  
State Accounting Enterprise  
Hoover State Office Building  
Des Moines, IA 50319



BASIC  
FINANCIAL  
STATEMENTS

**STATE OF IOWA**

**Statement of Net Position**

June 30, 2015

(Expressed in Thousands)

	<b>PRIMARY GOVERNMENT</b>			<b>COMPONENT UNITS</b>
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>	
<b>ASSETS</b>				
Current assets:				
Cash & investments	\$ 2,380,562	\$ 1,624,779	\$ 4,005,341	\$ 1,537,046
Cash & investments - restricted	-	-	-	618
Deposits with trustees	119,751	52	119,803	-
Accounts receivable (net)	1,865,799	734,478	2,600,277	91,311
Interest receivable	-	2,860	2,860	6,023
Loans receivable (net)	4,000	7,620	11,620	86,292
Internal balances	20,083	(20,083)	-	-
Inventory	21,814	64,897	86,711	3,037
Prepaid expenses	33,548	36,974	70,522	950
Other assets	-	-	-	3,226
Total current assets	<u>4,445,557</u>	<u>2,451,577</u>	<u>6,897,134</u>	<u>1,728,503</u>
Noncurrent assets:				
Cash & investments	-	2,518,502	2,518,502	1,763,514
Deposits with trustees	77,839	14,800	92,639	-
Accounts receivable (net)	95,455	18,784	114,239	164,426
Interest receivable	-	436	436	-
Loans receivable (net)	15,266	67,668	82,934	1,555,432
Capital assets - nondepreciable	1,079,089	1,289,131	2,368,220	19,135
Capital assets - depreciable (net)	7,583,607	3,751,863	11,335,470	91,252
Prepaid expenses	-	370	370	-
Other assets	-	43,867	43,867	26,059
Total noncurrent assets	<u>8,851,256</u>	<u>7,705,421</u>	<u>16,556,677</u>	<u>3,619,818</u>
<b>TOTAL ASSETS</b>	<b><u>13,296,813</u></b>	<b><u>10,156,998</u></b>	<b><u>23,453,811</u></b>	<b><u>5,348,321</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated decrease in fair value of hedging derivatives	-	-	-	3,105
Debt refunding loss	21,503	6,882	28,385	26,703
Excess consideration provided for acquisition	-	-	-	1,542
Related to pensions	155,632	25,584	181,216	2,663
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>177,135</u></b>	<b><u>32,466</u></b>	<b><u>209,601</u></b>	<b><u>34,013</u></b>

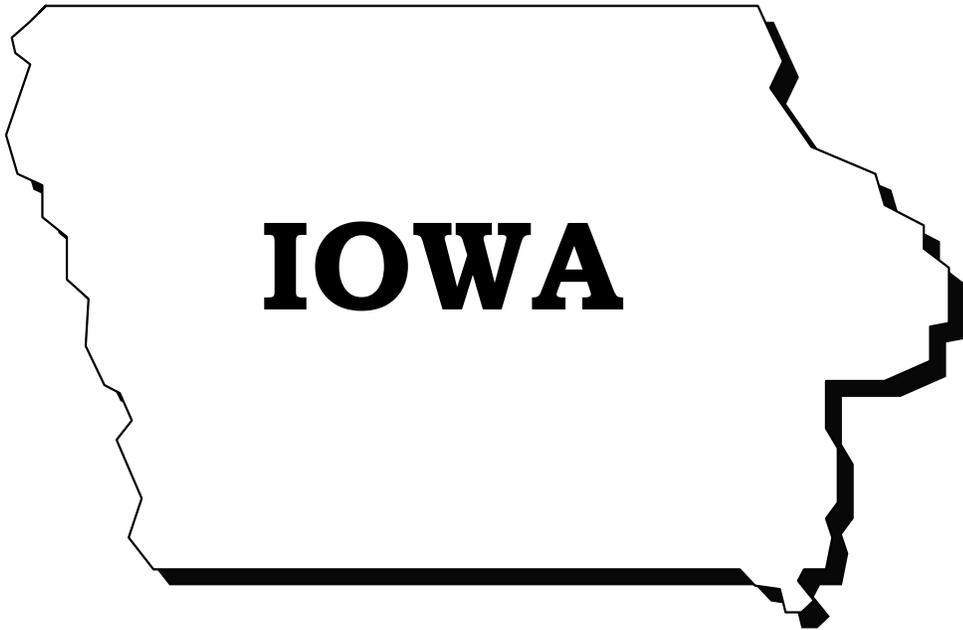
The notes are an integral part of the financial statements.

(continued on next page)

# STATE OF IOWA

(Continued)

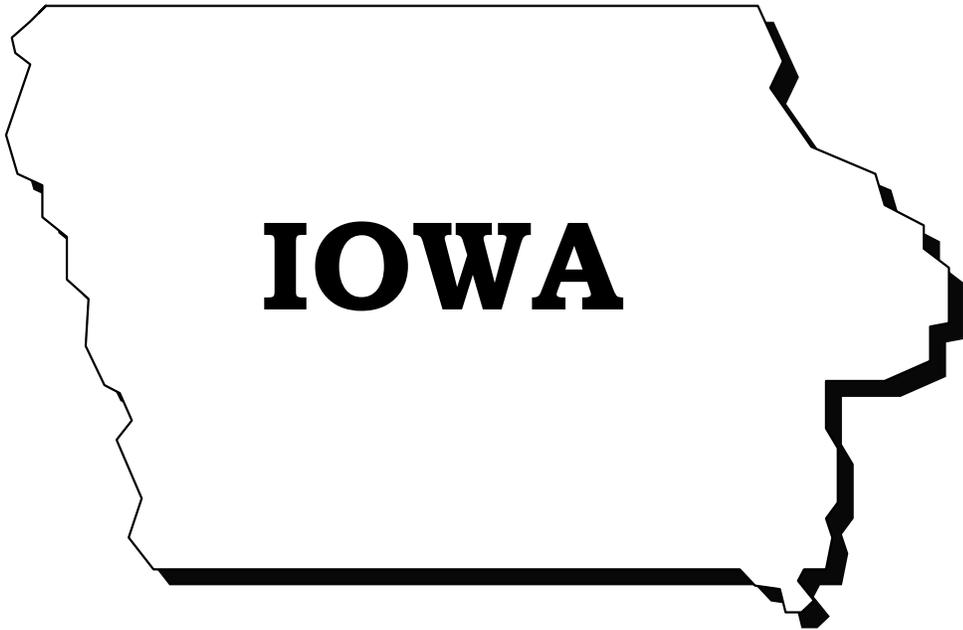
	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable & accruals	1,464,463	420,222	1,884,685	78,511
Interest payable	8,206	28,640	36,846	19,634
Unearned revenue	40,279	124,377	164,656	466
Compensated absences	148,102	120,803	268,905	2,472
Capital leases	41	2,336	2,377	725
Bonds payable	143,457	87,803	231,260	56,629
Other financing arrangements payable	243	9,580	9,823	-
Funds held in custody	-	233,856	233,856	116,863
<b>Total current liabilities</b>	<b>1,804,791</b>	<b>1,027,617</b>	<b>2,832,408</b>	<b>275,300</b>
Noncurrent liabilities:				
Accounts payable & accruals	191,549	229,080	420,629	68,345
Unearned revenue	16	1,606	1,622	-
Compensated absences	174,947	79,223	254,170	4,102
Capital leases	35	31,864	31,899	2,345
Bonds payable	1,532,133	1,815,682	3,347,815	1,308,624
Other financing arrangements payable	1,231	54,634	55,865	-
Net pension liability	749,563	71,327	820,890	12,972
Funds held in custody	-	40,937	40,937	6,238
<b>Total noncurrent liabilities</b>	<b>2,649,474</b>	<b>2,324,353</b>	<b>4,973,827</b>	<b>1,402,626</b>
<b>TOTAL LIABILITIES</b>	<b>4,454,265</b>	<b>3,351,970</b>	<b>7,806,235</b>	<b>1,677,926</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Debt refunding gain	-	8,021	8,021	-
Grants received in advance of meeting timing requirements	-	489	489	-
Related to pensions	318,546	28,835	347,381	5,365
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>318,546</b>	<b>37,345</b>	<b>355,891</b>	<b>5,365</b>
<b>NET POSITION</b>				
Net investment in capital assets	8,360,410	3,224,968	11,585,378	104,984
Restricted for:				
Education	55,641	-	55,641	-
Human services	5,350	-	5,350	-
Justice & public defense	10,654	-	10,654	-
Transportation	655,464	-	655,464	-
Agriculture & natural resources	8,448	-	8,448	-
Underground Storage Tank Program	4,473	-	4,473	-
Capital projects	9,016	-	9,016	-
University Funds - expendable	-	474,473	474,473	-
University Funds - nonexpendable	-	76,037	76,037	-
Permanent Funds - nonexpendable	16,146	-	16,146	-
Unemployment Benefits Fund	-	1,163,330	1,163,330	-
Other	90,664	-	90,664	3,346,504
Unrestricted	(515,129)	1,861,341	1,346,212	247,555
<b>TOTAL NET POSITION</b>	<b>\$ 8,701,137</b>	<b>\$ 6,800,149</b>	<b>\$ 15,501,286</b>	<b>\$ 3,699,043</b>



**STATE OF IOWA**  
**Statement of Activities**  
For the Year Ended June 30, 2015  
(Expressed in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES & CHANGES IN NET POSITION			
		CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNITS
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>PRIMARY GOVERNMENT:</b>								
<b>Governmental activities:</b>								
Administration & regulation	\$ 1,595,922	\$ 1,064,230	\$ 95,158	\$ -	\$ (436,534)	\$	\$ (436,534)	
Education	3,909,866	20,656	526,696	5	(3,362,509)		(3,362,509)	
Health & human rights	422,677	80,767	239,458	7,025	(95,427)		(95,427)	
Human services	6,463,802	544,631	3,928,265	-	(1,990,906)		(1,990,906)	
Justice & public defense	1,202,362	95,952	327,347	124	(778,939)		(778,939)	
Economic development	158,632	1,749	64,322	-	(92,561)		(92,561)	
Transportation	1,340,548	100,322	119,190	489,146	(631,890)		(631,890)	
Agriculture & natural resources	223,916	72,634	49,508	5,078	(96,696)		(96,696)	
Interest expense	92,011	-	-	-	(92,011)		(92,011)	
<b>Total governmental activities</b>	<b>15,409,736</b>	<b>1,980,941</b>	<b>5,349,944</b>	<b>501,378</b>	<b>(7,577,473)</b>		<b>(7,577,473)</b>	
<b>Business-type activities:</b>								
University Funds	4,339,376	3,037,054	742,632	173,150		(386,540)	(386,540)	
Unemployment Benefits Fund	396,842	410,209	4,001	-		17,368	17,368	
Other	264,092	366,129	-	-		102,037	102,037	
<b>Total business-type activities</b>	<b>5,000,310</b>	<b>3,813,392</b>	<b>746,633</b>	<b>173,150</b>		<b>(267,135)</b>	<b>(267,135)</b>	
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 20,410,046</b>	<b>\$ 5,794,333</b>	<b>\$ 6,096,577</b>	<b>\$ 674,528</b>	<b>(7,577,473)</b>	<b>(267,135)</b>	<b>(7,844,608)</b>	
<b>COMPONENT UNITS:</b>								
Iowa Finance Authority	\$ 106,131	\$ 14,701	\$ 53,739	\$ -				\$ (37,691)
Iowa Economic Development Authority	182,576	1,518	185,385	-				4,327
Iowa State Fair Authority	23,084	22,258	4,734	118				4,026
Iowa Lottery Authority	323,298	324,777	-	-				1,479
University of Iowa Foundation	120,103	-	122,956	-				2,853
Iowa State University Foundation	97,396	-	153,674	-				56,278
University of Northern Iowa Foundation	14,655	-	15,292	-				637
University of Iowa Research Foundation	7,483	2,682	-	-				(4,801)
University of Iowa Health System & Subsidiaries	26,253	26,001	-	-				(252)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 900,979</b>	<b>\$ 391,937</b>	<b>\$ 535,780</b>	<b>\$ 118</b>				<b>26,856</b>
<b>GENERAL REVENUES:</b>								
Personal income tax					3,456,503	-	3,456,503	-
Corporate income tax					464,121	-	464,121	-
Sales & use tax					2,670,084	-	2,670,084	-
Other tax					771,702	7,765	779,467	-
Motor fuel tax restricted for transportation purposes					524,569	-	524,569	-
Road use tax restricted for transportation purposes					346,901	-	346,901	-
Unrestricted investment earnings					19,175	46,888	66,063	90,307
Other					36,680	57,303	93,983	12,004
Gain on sale of assets					1,401	20	1,421	38
Transfers					(534,103)	534,103	-	-
<b>TOTAL GENERAL REVENUES &amp; TRANSFERS</b>					<b>7,757,033</b>	<b>646,079</b>	<b>8,403,112</b>	<b>102,349</b>
<b>CHANGE IN NET POSITION</b>					<b>179,560</b>	<b>378,944</b>	<b>558,504</b>	<b>129,205</b>
<b>NET POSITION - JULY 1, RESTATED</b>					<b>8,521,577</b>	<b>6,421,205</b>	<b>14,942,782</b>	<b>3,569,838</b>
<b>NET POSITION - JUNE 30</b>					<b>\$ 8,701,137</b>	<b>\$ 6,800,149</b>	<b>\$ 15,501,286</b>	<b>\$ 3,699,043</b>

The notes are an integral part of the financial statements.



# GOVERNMENTAL FUND FINANCIAL STATEMENTS

## Major Funds

**General Fund** - This is the State's operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

**Tobacco Settlement Authority** - The Tobacco Settlement Authority, a blended component unit of the State of Iowa, receives money from the Tobacco Collections Fund to pay for operating expenditures and repayment of debt.

**Tobacco Collections Fund** - The Tobacco Collections Fund accounts for tobacco settlement monies received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The funds are then distributed to the Tobacco Settlement Authority and the Endowment for Iowa's Health Fund pursuant to the terms of a Sales Agreement (dated October 1, 2001, and amended November 1, 2005) between the State and the Tobacco Settlement Authority. Per Code of Iowa Section 12E.12.1.b(3)(b), the State's portion is then transferred to the Rebuild Iowa Infrastructure Fund.

**Nonmajor Governmental Funds** are presented, by fund type, in the Supplementary Information section.

**STATE OF IOWA**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2015  
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Current assets:					
Cash & investments	\$ 2,214,817	\$ 4,762	\$ -	\$ 93,734	\$ 2,313,313
Deposits with trustees	119,751	-	-	-	119,751
Accounts receivable (net)	1,817,406	214	31,654	15,886	1,865,160
Loans receivable (net)	3,760	-	-	240	4,000
Due from other funds	21,519	156,007	-	3,169	180,695
Inventory	13,516	-	-	130	13,646
Prepaid expenditures	31,012	-	-	176	31,188
Total current assets	<u>4,221,781</u>	<u>160,983</u>	<u>31,654</u>	<u>113,335</u>	<u>4,527,753</u>
Noncurrent assets:					
Deposits with trustees	-	77,839	-	-	77,839
Accounts receivable (net)	88,434	-	-	7,021	95,455
Loans receivable (net)	13,775	-	-	1,491	15,266
Due from other funds/ advances to other funds	-	148,995	-	-	148,995
Total noncurrent assets	<u>102,209</u>	<u>226,834</u>	<u>-</u>	<u>8,512</u>	<u>337,555</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,323,990</u></b>	<b><u>\$ 387,817</u></b>	<b><u>\$ 31,654</u></b>	<b><u>\$ 121,847</u></b>	<b><u>\$ 4,865,308</u></b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable & accruals	\$ 1,394,825	\$ 135	\$ -	\$ 8,838	\$ 1,403,798
Due to other funds/ advances from other funds	70,726	141	156,007	9,244	236,118
Unearned revenue	17,279	-	-	362	17,641
Total current liabilities	<u>1,482,830</u>	<u>276</u>	<u>156,007</u>	<u>18,444</u>	<u>1,657,557</u>
Noncurrent liabilities:					
Accounts payable & accruals	993	-	-	-	993
Due to other funds/ advances from other funds	-	-	148,995	-	148,995
Unearned revenue	16	-	-	-	16
Total noncurrent liabilities	<u>1,009</u>	<u>-</u>	<u>148,995</u>	<u>-</u>	<u>150,004</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,483,839</u></b>	<b><u>276</u></b>	<b><u>305,002</u></b>	<b><u>18,444</u></b>	<b><u>1,807,561</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue	530,510	-	31,654	12,981	575,145
<b>FUND BALANCES</b>					
Nonspendable	44,528	-	-	16,451	60,979
Spendable:					
Restricted	861,583	387,541	-	49,946	1,299,070
Committed	1,676,632	-	-	24,038	1,700,670
Unassigned	(273,102)	-	(305,002)	(13)	(578,117)
<b>TOTAL FUND BALANCES</b>	<b><u>2,309,641</u></b>	<b><u>387,541</u></b>	<b><u>(305,002)</u></b>	<b><u>90,422</u></b>	<b><u>2,482,602</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>	<b><u>\$ 4,323,990</u></b>	<b><u>\$ 387,817</u></b>	<b><u>\$ 31,654</u></b>	<b><u>\$ 121,847</u></b>	<b><u>\$ 4,865,308</u></b>

The notes are an integral part of the financial statements.

**STATE OF IOWA**

**Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Position**

June 30, 2015  
(Expressed in Thousands)

**Total fund balances - governmental funds** **\$ 2,482,602**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets, excluding internal service funds, is \$15,882,208,000 and the accumulated depreciation is \$(7,323,296,000). 8,558,912

Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 136,919

Certain revenues are earned but not available and, therefore, are deferred in governmental funds as deferred inflows of resources. 575,145

Debt refunding losses/gains are reported as current expenditures/revenues in governmental funds. However, debt refunding losses/gains are amortized over the life of the bonds and are included as deferred outflows/inflows of resources in governmental activities in the Statement of Net Position. 21,503

Long-term liabilities, including related deferred amounts, are not due and payable in the current year and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Bonds payable	\$ (1,675,590)	
Accrued interest payable	(8,206)	
Compensated absences	(317,247)	
Capital leases	(76)	
Other financing arrangements payable	(1,474)	
Pollution remediation	(30,747)	
Early retirement/termination benefits	(21,043)	
Risk management	(20,000)	
Net pension liability & related deferred amounts	(895,613)	
Other postemployment benefits	(102,890)	
Other long-term liabilities	(1,058)	
Total long-term liabilities		<u>\$ (3,073,944)</u>

**Net position of governmental activities** **\$ 8,701,137**

The notes are an integral part of the financial statements.

**STATE OF IOWA**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds**

For the Year Ended June 30, 2015  
(Expressed in Thousands)

	<b>GENERAL FUND</b>	<b>TOBACCO SETTLEMENT AUTHORITY</b>	<b>TOBACCO COLLECTIONS FUND</b>	<b>NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES</b>					
Taxes	\$ 8,917,337	\$ -	\$ -	\$ -	\$ 8,917,337
Receipts from other entities	5,930,405	-	-	13,360	5,943,765
Investment income	16,102	2,635	-	404	19,141
Fees, licenses & permits	1,321,520	-	-	37,141	1,358,661
Refunds & reimbursements	533,630	-	63,770	4,412	601,812
Sales, rents & services	35,242	-	-	4,523	39,765
Miscellaneous	161,828	-	-	15,882	177,710
<b>GROSS REVENUES</b>	<b>16,916,064</b>	<b>2,635</b>	<b>63,770</b>	<b>75,722</b>	<b>17,058,191</b>
Less revenue refunds	1,064,122	-	-	1,945	1,066,067
<b>NET REVENUES</b>	<b>15,851,942</b>	<b>2,635</b>	<b>63,770</b>	<b>73,777</b>	<b>15,992,124</b>
<b>EXPENDITURES</b>					
Current:					
Administration & regulation	1,580,146	978	-	15,148	1,596,272
Education	3,893,529	-	-	14,956	3,908,485
Health & human rights	420,350	-	-	557	420,907
Human services	6,454,748	-	-	176	6,454,924
Justice & public defense	1,172,132	-	-	905	1,173,037
Economic development	158,282	-	-	-	158,282
Transportation	645,859	-	-	622	646,481
Agriculture & natural resources	199,576	-	-	8,247	207,823
Capital outlay	1,200,013	-	-	38,396	1,238,409
Debt service:					
Principal	33,890	11,735	-	-	45,625
Interest & fiscal charges	49,015	40,644	-	-	89,659
<b>TOTAL EXPENDITURES</b>	<b>15,807,540</b>	<b>53,357</b>	<b>-</b>	<b>79,007</b>	<b>15,939,904</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>44,402</b>	<b>(50,722)</b>	<b>63,770</b>	<b>(5,230)</b>	<b>52,220</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	163,331	-	-	37,280	200,611
Transfers out	(682,624)	-	(14,029)	(38,060)	(734,713)
Leases, installment purchases & other	199	-	-	-	199
<b>TOTAL OTHER FINANCING USES</b>	<b>(519,094)</b>	<b>-</b>	<b>(14,029)</b>	<b>(780)</b>	<b>(533,903)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(474,692)</b>	<b>(50,722)</b>	<b>49,741</b>	<b>(6,010)</b>	<b>(481,683)</b>
<b>FUND BALANCES - JULY 1</b>	<b>2,784,333</b>	<b>438,263</b>	<b>(354,743)</b>	<b>96,432</b>	<b>2,964,285</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 2,309,641</b>	<b>\$ 387,541</b>	<b>\$ (305,002)</b>	<b>\$ 90,422</b>	<b>\$ 2,482,602</b>

The notes are an integral part of the financial statements.

**STATE OF IOWA**

**Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances -  
Governmental Funds to the Statement of Activities**

For the Year Ended June 30, 2015  
(Expressed in Thousands)

**Net change in fund balances - total governmental funds** **\$ (481,683)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are:

Capital outlay	\$ 967,070	
Depreciation expense	(533,225)	
Excess of capital outlay over depreciation expense		433,845

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas the proceeds from the sale increase financial resources in governmental funds. (37,559)

Some capital additions were financed through capital leases, other financing arrangements and installment purchases. In governmental funds, these financing arrangements are considered a source of funding, but in the Statement of Net Position, the obligations are reported as liabilities. In the current year, these amounts consist of:

Other financing arrangements payments (199)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:

Bond principal retirement	45,625	
Capital lease payments	104	
Other financing arrangements payments	325	
Total long-term debt repayments		46,054

Internal service funds are used by management to charge the cost of certain activities to individual funds. A portion of the net revenue of the internal service funds is reported with governmental activities. 7,322

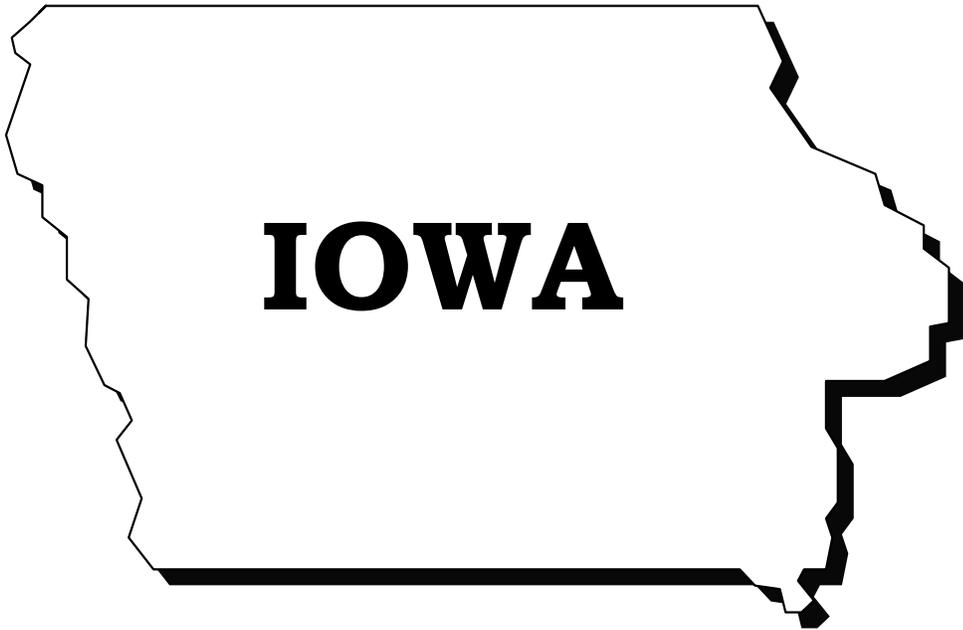
Because some revenues will not be collected for several months after the State's fiscal year-end, they are not considered available revenues and are deferred in the governmental funds as deferred inflows of resources. 135,662

Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:

Compensated absences	(4,536)	
Early retirement/termination benefits	23,787	
Net pension liability & related deferred amounts	66,990	
Other postemployment benefits	(8,253)	
Other	(1,870)	
Total additional expenses		76,118

**Change in net position of governmental activities** **\$ 179,560**

The notes are an integral part of the financial statements.



# PROPRIETARY FUND FINANCIAL STATEMENTS

## Major Funds

**University Funds** are maintained to account for the operations of the State's public institutions of higher education. The State University of Iowa, Iowa State University and the University of Northern Iowa comprise this group.

**Unemployment Benefits Fund** receives contributions from employers and federal funds to provide benefits to eligible unemployed workers.

**Nonmajor Proprietary Funds** are presented by fund in the Supplementary Information section.

**STATE OF IOWA**  
**Statement of Net Position**  
**Proprietary Funds**

June 30, 2015  
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS		
<b>ASSETS</b>					
Current assets:					
Cash & investments	\$ 512,276	\$ 1,066,777	\$ 42,360	\$ 1,621,413	\$ 70,616
Deposits with trustees	52	-	-	52	-
Accounts receivable (net)	565,023	147,672	21,759	734,454	663
Interest receivable	2,860	-	-	2,860	-
Loans receivable (net)	7,620	-	-	7,620	-
Due from other funds/advances to other funds	-	570	146	716	79,985
Inventory	52,591	-	12,306	64,897	8,169
Prepaid expenses	33,495	-	3,420	36,915	2,420
<b>Total current assets</b>	<b>1,173,917</b>	<b>1,215,019</b>	<b>79,991</b>	<b>2,468,927</b>	<b>161,853</b>
Noncurrent assets:					
Cash & investments	2,518,502	-	-	2,518,502	-
Deposits with trustees	14,800	-	-	14,800	-
Accounts receivable	18,784	-	-	18,784	-
Interest receivable	436	-	-	436	-
Loans receivable (net)	67,668	-	-	67,668	-
Due from other funds/advances to other funds	-	-	-	-	259
Capital assets - nondepreciable	1,282,450	-	6,681	1,289,131	-
Capital assets - depreciable (net)	3,681,277	-	70,586	3,751,863	103,781
Prepaid expenses	370	-	-	370	-
Other assets	43,867	-	-	43,867	-
<b>Total noncurrent assets</b>	<b>7,628,154</b>	<b>-</b>	<b>77,267</b>	<b>7,705,421</b>	<b>104,040</b>
<b>TOTAL ASSETS</b>	<b>8,802,071</b>	<b>1,215,019</b>	<b>157,258</b>	<b>10,174,348</b>	<b>265,893</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Debt refunding loss	6,882	-	-	6,882	-
Related to pensions	23,614	-	1,970	25,584	3,145
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>30,496</b>	<b>-</b>	<b>1,970</b>	<b>32,466</b>	<b>3,145</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable & accruals	381,779	20,432	16,748	418,959	32,287
Due to other funds/advances from other funds	-	182	11,863	12,045	13,233
Interest payable	28,640	-	-	28,640	-
Unearned revenue	90,309	31,075	2,993	124,377	22,638
Compensated absences	118,996	-	1,807	120,803	2,840
Capital leases	2,336	-	-	2,336	-
Bonds payable	87,803	-	-	87,803	-
Other financing arrangements payable	9,580	-	-	9,580	-
Funds held in custody	233,856	-	-	233,856	-
<b>Total current liabilities</b>	<b>953,299</b>	<b>51,689</b>	<b>33,411</b>	<b>1,038,399</b>	<b>70,998</b>
Noncurrent liabilities:					
Accounts payable & accruals	227,496	-	1,584	229,080	44,459
Due to other funds/advances from other funds	-	-	-	-	259
Unearned revenue	1,606	-	-	1,606	-
Compensated absences	77,264	-	1,959	79,223	2,962
Capital leases	31,864	-	-	31,864	-
Bonds payable	1,815,682	-	-	1,815,682	-
Other financing arrangements payable	54,634	-	-	54,634	-
Net pension liability	64,217	-	7,110	71,327	14,007
Funds held in custody	40,937	-	-	40,937	-
<b>Total noncurrent liabilities</b>	<b>2,313,700</b>	<b>-</b>	<b>10,653</b>	<b>2,324,353</b>	<b>61,687</b>
<b>TOTAL LIABILITIES</b>	<b>3,266,999</b>	<b>51,689</b>	<b>44,064</b>	<b>3,362,752</b>	<b>132,685</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Debt refunding gain	8,021	-	-	8,021	-
Grants received in advance of meeting timing requirements	489	-	-	489	-
Related to pensions	24,491	-	4,344	28,835	6,002
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>33,001</b>	<b>-</b>	<b>4,344</b>	<b>37,345</b>	<b>6,002</b>
<b>NET POSITION</b>					
Net investment in capital assets	3,147,701	-	77,267	3,224,968	103,781
Restricted for:					
Expendable	474,473	-	-	474,473	-
Nonexpendable	76,037	-	-	76,037	-
Unemployment benefits	-	1,163,330	-	1,163,330	-
Unrestricted	1,834,356	-	33,553	1,867,909	26,570
<b>TOTAL NET POSITION</b>	<b>\$ 5,532,567</b>	<b>\$ 1,163,330</b>	<b>\$ 110,820</b>	<b>6,806,717</b>	<b>\$ 130,351</b>
				(6,568)	
<b>NET POSITION OF BUSINESS-TYPE ACTIVITIES</b>				<b>\$ 6,800,149</b>	

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

The notes are an integral part of the financial statements.

# STATE OF IOWA

## Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds

For the Year Ended June 30, 2015  
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS		
<b>OPERATING REVENUES</b>					
Employer contributions	\$ -	\$ 410,209	\$ -	\$ 410,209	\$ -
Receipts from other entities	-	4,001	-	4,001	144,870
Fees, licenses & permits	2,371,830	-	21,425	2,393,255	2
Refunds & reimbursements	-	-	288	288	65,314
Sales, rents & services	376,020	-	341,089	717,109	2,026
Grants & contracts	552,781	-	-	552,781	-
Independent/auxiliary operations	289,204	-	-	289,204	-
Miscellaneous	57,297	6	3,327	60,630	5,042
<b>TOTAL OPERATING REVENUES</b>	<b>3,647,132</b>	<b>414,216</b>	<b>366,129</b>	<b>4,427,477</b>	<b>217,254</b>
<b>OPERATING EXPENSES</b>					
General & administrative	-	-	15,866	15,866	-
Scholarship & fellowship	39,041	-	-	39,041	-
Depreciation	283,328	-	5,870	289,198	15,585
Direct & other	-	-	27,448	27,448	-
Personal services	2,602,514	-	8,044	2,610,558	33,317
Travel & subsistence	36,886	-	740	37,626	18,463
Supplies & materials	622,052	-	381	622,433	49,530
Contractual services	122,884	-	6,710	129,594	38,647
Equipment & repairs	553,337	-	222	553,559	26,574
Claims & miscellaneous	13,228	-	194,361	207,589	27,460
Licenses, permits & refunds	5,084	-	702	5,786	178
State aid & credits	-	396,842	3,718	400,560	-
<b>TOTAL OPERATING EXPENSES</b>	<b>4,278,354</b>	<b>396,842</b>	<b>264,062</b>	<b>4,939,258</b>	<b>209,754</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(631,222)</b>	<b>17,374</b>	<b>102,067</b>	<b>(511,781)</b>	<b>7,500</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Gifts	189,852	-	-	189,852	-
Taxes	-	-	7,765	7,765	-
Investment income	24,291	22,460	118	46,869	53
Interest expense	(55,669)	-	-	(55,669)	-
Miscellaneous expenses	(1,795)	-	-	(1,795)	-
Gain (loss) on sale of capital assets	(3,762)	-	(11)	(3,773)	(7)
<b>NET NONOPERATING REVENUES</b>	<b>152,917</b>	<b>22,460</b>	<b>7,872</b>	<b>183,249</b>	<b>46</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; TRANSFERS</b>	<b>(478,305)</b>	<b>39,834</b>	<b>109,939</b>	<b>(328,532)</b>	<b>7,546</b>
Capital contributions & grants	173,150	-	-	173,150	-
Transfers in	643,274	-	2,353	645,627	-
Transfers out	-	(880)	(110,645)	(111,525)	-
<b>CHANGE IN NET POSITION</b>	<b>338,119</b>	<b>38,954</b>	<b>1,647</b>	<b>378,720</b>	<b>7,546</b>
<b>TOTAL NET POSITION - JULY 1, RESTATED</b>	<b>5,194,448</b>	<b>1,124,376</b>	<b>109,173</b>		<b>122,805</b>
<b>TOTAL NET POSITION - JUNE 30</b>	<b>\$ 5,532,567</b>	<b>\$ 1,163,330</b>	<b>\$ 110,820</b>		<b>\$ 130,351</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				224	
<b>CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES</b>				<b>\$ 378,944</b>	

The notes are an integral part of the financial statements.

**STATE OF IOWA**  
**Statement of Cash Flows**  
**Proprietary Funds**

For the Year Ended June 30, 2015  
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers/students	\$ 2,953,642	\$ -	\$ 362,246	\$ 3,315,888	\$ -
Cash received from miscellaneous	87,097	6	3,364	90,467	-
Cash received from employers	-	422,591	-	422,591	-
Cash received from other entities	521,504	4,001	-	525,505	17,147
Cash received from reciprocal interfund activity	-	-	-	-	204,401
Cash payments to suppliers for goods & services	(1,447,296)	-	(244,717)	(1,692,013)	(162,193)
Cash payments to employees/students for services	(2,510,799)	-	(17,574)	(2,528,373)	(34,103)
Cash payments for interfund transactions	-	(8)	-	(8)	-
Cash payments for unemployment claims	-	(394,695)	-	(394,695)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(395,852)</b>	<b>31,895</b>	<b>103,319</b>	<b>(260,638)</b>	<b>25,252</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in from other funds	598,256	-	2,353	600,609	-
Transfers out to other funds	-	(1,520)	(109,661)	(111,181)	-
Receipts from related agencies	944,546	-	-	944,546	-
Payments to related agencies	(996,203)	-	-	(996,203)	-
Other noncapital financing receipts	26,173	-	-	26,173	-
Other noncapital financing payments	(3,336)	-	-	(3,336)	-
Proceeds from noncapital gifts	172,609	-	-	172,609	-
Tax receipts	-	-	7,765	7,765	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>742,045</b>	<b>(1,520)</b>	<b>(99,543)</b>	<b>640,982</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>					
Acquisition & construction of capital assets	(712,367)	-	(2,378)	(714,745)	(13,015)
Interest payments	(60,394)	-	-	(60,394)	-
Debt payments	(113,506)	-	-	(113,506)	-
Capital grants & contributions	68,102	-	-	68,102	-
Debt proceeds	166,614	-	-	166,614	-
Proceeds from sale of capital assets	3,153	-	(11)	3,142	-
Other capital & related financing activities	141,957	-	-	141,957	-
<b>NET CASH USED BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>(506,441)</b>	<b>-</b>	<b>(2,389)</b>	<b>(508,830)</b>	<b>(13,015)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest & dividends on investments	34,792	22,460	118	57,370	53
Proceeds from sale & maturities of investments	1,917,906	-	-	1,917,906	-
Purchase of investments	(1,714,369)	-	-	(1,714,369)	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>238,329</b>	<b>22,460</b>	<b>118</b>	<b>260,907</b>	<b>53</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>78,081</b>	<b>52,835</b>	<b>1,505</b>	<b>132,421</b>	<b>12,290</b>
<b>CASH &amp; CASH EQUIVALENTS - JULY 1</b>	<b>310,128</b>	<b>1,013,942</b>	<b>40,855</b>	<b>1,364,925</b>	<b>58,326</b>
<b>CASH &amp; CASH EQUIVALENTS - JUNE 30</b>	<b>388,209</b>	<b>1,066,777</b>	<b>42,360</b>	<b>1,497,346</b>	<b>70,616</b>
<b>INVESTMENTS</b>	<b>2,642,569</b>	<b>-</b>	<b>-</b>	<b>2,642,569</b>	<b>-</b>
<b>CASH &amp; INVESTMENTS PER STATEMENT OF NET POSITION</b>	<b>\$ 3,030,778</b>	<b>\$ 1,066,777</b>	<b>\$ 42,360</b>	<b>\$ 4,139,915</b>	<b>\$ 70,616</b>

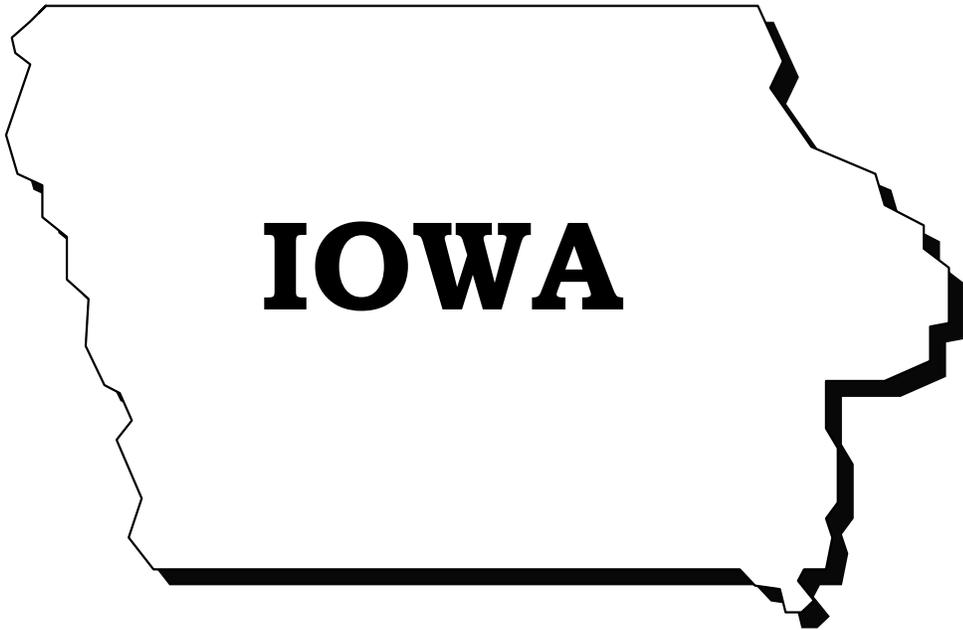
(continued on next page)

**STATE OF IOWA**  
**Statement of Cash Flows**  
**Proprietary Funds**

For the Year Ended June 30, 2015  
(Expressed in Thousands)  
(continued)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (631,222)	\$ 17,374	\$ 102,067	\$ (511,781)	\$ 7,500
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	283,328	-	5,870	289,198	15,585
(Increase) decrease in accounts receivable	(98,183)	28,869	(90)	(69,404)	1,844
(Increase) decrease in due from	-	(8)	(97)	(105)	(1,998)
(Increase) decrease in inventory	(4,378)	-	(213)	(4,591)	625
(Increase) decrease in prepaid expenses	403	-	(2,691)	(2,288)	(268)
(Increase) decrease in loans receivable	(821)	-	-	(821)	-
(Increase) decrease in other assets	(3,620)	-	-	(3,620)	-
(Increase) decrease in deferred outflows of resources	(14,153)	-	(495)	(14,648)	(1,081)
Increase (decrease) in accounts payable	49,154	1,071	737	50,962	(1,698)
Increase (decrease) in due to	-	-	(1,058)	(1,058)	1,474
Increase (decrease) in unearned revenue	9,474	(15,411)	(332)	(6,269)	2,974
Increase (decrease) in compensated absences	4,448	-	30	4,478	233
Increase (decrease) in other liability/capital leases	(115)	-	-	(115)	-
Increase (decrease) in net pension liability	(14,658)	-	(4,753)	(19,411)	(5,940)
Increase (decrease) in deferred inflows of resources	24,491	-	4,344	28,835	6,002
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (395,852)</b>	<b>\$ 31,895</b>	<b>\$ 103,319</b>	<b>\$ (260,638)</b>	<b>\$ 25,252</b>
<b>NONCASH INVESTING, CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>					
Capital assets acquired through capital leases	\$ 1,022	\$ -	\$ -	\$ 1,022	\$ -
Capital assets contributed	4,670	-	-	4,670	-
<b>TOTAL NONCASH INVESTING, CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>\$ 5,692</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,692</b>	<b>\$ -</b>

The notes are an integral part of the financial statements.



# FIDUCIARY FUND FINANCIAL STATEMENTS

**Fiduciary Funds** are presented by fund in the Supplementary Information section.

# STATE OF IOWA

## Statement of Fiduciary Net Position Fiduciary Funds

June 30, 2015  
(Expressed in Thousands)

	<b>PENSION &amp; OTHER EMPLOYEE BENEFIT FUNDS</b>	<b>PRIVATE PURPOSE TRUST FUNDS</b>	<b>AGENCY FUNDS</b>
<b>ASSETS</b>			
Cash & cash equivalents	\$ 257,087	\$ 28,469	\$ 237,212
Receivables:			
Accounts (net)	-	735	198,724
Contributions	69,716	-	-
Investments sold	526,387	-	-
Foreign exchange contracts	653,246	-	-
Interest & dividends	80,465	-	-
Total receivables	<u>1,329,814</u>	<u>735</u>	<u>198,724</u>
Investments, at fair value:			
Fixed income securities	9,742,568	-	-
Equity investments	11,745,237	4,370,928	-
Real estate partnerships	2,330,619	-	-
Investment in private equity/debt	3,242,207	-	-
Real assets	1,732,239	-	-
Securities lending collateral pool	572,449	-	-
Securities on loan with brokers	17,446	-	-
Total investments	<u>29,382,765</u>	<u>4,370,928</u>	<u>-</u>
Capital assets:			
Land	500	-	-
Other - depreciable (net)	21,940	48	-
Total capital assets	<u>22,440</u>	<u>48</u>	<u>-</u>
Other assets	712	15	-
<b>TOTAL ASSETS</b>	<b><u>30,992,818</u></b>	<b><u>4,400,195</u></b>	<b><u>435,936</u></b>
<b>LIABILITIES</b>			
Accounts payable & accruals	39,484	316	435,936
Foreign exchange contracts payable	657,515	-	-
Payable for investments purchased	715,489	-	-
Payable to brokers for rebate & collateral	572,261	-	-
<b>TOTAL LIABILITIES</b>	<b><u>1,984,749</u></b>	<b><u>316</u></b>	<b><u>435,936</u></b>
<b>NET POSITION</b>			
Restricted for:			
Pension/other postemployment benefits	29,008,069	-	-
Individuals, organizations & other entities	-	4,399,879	-
<b>TOTAL NET POSITION</b>	<b><u>\$ 29,008,069</u></b>	<b><u>\$ 4,399,879</u></b>	<b><u>\$ -</u></b>

The notes are an integral part of the financial statements.

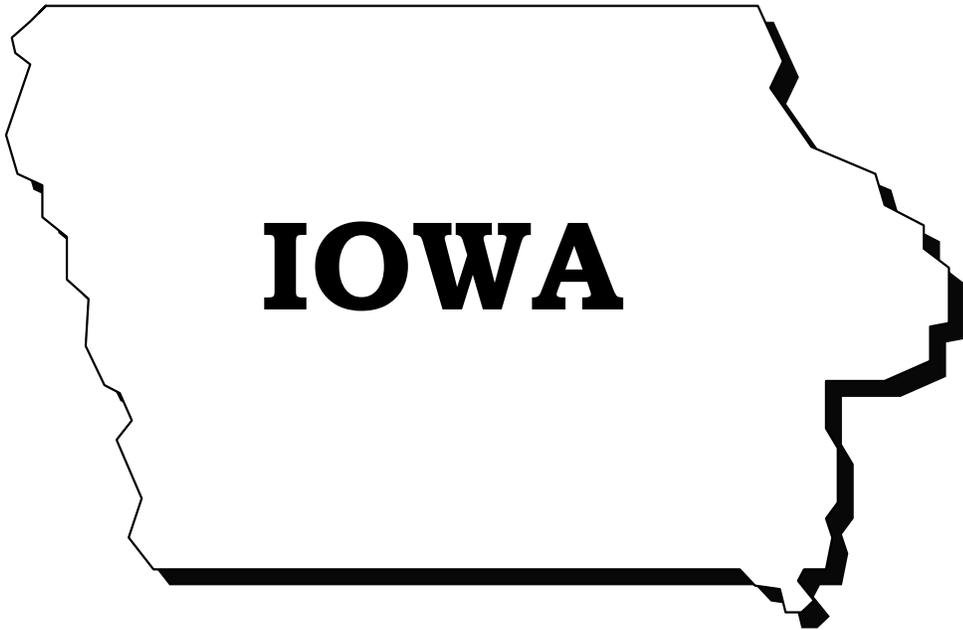
**STATE OF IOWA**

**Statement of Changes in Fiduciary Net Position  
Fiduciary Funds**

For the Year Ended June 30, 2015  
(Expressed in Thousands)

	<b>PENSION &amp; OTHER EMPLOYEE BENEFIT FUNDS</b>	<b>PRIVATE PURPOSE TRUST FUNDS</b>
<b>ADDITIONS</b>		
Contributions:		
Member/participant contributions	\$ 450,736	\$ 372,479
Employer contributions	684,236	-
Buy-back/buy-in contributions	17,476	-
Other contributions	-	972
Gifts, bequests & endowments	-	2,618
Total contributions	1,152,448	376,069
Investment income:		
Net increase in fair value of investments	637,341	118,448
Interest	319,968	344
Dividends	116,556	-
Other	111,353	-
Total investment income	1,185,218	118,792
Less investment expense	80,916	-
Net investment income	1,104,302	118,792
Miscellaneous non-investment income	5,000	-
<b>TOTAL ADDITIONS</b>	<b>2,261,750</b>	<b>494,861</b>
<b>DEDUCTIONS</b>		
Pension & annuity benefits	1,782,185	-
Distributions to participants	-	308,361
Payments in accordance with agreements	1,229	-
Administrative expense	12,824	-
Refunds	47,167	-
Other	-	1,176
<b>TOTAL DEDUCTIONS</b>	<b>1,843,405</b>	<b>309,537</b>
<b>CHANGE IN NET POSITION</b>	<b>418,345</b>	<b>185,324</b>
<b>NET POSITION - JULY 1</b>	<b>28,589,724</b>	<b>4,214,555</b>
<b>NET POSITION - JUNE 30</b>	<b>\$ 29,008,069</b>	<b>\$ 4,399,879</b>

The notes are an integral part of the financial statements.



## COMPONENT UNIT FINANCIAL STATEMENTS

**Iowa Finance Authority** issues bonds to assist in attainment of adequate housing for special needs individuals such as the low to moderate income and the disabled and to provide limited types of financing to small businesses.

**Iowa Economic Development Authority** undertakes programs to promote economic development including financing programs and the issuance of bonds.

**Iowa State Fair Authority** conducts the annual State Fair and Exposition and other interim events on the Iowa State Fairgrounds.

**Iowa Lottery Authority** is used to account for lottery revenues, administrative and operating expenses of the Lottery Authority and the distribution of revenue to the General Fund.

**The University of Iowa Foundation, Iowa State University Foundation and University of Northern Iowa Foundation** act primarily as fund-raising organizations to supplement the resources available to the State universities.

**University of Iowa Research Foundation** commercializes University of Iowa developed technologies and inventions through licensing and new venture formation.

**University of Iowa Health System & Subsidiaries** supports clinical, academic, and research programs of the University of Iowa College of Medicine and the University of Iowa Hospitals and Clinics.

**STATE OF IOWA**  
**Statement of Net Position**  
**Component Units**  
June 30, 2015  
(Expressed in Thousands)

	IOWA FINANCE AUTHORITY	IOWA ECONOMIC DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA FOUNDATION
<b>ASSETS</b>					
Current assets:					
Cash & investments	\$ 510,255	\$ 129,424	\$ 21,621	\$ 21,112	\$ 609,834
Cash & investments - restricted	-	-	-	618	-
Accounts receivable	-	17,831	1,805	3,723	31,221
Interest receivable	5,941	-	61	21	-
Loans receivable (net)	82,150	4,142	-	-	-
Inventory	-	-	182	1,968	-
Prepaid expenses	-	161	-	129	18
Other assets	1,693	-	-	1,349	-
<b>Total current assets</b>	<b>600,039</b>	<b>151,558</b>	<b>23,669</b>	<b>28,920</b>	<b>641,073</b>
Noncurrent assets:					
Cash & investments	453,458	-	-	-	582,615
Accounts receivable	-	-	736	-	79,126
Loans receivable (net)	1,487,228	66,816	-	-	-
Capital assets - nondepreciable	716	-	15,744	1,592	123
Capital assets - depreciable (net)	2,100	173	59,105	6,567	18,810
Other assets	8,330	-	-	7,418	-
<b>Total noncurrent assets</b>	<b>1,951,832</b>	<b>66,989</b>	<b>75,585</b>	<b>15,577</b>	<b>680,674</b>
<b>TOTAL ASSETS</b>	<b>2,551,871</b>	<b>218,547</b>	<b>99,254</b>	<b>44,497</b>	<b>1,321,747</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Accumulated decrease in fair value of					
hedging derivatives	3,105	-	-	-	-
Debt refunding loss	26,703	-	-	-	-
Excess consideration provided for acquisition	-	-	-	-	-
Related to pensions	867	953	-	843	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>30,675</b>	<b>953</b>	<b>-</b>	<b>843</b>	<b>-</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable & accruals	31,637	13,169	1,060	23,762	2,218
Interest payable	19,634	-	-	-	-
Unearned revenue	-	-	78	388	-
Compensated absences	-	767	303	787	-
Capital leases	-	-	-	-	725
Bonds payable	56,496	-	-	-	-
Funds held in custody	-	-	-	-	99,391
<b>Total current liabilities</b>	<b>107,767</b>	<b>13,936</b>	<b>1,441</b>	<b>24,937</b>	<b>102,334</b>
Noncurrent liabilities:					
Accounts payable & accruals	10,379	11	-	7,457	27,000
Compensated absences	-	1,577	1,146	1,379	-
Capital leases	-	-	-	-	2,345
Bonds payable	1,306,424	-	-	-	-
Net pension liability	4,267	4,627	-	4,078	-
Funds held in custody	-	-	-	-	-
<b>Total noncurrent liabilities</b>	<b>1,321,070</b>	<b>6,215</b>	<b>1,146</b>	<b>12,914</b>	<b>29,345</b>
<b>TOTAL LIABILITIES</b>	<b>1,428,837</b>	<b>20,151</b>	<b>2,587</b>	<b>37,851</b>	<b>131,679</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to pensions	1,692	1,982	-	1,691	-
<b>NET POSITION</b>					
Net investment in capital assets	2,816	173	74,849	8,159	15,863
Restricted for:					
Bond resolutions	911,181	-	-	-	-
Clean water and drinking water programs	151,087	-	-	-	-
Title guaranty program	81,784	-	-	-	-
Economic development	-	56,174	-	-	-
Other purposes	-	-	3,502	-	-
Nonexpendable - foundations	-	-	-	-	582,615
Expendable - foundations	-	-	-	-	577,229
Unrestricted	5,149	141,020	18,316	(2,361)	14,361
<b>TOTAL NET POSITION</b>	<b>\$ 1,152,017</b>	<b>\$ 197,367</b>	<b>\$ 96,667</b>	<b>\$ 5,798</b>	<b>\$ 1,190,068</b>

The notes are an integral part of the financial statements.

(continued on next page)

**STATE OF IOWA**  
**Statement of Net Position**  
**Component Units**  
June 30, 2015  
(Expressed in Thousands)  
(continued)

	<b>IOWA STATE UNIVERSITY FOUNDATION</b>	<b>UNIVERSITY OF NORTHERN IOWA FOUNDATION</b>	<b>UNIVERSITY OF IOWA RESEARCH FOUNDATION</b>	<b>UNIVERSITY OF IOWA HEALTH SYSTEM &amp; SUBSIDIARIES</b>	<b>TOTAL COMPONENT UNITS</b>
<b>ASSETS</b>					
Current assets:					
Cash & investments	\$ 184,989	\$ 20,541	\$ 18,461	\$ 20,809	\$ 1,537,046
Cash & investments - restricted	-	-	-	-	618
Accounts receivable	30,581	2,171	660	3,319	91,311
Interest receivable	-	-	-	-	6,023
Loans receivable (net)	-	-	-	-	86,292
Inventory	-	-	-	887	3,037
Prepaid expenses	228	-	105	309	950
Other assets	-	184	-	-	3,226
<b>Total current assets</b>	<b>215,798</b>	<b>22,896</b>	<b>19,226</b>	<b>25,324</b>	<b>1,728,503</b>
Noncurrent assets:					
Cash & investments	618,043	108,912	-	486	1,763,514
Accounts receivable	79,684	4,880	-	-	164,426
Loans receivable (net)	1,388	-	-	-	1,555,432
Capital assets - nondepreciable	960	-	-	-	19,135
Capital assets - depreciable (net)	3,067	794	3	633	91,252
Other assets	5,138	1,515	3,658	-	26,059
<b>Total noncurrent assets</b>	<b>708,280</b>	<b>116,101</b>	<b>3,661</b>	<b>1,119</b>	<b>3,619,818</b>
<b>TOTAL ASSETS</b>	<b>924,078</b>	<b>138,997</b>	<b>22,887</b>	<b>26,443</b>	<b>5,348,321</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Accumulated decrease in fair value of					
hedging derivatives	-	-	-	-	3,105
Debt refunding loss	-	-	-	-	26,703
Excess consideration provided for acquisition	-	-	-	1,542	1,542
Related to pensions	-	-	-	-	2,663
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,542</b>	<b>34,013</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable & accruals	512	1,122	2,137	2,894	78,511
Interest payable	-	-	-	-	19,634
Unearned revenue	-	-	-	-	466
Compensated absences	615	-	-	-	2,472
Capital leases	-	-	-	-	725
Bonds payable	133	-	-	-	56,629
Funds held in custody	12,025	-	-	5,447	116,863
<b>Total current liabilities</b>	<b>13,285</b>	<b>1,122</b>	<b>2,137</b>	<b>8,341</b>	<b>275,300</b>
Noncurrent liabilities:					
Accounts payable & accruals	20,908	2,498	92	-	68,345
Compensated absences	-	-	-	-	4,102
Capital leases	-	-	-	-	2,345
Bonds payable	2,200	-	-	-	1,308,624
Net pension liability	-	-	-	-	12,972
Funds held in custody	6,238	-	-	-	6,238
<b>Total noncurrent liabilities</b>	<b>29,346</b>	<b>2,498</b>	<b>92</b>	<b>-</b>	<b>1,402,626</b>
<b>TOTAL LIABILITIES</b>	<b>42,631</b>	<b>3,620</b>	<b>2,229</b>	<b>8,341</b>	<b>1,677,926</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to pensions	-	-	-	-	5,365
<b>NET POSITION</b>					
Net investment in capital assets	1,694	794	3	633	104,984
Restricted for:					
Bond resolutions	-	-	-	-	911,181
Clean water and drinking water programs	-	-	-	-	151,087
Title guaranty program	-	-	-	-	81,784
Economic development	-	-	-	-	56,174
Other purposes	-	-	-	-	3,502
Nonexpendable - foundations	611,339	86,453	-	-	1,280,407
Expendable - foundations	244,723	40,417	-	-	862,369
Unrestricted	23,691	7,713	20,655	19,011	247,555
<b>TOTAL NET POSITION</b>	<b>\$ 881,447</b>	<b>\$ 135,377</b>	<b>\$ 20,658</b>	<b>\$ 19,644</b>	<b>\$ 3,699,043</b>

**STATE OF IOWA**  
**Statement of Activities**  
**Component Units**  
For the Year Ended June 30, 2015  
(Expressed in Thousands)

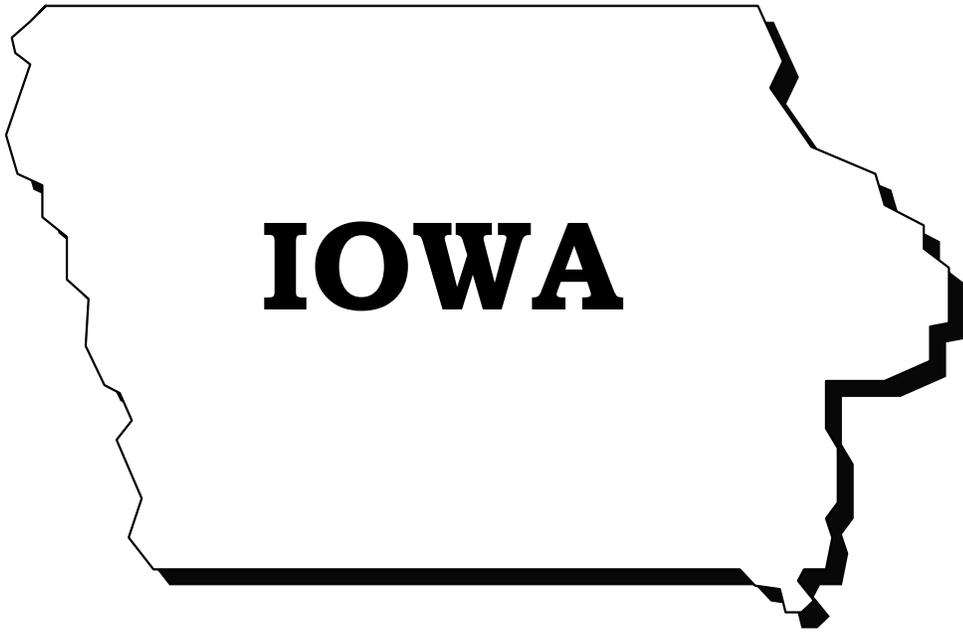
	<b>IOWA FINANCE AUTHORITY</b>	<b>IOWA ECONOMIC DEVELOPMENT AUTHORITY</b>	<b>IOWA STATE FAIR AUTHORITY</b>	<b>IOWA LOTTERY AUTHORITY</b>	<b>UNIVERSITY OF IOWA FOUNDATION</b>
Expenses	\$ 106,131	\$ 182,576	\$ 23,084	\$ 322,934	\$ 120,103
Program revenues:					
Charges for services	14,701	1,518	22,258	324,777	-
Operating grants & contributions	53,739	185,385	4,734	-	122,956
Capital grants & contributions	-	-	118	-	-
Total program revenues	<u>68,440</u>	<u>186,903</u>	<u>27,110</u>	<u>324,777</u>	<u>122,956</u>
Net program (expenses) revenues	<u>(37,691)</u>	<u>4,327</u>	<u>4,026</u>	<u>1,843</u>	<u>2,853</u>
General revenues:					
Investment income (loss)	65,348	630	57	76	33,805
Other	-	7,284	825	-	-
Gain (loss) on sale of assets	-	-	-	(364)	-
Total general revenues	<u>65,348</u>	<u>7,914</u>	<u>882</u>	<u>(288)</u>	<u>33,805</u>
<b>CHANGE IN NET POSITION</b>	<b>27,657</b>	<b>12,241</b>	<b>4,908</b>	<b>1,555</b>	<b>36,658</b>
<b>NET POSITION - JULY 1, RESTATED</b>	<b><u>1,124,360</u></b>	<b><u>185,126</u></b>	<b><u>91,759</u></b>	<b><u>4,243</u></b>	<b><u>1,153,410</u></b>
<b>NET POSITION - JUNE 30</b>	<b><u>\$ 1,152,017</u></b>	<b><u>\$ 197,367</u></b>	<b><u>\$ 96,667</u></b>	<b><u>\$ 5,798</u></b>	<b><u>\$ 1,190,068</u></b>

The notes are an integral part of the financial statements.

(continued on next page)

**STATE OF IOWA**  
**Statement of Activities**  
**Component Units**  
For the Year Ended June 30, 2015  
(Expressed in Thousands)  
(continued)

	<b>IOWA STATE UNIVERSITY FOUNDATION</b>	<b>UNIVERSITY OF NORTHERN IOWA FOUNDATION</b>	<b>UNIVERSITY OF IOWA RESEARCH FOUNDATION</b>	<b>UNIVERSITY OF IOWA HEALTH SYSTEM &amp; SUBSIDIARIES</b>	<b>TOTAL COMPONENT UNITS</b>
Expenses	\$ 97,396	\$ 14,655	\$ 7,483	\$ 26,253	\$ 900,615
Program revenues:					
Charges for services	-	-	2,682	26,001	391,937
Operating grants & contributions	153,674	15,292	-	-	535,780
Capital grants & contributions	-	-	-	-	118
Total program revenues	<u>153,674</u>	<u>15,292</u>	<u>2,682</u>	<u>26,001</u>	<u>927,835</u>
Net program (expenses) revenues	<u>56,278</u>	<u>637</u>	<u>(4,801)</u>	<u>(252)</u>	<u>27,220</u>
General revenues:					
Investment income	(16,202)	2,869	3,687	37	90,307
Other	-	-	-	3,895	12,004
Gain (loss) on sale of assets	-	-	-	38	(326)
Total general revenues	<u>(16,202)</u>	<u>2,869</u>	<u>3,687</u>	<u>3,970</u>	<u>101,985</u>
<b>CHANGE IN NET POSITION</b>	<b>40,076</b>	<b>3,506</b>	<b>(1,114)</b>	<b>3,718</b>	<b>129,205</b>
<b>NET POSITION - JULY 1</b>	<b>841,371</b>	<b>131,871</b>	<b>21,772</b>	<b>15,926</b>	<b>3,569,838</b>
<b>NET POSITION - JUNE 30</b>	<b><u>\$ 881,447</u></b>	<b><u>\$ 135,377</u></b>	<b><u>\$ 20,658</u></b>	<b><u>\$ 19,644</u></b>	<b><u>\$ 3,699,043</u></b>



# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Presentation

The accompanying financial statements of the State of Iowa have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

#### B. Financial Reporting Entity

For financial reporting purposes, the State of Iowa includes all funds, departments, agencies and universities of the State. The State has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

As required by GAAP, these financial statements present the State of Iowa (the primary government) and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State. The individual component unit financial statements, except for the Iowa Economic Development Authority (single fund type) which does not issue separate financial statements, can be obtained by contacting: Iowa Department of Administrative Services, State Accounting Enterprise, 3<sup>rd</sup> Floor, Hoover State Office Bldg., Des Moines, IA 50319.

#### **Blended Component Units**

These component units are legally separate organizations for which the State is financially accountable. The State appoints a voting majority of their boards and is able to impose its will on the organizations. In addition, these organizations provide specific financial benefits to, or impose specific financial burdens upon the State. Each of the following component units are reported as part of the State's primary government and are blended with the appropriate funds as they provide services entirely to the State or exclusively benefit the State.

- Iowa Public Television Foundation (Special Revenue and Permanent Funds) promotes and serves as a funding medium for Iowa Public Television (IPTV), a department of the State of Iowa. It solicits and manages gifts of money or property for the exclusive purpose of granting gifts of money or property to IPTV which has sole discretion as to the use of the money or property. IPTV provides support to the Foundation, including office space, equipment, website, legal services, television studio space and equipment, as well as, broadcast production staff. The State has the ability to control fund raising activities and operations as well as personnel decisions regarding the management of the Foundation. The Foundation exclusively benefits the State and provides services entirely to the State.
- Tobacco Settlement Authority (Special Revenue Fund) was created to issue bonds to securitize payments due to the State pursuant to the Master Settlement Agreement between the State and the five largest tobacco manufacturers. The Authority's board consists of the Treasurer of State, Auditor of State and the Director of the Department of Management. The State has the ability to impose its will on the Authority and its sole purpose is to provide a secure and stable source of revenue from the tobacco settlement for the State.
- Honey Creek Premier Destination Park Authority (Special Revenue Fund), herein referred to as Honey Creek Authority, was created to issue bonds to provide financing for the development of the Honey Creek Park (Enterprise Fund). The Authority's board consists of the Treasurer of State, Auditor of State and the Director of the Department of Management. The State has the ability to impose its will on the Authority and its purpose is to provide for and secure the issuance and repayment of its bonds. As discussed in NOTE 10 – BONDS PAYABLE, the bonds were defeased in FY2014; accordingly no activity is reported in the financial statements.

#### **Discretely Presented Component Units**

These component units are entities which are legally separate from the State, but are financially accountable to the State, or its relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units include the financial data of these entities.

- Iowa Finance Authority (Proprietary) issues bonds to assist in attainment of adequate housing for special needs individuals such as low to moderate income and the disabled, and to provide limited types of

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

financing to small businesses. The nine members of the board of directors are appointed by the Governor and confirmed by the Senate.

- Iowa Economic Development Authority (Proprietary) undertakes programs to enhance economic development and to provide financing programs. The eleven members of the board of directors are appointed by the Governor and confirmed by the Senate. The State is able to impose its will on the Authority.
- Iowa State Fair Authority (Proprietary) conducts the annual State Fair and Exposition and other interim events on the Iowa State Fairgrounds. The State must approve any bonds issued by the Authority. (October 31 year-end)
- Iowa Lottery Authority (Proprietary) was created to operate the State Lottery. The five members of the board of directors are appointed by the Governor and confirmed by the Senate. The State has the ability to impose its will on the Authority and its purpose is to produce the maximum amount of net revenues for the State in a dignified manner that maintains the general welfare of the people.

During the year ended June 30, 2015, the Iowa Lottery Authority distributed \$72.4 million to the State of Iowa General Fund and \$2.2 million to the Veteran's Trust Fund.

- The University related discretely presented component units below are private, nonprofit organizations that report under FASB standards, including FASB Statement No. 117, (*Financial Reporting for Not-for-Profit Organizations*), except for the University of Iowa Research Foundation and the University of Iowa Health System & Subsidiaries. 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 financial information; however, the assets, liabilities, revenues and expenses were reformatted to correspond to the State's reporting format for the Statement of Net Position and Statement of Activities.

- University of Iowa Foundation, Iowa State University Foundation and University of Northern Iowa Foundation (Foundations) are legally separate, tax exempt entities. They act primarily as fund-raising organizations to supplement the resources available to the State Universities (Universities) in support of their programs. Although the State does not control the timing or amount of receipts from the Foundations, the majority of resources they hold and invest, and income thereon, are restricted to the activities of the Universities by the donors. Because the majority of these restricted resources can only be used by, or for the benefit of, the Universities, they are considered a component unit of the State and are discretely presented in the financial statements.

During the year ended June 30, 2015, the Foundations distributed \$183.4 million to the Universities for academic and institutional support.

- University of Iowa Research Foundation (UIRF) (Proprietary) commercializes University of Iowa developed technologies and inventions through licensing and new venture formation and manages the subsequent revenue streams. The intention of the UIRF is to effectively manage University intellectual property to successful outcomes including: transferring University inventions to the marketplace for public benefit, generating significant income, operating as a self-sustaining operation, and supporting the research mission. Because the majority of these restricted resources can only be used by, or for the benefit of, the University of Iowa, they are considered a component unit of the State and are discretely presented in the financial statements.
- University of Iowa Health System & Subsidiaries (Proprietary) was formed to support clinical, academic, and research programs of the University of Iowa College of Medicine and the University of Iowa Hospitals and Clinics. Because the majority of these restricted resources can only be used by, or for the benefit of, the University of Iowa, they are considered a component unit of the State and are discretely presented in the financial statements.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### ***Related Organizations***

These related organizations are excluded from the reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organizations' board members. Financial statements are available from the respective organizations.

- Iowa Student Loan Liquidity Corporation
- Iowa Comprehensive Health Association
- Iowa Higher Education Loan Authority

### **C. Government-Wide and Fund Financial Statements**

#### ***Government-Wide Financial Statements***

The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The **Statement of Net Position** presents the State's non-fiduciary assets, liabilities and deferred outflows/inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- *Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management but can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are reported as general revenues.

#### ***Fund Financial Statements***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

#### ***Governmental Fund Balance Reporting***

The fund balance classifications for governmental funds are reported in categories which describe the extent to which certain resources may be spent. Resources are categorized as spendable or nonspendable.

Nonspendable fund balance includes inventory, prepaid items, noncurrent receivables and principal of endowments. These resources cannot be spent because they are either not in spendable form or are legally required to remain intact. When the proceeds from noncurrent receivables are restricted, committed or assigned, the fund balances for those amounts will be reported in the appropriate spendable fund balance classification.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

Spendable fund balance includes resources that are in spendable form (e.g. cash) and are available for spending. Spendable fund balance is further classified as restricted, committed, assigned or unassigned. The following describes the different levels of constraint, if any, on spendable fund balance classifications:

*Restricted* – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers (e.g. creditors, grantors and contributors) or enabling legislation.

*Committed* – includes amounts that can be used only for the specific purposes determined by a formal action of the State’s highest level of decision-making authority. The Iowa Legislature and Governor represent the State’s highest level of decision-making authority. Formal action consists of legislation passed by both the House and Senate and signed by the Governor and is required to establish, modify or rescind a limitation.

*Assigned* – includes amounts intended to be used by the State for a specific purpose but do not meet the criteria to be classified as restricted or committed. Currently, the State does not have a policy which authorizes the establishment of assigned fund balances.

*Unassigned* – includes the residual amount of the General Fund not included in the categories above, which is available for any purpose, and any negative fund balances in the other governmental fund types.

When both restricted and unrestricted (committed, assigned, unassigned) resources are available for use, generally it is the State’s policy to use restricted resources first. Also, when committed and unassigned resources are available to be spent for the same purpose, the State’s policy is, in general, to spend committed resources first.

### D. Financial Statement Presentation

The State reports the following major governmental funds:

#### General Fund

The *General Fund* is the State’s principal operating fund. It accounts for all financial resources except those accounted for in another fund.

#### Special Revenue Funds

*Tobacco Settlement Authority* – The Tobacco Settlement Authority, a blended component unit of the State of Iowa, receives money from the Tobacco Collections Fund to pay for operating expenses and repayment of debt.

*Tobacco Collections Fund* – The Tobacco Collections Fund accounts for tobacco settlement monies received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The funds are then distributed to the Tobacco Settlement Authority and the Endowment for Iowa’s Health Fund pursuant to the terms of a Sales Agreement (dated October 1, 2001, and amended November 1, 2005) between the State and the Tobacco Settlement Authority (a collateralized borrowing per GASB Statement No. 48). Per Code of Iowa Section 12E.12.1.b(3)(b), the State’s portion is then transferred to the Rebuild Iowa Infrastructure Fund.

The State reports the following major proprietary funds:

#### Enterprise Funds

*University Funds* account for the operations of the State’s public institutions of higher education. The State University of Iowa, Iowa State University and the University of Northern Iowa comprise this group.

The *Unemployment Benefits Fund* receives contributions from employers and federal funds to provide benefits to eligible unemployed workers.

In addition, the State reports the following fund types:

#### Governmental Funds

*Special Revenue Funds* account for the proceeds of specific revenue sources (other than permanent or capital projects) that are legally restricted to expenditures for a specified purpose.

*Capital Projects Funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

*Permanent Funds* account for resources legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizenry.

### Proprietary Funds

*Enterprise Funds* account for the activities for which fees are charged to external users for goods and services. This fund type is also used when the activity is financed with debt that is secured with fees and charges, as well as when the pricing policy of the activity is designated to recover its costs.

*Internal Service Funds* account for the financing of goods or services provided by one department or agency to other departments or agencies of the State, or to other governmental units, on a cost reimbursement basis. The activities accounted for in internal service funds include information technology, workers' compensation, fleet operations, printing and mail services and property management.

### Fiduciary Funds

*Pension and Other Employee Benefit Trust Funds* account for resources that are required to be held for the members and beneficiaries of the State's defined benefit pension plans and other postemployment benefit plans. The pension plans included are the Iowa Public Employees' Retirement System (IPERS), Peace Officers' Retirement, Accident and Disability System (PORS) and the Judicial Retirement System (JRS).

*Private Purpose Trust Funds* account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations or other governments. Examples include Iowa Educational Savings Plan Trust, Veterans Affairs donations, Braille & Sight Saving School Fund and Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR-UP) Fund.

*Agency Funds* account for resources held by the State in a purely custodial capacity. These funds include tax collections, fines, fees and payroll deductions.

### **E. Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Most revenues, including taxes, fees, charges for services, refunds and reimbursements and receipts from other entities, are considered by the State to be available if collected within 60 days of the end of the fiscal year. Investment earnings are recorded as earned since they are measurable and available.

Expenditures are recognized when the related fund liability is incurred. An exception to the general modified accrual expenditure recognition criteria is the principal and interest on general long-term debt which is recognized when due. Income tax refunds are accrued for claims related to tax periods ended by June 30th, of the fiscal year, and paid within 60 days.

Proprietary and fiduciary fund statements are reported using the economic resources measurement focus (except for agency funds which have no measurement focus) and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. *General revenues* include all taxes and investment income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

In fiscal year 2015, the State of Iowa implemented the following GASB standards:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*. This Statement establishes new accounting and financial reporting requirements for state and local governments which provide their employees with pension benefits through pension plans administered through specific trusts or equivalent arrangements. This Statement requires the governmental employer to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources and pension related expenses/expenditures.
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date an amendment of GASB Statement No. 68*. At transition, GASB 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*, did not allow for beginning balances for deferred outflows of resources or deferred inflows of resources to be reported unless *all* balances were reported. GASB 71 modified this Statement to require that, at transition, governments recognize a beginning deferred outflow of resources for employer contributions made subsequent to the measurement date of the beginning net pension liability.

#### **F. Cash, Investments and Securities Lending**

Cash in most funds is held in the State treasury and is commingled in State bank accounts and investments. The moneys of most funds are pooled together and invested as an investment pool by the Treasurer of State (Treasurer). However, moneys of some funds may be invested separately from the investment pool where permitted by statute.

Investment earnings of the investment pool are allocated to the individual funds as provided by statute. Income of \$7,276,839 associated with certain funds has been assigned to other funds for fiscal year 2015.

The Treasurer's deposits in financial institutions throughout the year and at year-end were entirely covered by the Federal Deposit Insurance Corporation, collateral held by the Treasurer's custodial banks in the Treasurer's name or by the bank assessment provisions of Section 12C.23 of the Code of Iowa.

The Treasurer may invest in obligations of the United States government, its agencies and instrumentalities; certificates of deposit in Iowa financial institutions; prime bankers' acceptances, commercial paper or other short-term corporate debt; repurchase agreements; investments authorized for Iowa Public Employees' Retirement System in section 97B.7A; money market mutual funds organized in trust form; obligations of the Iowa Finance Authority issued pursuant to Chapter 16 of the Code of Iowa and other investments as permitted by Section 12B.10 of the Code of Iowa.

Investments are valued at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value is calculated at market price at the close of business on June 30 by independent pricing services utilized by the Treasurer's custodian bank. However, certain cash equivalent investments, such as commercial paper, bankers' acceptances, certificates of deposit, guaranteed investment contracts and discount notes issued by government agencies, are valued using purchase price. IPERS has derivatives that are reported on the Statement of Fiduciary Net Position at fair value. (See NOTE 15 – PENSION PLANS.)

Certain State institutions participate in the Iowa Public Agency Investment Trust (IPAIT), a state and local government pooled investment account, created by Code of Iowa Chapter 28E. IPAIT is managed by Investors Management Group and is registered with the Securities and Exchange Commission. IPAIT follows established money market mutual fund parameters designed to maintain a \$1 per unit net asset value.

Cash and cash equivalents include currency on hand, demand deposits with banks or other financial institutions, investments readily convertible to known amounts of cash and investments so near their maturity they present insignificant risk of changes in value because of changes in interest rates. In the Statements of Cash Flows, investments with an original maturity of three months or less are considered cash equivalents.

IPERS, PORS and JRS (together the "Systems") participate in a securities lending program with Deutsche Bank as the lending agent and the Bank of New York Mellon as the custodian bank for IPERS and with Deutsche Bank as both lending agent and custodian bank for PORS and JRS. The participation of IPERS is authorized by the Code of Iowa and the participation of PORS and JRS is authorized by their Boards of Trustees. The lending agent is responsible for operating the program and is permitted to lend any of the securities it holds in custody for the Systems to broker-dealers and other entities in exchange for collateral. The lending agent is permitted to accept collateral in the form of cash in U.S. dollars, U.S. government securities or irrevocable letters of credit. The types of securities on loan included equity investments and fixed income securities.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

A borrower is required to initially deliver collateral in an amount equal to 102% of the fair value of any U.S. securities lent and 105% of the fair value of any non-U.S. securities lent. Borrowers are required to provide additional collateral any time the value of the collateral drops below 100% of the value of the security lent plus accrued interest income. Securities received as collateral cannot be sold or pledged unless the borrower defaults.

At year-end, the Systems had no credit risk exposure to borrowers because the amounts the borrowers owed the Systems did not exceed the amount the Systems owed the borrowers. The contracts with the lending agent require it to indemnify the Systems if a borrower fails to return the securities or fails to return all of the income attributable to securities on loan. The securities lending contracts do not allow the Systems to pledge or sell collateral securities received unless the borrower defaults. As of June 30, 2015, the Systems had securities on loan, including accrued interest income, with a total value of \$559.2 million against collateral with a total value of \$572.4 million.

The majority of securities loans are open loans, i.e. one day maturity, where the rebate rate due the borrower is renegotiated daily. All securities loans can be terminated on demand by either the Systems or the borrower. Cash collateral received from borrowers is invested in a cash collateral investment pool which is managed by the lending agent in accordance with investment guidelines established by the Systems. The investment guidelines do not require a matching of investment maturities with loan maturities, but do establish minimum levels of liquidity and other investment restrictions designed to minimize the interest rate risk associated with not matching the maturity of the investments with the loans. (See NOTE 2.)

The effective duration of the cash collateral pool at June 30, 2015, for IPERS was 0.0. Credit quality and years to maturity statistics for the cash collateral pool at June 30, 2015, for IPERS is as follows (expressed in thousands):

### Securities Lending Collateral Pool

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Risk S&amp;P Quality Rating</u>	<u>Investment Maturity (Years)</u>
Overnight repurchase agreements	<u>\$ 554,543</u>	Not rated	Less than 1

### G. Accounts Receivable

Accounts receivable have been established and offset with proper provisions for estimated uncollectible accounts where applicable. Practically all receivables of governmental funds are due from other governmental entities, primarily the federal government, and are considered collectible. Receivables in other funds have arisen in the ordinary course of business.

Taxes receivable represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, a corresponding amount is recorded as revenue. In the governmental fund financial statements, the portion considered "available" is recorded as revenue; the remainder is recorded as deferred inflows of resources – deferred revenue.

### H. Inventories

Inventories are valued at cost, which approximates market. The first-in/first-out (FIFO) cost flow method is used for the majority of inventories. Throughout the year, costs of inventories are recorded as expenditures when purchased. For financial reporting purposes, expenditures are adjusted at fiscal year-end for material inventory amounts to correlate with the consumption method. Inventory asset amounts are not available for budgetary appropriation as they have been charged to expenditures when purchased rather than when used.

### I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items in both government-wide and fund financial statements. In governmental funds, prepaid items are accounted for using the consumption method and a portion of fund balance equal to the prepaid items has been classified as nonspendable to indicate it is not available for appropriation.

### J. Capital Assets

Capital assets are reported in the government-wide financial statements and proprietary fund statements at historical cost. Donated capital assets are reported at their estimated fair market value at the time of acquisition.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

Capital assets utilized in governmental funds are reported as expenditures when purchased in the governmental fund financial statements. Interest incurred during the construction phase of capital assets of enterprise funds is generally included as part of the capitalized value of the assets constructed. Infrastructure and intangible assets, as defined by the State's policy, acquired after June 30, 1980, are reported. Reportable capital assets are defined by the State as assets above the following thresholds:

Infrastructure	\$ 1,000,000
Intangible assets	\$ 500,000
Land, buildings and improvements	\$ 50,000
Equipment	\$ 5,000

Capital assets are depreciated over their useful lives using the straight-line depreciation method. The government-wide, proprietary fund and component unit financial statements report depreciation expense. The following useful lives are used:

Infrastructure	10-50 years
Buildings	20-50 years
Improvements other than buildings	20-50 years
Intangible assets	5-20 years
Equipment	2-20 years
Vehicles	3-10 years

Each University sets its own capitalization threshold and useful life policies. See individual university financial reports.

### **K. Deferred Outflows of Resources**

In addition to assets, the government-wide and fund financial statements will sometimes report a separate section of deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

### **L. Compensated Absences**

Employees' compensated absences are accrued when earned. Accrued vacation is paid at 100% of the employee's hourly rate upon retirement, death or termination. With certain exceptions, accrued sick leave is paid at 100% of the employee's hourly rate to a maximum of \$2,000 upon retirement. Employees may elect to use a portion of accrued sick leave balances to pay the state share of group health insurance premiums upon retirement. The liability for accrued compensated absences as reported in the government-wide and proprietary fund financial statements is based on the current rates of pay.

### **M. Long-term Liabilities**

In the government-wide and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond discounts for proprietary fund types are generally amortized over the terms of the bonds using the bonds-outstanding method or straight-line method, which approximates the effective interest method.

Long-term liabilities due within one year of the date of the statements are classified as current liabilities.

In governmental fund types, bond discounts are recognized in the current period.

### **N. Deferred Inflows of Resources**

In addition to liabilities, the government-wide and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### **O. Interfund Activity and Balances**

#### ***Interfund Activity***

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

#### ***Interfund Balances***

Interfund receivables and payables have been eliminated from the Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

### **P. Encumbrances**

The State utilizes encumbrance accounting for budgetary control purposes. Obligations incurred for goods or services not received or rendered are recorded to reserve that portion of the applicable fund balance. Section 8.33, unnumbered paragraph 2, of the Code of Iowa, states, "No payment of an obligation for goods or services shall be charged to an appropriation subsequent to the last day of the fiscal year for which the appropriation is made unless the goods or services are received on or before the last day of the fiscal year, except that repair projects, purchase of specialized equipment and furnishings, and other contracts for services and capital expenditures for the purchase of land or the erection of buildings or new construction or remodeling, which were committed and in progress prior to the end of the fiscal year are excluded from this provision." That is, except for the above stated exceptions, the State must have received the goods or services on or before June 30, creating an actual liability, or the encumbrance is cancelled against that fiscal year. If the encumbrances are still valid after June 30, they become expenditures/expenses of the next fiscal year.

### **Q. Stabilization Arrangements (Reserve Funds)**

The State maintains two funds for emergency expenditures: the Iowa Economic Emergency Fund and the Cash Reserve Fund. The Iowa Economic Emergency Fund and the Cash Reserve Fund were created in Iowa Code Sections 8.55 and 8.56.

The maximum balance of the Iowa Economic Emergency Fund is the amount equal to 2.5 percent of the adjusted revenue estimate for the fiscal year. The moneys in this fund may only be appropriated by the General Assembly for emergency expenditures and only in the fiscal year for which the appropriation is made.

The maximum balance of the Cash Reserve Fund is equal to 7.5 percent of the adjusted revenue estimate for the General Fund of the State for the current fiscal year. Moneys in this fund may be used for cash flow purposes provided that any moneys so allocated are returned to the fund by the end of each fiscal year. The moneys in this fund may only be appropriated by the General Assembly for payment of nonrecurring emergency expenditures and shall not be appropriated for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded. An appropriation shall not be made from this fund if the appropriation would cause the fund's balance to be less than 3.75 percent of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

The fund balances for the Iowa Economic Emergency Fund and the Cash Reserve Fund are included in the *committed* spendable fund balance classification.

### **R. Minimum Fund Balance Requirements**

Currently, the State has six governmental funds which are required by statute, federal regulations or bonding requirements to maintain minimum fund balances. However, the State does not have a formally adopted policy regarding minimum fund balances.

### **S. Budgeting and Budgetary Control**

There are no material violations of finance-related legal and contractual provisions. Budgetary comparison schedules and related disclosures are reported as Required Supplementary Information (RSI).

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 2 – CASH, INVESTMENTS AND SECURITIES LENDING

#### A. Primary Government and Fiduciary Funds

Investments of the primary government and fiduciary funds at June 30, 2015, are scheduled as follows (expressed in thousands):

<i><b>Primary Government</b></i>		<i><b>Fiduciary Funds</b></i>	
Investment Type	Fair Value	Investment Type	Fair Value
Fixed:		Fixed:	
U.S. government treasuries, notes & bonds	\$ 246,145	U.S. government treasuries, notes & bonds	\$ 2,265,841
U.S. government agency	424,089	U.S. government agency	420,050
Government asset & mortgage-backed	1,818,495	Government asset & mortgage-backed	1,544,116
Corporate bonds	120,062	Corporate bonds	2,587,144
Corporate asset backed	17,590	Corporate asset backed	187,776
Private placements	19,854	Private placements	1,470,014
Fixed income mutual funds	1,346,546	Commingled bond funds	2,076,570
Other fixed income	251,516	Other fixed income	47,079
Commercial paper	4,000	Total fixed	<u>10,598,590</u>
Total fixed	<u>4,248,297</u>		
Equity:		Equity:	
U.S. equity	223,803	U.S. equity	6,286,303
Private equity	37,101	Private equity	3,231,676
Real estate	169	Real estate	1,693,712
Non U.S. equity	238,878	Commingled & mutual funds	11,422,783
Money market funds	339,820	Other	170,622
Pooled & mutual funds	125,610	Total equity	<u>22,805,096</u>
Repurchase agreements	45,108		
Investment pools	1,687	Total invested assets	<u>\$ 33,403,686</u>
Other	518,135		
Total equity	<u>1,530,311</u>		
Total invested assets	<u>\$ 5,778,608</u>		

#### **Credit Risk**

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the State.

The Treasurer's investment policy requires that domestic commercial paper maturing within 270 days from the date of purchase have the highest rating of both Standard & Poor's and Moody's on the date of purchase. Investments in short-term corporate debt, other than commercial paper maturing within 270 days from the date of purchase, are limited to one of the two highest ratings of either Standard & Poor's or Moody's on the date of purchase, provided at the time of purchase no more than 5% of amounts invested in short-term corporate debt or commercial paper are rated in the second highest rating. Investments in obligations or guaranteed investment contracts of domestic corporations with maturities greater than 270 days from the date of purchase are limited to long-term ratings of not less than A2 by Moody's and not less than A by Standard & Poor's. Investments in asset-backed securities are limited to those rated AAA by Standard & Poor's or Aaa by Moody's.

The State Board of Regents establishes policy and sets objectives for the Universities' investments. Credit quality limitations for investments of operating funds are: the weighted average credit quality of each University's operating portfolio shall be AA or Aa as rated by Standard & Poor's or Moody's, respectively; up to 20% of each University's operating portfolio may be invested in bonds rated A and BBB in order to enhance portfolio yield; commercial paper or other short-term corporate debt maturing within 270 days rated within the two highest classifications, as established by at least one of the standard rating services, provided that at the time of purchase no more than 5% of all amounts invested in commercial paper and other short-term corporate debt shall be

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

invested in paper and debt rated in the second highest classification; obligations of the Iowa Finance Authority (Authority) provided at the time of purchase the Authority has an issuer credit rating within the two highest classifications or the obligations to be purchased are rated within the two highest classifications, as established by at least one of the standard rating services; corporate debt with a maturity of greater than 270 days that is rated investment grade by Standard & Poor's or Moody's (at least BBB- or Baa3, respectively), or by another Nationally Recognized Statistical Rating Organization (NRSRO), including Rule 144A Securities deemed to be of investment grade credit quality by the external or internal investment manager, at the time of purchase.

Credit quality limitations for the Universities' endowment funds are: the weighted average credit quality of each University's endowment fixed income portfolio shall be AA or Aa as rated by Standard & Poor's or Moody's, respectively; up to 20% of each University's operating portfolio may be invested in bonds rated A and BBB in order to enhance portfolio yield.

There are no policy limitations for credit risk exposures within the investment portfolios of the Systems (IPERS, PORS and JRS). Each IPERS portfolio is managed in accordance with an investment contract that is specific as to permissible quality ranges and the average credit quality of the overall portfolios. Policies related to credit risk pertaining to IPERS', PORS' and JRS' securities lending program is found under the securities lending disclosures found in NOTE 1 F of these notes.

Investments in debt securities of the U.S. Government or obligations of U.S. Government agencies that are explicitly guaranteed by the U.S. Government are disclosed in the TSY and AGY columns of the credit risk schedules.

The State's exposure to credit risk for the fixed income investments of the primary government and fiduciary funds at June 30, 2015, is summarized by credit quality ratings, as follows (expressed in thousands):

### Credit Risk - S & P Quality Ratings Primary Government

Investment Type	TSY	AAA	AA	A	BBB
U.S. government treasuries, notes & bonds	\$ 246,145	\$ -	\$ -	\$ -	\$ -
U.S. government agency	-	187,094	236,995	-	-
Government asset & mortgage-backed	-	49	1,807,855	-	-
Corporate bonds	-	6,752	23,372	67,249	7,487
Corporate asset backed	-	13,627	4	-	1
Private placements	-	6,100	12,510	10	16
Fixed income mutual funds	56,360	22,031	203,393	70,237	116,138
Other fixed income	-	4,445	9	3,009	-
<b>Total</b>	<b>\$ 302,505</b>	<b>\$ 240,098</b>	<b>\$ 2,284,138</b>	<b>\$ 140,505</b>	<b>\$ 123,642</b>

(continued)

### Credit Risk - S & P Quality Ratings Primary Government

(continued)

Investment Type	BB	B	CCC & Below	A1+P1	NR
Government asset & mortgage-backed	\$ -	\$ -	\$ -	\$ -	\$ 10,591
Corporate bonds	203	-	-	-	14,999
Corporate asset backed	-	-	-	-	3,958
Private placements	-	-	-	-	1,218
Fixed income mutual funds	76,809	197,622	4,851	-	599,105
Other fixed income	-	-	-	-	244,053
Commercial paper	-	-	-	4,000	-
<b>Total</b>	<b>\$ 77,012</b>	<b>\$ 197,622</b>	<b>\$ 4,851</b>	<b>\$ 4,000</b>	<b>\$ 873,924</b>

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### Credit Risk - S & P Quality Ratings Fiduciary Funds

Investment Type	TSY	AGY	AAA	AA	A
U.S. government treasuries, notes & bonds	\$ 2,265,841	\$ -	\$ -	\$ -	\$ -
U.S. government agency	-	-	2,282	61,021	62,874
Government asset & mortgage-backed	-	169,410	42,858	862,249	27,497
Corporate bonds	-	-	31,412	155,097	584,575
Corporate asset backed	-	-	56,329	59,990	14,164
Private placements	-	-	89,242	88,719	203,047
Commingled bond funds	1,177,813	45,119	608,833	36,943	98,287
Other fixed income	-	-	3,522	9,865	32,353
<b>Total</b>	<b>\$ 3,443,654</b>	<b>\$ 214,529</b>	<b>\$ 834,478</b>	<b>\$ 1,273,884</b>	<b>\$ 1,022,797</b>

(continued)

#### Credit Risk - S & P Quality Ratings Fiduciary Funds

(continued)

Investment Type	BBB	BB	B	Below B	NR
U.S. government agency	\$ 110,254	\$ 46,063	\$ 6,277	\$ 16,383	\$ 114,896
Government asset & mortgage-backed	19,850	1,368	7,549	11,075	402,260
Corporate bonds	809,950	574,120	346,354	37,732	47,904
Corporate asset backed	1,042	6,478	10,407	3,249	36,117
Private placements	253,093	300,427	265,208	45,809	224,469
Commingled bond funds	109,122	-	-	-	453
Other fixed income	59	1,109	149	-	22
<b>Total</b>	<b>\$ 1,303,370</b>	<b>\$ 929,565</b>	<b>\$ 635,944</b>	<b>\$ 114,248</b>	<b>\$ 826,121</b>

#### **Interest Rate Risk**

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment.

The Treasurer manages interest rate risk by utilizing a buy-and-hold strategy, maturity limitations and diversification parameters and liquidity requirements set by the Investment Committee.

*Maturity Limitations:* No investment shall be made in a U.S. Treasury note or bond, a U.S. government agency note or bond or a U.S. government instrumentality note or bond with a maturity that exceeds 61 months at the time of purchase. (The 61-month maturity limitation does not apply to such securities if accepted as collateral under a repurchase agreement.) No investment shall be made in an asset-backed security that has an expected average life greater than two years at the time of purchase, and a final maturity greater than three years at the time of purchase. The maturities of commercial paper and bankers' acceptances shall not exceed 270 days at the time of purchase. The maturities of all other investments shall not exceed 25 months at the time of purchase.

*Maturity Diversification:* The Investment Committee shall set permitted maximum dollar amounts that can be invested in specific maturity sectors that are consistent with the overall portfolio strategy and this investment policy.

*Liquidity Reserve:* The Investment Committee shall specify how much liquidity shall be reserved to ensure adequate cash is available to meet any unexpected expenditures that may occur. The liquidity reserve should be

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

continuously invested in money market mutual funds or money market accounts with Iowa financial institutions or short-term money market accounts.

The Universities' policies for the operating portfolio prohibit investment in securities that at the time of purchase have effective maturities exceeding 63 months and that the maximum duration of each portfolio shall not exceed the duration of the Merrill 1-3 Government/Corporate Index by more than 20%. There is no explicit limit on the average maturity of fixed income securities in the endowment portfolio.

IPERS manages interest rate risk within the portfolio using the effective duration or option-adjusted methodology. It 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. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of IPERS' fixed income portfolios are managed in accordance with investment contracts that require the effective duration of the portfolio shall always remain between 80% and 120% of the effective duration measure of the Index.

The State's exposure to interest rate risk for the fixed income investments of the primary government and the fiduciary funds at June 30, 2015, is summarized using the effective duration method, as follows (expressed in thousands):

<b>Primary Government</b>			<b>Fiduciary Funds</b>		
Investment Type	Fair Value	Effective Duration (Years)	Investment Type	Fair Value	Effective Duration (Years)
U.S. government treasuries, notes & bonds	\$ 246,145	1.79	U.S. government treasuries, notes & bonds	\$ 2,265,841	6.42
U.S. government agency	424,089	1.60	U.S. government agency	420,050	6.30
Government asset & mortgage-backed	1,818,495	0.26	Government asset & mortgage-backed	1,544,116	2.64
Corporate bonds	120,062	0.63	Corporate bonds	2,587,144	5.58
Corporate asset backed	17,590	0.60	Corporate asset backed	187,776	0.66
Private placements	19,854	0.19	Private placements	1,470,014	4.55
Fixed income mutual funds	1,346,546	2.45	Commingled bond funds	2,076,570	6.34
Other fixed income	251,516	0.17	Other fixed income	47,079	5.41
Commercial paper	4,000	0.04			
<b>Total</b>	<b>\$ 4,248,297</b>	<b>1.18</b>	<b>Total</b>	<b>\$ 10,598,590</b>	<b>5.28</b>

#### **Foreign Currency Risk**

Foreign currency risk is the risk changes in exchange rates will adversely impact the fair value of an investment. IPERS allows its investment managers the discretion to hedge their foreign currency exposures. PORS' external managers may or may not hedge the portfolios' foreign currency exposures with forward foreign exchange contracts, currency options, currency futures or options on currency futures depending upon their views on a specific foreign currency relative to the U.S. dollar. IPERS generally does not allow its investment managers to enter into currency positions greater than 100 percent or less than 0 percent of the underlying asset exposure in their respective portfolios. The only exceptions are (1) as it relates to specific cross-hedging activity, which may be permitted in certain investment manager contracts, and (2) in global macro investment strategies where the manager is permitted to tactically allocate across several asset classes and strategies, including currency. IPERS' net foreign currency exposure of the global macro managers was less than 1% of IPERS' total foreign currency exposure on June 30, 2015.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

Foreign currency risk by investment type for the pension system fiduciary funds, at June 30, 2015, follows (expressed in thousands):

	Total	Cash	Derivatives	Equity	Fixed Income
Australian dollar	\$ 240,430	\$ 40,185	\$ (504)	\$ 159,599	\$ 41,150
Brazilian real	31,372	(3,068)	-	25,037	9,403
British pound	215,356	(59,478)	1,577	254,711	18,546
Canadian dollar	(20,724)	(20,623)	(101)	-	-
Chilean peso	3,432	-	-	3,190	242
Chinese yuan renminbi	6,170	6,170	-	-	-
Columbian peso	35	-	-	-	35
Czech koruna	4,388	-	-	4,388	-
Danish krone	32,008	131	-	31,877	-
Euro	749,798	(44,622)	(1,492)	734,189	61,723
Hong Kong dollar	229,008	2,769	(426)	226,405	260
Hungarian forint	1,033	-	-	1,033	-
Indian rupee	50,983	143	-	49,985	855
Indonesian rupiah	9,399	49	-	9,350	-
Japanese yen	602,713	49,046	(784)	555,249	(798)
Mexican peso	55,798	152	-	15,489	40,157
New Zealand dollar	34,806	33,862	-	944	-
Norwegian krone	30,064	2,415	-	27,649	-
Philippine peso	7,382	-	-	7,382	-
Polish zloty	2,975	2	-	2,973	-
Singaporean dollar	26,818	399	-	26,419	-
South African rand	41,666	163	-	41,503	-
South Korean won	64,841	1	-	64,840	-
Swedish krona	6,116	(8,788)	-	14,904	-
Swiss franc	30,657	(37,920)	-	68,577	-
Taiwanese dollar	43,576	377	-	43,199	-
Thai baht	10,865	-	-	10,865	-
Turkish lira	11,027	-	-	11,027	-
United Arab Emirates dirham	6,005	-	-	6,005	-
<b>Total</b>	<b>\$ 2,527,997</b>	<b>\$ (38,635)</b>	<b>\$ (1,730)</b>	<b>\$ 2,396,789</b>	<b>\$ 171,573</b>

#### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. Policies of the Treasurer, Universities and Systems limit investment in any single issuer or corporate entity to no more than 5% of the market value of the portfolio or account. The policy does not apply to investments in U.S. treasuries, government agencies or instrumentalities.

#### **Custodial Credit Risk**

*Deposits:* Custodial credit risk for deposits is the risk the State's deposits may not be returned to it in the event of a bank failure. Protection from custodial credit risk exists for the State's deposits in excess of FDIC insurance coverage. Banks in Iowa which accept public funds deposits are required to pledge collateral in an amount equal to, or in excess of, the total amount by which the public funds deposits in the bank exceed the total capital of the bank. If a bank fails, the Treasurer would liquidate any collateral the bank had pledged and use the proceeds to repay public units. If the proceeds from the sale of the collateral were not sufficient to reimburse the public units, the Treasurer would use money from the sinking fund to make the public units whole. If there is not enough money in the sinking fund to cover the uninsured public deposits, the Treasurer would assess a proportional share of the loss against all remaining banks whose public funds deposits exceeded FDIC insurance to satisfy the remaining loss. The Universities and the Systems have no formal policy for custodial credit risk. The \$973.1 million total combined bank deposits of the primary government and fiduciary funds at June 30, 2015, was exposed to custodial credit risk for \$226.0 million of uninsured and uncollateralized bank deposits, of which \$221.7 million was invested in money market funds as cash equivalents.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

*Investments:* Custodial credit risk for investments is the risk the State will not be able to recover the value of its investment or collateral securities in the possession of an outside party in the event of a failure of the counterparty. The Treasurer's investment policy requires that all pooled investments be held by a third party custodian while the Universities and Systems have no formal policy for investment custodial credit risk. Of the \$39,182.3 million total combined investments of the primary government and fiduciary funds at June 30, 2015, \$1.9 million was exposed to custodial credit risk as uninsured and unregistered, with the securities held by the counterparty or by its trust department or agent but not in the State's name.

The State's Unemployment Benefits Fund had \$920.6 million on deposit with the U.S. Treasury. This amount is presented as cash and investments but is not included in the carrying amounts of deposits nor is it categorized according to risk because it is neither a deposit with a financial institution nor an investment.

#### **Deposits with Trustees**

Deposits with trustees totaled \$212.4 million at June 30, 2015. \$15.1 million was invested in fixed U.S. government treasury securities with an effective duration of 4.22 years, \$8.3 million was invested in fixed U.S. government agency securities with an effective duration of 1.48 years and a credit quality rating of AAA, \$182.5 million was invested in equity securities not subject to credit quality ratings and the remaining \$6.5 million were cash and cash equivalents.

#### **B. Component Units**

Investments of the component units at June 30, 2015, are scheduled as follows (expressed in thousands):

Investment Type	Fair Value
Fixed:	
U.S. government treasuries, notes & bonds	\$ 26,840
U.S. government agency	113,874
Government asset & mortgage-backed	400,887
Corporate bonds	9,797
Total fixed	551,398
Equity:	
Pooled & mutual funds	50,276
Total invested assets	\$ 601,674

Cash and investments of \$2,164.7 million for the University related component units are not subject to GASB disclosure requirements.

#### **Credit Risk**

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the component units. The component units have no formal policy to manage credit risk. Investments in debt securities of the U.S. Government or obligations of U.S. Government agencies that are explicitly guaranteed by the U.S. Government are disclosed in the TSY and AGY columns of the credit risk schedules.

The exposure to credit risk for the component units fixed income investments at June 30, 2015, is summarized by credit quality ratings, as follows (expressed in thousands):

#### **Credit Risk - S & P Quality Ratings**

Investment Type	TSY	AGY	AA	A
U.S. government treasuries, notes & bonds	\$ 26,840	\$ -	\$ -	\$ -
U.S. government agency	-	112,092	1,782	-
Government asset & mortgage-backed	-	260,645	140,242	-
Corporate bonds	-	-	-	9,797
Total	\$ 26,840	\$ 372,737	\$ 142,024	\$ 9,797

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### **Interest Rate Risk**

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. The component units do not have formal policies that limit investment maturities as a means of managing exposure to credit risk.

The component units' exposure to interest rate risk for the fixed income investments at June 30, 2015, is summarized using the weighted average maturity method, as follows (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. government treasuries, notes & bonds	\$ 26,840	3.67
U.S. government agency	113,874	2.48
Government asset & mortgage-backed	400,887	22.46
Corporate bonds	9,797	2.31
Total	<u>\$ 551,398</u>	<u>17.06</u>

#### **C. University Endowments**

For donor restricted endowments, Chapter 540A of the Code of Iowa permits Universities to spend endowment income and to appropriate, within certain limitations, an amount of realized and unrealized endowment appreciation as the Universities determine to be prudent considering their long-term and short-term needs, their present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

The Universities' policies are to retain the realized and unrealized appreciation with the endowment pursuant to the spending rules of the Universities. Spending rules for the Universities are as follows:

- The University of Iowa's spending rule adjusts dollar payouts by the trailing calendar year Consumer Price Index (inflation rate). Total payout is banded at no less than 4% and no greater than 6% of calendar year-end market values.
- Iowa State University's spending rule is 5.5%, including a 1.25% administrative fee, of the three-year moving market average.
- The University of Northern Iowa's spending rule is 5.0% of the three-year moving average of the fair value of the fund.

Net appreciation of endowment funds available to meet spending rate distributions are as follows (expressed in thousands):

	Amount	Net Position Classification
University of Iowa	\$ 12,805	Restricted nonexpendable net position
Iowa State University	6,573	Restricted expendable net position
University of Northern Iowa	672	Restricted expendable net position

#### **D. Derivatives**

##### **Fiduciary Funds**

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the fair value of financial arrangements called "derivatives" or "derivative instruments" be reported in the financial statements of state and local governments. The statement further requires that derivatives be categorized as either a hedging derivative or an investment derivative. All of IPERS' derivative exposures at June 30, 2015, are categorized as investment derivatives and, therefore, the hedge accounting provisions of GASB Statement No. 53 are not applicable.

Some of the IPERS' external investment managers may be permitted through their individual investment contracts to use derivative instruments, subject to the IPERS' derivative policy. Derivatives are contracts or securities whose returns are derived from the returns of other securities, indexes, or derivatives. While this definition includes the most common type of derivative, collateralized mortgage obligations (which typically make up a portion of IPERS' fixed income portfolio), it is also intended to include (but not be limited to) futures, forwards, options, options on futures, swaps, and swaptions. IPERS' managers are not permitted to utilize derivatives for

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

speculative purposes, but may use them to efficiently access desired markets and to control and manage portfolio risk. Examples of appropriate applications of derivative strategies include hedging interest rate and currency risk, maintaining exposure to a desired asset class while effecting asset allocation changes, managing duration risk, augmenting index fund performance through index arbitrage, and portable alpha strategies.

The various derivatives utilized by IPERS' investment managers are described below. Although the notional values associated with these derivative instruments are not recorded in the financial statements, the fair value amounts of exposure (unrealized gains/losses) are reported in the Statement of Net Position. IPERS holds investments in limited partnerships and commingled investment funds, which may utilize derivatives from time to time for hedging purposes, and any derivative held by these types of investment vehicles, are not included in the information describing IPERS' derivatives. IPERS could be exposed to risk if the counterparties to derivatives contracts are unable to meet the terms of the contracts. IPERS' investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, exposure monitoring procedures, and in some cases the collateralization of gains or losses. IPERS anticipates that the counterparties will be able to satisfy their obligations under the contracts. Limited partnerships and commingled investment vehicles in which IPERS invests may also have exposure to counterparty risk from the use of derivatives for hedging purposes.

*Futures and Options Contracts:* IPERS had investments in various futures and options during the year. These contracts are reported at their fair value in the Statement of Net Position.

Futures and options can potentially offer lower-cost and more efficient alternatives to buying the underlying securities or currency. Futures and options can also serve to minimize certain unwanted risks within the portfolio. The market, currency, and credit risk of the futures were the same as if IPERS had owned the underlying securities or currency.

Schedules of futures and options contracts outstanding at June 30, 2015, follow (expressed in thousands):

#### Futures Exposure Summary

	Expiration Date	Long/Short	Notional Value	Fair Value
Amsterdam Index	July 2015	Long	\$ 22,301	\$ (375)
CAC 40 Euro Index	July 2015	Long	7,840	(9)
Hang Seng Index	July 2015	Long	10,140	(427)
IBEX 35 Index	July 2015	Long	1,201	11
10-year Australian bonds	September 2015	Short	(46,501)	(317)
10-year Canadian bonds	September 2015	Short	(54,612)	(147)
DAX Index	September 2015	Long	57,306	288
Euro Bonds	September 2015	Short	(261,659)	(1,100)
Euro BTP	September 2015	Long	3,772	18
FTSE 100 Index	September 2015	Short	(76,905)	1,566
10-year Japanese bonds	September 2015	Long	67,260	172
10-year Japanese minibonds	September 2015	Short	(1,321)	(3)
E-mini (S&P 500)	September 2015	Long	45,915	(898)
S&PMIB Index	September 2015	Short	(17,983)	(324)
SPI 200 Index	September 2015	Long	14,519	(186)
S&P/TSE 60 Index	September 2015	Short	(3,515)	47
E-mini (MSCI Emerging Market)	September 2015	Long	1,439	(18)
TOPIX Index	September 2015	Long	41,840	(953)
U.K. Long Gilts	September 2015	Long	58,971	11
2-year U.S. Treasury notes	September 2015	Short	(626,161)	(687)
5-year U.S. Treasury notes	September 2015	Long	136,311	2
10-year U.S. Treasury notes	September 2015	Long	167,430	(2,622)
U.S. Treasury bonds	September 2015	Long	99,406	950
U.S. Ultra Bonds	September 2015	Long	65,630	(954)
90-day Eurodollar	September 2015	Short	(569,165)	(163)
90-day Eurodollar	December 2015	Short	(102,449)	(113)
90-day Eurodollar	March 2016	Short	(431,372)	(250)
90-day Eurodollar	June 2016	Short	(82,480)	(83)
90-day Eurodollar	September 2016	Short	(18,534)	(24)
90-day Eurodollar	December 2016	Short	(101,095)	(87)
90-day Eurodollar	March 2017	Short	(25,842)	(20)
Total			<u>\$ (1,618,313)</u>	<u>\$ (6,695)</u>

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### Options Exposure Summary

	Expiration Date	Long/Short	Type	Strike Price	Fair Value
90-day Eurodollar	December 2015	Long	Put	\$ 98.00	\$ 2
90-day Eurodollar	December 2015	Long	Put	99.00	8
90-day Eurodollar	December 2015	Short	Put	98.50	(5)
U.S. Treasury bonds	August 2015	Short	Call	166.00	(36)
U.S. Treasury bonds	August 2015	Long	Call	154.00	532
U.S. Treasury bonds	September 2015	Short	Call	157.00	(556)
Total					<u>\$ (55)</u>

*Credit Default Swaps:* IPERS had investments in credit default swaps during the year. The credit default swaps held by IPERS are derivative instruments used to hedge or to replicate investments in debt obligations of corporate bond issuers. The risk of the credit default swap is comparable to the credit risk of the reference security. At June 30, 2015, the net notional value of the credit default swaps held in IPERS' fixed income portfolio was \$(14.7) million. The credit default swaps are reported at a fair value of \$993,095 in the Statement of Net Position.

*Interest Rate Swaps:* Interest rate swaps are transactions between two parties in which interest payments from different indexes are swapped. Interest rate swaps are often used to alter the portfolios' exposure to interest rate fluctuations by swapping fixed-rate obligations for floating-rate obligations or swapping floating-rate obligations for fixed-rate obligations. By utilizing interest rate swaps, IPERS' investment managers are able to alter their interest rate exposure and bring it in line with their strategic objectives for interest rate risk. At June 30, 2015, the net notional value of the interest rate swaps held in IPERS' fixed income portfolio was \$(41.2) million. All interest rate swaps held by IPERS are reported at a fair value of \$(1.3) million in the Statement of Net Position.

*Total Return Swaps:* A total return swap is a contract in which two parties swap payments based on the total return of a reference asset. The reference asset may be any asset, index, or basket of assets. At June 30, 2015, the net notional value of the total return swaps held in IPERS' fixed income portfolio was \$(20.0) million. The total return swaps held by IPERS are reported at a fair value of \$(236,830) in the Statement of Net Position.

#### **Component Units**

Iowa Finance Authority (Authority), a discretely presented component unit of the State, has derivative instruments to manage and reduce exposure to adverse fluctuations in interest rates and to lower the overall cost of financing. All derivative financial instruments are recorded at fair value. The derivatives consist of swap, cap and corridor agreements entered into in connection with its issuance of variable rate mortgage revenue bonds. These derivative financial instruments are considered hedging derivative instruments and recorded as other assets or other liabilities on the Statement of Net Position.

The Authority's additional derivative financial instruments are commitments to purchase mortgage-backed pass-through certificates (securitized mortgage loans) backed by pools of single family mortgage loans originated pursuant to the Authority's FirstHome program. In addition, derivative financial instruments consist of forward sales of mortgage backed securities with the To-Be-Announced market are utilized to hedge changes in fair value of mortgage loan inventory and commitments to purchase. These contracts are considered investment derivative instruments and recorded in other assets on the Statement of Net Position.

The Authority reports hedging derivative instruments' accumulated change in fair value as either deferred inflows or outflows, and investment derivative instruments' accumulated changes in fair value as other income (loss) in the Statement of Revenues, Expenses and Changes in Net Position.

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

Aggregate debt service requirements of the variable-rate debt and net receipts/payments on associated derivative instruments at June 30, 2015, follow (expressed in thousands):

Year Ending June 30,	Variable-rate Bonds Principal	Variable-rate Bonds Interest	Interest Rate Swaps, Net	Total
2016	\$ 1,655	\$ 141	\$ 4,465	\$ 6,261
2017	2,355	138	3,879	6,372
2018	2,425	135	3,399	5,959
2019	2,600	132	3,103	5,835
2020	2,820	127	2,938	5,885
2021-2025	20,820	574	12,220	33,614
2026-2030	22,665	433	8,468	31,566
2031-2035	34,455	260	5,700	40,415
2036-2040	24,975	53	1,384	26,412
Total	<u>\$ 114,770</u>	<u>\$ 1,993</u>	<u>\$ 45,556</u>	<u>\$ 162,319</u>

The amounts presented in the table above assume that current interest rates on variable-rate bonds and current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on hedging derivative instruments will vary.

Swap agreements allow the Authority to raise funds at variable rates and swap them into fixed rates that are lower than those available if fixed rate borrowings were made directly. These contracts involve the exchange of variable rate for fixed rate payments between parties, without the exchange of the underlying debt, based on a common notional amount and maturity date.

The terms of the swap hedging derivative instruments outstanding at June 30, 2015, follow (expressed in thousands):

Bond Series	2015		Termination Date	Pay	Term Receive	Counterparty Rating
	Notional Amount	Effective Date				
SF 2004 B	\$ -	12/2/2004	7/1/2034	4.028%	Enhanced LIBOR	A1
SF 2004 D	-	2/3/2005	7/1/2020	4.007%	SIFMA Swap Index + 0.10% or various LIBOR + Spread	Aa2
SF 2004 G	6,555	6/1/2005	7/1/2034	3.867%	Enhanced LIBOR	A1
SF 2005 C	1,650	11/1/2005	1/1/2036	4.140%	SIFMA Swap Index + 0.10% or various LIBOR + Spread	Aa2
SF 2005 E	8,445	1/1/2011	1/1/2036	3.817%	Enhanced LIBOR	A1
SF 2005 H	4,080	1/1/2011	7/1/2036	3.843%	SIFMA Swap Index + 0.10% or various LIBOR + Spread	Aa2
SF 2006 C	12,000	9/1/2006	1/1/2036	3.760%	Enhanced LIBOR	A1
SF 2006 F	2,275	11/1/2006	7/1/2036	4.632%	SIFMA Swap Index + 0.10%	Aa2
SF 2007 C	12,690	3/8/2007	7/1/2025	5.289%	LIBOR	A1
SF 2007 G	9,835	7/12/2007	1/1/2019	5.493%	LIBOR	Aa2
SF 2007 M	8,655	12/12/2007	7/1/2021	4.373%	LIBOR	Aa2
SF 2007 N	4,780	12/12/2007	1/1/2039	4.364%	SIFMA Swap Index + 0.06%	Aa2
MF 2008 A	3,550	4/17/2008	6/1/2024	3.971%	SIFMA Swap Index + 0.08%	A1
SF 2008 B	6,345	1/1/2011	1/1/2039	4.470%	SIFMA Swap Index + 0.06%	A1
SF 2008 C	9,905	4/16/2008	1/1/2026	3.880%	LIBOR	A1
SF 2008 F	17,330	10/1/2008	1/1/2039	4.529%	SIFMA Swap Index + 0.08%	A1
SF 2008 G	6,390	10/1/2008	7/1/2018	4.173%	LIBOR	A1

Interest rate cap derivatives are instruments where payments are received at the end of each period based on a notional amount, when the interest rate exceeds the agreed upon strike rate. A corridor agreement is an interest

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

rate cap with an upper limit, or ceiling, where the cap ceases to pay above the ceiling rate. Terms of the cap and corridor derivative instruments outstanding at June 30, 2015, follow (expressed in thousands):

Bond Series	2015		Termination Date	Strike Rate	Ceiling Rate
	Notional Amount	Effective Date			
MF 2007 B	\$ 9,300	6/14/2007	1/1/2024	5% SIFMA until 7/1/2019 5.5% SIFMA thereafter	n/a
MF 2007A	12,285	7/1/2012	7/1/2015	3% SIFMA	n/a
MF B-1	11,257	7/1/2012	7/1/2015	6% LIBOR	n/a

Investment derivative instruments had the following maturities as of June 30, 2015 (expressed in thousands):

Investment Type	2015		Investment Maturities (in Years)		
	Notional Amount	Fair Value			
			Less than 1	1 - 5	More than 10
Investment derivative instruments:					
Swaps	\$ 35,215	\$ (102)	\$ -	\$ (46)	\$ (56)
Forward MBS sales	43,875	300	300	-	-
MBS purchase commitments	83,117	483	483	-	-
Total	\$ 162,207	\$ 681	\$ 783	\$ (46)	\$ (56)

The fair value balances of derivative instruments outstanding at June 30, 2015, classified by type, and change in the fair value of such derivative instruments as reported in the financial statements are as follows (expressed in thousands):

Bond Series	Type	Fair Value June 30, 2015	Change in Fair Value
Hedging derivatives:			
SF 2004 B	Swap	\$ -	\$ (89)
SF 2004 D	Swap	-	(45)
SF 2004 G	Swap	(18)	157
SF 2005 C	Swap	(130)	260
SF 2005 E	Swap	(205)	134
SF 2005 H	Swap	(223)	309
SF 2006 C	Swap	(637)	226
SF 2006 F	Swap	(285)	126
SF 2007 C	Swap	(1,635)	397
SF 2007 G	Swap	(568)	511
SF 2007 M	Swap	(539)	296
SF 2007 N	Swap	(385)	84
SF 2008 B	Swap	(226)	218
SF 2008 C	Swap	(501)	258
SF 2008 F	Swap	(583)	464
SF 2008 G	Swap	(256)	244
MF 2007 B	Cap	73	(59)
MF 2008 A	Swap	(615)	(53)
Total hedging derivatives		\$ (6,733)	\$ 3,438
Investment derivatives:			
SF 2007 C	Swap	\$ (56)	\$ (3)
SF 2007 G	Swap	(46)	(97)
Forward MBS sales	Forward	300	(665)
MBS purchase commitments	Commitment	483	483
Total investment derivatives		\$ 681	\$ (282)

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

The fair value of the interest rate swaps were estimated based on an independent pricing service. The valuations provided were derived from proprietary models based upon well-recognized principles and estimates about relevant future market conditions. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the interest rate swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the interest rate swaps. Fair values of options are based on option pricing models such as the Black-Scholes-Merton model, or any of the short-rate models of interest rate, or other market standard models consistent with accepted practices in the market for interest rate products. The models consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions.

The fair values of the interest rate cap were estimated based on the present value of their estimated future cash flows, and the forward mortgage-backed security sales are estimated based on an internal valuation model, which includes current trade pricing for similar financial instruments in active markets that the Authority has the ability to access.

The fair value of the mortgage-backed security purchase commitments are estimated using an internal valuation model, which includes grouping the commitments by interest rate and terms, applying an estimated closing ratio, and then multiplying the quoted investor prices determined to be reasonably applicable to the group. The closing ratio, which represents the percentage of commitments that management estimates it will ultimately fund, calculation takes into consideration historical data and loan-level data. The weighted average closing ratio at June 30, 2015, was 87.62%

#### *Risks Associated and Derivative Transactions:*

*Credit risk.* The Authority is exposed to credit risk on hedging derivative instruments that are in asset positions. The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2015, was \$73,000. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

Bank of New York Mellon, Goldman Sachs Bank USA and Royal Bank of Canada are currently counterparties under the derivatives agreements with the Authority.

With respect to counterparty risk, the Authority will also manage the agreements and all transactions entered into with its counterparties to ensure that the Authority's exposure to either of its counterparties does not exceed a proper amount.

*Interest rate risk.* The Authority is exposed to interest rate risk on its derivatives. On its pay-fixed, receive-variable derivatives, as the LIBOR or SIFMA swap index decreases, the Authority's net payment on the derivatives increases.

*Basis risk.* Basis risk refers to a mismatch between the interest rate received from the derivative counterparty and the interest rate actually owed on the Authority's bonds. Specifically, the Authority's basis risk is that the variable interest payment received from the counterparty will be less than the actual variable interest payments owed on the Authority's variable rate bonds. The mismatch between the Authority's actual bond rate and the derivative rate is the Authority's basis risk. As of June 30, 2015, the weighted average interest rate of the Authority's hedged variable rate debt is 4.32%, while the SIFMA swap index rate is 0.02%. LIBOR is 0.185% at June 30, 2015.

*Termination risk.* Termination risk is the risk the swap could be terminated as a result of any of several events, which may include a ratings downgrade of the Authority's single family mortgage bonds or of a derivative counterparty covenant violation, bankruptcy, swap payment default, and default events as defined in the Authority's single family mortgage bonds resolution; however, the Authority believes the likelihood of any such termination event is remote.

*Rollover risk.* Rollover risk is the risk the term of a particular swap contract is not coterminous with the related bonds. If an issuer entered into a swap to hedge for a specified period of time and then decides at swap maturity it wished to maintain the same or similar hedge position, it may incur rehedging costs at that time. The Authority minimizes this risk by matching the term of the swaps with the maturity of the related bonds.

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3 – TRANSFERS**

Interfund transfers for the year ended June 30, 2015, consisted of the following (expressed in thousands):

Transferred Out	Transferred In				Total
	General Fund	Nonmajor Governmental Funds	University Funds	Nonmajor Enterprise Funds	
General Fund	\$ -	\$ 36,997	\$ 643,274	\$ 2,353	\$ 682,624
Tobacco Collections Fund	14,029	-	-	-	14,029
Nonmajor Governmental Funds	37,777	283	-	-	38,060
Unemployment Benefits Fund	880	-	-	-	880
Nonmajor Enterprise Funds	110,645	-	-	-	110,645
<b>Total</b>	<b>\$ 163,331</b>	<b>\$ 37,280</b>	<b>\$ 643,274</b>	<b>\$ 2,353</b>	<b>\$ 846,238</b>

Transfers are used to move: 1) revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization and 3) profits from the Liquor Control Act fund as required by law.

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2015, consisted of the following (expressed in thousands):

	Governmental Funds	Proprietary Funds		Component Units
		Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds	
Accounts receivable:				
Taxes	\$ 550,899	\$ 1,284	\$ -	\$ -
Pledges	1,724	-	-	222,196
Benefit overpayments	-	64,993	-	-
Employer contributions	-	152,988	-	-
Grants & contracts	1,101,035	1,066,114	-	-
Other	930,096	158,436	663	62,878
Less allowance for doubtful accounts	623,139	690,577	-	5,532
Less discount to present value	-	-	-	23,805
Accounts receivable (net)	<b>\$ 1,960,615</b>	<b>\$ 753,238</b>	<b>\$ 663</b>	<b>\$ 255,737</b>
Current	\$ 1,865,160	\$ 734,454	\$ 663	\$ 91,311
Noncurrent	95,455	18,784	-	164,426
<b>Total</b>	<b>\$ 1,960,615</b>	<b>\$ 753,238</b>	<b>\$ 663</b>	<b>\$ 255,737</b>
Loans receivable:				
Loans receivable	\$ 33,447	\$ 78,158	\$ -	\$ 1,795,244
Less allowance for doubtful accounts	14,181	2,870	-	153,520
Loans receivable (net)	<b>\$ 19,266</b>	<b>\$ 75,288</b>	<b>\$ -</b>	<b>\$ 1,641,724</b>
Current	\$ 4,000	\$ 7,620	\$ -	\$ 86,292
Noncurrent	15,266	67,668	-	1,555,432
<b>Total</b>	<b>\$ 19,266</b>	<b>\$ 75,288</b>	<b>\$ -</b>	<b>\$ 1,641,724</b>

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 – INTERFUND BALANCES**

Interfund balances for the year ended June 30, 2015, consisted of the following (expressed in thousands):

Due To Other Funds/ Advances From Other Funds	Due From Other Funds/Advances To Other Funds						Total
	General Fund	Tobacco Settlement Authority	Nonmajor Governmental Funds	Unemployment Benefits Fund	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ 3,055	\$ 570	\$ 96	\$ 67,005	\$ 70,726
Tobacco Settlement Authority	141	-	-	-	-	-	141
Tobacco Collections Fund	-	156,007	-	-	-	-	156,007
Nonmajor Governmental Funds	8,988	-	107	-	48	101	9,244
Unemployment Benefits Fund	182	-	-	-	-	-	182
Nonmajor Enterprise Funds	11,790	-	-	-	2	71	11,863
Internal Service Funds	418	-	7	-	-	12,808	13,233
<b>Total</b>	<b>\$21,519</b>	<b>\$ 156,007</b>	<b>\$ 3,169</b>	<b>\$ 570</b>	<b>\$ 146</b>	<b>\$79,985</b>	<b>\$261,396</b>

\$54.8 million is due from the General Fund to the Workers' Compensation Fund (an Internal Service Fund) to fund the cost of claims incurred. Remaining interfund balances result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Not included in the table above, and not expected to be repaid within one year, is an interfund advance of \$149.0 million due from the Tobacco Collections Fund (a Special Revenue Fund) to the Tobacco Settlement Authority (a blended component unit classified as a Special Revenue Fund) for repayment of bonds issued by the Authority, the proceeds of which were provided to the State. The interfund advance will be reduced by pledged tobacco settlement moneys received.

(Notes continue on next page.)

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows (expressed in thousands):

	Beginning Balance	Reclass- ifications	Increases	Decreases	Ending Balance
<b>Governmental activities</b>					
Capital assets not being depreciated:					
Land	\$ 794,618	\$ 555	\$ 29,501	\$ 9,383	\$ 815,291
Construction in progress	213,366	(53,444)	53,023	-	212,945
Computer software in progress	70,144	(32,422)	25,627	12,496	50,853
Total capital assets not being depreciated	<u>1,078,128</u>	<u>(85,311)</u>	<u>108,151</u>	<u>21,879</u>	<u>1,079,089</u>
Capital assets being depreciated:					
Infrastructure	11,911,415	-	818,007	19,435	12,709,987
Works of art and historical treasures	1,415	-	-	-	1,415
Land improvements	60,587	2,858	1,976	-	65,421
Buildings and improvements	1,561,328	50,499	16,455	18,035	1,610,247
Machinery, equipment and vehicles	548,885	929	35,833	29,180	556,467
Computer software	86,183	31,025	1,184	-	118,392
Total capital assets being depreciated	<u>14,169,813</u>	<u>85,311</u>	<u>873,455</u>	<u>66,650</u>	<u>15,061,929</u>
Less accumulated depreciation for:					
Infrastructure	5,932,834	-	460,670	19,428	6,374,076
Works of art and historical treasures	201	-	14	-	215
Land improvements	21,426	-	1,957	-	23,383
Buildings and improvements	658,153	-	37,266	3,252	692,167
Machinery, equipment and vehicles	347,576	-	40,712	26,764	361,524
Computer software	18,766	-	8,191	-	26,957
Total accumulated depreciation	<u>6,978,956</u>	<u>-</u>	<u>548,810</u>	<u>49,444</u>	<u>7,478,322</u>
Total capital assets being depreciated (net)	<u>7,190,857</u>	<u>85,311</u>	<u>324,645</u>	<u>17,206</u>	<u>7,583,607</u>
Governmental activities capital assets (net)	<u>\$8,268,985</u>	<u>\$ -</u>	<u>\$432,796</u>	<u>\$ 39,085</u>	<u>\$8,662,696</u>

(continued on next page)

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

	Beginning Balance	Reclass- ifications	Increases	Decreases	Ending Balance
<b>Business-type activities</b>					
Capital assets not being depreciated:					
Land	\$ 85,357	\$ -	\$ 3,192	\$ -	\$ 88,549
Land improvements	5,733	-	-	-	5,733
Construction in progress	701,350	(447,323)	594,016	112	847,931
Computer software in progress	15,600	(17,481)	8,344	-	6,463
Works of art	24,970	-	1,254	-	26,224
Library collections	298,951	-	15,650	370	314,231
Total capital assets not being depreciated	<u>1,131,961</u>	<u>(464,804)</u>	<u>622,456</u>	<u>482</u>	<u>1,289,131</u>
Capital assets being depreciated:					
Infrastructure	944,153	32,002	512	-	976,667
Library collections	265,733	-	11,158	9,370	267,521
Land improvements	71,752	2,657	-	1	74,408
Buildings and improvements	4,760,949	411,536	149	7,540	5,165,094
Machinery, equipment and vehicles	1,069,503	1,128	90,606	43,296	1,117,941
Trademarks	107	-	-	-	107
Goodwill	2,302	-	-	-	2,302
Computer software	100,154	17,481	964	1,170	117,429
Total capital assets being depreciated	<u>7,214,653</u>	<u>464,804</u>	<u>103,389</u>	<u>61,377</u>	<u>7,721,469</u>
Less accumulated depreciation for:					
Infrastructure	545,644	-	29,183	-	574,827
Library collections	215,559	-	10,952	9,370	217,141
Land improvements	42,415	-	2,877	-	45,292
Buildings and improvements	2,181,263	-	154,442	5,632	2,330,073
Machinery, equipment and vehicles	702,162	-	83,015	38,057	747,120
Trademarks	24	-	8	-	32
Goodwill	529	-	154	-	683
Computer software	47,003	-	8,567	1,132	54,438
Total accumulated depreciation	<u>3,734,599</u>	<u>-</u>	<u>289,198</u>	<u>54,191</u>	<u>3,969,606</u>
Total capital assets being depreciated (net)	<u>3,480,054</u>	<u>464,804</u>	<u>(185,809)</u>	<u>7,186</u>	<u>3,751,863</u>
Business-type activities capital assets (net)	<u>\$4,612,015</u>	<u>\$ -</u>	<u>\$436,647</u>	<u>\$ 7,668</u>	<u>\$5,040,994</u>

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

Depreciation was charged to functions of the primary government as follows (expressed in thousands):

Governmental activities:	
Administration & regulation	\$ 9,716
Education	5,429
Health & human rights	4,613
Human services	10,569
Justice & public defense	31,990
Economic development	537
Transportation	462,126
Agriculture & natural resources	8,245
Subtotal	533,225
Depreciation on capital assets held by the State's internal service funds is allocated to the various functions based on their use of the assets	15,585
Total	\$ 548,810
Business-type activities:	
Enterprise	\$ 289,198

#### Discretely Presented Component Units (expressed in thousands)

Capital assets not being depreciated:	
Land	\$ 10,862
Construction in progress	8,273
Total capital assets not being depreciated	19,135
Capital assets being depreciated:	
Infrastructure	11,248
Buildings and improvements	125,633
Land improvements	45
Machinery, equipment and vehicles	25,442
Computer software	2,598
Total capital assets being depreciated	164,966
Less accumulated depreciation	73,714
Total capital assets being depreciated (net)	91,252
Discretely presented component units capital assets (net)	\$ 110,387

#### Impairment of Capital Assets – Governmental Activities

- Iowa Department of Human Services (DHS) – Human services expenses include an impairment loss of \$12.5 million due to DHS stopping construction of the Medicaid Information System (MIDAS) and the write-off of the related computer software in progress in accordance with GASB Statement No. 42.
- DHS – Iowa Juvenile Home (IJH, Toledo) – Human services expenses include an impairment loss of \$12.9 million due to the closure of IJH, Toledo and the write-down of the capital assets in accordance with GASB Statement No. 42. IJH, Toledo has \$4.1 million of impaired capital assets considered to be idle as of June 30, 2015.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2015, are summarized as follows (expressed in thousands):

	Beginning Balance	Beginning Balance Adjustment	Beginning Balance, Restated	Additions	Deductions	Ending Balance	Amounts due within one year
<b>Governmental activities</b>							
Compensated absences *	\$ 315,174	\$ (2,463)	\$ 312,711	\$ 152,560	\$ 148,024	\$ 317,247	\$ 145,262
Capital leases	180	-	180	-	104	76	41
Revenue bonds	1,720,281	-	1,720,281	-	44,691	1,675,590	143,457
Other financing arrangements	1,600	-	1,600	199	325	1,474	243
Early retirement/termination benefits *	42,367	2,463	44,830	10,289	34,076	21,043	8,279
Other postemployment benefits	94,637	-	94,637	8,253	-	102,890	-
Pension **	63,822	(63,822)	-	-	-	-	-
Net pension liability **	-	1,070,774	1,070,774	363	335,581	735,556	-
Risk management	20,000	-	20,000	20,807	20,807	20,000	10,691
Pollution remediation	31,201	-	31,201	119	573	30,747	10,484
Other liabilities	1,087	-	1,087	617	646	1,058	188
<b>Total ***</b>	<b>2,290,349</b>	<b>1,006,952</b>	<b>3,297,301</b>	<b>193,207</b>	<b>584,827</b>	<b>2,905,681</b>	<b>318,645</b>
<b>Allocation of Internal Service Funds liabilities:</b>							
Compensated absences	5,843	-	5,843	2,897	2,938	5,802	2,840
Early retirement/termination benefits	1,179	-	1,179	261	849	591	182
Other postemployment benefits	1,613	-	1,613	245	-	1,858	-
Net pension liability **	-	19,946	19,946	-	5,939	14,007	-
<b>Total</b>	<b>8,635</b>	<b>19,946</b>	<b>28,581</b>	<b>3,403</b>	<b>9,726</b>	<b>22,258</b>	<b>3,022</b>
<b>Total primary government - governmental activities</b>	<b>\$ 2,298,984</b>	<b>\$ 1,026,898</b>	<b>\$ 3,325,882</b>	<b>\$ 196,610</b>	<b>\$ 594,553</b>	<b>\$ 2,927,939</b>	<b>\$ 321,667</b>
<b>Business-type activities</b>							
Compensated absences	\$ 195,620	\$ -	\$ 195,620	\$ 127,039	\$ 122,633	200,026	\$ 120,803
Capital leases	35,606	-	35,606	1,230	2,636	34,200	2,336
Revenue bonds	1,852,319	-	1,852,319	218,850	167,684	1,903,485	87,803
Other financing arrangements	69,369	-	69,369	4,950	10,105	64,214	9,580
Early retirement/termination benefits	7,273	-	7,273	8,952	5,761	10,464	3,219
Other postemployment benefits	126,082	-	126,082	27,045	-	153,127	-
Net pension liability **	-	90,737	90,737	-	19,410	71,327	-
<b>Total primary government - business-type activities</b>	<b>\$ 2,286,269</b>	<b>\$ 90,737</b>	<b>\$ 2,377,006</b>	<b>\$ 388,066</b>	<b>\$ 328,229</b>	<b>\$ 2,436,843</b>	<b>\$ 223,741</b>

\* Reclassified \$2.5 million of compensated absences to early retirement/termination benefits.

\*\* Restatement of beginning balances is related to implementation of GASB Stmt. No. 68. See NOTE 20 - BEGINNING BALANCE ADJUSTMENTS.

\*\*\* The General Fund has typically been used to liquidate most long-term liabilities, except for \$755.1 million of revenue bonds to be liquidated by the Tobacco Settlement Authority, a Special Revenue Fund.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 8 – CAPITAL LEASES

The State has entered into agreements to lease various equipment and property. The agreements have interest rates ranging from 0.00% to 10.49% and expire before June 30, 2035.

The State has also entered into a few installment purchase agreements. Because the amounts involved are not material, and the accounting treatment is similar, such agreements are reported together with capital leases.

#### A. Primary Government

##### *Governmental Activities*

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

Year Ending June 30,	Principal	Interest
2016	\$ 41	\$ 1
2017	25	-
2018	8	-
2019	2	-
Total	<u>\$ 76</u>	<u>\$ 1</u>

The historical cost of assets acquired under capital leases and included in capital assets in the government-wide financial statements at June 30 follows (expressed in thousands):

Equipment	\$ 34
Accumulated depreciation	(11)
Net	<u>\$ 23</u>

##### *Business-type Activities*

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

Year Ending June 30,	Principal	Interest
2016	\$ 2,336	\$ 1,158
2017	2,409	1,069
2018	2,498	977
2019	2,584	882
2020	2,662	783
2021-2025	10,652	3,433
2026-2030	9,197	1,600
Thereafter	1,862	101
Total	<u>\$ 34,200</u>	<u>\$ 10,003</u>

The historical cost of assets acquired under capital leases and included in capital assets in the financial statements at June 30 follows (expressed in thousands):

Buildings & improvements	\$ 41,241
Equipment	399
Total	41,640
Accumulated depreciation	(4,498)
Net	<u>\$ 37,142</u>

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**B. Component Units**

The University of Iowa Foundation has entered into a lease agreement with the University of Iowa for a leasehold interest in a building. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal
2016	\$ 725
2017	740
2018	780
2019	825
Total	<u>\$ 3,070</u>

**NOTE 9 – OTHER FINANCING ARRANGEMENTS PAYABLE**

**Loans and Contracts Payable – Primary Government**

***Governmental Activities***

The Iowa Department of Natural Resources has entered into agreements for facilities and land for a total of \$4,943,000 with interest rates of 1.75%. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2016	\$ 243	\$ 26
2017	253	22
2018	263	17
2019	263	13
2020	159	8
Thereafter	293	6
Total	<u>\$ 1,474</u>	<u>\$ 92</u>

***Business-type Activities***

Iowa State University, the University of Northern Iowa and the University of Iowa have entered into agreements for buildings and equipment for a total of \$89,737,718. The agreements are for periods of 16 to 23 years with interest rates ranging from 0.00% to 5.82%. The following is a schedule by year of future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2016	\$ 9,580	\$ 1,667
2017	9,383	1,391
2018	9,316	1,141
2019	7,450	906
2020	6,466	704
2021-2025	18,274	1,067
Thereafter	3,745	120
Total	<u>\$ 64,214</u>	<u>\$ 6,996</u>

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10 – BONDS PAYABLE**

Revenue bonds payable at June 30, 2015, are as follows (expressed in thousands):

	<b>ISSUE DATES</b>	<b>ORIGINAL ISSUANCE</b>	<b>INTEREST RATES</b>	<b>MATURITY DATE RANGE</b>	<b>OUTSTANDING PRINCIPAL</b>
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental activities</b>					
Revenue bonds					
<i>Term bonds</i>					
Tobacco Settlement Authority	2006	\$ 635,635	5.38-6.50	2007-2041	\$ 522,330
IJOBS - 2010	2011	63,635	4.00-5.25	2034-2038	63,635
Total					<u>585,965</u>
<i>Serial bonds</i>					
Vision Iowa	2002	\$ 196,375	2.25-5.50	2002-2021	80,350
Iowa Utilities Board	2010	12,640	5.04	2011-2029	10,495
IJOBS - 2009	2010	601,070	3.00-6.75	2011-2034	526,150
Prison Infrastructure	2011	135,050	2.00-5.00	2012-2027	131,070
IJOBS - 2010	2011	113,260	2.50-5.00	2012-2030	75,130
Total					<u>823,195</u>
<i>Capital appreciation bonds</i>					
Tobacco Settlement Authority	2006	\$ 729,800	5.60-7.13	2007-2046	729,800
Total revenue bonds					2,138,960
Unamortized premium					34,619
Unamortized discount					(497,989)
Total governmental activities					<u>\$ 1,675,590</u>
<b>Business-type activities</b>					
Revenue bonds					
University of Iowa	2002-2015	\$ 1,441,715	0.30-6.12	2006-2041	\$ 1,226,605
Iowa State University	2006-2015	560,820	1.00-6.10	2008-2041	516,885
University of Northern Iowa	1995-2015	177,477	1.00-8.25	1995-2035	129,800
Total revenue bonds					1,873,290
Unamortized premium					31,481
Unamortized discount					(1,286)
Total business-type activities					<u>\$ 1,903,485</u>
<b>COMPONENT UNITS</b>					
Revenue bonds					
Iowa Finance Authority	1978-2015	\$ 1,805,251	variable (1)	2006-2044	\$ 1,258,847
Iowa State University Foundation	2002	3,850	2.40	2003-2020	2,333
Total revenue bonds					1,261,180
Unamortized premium					104,073
Total component units					<u>\$ 1,365,253</u>

(1) Variable rates are as of June 30, 2015.

**A. Primary Government – Governmental Activities**

***Vision Iowa***

The State of Iowa has issued Vision Iowa Special Fund Bonds to provide grants or loans to communities to enhance local recreational, cultural and entertainment opportunities.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

The State has pledged a portion of the future revenues to be deposited into the Vision Iowa Fund to repay \$196.4 million of bonds issued in November 2001. These revenues include a standing appropriation of \$15 million annually from gaming revenues, certain earnings on the Vision Iowa Fund and Bond Reserve Fund (including any amounts appropriated to replenish the Bond Reserve Fund to its required balance) and, to the extent of any shortfall in gaming revenues, Lottery revenues. The bonds are payable solely and only from certain revenues deposited into the Vision Iowa Fund and the Bond Reserve Fund and are payable through fiscal year 2021. Annual principal and interest payments on the bonds are expected to require less than 94% of total deposits into the Vision Iowa Fund. As of June 30, 2015, total principal and interest remaining to be paid on the debt is \$95.7 million. Principal and interest paid for the current year and total deposits into the Vision Iowa Fund were \$16.0 million and \$15.4 million, respectively.

The bonds are not debts of the State or any political subdivision of the State, and do not constitute a pledge of the faith and credit of the State or a charge against the general credit or General Fund of the State.

#### ***Tobacco Settlement Authority***

The Tobacco Settlement Authority (Authority) has issued Tobacco Settlement Asset-Backed Bonds to advance refund outstanding tobacco settlement asset-backed bonds and to provide funding to the State for various capital projects.

Pursuant to a Sales Agreement between the State and the Authority, the State has pledged, as security for bonds issued by the Authority, 78% of the amounts payable to the State under the Master Settlement Agreement (the "MSA") entered into by participating cigarette manufacturers (the "PMs"), 46 states (including the State) and six other U.S. jurisdictions in November 1998 in the settlement of certain smoking-related litigation, including the State's right to receive future initial, annual and strategic contribution payments (the "TSRs"), to be made by the PMs under the MSA.

The bonds, issued by the Authority in fiscal year 2006 in the par amount of \$1.4 billion are payable through fiscal year 2046. The Authority has pledged, as the sole security for the bonds, 78% of the future TSRs payable under the terms of the Sales Agreement, investment earnings on certain accounts pledged under the bond indenture and amounts held in accounts established under the bond indenture (i.e. collection, debt service reserve, turbo redemption, etc.). As of June 30, 2015, total principal and interest remaining on the debt is \$2,078.1 million with annual requirements ranging from \$149.5 million in 2016 to \$734.9 million in the final year. TSRs received by the State have averaged \$60.1 million per year over the last 17 years. For the current year, principal and interest paid by the Authority and the total TSRs recognized by the State were \$52.4 million and \$63.8 million, respectively.

The bonds are not a general obligation or general indebtedness of the Authority and do not constitute an obligation or indebtedness of the State or any political subdivision of the State. The State has no obligation or intention to satisfy any deficiency or default of any payment on the bonds.

#### ***IJOBS - 2009***

The State of Iowa has issued IJOBS Program Special Obligation Bonds to finance certain infrastructure projects of the State and certain grant and loan programs of the State. The State has pledged a portion of future revenues to repay \$601.1 million (\$380.1 million in State of Iowa IJOBS Program Special Obligation Bonds Series 2009A and \$221 million in State of Iowa IJOBS Program Special Obligation Bonds Taxable Series 2009B) of bonds issued in July 2009. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund including a standing appropriation of \$55 million annually from gaming revenues and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The State has designated the Series 2009B Bonds as Build America Bonds under the American Recovery and Reinvestment Act of 2009, and as such, elected to receive from the federal government a subsidy equal to 35% of the amount of each interest payment on the taxable bonds. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2034. Annual principal and interest payments on the bonds are expected to require less than 79% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2015, total principal and interest remaining to be paid on the debt is \$893.5 million. Principal and interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were \$47.0 million and \$60.0 million, respectively.

The bonds are limited special obligations of the State and do not constitute a debt or indebtedness of the State, nor any political subdivision of the State, or a pledge of the full faith and credit of the State or a charge against the general credit or General Fund of the State.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### ***Iowa Utilities Board and Consumer Advocate State Building***

The State of Iowa has issued Iowa Utilities Board and Consumer Advocate State Building Special Obligation Bonds, totaling \$12.6 million, to finance the costs of construction of a new building. All amounts collected by the Iowa Utilities Board shall be deposited in accordance with Iowa Code Sections 476.10 and 476.10B as chargeable expenses in each fiscal year until the amount of deposit is equal to the amount of principal and interest on the bonds due in that fiscal year. The bonds are payable from the IUB/OCA Bond Fund and are payable through fiscal year 2029. Annual principal and interest payments on the bonds are expected to require 100% of total deposits into the IUB/OCA Bond Fund. As of June 30, 2015, total principal and interest remaining to be paid on the debt is \$14.9 million. Principal and interest paid for the current year and total deposits into the IUB/OCA Bond Fund were \$1.1 million and \$1.1 million, respectively.

The bonds are not debts of the State or of any political subdivision of the State, and do not constitute a pledge of the faith and credit of the State or a charge against the general credit or General Fund of the State.

#### ***Prison Infrastructure***

The State of Iowa has issued Special Obligation Bonds (Prison Infrastructure Fund) to finance the costs of the construction of a new Iowa State Penitentiary at Fort Madison, Iowa and to redeem the outstanding Iowa Prison Infrastructure Fund Revenue Bond Anticipation Notes, Series 2009. The State has pledged all funds deposited in the Prison Infrastructure Fund from fines, fees, costs, and forfeited bail collected by the clerks of the district court in criminal cases, including those collected for both scheduled and nonscheduled violations, but excluding fines and fees attributable to commercial vehicle violation citations issued after July 1, 1998, not reverting to the State's General Fund at the end of each fiscal year, plus interest earnings on moneys in the Prison Infrastructure Fund to repay \$135.0 million in bonds issued in July 2010. The bonds are payable from the Debt Service Reserve Fund and are payable through fiscal year 2027. Annual principal and interest payments on the bonds are expected to require less than 46% of total deposits into the Prison Infrastructure Fund. As of June 30, 2015, total principal and interest remaining to be paid on the debt is \$175.9 million. Principal and interest paid in the current year and total deposits into the Prison Infrastructure Fund were \$8.7 million and \$15.1 million, respectively.

The bonds are limited special obligations of the State. The bonds and interest thereon do not constitute nor give rise to a pecuniary liability, general obligation or a pledge of the full faith and credit of the State or any political subdivision of the State within the meaning of any constitutional or statutory limitation.

#### ***IJOBS - 2010***

The State of Iowa has issued IJOBS Program Special Obligation Bonds to finance certain infrastructure projects of the State and certain grant and loan programs of the State. The State has pledged a portion of future revenues to repay \$151.3 million in State of Iowa IJOBS Program Special Obligation Bonds, Series 2010A issued in October 2010. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund including a standing appropriation of \$55 million annually from gaming revenues and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2038.

Annual principal and interest payments on the Series 2010A bonds are expected to require less than 17% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2015, total principal and interest remaining to be paid on the Series 2010A bonds is \$229.7 million. Principal and interest paid on the Series 2010A bonds in the current year and total deposits into the Revenue Bonds Debt Service Fund were \$10.1 million and \$60.0 million, respectively.

The bonds are limited special obligations of the State and do not constitute a debt or indebtedness of the State nor any political subdivision of the State, or a pledge of the full faith and credit of the State or a charge against the general credit or General Fund of the State.

#### ***Prior Year Bond Defeasances***

In a prior year, the State defeased the Iowa Finance Authority Refunding Revenue Bonds (Correctional Facility Program), Series 2002, Honey Creek Authority Destination Park Revenue Bonds, Series 2006, and School Infrastructure Special Fund Refunding Bonds, Series 2012, by placing proceeds from existing resources into irrevocable trusts with escrow agents to provide for all future debt service payments. Accordingly, trust account assets and the liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 2015, bonds totaling \$48.0 million are considered defeased.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

Future bond debt service requirements of the Primary Government – Governmental Activities are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest
2016	\$ 148,240	\$ 87,219
2017	43,460	78,383
2018	45,575	76,283
2019	47,815	74,094
2020	65,420	72,170
2021-2025	206,495	322,956
2026-2030	215,615	268,261
2031-2035	376,395	192,503
2036-2040	128,905	104,808
2041-2045	135,120	63,218
Thereafter	725,920	8,979
Total	\$2,138,960	\$1,348,874

#### **B. Primary Government – Business-type Activities**

##### **Universities**

During the current year, the *University of Iowa* issued the following revenue bonds:

- \$24.6 million of Academic Building Revenue Bonds, Series S.U.I. 2014A, with an interest rate range of 2.00-3.20% to defray the cost of constructing various academic buildings, facilities and equipment at the University. The revenues pledged to these bonds are tuition and fees generated by the University.
- \$25.0 million of Utility System Revenue Bonds, Series S.U.I. 2015, with an interest rate range of 2.00-4.00% to provide funds to pay the cost of constructing, equipping and furnishing the Utility Facility on the University's campus. The revenues pledged to these bonds are charges assessed to the users of the utility system.

During the current year, the *University of Iowa* issued the following revenue refunding bonds:

- \$20.9 million of Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2015, with an average interest rate of 3.00% and accrued interest of \$25,000 to advance refund \$20.4 million of outstanding Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2005A with interest rates ranging between 3.85% and 4.30%. Net bond proceeds of \$21.2 million were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Series S.U.I. 2005A Bonds will be called on July 1, 2016. The advance refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of \$1.3 million; and reduced the aggregate debt service payments by \$1.6 million over the next 16 years.
- \$18.7 million of University of Iowa Facilities Corp. (UIFC) Revenue Refunding Bonds, Series S.U.I. 2015 (Old Capitol Town Center), with an average interest rate of 2.90% and accrued interest of \$21,000 to advance refund \$18.0 million of outstanding UIFC Revenue Refunding Bonds, Series S.U.I. 2006 (Old Capitol Town Center) with interest rates ranging between 4.00% and 4.70%. Net bond proceeds of \$18.8 million were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Series S.U.I. 2006 Bonds will be called on June 1, 2016. The advance refunding permitted the University to realize an economic gain of \$1.6 million; and reduced the aggregate debt service payments by \$2.0 million over the next 16 years.
- \$19.3 million of Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2015A, with an average interest rate of 2.82% and accrued interest of \$33,000 to refund \$19.1 million of outstanding Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2005 with interest rates ranging between 3.35% and 4.25%. Net bond proceeds of \$19.1 million were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Series S.U.I. 2005 Bonds will be called on August 1, 2015. The current refunding permitted the University to realize an economic gain of \$1.6 million; and reduced the aggregate debt service payments by \$1.9 million over the next 15 years.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

In prior years, the *University of Iowa* defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2015, bonds totaling \$83.5 million for the University of Iowa were considered defeased.

During the current year, *Iowa State University* issued the following revenue bonds:

- \$32.3 million of Athletic Facilities Revenue Bonds, Series I.S.U. 2015, with an interest rate range of 3.00-3.25% to pay costs of constructing and equipping improvements at Jack Trice Stadium. The revenues pledged to these bonds are net revenues of the Athletics Facilities System.
- \$16.5 million of Utility System Revenue Bonds, Series I.S.U. 2015, with an interest rate range of 2.00-3.25% to pay costs of equipment and facility enhancements to the provision of utilities to the University community. The revenues pledged to these bonds are net revenues of the utility system and any utility system student fees.
- \$30.0 million of Dormitory System Revenue Bonds, Series I.S.U. 2015, with an interest rate range of 2.00-3.25% to pay costs of constructing and furnishing dormitory system facilities. The revenues pledged to these bonds are rents, profits and income from the Department of Residence facilities.

During the current year, *Iowa State University* issued the following revenue refunding bonds:

- \$11.8 million of Athletic Facilities Revenue Refunding Bonds, Series I.S.U. 2015A. \$11.6 million of proceeds and \$1.6 million of University funds were placed in an irrevocable escrow account to refund \$10.3 million of Athletic Facilities Revenue Bonds, Series I.S.U. 2007. The advance refunding of these bonds permitted the University to realize an economic gain of \$0.8 million; and reduced the aggregate debt service payments by \$1.1 million over the next 17 years.
- \$16.3 million of Academic Building Revenue Refunding Bonds, Series I.S.U. 2014. \$17.3 million of proceeds were placed in an irrevocable escrow account to refund \$16.5 million of Academic Building Revenue Bonds, Series I.S.U. 2005. The advance refunding of these bonds permitted the University to realize an economic gain of \$1.7 million; and reduced the aggregate debt service payments by \$1.9 million over the next 12 years.

During the current year, the *University of Northern Iowa* issued \$3.5 million of Field House Revenue Refunding Bonds, Series U.N.I. 2015, with an average interest rate of 2.05% to refund the July 1, 2016 through July 1, 2022 maturities of Field House Revenue Bonds, Series U.N.I. 2005. Outstanding Series U.N.I. 2005 bonds totaled \$4.1 million with interest ranging between 3.75% and 4.20%. Net bond proceeds of \$3.1 million and \$1.2 million in University funds were deposited in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully pay the remaining principal and interest due on the outstanding bonds. The Field House Revenue Bonds, Series U.N.I. 2005 will be called on July 1, 2015. The current refunding permitted the University to realize an economic gain of \$0.3 million; and reduced the aggregate debt service payments by \$0.6 million over the next 7 years.

Future bond debt service requirements for bonds of the Primary Government – Business-type Activities are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest
2016	\$ 87,803	\$ 68,498
2017	92,548	64,654
2018	96,743	61,726
2019	99,698	58,581
2020	102,218	55,242
2021-2025	489,984	224,181
2026-2030	450,762	132,808
2031-2035	319,815	56,696
2036-2040	127,795	9,800
Thereafter	5,924	106
Total	\$ 1,873,290	\$ 732,292

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### C. Component Units

#### *Iowa Finance Authority*

The Iowa Finance Authority (Finance Authority) is authorized and has issued bonds to provide affordable mortgage financing and to meet the 20% State match required for federal capitalization grants which are used to provide loans for construction of wastewater and drinking water facilities. The bonds are payable principally from repayments of such loans. The obligations do not constitute a debt of the State of Iowa and the State is not liable for any repayments.

The bonds are secured, as described in the applicable bond resolution, by the revenues, moneys, investments, loans and other assets in the programs and accounts established by the respective bond resolutions.

The Single Family Mortgage Bond Resolutions, the Single Family Housing Bond Resolutions and the Multifamily Bond Indenture contain covenants that require the Finance Authority to make payments of principal and interest from amounts available in the Finance Authority's General Account should deficiencies occur in the accounts established for such payments by the respective bond resolutions. The Draw Down Bond Indenture under the Single Family Bond Program and the bond resolutions for the State Revolving Fund (SRF) accounts do not contain these covenants.

In February 2015, the Finance Authority issued SRF bonds with a face value of \$321.5 million to provide resources to purchase investment securities that were placed into an irrevocable trust to provide funds for future debt service payments on \$298.3 million of SRF bonds. The funds required for this transaction exceeded the net carrying value of the defeased debt by \$25.4 million. This refunding was undertaken to take advantage of the low interest rate environment and resulted in an economic gain of \$32.9 million. As a result, the irrevocable trust account assets and the liabilities for these defeased bonds are not included in the Finance Authority's financial statements. As of June 30, 2015, bonds totaling \$298.3 million were considered defeased.

During the current fiscal year, the Finance Authority issued one new single-family bond series totaling \$11.9 million to refund existing higher cost debt and one SRF bond series with a face value of \$321.5 million, which sold at a premium for total proceeds of \$381.0 million to purchase SRF loans and to defease prior bonds. In addition to the defeasance of \$298.3 million, the Finance Authority made bond payments of \$140.3 million during the fiscal year.

#### *Universities Foundations*

To finance the purchase and remodeling of the Foundation building, the Iowa State University Foundation issued \$3,850,000 of Office Building Revenue Bonds in 2002 under an agreement with the City of Huxley (City). In March 2010, the bonds were refinanced under an amended agreement with the City. The refinanced bonds had varying maturities through 2020 and had an interest rate of 4.75%. In November 2013, the bonds were refinanced under an amended agreement with the City. The refinanced bonds have a maturity date of January 1, 2020 and carry an interest rate of 2.4% through November 2018. The bonds will carry an adjusted interest rate from November 2018 through the maturity date of January 2020. The bonds are collateralized with a mortgage on the building and other real estate owned by the Foundation. The Foundation has no taxing authority and bonds issued do not constitute a debt, liability or obligation of the State of Iowa or any political subdivision thereof.

Future bond debt service requirements for the bonds of the Component Units are as follows (expressed in thousands):

Year Ending		
June 30,	Principal	Interest
2016	\$ 56,629	\$ 44,663
2017	60,310	43,653
2018	61,205	41,470
2019	63,317	39,025
2020	61,878	36,508
2021-2025	331,392	141,828
2026-2030	269,681	80,158
2031-2035	189,750	31,722
2036-2040	84,752	13,173
Thereafter	82,266	4,478
Total	<u>\$ 1,261,180</u>	<u>\$ 476,678</u>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 11 – ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2015, consisted of the following (expressed in thousands):

	Current	Noncurrent
<b>PRIMARY GOVERNMENT</b>		
<b>Governmental activities</b>		
Salaries & fringes	\$ 67,914	\$ -
Early retirement/termination benefits	8,461	13,173
Other postemployment benefits	-	104,748
Risk management	10,691	9,309
Pollution remediation	10,484	20,263
State aid	659,692	-
Trade & other payables	707,221	44,056
Total governmental activities	\$ 1,464,463	\$ 191,549
<b>Business-type activities</b>		
Salaries & fringes	\$ 170,872	\$ -
Early retirement/termination benefits	3,219	7,245
Other postemployment benefits	-	153,127
General claims	38,717	-
Unemployment benefits	20,432	-
Trade & other payables	186,982	68,708
Total business-type activities	\$ 420,222	\$ 229,080
<b>COMPONENT UNITS</b>		
Annuity & life income obligations	\$ 365	\$ 48,167
Lotto prizes & annuity prizes payable	3,722	1,970
Other	74,424	18,208
Total component units	\$ 78,511	\$ 68,345

#### Pollution Remediation Obligations

An estimate for pollution remediation obligations is recorded when the State knows or reasonably believes a site is polluted and when any one of the following events occurs: (1) the State is compelled to take remediation action because pollution creates an imminent endangerment to public health/welfare or the environment, (2) the State is in violation of a pollution prevention-related permit or license, (3) the State is named, or will likely be named, by a regulator as a responsible party or potentially responsible party for remediation, (4) the State is named, or will likely be named, in a lawsuit to compel it to participate in remediation or (5) the State commences or legally obligates itself to commence cleanup activities or monitoring/maintenance of remediation efforts.

For the year ended June 30, 2015, pollution remediation obligations totaled \$30.7 million, including \$29.3 million for the Iowa Petroleum Underground Storage Tank Program.

Leaking underground storage tanks meeting certain eligibility requirements are covered by the Iowa Petroleum Underground Storage Tank program. Statutory authority for this program is found in Chapter 455G of the Code of Iowa. The program was established to expend funds for remedial action and underground storage tank improvements. Estimated remediation outlays for leaking underground storage tanks are developed by groundwater professionals. The estimations are based on a range of expected outlays, net of expected cost recoveries, if any, for the type and amount of pollution contamination detected. All estimates for pollution remediation obligations are reviewed and adjusted periodically for price changes, additional contamination and any other changes detected.

The pollution remediation obligation does not include outlays for certain site cleanup activities or operation/maintenance costs because those outlays were not reasonably estimable.

The two matters discussed below were brought pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), commonly known as “Superfund.” The potential liability is not reasonably estimable at this time.

The LWD Incinerator Site is a hazardous waste disposal site located in Kentucky. The University of Iowa (SUI) received a demand letter regarding this site, alleging that SUI having contributed waste to the site, is a potentially

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

responsible party (PRP). The demand letter alleged that according to EPA's database SUI contributed materials to the LWD Incinerator Site. SUI General Counsel responded by letter, denying liability. A lawsuit was then filed in the Federal District Court in Kentucky against SUI and other potentially responsible parties. The Attorney General's Office filed a motion to dismiss and included supporting brief in the case. The federal court did not dismiss the lawsuit, and the Attorney General's Office is seeking to remove SUI from the case in a motion for summary judgement which would allow SUI to use some affidavits to support their position. Other defendants also filed a challenge to the litigation which was on appeal to the appellate court. The Court of Appeals ruled in January 2015 to dismiss the case because the statute of limitations had run. However, in June 2015, the LWD group sought permission to amend and the situation is still pending.

The Marine Shale Processors Site was a hazardous waste disposal site located in Louisiana. The University of Iowa (SUI) received a demand letter in September of 2012 from a group of PRPs at the site alleging that SUI may have a liability under CERCLA as a result of waste sent to sites in Louisiana. SUI General Counsel responded by letter denying the liability on the part of the University. SUI is an instrumentality of the State of Iowa and as such has sovereign immunity in suits in federal courts without its consent pursuant to the 11<sup>th</sup> amendment. SUI has not heard anything further and is not aware of any claims filed against the University.

### NOTE 12 – NET POSITION/GOVERNMENTAL FUND BALANCES

#### A. Net Position Restricted By Enabling Legislation

The Governmental Activities Statement of Net Position reports \$855.8 million of Restricted Net Position, of which \$14.8 million is restricted by enabling legislation.

#### B. Governmental Fund Balances

Fund balances for governmental funds are to be reported in classifications that comprise a hierarchy based primarily on the extent to which the State is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The *nonspendable* fund balance classification includes amounts that cannot be spent because they are either not in a spendable form or legally or contractually required to remain intact. *Restricted* fund balances are reported when constraints placed on the use of resources are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. *Committed* fund balance amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the State's highest level of decision making authority. The Iowa Legislature and Governor represent the State's highest level of decision-making authority. Formal action consists of legislation passed by both the House and Senate and signed by the Governor and is required to establish, modify or rescind a limitation. *Unassigned* fund balance is the residual classification for the general fund. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The nonspendable and spendable fund balances for governmental funds at June 30, 2015, are as follows (expressed in thousands):

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>NONSPENDABLE</b>					
Inventory & prepaid	\$ 44,528	\$ -	\$ -	\$ 306	\$ 44,834
Permanent fund principal	-	-	-	16,145	16,145
Total nonspendable	44,528	-	-	16,451	60,979
<b>SPENDABLE</b>					
Restricted:					
Roads	558,182	-	-	-	558,182
Debt service	89,969	387,541	-	-	477,510
Farm to market road system	69,257	-	-	-	69,257
Higher education	4,018	-	-	25,084	29,102
Infrastructure	22,976	-	-	912	23,888
Tourism	22,457	-	-	-	22,457
Public television	6,173	-	-	10,416	16,589

(continued on next page)

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

(continued)	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>SPENDABLE</b>					
Restricted:					
Underground storage tanks	16,207	-	-	-	16,207
Public health	15,522	-	-	-	15,522
Bridges	10,741	-	-	-	10,741
Special schools	-	-	-	9,937	9,937
Information & statistics	7,225	-	-	-	7,225
Consumer education	6,958	-	-	-	6,958
Airports	5,155	-	-	-	5,155
Technology	4,983	-	-	-	4,983
Passenger rail service	2,947	-	-	-	2,947
Visually impaired services	2,763	-	-	-	2,763
Other:					
Justice & public defense	3,652	-	-	201	3,853
Transportation	3,781	-	-	-	3,781
Human services	2,919	-	-	19	2,938
Education	1,664	-	-	1,197	2,861
Health & human rights	1,623	-	-	1,227	2,850
Administration & regulation	1,304	-	-	909	2,213
Economic development	1,041	-	-	-	1,041
Agriculture & natural resources	66	-	-	44	110
Total restricted	861,583	387,541	-	49,946	1,299,070
Committed:					
Cash reserve	523,409	-	-	-	523,409
Administration & insurance reserves	479,277	-	-	1,905	481,182
Economic emergency	174,455	-	-	-	174,455
Infrastructure	115,279	-	-	8,268	123,547
Debt service	42,439	-	-	-	42,439
Technology	34,158	-	-	1,335	35,493
Groundwater, soil & air protection	33,511	-	-	-	33,511
Tax relief	28,816	-	-	-	28,816
Medical assistance	28,776	-	-	-	28,776
Disaster relief	23,213	-	-	-	23,213
Emergency 911 services	20,500	-	-	-	20,500
Commerce	18,453	-	-	-	18,453
Underground storage tanks	16,564	-	-	-	16,564
Railroads	15,492	-	-	-	15,492
Natural resources	15,173	-	-	-	15,173
Workforce	15,139	-	-	-	15,139
Justice	14,993	-	-	-	14,993
Recreational facilities	12,173	-	-	-	12,173
K-12 education	10,627	-	-	-	10,627
Higher education	6,620	-	-	61	6,681
Agriculture	-	-	-	6,193	6,193
Unclaimed property	5,857	-	-	-	5,857
Fish & wildlife	5,655	-	-	-	5,655
Water quality	5,462	-	-	-	5,462
Veterans	5,455	-	-	-	5,455
Soil conservation	4,322	-	-	-	4,322
Renewable fuels	3,375	-	-	-	3,375
Community based corrections	2,740	-	-	-	2,740
Livestock	2,479	-	-	-	2,479
Other:					
Justice & public defense	2,669	-	-	2,028	4,697
Education	4,086	-	-	8	4,094
Transportation	1,525	-	-	1,421	2,946
Administration & regulation	1,959	-	-	832	2,791
Human services	297	-	-	1,659	1,956
Agriculture & natural resources	756	-	-	328	1,084
Health & human rights	766	-	-	-	766
Economic development	162	-	-	-	162
Total committed	1,676,632	-	-	24,038	1,700,670
Unassigned	(273,102)	-	(305,002)	(13)	(578,117)
<b>TOTAL FUND BALANCES</b>	<b>\$ 2,309,641</b>	<b>\$ 387,541</b>	<b>\$ (305,002)</b>	<b>\$ 90,422</b>	<b>\$ 2,482,602</b>

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### ***Stabilization Arrangements (Reserve Funds)***

The State maintains two reserve funds: the Cash Reserve Fund and the Iowa Economic Emergency Fund. These funds were established by formal action of the highest level of decision making authority as they were created by legislation passed by both the House and Senate of the Legislature and signed by the Governor. The law restricts the use and purpose of each fund. Formal action is required to use resources in the funds, modify their purpose or change the balances of the funds. Fund balances for both funds are included in the committed spendable fund balance classification.

The **Cash Reserve Fund** is separate from the General Fund of the State and is not to be considered part of the General Fund of the State except in determining the cash position of the State. The moneys in the Cash Reserve Fund cannot be transferred, used, obligated, appropriated or otherwise encumbered except as provided under Iowa Code section 8.56. Interest or earnings on moneys deposited in the Cash Reserve Fund are credited to the Rebuild Iowa Infrastructure Fund. Moneys in this fund may be used for cash flow purposes provided that moneys so allocated are returned to the Cash Reserve Fund by the end of each fiscal year. The maximum balance of the fund is equal to 7.5% of the adjusted revenue estimated for the General Fund of the State for the current fiscal year. The moneys in this fund may only be appropriated by the General Assembly for nonrecurring emergency expenditures and shall not be appropriated for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded. The balance in the Cash Reserve Fund may be used in determining the cash position of the General Fund of the State for payment of state obligations. An appropriation shall not be made from the Cash Reserve Fund if the appropriation would cause the fund's balance to be less than 3.75% of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

The **Iowa Economic Emergency Fund** is separate from the General Fund of the State and the fund is not to be considered part of the balance of the General Fund of the State. The moneys in the fund do not revert to the General Fund. The maximum balance of the fund is equal to 2.5% of the adjusted revenue estimate for the fiscal year. If the amount of moneys in the Iowa Economic Emergency Fund is equal to the maximum balance, moneys in excess of this amount shall be distributed as follows: (1) the first sixty million dollars of the difference between the actual net revenue for the General Fund of the State and the adjusted revenue estimate for the fiscal year shall be transferred to the Taxpayers Trust Fund established in Iowa Code section 8.57E; (2) the remainder of the excess, if any, shall be transferred to the General Fund of the State. The moneys in this fund may be appropriated by the General Assembly for emergency expenditures; and there is appropriated to the Executive Council an amount sufficient to pay expenses authorized by the Executive Council in Iowa Code section 7D.29. However, except as provided in Iowa Code section 8.58, the balance in the Iowa Economic Emergency Fund may be used in determining the cash position of the General Fund of the State for payment of state obligations. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund established in Iowa Code section 8.57.6.

#### ***Minimum Fund Balance Requirements***

Currently, the State has six governmental funds which are required by statute, federal regulations or bonding requirements to maintain minimum fund balances. However, the State does not have a formally adopted policy regarding minimum fund balances.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 13 – OPERATING LEASES

The State has leased office space and equipment. These leases have been classified as operating leases and expire before June 30, 2043. In most cases, management expects the leases will be renewed or replaced by other leases.

#### A. Primary Government

##### *Governmental Activities*

The future minimum lease payments for these leases are as follows (expressed in thousands):

Year Ending June 30,	
2016	\$ 12,178
2017	9,647
2018	6,393
2019	4,236
2020	2,806
2021-2025	2,541
2026-2030	323
2031-2035	331
2036-2040	357
Thereafter	71
Total	<u>\$ 38,883</u>

All leases contain nonappropriation clauses indicating continuation of the lease is subject to funding by the Legislature. Minimum payments have not been reduced by minimum sublease rentals of \$1,838,862.

Rental expense for the year ended June 30, 2015 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$15,135,605. Rental expense has not been adjusted for sublease rentals totaling \$491,522 for the year ended June 30, 2015.

##### *Business-type Activities*

The future minimum lease payments for these leases are as follows (expressed in thousands):

Year Ending June 30,	
2016	\$ 21,211
2017	19,218
2018	11,963
2019	9,255
2020	7,474
2021-2025	30,313
2026-2030	23,837
Thereafter	4,939
Total	<u>\$ 128,210</u>

Minimum payments have not been reduced by minimum sublease rentals of \$9,000.

Rental expense for the year ended June 30, 2015 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$16,150,767. Rental expense has not been adjusted for sublease rentals totaling \$4,000 for the year ended June 30, 2015.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### B. Component Units

The future minimum lease payments for these leases are as follows (expressed in thousands):

Year Ending June 30,		
2016	\$	3,251
2017		2,487
2018		2,240
2019		2,056
2020		1,785
Thereafter		<u>1,950</u>
Total	\$	<u>13,769</u>

Minimum payments have not been reduced by minimum sublease rentals of \$77,940.

Rental expense for the year ended June 30, 2015 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$2,816,457. Rental expense has not been adjusted for sublease rentals totaling \$62,355 for the year ended June 30, 2015.

### NOTE 14 – LESSOR OPERATING LEASES

The Iowa Department of Natural Resources leases tracts of land for agricultural purposes valued at \$11,433,856. Glenwood Resource Center leases building space valued at \$4,622,860. Iowa Public Television leases antenna and building space, the Iowa Department of Workforce Development leases building space, and the Iowa Communications Network leases fiber optic cables, for which no value has been assigned to the leased portions. The Iowa Department of Transportation leases land and office space valued at \$2,309,931. Iowa State University leases building space valued at \$760,589 (net of accumulated depreciation of \$294,720), tower space valued at \$381,005 (net of accumulated depreciation of \$116,883), equipment with an original value of \$616,281 and tracts of land for agricultural purposes valued at \$161,676. The University of Northern Iowa leases buildings valued at \$803,260 (net of accumulated depreciation of \$526,972), tower space and tracts of land for agricultural purposes valued at \$523,155. The Iowa Braille & Sight Saving School leases buildings valued at \$5,144,162 (net of accumulated depreciation of \$1,941,046).

The following is a schedule by year of minimum future rentals on operating leases as of June 30, 2015 (expressed in thousands):

Year Ending June 30,		
2016	\$	4,573
2017		3,699
2018		2,511
2019		1,156
2020		790
2021-2025		1,838
2026-2030		630
Thereafter		<u>396</u>
Total	\$	<u>15,593</u>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 15 – PENSION PLANS

#### A. Summary of Significant Accounting Policies & Pension Totals

##### **Pensions**

The financial statements of the Iowa Public Employees' Retirement System (IPERS), Peace Officers' Retirement, Accident and Disability System (PORS) and the Judicial Retirement System (JRS) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits, refunds and annuities are recognized when due and payable in accordance with the terms of each plan.

##### **Deferred Outflows and Inflows of Resources Related to Pensions**

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources related to pensions consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources related to pensions consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

##### **Method Used to Value Investments**

IPERS – All investments are reported at fair value. The determination of fair value is generally based on published market prices and quotations from major investment brokers. Investments not having quoted market prices have been valued based on yields and maturities currently available on comparable securities of similar issue. Fair values for real estate investments are based on periodic assessments or appraisals of the underlying investments. Futures contracts are valued daily with the resulting adjustment recorded as realized gains/losses arising from the daily settlement of the variation margin. Private equities are valued based on March 31 net position values plus or minus purchases, sales and cash flows from April 1 through June 30 of the reporting year.

The System has no investment in any specific stock or bond issues of any commercial or industrial organization, other than the U.S. government and its instrumentalities, whose fair value exceeds 5% of the plan net position available for benefits.

PORS and JRS – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value. For JRS, the fair value of real estate investments is based on independent appraisals.

PORS' and JRS' investments in governmental bonds and treasury notes constitute approximately 4.53% and 5.07%, respectively, of total assets. PORS and JRS are not permitted to invest more than 4.90% and 5.00%, respectively, of their System accounts in any one corporate issuer without written direction and approval of the Treasurer of State of Iowa.

##### **Pension Totals**

At June 30, 2015, the State of Iowa recognized the following amounts related to pensions in financial statements prepared using the economic resources measurement focus and accrual basis of accounting (expressed in thousands):

	Defined Benefit				
	Cost-sharing, Multiple-employer		Single-employer		
	IPERS - Primary Government	IPERS - Discretely Presented Component Units	PORS	JRS	TOTAL
Net pension liability	\$ 674,583	\$ 12,972	\$ 124,028	\$ 22,279	\$ 833,862
Deferred outflows of resources related to pensions	170,251	2,663	7,619	3,346	183,879
Deferred inflows of resources related to pensions	336,457	5,365	5,593	5,331	352,746
Pension expense for the period associated with net pension liabilities	53,781	873	16,938	5,047	76,639

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**B. Pension Plans**

***Iowa Public Employees' Retirement System (IPERS)***

General Information about the Plan

*Plan Description.* IPERS, a public employee retirement system, was created in 1953 by the Iowa Legislature. IPERS benefits are established under Chapter 97B of the Iowa Code. IPERS is the administrator of the cost-sharing, multiple-employer, contributory defined benefit public employee retirement system.

Participation in IPERS is mandatory for most state, county and local public employees, employees of school districts and certain elected officials. Membership is optional for some individuals, including the members of the Iowa Legislature. At June 30, 2015, IPERS had 1,845 public employers with 167,367 active members contributing to the system.

*Plan Membership.*

	Fiscal Years Ended June 30,	
	2015	2014
Inactive employees or beneficiaries currently receiving benefits	111,368	108,233
Inactive employees entitled to but not yet receiving benefits	67,374	72,267
Active employees	167,367	165,913
Total	346,109	346,413

IPERS has three membership classes: (1) regular, (2) sheriffs and deputies, and (3) protection occupation. Each membership class has different retirement benefits and contribution rates. The regular membership accounts for approximately 95% of all members. The sheriffs and deputies membership and protection occupation membership are classified as special service members as they work in public safety occupations and tend to have shorter careers because of the physical demands of their jobs.

Vested members are entitled to rights under IPERS. Prior to July 1, 2012, a regular member was vested after completing four years of covered service or when they reached the age of 55 while in IPERS-covered employment. Beginning on July 1, 2012, a member is vested after seven years of covered service or they reach the age of 65 while in IPERS-covered employment. Special service members (sheriffs/deputies and protection occupation members) are vested if they have completed four years of covered service or reach the age of 55 while in covered employment.

*Benefits Provided.* Upon retirement an IPERS member may choose from six benefit options. Each option provides a lifetime benefit for the member. The amount of the member's benefits and the amount and availability of death benefits vary according to the option selected. Once a benefit option is selected, the member's monthly benefit is calculated and remains the same for the rest of the member's lifetime. If a member began receiving benefits before July 1, 1990, a guaranteed dividend is included with the November benefit payment. This dividend was established and defined in Iowa Code section 97B.49F(1)(b).

- Regular members receive full benefits when they retire at the normal retirement age, which occurs: (1) when the member's years of service plus their age equals or exceeds 88, (2) any time after reaching age 62 with 20 or more years of covered employment, or (3) at age 65. Regular members cannot receive retirement benefits before age 55. If members retire prior to normal retirement age there is a permanent early-retirement reduction applied to the monthly benefit. Members who are age 70 and still working for an IPERS-covered employer may apply to receive IPERS retirement benefits while still employed.

Monthly benefits are equal to a member's highest five-year average salary multiplied by a percentage based on years of service, up to a maximum of 65 percent. Members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary. An early-retirement reduction will be applied if a member receives benefits before normal retirement age. For service earned through June 30, 2012, the early-retirement reduction is 0.25 percent per month (3 percent per year) benefits are received before the earliest normal retirement age. For service earned on or after July 1, 2012, the reduction increases to 0.50 percent per month (6 percent per year) benefits are received before the member reaches age 65.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

- Special service members have different retirement eligibility requirements than regular members. Sheriffs and deputies are eligible for retirement benefits at age 50 if they have 22 years of qualified service. A protection occupation member is eligible for retirement benefits if they are vested, no longer working for an IPERS-covered employer, and reach age 55. Both special service member classes are eligible for monthly benefits equal to the average of the highest three years' salary multiplied by a percentage based on years of service, up to a maximum of 72 percent.

*Disability Benefits.* A vested member that is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. Special service members that retire due to a disability may be eligible for regular member or special service member disability benefits.

*Death Benefits.* If a member dies before retirement, their designated beneficiary may receive a lump-sum payment based on the greater of two formulas: (1) actuarial present value of the member's accrued benefit as of the date of death, or (2) actual years of service divided by either 30 years for a regular member/22 years for special service member multiplied by member's highest annual covered wage multiplied by the member's accumulated contributions. If the member's beneficiary is a sole individual, they will be offered either a lump sum or life time annuity. If a member dies after retirement, the beneficiary is paid according to the benefit option selected by the member at the time of retirement.

*Contributions.* A valuation of the liabilities and reserves of the IPERS Trust Fund is performed annually by IPERS' actuary in accordance with Iowa Code Section 97B.4(4)(d). The actuary also calculates an actuarial contribution rate for each membership group, which is the contribution rate necessary to fully fund the benefits provided under Iowa Code chapter 97B.

IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the entry age normal actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year closed amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the actuarial amortization method adopted by the Investment Board.

Although the actuarial contribution rates are calculated each year for all three membership groups, the required contribution rates for the Regular membership were set in law through June 30, 2012. From fiscal year 2002 through fiscal year 2013, the rate required was less than the actuarial rate, in spite of rate increases passed by the Iowa Legislature in 2006 and 2010. Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and actuarial amortization method. Iowa Statute limits the amount rates can vary to 1 percentage point each year.

Iowa statute authorizes the required contribution rate for certain members and employers engaged in law enforcement, fire safety and protection occupations to be set to the actuarial contribution rate. Therefore, these groups have consistently paid the rate needed to fully fund their benefits.

In fiscal year 2015, the contribution rates for all members exceeded the actuarial rates.

	Fiscal Year 2014 and 2015		
	Employee	Employer	Total
Regular members	5.95%	8.93%	14.88%
Sheriffs and deputies	9.88%	9.88%	19.76%
Protection occupation members	6.76%	10.14%	16.90%

Contributions are remitted by participating employers. Wages were covered up to the Internal Revenue Code section 401(a)(17) compensation limit of \$260,000 for calendar year 2014 and \$265,000 for calendar year 2015. There are no non-employer contributing entities at IPERS.

The State's employer contributions to IPERS for the years ended June 30, 2015 and 2014 were \$121,714,554 and \$121,167,983, respectively.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

*Actuarial Methods and Assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions and the entry age normal actuarial cost method.

- Inflation rate: 3.00%
- Assumed investment return: 7.50%
- Projected salary increases: 4.00% – 17.00% depending upon years of service
- Wage growth: 4.00%

Mortality rates were based on the RP-2000 Generational Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Projection Scale AA. Different adjustments apply to pre-retirement verses post-retirement verses post-disability mortality tables. Pre-retirement mortality rates were based on the RP-2000 Employee Table, post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Table, and post-disability mortality rates were based on the RP-2000 Disabled Mortality Table.

The actuarial assumptions used in the June 30, 2014 valuation are based on the results of the most recent actuarial experience study, which covered the four-year period ending June 30, 2013. That experience study report is dated May 27, 2014.

The long-term actuarial assumed investment return reflects the anticipated returns on current and future plan assets. It provides a discount rate to determine the present value of future benefit payments. The actuarial assumed investment return is reviewed as part of the experience studies prepared for the System by IPERS' actuary. The most recent analysis, performed for the period covering fiscal years 2010 through 2013, is outlined in a report dated May 24, 2014. Several factors are considered in evaluating the actuarial assumed investment return including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the actuarial assumed investment return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the actuarial assumed investment return for funding pension plans, which cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Best estimates of arithmetic real rates of return for each major asset class included in IPERS' target asset allocation as of June 30, 2014, are shown in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core-plus fixed income	28.00%	2.06%
Domestic equity	23.00%	6.31%
International equity	15.00%	6.76%
Private equity/debt	13.00%	11.34%
Credit opportunities	5.00%	3.67%
Real estate	8.00%	3.52%
U.S. TIPS	5.00%	1.92%
Other real assets	2.00%	6.27%
Cash	1.00%	-0.69%
Total	<u>100.00%</u>	

*Discount Rate.* The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan contributions from members and the State will be made according to the current Contribution Rate Funding Policy. That policy is currently: (1) employee contributions are 40% of the required contribution rate for regular and protection occupation members and 50% of the required contribution rate for sheriffs and deputies; and (2) employer contributions are 60% of the

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

required contribution rate for regular and protection occupation members and 50% of the required contribution rate for sheriffs and deputies. Based on those assumptions, the pension fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on plan assets was applied to all period of projected benefit payments to determine the net pension liability. The municipal bond rate was not used in determining the discount rate, but if it were required, the rate would have been 4.35%. The projected future benefit payments for all current plan members were projected through 2113.

The components of the IPERS' total net pension liability (NPL) at June 30 are (expressed in thousands):

	2015	2014
Total pension liability	\$ 33,370,319	\$ 32,004,456
Plan fiduciary net position	28,429,835	28,038,550
Employers' net pension liability	\$ 4,940,484	\$ 3,965,906
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

The NPL increased in 2015 due to lower than expected earnings as of June 30, 2015. The impact to the State of Iowa is unknown at this time.

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, IA 50306-9117, at [info@ipers.org](mailto:info@ipers.org), or by calling 515-281-0020.

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report, as well as the fiduciary combining statements (see page 180).

#### State of Iowa Proportionate Share of the Collective Net Pension Liability Assumptions and Inputs

At June 30, 2015, the State reported a total liability of \$687.6 million, with \$674.6 million in the primary government and \$13.0 million in the discretely presented component units, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability as of June 30, 2014, used to calculate the net pension liability was determined based on the June 30, 2014 actuarial valuation for funding, dated October 29, 2014.

The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the State's total proportion was 17.336588% (17.009515% in the primary government and 0.327073% in the discretely presented component units). This was a decrease of 0.924888% from the State's total proportion (decrease of 0.926911% in the primary government and 0.002023% in the discretely presented component units), measured as of June 30, 2013.

For the year ended June 30, 2015, the State recognized IPERS pension expense of \$53.8 million for the primary government and \$0.9 million for the discretely presented component units. The State also reported deferred outflows of resources and deferred inflows of resources related to IPERS pensions from the following sources:

	Deferred Outflows of Resources (expressed in thousands)		
	Primary Government	Discretely Presented Component Units	Total
	Differences between expected and actual experience	\$ 7,752	\$ 141
Changes in assumptions	31,478	571	32,049
Changes in proportion and differences between contributions and proportionate share of contributions	9,306	-	9,306
Contributions subsequent to the measurement date	121,715	1,951	123,666
Total	\$ 170,251	\$ 2,663	\$ 172,914

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

	Deferred Inflows of Resources (expressed in thousands)		
	Primary	Discretely Presented	Total
	Government	Component Units	
Differences between expected and actual experience	\$ 3,486	\$ -	\$ 3,486
Changes in assumptions	83	-	83
Net difference between projected and actual earnings on pension plan investments	310,061	4,946	315,007
Changes in proportion and differences between contributions and proportionate share of contributions	22,827	419	23,246
Total	<u>\$ 336,457</u>	<u>\$ 5,365</u>	<u>\$ 341,822</u>

The primary government and discretely presented component units reported deferred outflows of resources relating to pensions of \$121.7 million and \$2.0 million, respectively, as a result of employer contributions subsequent to the measurement date which will be recognized as a reduction of net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ending June 30,	Primary Government	Discretely Presented Component Units	Total
2016	\$ (72,342)	\$ (1,168)	\$ (73,510)
2017	(72,342)	(1,168)	(73,510)
2018	(72,342)	(1,168)	(73,510)
2019	(72,342)	(1,168)	(73,510)
2020	1,447	19	1,466
Total	<u>\$ (287,921)</u>	<u>\$ (4,653)</u>	<u>\$ (292,574)</u>

*Sensitivity Analysis.* The State's proportionate share of the net pension liability was calculated using a discount rate of 7.50%, as well as a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate. The sensitivity of the State's proportionate share of the net pension liability to changes in the discount rate is presented below (expressed in thousands):

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
	State's proportionate share of the net pension liability:		
Primary government	\$ 1,388,520	\$ 674,583	\$ 72,060
Discretely presented component units	24,509	12,972	3,232
Total	<u>\$ 1,413,029</u>	<u>\$ 687,555</u>	<u>\$ 75,292</u>

Payables to the Pension Plan

At June 30, 2015, the State of Iowa reported payables of \$3.6 million for legally required employer contributions and \$2.4 million for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### ***Peace Officers' Retirement, Accident and Disability System (PORS)***

#### General Information about the Plan

*Plan Description.* PORS was created under Chapter 97A of the Code of Iowa to provide retirement and other benefits for the peace officers of the Iowa Department of Public Safety. PORS is the administrator of the single-employer defined benefit pension plan.

A member that leaves employment before attaining retirement age but after completing at least four years of covered service is vested and entitled to receive a service retirement benefit upon attaining the minimum retirement age provided their accumulated contributions have not been withdrawn.

*Plan Membership.* At June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	575
Inactive employees entitled to but not yet receiving benefits	46
Active employees	589
Total	<u>1,210</u>

*Benefits Provided.* PORS provides service retirement benefits, ordinary disability retirement benefits, accidental disability benefits, ordinary death benefits, accidental death benefits and line of duty death benefits. After four years of credited services benefits are vested.

- *Service retirement benefits* are calculated as 60.5% of the member's average final compensation plus an additional 2.75% for each year of service over twenty-two years, not to exceed ten additional years, or a maximum of 88%. The member's average final compensation is the average earnable compensation of the member during the member's highest three years of service as a member of the Iowa Department of Public Safety. A member may retire with a service allowance after completing twenty-two years of creditable service and attaining the minimum service retirement age of fifty-five.
- *Ordinary disability retirement benefits* are equal to 50% of the member's average final compensation, except if the member has not had five or more years of membership service. Then the member will receive a pension equal to 25% of the member's average final compensation. If the member has had twenty-two or more years of membership service, the member shall receive the greater of the benefit that would be payable under a service retirement if the member were fifty-five years of age or 50% of the member's average final compensation. A member may receive ordinary disability retirement benefits if the medical board, after a medical examination of the member, has certified the member is mentally or physically incapacitated for further performance of duty and such incapacity is likely to be permanent and the member should be retired.
- *Accidental disability benefit* is equal to 60% of the member's average final compensation. If the member has had twenty-two or more years of membership service, the member will receive the greater of the benefit payable under a service retirement if the member were fifty-five years of age or 60% of the member's average final compensation. A member who has become totally and permanently incapacitated for duty as the result of an injury, disease or exposure occurring while in the actual performance of duty will be retired, provided the medical board has certified such member is mentally or physically incapacitated for further performance of duty, such incapacity is likely to be permanent and the member should be retired.
- *Ordinary death benefit* is provided to the beneficiaries of a member with one or more years of service and no pension payable for accidental death benefits an amount equal to 50% of the final year of compensation. If the member was in service at the time of death, the beneficiary, if qualified, may elect to receive a pension equal to 40% of the average final compensation, but not less than an amount equal to 25% of the compensation paid to an active member having the rank of senior patrol officer of the Iowa highway safety patrol payable immediately upon the death of the member. If the member was not in service at the time of death, the pension will be reduced to a prorated service allowance payable commencing when the member would have attained the age of fifty-five. In addition, each child of the member will be paid a monthly pension equal to 6% of the monthly earnable compensation payable to an active member having the rank of senior patrol officer.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

- *Accidental death benefit* is payable to the member's surviving spouse, children or dependent parent upon the death of a member as a result of an accident or exposure occurring in the performance of duty in an amount equal to 50% of the average final compensation of the member. If there is a surviving spouse, each child of a member will be paid a monthly pension equal to 6% of the monthly earnable compensation payable to an active member having the rank of senior patrol officer. If there is no surviving spouse, children or dependent parent, the death will be treated as an ordinary death and the benefit will be payable to the member's estate.
- *Line of duty death benefit* is provided upon the receipt of evidence and proof the death of a member in service was the direct and proximate result of a traumatic personal injury incurred in the line of duty, the person authorized to receive an accidental death benefit will receive a lump sum payment equal to \$100,000.

*Adjustments to Benefits.* All benefits payable to retired members and to beneficiaries, except children of a deceased member, are adjusted on July 1 and January 1, for changes in salary scales. An amount equal to a percentage of the difference between the monthly earnable compensation payable to an active member of the same rank and position in the salary scale as was held by the retired or deceased member at the time of the member's retirement or death, for July of the current year less that of the preceding July will be added to the monthly benefit of each member as follows:

- 40% for members receiving a service retirement allowance, beneficiaries receiving an accidental death benefit, members with five or more years of membership who are receiving an ordinary disability benefit, and members receiving an accidental disability benefit.
- 24% for members with less than five years of membership who are receiving an ordinary disability benefit and for beneficiaries receiving an ordinary death benefit.
- Surviving spouses of retirees receive 50% of the amounts above, as applicable, but the amount shall not be less than 25% of the monthly earnable compensation paid to an active member having the rank of senior patrol officer.

For each adjustment occurring on July 1, an additional fixed amount is added to the initial monthly pension based on the years since the member retired: 0-4 years \$15; 5-9 years \$20; 10-14 years \$25; 15-19 years \$30; and 20 or more years \$35.

Surviving children's pensions are adjusted each July to equal 6% of monthly earnable compensation payable to an active member having the rank of senior patrol officer of the state patrol.

*Contributions.* Contributions to the System were made pursuant to Chapter 97A of the Code of Iowa and were not based upon actuarial determinations. Therefore, actual contributions differ from the annual required contribution. The member contribution rate increased 0.05% to 11.4% on July 1, 2014 to cover the cost of cancer and infectious disease presumption. Employer contribution rate increased to 31% for plan year 2015 and will increase 2% each year until reaching 37%. In addition, the State of Iowa contributed an additional \$5 million and will continue the supplemental contribution until the funded status of the System attains 85%. Contribution provisions are established by State law and may be amended only by the State Legislature. The State of Iowa has historically followed a contribution policy of appropriating funds based upon a percentage of the current salaries for which funds are appropriated.

The member contribution required and contributed was \$4,991,460, representing 11.40% of the current year covered payroll. The State contribution required by statute and the amount actually contributed was \$18,600,759. \$5,000,000 of the State contribution was an annual appropriation, which was in addition to the required employer 31% contribution rate. Costs of administering the plan are financed through employer contributions and investment income.

An actuarial valuation of the System's assets and liabilities is required at least once every two years per Chapter 97A of the Code of Iowa.

PORS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Iowa Department of Public Safety Peace Officers' Retirement System, Public Safety Building, 215 East 7<sup>th</sup> Street, Des Moines, IA 50319 or at [info@auditor.state.ia.us](mailto:info@auditor.state.ia.us).

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

- Inflation: 3.00%
- Salary increases: 4.25% to 7.25%, including inflation
- Investment rate of return: 8.00% compounded annually, net of investment expense, and including inflation

Pre-retirement mortality rates were based on the RP-2000 Mortality Table for Employees, Male and Female, with Generational Projection. Post-retirement mortality rates were based on the RP-2000 Mortality Table for Healthy Annuitants, Male and Female, with Generational Projection. Disability mortality rates were based on the RP-2000 Mortality Table for Healthy Annuitants, Male and Female, with a 5-year set forward and Generational Projection.

The actuarial assumptions used in the July 1, 2015 valuation are based on the results of the most recent actuarial experience study, which covered the five year period ending June 30, 2011. The experience study report is dated September 10, 2012.

The long-term expected rate of return on pension plan investments is reviewed as part of the experience study. Several factors are considered in evaluating the long term rate of return assumption including the long term historical data, estimates inherent in current market data and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. stocks (larger capitalization)	25.00%	8.22%
U.S. stocks (small cap growth)	7.50%	10.98%
U.S. stocks (small cap value)	7.50%	10.98%
International equity - developed	18.75%	8.12%
International equity - emerging	6.25%	9.91%
Core-plus fixed income	22.75%	2.76%
High yield fixed income	2.25%	4.82%
Real estate	10.00%	5.80%
Total	100.00%	

*Discount Rate.* The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed plan contributions from members and the State will be made at the current contribution rates as set in state statute: (1) employee contribution rate: 11.40%; (2) employer contribution rate: 33.00%, increasing by 2.00% each year until the rate reaches 37.00% in FY 2018; and (3) supplemental state contributions: \$5 million until the System is 85% funded. Based on those assumptions, the pension fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on plan assets was applied to all period of projected benefit payments to determine the net pension liability. The municipal bond rate was not used in determining the discount rate, but if it were required, the rate would have been 3.82%. The projected future benefit payments for all current plan members were projected through 2114.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

*Sensitivity Analysis.* The net pension liability was calculated using a discount rate of 8.00%, as well as a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate. The sensitivity of the net pension liability to changes in the discount rate is presented below (expressed in thousands):

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability	\$ 193,500	\$ 124,028	\$ 66,330

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PORS financial report, as well as the fiduciary combining statements (see page 180).

#### Changes in the Net Pension Liability

	Increase (Decrease) Expressed in Thousands		
	Total	Plan Fiduciary	Net
	Pension Liability (a)	Net Position (b)	Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 515,860	\$ 392,195	\$ 123,665
Changes for the year:			
Service cost	11,847	-	11,847
Interest	40,222	-	40,222
Difference between expected and actual experience	(6,609)	-	(6,609)
Contributions - employer	-	18,601	(18,601)
Contributions - employee	-	4,991	(4,991)
Net investment income	-	21,722	(21,722)
Benefit payments including refunds of employee contributions	(26,693)	(26,693)	-
Administrative expense	-	(217)	217
Net changes	18,767	18,404	363
Balances at June 30, 2015	\$ 534,627	\$ 410,599	\$ 124,028

*Change in Benefit Terms.* The 2014 Legislature passed House File 2450 which provided that cancer and infectious disease, as defined in this bill, would be presumed to have been contracted while the employee was on active duty as a result of that duty. The presumption means that such members will be eligible for an accidental disability benefit rather than ordinary disability benefit. The employee contribution rate increased 0.05% to cover the cost of the benefit change.

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the State of Iowa recognized pension expense related to the System of \$16.9 million. At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pensions for the System from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,593
Net difference between projected and actual earnings on pension plan investments	7,619	-
Total	\$ 7,619	\$ 5,593

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ending June 30,		
2016	\$	890
2017		890
2018		890
2019		890
2020		(1,016)
Thereafter		(518)
Total	\$	<u>2,026</u>

There are no non-employer contributing entities to PORS.

#### Payables to the Pension Plan

At June 30, 2015, the State of Iowa reported payables of \$453,826 for legally required employer contributions and \$156,776 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PORS.

#### **Judicial Retirement System (JRS)**

##### General Information about the Plan

*Plan Description.* JRS was created under Chapter 602 of the Code of Iowa to provide pension benefits to judges serving on the Supreme Court, District Courts and the Court of Appeals. JRS is the administrator of a single-employer defined benefit pension plan.

*Plan Membership.* At June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	195
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>202</u>
Total	<u>403</u>

*Benefits Provided.* JRS provides retirement annuities to judges with at least four years of service as a judge of one or more of the above courts and is at least 65 years of age or has served 20 years of consecutive service as a judge of one or more of the above courts and has attained the age of 50.

The annual annuity benefits available under this System are:

- *Judge* - 3.25% of the average annual basic salary for the highest three years as a judge multiplied by the judge's years of service, not to exceed an amount equal to a *specified percentage* of the highest basic annual salary the judge received at the time the judge separated from service.
- *Senior judge* - 3.00% (retirement prior to July 1, 2006) or 3.25% (retirement after July 1, 2006) of the basic senior judge salary multiplied by the judge's years of service, not to exceed an amount equal to a *specified percentage* of the basic senior judge salary as of the time the senior judge separated from service. The basic senior judge salary is equal to the highest salary the judge is receiving or received at the time the judge separated from full time service plus 75% of the difference between that salary and the basic current salary of the office the judge last served as a judge.
- The *specified percentages* to determine maximum annuity benefit for judges and senior judges are: (1) 50% for judges who retired prior to July 1, 1998, (2) 52% for judges who retired and received an annuity on or after July 1, 1998 but before July 1, 2000, (3) 56% for judges who retired and received an annuity on or after July 1, 2000 but before July 1, 2001, (4) 60% for judges who retire and receive an annuity on or after July 1, 2001 but before July 1, 2006, and (5) 65% for judges who retire and received an annuity on or after July 1, 2006.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

- *Disability* - any member who has served as a judge for a total of four years or more and is deemed permanently incapacitated, mentally or physically, to perform his/her duties shall be entitled to an annuity that would be the same as computed under a retirement annuity.
- *Survivor* - annuity is equal to 50% of the amount the retired judge was receiving or would have received at the time of their death.

*Contributions.* The contributions to JRS are made pursuant to Section 602.9104 of the Code of Iowa and are not based upon actuarial determinations. Therefore, actual contributions differ from the annual required contribution.

Beginning July 1, 2010, judges contribute to the system at the rate of 9.35% multiplied by the basic salary of the judge. Beginning July 1, 2008, and for each subsequent fiscal year until the System attains fully funded status, the State contributes an amount equal to 30.6% of the basic salary of all covered judges. Commencing with the first fiscal year in which the System attains fully funded status, and for each subsequent fiscal year, the State contribution shall be equal to 60% of the required contribution rate.

The member contribution required and contributed was \$2,665,685, representing 9.35% of the current year covered payroll. The State contribution required by statute and the amount contributed was \$8,724,008. The State share is to be based on 30.6% of actual salaries. Costs of administering the plan are financed through State appropriation, member contributions and investment income.

An actuarial valuation of the System's assets and liabilities is required at least once every four years per section 602.9116 of the Code of Iowa.

JRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Judicial Retirement System, Iowa Judicial Branch, 1111 East Court Avenue, Des Moines, IA 50319 or at [info@auditor.state.ia.us](mailto:info@auditor.state.ia.us).

#### Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

- Inflation: 3.00%
- Salary increases: 4.25%, including inflation
- Investment rate of return: 7.50% compounded annually, net of investment expense, and including inflation

Mortality rates were based on the RP-2000 Healthy Annuitant and Employee Mortality Table with generational improvements and a one year age setback.

The actuarial assumptions used in the July 1, 2015 valuation are based on the results of the most recent actuarial experience analysis. The most recent analysis was performed and results provided on September 17, 2013.

The long-term expected rate of return on pension plan investments is reviewed as part of the experience study. Several factors are considered in evaluating the long term rate of return assumption including the long term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) along with estimates of variability and correlations were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by investment consultants are often intended for use over a 10-year investment horizon and are not always useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. stocks (larger capitalization)	25.00%	8.22%
U.S. stocks (small cap growth)	7.50%	10.98%
U.S. stocks (small cap value)	7.50%	10.98%
International equity - developed	18.75%	8.12%
International equity - emerging	6.25%	9.91%
Core-plus fixed income	22.75%	2.76%
High yield fixed income	2.25%	4.82%
Real estate	10.00%	5.80%
Total	<u>100.00%</u>	

*Discount Rate.* The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan contributions from members and the State will be made at the current contribution rates as set in state statute: (1) employee contribution rate: 9.35% until the plan is fully funded, after which employees will contribute 40% of the actuarially required contribution rate; and (2) employer contribution rate: 30.6% until the plan is fully funded, after which the employer will contribute 60% of the actuarially required contribution rate. Based on those assumptions, the pension fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on plan assets was applied to all period of projected benefit payments to determine the net pension liability. The municipal bond rate was not used in determining the discount rate, but if it were required, the rate would have been 3.82%. The projected future benefit payments for all current plan members were projected through 2114.

*Sensitivity Analysis.* The net pension liability was calculated using a discount rate of 7.50%, as well as a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate. The sensitivity of the net pension liability to changes in the discount rate is presented below (expressed in thousands):

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 40,647	\$ 22,279	\$ 6,387

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued JRS financial report, as well as the fiduciary combining statements (see page 180).

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

Changes in the Net Pension Liability

	Increase (Decrease) Expressed in Thousands		
	Total	Plan Fiduciary	Net
	Pension Liability (a)	Net Position (b)	Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 183,916	\$ 155,974	\$ 27,942
Changes for the year:			
Service cost	6,438	-	6,438
Interest	13,392	-	13,392
Difference between expected and actual experience	(6,586)	-	(6,586)
Contributions - employer	-	8,724	(8,724)
Contributions - employee	-	2,665	(2,665)
Net investment income	-	7,533	(7,533)
Benefit payments including refunds of employee contributions	(10,891)	(10,891)	-
Administrative expense	-	(15)	15
Net changes	2,353	8,016	(5,663)
Balances at June 30, 2015	\$ 186,269	\$ 163,990	\$ 22,279

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the State of Iowa recognized pension expense related to the System of \$5.0 million. At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pensions for the System from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,331
Net difference between projected and actual earnings on pension plan investments	3,346	-
Total	\$ 3,346	\$ 5,331

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ending June 30,	
2016	\$ (418)
2017	(418)
2018	(418)
2019	(418)
2020	(313)
Total	\$ (1,985)

There are no non-employer contributing entities to JRS.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### Payables to the Pension Plan

At June 30, 2015, the State of Iowa reported payables of \$266,177 for legally required employer contributions and \$81,332 for legally required employee contributions which had been withheld from employee wages but not yet remitted to JRS.

#### **C. Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) Retirement Program**

The Universities, Board of Regents, the Iowa Braille and Sight Saving School and the Iowa School for the Deaf contribute to the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) retirement program, which is a defined contribution plan. TIAA-CREF administers the retirement plan for the institutions listed above. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Board of Regents, State of Iowa policy all eligible employees must participate in a retirement plan from the date they are employed.

Benefit terms, including contribution requirements, are established in accordance with the Board of Regents, State of Iowa policy and specified by the contract with TIAA-CREF. Contributions made by both employer and employee vest immediately, except at Iowa State University where employer contributions vest after three years. As specified by the contract agreement with TIAA-CREF, each employee through the fifth year of employment contributes 3.33% of the first \$4,800 of earnings and 5.00% on the balance of earnings. The employer through the fifth year of employment contributes 6.67% of the first \$4,800 of earnings and 10.00% on the balance of earnings. Upon completion of five years of service, the participant contributes 5.00% and the employer contributes 10.00% on all earnings.

During fiscal years 2015 and 2014, the employers' required and actual contributions amounted to \$156,936,419 and \$153,826,096, respectively. During fiscal years 2015 and 2014, the employees' required and actual contributions amounted to \$78,478,632 and \$76,755,975, respectively. As of June 30, 2015, all required contributions were remitted to TIAA-CREF.

#### **NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS**

##### **A. State Plan**

##### ***Plan Description***

The State of Iowa provides access to postretirement medical benefits to all retirees as required by Chapter 509A.13 of the Code of Iowa. Although the retirees generally must pay 100% of the premium rate, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), requires that employers recognize the Implicit Rate Subsidy that exists in postretirement medical plans provided by governmental employers.

The Implicit Rate Subsidy refers to the concept that retirees under the age of 65 (i.e. not eligible for Medicare) generate higher claims on average than active participants. When a medical plan is self-insured or fully insured through a third-party administrator, a premium is usually determined by analyzing the claims of the entire population in the plan and adjusting for administrative costs. The resulting premium is called a blended premium because it blends the claims of active and retired participants. Since individuals generally have more and higher claims as they get older, the blended premium paid for retirees is lower than their expected claims. Another way of considering this is that if the retirees were removed from the plan, the premium for the active group would be lower; therefore, the retirees' premiums are being subsidized by the active group. Since the employer generally pays a large portion or all of the premiums for the active group, this subsidy creates a liability for the employer. The difference between the expected claims for the retiree group and the blended premium is called the Implicit Rate Subsidy.

The State operates a single-employer retiree benefit plan which provides medical insurance benefits for retirees. There are 24,651 active and 3,350 retired participants in the plan. The State currently offers seven plans which are available to participants: BCBS Program 3 Plus, BCBS Deductible 3 Plus, Iowa Select, Wellmark Blue Access, Wellmark Blue Advantage, Gold Preferred and SPOC (Alliance Select).

##### ***Funding Policy***

The contribution requirements of the plan participants are established and may be amended by the State Legislature. The State currently finances the retiree benefit plan on a pay-as-you-go basis.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### **Annual OPEB Cost and Net OPEB Obligation**

The State's annual OPEB cost is calculated based on the annual required contribution (ARC) of the State, an amount actuarially determined in accordance with GASB 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 State's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the State's net OPEB obligation as follows (expressed in thousands):

Annual required contribution	\$	24,525
Interest on net OPEB obligation		5,778
Adjustment to annual required contribution		(7,882)
Annual OPEB cost		22,421
Contributions made		(10,765)
Increase in net OPEB obligation		11,656
Net OPEB obligation beginning of year		128,389
Net OPEB obligation end of year	\$	140,045

The State's plan includes AFSCME employees of the Universities. The portion of the fiscal year 2015 net OPEB obligation related to those employees is \$32.2 million. The State plan also includes \$1.7 million of the fiscal year 2015 net OPEB obligation allocated to the State's discretely presented component units and fiduciary funds.

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2015.

For fiscal year 2015, the State contributed \$10.8 million to the medical plan. The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2015 and the two preceding fiscal years are summarized as follows (expressed in thousands):

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2013	\$ 24,405	41.56%	\$ 114,659
2014	25,427	46.00%	128,389
2015	22,421	48.01%	140,045

### **Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$217.9 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$217.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1,796.6 million and the ratio of the UAAL to the covered payroll was 12.13%. As of June 30, 2015, 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 assumptions 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, presents 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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

and assumptions used include techniques 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, 2014, actuarial valuation date, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.0% inflation rate and a 4.5% discount rate based on the estimated long-term investment yield on the general assets of the State. Medical trend rates were developed using a combination of a trend survey and the SOA-Getzen trend rate model. Initial trend rates start at 7.0% (managed care plans) or 7.5% (non-managed care plans) in 2014 and grade down to an ultimate rate of 5.0% beginning in the year 2037. For the years 2014 through 2016, the rates are based on survey data and client market expectations. The SOA-Getzen model was then used to determine the trend rates beginning in year 2017 and thereafter, based on reasonable macro-economic assumptions for the growth of health care expenditures during this period relative to the general economy.

Pre-retirement mortality rates are from the RP-2000 Employee Table with generational improvements using projection scale AA, set back 3 years for males, and set back 8 years for females. Post-retirement mortality rates are from the RP-2000 Healthy Annuitant Table with generational improvements using projection scale AA for males, and projection scale AA for females, with a 5.0% increase above age 75. The majority of State of Iowa employees are participants in the Iowa Public Employees' Retirement System. For this reason, the mortality rates, withdrawal, retirement and age of spouse assumptions are based on the assumptions used for the Iowa Public Employees' Retirement System Actuarial Valuation Report as of June 30, 2014. The plan participation assumption is based upon the recent experience of the State of Iowa Postretirement Medical Plan.

The UAAL is being amortized on a level dollar open basis over 30 years.

### **B. University Funds**

#### ***Plan Description***

The University of Iowa, Iowa State University and the University of Northern Iowa (the Universities) operate single employer benefit plans which provide medical, dental and life insurance benefits for retirees and their spouses. Detailed plan description information is available in the Universities' separately issued financial reports. These reports may be obtained by writing to the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

#### ***Funding Policy***

The contribution requirements of the plan participants are established and may be amended by the Universities. The Universities currently finance the retiree benefit plans on a pay-as-you-go basis. For fiscal year 2015, the Universities contributed \$15.5 million to the plan and members receiving benefits contributed \$12.4 million of the premium cost.

#### ***Annual OPEB Cost and Net OPEB Obligation***

The following table shows the components of the Universities' annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plans and changes in the Universities' net OPEB obligation as follows (expressed in thousands):

Annual required contribution	\$ 39,778
Interest on net OPEB obligation	4,407
Adjustment to annual required contribution	(4,516)
Annual OPEB cost	<u>39,669</u>
Contributions made	<u>(15,544)</u>
Increase in net OPEB obligation	24,125
Net OPEB obligation beginning of year	<u>95,398</u>
Net OPEB obligation end of year	<u>\$ 119,523</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuaries as the cumulative difference between the actuarially determined funding requirements and the plans' actual contributions for the year ended June 30, 2015.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

The Universities' annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation for fiscal year 2015 and the preceding two fiscal years are summarized as follows (expressed in thousands):

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2013	\$ 30,890	51.35%	\$ 77,054
2014	32,534	43.62%	95,398
2015	39,669	39.18%	119,523

#### **Funded Status and Funding Progress**

As of the most recent actuarial valuation for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$412.3 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$412.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1,465.2 million and the ratio of the UAAL to the covered payroll was 28.1%. As of June 30, 2015, 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 assumptions 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, presents 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 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.

Information from the Universities' latest actuarial valuations follows:

	University of Iowa	Iowa State University	University of Northern Iowa
Actuarial valuation date	July 1, 2014	July 1, 2013	July 1, 2014
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percentage of projected payroll	Level dollar	Level percentage of projected payroll
Amortization period	Open basis over 30 years	Open basis over 30 years	Open basis over 30 years
Rate of investment return	4.75%	4.00%	4.50%
Medical trend rate	7.50% (8.50% for post age 65)	8.50%	8.50%
Ultimate medical trend rate	Reduced in decrements to an ultimate rate of 5.00% after 10 years	Reduced 0.50% each year until reaching 5.00%	Reduced 0.50% each year until reaching 5.00%
Inflation rate	3.00%	2.50%	5.00%
Payroll growth rate	3.00%	n/a	3.50%

#### **NOTE 17 – OTHER TERMINATION BENEFITS**

##### **A. State Employee Retirement Incentive Program**

On February 10, 2010, the Governor signed into law a state employee retirement incentive program (SERIP). Participants in SERIP received (1) a cash payment of the monetary value of the participant's accrued sick leave balance, not to exceed \$2,000 in fiscal year 2010, (2) cash payments, including the entire value of the

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

participant's accrued but unused vacation leave, and, for participants with at least 10 years of state employment, \$1,000 for each year of state employment, up to 25 years of employment, paid in five equal installments from September 2010 through September 2014, and (3) a minimum of 5 years of state contributions toward the premiums of a state-sponsored health insurance plan, either through the Sick Leave Insurance Program (SLIP), SERIP, or a combination of both programs.

Participants in SERIP are not eligible to accept any further employment with the State, other than as an elected official or a member of a board or commission, from the date of termination of employment. Participants may not enter into contracts to provide services to the State as independent contractors or consultants.

SERIP was financed on a pay-as-you-go basis by the department from which the employee retired. SERIP concluded at the end of fiscal year 2015.

For the year ended June 30, 2015, SERIP costs for 2,067 participants totaled \$26.9 million.

#### **B. Board of Regents Retirement Incentive Options**

At its March 2009 meeting, the Board of Regents approved the first of three Retirement Incentive Option (RIO) programs, RIO1. The second and third programs, RIO2 and RIO3, were subsequently approved at its October 2009 and April 2010 meetings, respectively. Faculty, professional and scientific employees, merit system employees, and institutional officials who accumulated ten years of service with the Universities and who attained the age of 60 (RIO1), 57 (RIO2), and 55 (RIO3) by the date of retirement were eligible for participation. These programs were one-time programs with retirement required to occur no later than January 31, 2010, July 30, 2010, and December 31, 2010, respectively.

Upon retirement, the participant will be provided health and dental coverage for a period of up to five years with the Universities providing both the employee and employer share of contributions not to exceed the employee and spouse/domestic partner rate for the Universities' 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. For RIO3, the participant may choose to receive continued annuity (Defined Contribution Plan only) contributions for a period of up to five years in lieu of the continued medical/dental coverage. The annuity benefit is equal to the Universities' contribution level during active employment of 10% and based on the participant's full budgeted salary at the time of retirement. Term life insurance benefits are fully insured for eligible retirees and are paid for directly by the life insurance carrier. The Universities pay 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 its April 2010 meeting, the Board of Regents approved the Phased Plus Retirement Program. Faculty, professional and scientific, merit system employees, and institutional officials who had accumulated ten years of service with Iowa State University who attained the age of 55 at the time of initial reduction of employment were eligible for participation in the Phased Plus Retirement Program. This was a one-time program with the maximum phasing period of two years with full retirement required at the end of the specified phasing period. At no time during the phasing period may an employee hold less than a 50% or greater than a 65% appointment. The phased retirement period was required to occur no later than January 1, 2012. At the end of the appointment, the employee had the option of medical coverage or employer-paid retirement contributions for the balance of five years once phased retirement began, with the same stipulations as the RIO3 program.

At its February 2015 meeting, the Board of Regents approved the University of Iowa 2015 Retirement Incentive Program. Those eligible for participation in the 2015 program were non-University of Iowa Health Care faculty, professional and scientific employees, merit employees and institutional officials who had attained age 57 and at least 10 years of continuous benefit eligible employment by January 31, 2015. The employees' department head and the appropriate administrative officers approved the employee's participation. Upon retirement, participants will be provided health and dental insurance with the University paying the full cost of the single employee premium or its standard share of any coverage other than single for a period of five years. This contribution shall be equal to the amount contributed for an active employee in the same plan.

The Board of Regents Institutions' contributions for the fiscal year ended June 30, 2015, totaled \$5.3 million for 734 participants in the Board of Regents Retirement Incentive Options.

#### **C. State Police Officers Council**

The State Police Officers Council (SPOC) Collective Bargaining Agreement provides upon retirement, including disability retirement, credit for all unused sick leave.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

Accumulated unused sick leave in both the active and banked sick leave accounts shall be converted at current value and credited to the employee's account for the purpose of paying the cost of the monthly premiums of a health insurance and/or life insurance policy.

Upon written authority from or upon the death of a retired employee, or upon the death of an active employee, the spouse or the surviving spouse shall be entitled to the value of the sick leave bank in both the active and banked sick leave accounts as converted in the previous paragraph for the purpose of paying the cost of monthly premiums of the health insurance and/or life insurance policy for the employee's spouse or dependents.

If the carrier of either the health or life insurance policy is not a current contracted carrier with the State of Iowa, SPOC or any of its suborganizations, the employee or spouse shall be eligible for reimbursement of a premium payment to that carrier upon submission of proof of payment. If there is dissolution of marriage or divorce, it is the employee's responsibility to withdraw their authority.

The benefits are funded on a pay-as-you-go basis for Department of Public Safety retirees and are fully funded for Department of Natural Resources retirees.

For the year ended June 30, 2015, 231 SPOC retirees received benefits totaling \$1.1 million.

### **D. Other Voluntary Termination Benefit Programs**

Voluntary termination benefit programs have been established through collective bargaining for Executive branch AFSCME and IUP employees, Judicial branch AFSCME and PPME employees and Community Based Corrections employees. The programs are also offered to Executive branch non-contract employees, Judicial branch non-contract employees, Legislative employees and Community Based Corrections non-contract employees, except for judicial officers. The programs allow employees who are eligible upon a bona fide retirement to use the value of their unused sick leave to pay the employer share of the monthly premium of the State's group health insurance plan after their retirement.

Upon retirement, employees shall first receive cash payment for accumulated, unused sick leave converted at the employee's current regular hourly rate of pay, up to \$2,000, payable with the final payroll warrant that includes the employee's retirement date. The value of the remaining balance of the accrued sick leave will be converted based upon the original balance (before the cash payment). The remainder of the sick leave value is calculated as follows, based on the number of sick hours the employee had before the cash payment:

<b><u>If the sick leave balance is:</u></b>	<b><u>The conversion rate is:</u></b>
Zero to 750 hours	60% of the value
Over 750 hours to 1,500 hours	80% of the value
Over 1,500 hours	100% of the value

The final calculated dollar value will be credited to the employee's Sick Leave Insurance Program (SLIP) account. Each month, the retiree's former employing department will pay 100% of the employer share of the selected state group health insurance premium from the retiree's SLIP account. The retiree is responsible for any additional premiums associated with the employee/retiree share.

The employer will continue to pay the employer's share of the health insurance premium each month until the converted value of the employee's sick leave balance is exhausted, until the employee is eligible for Medicare, the employee waives the benefit or the employee dies, whichever comes first. The retired employees may stay with the same health insurance program as when employed or switch down at any time without underwriting. The converted value of the sick leave can only be applied to the employer's share of health insurance premium payments. It has no cash value and it is not transferable to another use or to an heir.

If a retired employee who has utilized this benefit returns to permanent state employment, all remaining balances in the Sick Leave Insurance Program will be forfeited.

All program benefits are financed on a pay-as-you-go basis by the department from which the employee retired. Amounts due for this program have been recorded as a liability in the government-wide financial statements.

For the year ended June 30, 2015, 1,165 employees from the Executive and Legislative branches have retired and received benefits totaling \$8.1 million under SLIP. In addition, 196 employees from the Judicial branch and Community Based Corrections have retired and received benefits totaling \$1.6 million under SLIP.

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 18 – RISK MANAGEMENT**

**A. Self-Insurance/Retention of Risk**

It is the policy of the State not to purchase commercial insurance, except as detailed below in Section B, for the risks of losses to which it is exposed. Instead, State management believes it is more economical to manage its risks internally and set aside assets for claim settlement in its internal service funds or to pay claims from the General Fund.

Specific claim adjustment expenditures/expenses and estimated recoveries on unsettled claims are included in the determination of claims liability. Other allocated or unallocated claims adjustment expenditures/expenses are not included.

The State is self-insured for various risks of loss related to work injuries of its employees. The Workers' Compensation Fund, an internal service fund, services workers' compensation claims. The liability for unpaid claims is estimated based on the average cost per claim-type determined from an actuarial review. Changes in the balances for estimated claims liabilities for fiscal years 2014 and 2015 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 14	\$ 56,455	25,775	24,116	\$ 58,114
FY 15	58,114	25,919	24,062	59,971

The State is self-insured for various risks of loss related to its motor vehicle fleet. The Vehicle Dispatcher Self-Insurance Fund, an internal service fund, services liability and property damage claims. The liability for unpaid claims is estimated based on historical experience and the application of an industry standard of 40% for IBNR claims. Changes in the balances for estimated claims liabilities for fiscal years 2014 and 2015 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 14	\$ 381	1,041	1,282	\$ 140
FY 15	140	1,026	917	249

The State is self-insured for various risks of loss related to the operation of the Board of Regents Institutions' motor vehicle fleets. The Regent's Motor Vehicle Liability Self-Insurance Fund, an internal service fund, services liability and property damage claims. The liability for unpaid claims is estimated based on statistical techniques that reflect recent settlements, similar claim history and other economic and social factors. Changes in the balances for estimated claims liabilities for fiscal years 2014 and 2015 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 14	\$ 1,251	680	401	\$ 1,530
FY 15	1,530	205	524	1,211

The State is self-insured for risks of loss related to property damage and torts. All claims must be filed with the State Appeal Board which has the authority to approve or reject claims. Claims allowed in an amount greater than \$5,000 require the unanimous approval of all members of the Board, the Attorney General and the District Court of the State of Iowa for Polk County. The liability for unpaid claims is estimated based on historical experience and analysis. Changes in the balances for estimated claims liabilities for fiscal years 2014 and 2015 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 14	\$ 20,000	4,392	4,392	\$ 20,000
FY 15	20,000	20,807	20,807	20,000

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

The Universities retain risk liability for medical faculty malpractice; medical, dental, unemployment and workers' compensation coverage for some employees; and various property damage not covered as described below. The estimates of claim liabilities for faculty medical malpractice and employee medical, dental, unemployment and workers' compensation are based on actuarial analysis. The estimates of the claims liabilities for various property damage are based on historical analysis. Changes in the balances for estimated claims liabilities for fiscal years 2014 and 2015 were (expressed in thousands):

		Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments		Ending Balance
FY 14	\$	31,308	237,682	235,751	\$	33,239
FY 15		33,239	264,149	258,671		38,717

#### **B. Insurance/Transfer of Risk**

The State insures with commercial insurers for certain risks of loss assuming liability for any deductibles and claims in excess of coverage limitations.

- State employee benefits for health, dental, long-term disability and life insurance coverage are fully insured.
- The State maintains an employee fidelity bond for up to \$2.0 million. The three State public universities carry additional coverage of \$0.5 million to \$10.0 million.
- The University of Iowa is insured for \$2.0 billion for catastrophic property loss for general fund properties with a \$5.0 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises. The fine art collections are insured for \$200.0 million.
- Iowa State University is insured for \$2.3 billion for catastrophic property loss for general fund properties with a \$2.0 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises.
- The University of Northern Iowa is insured for \$650.0 million for catastrophic property loss for general fund properties with a \$2.0 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises.
- The Iowa Braille and Sight Saving School is insured for catastrophic loss liabilities for \$53.9 million after a \$1.0 million deductible.
- The Iowa School for the Deaf is insured for catastrophic loss liabilities for \$72.3 million after a \$1.0 million deductible.
- The eight Judicial Districts individually insure buildings and contents with coverage ranging from \$3.6 million to \$26.7 million.
- The Iowa Lottery Authority is insured for \$11.2 million for buildings and contents.
- Iowa Workforce Development is insured for \$24.5 million for buildings and contents.
- Iowa Public Television insures broadcasting trucks and contents for \$3.1 million.

The University of Iowa had property insurance claims in excess of commercial coverage due to the 2008 flood. Iowa State University had property insurance claims in excess of commercial coverage due to the flood in August 2010. All other settled claims have not exceeded commercial coverage for the past three fiscal years.

#### **NOTE 19 – LITIGATION, CONTINGENCIES AND COMMITMENTS**

The *Iowa Department of Revenue* has pending litigation regarding income tax cases. The cases could possibly result in refunds estimated at \$5.8 million.

The *Iowa Public Employees' Retirement System* (IPERS) has commitments to fund an additional \$1,999.0 million to various private equity/debt partnerships and \$117.7 million to a real estate debt partnership at June 30, 2015.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

The *Iowa Public Employees' Retirement System* (IPERS) monitors, evaluates, and takes the necessary actions related to litigation for or against IPERS. This includes, but is not limited to, federal and state court actions and defending administrative appeals filed against IPERS.

In the fraud action against Westridge Capital Management, IPERS continues to pursue full recovery. In recent years, IPERS recovered \$225.7 million, which is nearly 90 percent of its initial investment. However, IPERS did not receive a distribution in fiscal year 2015.

IPERS was notified by one of its investment managers that it has been named as a defendant, along with approximately 500 other investors, in an action before the United States Bankruptcy Court for the Southern District of New York. This action involves the General Motors Corporation bailout of 2006. General Motors filed for bankruptcy protection in 2009. IPERS, along with other investors, provided debtor-in-possession financing of \$1.5 billion to allow General Motors to continue operations. Secured investors, such as IPERS and the other 500 investors, received a return on their investment. Unsecured creditors received a minimal return during the bankruptcy proceedings.

The unsecured creditors filed this action in an effort to increase their recovery by requiring secured investors to return all or a portion of the return on their investment. IPERS cannot estimate its potential losses because the court has sealed the documents related to this action. IPERS is negotiating a contract with the outside legal counsel representing a large number of investor defendants in this action.

IPERS successfully defended several appeals filed under the Iowa Administrative Procedures Act. No administrative appeal resulted in a loss to the Trust Fund.

The *Iowa Department of Transportation* has contractual obligations for construction and other contracts of \$575.1 million (net of \$522.8 million in anticipated federal funding) at June 30, 2015.

The *University of Iowa* has outstanding construction contract commitments of \$427.0 million at June 30, 2015.

*Iowa State University* has outstanding construction contract commitments of \$82.7 million at June 30, 2015.

The *University of Northern Iowa* has outstanding construction contract commitments of \$5.4 million at June 30, 2015.

The *Iowa Department of Natural Resources* has outstanding construction contract commitments of \$12.3 million at June 30, 2015.

The *Iowa Department of Administrative Services* has outstanding construction contract commitments of \$23.3 million at June 30, 2015.

The *Iowa Department of Corrections* has outstanding construction contract commitments of \$9.6 million at June 30, 2015.

The *Iowa Department of Human Rights* has outstanding contractual obligations of \$31.5 million at June 30, 2015.

The *Iowa Department of Human Services* has outstanding contractual obligations of \$933.0 million at June 30, 2015.

The *Iowa Department of Public Defense* has outstanding contractual obligations for construction and other contracts of \$9.6 million at June 30, 2015.

The State of Iowa has encumbrances at June 30, 2015, totaling \$33.5 million, \$28.7 million in the General Fund and \$4.8 million in the nonmajor governmental funds.

The *Iowa Finance Authority* has signed loan agreements under the State Revolving Fund for which \$122.0 million had not been disbursed at June 30, 2015.

The *Iowa State Fair Authority* has outstanding construction contract commitments of \$2.7 million at June 30, 2015.

The *Iowa Economic Development Authority* has outstanding contractual commitments of \$238.5 million at June 30, 2015.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 20 – BEGINNING BALANCE ADJUSTMENTS

#### GASB 68 and GASB 71 Implementation

The State implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* in fiscal year 2015. GASB 68 established new accounting and financial reporting requirements for state and local governments which provide their employees with pension benefits through pension plans administered through specific trusts or equivalent arrangements. This Statement requires the governmental employer to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources and pension related expenses/expenditures.

The State also implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. At transition, GASB 68 did not allow for beginning balances for deferred outflows of resources or deferred inflows of resources to be reported unless *all* balances were reported. GASB 71 modified GASB 68 to require that, at transition, governments recognize a beginning deferred outflow of resources for employer contributions made subsequent to the measurement date of the beginning net pension liability.

The following prior period adjustments were made at July 1, 2014, to comply with the new pension standards (expressed in millions):

	Governmental Activities	Business-type Activities	Discretely Presented Component Units
Net position at June 30, 2014, as previously reported	\$ 9,438.2	\$ 6,501.0	\$ 3,586.6
Accounts payable for single employer pension plans measured under previous standards	63.8	-	-
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	110.3	10.9	1.9
Net pension liability at June 30, 2014	(1,090.7)	(90.7)	(18.7)
Net position at July 1, 2014, as restated	<u>\$ 8,521.6</u>	<u>\$ 6,421.2</u>	<u>\$ 3,569.8</u>

#### Governmental Activities:

As shown above, unrestricted net position was reduced for governmental activities by \$916.6 million.

- Accounts payable was decreased by \$63.8 million to remove the net pension obligation calculated under prior standards and previously reported for the State’s single-employer defined benefit pensions.
- Deferred outflows of resources related to pensions were increased by \$110.3 million.
- Net pension liability was increased by \$1,090.7 million.
- Governmental Activities – Internal Service Funds accounted for \$17.9 million of the above decrease in net position due to a \$2.0 million increase in deferred outflows of resources related to pensions and a \$19.9 million increase in net pension liability.

#### Business-type Activities:

Unrestricted net position was reduced by \$79.8 million, for University Funds and Nonmajor Enterprise Funds which decreased \$69.4 million and \$10.4 million, respectively.

- Deferred outflows of resources related to pensions increased \$10.9 million, for University Funds and Nonmajor Enterprise Funds which increased \$9.5 million and \$1.4 million, respectively.
- Net pension liability increased \$90.7 million, for University Funds and Nonmajor Enterprise Funds which increased \$78.9 million and \$11.8 million, respectively.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### Discretely Presented Component Units:

Unrestricted net position was reduced by \$16.8 million, for the Iowa Finance Authority, Iowa Economic Development Authority and Iowa Lottery Authority which decreased by \$5.4 million, \$6.1 million and \$5.3 million, respectively.

- Deferred outflows of resources related to pensions increased \$1.9 million, for the Iowa Finance Authority, Iowa Economic Development Authority and Iowa Lottery Authority which increased \$0.6 million, \$0.7 million and \$0.6 million, respectively.
- Net pension liability increased \$18.7 million, for the Iowa Finance Authority, Iowa Economic Development Authority and Iowa Lottery Authority which increased \$6.1 million, \$6.7 million and \$5.9 million, respectively.

#### **NOTE 21 – DEFICIT FUND BALANCE**

The Tobacco Collections Fund, a major Special Revenue Fund, had a deficit fund balance of \$305.0 million at June 30, 2015. In accordance with GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, in fiscal year 2008, an interfund advance was recorded in the Tobacco Collections Fund, causing a deficit fund balance. As future tobacco collections are received in the Tobacco Collections Fund and remitted to the Tobacco Settlement Authority for repayment of debt, the interfund advance will be reduced and the deficit eliminated.

#### **NOTE 22 – SUBSEQUENT EVENTS**

Subsequent to June 30, 2015, Iowa State University received approval from the State Board of Regents for the sale of Dormitory System Revenue Bonds, Series I.S.U. 2015A for \$30,000,000 to be issued on October 1, 2015. These bonds will bear interest at varying rates and will mature in varying amounts from July 1, 2016 through July 1, 2035. The proceeds of the bonds will be used to pay a portion of the costs of constructing and equipping a new residence hall for student housing and other improvements to the system, including Friley Dining Renovation, to provide a debt service reserve fund, and to pay the costs of issuing the bonds. The bonds will be payable solely from the net revenues of the Dormitory System of the University.

Subsequent to June 30, 2015, Iowa State University received approval from the State Board of Regents for the sale of Academic Building Revenue Refunding Bonds, Series I.S.U. 2015 for \$12,095,000 to be issued on December 1, 2015. These bonds will bear interest at varying rates and will mature in varying amounts from July 1, 2016 through July 1, 2027. The proceeds of the bonds will be used to provide for the advance refunding of the outstanding principal of the July 1, 2016 through July 1, 2027 maturities of the Academic Building Revenue Bonds, Series I.S.U. 2007, and to pay for the costs of issuing the bonds. The bonds will be payable solely out of gross student fees and charges collected by the University and institutional income received by the University.

In August 2015, the University of Iowa received approval from the State Board of Regents to issue Dormitory Revenue Bonds, Series S.U.I. 2015 in the amount of \$34,680,000. These bonds will bear interest at varying rates between 3.00% and 3.75% and will mature in varying amounts from July 1, 2019 through July 1, 2040. The proceeds of the bonds will be used to pay a portion of the costs of constructing and equipping a new residence hall for student housing and related facilities, funding a debt service reserve fund, and to pay the costs of issuing the bonds.

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

In October 2015, the University of Iowa received approval from the State Board of Regents to issue Academic Building Revenue Bonds, Series S.U.I. 2015 in the amount of \$14,545,000. These bonds will bear interest at varying rates between 2.00% and 3.20% and will mature in varying amounts from July 1, 2017 through July 1, 2036. The proceeds of the bonds will be used to pay or reimburse a portion of the costs of building, repairing,

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

replacing, reconstructing and equipping flood damaged buildings and facilities on the campus of the University of Iowa damaged by the flood of 2008; fund a reserve fund, and to pay the costs of issuing the bonds.

In October 2015, the University of Iowa received approval from the State Board of Regents to issue Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2015C (Taxable) in the amount of \$21,765,000. These bonds will bear interest at varying rates between 2.00% and 3.70% and will mature in varying amounts from July 1, 2016 through July 1, 2031. The proceeds of the bonds will be used to provide for the advance refunding of outstanding principal of the July 1, 2016 through July 1, 2031 maturities of the University's \$27,500,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2006 dated June 1, 2006 and to pay the costs of issuing the bonds.

In October 2015, the University of Iowa received approval from the State Board of Regents to issue Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2015D (Taxable) in the amount of \$19,930,000. These bonds will bear interest at varying rates between 2.00% and 3.70% and will mature in varying amounts from July 1, 2016 through July 1, 2031. The proceeds of the bonds will be used to provide for the advance refunding of outstanding principal of the July 1, 2016 through July 1, 2031 maturities of the University's \$25,000,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2006A dated July 1, 2006 and to pay the costs of issuing the bonds.

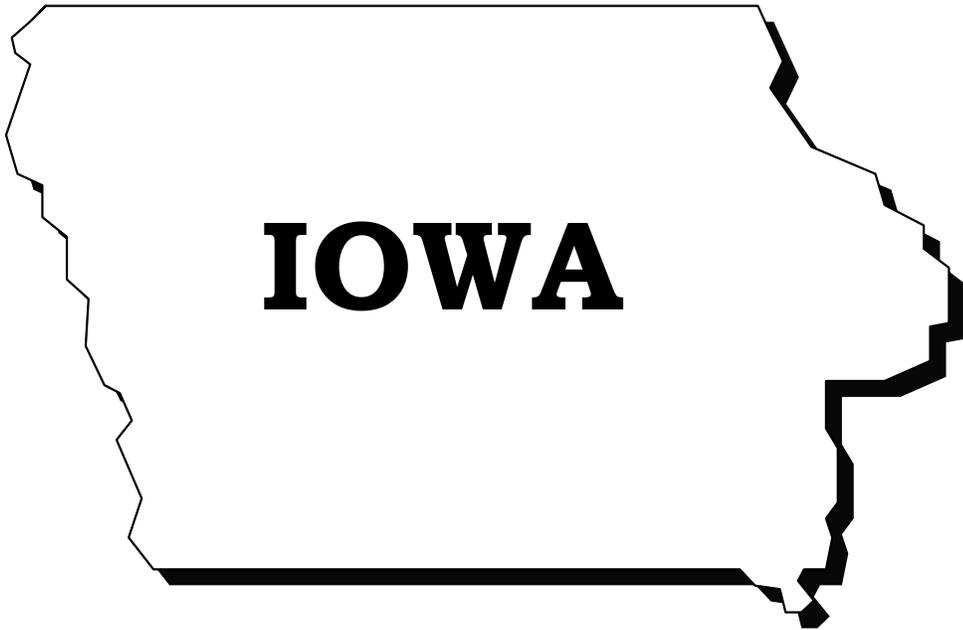
The State of Iowa experienced severe storms, tornadoes, straight-line winds and flooding from June 20, 2015 through June 25, 2015. The President declared a major disaster event for Iowa on July 31, 2015, for 19 counties. Current damages are estimated at \$7.0 million with the anticipation that \$5.3 million will be paid with federal funds, \$1.0 million from local governments, and \$0.7 million with state funds.

In October 2015, IPERS received a distribution of \$20.0 million in the Westridge Capital Management fraud action. IPERS has now recovered 97 percent of its investment principal.

The Department of Human Services completes reviews and cost settlements for federal programs including Medicaid. As the reviews and settlements are finalized, the impact is reflected in the State's financial statements. Obligations related to reviews and settlements not yet completed, if any, are undeterminable at this time.

As of July 1, 2015, Iowa Economic Development Authority (IEDA) assumed full management of the Energy Loan Program from the Iowa Finance Authority (IFA). The program had previously been jointly managed by IEDA and IFA. In the spring of 2015, a decision was made to transfer all functions (programmatic and fiscal) to IEDA effective with the start of fiscal year 2016. A transfer was completed at the end of July 2015 and included cash of \$1.1 million, notes receivable of \$17.5 million and notes payable of \$0.5 million.

On September 28, 2015, the Iowa Finance Authority issued \$122.0 million of Single Family Revenue Bonds to purchase mortgage backed securities under the Iowa Finance Authority's FirstHome program and refund existing debt.



REQUIRED  
SUPPLEMENTARY  
INFORMATION

# STATE OF IOWA

## Required Supplementary Information Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2015  
(Expressed in Thousands)

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>FINAL TO ACTUAL</b>
<b>APPROPRIATED REVENUE</b>				
Special taxes:				
Personal income tax	\$ 4,302,300	\$ 4,173,000	\$ 4,224,097	\$ 51,097
Sales/use tax	2,745,200	2,754,400	2,749,230	(5,170)
Corporation income tax	603,700	569,500	579,453	9,953
Inheritance tax	104,700	91,000	89,807	(1,193)
Insurance premium tax	107,500	106,900	109,634	2,734
Beer & liquor tax	14,900	14,800	14,483	(317)
Franchise tax	47,600	40,800	47,482	6,682
Miscellaneous tax	1,100	1,200	1,373	173
Total special taxes	<u>7,927,000</u>	<u>7,751,600</u>	<u>7,815,559</u>	<u>63,959</u>
Reimbursements & fees:				
Institutional reimbursements	11,100	10,000	14,829	4,829
Liquor transfers	96,000	94,200	109,237	15,037
Interest	4,100	4,000	3,754	(246)
Fees	26,500	27,000	27,399	399
Judicial revenue	103,100	101,500	99,484	(2,016)
Miscellaneous receipts	29,900	42,900	40,248	(2,652)
Total receipts	<u>8,197,700</u>	<u>8,031,200</u>	<u>8,110,510</u>	<u>79,310</u>
Transfers	180,700	123,900	127,638	3,738
Economic Emergency Fund Surplus	745,700	647,142	647,142	-
<b>TOTAL APPROPRIATED REVENUE</b>	<b><u>9,124,100</u></b>	<b><u>8,802,242</u></b>	<b><u>8,885,290</u></b>	<b><u>83,048</u></b>
<b>RECEIPTS CREDITED TO APPROPRIATIONS</b>				
Other taxes	1,167	1,167	1,379	212
Multi suspense	9,599	9,599	12,640	3,041
Federal support	3,589,551	3,602,431	3,611,296	8,865
Local governments	46,484	46,483	48,571	2,088
Internal service transfers	562,466	563,401	602,429	39,028
Reimbursements from other departments	8,892	9,443	8,200	(1,243)
Government fund type transfers-				
Attorney General	16,108	16,176	15,942	(234)
Auditor of State	3,884	4,589	3,322	(1,267)
Other agencies	27,917	34,817	32,625	(2,192)
Interest	56	56	12	(44)
Fees, licenses & permits	56,657	58,990	45,552	(13,438)
Refunds & reimbursements	502,440	501,167	548,017	46,850
Sale of equipment & salvage	15	15	10	(5)
Rents & leases	2,629	2,689	2,552	(137)
Agricultural sales	1	1	2	1
Other sales & services	2,979	2,982	3,360	378
Unearned receipts	8,156	8,169	19,929	11,760
Promotional checkoffs	9,229	9,396	10,633	1,237
<b>TOTAL APPROPRIATED RECEIPTS</b>	<b><u>4,848,230</u></b>	<b><u>4,871,571</u></b>	<b><u>4,966,471</u></b>	<b><u>94,900</u></b>
<b>TOTAL ALL REVENUE</b>	<b><u>13,972,330</u></b>	<b><u>13,673,813</u></b>	<b><u>13,851,761</u></b>	<b><u>177,948</u></b>
<b>SCHOOL INFRASTRUCTURE TRANSFER</b>	<b><u>(440,500)</u></b>	<b><u>(450,700)</u></b>	<b><u>(450,532)</u></b>	<b><u>168</u></b>
<b>REFUNDS OF TAXES COLLECTED</b>	<b><u>(974,300)</u></b>	<b><u>(937,000)</u></b>	<b><u>(967,888)</u></b>	<b><u>(30,888)</u></b>
<b>TOTAL REVENUES AVAILABLE</b>	<b><u>12,557,530</u></b>	<b><u>12,286,113</u></b>	<b><u>12,433,341</u></b>	<b><u>147,228</u></b>

(continued on next page)

## STATE OF IOWA

(continued)

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>FINAL TO ACTUAL</b>
<b>EXPENDITURES</b>				
Administration & regulation	521,547	531,220	576,916	(45,696)
Agriculture & natural resources	170,794	183,581	173,774	9,807
Economic development	57,321	59,237	53,553	5,684
Education	4,109,547	4,112,363	4,101,062	11,301
Health & human services	6,179,476	6,240,678	6,292,552	(51,874)
Justice	587,879	598,381	597,834	547
Judicial	181,269	181,288	181,569	(281)
Legislature	34,029	34,031	35,490	(1,459)
Capitals	11,713	22,989	5,501	17,488
<b>TOTAL EXPENDITURES</b>	<b>11,853,575</b>	<b>11,963,768</b>	<b>12,018,251</b>	<b>(54,483)</b>
<b>REVENUES AVAILABLE OVER EXPENDITURES AND TRANSFERS</b>	<b>703,955</b>	<b>322,345</b>	<b>415,090</b>	<b>92,745</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Balances credited to appropriations	29,755	76,158	76,158	-
Unexpended appropriations	(5,823)	(29,279)	(80,580)	(51,301)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>23,932</b>	<b>46,879</b>	<b>(4,422)</b>	<b>(51,301)</b>
<b>REVENUES AVAILABLE OVER EXPENDITURES AND OTHER ITEMS</b>	<b>727,887</b>	<b>369,224</b>	<b>410,668</b>	<b>41,444</b>
<b>BEGINNING FUND BALANCE (BUDGETARY)</b>	-	-	-	-
<b>REMAINING FUND BALANCE (BUDGETARY)</b>	<b>\$ 727,887</b>	<b>\$ 369,224</b>	<b>\$ 410,668</b>	<b>\$ 41,444</b>
<b>ENDING FUND BALANCE (BUDGETARY)</b>	<b>\$ 727,887</b>	<b>\$ 369,224</b>	<b>\$ 410,668</b>	
<b>AUTHORIZED TRANSFER TO THE:</b>				
Cash Reserve Fund	(727,887)	(369,224)	(410,668)	
<b>REMAINING FUND BALANCE (BUDGETARY)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

The notes are an integral part of the financial statements.

**STATE OF IOWA**

**Required Supplementary Information  
Budgetary Comparison Schedule - Budget to GAAP Reconciliation - General Fund**

June 30, 2015  
(Expressed in Thousands)

<b>Fund balance - budgetary/legal</b>	<b>\$ 410,668</b>
Basis of accounting differences:	
Balance sheet accounts:	
Accounts receivable	324,450
Loans receivable	179
Due from other funds	2,949
Prepaid expenditures	26,661
Accounts payable & accruals	(196,395)
Due to other funds	(88,042)
Unearned revenue	(3,119)
Deferred revenue	(200,253)
Budgetary unexpended appropriations	80,580
Timing differences:	
Petty cash & inventory expensed in budgetary accounting	13,261
Perspective differences	<u>1,938,702</u>
<b>Total fund balance - GAAP basis</b>	<b><u><u>\$ 2,309,641</u></u></b>

The notes are an integral part of the financial statements.

# STATE OF IOWA

## Required Supplementary Information

### Notes to Required Supplementary Information – Budgetary Reporting

#### **BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS**

During the year ended June 30, 2015, actual expenditures exceeded budgeted expenditures in the General Fund in the Administration and Regulation, Health and Human Services, Judicial, and Legislature functions.

For the Administration and Regulation function, the Executive Council received additional State funds for expenditures paid to the Department of Homeland Security and Emergency Management for State match on federally approved disaster claims over and above the estimates for the fiscal year. Also, the State Appeal Board received additional State funds for payment of claims against the State over and above the estimates for the fiscal year.

For the Health and Human Services function, the Department of Human Services received additional federal funds and other State funds for the Medical Assistance program over budget and expended those funds for allowable program expenditures. The Iowa Veterans Home received additional federal funds and other State funds over budget and expended those funds for allowable purposes.

For the Judicial function, the Iowa Courts received additional federal funds over budget and expended those funds for allowable program expenditures.

For the Legislature function, the Iowa Legislature received additional State funds over budget and expended those funds for allowable purposes.

#### **BUDGETARY PRESENTATION**

The budget encompasses the General Fund of the State and some Special Revenue Funds (IOWAccess Revolving Fund, Real Estate Education, Medicaid Fraud Fund, Unclaimed Winnings, Vertical Infrastructure Fund, Federal Economic Stimulus and Jobs Holding Fund, Environment First Fund, Technology Reinvestment Fund, Federal Recovery and Reinvestment Fund, Revenue Bonds Capital II Fund, Revenue Bonds Capital Fund, Health Care Trust, Underground Storage Tank Unassigned Revenue, Tobacco Tax Exempt Bond Proceeds Restricted Capital, Endowment for Iowa's Health Restricted Capitals Fund, Resources Enhancement and Protection Fund, Land Recycling Fund, Fish and Game Trust Fund, Conservation Administration Fund, Forestry Management Enhancement Fund, Water Quality Protection, National Pollutant Discharge Elimination System Permit, Workforce Development Withholding, Local Housing Assistance, Wine and Beer Promotion Board Fund, Grow Iowa Values Fund, Renewable Fuel Infrastructure Fund, State Housing Trust Fund, Special Contingency Fund, School Infrastructure Fund, Stafford Loan Program, Nonparticipating Provider Reimbursement Fund, Department of Human Services Reinvestment Fund, Pharmaceutical Settlement Fund, Health Care Transformation Fund, Hospital Health Care Access Trust Fund, IowaCare Fund, Quality Assurance Fund, Mortgage Servicing Settlement Fund, Primary Road Fund, State Aviation Fund, and Court Technology and Modernization Fund). There is a perspective difference between budget and financial reporting due to the difference in fund structures. The budgetary presentation will vary from the financial presentation for funds displayed in the supplementary information due to this difference. The General Fund is displayed in the Required Supplementary Information (RSI) Budgetary Comparison Schedule. The major Special Revenue Funds, Tobacco Settlement Authority and Tobacco Collections Fund, do not have legally adopted budgets and, therefore, are not displayed. The nonmajor Special Revenue Funds are displayed with the combining financial statements and schedules for nonmajor funds in the Supplementary Information section.

The original budget and related estimated revenues and expenditures represent the spending authority enacted into law by the appropriations bills as of July 1, 2014 and includes estimated approved budgetary carry-forwards from the prior fiscal year.

The final appropriations budget represents original and supplemental appropriations, actual budgetary carry-forwards, approved transfers, executive order reductions and timing differences.

The State's budget is prepared annually by the Governor on a modified cash basis and is required to be submitted along with proposed appropriation bills to the General Assembly by the first of February prior to the new fiscal year. When an appropriation bill is passed by both houses of the General Assembly, the bill is enrolled and sent to the Governor. The Governor may sign it into law or veto it in whole or in part on a line item basis. Funds may be disbursed only after appropriations have been allotted by the Department of Management, subject to the review of the Governor, with the exception of standing unlimiteds and certain receipts that the Departments are authorized to expend.

# STATE OF IOWA

## Required Supplementary Information

### Notes to Required Supplementary Information – Budgetary Reporting

Departments may request revisions to allotments, appropriations transfers, or supplemental appropriations. The Department of Management approves revised allotments within an appropriation, subject to the Governor's review. The Governor and the Department of Management approve all appropriation transfers. The General Assembly and the Governor act on supplemental appropriation bills in a manner similar to original appropriations. Appropriations lapse at the fiscal year-end and all unencumbered or unobligated balances revert to the State treasury, unless otherwise provided.

The State utilizes encumbrance accounting for budgetary control purposes. Obligations incurred for goods or services that have not been received or rendered are recorded to reserve that portion of the applicable fund balance. Section 8.33, unnumbered paragraph 2, of the Code of Iowa, states, "No payment of an obligation for goods or services shall be charged to an appropriation subsequent to the last day of the fiscal year for which the appropriation is made unless the goods or services are received on or before the last day of the fiscal year, except that repair projects, purchase of specialized equipment and furnishings, and other contracts for services and capital expenditures for the purchase of land or the erection of buildings or new construction or remodeling, which were committed and in progress prior to the end of the fiscal year are excluded from this provision." That is, except for the above stated exceptions, the State must have received the goods or services on or before June 30, creating an actual liability or the encumbrance is cancelled against that fiscal year. If the encumbrances are still valid after June 30, they become expenditures/expenses of the next fiscal year.

Budgetary control is essentially maintained at the department fund level except for certain grant and aid programs where control is maintained at a program level. Revenues and expenditures are monitored on a continuing basis. State law authorizes the Governor to impose across-the-board pro rata reductions in allotments to ensure revenues and other available funds are sufficient to pay expenses of a given fiscal year.

Separate reports for the General Fund and budgeted Special Revenue Funds presenting detail of the legal level of control and actual expenditures are available from the Department of Management.

#### **GENERAL FUND EXPENDITURE LIMITATION**

The Code of Iowa, section 8.54, establishes a state General Fund expenditure limitation of 99.0% of the adjusted revenue estimate. The adjusted revenue estimate is the appropriated revenue estimate for the General Fund for the following fiscal year as determined by the Revenue Estimating Conference, adjusted by subtracting estimated tax refunds payable from that estimated revenue and as determined by the Conference, adding any new revenues which may be considered to be eligible for deposit into the General Fund. "New revenues" means moneys which are received by the State due to increased tax rates and fees or newly created taxes and fees over and above those moneys which are received due to State taxes and fees which are in effect as of January 1 following the December Revenue Estimating Conference. "New revenues" also includes moneys received by the General Fund of the State due to new transfers over and above those moneys received by the General Fund of the State due to transfers which are in effect as of January 1 following the December Revenue Estimating Conference. The Department of Management shall obtain concurrence from the Revenue Estimating Conference on the eligibility of transfers to the General Fund which are to be considered as new revenue in determining the General Fund expenditure limitation.

This limitation shall be used by the Governor in the preparation of the budget and by the General Assembly in the budget process. If a source for new revenues is proposed, the budget revenue projection used for that new revenue source for the period beginning on the effective date of the new revenue source and ending in the fiscal year in which the source is included in the revenue base shall be an amount determined by subtracting estimated tax refunds payable from the projected revenue from the new revenue source, multiplied by 95.0%. If a new revenue source is established and implemented, the original General Fund expenditure limitation amount shall be readjusted to include 95.0% of the estimated revenue from the new source.

For fiscal years in which the Iowa Economic Emergency Fund transfers money to the General Fund, the original General Fund expenditure limitation amount provided for shall be readjusted to include the moneys which are so transferred.

The scope of the expenditure limitation shall not encompass federal funds, donations, constitutionally dedicated moneys and moneys in expenditures from State retirement system moneys. The Governor shall submit and the General Assembly shall pass a budget that does not exceed the State General Fund expenditure limitation. The

# STATE OF IOWA

## Required Supplementary Information

### Notes to Required Supplementary Information – Budgetary Reporting

Governor shall not submit and the General Assembly shall not pass a budget which in order to balance assumes reversion of a specific amount for the total of the appropriations included in the budget.

#### RESERVE FUNDS

The **Iowa Economic Emergency Fund** was created in Iowa Code section 8.55. The fund is separate from the General Fund of the State and the fund is not to be considered part of the balance of the General Fund of the State. The moneys in the fund do not revert to the General Fund. The maximum balance of the fund is equal to 2.5% of the adjusted revenue estimate for the fiscal year. If the amount of moneys in the Iowa Economic Emergency Fund is equal to the maximum balance, moneys in excess of this amount shall be distributed as follows: (1) the first sixty million dollars of the difference between the actual net revenue for the General Fund of the State and the adjusted revenue estimate for the fiscal year shall be transferred to the Taxpayers Trust Fund established in Iowa Code section 8.57E; (2) the remainder of the excess, if any, shall be transferred to the General Fund of the State. The moneys in this fund may be appropriated by the General Assembly for emergency expenditures; and there is appropriated to the Executive Council an amount sufficient to pay expenses authorized by the Executive Council in Iowa Code section 7D.29. However, except as provided in Iowa Code section 8.58, the balance in the Iowa Economic Emergency Fund may be used in determining the cash position of the General Fund of the State for payment of state obligations. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund established in Iowa Code section 8.57.6.

The **Cash Reserve Fund** was created in Iowa Code section 8.56. The fund is separate from the General Fund of the State and is not to be considered part of the General Fund of the State except in determining the cash position of the State. The moneys in the Cash Reserve Fund cannot be transferred, used, obligated, appropriated or otherwise encumbered except as provided under Iowa Code section 8.56. Interest or earnings on moneys deposited in the Cash Reserve Fund are credited to the Rebuild Iowa Infrastructure Fund. Moneys in this fund may be used for cash flow purposes provided that any moneys so allocated are returned to the Cash Reserve Fund by the end of each fiscal year. The maximum balance of the fund is equal to 7.5% of the adjusted revenue estimated for the General Fund of the State for the current fiscal year. The moneys in this fund may only be appropriated by the General Assembly for nonrecurring emergency expenditures and shall not be appropriated for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded. The balance in the Cash Reserve Fund may be used in determining the cash position of the General Fund of the State for payment of state obligations. An appropriation shall not be made from the Cash Reserve Fund if the appropriation would cause the fund's balance to be less than 3.75% of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

**STATE OF IOWA**

**Required Supplementary Information  
Schedules of Funding Progress**

(Expressed in Thousands)

**OTHER POSTEMPLOYMENT BENEFITS**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
<b>State Plan *</b>							
2013	July 1, 2012	\$ -	\$ 233,209	\$ 233,209	0.00%	\$ 1,750,968	13.32%
2014	July 1, 2012	-	233,209	233,209	0.00%	1,750,968	13.32%
2015	July 1, 2014	-	217,948	217,948	0.00%	1,796,600	12.13%
<b>University Funds **</b>							
2013	July 1, 2012	\$ -	\$ 293,180	\$ 293,180	0.00%	\$ 1,349,100	21.73%
2014	July 1, 2013	-	383,700	383,700	0.00%	1,394,400	27.52%
2015	July 1, 2014	-	412,300	412,300	0.00%	1,465,200	28.14%

\* The entry age actuarial cost method is used to calculate the actuarial accrued liability and the annual required contribution.

\*\* The projected unit credit method is used to calculate the actuarial accrued liability and the annual required contribution.

Other Postemployment Benefits are discussed in detail in the Notes to the Financial Statements (see NOTE 16 - OTHER POSTEMPLOYMENT BENEFITS).

See accompanying independent auditor's report.

**STATE OF IOWA**

**Required Supplementary Information  
Schedule of the Proportionate Share of the Net Pension Liability**

**Iowa Public Employees' Retirement System (IPERS)**

Last Fiscal Year as of June 30 \*

(Expressed in Thousands)

	<u>2015</u>
State's proportion of the net pension liability	17.009515%
State's proportionate share of the net pension liability	\$ 674,583
State's covered-employee payroll	\$ 1,321,596
State's proportionate share of the net pension liability as a percentage of its covered-employee payroll	51.04%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* GASB Statement No. 68 requires ten years of information to be presented in this schedule; however, until a full 10-year trend is compiled, the State will present information for those years for which information is available.

See accompanying independent auditor's report.

## STATE OF IOWA

### Required Supplementary Information Schedule of Changes in Net Pension Liability and Related Ratios

#### Peace Officers' Retirement, Accident and Disability System (PORS)

Last Two Fiscal Years as of June 30 \*

(Expressed in Thousands)

	2015	2014
<b>Total pension liability</b>		
Service cost	\$ 11,847	\$ 11,551
Interest	40,222	38,880
Changes of benefit terms	-	(164)
Differences between expected & actual experience	(6,609)	(7,444)
Benefit payments, including refunds of employee contributions	(26,693)	(25,432)
<b>Net change in total pension liability</b>	<b>18,767</b>	<b>17,391</b>
<b>Total pension liability - beginning</b>	<b>515,860</b>	<b>498,469</b>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 534,627</u></b>	<b><u>\$ 515,860</u></b>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 18,601	\$ 17,715
Contributions - employee	4,991	4,755
Net investment income	21,722	65,436
Benefit payments, including refunds of employee contributions	(26,693)	(25,432)
Administrative expense	(217)	(199)
<b>Net change in fiduciary net position</b>	<b>18,404</b>	<b>62,275</b>
<b>Plan fiduciary net position - beginning</b>	<b>392,195</b>	<b>329,920</b>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 410,599</u></b>	<b><u>\$ 392,195</u></b>
 <b>Net pension liability - ending (a) - (b)</b>	<b><u>\$ 124,028</u></b>	<b><u>\$ 123,665</u></b>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>76.80%</b>	<b>76.03%</b>
 <b>Covered-employee payroll</b>	<b>\$ 43,873</b>	<b>\$ 43,845</b>
 <b>Net pension liability as a percentage of covered-employee payroll</b>	<b>282.70%</b>	<b>282.05%</b>

\* GASB Statement No. 68 requires ten years of information to be presented in this schedule; however, until a full 10-year trend is compiled, the State will present information for those years for which information is available.

See accompanying independent auditor's report.

## STATE OF IOWA

### Required Supplementary Information Schedule of Changes in Net Pension Liability and Related Ratios

#### Judicial Retirement System (JRS) Last Two Fiscal Years as of June 30 \* (Expressed in Thousands)

	2015	2014
<b>Total pension liability</b>		
Service cost	\$ 6,438	\$ 6,503
Interest	13,392	13,022
Differences between expected & actual experience	(6,586)	(3,957)
Benefit payments, including refunds of employee contributions	(10,891)	(10,377)
<b>Net change in total pension liability</b>	<b>2,353</b>	<b>5,191</b>
<b>Total pension liability - beginning</b>	<b>183,916</b>	<b>178,725</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 186,269</b>	<b>\$ 183,916</b>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 8,724	\$ 8,630
Contributions - employee	2,665	2,637
Net investment income	7,533	26,172
Benefit payments, including refunds of employee contributions	(10,891)	(10,377)
Administrative expense	(15)	(17)
<b>Net change in fiduciary net position</b>	<b>8,016</b>	<b>27,045</b>
<b>Plan fiduciary net position - beginning</b>	<b>155,974</b>	<b>128,929</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 163,990</b>	<b>\$ 155,974</b>
 <b>Net pension liability - ending (a) - (b)</b>	<b>\$ 22,279</b>	<b>\$ 27,942</b>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>88.04%</b>	<b>84.81%</b>
 <b>Covered-employee payroll</b>	<b>\$ 28,510</b>	<b>\$ 28,203</b>
 <b>Net pension liability as a percentage of covered-employee payroll</b>	<b>78.14%</b>	<b>99.07%</b>

\* GASB Statement No. 68 requires ten years of information to be presented in this schedule; however, until a full 10-year trend is compiled, the State will present information for those years for which information is available.

See accompanying independent auditor's report.

**STATE OF IOWA**

**Required Supplementary Information  
Schedule of Contributions**

**Iowa Public Employees' Retirement System (IPERS)**

Last Three Fiscal Years \*

(Expressed in Thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 121,715	\$ 121,168	\$ 116,592
Contributions in relation to statutorily required contributions	<u>121,715</u>	<u>121,168</u>	<u>116,592</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State's covered-employee payroll	\$ 1,334,798	\$ 1,321,596	\$ 1,301,685
Contributions as a percentage of covered-employee payroll	9.11%	9.17%	8.96%

\* GASB Statement No. 68 requires ten years of information to be presented in this schedule; however, until a full 10-year trend is compiled, the State will present information for those years for which information is available.

See Notes to Required Supplementary Information - Schedules of Contributions.

See accompanying independent auditor's report.

**STATE OF IOWA**

**Required Supplementary Information  
Schedule of Contributions**

**Peace Officers' Retirement, Accident and Disability System (PORS)**  
Last Ten Fiscal Years as of June 30  
(Expressed in Thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 16,957	\$ 18,187	\$ 18,665	\$ 16,623	\$ 14,967
Actual employer contribution	<u>18,601</u>	<u>17,715</u>	<u>11,778</u>	<u>10,741</u>	<u>9,554</u>
Contribution deficiency (excess)	<u>\$ (1,644)</u>	<u>\$ 472</u>	<u>\$ 6,887</u>	<u>\$ 5,882</u>	<u>\$ 5,413</u>
Covered-employee payroll	\$ 43,873	\$ 43,845	\$ 43,621	\$ 42,965	\$ 41,539
Contributions as a percentage of covered-employee payroll	42.40%	40.40%	27.00%	25.00%	23.00%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 14,237	\$ 13,356	\$ 14,374	\$ 12,592	\$ 12,231
Actual employer contribution	<u>8,499</u>	<u>7,898</u>	<u>6,697</u>	<u>6,263</u>	<u>5,818</u>
Contribution deficiency (excess)	<u>\$ 5,738</u>	<u>\$ 5,458</u>	<u>\$ 7,677</u>	<u>\$ 6,329</u>	<u>\$ 6,413</u>
Covered-employee payroll	\$ 40,469	\$ 41,570	\$ 39,391	\$ 36,841	\$ 34,222
Contributions as a percentage of covered-employee payroll	21.00%	19.00%	17.00%	17.00%	17.00%

See Notes to Required Supplementary Information - Schedules of Contributions.

See accompanying independent auditor's report.

**STATE OF IOWA**

**Required Supplementary Information  
Schedule of Contributions**

**Judicial Retirement System (JRS)**  
Last Ten Fiscal Years as of June 30  
(Expressed in Thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 7,709	\$ 8,376	\$ 8,445	\$ 8,364	\$ 8,308
Actual employer contribution	<u>8,724</u>	<u>8,630</u>	<u>8,232</u>	<u>8,216</u>	<u>8,102</u>
Contribution deficiency (excess)	<u>\$ (1,015)</u>	<u>\$ (254)</u>	<u>\$ 213</u>	<u>\$ 148</u>	<u>\$ 206</u>
Covered-employee payroll	\$ 28,510	\$ 28,203	\$ 26,903	\$ 26,849	\$ 26,477
Contributions as a percentage of covered-employee payroll	30.60%	30.60%	30.60%	30.60%	30.60%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 7,857	\$ 8,539	\$ 7,706	\$ 7,597	\$ 4,966
Actual employer contribution	<u>7,806</u>	<u>7,720</u>	<u>5,451</u>	<u>2,040</u>	<u>2,040</u>
Contribution deficiency (excess)	<u>\$ 51</u>	<u>\$ 819</u>	<u>\$ 2,255</u>	<u>\$ 5,557</u>	<u>\$ 2,926</u>
Covered-employee payroll	\$ 25,511	\$ 25,230	\$ 24,920	\$ 24,210	\$ 22,260
Contributions as a percentage of covered-employee payroll	30.60%	30.60%	21.87%	8.43%	9.16%

See Notes to Required Supplementary Information - Schedules of Contributions.

See accompanying independent auditor's report.

# STATE OF IOWA

## Required Supplementary Information

### Notes to Required Supplementary Information – Schedules of Contributions

#### A. Iowa Public Employees' Retirement System (IPERS)

##### **Changes in Assumptions**

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

#### B. Peace Officers' Retirement, Accident and Disability System (PORS)

Valuation date: July 1, 2015

PORS is funded with fixed contribution rates for both the employee and employer (State). The actuarially determined contributions are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the actuarially determined employer contribution reported for the fiscal year ended June 30, 2015:

- *Actuarial cost method:* Entry age normal
- *Amortization method:* Level percentage of payroll, closed
- *Amortization period:* 24 years
- *Asset valuation method:* 4 year smoothed marked
- *Inflation:* 3.00%
- *Salary increase:* 4.25% to 7.25%, including inflation
- *Investment rate of return:* 8.00% compounded annually, net of investment expense, including inflation
- *Mortality:* Pre-retirement mortality rates were based on the RP-2000 Mortality Table for Employees, Male and Female, with Generational Projection. Post-retirement mortality rates were based on the RP-2000 Mortality Table for Healthy Annuitants, Male and Female, with Generational Projection. Disability mortality rates were based on the RP-2000 Mortality Table for Healthy Annuitants, Male and Female, with a 5-year set forward and Generational Projection.

##### **Changes of Benefit and Funding Terms**

The following changes to the plan provisions were made by the Iowa Legislature and are reflected in the valuation performed as of July 1 listed below:

2015: The State's contribution rate increased from 31% to 33% of payroll.

2014: The 2014 Legislature passed House File 2450 which provided that cancer and infectious disease, as defined in the bill, will be presumed to have been contracted while the member was on active duty as a result of that duty. The presumption means that such members will be eligible for an accidental disability benefit rather than an ordinary disability benefit. The member contribution rate increased from 10.85% to 11.35% of payroll. The House File also increased the member contribution rate 0.05% to cover the cost of the benefit change so the total member contribution rate is 11.40%. The State's contribution rate increases from 29.0% to 31.0% of payroll, as scheduled by law.

## STATE OF IOWA

### Required Supplementary Information

#### Notes to Required Supplementary Information – Schedules of Contributions

2013: Member contribution rate increased from 10.35% to 10.85% of payroll and the State's contribution rate increased from 27.00% to 29.00% of payroll.

2012: Member contribution rate increased from 9.85% to 10.35% of payroll and the State's contribution rate increased from 25.00% to 27.00% of payroll. The first payment of the supplemental state appropriation of \$5 million per year until PORS is 85% funded was delayed one year to fiscal year 2014.

2011: Member contribution rate increased from 9.35% to 9.85% of payroll and the State's contribution rate increased from 23.00% to 25.00% of payroll.

2010: The State's contribution rate increased from 21.00% to 23.00% of payroll. Legislation passed in the 2012 Session included several provisions that impacted the System:

- The member contribution rate will increase 0.5% each year for four years beginning July 1, 2011. The ultimate member contribution rate is 11.35% in fiscal year 2015.
- The State's payroll related contributions were scheduled to reach a maximum of 27% in fiscal year 2013. The new law continues the 2% annual increases in the state contribution rate with an ultimate rate of 37% in fiscal year 2018.
- Supplemental State contributions of \$5 million annually will be made from the General Fund beginning July 1, 2012 and ending June 30 of the fiscal year in which PORS' funded ratio reaches 85%.
- Clarifying language changed how the flat dollar escalator is paid. Rather than the payment amount increasing each year after retirement as was done in the past, the flat dollar escalator only increases every five years after retirement. For members and beneficiaries having already received \$35 or more, there will be no further adjustments associated with the flat escalator.

2009: The State's contribution rate increased from 19.00% to 21.00% of payroll.

2008: The 2008 Legislature passed Senate File 2424, which provided for a 2% increase each year in the State's contribution rate to PORS for five years commencing July 1, 2008. As a result, the State's contribution rate increased from 17.00% to 19.00% of payroll.

#### **Changes in Assumptions**

##### *July 1, 2014 valuation:*

- The disability assumption was modified to assume a higher portion of total disabilities will be payable as accidental disabilities as a result of a law passed which provides for a presumption of cancer and infectious diseases are contracted while on active duty.

##### *July 1, 2012 valuation:*

- The merit scale component of the salary increase assumption was increased for years of service less than 20 and decreased for years of service more than 20.
- Retirement rates were changed to be age and service based instead of only age based. There are two sets of retirement rates, one if the member has less than 30 years of service and another if the member has 30 or more years of service.
- Wage increase assumption for annual readjustment of pensions was lowered from 4.00% to 3.75%.
- Consumer price inflation was lowered from 3.50% to 3.00%.
- Economic productivity component of the general wage increase assumption was increased from 0.50% to 0.75%.

# STATE OF IOWA

## Required Supplementary Information

### Notes to Required Supplementary Information – Schedules of Contributions

July 1, 2007 valuation:

- Change in the mortality assumption to the RP-2000 Mortality Table with general improvements.
- Extend the withdrawal assumption through year 20 and modify rates in years 1 through 5.
- Increase the retirement rates at ages 60 and 61 and decrease the rate at age 59.
- Modify the assumed rate of accidental disability for active members.
- Modify the salary scale, increasing it for shorter years of service and decreasing it for higher years of service.

#### C. Judicial Retirement System (JRS)

Valuation date: July 1, 2015

JRS is funded with fixed contribution rates for both the employee and employer (State). The actuarially determined contributions are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the actuarially determined employer contribution reported for the fiscal year ended June 30, 2015 (based on the July 1, 2015 actuarial valuation):

- *Actuarial cost method:* Entry age normal
- *Amortization method:* Level dollar, closed
- *Amortization period:* Initial base established July 1, 2009, over a closed 25 year period. A new base is established in each subsequent year equal to the difference in actual versus expected experience. The new base is amortized over a new, closed 25 year period commencing on the date it is established.
- *Asset valuation method:* 75% expected value plus 25% market value
- *Inflation:* 3.00%
- *Salary increase:* 4.25% including inflation
- *Investment rate of return:* 7.50% compounded annually, net of investment expense, including inflation
- *Mortality:* RP-2000 Healthy Annuitant and Employee Mortality Tables with generational improvements and a one year age set back

#### Changes of Benefit and Funding Terms

The following changes to the plan provisions were made by the Iowa Legislature and are reflected in the valuation performed as of July 1 listed below:

2008: The 2008 Legislature passed a bill which increased both the member and the State contributions. Effective July 1, 2008, the State's required contribution rate, by statute, is 30.6% until JRS is "fully funded." The member contribution rate increased from 6.0% to 7.7% for fiscal year 2009, 8.7% for fiscal year 2010 and 9.35% thereafter until JRS is fully funded. Once fully funded, members will pay 40% of the actuarial contribution rate and the employer (State) will pay 60%.

The bill also provided that a Senior Judge could continue beyond age 78, at the discretion of the Supreme Court. The retirement assumption was not modified so this change in the benefit provisions did not impact the contribution rate.

2006: Changes to the benefit structure passed by the 2006 Legislature increased the benefit multiplier from 3.0% per year of service to 3.25% and the maximum benefit from 60% to 65%. In addition, the eligibility for unreduced benefits was changed to age 50 with 20 years of service. It also provided that the member contribution rate would be reduced if the State contributes less than the statutory contribution rate. As a

# STATE OF IOWA

## Required Supplementary Information

### Notes to Required Supplementary Information – Schedules of Contributions

result, in 2006 the judge's contribution increased to 6% multiplied by a fraction equal to the actual percentage rate contributed by the State divided by 23.7%.

#### **Changes in Assumptions**

##### *July 1, 2013 valuation:*

- Reduced the salary increase assumption from 4.5% to 4.25%.
- Increased retirement rates to reflect earlier retirement ages.
- The assumption that retiring judges will elect Senior Judge Status was changed from an 80% election, with 50% relinquishing at age 74 to an 80% election, with 60% relinquishing after 6 years if before 78.
- The adjustment to Senior Judge's benefit was reduced to reflect the change in the salary increase assumption.

##### *July 1, 2009 valuation:*

- An asset smoothing method to develop the actuarial value of assets was implemented. The actuarial value of assets is equal to the expected value (using the assumed rate of return) plus 25% of the difference between actual market value and expected value.
- The amortization period was reset to a closed 25-year period commencing in 2009. Amortization bases established in subsequent valuations reflect any differences in the actual and expected experience, with that base amortized over a new 25-year period, starting on that valuation date.

##### *July 1, 2008 valuation:*

- The Actuarial Cost Method was changed from the Projected Unit Credit (PUC) method to the Entry Age Normal (EAN) method.

##### *July 1, 2007 valuation:*

- Lowered the investment return assumption from 8.0% to 7.5%.
- Changed from the 1983 Group Annuity Mortality Table to the RP-2000 Table with generational mortality improvements with a one year age setback.
- Lowered the salary increase assumption from 5.0% to 4.5%.
- Increased the retirement rates for ages 50-58 and extended the rates from age 68 to age 72.
- Increased the percentage of retiring Judges electing Senior Judge Status from 75% to 80%.

S U P P L E M E N T A R Y  
I N F O R M A T I O N

**STATE OF IOWA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds - By Fund Type**

June 30, 2015  
(Expressed in Thousands)

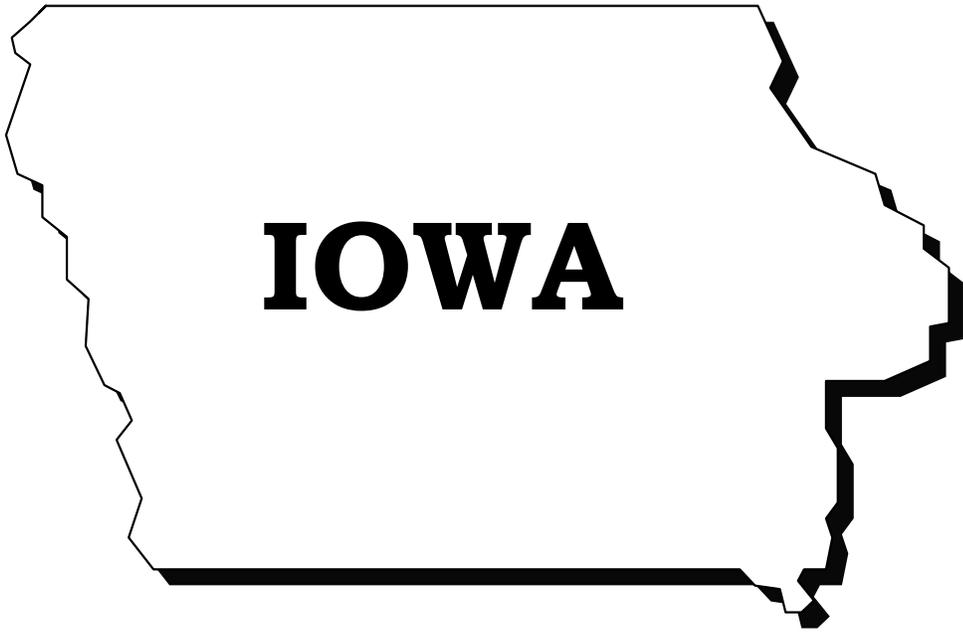
	<b>SPECIAL REVENUE FUNDS</b>	<b>CAPITAL PROJECTS FUNDS</b>	<b>PERMANENT FUNDS</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>				
Current assets:				
Cash & investments	\$ 63,895	\$ 13,694	\$ 16,145	\$ 93,734
Accounts receivable (net)	15,717	169	-	15,886
Loans receivable (net)	240	-	-	240
Due from other funds	428	2,741	-	3,169
Inventory	130	-	-	130
Prepaid expenditures	176	-	-	176
Total current assets	<u>80,586</u>	<u>16,604</u>	<u>16,145</u>	<u>113,335</u>
Noncurrent assets:				
Accounts receivable (net)	7,021	-	-	7,021
Loans receivable (net)	1,491	-	-	1,491
Total noncurrent assets	<u>8,512</u>	<u>-</u>	<u>-</u>	<u>8,512</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 89,098</u></b>	<b><u>\$ 16,604</u></b>	<b><u>\$ 16,145</u></b>	<b><u>\$ 121,847</u></b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable & accruals	\$ 2,275	\$ 6,563	\$ -	\$ 8,838
Due to other funds	8,383	861	-	9,244
Unearned revenue	362	-	-	362
<b>TOTAL LIABILITIES</b>	<b><u>11,020</u></b>	<b><u>7,424</u></b>	<b><u>-</u></b>	<b><u>18,444</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue	12,981	-	-	12,981
<b>FUND BALANCES</b>				
Nonspendable	306	-	16,145	16,451
Spendable:				
Restricted	49,034	912	-	49,946
Committed	15,770	8,268	-	24,038
Unassigned	(13)	-	-	(13)
<b>TOTAL FUND BALANCES</b>	<b><u>65,097</u></b>	<b><u>9,180</u></b>	<b><u>16,145</u></b>	<b><u>90,422</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>	<b><u>\$ 89,098</u></b>	<b><u>\$ 16,604</u></b>	<b><u>\$ 16,145</u></b>	<b><u>\$ 121,847</u></b>

**STATE OF IOWA**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds - By Fund Type**

For the Year Ended June 30, 2015  
(Expressed in Thousands)

	<b>SPECIAL REVENUE FUNDS</b>	<b>CAPITAL PROJECTS FUNDS</b>	<b>PERMANENT FUNDS</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
<b>REVENUES</b>				
Receipts from other entities	\$ 8,215	\$ 5,145	\$ -	\$ 13,360
Investment income (loss)	422	-	(18)	404
Fees, licenses & permits	37,141	-	-	37,141
Refunds & reimbursements	4,014	398	-	4,412
Sales, rents & services	4,523	-	-	4,523
Miscellaneous	15,784	-	98	15,882
	<hr/>	<hr/>	<hr/>	<hr/>
<b>GROSS REVENUES</b>	<b>70,099</b>	<b>5,543</b>	<b>80</b>	<b>75,722</b>
Less revenue refunds	1,945	-	-	1,945
	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET REVENUES</b>	<b>68,154</b>	<b>5,543</b>	<b>80</b>	<b>73,777</b>
<b>EXPENDITURES</b>				
Current:				
Administration & regulation	15,131	17	-	15,148
Education	14,956	-	-	14,956
Health & human rights	543	14	-	557
Human services	176	-	-	176
Justice & public defense	824	81	-	905
Transportation	622	-	-	622
Agriculture & natural resources	1,618	6,629	-	8,247
Capital outlay:				
Administration & regulation	9	1,590	-	1,599
Education	116	177	-	293
Health & human rights	44	10,526	-	10,570
Human services	-	217	-	217
Justice & public defense	68	12,880	-	12,948
Economic development	-	329	-	329
Agriculture & natural resources	1	12,439	-	12,440
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	<b>34,108</b>	<b>44,899</b>	<b>-</b>	<b>79,007</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>34,046</b>	<b>(39,356)</b>	<b>80</b>	<b>(5,230)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	772	36,490	18	37,280
Transfers out	(37,081)	(929)	(50)	(38,060)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(36,309)</b>	<b>35,561</b>	<b>(32)</b>	<b>(780)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,263)</b>	<b>(3,795)</b>	<b>48</b>	<b>(6,010)</b>
<b>FUND BALANCES - JULY 1</b>	<b>67,360</b>	<b>12,975</b>	<b>16,097</b>	<b>96,432</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 65,097</b>	<b>\$ 9,180</b>	<b>\$ 16,145</b>	<b>\$ 90,422</b>
	<hr/>	<hr/>	<hr/>	<hr/>



# COMBINING FINANCIAL STATEMENTS

## **Nonmajor Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Guaranty Agency Operating** fund receives collections on defaulted student loans, default aversion fees, account maintenance fees and interest to pay for the operating of the Iowa guaranteed loan program.

**Second Injury Fund** accounts for payments from employers and insurance carriers in each case of compensable injury causing death and annual surcharges as determined by the Commissioner of Insurance per Chapter 85.65A of the Code of Iowa. Except for reimbursements to the Attorney General provided for in Chapter 85.67, payments from the fund are paid only upon the written order of the Workers' Compensation Commissioner to employees who become permanently disabled by a compensable injury, as defined in Chapter 85.64.

**Quality Assurance Trust Fund** receives nursing facility quality assurance assessments imposed by Chapter 249L of the Code of Iowa. These funds are to be used for reimbursement of services for which federal financial participation under the medical assistance program is available to match state funds.

**Iowa Public Television Foundation** is a non-profit corporation that solicits and manages gifts of money and property for Iowa Public Television.

**Other Special Revenue Funds** are aggregated for reporting purposes and account for various other revenues which must be used for specific purposes.

**STATE OF IOWA**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**

June 30, 2015  
(Expressed in Thousands)

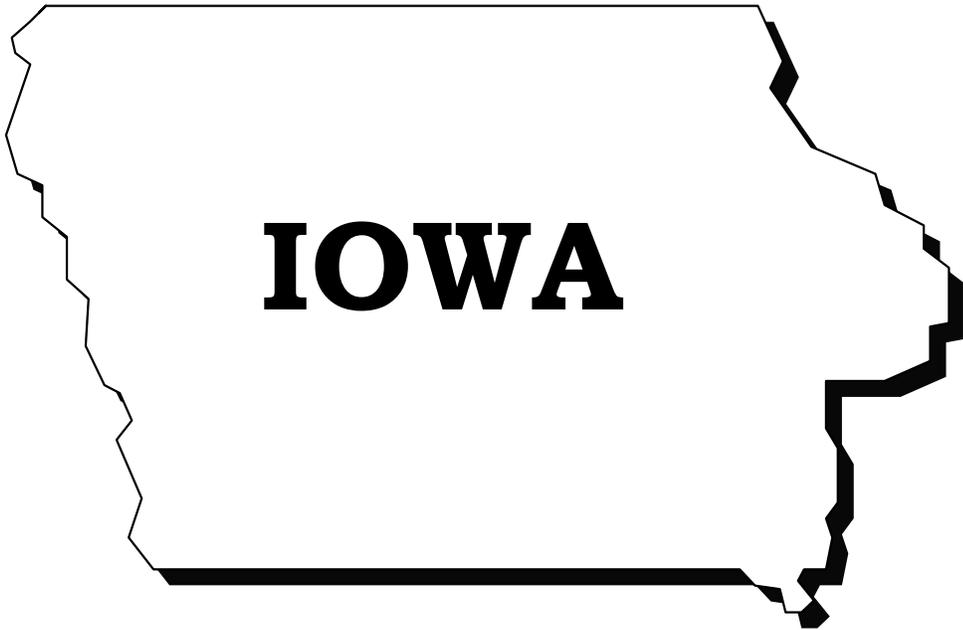
	<b>GUARANTY AGENCY OPERATING</b>	<b>SECOND INJURY FUND</b>	<b>QUALITY ASSURANCE TRUST FUND</b>	<b>IOWA PUBLIC TELEVISION FOUNDATION</b>	<b>OTHER FUNDS</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Current assets:						
Cash & investments	\$ 23,094	\$ 1,086	\$ 1,001	\$ 11,537	\$ 27,177	\$ 63,895
Accounts receivable (net)	3,276	3	9,545	1,468	1,425	15,717
Loans receivable (net)	240	-	-	-	-	240
Due from other funds	75	4	16	10	323	428
Inventory	-	-	-	36	94	130
Prepaid expenditures	79	-	-	53	44	176
Total current assets	<u>26,764</u>	<u>1,093</u>	<u>10,562</u>	<u>13,104</u>	<u>29,063</u>	<u>80,586</u>
Noncurrent assets:						
Accounts receivable (net)	6,628	-	249	141	3	7,021
Loans receivable (net)	1,491	-	-	-	-	1,491
Total noncurrent assets	<u>8,119</u>	<u>-</u>	<u>249</u>	<u>141</u>	<u>3</u>	<u>8,512</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 34,883</u></b>	<b><u>\$ 1,093</u></b>	<b><u>\$ 10,811</u></b>	<b><u>\$ 13,245</u></b>	<b><u>\$ 29,066</u></b>	<b><u>\$ 89,098</u></b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable & accruals	\$ 796	\$ 189	\$ -	\$ 360	\$ 930	\$ 2,275
Due to other funds	16	215	7,256	748	148	8,383
Unearned revenue	-	-	-	348	14	362
<b>TOTAL LIABILITIES</b>	<b><u>812</u></b>	<b><u>404</u></b>	<b><u>7,256</u></b>	<b><u>1,456</u></b>	<b><u>1,092</u></b>	<b><u>11,020</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenue	<u>8,909</u>	<u>-</u>	<u>2,755</u>	<u>1,284</u>	<u>33</u>	<u>12,981</u>
<b>FUND BALANCES</b>						
Nonspendable	79	-	-	89	138	306
Spendable:						
Restricted	25,083	689	-	10,416	12,846	49,034
Committed	-	-	800	-	14,970	15,770
Unassigned	-	-	-	-	(13)	(13)
<b>TOTAL FUND BALANCES</b>	<b><u>25,162</u></b>	<b><u>689</u></b>	<b><u>800</u></b>	<b><u>10,505</u></b>	<b><u>27,941</u></b>	<b><u>65,097</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>	<b><u>\$ 34,883</u></b>	<b><u>\$ 1,093</u></b>	<b><u>\$ 10,811</u></b>	<b><u>\$ 13,245</u></b>	<b><u>\$ 29,066</u></b>	<b><u>\$ 89,098</u></b>

## STATE OF IOWA

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

For the Year Ended June 30, 2015  
(Expressed in Thousands)

	GUARANTY AGENCY OPERATING	SECOND INJURY FUND	QUALITY ASSURANCE TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION	OTHER FUNDS	TOTAL
<b>REVENUES</b>						
Receipts from other entities	\$ 7,632	\$ -	\$ -	\$ -	\$ 583	\$ 8,215
Investment income (loss)	112	15	31	(56)	320	422
Fees, licenses & permits	-	-	28,020	-	9,121	37,141
Refunds & reimbursements	3,540	-	-	-	474	4,014
Sales, rents & services	13	-	-	-	4,510	4,523
Miscellaneous	-	5,704	-	8,511	1,569	15,784
<b>GROSS REVENUES</b>	<b>11,297</b>	<b>5,719</b>	<b>28,051</b>	<b>8,455</b>	<b>16,577</b>	<b>70,099</b>
Less revenue refunds	5	-	-	-	1,940	1,945
<b>NET REVENUES</b>	<b>11,292</b>	<b>5,719</b>	<b>28,051</b>	<b>8,455</b>	<b>14,637</b>	<b>68,154</b>
<b>EXPENDITURES</b>						
Current:						
Administration & regulation	-	7,516	-	-	7,615	15,131
Education	11,254	-	-	3,445	257	14,956
Health & human rights	-	-	-	-	543	543
Human services	-	-	-	-	176	176
Justice & public defense	-	-	-	-	824	824
Transportation	-	-	-	-	622	622
Agriculture & natural resources	-	-	-	-	1,618	1,618
Capital outlay:						
Administration & regulation	-	-	-	-	9	9
Education	113	-	-	-	3	116
Health & human rights	-	-	-	-	44	44
Justice & public defense	-	-	-	-	68	68
Agriculture & natural resources	-	-	-	-	1	1
<b>TOTAL EXPENDITURES</b>	<b>11,367</b>	<b>7,516</b>	<b>-</b>	<b>3,445</b>	<b>11,780</b>	<b>34,108</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(75)</b>	<b>(1,797)</b>	<b>28,051</b>	<b>5,010</b>	<b>2,857</b>	<b>34,046</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	87	-	-	-	685	772
Transfers out	(58)	(215)	(29,196)	(4,381)	(3,231)	(37,081)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>29</b>	<b>(215)</b>	<b>(29,196)</b>	<b>(4,381)</b>	<b>(2,546)</b>	<b>(36,309)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(46)</b>	<b>(2,012)</b>	<b>(1,145)</b>	<b>629</b>	<b>311</b>	<b>(2,263)</b>
<b>FUND BALANCES - JULY 1</b>	<b>25,208</b>	<b>2,701</b>	<b>1,945</b>	<b>9,876</b>	<b>27,630</b>	<b>67,360</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 25,162</b>	<b>\$ 689</b>	<b>\$ 800</b>	<b>\$ 10,505</b>	<b>\$ 27,941</b>	<b>\$ 65,097</b>



**STATE OF IOWA**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Budgetary Basis**  
**Nonmajor Special Revenue Funds**

For the Year Ended June 30, 2015  
(Expressed in Thousands)

	<b>PRIMARY ROAD FUND</b>				<b>FISH AND GAME TRUST FUND</b>			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
<b>APPROPRIATED REVENUE:</b>								
Transfers	\$ 617,200	\$ 617,200	\$ 604,093	\$ (13,107)	\$ 203	\$ 203	\$ 647	\$ 444
<b>RECEIPTS CREDITED TO APPROPRIATIONS:</b>								
Beer tax	-	-	-	-	-	-	-	-
Cigarette tax	-	-	-	-	-	-	-	-
Tobacco products tax	-	-	-	-	-	-	-	-
Liquor tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Wagering tax receipts	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Sales tax - DOT	5	5	-	(5)	-	-	-	-
Federal support	338,012	338,012	339,801	1,789	11,000	11,000	15,857	4,857
Local governments	4,600	4,600	7,630	3,030	-	-	-	-
Other states	3,000	3,000	9,154	6,154	-	-	-	-
Reimbursements from other agencies	160	159	5,966	5,807	-	-	-	-
Governmental fund type transfers from other agencies	-	1	103,056	103,055	100	100	28	(72)
Interest	1	1	-	(1)	200	200	29	(171)
Bonds & loans	-	1	119	118	-	-	-	-
Fees, licenses & permits	860	860	2,058	1,198	31,520	31,520	28,515	(3,005)
Refunds & reimbursements	-	(1)	54	55	200	200	298	98
Sale of real estate	1,710	1,710	6,865	5,155	-	-	-	-
Sale of equipment & salvage	-	-	-	-	20	20	2	(18)
Rents & leases	16	16	17	1	5	5	341	336
Agricultural sales	-	-	-	-	10	10	18	8
Other sales & services	-	-	-	-	502	502	1,361	859
Unearned receipts	-	-	-	-	5	5	264	259
Income tax checkoffs	-	-	-	-	150	150	129	(21)
Other	2,750	2,750	5,596	2,846	540	540	355	(185)
<b>TOTAL APPROPRIATED RECEIPTS</b>	<b>351,114</b>	<b>351,114</b>	<b>480,316</b>	<b>129,202</b>	<b>44,252</b>	<b>44,252</b>	<b>47,197</b>	<b>2,945</b>
<b>TOTAL REVENUES AVAILABLE</b>	<b>968,314</b>	<b>968,314</b>	<b>1,084,409</b>	<b>116,095</b>	<b>44,455</b>	<b>44,455</b>	<b>47,844</b>	<b>3,389</b>
<b>EXPENDITURES:</b>								
Administration & regulation	-	-	-	-	-	-	-	-
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Justice	-	-	-	-	-	-	-	-
Transportation	517,673	904,759	1,223,638	(318,879) *	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>517,673</b>	<b>904,759</b>	<b>1,223,638</b>	<b>(318,879)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TRANSFERS</b>	<b>297,774</b>	<b>290,221</b>	<b>66,204</b>	<b>224,017</b>	<b>48,223</b>	<b>48,223</b>	<b>52,792</b>	<b>(4,569)</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>815,447</b>	<b>1,194,980</b>	<b>1,289,842</b>	<b>(94,862)</b>	<b>48,223</b>	<b>48,223</b>	<b>52,792</b>	<b>(4,569)</b>
<b>REVENUES AVAILABLE OVER (UNDER)</b>								
<b>EXPENDITURES &amp; TRANSFERS</b>	<b>152,867</b>	<b>(226,666)</b>	<b>(205,433)</b>	<b>21,233</b>	<b>(3,768)</b>	<b>(3,768)</b>	<b>(4,948)</b>	<b>(1,180)</b>
<b>FUND BALANCES - JULY 1 (BUDGETARY)</b>	<b>582,867</b>	<b>505,703</b>	<b>505,703</b>	<b>-</b>	<b>8,777</b>	<b>10,531</b>	<b>10,531</b>	<b>-</b>
<b>FUND BALANCES - JUNE 30 (BUDGETARY)</b>	<b>\$ 735,734</b>	<b>\$ 279,037</b>	<b>\$ 300,270</b>	<b>\$ 21,233</b>	<b>\$ 5,009</b>	<b>\$ 6,763</b>	<b>\$ 5,583</b>	<b>\$ (1,180)</b>

(continued on next page)

**STATE OF IOWA**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Budgetary Basis**  
**Nonmajor Special Revenue Funds**

For the Year Ended June 30, 2015  
(Expressed in Thousands)  
(continued)

	<b>ENVIRONMENT FIRST FUND</b>				<b>REVENUE BONDS CAPITAL FUND</b>			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
<b>APPROPRIATED REVENUE:</b>								
Transfers	\$ 42,000	\$ 42,000	\$ 42,095	\$ 95	\$ -	\$ -	\$ -	\$ -
<b>RECEIPTS CREDITED TO APPROPRIATIONS:</b>								
Beer tax	-	-	-	-	-	-	-	-
Cigarette tax	-	-	-	-	-	-	-	-
Tobacco products tax	-	-	-	-	-	-	-	-
Liquor tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Wagering tax receipts	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Sales tax - DOT	-	-	-	-	-	-	-	-
Federal support	-	-	187	187	8,781	7,653	6,276	(1,377)
Local governments	-	-	-	-	-	-	-	-
Other states	-	-	-	-	-	-	-	-
Reimbursements from other agencies	-	-	-	-	-	-	-	-
Governmental fund type transfers from other agencies	-	-	-	-	-	-	-	-
Interest	-	-	-	-	10	10	2	(8)
Bonds & loans	-	-	-	-	-	-	-	-
Fees, licenses & permits	-	-	-	-	-	-	-	-
Refunds & reimbursements	-	-	482	482	-	-	34	34
Sale of real estate	-	-	-	-	-	-	-	-
Sale of equipment & salvage	-	-	-	-	-	-	-	-
Rents & leases	-	-	-	-	-	-	-	-
Agricultural sales	-	-	-	-	-	-	-	-
Other sales & services	-	-	-	-	-	-	-	-
Unearned receipts	-	-	-	-	-	-	-	-
Income tax checkoffs	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>TOTAL APPROPRIATED RECEIPTS</b>	<b>-</b>	<b>-</b>	<b>669</b>	<b>669</b>	<b>8,791</b>	<b>7,663</b>	<b>6,312</b>	<b>(1,351)</b>
<b>TOTAL REVENUES AVAILABLE</b>	<b>42,000</b>	<b>42,000</b>	<b>42,764</b>	<b>764</b>	<b>8,791</b>	<b>7,663</b>	<b>6,312</b>	<b>(1,351)</b>
<b>EXPENDITURES:</b>								
Administration & regulation	11,994	12,625	14,192	(1,567) *	20,460	20,723	16,667	4,056
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Justice	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>11,994</b>	<b>12,625</b>	<b>14,192</b>	<b>(1,567)</b>	<b>20,460</b>	<b>20,723</b>	<b>16,667</b>	<b>4,056</b>
<b>TRANSFERS</b>	<b>30,180</b>	<b>30,082</b>	<b>29,342</b>	<b>740</b>	<b>-</b>	<b>552</b>	<b>-</b>	<b>552</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>42,174</b>	<b>42,707</b>	<b>43,534</b>	<b>(827)</b>	<b>20,460</b>	<b>21,275</b>	<b>16,667</b>	<b>4,608</b>
<b>REVENUES AVAILABLE OVER (UNDER)</b>								
<b>EXPENDITURES &amp; TRANSFERS</b>	(174)	(707)	(770)	(63)	(11,669)	(13,612)	(10,355)	3,257
<b>FUND BALANCES - JULY 1 (BUDGETARY)</b>	<b>256</b>	<b>10,905</b>	<b>10,905</b>	<b>-</b>	<b>20,325</b>	<b>26,469</b>	<b>26,469</b>	<b>-</b>
<b>FUND BALANCES - JUNE 30 (BUDGETARY)</b>	<b>\$ 82</b>	<b>\$ 10,198</b>	<b>\$ 10,135</b>	<b>\$ (63)</b>	<b>\$ 8,656</b>	<b>\$ 12,857</b>	<b>\$ 16,114</b>	<b>\$ 3,257</b>

(continued on next page)

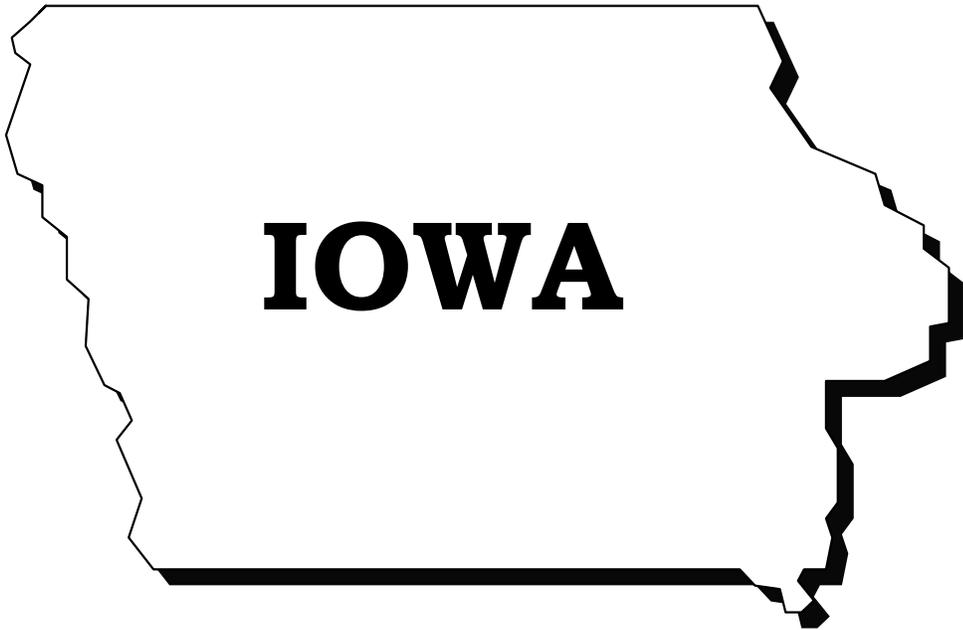
**STATE OF IOWA**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Budgetary Basis**  
**Nonmajor Special Revenue Funds**

For the Year Ended June 30, 2015  
(Expressed in Thousands)  
(continued)

	OTHER FUNDS				TOTAL			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
<b>APPROPRIATED REVENUE:</b>								
Transfers	\$ 83,034	\$ 83,005	\$ 39,554	\$ (43,451)	\$ 742,437	\$ 742,408	\$ 686,389	\$ (56,019)
<b>RECEIPTS CREDITED TO APPROPRIATIONS:</b>								
Beer tax	35	35	65	30	35	35	65	30
Cigarette tax	218,317	218,316	194,364	(23,952)	218,317	218,316	194,364	(23,952)
Tobacco products tax	6,000	6,000	28,711	22,711	6,000	6,000	28,711	22,711
Liquor tax	215	215	248	33	215	215	248	33
Other taxes	1,600	1,600	-	(1,600)	1,600	1,600	-	(1,600)
Wagering tax receipts	4,996	4,996	-	(4,996)	4,996	4,996	-	(4,996)
Individual income tax quarterly	5,750	5,750	5,750	-	5,750	5,750	5,750	-
Sales tax - DOT	-	-	-	-	5	5	-	(5)
Federal support	92,497	72,577	21,557	(51,020)	450,290	429,242	383,678	(45,564)
Local governments	1,461	1,461	1,474	13	6,061	6,061	9,104	3,043
Other states	-	-	-	-	3,000	3,000	9,154	6,154
Reimbursements from other agencies	4,031	4,031	5,498	1,467	4,191	4,190	11,464	7,274
Governmental fund type transfers from other agencies	100	200	7,036	6,836	200	301	110,120	109,819
Interest	976	957	1,005	48	1,187	1,168	1,036	(132)
Bonds & loans	6,955	6,935	3,773	(3,162)	6,955	6,936	3,892	(3,044)
Fees, licenses & permits	73,907	74,061	72,638	(1,423)	106,287	106,441	103,211	(3,230)
Refunds & reimbursements	2,639	2,661	5,531	2,870	2,839	2,860	6,399	3,539
Sale of real estate	-	-	-	-	1,710	1,710	6,865	5,155
Sale of equipment & salvage	-	-	-	-	20	20	2	(18)
Rents & leases	-	-	-	-	21	21	358	337
Agricultural sales	-	-	-	-	10	10	18	8
Other sales & services	365	365	443	78	867	867	1,804	937
Unearned receipts	306	306	204	(102)	311	311	468	157
Income tax checkoffs	-	-	-	-	150	150	129	(21)
Other	2,585	2,586	610	(1,976)	5,875	5,876	6,561	685
<b>TOTAL APPROPRIATED RECEIPTS</b>	<b>422,735</b>	<b>403,052</b>	<b>348,907</b>	<b>(54,145)</b>	<b>826,892</b>	<b>806,081</b>	<b>883,401</b>	<b>77,320</b>
<b>TOTAL REVENUES AVAILABLE</b>	<b>505,769</b>	<b>486,057</b>	<b>388,461</b>	<b>(97,596)</b>	<b>1,569,329</b>	<b>1,548,489</b>	<b>1,569,790</b>	<b>21,301</b>
<b>EXPENDITURES:</b>								
Administration & regulation	139,533	112,547	46,812	65,735	171,987	145,895	77,671	68,224
Agriculture & natural resources	20,141	20,141	15,713	4,428	20,141	20,141	15,713	4,428
Economic development	55,755	60,152	18,316	41,836	55,755	60,152	18,316	41,836
Education	20,609	21,416	11,297	10,119	20,609	21,416	11,297	10,119
Health & human services	4,460	4,255	(237) ^	4,492	4,460	4,255	(237)	4,492
Justice	2,791	2,451	1,748	703	2,791	2,451	1,748	703
Transportation	4	4	2,508	(2,504) *	517,677	904,763	1,226,146	(321,383) *
Judicial	2,483	2,483	2,004	479	2,483	2,483	2,004	479
<b>TOTAL EXPENDITURES</b>	<b>245,776</b>	<b>223,449</b>	<b>98,161</b>	<b>125,288</b>	<b>795,903</b>	<b>1,161,556</b>	<b>1,352,658</b>	<b>(191,102)</b>
<b>TRANSFERS</b>	<b>330,984</b>	<b>324,965</b>	<b>311,280</b>	<b>13,685</b>	<b>707,161</b>	<b>694,043</b>	<b>459,618</b>	<b>234,425</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>576,760</b>	<b>548,414</b>	<b>409,441</b>	<b>138,973</b>	<b>1,503,064</b>	<b>1,855,599</b>	<b>1,812,276</b>	<b>43,323</b>
<b>REVENUES AVAILABLE OVER (UNDER)</b>								
<b>EXPENDITURES &amp; TRANSFERS</b>	<b>(70,991)</b>	<b>(62,357)</b>	<b>(20,980)</b>	<b>41,377</b>	<b>66,265</b>	<b>(307,110)</b>	<b>(242,486)</b>	<b>64,624</b>
<b>FUND BALANCES - JULY 1 (BUDGETARY)</b>	<b>157,104</b>	<b>172,123</b>	<b>173,119</b>	<b>996</b>	<b>769,329</b>	<b>725,731</b>	<b>726,727</b>	<b>996</b>
<b>FUND BALANCES - JUNE 30 (BUDGETARY)</b>	<b>\$ 86,113</b>	<b>\$ 109,766</b>	<b>\$ 152,139</b>	<b>\$ 42,373</b>	<b>\$ 835,594</b>	<b>\$ 418,621</b>	<b>\$ 484,241</b>	<b>\$ 65,620</b>

\* Actual expenditures exceeded budgeted expenditures as a result of the receipt and legal expenditure of other non-state funds which have been received for restricted purposes. In the Special Revenue Funds this occurred in the Primary Road Fund and State Aviation Fund in the Transportation function; and the Environment First Fund in the Administration & Regulation function.

^ Actual expenditures are negative in the IowaCare Account Fund in the Health and Human Services function as a result of claim adjustments made for cost settlement activities due to the conclusion of the program.



# COMBINING FINANCIAL STATEMENTS

## **Nonmajor Capital Projects Funds**

Capital Projects Funds are used to account for the construction of major capital facilities other than those financed by proprietary funds and trust funds.

**General Services Capitals Fund** is used to account for various building projects.

**Endowment for Iowa's Health Restricted Capitals Fund** receives the tax-exempt portion of the Tobacco Settlement Authority's refunding of the tobacco bonds for capital project expenditures as allowed in the tax certificate of the refinancing.

**Marine Fuel Tax Capitals Fund** is used to account for the acquisition of water access, development projects, water safety stations, marinas and any other project which improves water recreation.

**Fish & Game Capitals Fund** is used to account for land acquisition and capital projects related to fish and wildlife.

**Other Capital Projects Funds** are aggregated for reporting purposes and account for land acquisition and capital projects related to fish and wildlife, construction of various armories, prison expansion programs and other specific projects.

**STATE OF IOWA**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**

June 30, 2015  
(Expressed in Thousands)

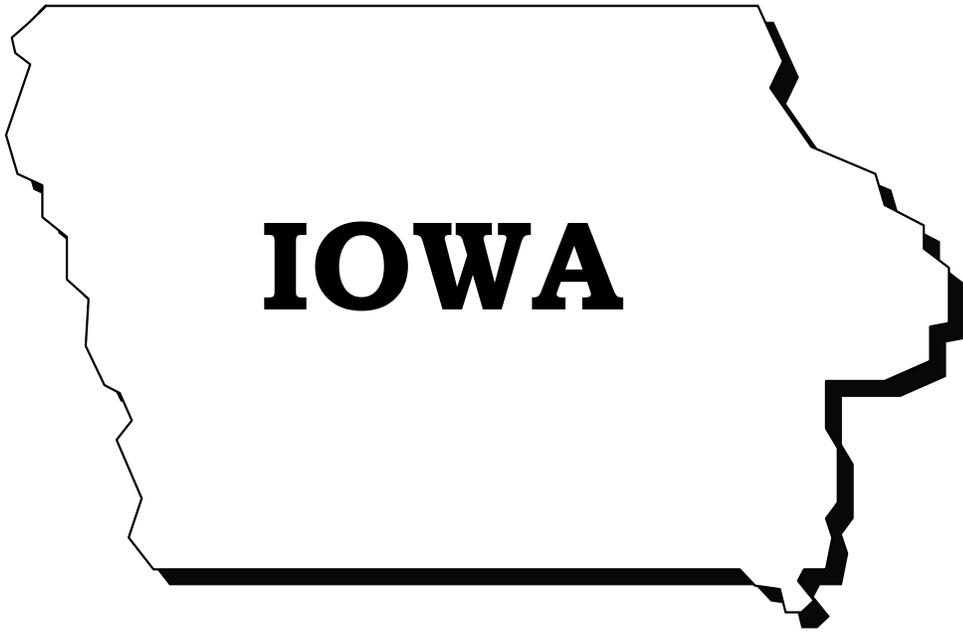
	<b>GENERAL SERVICES CAPITALS FUND</b>	<b>ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND</b>	<b>MARINE FUEL TAX CAPITALS FUND</b>	<b>FISH GAME &amp; CAPITALS FUND</b>	<b>OTHER FUNDS</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Current assets:						
Cash & investments	\$ 8,097	\$ 1,215	\$ 3,673	\$ 546	\$ 163	\$ 13,694
Accounts receivable	-	-	169	-	-	169
Due from other funds	1,187	-	517	1,037	-	2,741
<b>TOTAL ASSETS</b>	<b>\$ 9,284</b>	<b>\$ 1,215</b>	<b>\$ 4,359</b>	<b>\$ 1,583</b>	<b>\$ 163</b>	<b>\$ 16,604</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable & accruals	\$ 4,631	\$ 466	\$ 346	\$ 1,120	\$ -	\$ 6,563
Due to other funds	532	-	118	211	-	861
<b>TOTAL LIABILITIES</b>	<b>5,163</b>	<b>466</b>	<b>464</b>	<b>1,331</b>	<b>-</b>	<b>7,424</b>
<b>FUND BALANCES</b>						
Spendable:						
Restricted	-	749	-	-	163	912
Committed	4,121	-	3,895	252	-	8,268
<b>TOTAL FUND BALANCES</b>	<b>4,121</b>	<b>749</b>	<b>3,895</b>	<b>252</b>	<b>163</b>	<b>9,180</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 9,284</b>	<b>\$ 1,215</b>	<b>\$ 4,359</b>	<b>\$ 1,583</b>	<b>\$ 163</b>	<b>\$ 16,604</b>

## STATE OF IOWA

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Capital Projects Funds

For the Year Ended June 30, 2015  
(Expressed in Thousands)

	GENERAL SERVICES CAPITALS FUND	ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	FISH GAME & CAPITALS FUND	OTHER FUNDS	TOTAL
<b>REVENUES</b>						
Receipts from other entities	\$ 3,953	\$ -	\$ 1,192	\$ -	\$ -	\$ 5,145
Refunds & reimbursements	258	-	140	-	-	398
<b>TOTAL REVENUES</b>	<b>4,211</b>	<b>-</b>	<b>1,332</b>	<b>-</b>	<b>-</b>	<b>5,543</b>
<b>EXPENDITURES</b>						
Current:						
Administration & regulation	17	-	-	-	-	17
Health & human rights	-	14	-	-	-	14
Justice & public defense	-	-	-	-	81	81
Agriculture & natural resources	-	-	394	6,235	-	6,629
Capital outlay:						
Administration & regulation	1,590	-	-	-	-	1,590
Education	177	-	-	-	-	177
Health & human rights	9,905	621	-	-	-	10,526
Human services	217	-	-	-	-	217
Justice & public defense	12,825	55	-	-	-	12,880
Economic development	329	-	-	-	-	329
Agriculture & natural resources	160	-	4,403	7,876	-	12,439
<b>TOTAL EXPENDITURES</b>	<b>25,220</b>	<b>690</b>	<b>4,797</b>	<b>14,111</b>	<b>81</b>	<b>44,899</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(21,009)</b>	<b>(690)</b>	<b>(3,465)</b>	<b>(14,111)</b>	<b>(81)</b>	<b>(39,356)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	19,767	-	3,223	13,500	-	36,490
Transfers out	-	(283)	(646)	-	-	(929)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>19,767</b>	<b>(283)</b>	<b>2,577</b>	<b>13,500</b>	<b>-</b>	<b>35,561</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,242)</b>	<b>(973)</b>	<b>(888)</b>	<b>(611)</b>	<b>(81)</b>	<b>(3,795)</b>
<b>FUND BALANCES - JULY 1</b>	<b>5,363</b>	<b>1,722</b>	<b>4,783</b>	<b>863</b>	<b>244</b>	<b>12,975</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 4,121</b>	<b>\$ 749</b>	<b>\$ 3,895</b>	<b>\$ 252</b>	<b>\$ 163</b>	<b>\$ 9,180</b>



# COMBINING FINANCIAL STATEMENTS

## **Nonmajor Permanent Funds**

Permanent Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizens.

**Permanent School Principal Fund** accounts for the principal derived from the sale of specific land. The interest is to be used for educational purposes.

**Iowa Cultural Trust Fund** accounts for assets held for the Iowa Cultural Trust. The principal is preserved and applicable interest is transferred to the Cultural Grant Fund to be used for purposes consistent with the Trust.

**Iowa Public Television Foundation Endowment** is used to hold a restricted gift made to Iowa Public Television. While the corpus of the gift is not available to spend, the earnings of the gift are restricted for the acquisition and/or production of quality family programming. Earnings are transferred to the Iowa Public Television Foundation.

**Pilot Grove Trust Fund** accounts for a \$10,000 donation in support and maintenance of the Pilot Grove area. Interest is credited to the Pilot Grove Maintenance Fund, a Special Revenue Fund.

**Henry Albert Trust Fund** accounts for a bequest to the State of Iowa. Interest is credited to the Department of Public Health.

**STATE OF IOWA**

**Combining Balance Sheet  
Nonmajor Permanent Funds**

June 30, 2015  
(Expressed in Thousands)

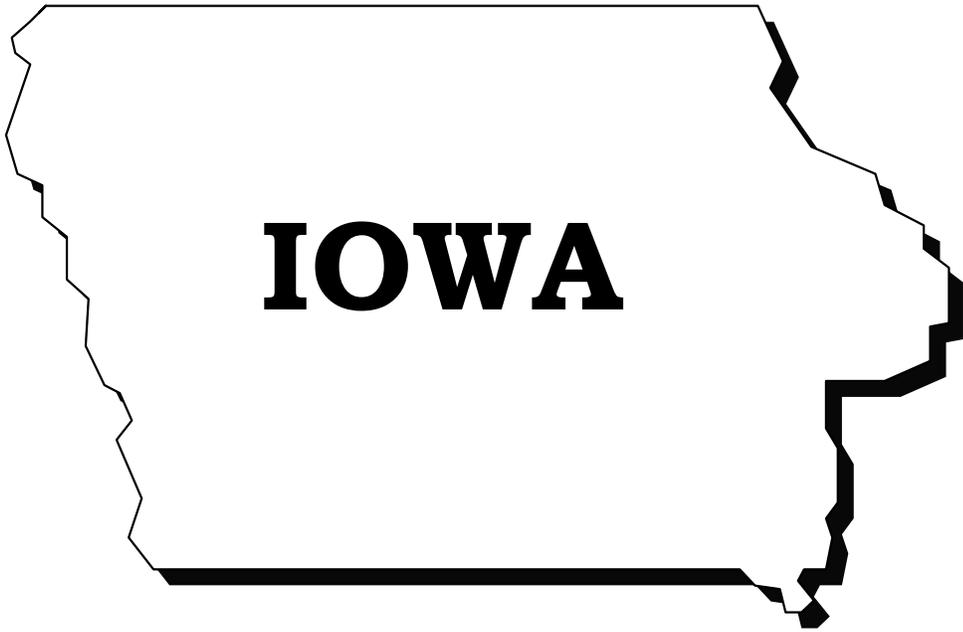
	<b>PERMANENT SCHOOL PRINCIPAL FUND</b>	<b>IOWA CULTURAL TRUST FUND</b>	<b>IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT</b>	<b>PILOT GROVE TRUST FUND</b>	<b>HENERY ALBERT TRUST FUND</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Current assets:						
Cash & investments	\$ 8,033	\$ 6,136	\$ 1,965	\$ 10	\$ 1	\$ 16,145
<b>TOTAL ASSETS</b>	<b>\$ 8,033</b>	<b>\$ 6,136</b>	<b>\$ 1,965</b>	<b>\$ 10</b>	<b>\$ 1</b>	<b>\$ 16,145</b>
<b>FUND BALANCES</b>						
Nonspendable	8,033	6,136	1,965	10	1	16,145
<b>TOTAL FUND BALANCES</b>	<b>\$ 8,033</b>	<b>\$ 6,136</b>	<b>\$ 1,965</b>	<b>\$ 10</b>	<b>\$ 1</b>	<b>\$ 16,145</b>

**STATE OF IOWA**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Permanent Funds**

For the Year Ended June 30, 2015  
(Expressed in Thousands)

	<b>PERMANENT SCHOOL PRINCIPAL FUND</b>	<b>IOWA CULTURAL TRUST FUND</b>	<b>IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT</b>	<b>PILOT GROVE TRUST FUND</b>	<b>HENERY ALBERT TRUST FUND</b>	<b>TOTAL</b>
<b>REVENUES</b>						
Investment income (loss)	\$ -	\$ -	\$ (18)	\$ -	\$ -	\$ (18)
Miscellaneous	-	-	98	-	-	98
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>80</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	18	-	-	18
Transfers out	-	(50)	-	-	-	(50)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(50)</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>(32)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>(50)</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>48</b>
<b>FUND BALANCES - JULY 1</b>	<b>8,033</b>	<b>6,186</b>	<b>1,867</b>	<b>10</b>	<b>1</b>	<b>16,097</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 8,033</b>	<b>\$ 6,136</b>	<b>\$ 1,965</b>	<b>\$ 10</b>	<b>\$ 1</b>	<b>\$ 16,145</b>



# COMBINING FINANCIAL STATEMENTS

## **Nonmajor Enterprise Funds**

Enterprise Funds account for activities for which fees are charged to external users for goods and services. This fund type is also used when the activity is financed with debt that is secured with fees and charges, as well as when the pricing policy of the activity is designated to recover its costs.

**Iowa Communications Network** accounts for a statewide telecommunications system and its related revenues and expenses.

**Honey Creek Park** is used to account for development of the destination park and park operations.

**Liquor Control Act** is used to account for the revenues and expenses related to the sale of alcoholic beverages.

**Iowa State Prison Industries** accounts for the revenues and expenses related to the sale of products made by prison industries.

**Other Enterprise Funds** are aggregated for reporting purposes and account for other miscellaneous activities that meet the definition of Enterprise Funds.

# STATE OF IOWA

## Combining Statement of Net Position Nonmajor Enterprise Funds

June 30, 2015  
(Expressed in Thousands)

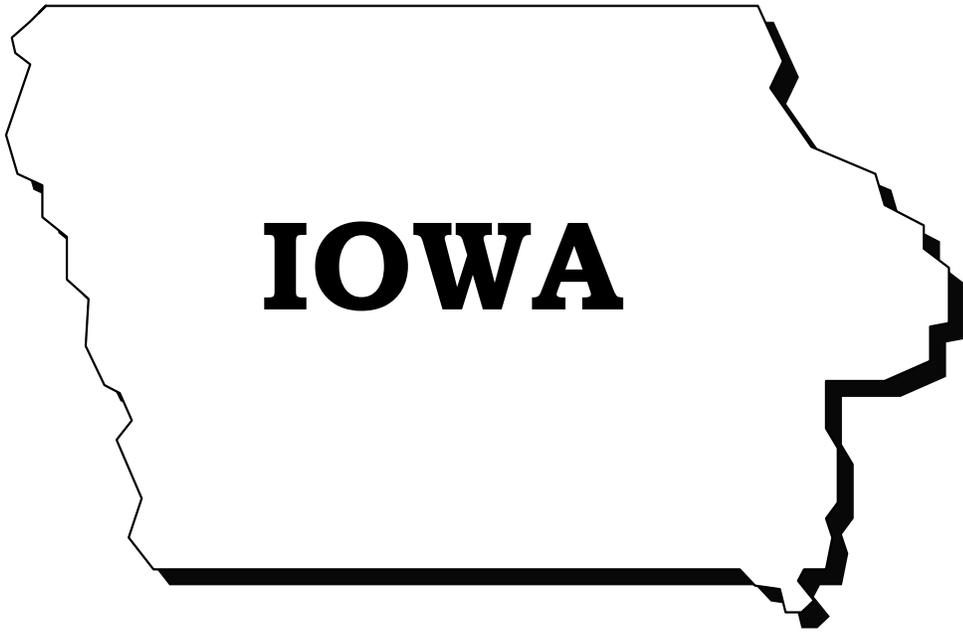
	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
<b>ASSETS</b>						
Current assets:						
Cash & investments	\$ 15,267	\$ 992	\$ 17,061	\$ 4,781	\$ 4,259	\$ 42,360
Accounts receivable (net)	11,404	139	6,245	3,593	378	21,759
Due from other funds	23	-	47	3	73	146
Inventory	2,505	189	500	7,651	1,461	12,306
Prepaid expenses	439	166	2,449	39	327	3,420
Total current assets	<u>29,638</u>	<u>1,486</u>	<u>26,302</u>	<u>16,067</u>	<u>6,498</u>	<u>79,991</u>
Noncurrent assets:						
Capital assets - nondepreciable	15	-	1,961	4,203	502	6,681
Capital assets - depreciable (net)	16,251	46,650	1,346	5,004	1,335	70,586
Total noncurrent assets	<u>16,266</u>	<u>46,650</u>	<u>3,307</u>	<u>9,207</u>	<u>1,837</u>	<u>77,267</u>
<b>TOTAL ASSETS</b>	<b><u>45,904</u></b>	<b><u>48,136</u></b>	<b><u>29,609</u></b>	<b><u>25,274</u></b>	<b><u>8,335</u></b>	<b><u>157,258</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Related to pensions	792	-	369	536	273	1,970
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable & accruals	4,306	438	10,544	1,242	218	16,748
Due to other funds/advances from other funds	-	-	11,773	-	90	11,863
Unearned revenue	2,176	815	-	2	-	2,993
Compensated absences	833	-	245	536	193	1,807
Total current liabilities	<u>7,315</u>	<u>1,253</u>	<u>22,562</u>	<u>1,780</u>	<u>501</u>	<u>33,411</u>
Noncurrent liabilities:						
Accounts payable & accruals	448	-	364	523	249	1,584
Compensated absences	628	-	142	1,021	168	1,959
Net pension liability	3,812	-	1,804	572	922	7,110
Total noncurrent liabilities	<u>4,888</u>	<u>-</u>	<u>2,310</u>	<u>2,116</u>	<u>1,339</u>	<u>10,653</u>
<b>TOTAL LIABILITIES</b>	<b><u>12,203</u></b>	<b><u>1,253</u></b>	<b><u>24,872</u></b>	<b><u>3,896</u></b>	<b><u>1,840</u></b>	<b><u>44,064</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Related to pensions	1,801	-	688	1,294	561	4,344
<b>NET POSITION</b>						
Net investment in capital assets	16,266	46,650	3,307	9,207	1,837	77,267
Unrestricted	16,426	233	1,111	11,413	4,370	33,553
<b>TOTAL NET POSITION</b>	<b><u>\$ 32,692</u></b>	<b><u>\$ 46,883</u></b>	<b><u>\$ 4,418</u></b>	<b><u>\$ 20,620</u></b>	<b><u>\$ 6,207</u></b>	<b><u>\$ 110,820</u></b>

## STATE OF IOWA

### Combining Statement of Revenues, Expenses and Changes in Fund Net Position Nonmajor Enterprise Funds

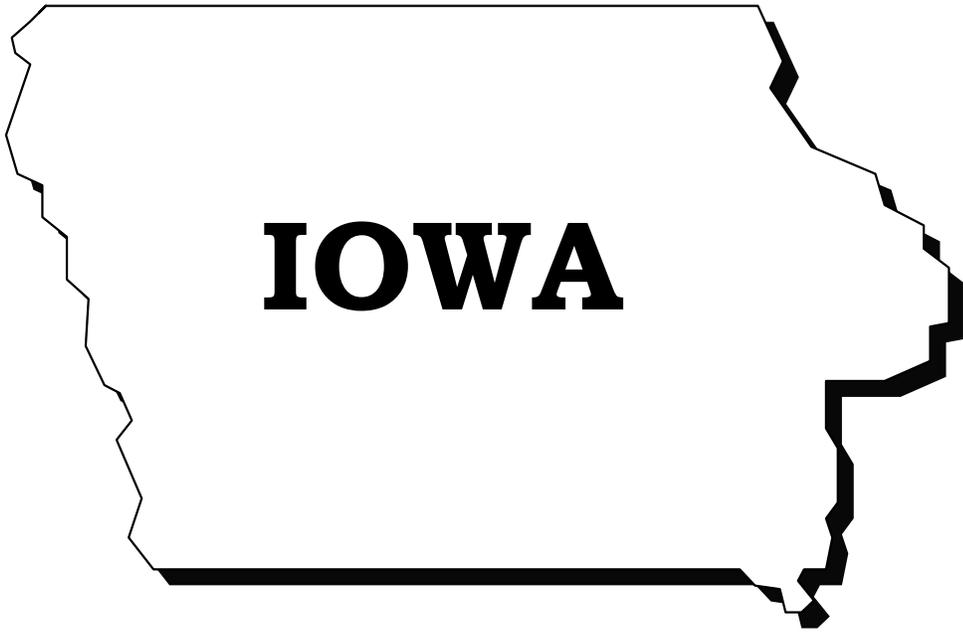
For the Year Ended June 30, 2015  
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
<b>OPERATING REVENUES</b>						
Fees, licenses & permits	\$ -	\$ -	\$ 16,938	\$ -	\$ 4,487	\$ 21,425
Refunds & reimbursements	-	-	37	-	251	288
Sales, rents & services	31,466	6,157	277,825	24,173	1,468	341,089
Miscellaneous	-	-	2,402	106	819	3,327
<b>TOTAL OPERATING REVENUES</b>	<b>31,466</b>	<b>6,157</b>	<b>297,202</b>	<b>24,279</b>	<b>7,025</b>	<b>366,129</b>
<b>OPERATING EXPENSES</b>						
General & administrative	10,026	5,814	-	26	-	15,866
Depreciation	3,186	1,760	94	579	251	5,870
Direct & other	8,317	-	-	18,562	569	27,448
Personal services	-	-	4,004	1,394	2,646	8,044
Travel & subsistence	-	-	634	16	90	740
Supplies & materials	-	-	181	26	174	381
Contractual services	-	47	3,178	2,093	1,392	6,710
Equipment & repairs	-	-	144	1	77	222
Claims & miscellaneous	11,600	-	181,775	887	99	194,361
Licenses, permits & refunds	-	-	695	-	7	702
State aid & credits	-	-	3,718	-	-	3,718
<b>TOTAL OPERATING EXPENSES</b>	<b>33,129</b>	<b>7,621</b>	<b>194,423</b>	<b>23,584</b>	<b>5,305</b>	<b>264,062</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,663)</b>	<b>(1,464)</b>	<b>102,779</b>	<b>695</b>	<b>1,720</b>	<b>102,067</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Taxes	-	-	7,765	-	-	7,765
Investment income	69	1	-	36	12	118
Gain (loss) on sale of capital assets	-	-	(26)	(5)	20	(11)
<b>NET NONOPERATING REVENUES</b>	<b>69</b>	<b>1</b>	<b>7,739</b>	<b>31</b>	<b>32</b>	<b>7,872</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(1,594)</b>	<b>(1,463)</b>	<b>110,518</b>	<b>726</b>	<b>1,752</b>	<b>109,939</b>
Transfers in	2,251	102	-	-	-	2,353
Transfers out	-	-	(110,645)	-	-	(110,645)
<b>CHANGE IN NET POSITION</b>	<b>657</b>	<b>(1,361)</b>	<b>(127)</b>	<b>726</b>	<b>1,752</b>	<b>1,647</b>
<b>TOTAL NET POSITION - JULY 1, RESTATED</b>	<b>32,035</b>	<b>48,244</b>	<b>4,545</b>	<b>19,894</b>	<b>4,455</b>	<b>109,173</b>
<b>TOTAL NET POSITION - JUNE 30</b>	<b>\$ 32,692</b>	<b>\$ 46,883</b>	<b>\$ 4,418</b>	<b>\$ 20,620</b>	<b>\$ 6,207</b>	<b>\$ 110,820</b>



**STATE OF IOWA**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
For the Year Ended June 30, 2015  
(Expressed in Thousands)

	<b>IOWA COMMUNICATIONS NETWORK</b>	<b>HONEY CREEK PARK</b>	<b>LIQUOR CONTROL ACT</b>	<b>IOWA STATE PRISON INDUSTRIES</b>	<b>OTHER FUNDS</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 30,986	\$ 6,376	\$ 296,102	\$ 22,740	\$ 6,042	\$ 362,246
Cash received from miscellaneous	-	-	2,439	106	819	3,364
Cash payments to suppliers for goods & services	(21,759)	(5,732)	(191,887)	(22,896)	(2,443)	(244,717)
Cash payments to employees for services	(8,894)	-	(4,108)	(1,737)	(2,835)	(17,574)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>333</b>	<b>644</b>	<b>102,546</b>	<b>(1,787)</b>	<b>1,583</b>	<b>103,319</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in from other funds	2,251	102	-	-	-	2,353
Transfers out to other funds	-	-	(109,661)	-	-	(109,661)
Tax receipts	-	-	7,765	-	-	7,765
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>2,251</b>	<b>102</b>	<b>(101,896)</b>	<b>-</b>	<b>-</b>	<b>(99,543)</b>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>						
Acquisition & construction of capital assets	(1,037)	(350)	392	(1,042)	(341)	(2,378)
Proceeds from sale of capital assets	-	-	(26)	(5)	20	(11)
<b>NET CASH PROVIDED (USED) BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>(1,037)</b>	<b>(350)</b>	<b>366</b>	<b>(1,047)</b>	<b>(321)</b>	<b>(2,389)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest & dividends on investments	69	1	-	36	12	118
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>69</b>	<b>1</b>	<b>-</b>	<b>36</b>	<b>12</b>	<b>118</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>1,616</b>	<b>397</b>	<b>1,016</b>	<b>(2,798)</b>	<b>1,274</b>	<b>1,505</b>
<b>CASH &amp; CASH EQUIVALENTS - JULY 1</b>	<b>13,651</b>	<b>595</b>	<b>16,045</b>	<b>7,579</b>	<b>2,985</b>	<b>40,855</b>
<b>CASH &amp; CASH EQUIVALENTS - JUNE 30</b>	<b>\$ 15,267</b>	<b>\$ 992</b>	<b>\$ 17,061</b>	<b>\$ 4,781</b>	<b>\$ 4,259</b>	<b>\$ 42,360</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ (1,663)	\$ (1,464)	\$ 102,779	\$ 695	\$ 1,720	\$ 102,067
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	3,186	1,760	94	579	251	5,870
(Increase) decrease in accounts receivable	(138)	114	1,385	(1,424)	(27)	(90)
(Increase) decrease in due from	(17)	-	(46)	-	(34)	(97)
(Increase) decrease in inventory	(216)	36	284	(280)	(37)	(213)
(Increase) decrease in prepaid expenses	(248)	48	(2,446)	(39)	(6)	(2,691)
(Increase) decrease in deferred outflows of resources	(230)	-	(103)	(56)	(106)	(495)
Increase (decrease) in accounts payable	18	45	600	8	66	737
Increase (decrease) in due to	-	-	-	(1,000)	(58)	(1,058)
Increase (decrease) in unearned revenue	(325)	105	-	(9)	(103)	(332)
Increase (decrease) in compensated absences	113	-	11	(4)	(90)	30
Increase (decrease) in net pension liability	(1,948)	-	(700)	(1,551)	(554)	(4,753)
Increase (decrease) in deferred inflows of resources	1,801	-	688	1,294	561	4,344
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 333</b>	<b>\$ 644</b>	<b>\$ 102,546</b>	<b>\$ (1,787)</b>	<b>\$ 1,583</b>	<b>\$ 103,319</b>



# COMBINING FINANCIAL STATEMENTS

## **Internal Service Funds**

Internal Service Funds account for State activities that provide goods and services to other State departments or agencies on a cost reimbursement basis.

**Workers' Compensation Fund** receives funds associated with the workers' compensation program to pay claims and administrative support costs.

**Materials & Equipment Revolving Fund** accounts for the purchase, repair, maintenance and replacement of equipment, machinery and supplies used by the Department of Transportation.

**Depreciation Revolving Fund** receives monthly depreciation payments from State departments owning vehicles. The money is used to purchase replacement vehicles for the departments.

**Office of Chief Information Officer Fund** provides data processing services to other State departments and agencies. This fund was formerly the Information Technology Revolving Fund.

**Other Internal Service Funds** are aggregated for reporting purposes and account for other miscellaneous activities that meet the definition of Internal Service Funds.

# STATE OF IOWA

## Combining Statement of Net Position Internal Service Funds

June 30, 2015

(Expressed in Thousands)

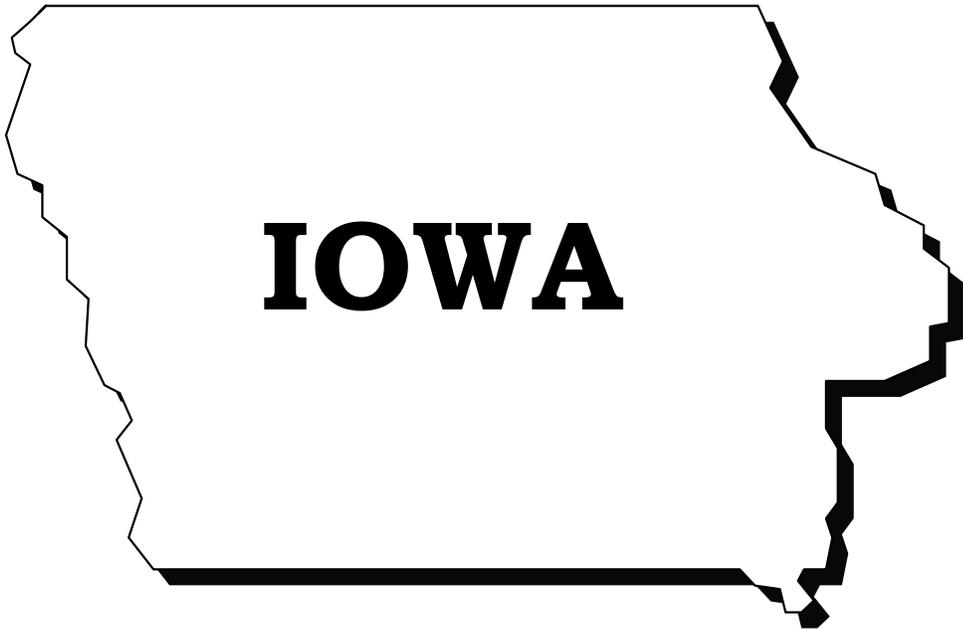
	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	OFFICE OF CHIEF INFORMATION OFFICER FUND	OTHER FUNDS	TOTAL
<b>ASSETS</b>						
Current assets:						
Cash & investments	\$ 4,174	\$ 22,432	\$ 22,474	\$ 4,673	\$ 16,863	\$ 70,616
Accounts receivable (net)	2	49	27	41	544	663
Due from other funds/advances to other funds	55,856	240	3,278	5,763	14,848	79,985
Inventory	-	6,755	-	74	1,340	8,169
Prepaid expenses	-	-	-	1,022	1,398	2,420
Total current assets	<u>60,032</u>	<u>29,476</u>	<u>25,779</u>	<u>11,573</u>	<u>34,993</u>	<u>161,853</u>
Noncurrent assets:						
Due from other funds/ advances to other funds	-	-	259	-	-	259
Capital assets - depreciable (net)	-	98,670	-	1,667	3,444	103,781
Total noncurrent assets	<u>-</u>	<u>98,670</u>	<u>259</u>	<u>1,667</u>	<u>3,444</u>	<u>104,040</u>
<b>TOTAL ASSETS</b>	<b><u>60,032</u></b>	<b><u>128,146</u></b>	<b><u>26,038</u></b>	<b><u>13,240</u></b>	<b><u>38,437</u></b>	<b><u>265,893</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Related to pensions	<u>-</u>	<u>440</u>	<u>-</u>	<u>1,141</u>	<u>1,564</u>	<u>3,145</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable & accruals	17,778	8,098	31	2,320	4,060	32,287
Due to other funds/advances from other funds	33	25	-	1,607	11,568	13,233
Unearned revenue	-	-	22,550	4	84	22,638
Compensated absences	-	443	-	1,235	1,162	2,840
Total current liabilities	<u>17,811</u>	<u>8,566</u>	<u>22,581</u>	<u>5,166</u>	<u>16,874</u>	<u>70,998</u>
Noncurrent liabilities:						
Accounts payable & accruals	42,204	534	-	710	1,011	44,459
Due to other funds/advances from other funds	-	-	-	-	259	259
Compensated absences	17	752	-	1,282	911	2,962
Net pension liability	-	2,185	-	5,044	6,778	14,007
Total noncurrent liabilities	<u>42,221</u>	<u>3,471</u>	<u>-</u>	<u>7,036</u>	<u>8,959</u>	<u>61,687</u>
<b>TOTAL LIABILITIES</b>	<b><u>60,032</u></b>	<b><u>12,037</u></b>	<b><u>22,581</u></b>	<b><u>12,202</u></b>	<b><u>25,833</u></b>	<b><u>132,685</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Related to pensions	<u>-</u>	<u>967</u>	<u>-</u>	<u>2,191</u>	<u>2,844</u>	<u>6,002</u>
<b>NET POSITION</b>						
Net investment in capital assets	-	98,670	-	1,667	3,444	103,781
Unrestricted	-	16,912	3,457	(1,679)	7,880	26,570
<b>TOTAL NET POSITION</b>	<b><u>\$ -</u></b>	<b><u>\$ 115,582</u></b>	<b><u>\$ 3,457</u></b>	<b><u>\$ (12)</u></b>	<b><u>\$ 11,324</u></b>	<b><u>\$ 130,351</u></b>

## STATE OF IOWA

### Combining Statement of Revenues, Expenses and Changes in Fund Net Position Internal Service Funds

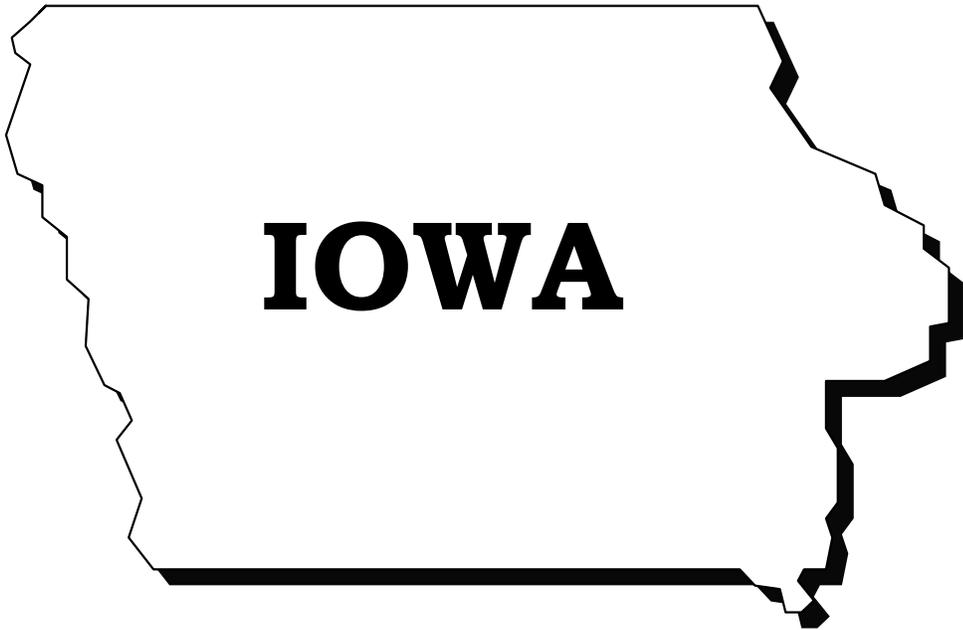
For the Year Ended June 30, 2015  
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	OFFICE OF CHIEF INFORMATION OFFICER FUND	OTHER FUNDS	TOTAL
<b>OPERATING REVENUES</b>						
Receipts from other entities	\$ 27,968	\$ 6,131	\$ 7,916	\$ 50,412	\$ 52,443	\$ 144,870
Fees, licenses & permits	-	-	-	2	-	2
Refunds & reimbursements	145	63,061	138	209	1,761	65,314
Sales, rents & services	-	-	1,695	45	286	2,026
Miscellaneous	-	4,875	-	-	167	5,042
<b>TOTAL OPERATING REVENUES</b>	<b>28,113</b>	<b>74,067</b>	<b>9,749</b>	<b>50,668</b>	<b>54,657</b>	<b>217,254</b>
<b>OPERATING EXPENSES</b>						
Depreciation	-	14,129	-	670	786	15,585
Personal services	28	5,244	-	13,770	14,275	33,317
Travel & subsistence	-	10,142	-	76	8,245	18,463
Supplies & materials	-	30,810	-	905	17,815	49,530
Contractual services	2,128	1,494	31	27,064	7,930	38,647
Equipment & repairs	-	6,190	10,252	7,987	2,145	26,574
Claims & miscellaneous	25,957	17	-	190	1,296	27,460
Licenses, permits & refunds	-	9	7	-	162	178
<b>TOTAL OPERATING EXPENSES</b>	<b>28,113</b>	<b>68,035</b>	<b>10,290</b>	<b>50,662</b>	<b>52,654</b>	<b>209,754</b>
<b>OPERATING INCOME (LOSS)</b>	<b>-</b>	<b>6,032</b>	<b>(541)</b>	<b>6</b>	<b>2,003</b>	<b>7,500</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	-	-	-	21	32	53
Gain on sale of capital assets	-	-	-	-	60	60
Loss on sale of capital assets	-	(4)	-	-	(63)	(67)
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>21</b>	<b>29</b>	<b>46</b>
<b>CHANGE IN NET POSITION</b>	<b>-</b>	<b>6,028</b>	<b>(541)</b>	<b>27</b>	<b>2,032</b>	<b>7,546</b>
<b>TOTAL NET POSITION - JULY 1, RESTATED</b>	<b>-</b>	<b>109,554</b>	<b>3,998</b>	<b>(39)</b>	<b>9,292</b>	<b>122,805</b>
<b>TOTAL NET POSITION - JUNE 30</b>	<b>\$ -</b>	<b>\$ 115,582</b>	<b>\$ 3,457</b>	<b>\$ (12)</b>	<b>\$ 11,324</b>	<b>\$ 130,351</b>



**STATE OF IOWA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
For the Year Ended June 30, 2015  
(Expressed in Thousands)

	<b>WORKERS' COMPENSATION FUND</b>	<b>MATERIALS &amp; EQUIPMENT REVOLVING FUND</b>	<b>DEPRECIATION REVOLVING FUND</b>	<b>OFFICE OF CHIEF INFORMATION OFFICER FUND</b>	<b>OTHER FUNDS</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from other entities	\$ 145	\$ 12,301	\$ 1,668	\$ 416	\$ 2,617	\$ 17,147
Cash received from reciprocal interfund activity	27,113	63,179	11,819	49,775	52,515	204,401
Cash payments to suppliers for goods & services	(26,480)	(50,645)	(10,520)	(36,761)	(37,787)	(162,193)
Cash payments to employees for services	-	(5,370)	-	(13,603)	(15,130)	(34,103)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>778</b>	<b>19,465</b>	<b>2,967</b>	<b>(173)</b>	<b>2,215</b>	<b>25,252</b>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>						
Acquisition & construction of capital assets	-	(12,039)	-	(551)	(425)	(13,015)
<b>NET CASH USED BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>(12,039)</b>	<b>-</b>	<b>(551)</b>	<b>(425)</b>	<b>(13,015)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest & dividends on investments	-	-	-	21	32	53
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>32</b>	<b>53</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>778</b>	<b>7,426</b>	<b>2,967</b>	<b>(703)</b>	<b>1,822</b>	<b>12,290</b>
<b>CASH &amp; CASH EQUIVALENTS - JULY 1</b>	<b>3,396</b>	<b>15,006</b>	<b>19,507</b>	<b>5,376</b>	<b>15,041</b>	<b>58,326</b>
<b>CASH &amp; CASH EQUIVALENTS - JUNE 30</b>	<b>\$ 4,174</b>	<b>\$ 22,432</b>	<b>\$ 22,474</b>	<b>\$ 4,673</b>	<b>\$ 16,863</b>	<b>\$ 70,616</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ -	\$ 6,032	\$ (541)	\$ 6	\$ 2,003	\$ 7,500
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	14,129	-	670	786	15,585
(Increase) decrease in accounts receivable	13	1,295	(27)	160	403	1,844
(Increase) decrease in due from	(868)	129	844	(375)	(1,728)	(1,998)
(Increase) decrease in inventory	-	(622)	359	1	887	625
(Increase) decrease in prepaid expenses	-	-	-	124	(392)	(268)
(Increase) decrease in deferred outflows of resources	-	(118)	-	(398)	(565)	(1,081)
Increase (decrease) in accounts payable	1,605	(1,361)	(589)	(664)	(689)	(1,698)
Increase (decrease) in due to	-	(11)	(11)	(266)	1,762	1,474
Increase (decrease) in unearned revenue	-	-	2,932	4	38	2,974
Increase (decrease) in compensated absences	28	62	-	715	(572)	233
Increase (decrease) in net pension liability	-	(1,037)	-	(2,341)	(2,562)	(5,940)
Increase (decrease) in deferred inflows of resources	-	967	-	2,191	2,844	6,002
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 778</b>	<b>\$ 19,465</b>	<b>\$ 2,967</b>	<b>\$ (173)</b>	<b>\$ 2,215</b>	<b>\$ 25,252</b>



## COMBINING FINANCIAL STATEMENTS

### **Pension and Other Employee Benefit Funds**

Pension Funds account for transactions, assets, liabilities and net position available for plan benefits of the various State employee retirement systems. See NOTE 15 - PENSION PLANS.

**Insurance Fund** receives converted sick leave dollars of Department of Public Safety retirees under the Peace Officers contract to pay health and/or life benefits.

**SPOC Insurance Fund** receives converted sick leave dollars of Department of Natural Resources retirees under the Peace Officers contract to pay health and/or life benefits.

## STATE OF IOWA

### Combining Statement of Fiduciary Net Position Pension and Other Employee Benefit Funds

June 30, 2015

(Expressed in Thousands)

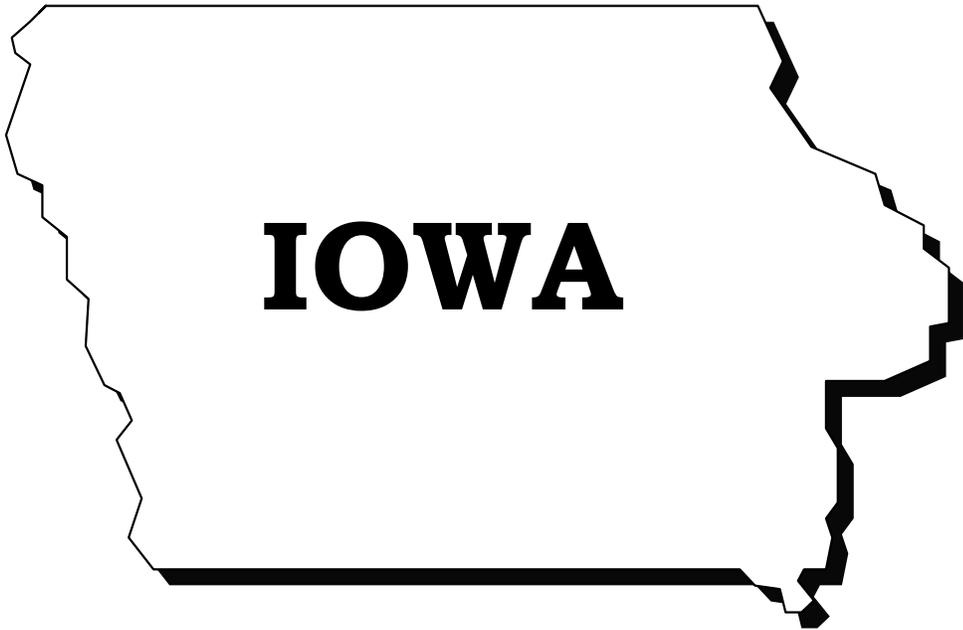
	<b>IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM</b>	<b>PEACE OFFICERS' RETIREMENT SYSTEM</b>	<b>JUDICIAL RETIREMENT SYSTEM</b>	<b>INSURANCE FUND</b>	<b>SPOC INSURANCE FUND</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Cash & cash equivalents	\$ 239,273	\$ 9,168	\$ 5,641	\$ 103	\$ 2,902	\$ 257,087
Receivables:						
Contributions	68,110	618	348	640	-	69,716
Investments sold	518,783	1,040	6,564	-	-	526,387
Foreign exchange contracts	653,246	-	-	-	-	653,246
Interest & dividends	79,459	1,006	-	-	-	80,465
Total receivables	<u>1,319,598</u>	<u>2,664</u>	<u>6,912</u>	<u>640</u>	<u>-</u>	<u>1,329,814</u>
Investments, at fair value:						
Fixed income securities	9,614,624	92,397	35,547	-	-	9,742,568
Equity investments	11,388,079	253,455	103,703	-	-	11,745,237
Real estate partnerships	2,275,126	43,820	11,673	-	-	2,330,619
Investment in private equity/debt	3,242,207	-	-	-	-	3,242,207
Real assets	1,732,239	-	-	-	-	1,732,239
Securities lending collateral pool	554,593	13,149	4,707	-	-	572,449
Securities on loan with brokers	-	12,860	4,586	-	-	17,446
Total investments	<u>28,806,868</u>	<u>415,681</u>	<u>160,216</u>	<u>-</u>	<u>-</u>	<u>29,382,765</u>
Capital assets:						
Land	500	-	-	-	-	500
Other - depreciable (net)	21,940	-	-	-	-	21,940
Total capital assets	<u>22,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,440</u>
Other assets	712	-	-	-	-	712
<b>TOTAL ASSETS</b>	<b><u>30,388,891</u></b>	<b><u>427,513</u></b>	<b><u>172,769</u></b>	<b><u>743</u></b>	<b><u>2,902</u></b>	<b><u>30,992,818</u></b>
<b>LIABILITIES</b>						
Accounts payable & accruals	39,004	329	151	-	-	39,484
Foreign exchange contracts payable	657,515	-	-	-	-	657,515
Payable for investments purchased	708,132	3,436	3,921	-	-	715,489
Payable to brokers for rebate & collateral	554,405	13,149	4,707	-	-	572,261
<b>TOTAL LIABILITIES</b>	<b><u>1,959,056</u></b>	<b><u>16,914</u></b>	<b><u>8,779</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,984,749</u></b>
<b>NET POSITION</b>						
Restricted for pension/other postemployment benefits	<u>\$ 28,429,835</u>	<u>\$ 410,599</u>	<u>\$ 163,990</u>	<u>\$ 743</u>	<u>\$ 2,902</u>	<u>\$ 29,008,069</u>

## STATE OF IOWA

### Combining Statement of Changes in Fiduciary Net Position Pension and Other Employee Benefit Funds

For the Year Ended June 30, 2015  
(Expressed in Thousands)

	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
<b>ADDITIONS</b>						
Contributions:						
Member contributions	\$ 441,213	\$ 4,991	\$ 2,665	\$ 1,024	\$ 843	\$ 450,736
Employer contributions	656,911	18,601	8,724	-	-	684,236
Buy-back/buy-in contributions	17,476	-	-	-	-	17,476
<b>Total contributions</b>	<b>1,115,600</b>	<b>23,592</b>	<b>11,389</b>	<b>1,024</b>	<b>843</b>	<b>1,152,448</b>
Investment income:						
Net increase in fair value of investments	622,196	12,577	2,568	-	-	637,341
Interest	314,701	3,679	1,586	2	-	319,968
Dividends	109,805	5,141	1,610	-	-	116,556
Other	111,321	32	-	-	-	111,353
<b>Total investment income</b>	<b>1,158,023</b>	<b>21,429</b>	<b>5,764</b>	<b>2</b>	<b>-</b>	<b>1,185,218</b>
Less investment expense	77,978	2,207	731	-	-	80,916
<b>Net investment income</b>	<b>1,080,045</b>	<b>19,222</b>	<b>5,033</b>	<b>2</b>	<b>-</b>	<b>1,104,302</b>
Miscellaneous non-investment income	-	2,500	2,500	-	-	5,000
<b>TOTAL ADDITIONS</b>	<b>2,195,645</b>	<b>45,314</b>	<b>18,922</b>	<b>1,026</b>	<b>843</b>	<b>2,261,750</b>
<b>DEDUCTIONS</b>						
Pension & annuity benefits	1,744,601	26,693	10,891	-	-	1,782,185
Payments in accordance with agreements	-	-	-	831	398	1,229
Administrative expense	12,592	217	15	-	-	12,824
Refunds	47,167	-	-	-	-	47,167
<b>TOTAL DEDUCTIONS</b>	<b>1,804,360</b>	<b>26,910</b>	<b>10,906</b>	<b>831</b>	<b>398</b>	<b>1,843,405</b>
<b>CHANGE IN NET POSITION</b>	<b>391,285</b>	<b>18,404</b>	<b>8,016</b>	<b>195</b>	<b>445</b>	<b>418,345</b>
<b>NET POSITION - JULY 1</b>	<b>28,038,550</b>	<b>392,195</b>	<b>155,974</b>	<b>548</b>	<b>2,457</b>	<b>28,589,724</b>
<b>NET POSITION - JUNE 30</b>	<b>\$ 28,429,835</b>	<b>\$ 410,599</b>	<b>\$ 163,990</b>	<b>\$ 743</b>	<b>\$ 2,902</b>	<b>\$ 29,008,069</b>



## COMBINING FINANCIAL STATEMENTS

### **Private Purpose Trust Funds**

Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

**Iowa Educational Savings Plan Trust** receives contributions from participants for investment for future application towards payment of higher education costs for designated beneficiaries.

**Iowa Veterans Trust Fund** accounts for assets held for the benefit of veterans. The principal is maintained and the applicable interest is transferred to the Veterans Affairs Commission to be used for purposes consistent with the Trust. New legislation amended the fund to allow a portion of the principal to be transferred out of the fund to establish the Iowa Veterans Cemetery.

**Braille & Sight Saving School Fund** receives donations and contributions to be spent for the benefit of the students.

**Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR-UP) Fund** accounts for receipts that are set aside for a scholarship program for students who were in the 7th grade in 2009.

**Other Private Purpose Trust Funds** aggregates the Health Organization Insolvency Fund that received a nonrefundable remittance to cover administration costs if a Health Maintenance Organization (HMO) or Limited Service Organization (LSO) declares bankruptcy, donations and fund raising receipts for the benefit of veteran residents and the Wagner Award Fund that received a bequest by Ruth Wagner to present an annual recognition to the outstanding soil district commissioner who is 40 years or younger to be presented each year at the annual state conference.

**STATE OF IOWA**

**Combining Statement of Fiduciary Net Position  
Private Purpose Trust Funds**

June 30, 2015  
(Expressed in Thousands)

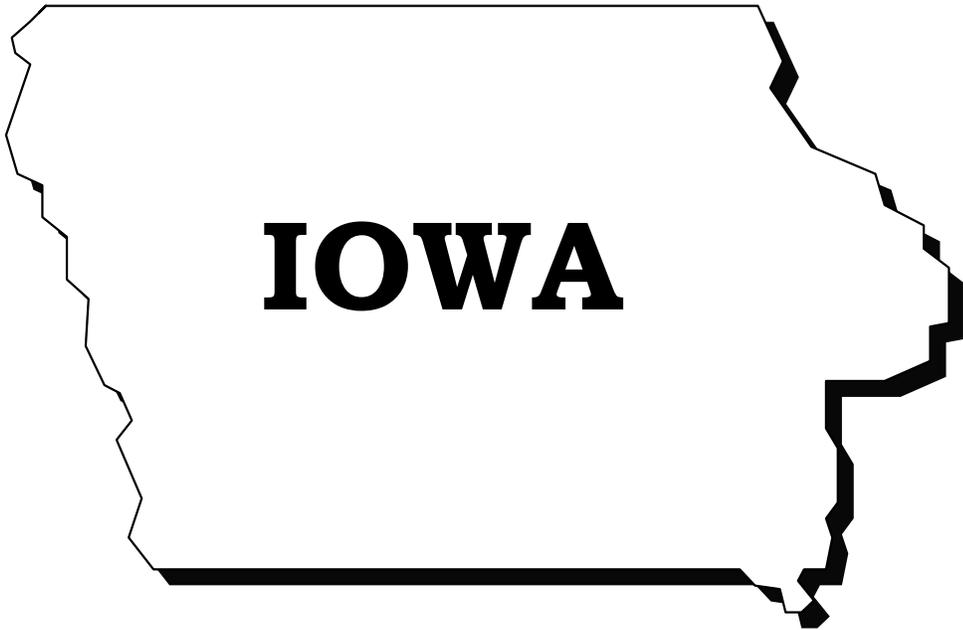
	<b>IOWA EDUCATIONAL SAVINGS PLAN TRUST</b>	<b>IOWA VETERANS TRUST FUND</b>	<b>BRAILLE &amp; SIGHT SAVING SCHOOL FUND</b>	<b>GEAR-UP FUND</b>	<b>OTHER FUNDS</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Cash	\$ 1,416	\$ 21,737	\$ -	\$ 4,044	\$ 1,272	\$ 28,469
Accounts receivable (net)	-	133	602	-	-	735
Investments	4,363,485	-	-	7,443	-	4,370,928
Capital assets - depreciable (net)	3	-	-	-	45	48
Other assets	9	-	-	-	6	15
<b>TOTAL ASSETS</b>	<b>4,364,913</b>	<b>21,870</b>	<b>602</b>	<b>11,487</b>	<b>1,323</b>	<b>4,400,195</b>
<b>LIABILITIES</b>						
Accounts payable & accruals	30	43	-	-	243	316
<b>NET POSITION</b>						
Restricted for individuals, organizations & other entities	<u>\$ 4,364,883</u>	<u>\$ 21,827</u>	<u>\$ 602</u>	<u>\$ 11,487</u>	<u>\$ 1,080</u>	<u>\$ 4,399,879</u>

**STATE OF IOWA**

**Combining Statement of Changes in Fiduciary Net Position  
Private Purpose Trust Funds**

For the Year Ended June 30, 2015  
(Expressed in Thousands)

	<b>IOWA EDUCATIONAL SAVINGS PLAN TRUST</b>	<b>IOWA VETERANS TRUST FUND</b>	<b>BRAILLE &amp; SIGHT SAVING SCHOOL FUND</b>	<b>GEAR-UP FUND</b>	<b>OTHER FUNDS</b>	<b>TOTAL</b>
<b>ADDITIONS</b>						
Contributions:						
Participant contributions	\$ 372,404	\$ -	\$ -	\$ -	\$ 75	\$ 372,479
Other contributions	856	26	-	-	90	972
Gifts, bequests & endowments	-	2,485	-	-	133	2,618
Total contributions	<u>373,260</u>	<u>2,511</u>	<u>-</u>	<u>-</u>	<u>298</u>	<u>376,069</u>
Investment income (loss):						
Net increase (decrease) in fair value of investments	118,542	5	-	(99)	-	118,448
Interest	-	96	14	232	2	344
Total investment income	<u>118,542</u>	<u>101</u>	<u>14</u>	<u>133</u>	<u>2</u>	<u>118,792</u>
<b>TOTAL ADDITIONS</b>	<b><u>491,802</u></b>	<b><u>2,612</u></b>	<b><u>14</u></b>	<b><u>133</u></b>	<b><u>300</u></b>	<b><u>494,861</u></b>
<b>DEDUCTIONS</b>						
Distributions to participants	301,692	691	81	5,897	-	308,361
Other	857	-	-	12	307	1,176
<b>TOTAL DEDUCTIONS</b>	<b><u>302,549</u></b>	<b><u>691</u></b>	<b><u>81</u></b>	<b><u>5,909</u></b>	<b><u>307</u></b>	<b><u>309,537</u></b>
<b>CHANGE IN NET POSITION</b>	<b><u>189,253</u></b>	<b><u>1,921</u></b>	<b><u>(67)</u></b>	<b><u>(5,776)</u></b>	<b><u>(7)</u></b>	<b><u>185,324</u></b>
<b>NET POSITION - JULY 1</b>	<b><u>4,175,630</u></b>	<b><u>19,906</u></b>	<b><u>669</u></b>	<b><u>17,263</u></b>	<b><u>1,087</u></b>	<b><u>4,214,555</u></b>
<b>NET POSITION - JUNE 30</b>	<b><u>\$ 4,364,883</u></b>	<b><u>\$ 21,827</u></b>	<b><u>\$ 602</u></b>	<b><u>\$ 11,487</u></b>	<b><u>\$ 1,080</u></b>	<b><u>\$ 4,399,879</u></b>



# COMBINING FINANCIAL STATEMENTS

## **Agency Funds**

Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or organizations.

**Local Sales & Services Tax Fund** is used to account for local option sales taxes collected by retailers and deposited with the State. The taxes are then distributed back to the counties which have jurisdictions imposing local option sales tax.

**Centralized Payroll Trustee Fund** is used to account for accumulation of all voluntary and discretionary payroll deductions from the centralized payroll process.

**Judicial - Clerks of District Court** act as a collecting agency for many fees and taxes that are then distributed to the proper local government or recipient.

**School District Surtax Clearing Fund** collects and distributes surtax to the school districts according to the surtax formula set by the districts.

**Other Agency Funds** are aggregated for reporting purposes and represent amounts held for inmates and residents of State institutions, miscellaneous clearing accounts and other deposits.

**STATE OF IOWA**

**Combining Statement of Fiduciary Net Position  
Agency Funds**

June 30, 2015

(Expressed in Thousands)

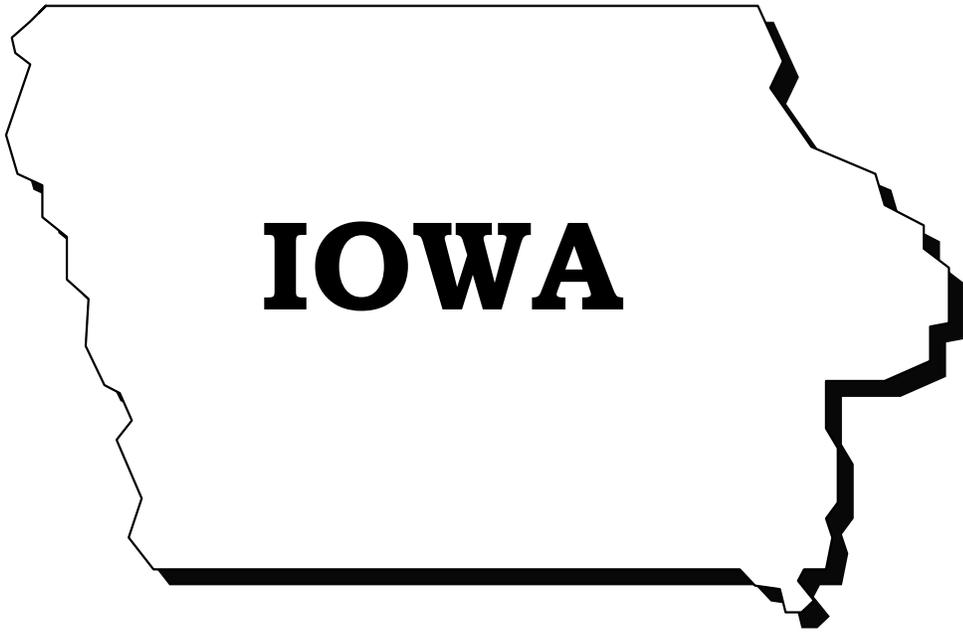
	<b>LOCAL SALES &amp; SERVICES TAX FUND</b>	<b>CENTRALIZED PAYROLL TRUSTEE FUND</b>	<b>JUDICIAL - CLERKS OF DISTRICT COURT</b>	<b>SCHOOL DISTRICT SURTAX CLEARING FUND</b>	<b>OTHER FUNDS</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Cash	\$ 24,742	\$ 2,274	\$ 46,838	\$ 90,375	\$ 72,983	\$ 237,212
Accounts receivable (net)	113,685	1,644	-	3,693	79,702	198,724
<b>TOTAL ASSETS</b>	<b><u>\$ 138,427</u></b>	<b><u>\$ 3,918</u></b>	<b><u>\$ 46,838</u></b>	<b><u>\$ 94,068</u></b>	<b><u>\$ 152,685</u></b>	<b><u>\$ 435,936</u></b>
<b>LIABILITIES</b>						
Accounts payable & accruals	\$ 138,427	\$ 3,918	\$ 46,838	\$ 94,068	\$ 152,685	\$ 435,936
<b>TOTAL LIABILITIES</b>	<b><u>\$ 138,427</u></b>	<b><u>\$ 3,918</u></b>	<b><u>\$ 46,838</u></b>	<b><u>\$ 94,068</u></b>	<b><u>\$ 152,685</u></b>	<b><u>\$ 435,936</u></b>

# STATE OF IOWA

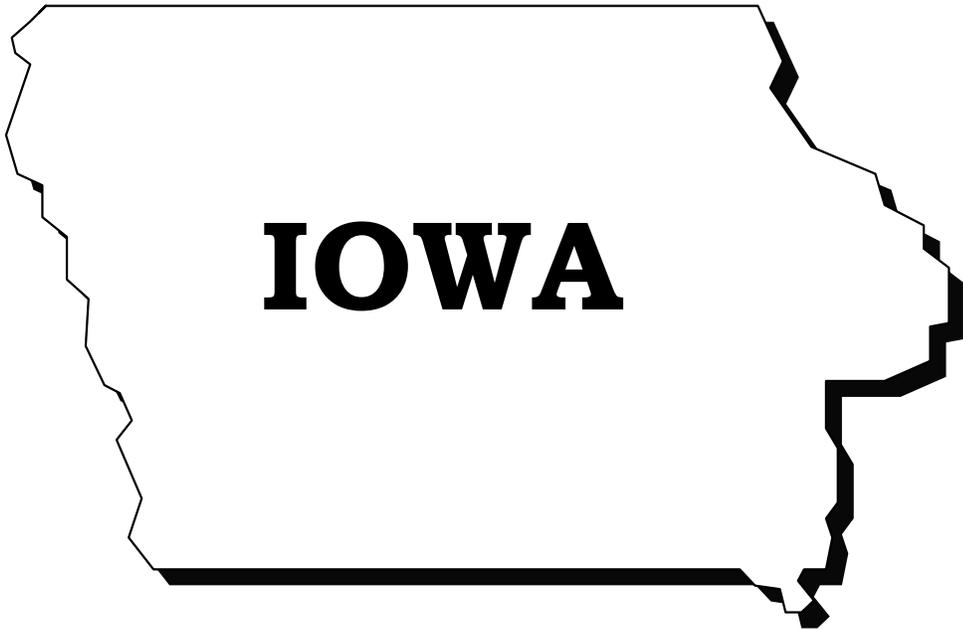
## Combining Statement of Changes in Assets and Liabilities Agency Funds

For the Year Ended June 30, 2015  
(Expressed in Thousands)

	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
<b>LOCAL SALES &amp; SERVICES TAX FUND</b>				
<b>ASSETS</b>				
Cash	\$ 65,410	\$ 830,347	\$ 871,015	\$ 24,742
Accounts receivable	136,457	113,685	136,457	113,685
<b>TOTAL ASSETS</b>	<u>\$ 201,867</u>	<u>\$ 944,032</u>	<u>\$ 1,007,472</u>	<u>\$ 138,427</u>
<b>LIABILITIES</b>				
Accounts payable & accruals	<u>\$ 201,867</u>	<u>\$ 944,032</u>	<u>\$ 1,007,472</u>	<u>\$ 138,427</u>
<b>CENTRALIZED PAYROLL TRUSTEE FUND</b>				
<b>ASSETS</b>				
Cash	\$ 2,650	\$ 882,103	\$ 882,479	\$ 2,274
Accounts receivable	1,388	1,644	1,388	1,644
<b>TOTAL ASSETS</b>	<u>\$ 4,038</u>	<u>\$ 883,747</u>	<u>\$ 883,867</u>	<u>\$ 3,918</u>
<b>LIABILITIES</b>				
Accounts payable & accruals	<u>\$ 4,038</u>	<u>\$ 883,747</u>	<u>\$ 883,867</u>	<u>\$ 3,918</u>
<b>JUDICIAL - CLERKS OF DISTRICT COURT</b>				
<b>ASSETS</b>				
Cash	\$ 20,768	\$ 312,574	\$ 286,504	\$ 46,838
<b>LIABILITIES</b>				
Accounts payable & accruals	<u>\$ 20,768</u>	<u>\$ 312,574</u>	<u>\$ 286,504</u>	<u>\$ 46,838</u>
<b>SCHOOL DISTRICT SURTAX CLEARING FUND</b>				
<b>ASSETS</b>				
Cash	\$ 92,795	\$ 101,818	\$ 104,238	\$ 90,375
Accounts receivable	4,900	3,693	4,900	3,693
<b>TOTAL ASSETS</b>	<u>\$ 97,695</u>	<u>\$ 105,511</u>	<u>\$ 109,138</u>	<u>\$ 94,068</u>
<b>LIABILITIES</b>				
Accounts payable & accruals	<u>\$ 97,695</u>	<u>\$ 105,511</u>	<u>\$ 109,138</u>	<u>\$ 94,068</u>
<b>OTHER FUNDS</b>				
<b>ASSETS</b>				
Cash	\$ 105,644	\$ 1,378,461	\$ 1,411,122	\$ 72,983
Accounts receivable	57,965	79,702	57,965	79,702
<b>TOTAL ASSETS</b>	<u>\$ 163,609</u>	<u>\$ 1,458,163</u>	<u>\$ 1,469,087</u>	<u>\$ 152,685</u>
<b>LIABILITIES</b>				
Accounts payable & accruals	<u>\$ 163,609</u>	<u>\$ 1,458,163</u>	<u>\$ 1,469,087</u>	<u>\$ 152,685</u>
<b>TOTAL</b>				
<b>ASSETS</b>				
Cash	\$ 287,267	\$ 3,505,303	\$ 3,555,358	\$ 237,212
Accounts receivable	200,710	198,724	200,710	198,724
<b>TOTAL ASSETS</b>	<u>\$ 487,977</u>	<u>\$ 3,704,027</u>	<u>\$ 3,756,068</u>	<u>\$ 435,936</u>
<b>LIABILITIES</b>				
Accounts payable & accruals	<u>\$ 487,977</u>	<u>\$ 3,704,027</u>	<u>\$ 3,756,068</u>	<u>\$ 435,936</u>



STATISTICAL  
SECTION



**STATE OF IOWA**  
**STATISTICAL SECTION**  
**TABLE OF CONTENTS**

This part of the State of Iowa's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State's overall financial health.

	<b><u>Schedule</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	<b>1 - 4</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the State's most significant revenue source, individual income tax.	<b>5 - 7</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	<b>8 - 9</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	<b>10 - 11</b>
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs. A schedule of current expenditures is also included.	<b>12 - 15</b>

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**STATE OF IOWA**  
**Net Position by Component**  
For the Last Ten Fiscal Years  
(Accrual Basis of Accounting Expressed in Thousands)

**Schedule 1**

	Fiscal Year									
	2006	2007	2008 <sup>(1)</sup>	2009 <sup>(2)</sup>	2010 <sup>(3)</sup>	2011 <sup>(4)</sup>	2012 <sup>(5)</sup>	2013 <sup>(6)</sup>	2014	2015 <sup>(7)</sup>
<b>Governmental activities</b>										
Net investment in capital assets	\$ 5,878,568	\$ 6,071,498	\$ 6,193,796	\$ 6,489,500	\$ 6,880,376	\$ 7,042,318	\$ 7,297,964	\$ 7,579,657	\$ 7,960,096	\$ 8,360,410
Restricted	1,190,851	954,614	1,096,738	981,399	1,190,535	1,217,229	1,066,451	1,085,008	1,064,266	855,856
Unrestricted	282,317	612,506	490,372	145,222	(86,726)	(226,038)	90,401	525,989	413,880	(515,129)
Total governmental activities net position	\$ 7,351,736	\$ 7,638,618	\$ 7,780,906	\$ 7,616,121	\$ 7,984,185	\$ 8,033,509	\$ 8,454,816	\$ 9,190,654	\$ 9,438,242	\$ 8,701,137
<b>Business-type activities</b>										
Net investment in capital assets	\$ 1,874,011	\$ 1,962,371	\$ 1,997,070	\$ 2,234,564	\$ 2,268,065	\$ 2,364,752	\$ 2,534,247	\$ 2,700,019	\$ 2,916,998	\$ 3,224,968
Restricted	1,353,063	1,377,602	1,490,766	1,286,727	991,124	1,127,606	1,368,589	1,538,055	1,662,891	1,713,840
Unrestricted	785,313	965,010	1,073,688	968,103	1,347,744	1,593,616	1,687,242	1,734,657	1,921,118	1,861,341
Total business-type activities net position	\$ 4,012,387	\$ 4,304,983	\$ 4,561,524	\$ 4,489,394	\$ 4,606,933	\$ 5,085,974	\$ 5,590,078	\$ 5,972,731	\$ 6,501,007	\$ 6,800,149
<b>Primary government</b>										
Net investment in capital assets	\$ 7,752,579	\$ 8,033,869	\$ 8,190,866	\$ 8,724,064	\$ 9,148,441	\$ 9,407,070	\$ 9,832,211	\$ 10,279,676	\$ 10,877,094	\$ 11,585,378
Restricted	2,543,914	2,332,216	2,587,504	2,268,126	2,181,659	2,344,835	2,435,040	2,623,063	2,727,157	2,569,696
Unrestricted	1,067,630	1,577,516	1,564,060	1,113,325	1,261,018	1,367,578	1,777,643	2,260,646	2,334,998	1,346,212
Total primary government net position	\$ 11,364,123	\$ 11,943,601	\$ 12,342,430	\$ 12,105,515	\$ 12,591,118	\$ 13,119,483	\$ 14,044,894	\$ 15,163,385	\$ 15,939,249	\$ 15,501,286

(1) - Fiscal Year 2008 amounts reported include prior period adjustments made in 2009 to reflect the effect of reclassifications and misstatements of the Department of Natural Resources' capital assets totaling \$9.9 million.

(2) - Fiscal Year 2009 amounts reported include prior period adjustments made in 2010 to reflect the effect of implementation of GASB No. 51 for intangible assets and reclassifications of investments at the Iowa Braille and Sight Saving School from a governmental activity to a fiduciary fund.

(3) - Fiscal Year 2010 amounts reported include prior period adjustments made in 2011 to reflect the effect of implementation of GASB No. 54 and the reclassification of the Iowa Lottery Authority from a blended component unit to a discretely presented component unit.

(4) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit. In addition, during Fiscal Year 2012, the Iowa College Student Aid Commission revalued student loan receivables and related allowances for doubtful accounts.

(5) - Fiscal Year 2012 amounts reported include prior period adjustments made in 2013 to reflect the effect of implementation of GASB No. 61 and the inclusion of new component units at the University of Iowa.

(6) - Fiscal Year 2013 amounts reported include prior period adjustments made in 2014 to reflect the effect of implementation of GASB No. 65.

(7) - Fiscal Year 2015 was the first year of implementation of GASB No. 68 and GASB No. 71; therefore, recognized the net pension liability and related deferred amounts.

**STATE OF IOWA**  
**Changes in Net Position**

**Schedule 2**

For the Last Ten Fiscal Years

(Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year									
	2006	2007	2008 <sup>(1)</sup>	2009 <sup>(2)</sup>	2010 <sup>(3)</sup>	2011 <sup>(4)</sup>	2012 <sup>(5)</sup>	2013 <sup>(6)</sup>	2014	2015
<b>Expenses</b>										
Governmental activities:										
Administration & regulation	\$ 924,171	\$ 881,865	\$ 900,181	\$ 1,259,465	\$ 1,289,713	\$ 1,383,161	\$ 1,411,797	\$ 1,385,398	\$ 1,436,485	\$ 1,595,922
Education	2,948,579	3,071,601	3,352,331	3,502,472	3,447,890	3,601,899	3,551,294	3,582,770	3,749,195	3,909,866
Health & human rights	367,579	368,342	405,459	450,955	488,380	458,702	423,202	420,844	423,723	422,677
Human services	3,927,888	3,882,041	4,283,160	4,651,972	4,953,873	5,182,496	5,466,172	5,509,926	5,757,061	6,463,802
Justice & public defense	756,968	822,676	945,438	1,209,839	1,178,089	1,098,041	1,082,774	1,095,300	1,255,597	1,202,362
Economic development	223,153	227,266	234,579	329,936	351,635	273,377	254,902	186,948	159,964	158,632
Transportation	930,333	954,278	959,598	1,084,299	1,239,669	1,139,321	1,206,924	1,149,919	1,236,035	1,340,548
Agriculture & natural resources	180,539	193,327	220,995	210,984	212,590	217,783	214,526	219,948	219,159	223,916
Interest expense	77,392	74,053	73,065	62,387	91,432	101,867	101,849	99,311	95,312	92,011
Total governmental activities expenses	10,336,602	10,475,449	11,374,806	12,762,309	13,253,271	13,456,647	13,713,440	13,650,364	14,332,531	15,409,736
Business-type activities:										
University Funds	2,850,291	2,942,220	3,155,027	3,401,126	3,341,877	3,465,390	3,842,314	3,960,727	4,156,145	4,339,376
Unemployment Benefits Fund	304,143	342,499	356,261	872,030	1,258,041	928,379	718,611	554,883	439,937	396,842
Other	432,037	363,508	391,077	396,668	213,185	222,239	246,673	257,011	260,564	264,092
Total business-type activities expenses	3,586,471	3,648,227	3,902,365	4,669,824	4,813,103	4,616,008	4,807,598	4,772,621	4,856,646	5,000,310
Total primary government expenses	\$ 13,923,073	\$ 14,123,676	\$ 15,277,171	\$ 17,432,133	\$ 18,066,374	\$ 18,072,655	\$ 18,521,038	\$ 18,422,985	\$ 19,189,177	\$ 20,410,046
<b>Program revenues</b>										
Governmental activities:										
Charges for services:										
Administration & regulation	\$ 804,217	\$ 765,932	\$ 808,206	\$ 1,069,214	\$ 957,591	\$ 1,063,106	\$ 1,060,902	\$ 1,099,289	\$ 1,061,265	\$ 1,064,230
Education	23,117	39,402	47,201	45,794	54,219	61,920	52,686	21,787	18,057	20,656
Health & human rights	45,324	55,086	83,700	71,849	60,885	70,702	66,922	68,865	69,159	80,767
Human services	418,391	448,255	417,733	437,131	465,890	575,377	666,496	438,915	519,909	544,631
Justice & public defense	83,256	60,529	177,293	83,868	102,600	110,215	104,969	89,888	106,730	95,952
Economic development	2,715	2,519	7,125	5,012	3,423	13,795	3,672	3,864	3,374	1,749
Transportation	13,922	30,106	17,695	84,511	84,291	76,404	93,908	106,081	122,683	100,322
Agriculture & natural resources	60,128	78,306	72,564	78,697	86,086	74,295	84,912	78,476	79,777	72,634
Operating grants & contributions	3,699,313	3,247,773	3,471,494	4,345,320	5,309,310	4,921,994	4,489,138	4,619,136	4,905,617	5,349,944
Capital grants & contributions	4,245	283,759	230,585	385,478	590,926	420,006	494,715	426,350	472,885	501,378
Total governmental activities program revenues	5,154,628	5,011,667	5,333,596	6,606,874	7,715,221	7,387,814	7,118,320	6,952,651	7,359,456	7,832,263
Business-type activities:										
Charges for services:										
University Funds	1,786,355	1,690,465	1,800,897	1,993,932	2,064,853	2,223,527	2,590,308	2,687,569	2,845,788	3,037,054
Unemployment Benefits Fund	348,246	352,067	368,202	358,198	474,465	619,455	643,970	543,535	471,738	410,209
Other	567,966	478,850	506,995	521,913	284,931	297,750	325,699	342,596	355,988	366,129
Operating grants & contributions	458,271	633,957	670,859	987,715	1,333,041	1,200,118	1,044,159	848,672	783,036	746,633
Capital grants & contributions	18,039	30,943	35,225	45,432	8,801	36,197	61,339	61,948	90,263	173,150
Total business-type activities program revenues	3,178,877	3,186,282	3,382,178	3,907,190	4,166,091	4,377,047	4,665,475	4,484,320	4,546,813	4,733,175
Total primary government program revenues	\$ 8,333,505	\$ 8,197,949	\$ 8,715,774	\$ 10,514,064	\$ 11,881,312	\$ 11,764,861	\$ 11,783,795	\$ 11,436,971	\$ 11,906,269	\$ 12,565,438
Net expense										
Governmental activities	\$ (5,181,974)	\$ (5,463,782)	\$ (6,041,210)	\$ (6,155,435)	\$ (5,538,050)	\$ (6,068,833)	\$ (6,595,120)	\$ (6,697,713)	\$ (6,973,075)	\$ (7,577,473)
Business-type activities	(407,594)	(461,945)	(520,187)	(762,634)	(647,012)	(238,961)	(142,123)	(288,301)	(309,833)	(267,135)
Total primary government net expense	\$ (5,589,568)	\$ (5,925,727)	\$ (6,561,397)	\$ (6,918,069)	\$ (6,185,062)	\$ (6,307,794)	\$ (6,737,243)	\$ (6,986,014)	\$ (7,282,908)	\$ (7,844,608)

(continued on next page)

**STATE OF IOWA**  
**Changes in Net Position**

**Schedule 2**

For the Last Ten Fiscal Years

(Accrual Basis of Accounting Expressed in Thousands)

(continued)

	Fiscal Year									
	2006	2007	2008 <sup>(1)</sup>	2009 <sup>(2)</sup>	2010 <sup>(3)</sup>	2011 <sup>(4)</sup>	2012 <sup>(5)</sup>	2013 <sup>(6)</sup>	2014	2015
<b>General revenues and other changes in net position</b>										
Governmental activities:										
Personal income tax	\$ 2,430,981	\$ 2,673,861	\$ 2,866,774	\$ 2,716,655	\$ 2,637,753	\$ 2,856,474	\$ 3,040,391	\$ 3,446,857	\$ 3,206,504	\$ 3,456,503
Corporate income tax	283,112	322,315	347,833	258,115	196,723	254,761	430,395	428,991	387,232	464,121
Sales & use tax	1,866,864	1,878,500	1,966,871	2,094,893	2,232,711	2,336,298	2,454,156	2,509,817	2,625,302	2,670,084
Other tax	592,888	641,206	783,814	743,231	710,946	685,454	756,713	759,681	756,237	771,702
Motor fuel tax restricted for transportation purposes	440,652	446,607	443,997	436,732	436,567	445,580	438,953	438,009	446,449	524,569
Road use tax restricted for transportation purposes	247,125	248,959	257,523	256,554	254,016	281,998	303,368	307,821	322,470	346,901
Unrestricted investment earnings	98,269	146,669	114,987	66,159	25,729	30,696	21,155	6,240	21,406	19,175
Other	29,810	25,807	32,492	30,476	31,571	28,317	27,504	29,746	35,357	36,680
Gain/(loss) on sale of assets	-	-	571	804	842	51	732	871	1,011	1,401
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	(5,679)	-
Contribution to Permanent Fund principal	262	55	4,031	-	-	-	-	-	-	-
Special items - disposal of operations	-	-	-	-	-	-	-	5,728	-	-
Extraordinary items - impairment of assets and other	-	-	-	-	-	(4,394)	-	-	-	-
Transfers	(480,654)	(549,206)	(598,789)	(612,520)	(612,563)	(503,494)	(456,940)	(500,210)	(575,626)	(534,103)
<b>Total governmental activities</b>	<b>\$ 5,509,309</b>	<b>\$ 5,834,773</b>	<b>\$ 6,220,104</b>	<b>\$ 5,991,099</b>	<b>\$ 5,914,295</b>	<b>\$ 6,411,741</b>	<b>\$ 7,016,427</b>	<b>\$ 7,433,551</b>	<b>\$ 7,220,663</b>	<b>\$ 7,757,033</b>
Business-type activities:										
Other tax	\$ 7,300	\$ 5,909	\$ 6,551	\$ 5,688	\$ 6,459	\$ 6,803	\$ 7,031	\$ 7,463	\$ 7,527	\$ 7,765
Unrestricted investment earnings	93,651	159,246	69,378	(25,411)	115,200	154,176	90,891	109,987	186,857	46,888
Other	68,209	40,162	46,919	94,068	50,678	47,610	76,091	67,096	68,072	57,303
Gain/(loss) on sale of assets	4,169	18	7	75	101	16	688	78	27	20
Contribution to University Endowments	-	-	-	404	(250)	-	-	-	-	-
Extraordinary items - impairment of assets and other	-	-	55,084	3,160	(15,785)	5,900	991	(2,580)	-	-
Transfers	480,654	549,206	598,789	612,520	612,563	503,494	456,940	500,210	575,626	534,103
<b>Total business-type activities</b>	<b>\$ 653,983</b>	<b>\$ 754,541</b>	<b>\$ 776,728</b>	<b>\$ 690,504</b>	<b>\$ 768,966</b>	<b>\$ 717,999</b>	<b>\$ 632,632</b>	<b>\$ 682,254</b>	<b>\$ 838,109</b>	<b>\$ 646,079</b>
<b>Change in net position</b>										
Governmental activities	\$ 327,335	\$ 370,991	\$ 178,894	\$ (164,336)	\$ 376,245	\$ 342,908	\$ 421,307	\$ 735,838	\$ 247,588	\$ 179,560
Business-type activities	246,389	292,596	256,541	(72,130)	121,954	479,038	490,509	393,953	528,276	378,944
<b>Total primary government</b>	<b>\$ 573,724</b>	<b>\$ 663,587</b>	<b>\$ 435,435</b>	<b>\$ (236,466)</b>	<b>\$ 498,199</b>	<b>\$ 821,946</b>	<b>\$ 911,816</b>	<b>\$ 1,129,791</b>	<b>\$ 775,864</b>	<b>\$ 558,504</b>

(1) - Fiscal Year 2008 amounts reported include prior period adjustments made in 2009 to reflect the effect of reclassifications and misstatements of the Department of Natural Resources' capital assets totaling \$9.9 million.

(2) - Fiscal Year 2009 amounts reported include prior period adjustments made in 2010 to reflect the effect of the implementation of GASB No. 51 for intangible assets and reclassifications of investments at the Iowa Braille and Sight Saving School from a governmental activity to a fiduciary fund.

(3) - Fiscal Year 2010 amounts reported include prior period adjustments made in 2011 to reflect the effect of implementation of GASB No. 54 and the reclassification of the Iowa Lottery Authority from a blended component unit to a discretely presented component unit.

(4) - Due to changes in legislation, 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit. In addition, during 2012, the Iowa College Student Aid Commission revalued student loan receivables and related allowances for doubtful accounts.

(5) - Fiscal Year 2012 amounts reported include prior period adjustments made in 2013 to reflect the effect of implementation of GASB No. 61 and the inclusion of new component units at the University of Iowa.

(6) - Fiscal Year 2013 amounts reported include prior period adjustments made in 2014 to reflect the effect of implementation of GASB No. 65.

**STATE OF IOWA**  
**Fund Balances of Governmental Funds**

**Schedule 3**

For the Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year									
	2006	2007	2008	2009 <sup>(2)</sup>	2010 <sup>(3)</sup>	2011 <sup>(4)</sup>	2012	2013	2014	2015
<b>General Fund</b>										
Reserved	\$ 1,202,023	\$ 1,000,811	\$ 1,178,178	\$ 1,121,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	897,708	1,052,537	1,118,497	802,767	-	-	-	-	-	-
Nonspendable	-	-	-	-	31,950	31,364	41,382	43,138	41,248	44,528
Spendable:										
Restricted	-	-	-	-	1,219,215	1,236,111	1,062,771	1,017,927	1,045,227	861,583
Committed	-	-	-	-	1,385,901	1,486,404	1,732,552	2,145,980	1,912,518	1,676,632
Unassigned	-	-	-	-	(201,720)	(250,589)	(210,684)	(156,800)	(214,660)	(273,102)
<b>Total General Fund</b>	<b>\$ 2,099,731</b>	<b>\$ 2,053,348</b>	<b>\$ 2,296,675</b>	<b>\$ 1,923,899</b>	<b>\$ 2,435,346</b>	<b>\$ 2,503,290</b>	<b>\$ 2,626,021</b>	<b>\$ 3,050,245</b>	<b>\$ 2,784,333</b>	<b>\$ 2,309,641</b>
<b>All other governmental funds</b>										
Reserved	\$ 419,404	\$ 305,336	\$ 927,732 <sup>(1)</sup>	\$ 820,497 <sup>(1)</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	62,224	48,907	(633,676) <sup>(1)</sup>	(584,829) <sup>(1)</sup>	-	-	-	-	-	-
Capital projects funds	2,056	98,015	82,668	52,417	-	-	-	-	-	-
Nonspendable	-	-	-	-	14,857	15,692	16,192	16,376	16,327	16,451
Spendable:										
Restricted	-	-	-	-	779,220 <sup>(1)</sup>	789,149 <sup>(1)</sup>	667,541 <sup>(1)</sup>	570,702 <sup>(1)</sup>	489,259 <sup>(1)</sup>	437,487 <sup>(1)</sup>
Committed	-	-	-	-	25,347	27,348	26,453	28,346	29,124	24,038
Unassigned	-	-	-	-	(572,626) <sup>(1)</sup>	(513,010) <sup>(1)</sup>	(461,801) <sup>(1)</sup>	(410,619) <sup>(1)</sup>	(354,758) <sup>(1)</sup>	(305,015) <sup>(1)</sup>
<b>Total all other governmental funds</b>	<b>\$ 483,684</b>	<b>\$ 452,258</b>	<b>\$ 376,724</b>	<b>\$ 288,085</b>	<b>\$ 246,798</b>	<b>\$ 319,179</b>	<b>\$ 248,385</b>	<b>\$ 204,805</b>	<b>\$ 179,952</b>	<b>\$ 172,961</b>

(1) - Due to the implementation of GASB No. 48, interfund advances were recorded in the Tobacco Settlement Authority and Tobacco Collections funds.

(2) - Fiscal Year 2009 amounts reported include prior period adjustments made in 2010 to reflect the effect of reclassifications of investments at the Iowa Braille and Sight Saving School from a governmental activity to a fiduciary fund.

(3) - Fiscal Year 2010 amounts reported include prior period adjustments made in 2011 to reflect the effect of implementation of GASB No. 54.

(4) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit. In addition, during Fiscal Year 2012, the Iowa College Student Aid Commission revalued student loan receivables and related allowances for doubtful accounts.

**STATE OF IOWA**  
**Changes in Fund Balances of Governmental Funds**  
For the Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting Expressed in Thousands)

**Schedule 4**

	Fiscal Year									
	2006	2007	2008	2009	2010 <sup>(1)</sup>	2011 <sup>(2)</sup>	2012	2013	2014	2015
<b>Revenues</b>										
Taxes	\$ 6,491,259	\$ 6,867,216	\$ 7,386,422	\$ 7,333,205	\$ 7,089,985	\$ 7,484,244	\$ 7,985,697	\$ 8,456,345	\$ 8,414,849	\$ 8,917,337
Receipts from other entities	3,973,158	3,522,809	4,193,259	5,126,503	6,131,238	5,855,250	5,626,029	5,400,502	5,655,703	5,943,765
Investment income	97,418	145,561	118,360	66,294	26,431	29,931	21,766	6,244	21,370	19,141
Fees, licenses & permits	651,726	680,615	690,211	978,396	1,077,664	1,195,283	1,226,093	1,268,880	1,324,029	1,358,661
Refunds & reimbursements	466,900	411,734	431,503	474,081	465,278	539,796	537,219	527,456	576,484	601,812
Sales, rents & services	27,714	28,589	29,143	29,925	34,620	31,400	33,225	32,639	35,827	39,765
Miscellaneous	119,906	120,677	117,568	93,961	118,521	147,736	141,461	150,035	158,048	177,710
Contributions	265	156	48	1,008	-	-	-	-	-	-
Gross revenues	11,828,346	11,777,357	12,966,514	14,103,373	14,943,737	15,283,640	15,571,490	15,842,101	16,186,310	17,058,191
Less revenue refunds	675,709	686,423	762,926	883,633	954,852	918,313	918,524	909,631	1,039,704	1,066,067
Net revenues	11,152,637	11,090,934	12,203,588	13,219,740	13,988,885	14,365,327	14,652,966	14,932,470	15,146,606	15,992,124
<b>Expenditures</b>										
Administration & regulation	909,321	863,429	889,445	1,244,250	1,272,714	1,370,396	1,403,974	1,364,608	1,419,879	1,596,272
Education	2,940,726	3,068,629	3,341,479	3,492,860	3,434,673	3,593,313	3,544,428	3,575,186	3,731,639	3,908,485
Health & human rights	360,180	357,830	389,209	443,841	472,053	451,393	417,306	414,981	418,906	420,907
Human services	3,919,831	3,864,673	4,240,263	4,626,097	4,897,794	5,172,053	5,461,157	5,540,912	5,783,311	6,454,924
Justice & public defense	700,362	771,562	870,244	1,144,444	1,107,809	1,065,068	1,027,435	1,035,912	1,199,871	1,173,037
Economic development	217,701	221,567	220,313	335,429	343,857	270,192	255,299	184,877	159,626	158,282
Transportation	382,576	458,950	416,388	471,563	550,192	542,490	548,629	552,228	580,831	646,481
Agriculture & natural resources	161,172	172,948	181,518	199,639	189,349	198,876	201,838	200,439	201,194	207,823
Capital outlay	878,185	800,188	769,202	1,029,341	1,161,197	962,834	1,136,378	1,012,032	1,128,589	1,238,409
Debt service:										
Payment to escrow agent	-	-	-	-	-	-	-	-	73,940	-
Principal	23,435	28,025	69,575	36,335	29,090	40,495	72,555	49,815	69,215	45,625
Interest & fiscal charges	54,867	53,194	58,621	59,146	86,108	100,122	101,327	98,242	94,875	89,659
Total expenditures	10,548,356	10,660,995	11,446,257	13,082,945	13,544,836	13,767,232	14,170,326	14,029,232	14,861,876	15,939,904
Excess of revenues over expenditures	604,281	429,939	757,331	136,795	444,049	598,095	482,640	903,238	284,730	52,220
<b>Other financing sources (uses)</b>										
Transfers in	453,815	323,251	533,885	538,129	395,422	197,540	197,567	215,291	229,136	200,611
Transfers out	(936,073)	(869,369)	(1,124,271)	(1,136,203)	(1,004,206)	(696,832)	(651,385)	(713,290)	(804,762)	(734,713)
Leases, installment purchases & other	530	4,730	848	313	2,340	93	562	9	131	199
Debt issued	-	33,370	-	-	613,710	311,945	-	-	-	-
Premium (discount) on bonds	(555,554)	270	-	-	27,027	26,043	1,643	-	-	-
Refunding debt issued	1,365,435	-	-	-	-	-	20,910	-	-	-
Payments to refund debt	-	-	-	-	-	-	-	-	-	-
Payment to refunding escrow agent	(666,845)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(338,692)	(507,748)	(589,538)	(597,761)	34,293	(161,211)	(430,703)	(497,990)	(575,495)	(533,903)
Special items - disposal of operations	-	-	-	-	-	-	-	(24,604)	-	-
Net change in fund balances	\$ 265,589	\$ (77,809)	\$ 167,793	\$ (460,966)	\$ 478,342	\$ 436,884	\$ 51,937	\$ 380,644	\$ (290,765)	\$ (481,683)
Debt service as a percentage of noncapital expenditures	<1%	<1%	1.2%	<1%	0.9%	1.1%	1.3%	1.1%	1.7%	0.9%

(1) - Fiscal Year 2010 amounts reported include prior period adjustments made in 2011 to reflect the effect of implementation of GASB No. 54 and the reclassification of the Iowa Lottery Authority from a blended component unit to a discretely presented component unit.

(2) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit. In addition, during Fiscal Year 2012, the Iowa College Student Aid Commission revalued student loan receivables and related allowances for doubtful accounts.

**STATE OF IOWA**  
**Tax Revenue by Source - Governmental Funds**  
For the Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting Expressed in Thousands)

**Schedule 5**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011 <sup>(1)</sup>	2012	2013	2014	2015
Individual income tax	\$ 2,876,413	\$ 3,109,609	\$ 3,366,344	\$ 3,320,295	\$ 3,236,054	\$ 3,476,658	\$ 3,677,240	\$ 4,080,794	\$ 3,984,543	\$ 4,224,097
Sales tax	1,600,799	1,590,238	1,639,885	2,002,262	1,910,962	1,983,187	2,066,024	2,097,466	2,171,915	2,251,636
Use tax	557,841	587,009	630,184	374,686	371,195	404,151	439,772	464,126	489,764	501,073
Fuel tax	490,470	500,531	497,613	487,265	482,417	496,486	490,377	481,120	493,999	575,844
Corporate tax	370,333	436,060	464,907	408,578	373,416	401,628	550,343	563,016	507,522	579,881
Inheritance tax	71,640	77,750	79,783	72,562	68,358	65,535	79,670	86,785	90,791	89,807
Insurance premium tax	121,428	105,223	111,647	90,035	88,571	97,098	101,406	104,885	105,532	109,634
Cigarette & tobacco tax	98,936	135,207	251,584	238,153	232,573	226,692	225,499	226,300	225,375	223,069
Wagering tax	249,183	272,210	287,247	282,545	272,361	269,842	287,680	283,168	275,659	280,706
Franchise tax	35,007	33,601	36,813	33,271	31,564	39,423	41,121	43,860	40,330	47,482
Beer tax	14,277	14,264	14,454	14,717	14,503	14,272	14,726	13,865	14,187	14,489
Other	4,932	5,514	5,961	8,835	8,011	9,272	11,839	10,960	15,232	19,619
<b>Gross taxes</b>	<b>6,491,259</b>	<b>6,867,216</b>	<b>7,386,422</b>	<b>7,333,204</b>	<b>7,089,985</b>	<b>7,484,244</b>	<b>7,985,697</b>	<b>8,456,345</b>	<b>8,414,849</b>	<b>8,917,337</b>
<b>Less refunds</b>	<b>576,733</b>	<b>588,552</b>	<b>663,997</b>	<b>786,757</b>	<b>858,281</b>	<b>822,634</b>	<b>820,178</b>	<b>871,332</b>	<b>1,000,031</b>	<b>1,028,612</b>
<b>Net taxes</b>	<b>\$ 5,914,526</b>	<b>\$ 6,278,664</b>	<b>\$ 6,722,425</b>	<b>\$ 6,546,447</b>	<b>\$ 6,231,704</b>	<b>\$ 6,661,610</b>	<b>\$ 7,165,519</b>	<b>\$ 7,585,013</b>	<b>\$ 7,414,818</b>	<b>\$ 7,888,725</b>

Source: State Accounting System and adjusting journal entries from GAAP packages.

(1) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit.

**STATE OF IOWA**  
**Individual Income Tax Returns Filed and Tax Rates**  
For the Last Ten Calendar Years

**Schedule 6**

Tax Year 2005		Tax Year 2006		Tax Year 2007		Tax Year 2008		Tax Year 2009	
Net Taxable Income	Number of Returns	Net Taxable Income	Number of Returns						
No AGI	39,556	No AGI	39,558	No AGI	42,488	No AGI	45,574	No AGI	51,620
\$1 - 9,999	372,761	\$1 - 9,999	362,337	\$1 - 9,999	368,519	\$1 - 9,999	356,260	\$1 - 9,999	336,423
\$10,000 - 19,999	350,536	\$10,000 - 19,999	343,506	\$10,000 - 19,999	344,833	\$10,000 - 19,999	335,220	\$10,000 - 19,999	332,440
\$20,000 - 29,999	338,342	\$20,000 - 29,999	337,101	\$20,000 - 29,999	337,340	\$20,000 - 29,999	329,579	\$20,000 - 29,999	330,853
\$30,000 - 39,999	270,292	\$30,000 - 39,999	277,113	\$30,000 - 39,999	282,702	\$30,000 - 39,999	281,286	\$30,000 - 39,999	273,662
\$40,000 - 49,999	176,395	\$40,000 - 49,999	185,575	\$40,000 - 49,999	196,874	\$40,000 - 49,999	199,752	\$40,000 - 49,999	194,025
\$50,000 - 74,999	179,890	\$50,000 - 74,999	199,518	\$50,000 - 74,999	221,027	\$50,000 - 74,999	234,607	\$50,000 - 74,999	233,380
\$75,000 - 99,999	57,841	\$75,000 - 99,999	66,119	\$75,000 - 99,999	74,841	\$75,000 - 99,999	79,374	\$75,000 - 99,999	77,882
\$100,000 & above	79,060	\$100,000 & above	90,788	\$100,000 & above	103,651	\$100,000 & above	105,736	\$100,000 & above	99,179
	1,864,673		1,901,615		1,972,275		1,967,388		1,929,464
Net Taxable Income	Tax Rate*	Net Taxable Income	Tax Rate*						
\$0 - \$1,269	0.36%	\$0 - \$1,300	0.36%	\$0 - \$1,343	0.36%	\$0 - \$1,379	0.36%	\$0 - \$1,407	0.36%
\$1,269 - 2,538	0.72%	\$1,300 - 2,600	0.72%	\$1,343 - 2,686	0.72%	\$1,379 - 2,758	0.72%	\$1,407 - 2,814	0.72%
\$2,538 - 5,076	2.43%	\$2,600 - 5,200	2.43%	\$2,686 - 5,372	2.43%	\$2,758 - 5,516	2.43%	\$2,814 - 5,628	2.43%
\$5,076 - 11,421	4.50%	\$5,200 - 11,700	4.50%	\$5,372 - 12,087	4.50%	\$5,516 - 12,411	4.50%	\$5,628 - 12,663	4.50%
\$11,421 - 19,035	6.12%	\$11,700 - 19,500	6.12%	\$12,087 - 20,145	6.12%	\$12,411 - 20,685	6.12%	\$12,663 - 21,105	6.12%
\$19,035 - 25,380	6.48%	\$19,500 - 26,000	6.48%	\$20,145 - 26,860	6.48%	\$20,685 - 27,580	6.48%	\$21,105 - 28,140	6.48%
\$25,380 - 38,070	6.80%	\$26,000 - 39,000	6.80%	\$26,860 - 40,290	6.80%	\$27,580 - 41,370	6.80%	\$28,140 - 42,210	6.80%
\$38,070 - 57,105	7.92%	\$39,000 - 58,500	7.92%	\$40,290 - 60,435	7.92%	\$41,370 - 62,055	7.92%	\$42,210 - 63,315	7.92%
\$57,105 & above	8.98%	\$58,500 & above	8.98%	\$60,435 & above	8.98%	\$62,055 & above	8.98%	\$63,315 & above	8.98%
Tax Year 2010		Tax Year 2011		Tax Year 2012		Tax Year 2013		Tax Year 2014	
Net Taxable Income	Number of Returns	Net Taxable Income	Number of Returns						
No AGI	49,110	No AGI	52,101	No AGI	52,301	No AGI	53,992		
\$1 - 9,999	333,307	\$1 - 9,999	337,187	\$1 - 9,999	326,822	\$1 - 9,999	315,190	Information not available.	
\$10,000 - 19,999	338,049	\$10,000 - 19,999	332,596	\$10,000 - 19,999	324,978	\$10,000 - 19,999	320,585		
\$20,000 - 29,999	323,039	\$20,000 - 29,999	314,841	\$20,000 - 29,999	309,181	\$20,000 - 29,999	303,974		
\$30,000 - 39,999	274,706	\$30,000 - 39,999	272,314	\$30,000 - 39,999	272,654	\$30,000 - 39,999	273,340		
\$40,000 - 49,999	198,580	\$40,000 - 49,999	202,716	\$40,000 - 49,999	207,046	\$40,000 - 49,999	210,320		
\$50,000 - 74,999	242,170	\$50,000 - 74,999	253,213	\$50,000 - 74,999	268,326	\$50,000 - 74,999	278,264		
\$75,000 - 99,999	82,412	\$75,000 - 99,999	89,113	\$75,000 - 99,999	96,439	\$75,000 - 99,999	103,702		
\$100,000 & above	107,941	\$100,000 & above	121,578	\$100,000 & above	138,830	\$100,000 & above	144,703		
	1,949,314		1,975,659		1,996,577		2,004,070		
Net Taxable Income	Tax Rate*	Net Taxable Income	Tax Rate*						
\$0 - \$1,428	0.36%	\$0-1,439	0.36%	\$0-1,469	0.36%	\$0-1,494	0.36%	\$0-1,515	0.36%
\$1,428 - 2,856	0.72%	\$1,439-2,878	0.72%	\$1,469-2,938	0.72%	\$1,494-2,988	0.72%	\$1,515-3,030	0.72%
\$2,856 - 5,712	2.43%	\$2,878-5,756	2.43%	\$2,938-5,876	2.43%	\$2,988-5,976	2.43%	\$3,030-6,060	2.43%
\$5,712 - 12,852	4.50%	\$5,756-12,951	4.50%	\$5,876-13,221	4.50%	\$5,976-13,446	4.50%	\$6,060-13,635	4.50%
\$12,852 - 21,420	6.12%	\$12,951-21,585	6.12%	\$13,221-22,035	6.12%	\$13,446-22,410	6.12%	\$13,635-22,725	6.12%
\$21,420 - 28,560	6.48%	\$21,585-28,780	6.48%	\$22,035-29,380	6.48%	\$22,410-29,880	6.48%	\$22,725-30,300	6.48%
\$28,560 - 42,840	6.80%	\$28,780-43,170	6.80%	\$29,380-44,070	6.80%	\$29,880-44,820	6.80%	\$30,300-45,450	6.80%
\$42,840 - 64,260	7.92%	\$43,170-64,755	7.92%	\$44,070-66,105	7.92%	\$44,820-67,230	7.92%	\$45,450-68,175	7.92%
\$64,260 & above	8.98%	\$64,755 & above	8.98%	\$66,105 & above	8.98%	\$67,230 & above	8.98%	\$68,175 & above	8.98%

\* Iowa is one of three states that allow all taxpayers full deductibility of net federal tax payments.

Source: Iowa Individual Income Tax Annual Statistical Report, compiled by the Iowa Department of Revenue, Tax Research and Program Analysis Section

**STATE OF IOWA**  
**Retail Sales by Business Classification**

**Schedule 7**

Sales Tax Annual Period April 1 through March 31 of the following year 2006 through 2015

Classification	2006		2007		2008		2009		2010	
	Number of Businesses	Taxable Sales (in thousands)								
Utilities & transportation	13,608	\$ 3,480,731	14,409	\$ 3,253,006	14,628	\$ 3,385,552	14,876	\$ 3,517,073	14,570	\$ 3,416,539
Building materials	6,744	2,496,945	6,965	2,502,180	6,985	2,470,307	6,981	2,561,077	6,821	2,437,841
General merchandise	6,645	4,851,712	6,862	5,159,008	6,678	5,218,644	6,666	5,428,309	6,478	5,366,827
Food dealers	6,325	1,415,821	6,796	1,503,246	6,833	1,564,199	6,817	1,634,570	6,770	1,713,971
Motor vehicles	14,251	1,686,072	14,843	1,737,850	14,707	1,827,036	15,177	1,926,927	14,210	1,852,142
Apparel	5,786	793,065	6,162	825,421	6,147	841,572	6,326	855,151	6,383	866,270
Home furnishings & appliances	7,509	1,440,372	7,582	1,435,783	7,621	1,469,497	7,960	1,456,128	7,914	1,202,096
Eating & drinking places	27,439	2,895,134	29,893	3,084,773	30,518	3,274,850	30,936	3,359,230	30,435	3,305,611
Specialty retail stores	56,820	2,349,683	60,925	2,418,715	60,964	2,456,805	61,037	2,510,639	60,568	2,496,150
Services	105,712	4,021,968	114,755	4,277,480	116,970	4,476,801	122,863	4,729,859	127,591	4,511,003
Wholesale goods	18,759	2,486,270	19,280	2,469,117	18,788	2,499,040	18,611	2,507,198	18,148	2,227,656
All other	71,340	3,190,615	57,075	2,979,140	59,196	3,604,722	54,838	3,218,496	50,982	2,547,487
<b>Total</b>	<b>340,938</b>	<b>\$ 31,108,388</b>	<b>345,547</b>	<b>\$ 31,645,719</b>	<b>350,035</b>	<b>\$ 33,089,025</b>	<b>353,088</b>	<b>\$ 33,704,657</b>	<b>350,870</b>	<b>\$ 31,943,593</b>

Classification	2011		2012		2013		2014		2015	
	Number of Businesses	Taxable Sales (in thousands)								
Utilities & transportation	14,489	\$ 3,428,950	14,737	\$ 3,405,479	15,053	\$ 3,335,512	14,701	\$ 3,483,048	14,357	\$ 3,632,047
Building materials	6,636	2,507,236	6,530	2,704,879	6,504	2,712,261	6,059	2,538,244	6,118	2,706,767
General merchandise	6,296	5,408,118	6,211	5,530,952	6,151	5,475,235	3,156	4,650,592	3,093	4,711,009
Food dealers	6,766	1,732,752	6,776	1,772,985	6,729	1,782,829	12,807	3,156,659	12,790	3,297,011
Motor vehicles	13,867	1,967,946	13,723	2,108,205	13,612	2,124,416	9,534	1,704,501	9,428	1,793,580
Apparel	6,312	907,046	6,224	972,815	6,316	1,011,028	6,256	1,044,542	6,221	1,063,320
Home furnishings & appliances	7,615	1,195,401	7,474	1,205,592	7,398	1,202,792	6,246	1,208,754	6,169	1,216,924
Eating & drinking places	30,191	3,434,699	30,248	3,635,252	30,430	3,732,685	30,035	3,827,209	29,889	4,056,025
Specialty retail stores	59,166	2,615,424	58,914	2,759,729	59,103	2,909,350	56,330	2,771,512	55,786	2,911,596
Services	123,085	4,661,026	125,225	4,877,162	126,867	4,945,765	125,773	4,889,626	126,249	5,188,730
Wholesale goods	17,385	2,354,819	16,945	2,568,014	16,659	2,552,248	18,059	3,772,090	17,698	3,929,422
All other	50,573	2,690,600	50,937	2,996,903	50,965	3,016,466	48,831	2,800,836	49,219	3,019,888
<b>Total</b>	<b>342,381</b>	<b>\$ 32,904,017</b>	<b>343,944</b>	<b>\$ 34,537,967</b>	<b>345,787</b>	<b>\$ 34,800,587</b>	<b>337,787</b>	<b>\$ 35,847,613</b>	<b>337,017</b>	<b>\$ 37,526,319</b>

The sales tax rate had remained at 5% since 1992. In September 2008 the rate increased from 5% to 6%.

In 2014 the Iowa Department of Revenue reclassified the business group and classification of gas stations/convenience stores selling gas from motor vehicles to food dealers.

Source: Iowa Retail Sales and Use Tax Report, compiled by the Iowa Department of Revenue, Tax Research and Fiscal Analysis Section

**STATE OF IOWA**  
**Ratios of Outstanding Debt by Type**  
For the Last Ten Fiscal Years  
(Expressed in Thousands Except Per Capita)

**Schedule 8**

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Revenue Bonds	Capital Leases	Loans & Contracts	Certificates of Participation	Revenue Bonds	Capital Leases	Loans & Contracts			
2006	\$ 1,091,841	\$ 3,587	\$ 2,569	\$ 1,560	\$ 837,368	\$ 137,169	\$ 4,158	\$ 2,078,252	2.17	701
2007	1,110,582	6,293	2,854	1,020	921,938	157,665	3,431	2,203,783	2.22	739
2008	1,049,536	5,403	2,705	580	1,069,239	149,062	2,570	2,279,095	2.18	763
2009	1,017,620	4,438	2,526	395	1,150,222	145,930	21,283	2,342,414	2.12	780
2010 (1)	1,631,945	5,534	2,339	200	1,280,588	139,407	24,002	3,084,015	2.80	1,025
2011	1,930,626	3,664	2,145	-	1,336,824	143,111	28,119	3,444,489	2.95	1,131
2012 (2)	1,881,714	2,884	2,141	-	1,549,938	173,504	19,021	3,629,202	2.92	1,185
2013 (3)	1,858,333	206	1,834	-	1,787,778	39,323	35,195	3,722,669	2.87	1,211
2014	1,720,281	180	1,600	-	1,852,319	35,606	69,369	3,679,355	2.64	1,191
2015	1,675,590	76	1,474	-	1,903,485	34,200	64,214	3,679,039	2.62	1,184

(1) - Fiscal Year 2010 amounts reported reflect the effect of the reclassification of the Iowa Lottery Authority from a blended component unit to a discretely presented component unit.

(2) - Fiscal Year 2012 amounts reflect the prior period adjustments made in 2013 due to the implementation of GASB No. 61 and the inclusion of new component units at the University of Iowa.

(3) - Fiscal Year 2013 amounts reported include prior period adjustments made in 2014 to reflect the effect of implementation of GASB No. 65.

Personal income and population are based on the calendar year that ends within the fiscal year (See Schedule 10).

**STATE OF IOWA**  
**Revenue Bond Coverage**  
For the Last Ten Fiscal Years

**Schedule 9**

**Governmental Activities - General Fund**  
(Expressed in Thousands)

**IJOBS-2009**

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service			Coverage
				Principal	Interest	Total	
2011	\$ 60,220	\$ -	\$ 60,220	\$ 13,750	\$ 33,273	\$ 47,023	1.28
2012	47,750	9	47,741	14,335	32,686	47,021	1.02
2013	47,523	1	47,522	14,955	32,069	47,024	1.01
2014	49,394	-	49,394	15,580	31,443	47,023	1.05
2015	49,339	3	49,336	16,330	30,720	47,050	1.05

**IJOBS-2010**

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service			Coverage
				Principal	Interest	Total	
2011	\$ 5,121	\$ -	\$ 5,121	\$ -	\$ 5,121	\$ 5,121	1.00
2012	12,470	3	12,467	4,370	7,878	12,248	1.02
2013	12,470	-	12,470	4,470	7,792	12,262	1.02
2014	10,450	-	10,450	3,160	6,866	10,026	1.04
2015	10,636	1	10,635	3,395	6,741	10,136	1.05

**Vision Iowa**

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service			Coverage
				Principal	Interest	Total	
2011	\$ 15,895	\$ 3	\$ 15,892	\$ 8,925	\$ 6,967	\$ 15,892	1.00
2012	15,910	8	15,902	9,390	6,512	15,902	1.00
2013	15,934	3	15,931	9,890	6,041	15,931	1.00
2014	15,958	3	15,955	10,445	5,510	15,955	1.00
2015	15,980	3	15,977	11,025	4,939	15,964	1.00

All General Fund pledged revenues consist of casino and racetrack gaming revenues.

**Governmental Activities - Special Revenue Funds**  
(Expressed in Thousands)

**Tobacco Settlement Authority**

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service			Coverage
				Principal	Interest	Total	
2006	\$ 43,189	\$ 2,929	\$ 40,260	\$ 2,555	\$ 38,681	\$ 41,236	0.98
2007	45,473	260	45,213	6,755	37,111	43,866	1.03
2008	62,302 *	1,253	61,049	14,700	41,656	56,356	1.08
2009	66,576 *	863	65,713	20,540	45,685	66,225	0.99
2010	71,327 *	1,097	70,230	12,510	44,350	56,860	1.24
2011	67,034 *	1,172	65,862	8,720	43,537	52,257	1.26
2012	68,283 *	1,437	66,846	9,590	42,970	52,560	1.27
2013	68,265 *	1,477	66,788	9,835	42,347	52,182	1.28
2014	74,226 *	786	73,440	16,365	41,708	58,073	1.26
2015	66,405 *	702	65,703	11,735	40,644	52,379	1.25

\* Due to implementation of GASB Statement No. 48, the Tobacco Settlement Authority no longer reports tobacco settlement revenues. All tobacco settlement revenues are reported in the Tobacco Collections Fund and funds are then advanced to the Tobacco Settlement Authority for debt repayment. The amount shown represents the amount advanced and interest income.

(continued on next page)

**STATE OF IOWA**  
**Revenue Bond Coverage**  
For the Last Ten Fiscal Years  
(continued)

**Schedule 9**

**Governmental Activities - Capital Projects Funds**  
(Expressed in Thousands)

<i>Iowa Utilities Board and Consumer Advocate State Building</i>				<b>Debt Service</b>				
<b>Gross Revenues</b>		<b>Less:</b>	<b>Net Available</b>		<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
		<b>Operating Expenses</b>		<b>Revenues</b>				
2011	\$ 887	\$ -	\$	887	\$ 250	\$ 637	\$ 887	1.00
2012	1,064	-		1,064	440	624	1,064	1.00
2013	1,062	-		1,062	460	602	1,062	1.00
2014	1,064	-		1,064	485	579	1,064	1.00
2015	1,065	-		1,065	510	555	1,065	1.00

Pledged revenues are from utility company assessments.

<i>Prison Infrastructure 2010</i>				<b>Debt Service</b>				
<b>Gross Revenues</b>		<b>Less:</b>	<b>Net Available</b>		<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
		<b>Operating Expenses</b>		<b>Revenues</b>				
2011	\$ 6,612	\$ -	\$	6,612	\$ -	\$ 5,698	\$ 5,698	1.16
2012	6,522	-		6,522	435	6,087	6,522	1.00
2013	6,518	-		6,518	440	6,078	6,518	1.00
2014	6,514	-		6,514	445	6,069	6,514	1.00
2015	8,728	9		8,719	2,660	6,060	8,720	1.00

Pledged revenues are from fines, fees and forfeited bail receipts.

**Business-type Activities - University Funds**  
(Expressed in Thousands)

<i>Residence/Dormitory Building Revenue Bonds</i>				<b>Debt Service*</b>				
<b>Gross Revenues</b>		<b>Less:</b>	<b>Net Available</b>		<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
		<b>Operating Expenses*</b>		<b>Revenues</b>				
2006	\$ 127,116	\$ 93,318	\$	33,798	\$ 9,982	\$ 8,828	\$ 18,810	1.80
2007	136,767	99,554		37,213	10,672	8,626	19,298	1.93
2008	144,557	103,401		41,156	10,147	8,427	18,574	2.22
2009	154,572	111,814		42,758	10,877	8,269	19,146	2.23
2010	158,830	110,914		47,916	11,273	7,812	19,085	2.51
2011	166,881	116,908		49,973	12,948	7,015	19,963	2.50
2012	185,808	133,069		52,739	15,884	6,095	21,979	2.40
2013	189,843	135,514		54,329	16,394	6,284	22,678	2.40
2014	200,450	144,756		55,694	19,099	7,141	26,240	2.12
2015	211,730	150,381		61,349	20,844	7,032	27,876	2.20

<i>Athletic/Multipurpose/Academic Facilities Revenue Bonds</i>				<b>Debt Service*</b>				
<b>Gross Revenues*</b>		<b>Less:</b>	<b>Net Available</b>		<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
		<b>Operating Expenses*</b>		<b>Revenues</b>				
2006	\$ 24,760	\$ 8,505	\$	16,255	\$ 2,175	\$ 3,498	\$ 5,673	2.87
2007	36,014	13,482		22,532	4,060	6,109	10,169	2.22
2008	42,095	16,754		25,341	3,600	6,586	10,186	2.49
2009	51,506	18,518		32,988	4,180	6,817	10,997	3.00
2010	51,833	19,809		32,024	4,570	7,352	11,922	2.69
2011	53,076	15,970		37,106	5,186	8,041	13,227	2.81
2012	49,198	18,106		31,092	5,480	7,776	13,256	2.35
2013	49,793	17,638		32,155	6,530	8,550	15,080	2.13
2014	50,729	17,683		33,046	7,225	8,015	15,240	2.17
2015	54,397	18,755		35,642	7,485	7,849	15,334	2.32

(continued on next page)

**STATE OF IOWA**  
**Revenue Bond Coverage**  
For the Last Ten Fiscal Years  
(continued)

**Schedule 9**

**Business-type Activities - University Funds**  
(Expressed in Thousands)

<b>Telecommunications Revenue Bonds</b>				<b>Debt Service*</b>			
	<b>Gross Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenues</b>				<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2006	\$ 18,124	\$ 11,809	\$ 6,315	\$ 2,495	\$ 918	\$ 3,413	1.85
2007	19,574	13,452	6,122	2,575	842	3,417	1.79
2008	20,190	13,683	6,507	2,655	759	3,414	1.91
2009	23,323	15,653	7,670	2,825	435	3,260	2.35
2010	21,114	15,317	5,797	2,925	911	3,836	1.51
2011	23,164	15,555	7,609	3,015	1,219	4,234	1.80
2012	24,317	18,027	6,290	2,440	1,649	4,089	1.54
2013	24,789	17,920	6,869	2,945	1,467	4,412	1.56
2014	23,615	17,260	6,355	2,470	1,378	3,848	1.65
2015	27,136	21,667	5,469	1,835	1,305	3,140	1.74

<b>Student Health Facility Revenue Bonds</b>				<b>Debt Service*</b>			
	<b>Gross Revenues</b>	<b>Less: Operating Expenses*</b>	<b>Net Available Revenues</b>				<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2006	\$ 10,057	\$ 7,550	\$ 2,507	\$ 675	\$ 399	\$ 1,074	2.33
2007	10,684	8,177	2,507	700	369	1,069	2.35
2008	11,374	8,684	2,690	735	339	1,074	2.50
2009	11,521	9,340	2,181	770	305	1,075	2.03
2010	11,914	8,897	3,017	800	269	1,069	2.82
2011	12,041	9,148	2,893	840	233	1,073	2.70
2012	10,811	9,311	1,500	515	128	643	2.33
2013	3,440	3,200	240	175	106	281	0.85
2014	3,751	3,205	546	195	58	253	2.16
2015	3,616	3,238	378	205	46	251	1.51

<b>Utility System Revenue Bonds</b>				<b>Debt Service*</b>			
	<b>Gross Revenues</b>	<b>Less: Operating Expenses*</b>	<b>Net Available Revenues</b>				<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2006	\$ 89,162	\$ 66,673	\$ 22,489	\$ 6,955	\$ 4,339	\$ 11,294	1.99
2007	96,416	67,840	28,576	7,240	6,062	13,302	2.15
2008	104,481	72,871	31,610	8,610	7,841	16,451	1.92
2009	106,149	78,194	27,955	9,820	7,967	17,787	1.57
2010	109,638	77,000	32,638	11,810	7,484	19,294	1.69
2011	117,663	80,882	36,781	11,230	7,642	18,872	1.95
2012	122,367	83,958	38,409	12,540	7,221	19,761	1.94
2013	126,495	87,043	39,452	14,845	7,949	22,794	1.73
2014	131,716	93,079	38,637	13,845	7,539	21,384	1.81
2015	130,696	89,181	41,515	8,915	7,100	16,015	2.59

<b>Parking System Revenue Bonds</b>				<b>Debt Service*</b>			
	<b>Gross Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenues</b>				<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2006	\$ 16,825	\$ 10,732	\$ 6,093	\$ 1,320	\$ 1,440	\$ 2,760	2.21
2007	18,048	10,760	7,288	1,365	1,395	2,760	2.64
2008	18,412	12,234	6,178	1,410	1,346	2,756	2.24
2009	19,354	12,261	7,093	1,455	1,294	2,749	2.58
2010	18,562	13,459	5,103	1,490	1,195	2,685	1.90
2011	18,876	12,145	6,731	1,550	1,136	2,686	2.51
2012	19,984	12,655	7,329	1,605	1,068	2,673	2.74
2013	21,076	13,108	7,968	1,680	930	2,610	3.05
2014	22,574	13,679	8,895	1,750	1,677	3,427	2.60
2015	24,214	14,266	9,948	1,970	2,049	4,019	2.48

(continued on next page)

**STATE OF IOWA**  
**Revenue Bond Coverage**  
For the Last Ten Fiscal Years  
(continued)

**Schedule 9**

**Business-type Activities - University Funds**  
(Expressed in Thousands)

<b>Recreational/Regulated Materials Facility Revenue Bonds</b>				<b>Debt Service*</b>			
		Less:		Net Available			
	<b>Gross Revenues</b>	<b>Operating Expenses</b>	<b>Revenues</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
2006	\$ 3,938	\$ 154	\$ 3,784	\$ 1,465	\$ 442	\$ 1,907	1.98
2007	4,110	74	4,036	1,525	393	1,918	2.10
2008	5,228	2,108	3,120	1,560	1,372	2,932	1.06
2009	5,080	1,726	3,354	395	2,360	2,755	1.22
2010	16,451	4,243	12,208	955	4,985	5,940	2.06
2011	24,151	8,815	15,336	1,845	5,593	7,438	2.06
2012	28,573	10,573	18,000	2,260	5,529	7,789	2.31
2013	34,787	11,649	23,138	4,005	5,449	9,454	2.45
2014	38,799	12,880	25,919	4,380	5,244	9,624	2.69
2015	42,613	12,921	29,692	3,635	5,094	8,729	3.40

<b>Memorial/Maucker Union Revenue Bonds</b>				<b>Debt Service*</b>			
		Less:		Net Available			
	<b>Gross Revenues*</b>	<b>Operating Expenses*</b>	<b>Revenues</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
2006	\$ 38,367	\$ 30,729	\$ 7,638	\$ 2,065	\$ 2,100	\$ 4,165	1.83
2007	41,138	32,165	8,973	2,215	1,967	4,182	2.15
2008	41,428	32,933	8,495	2,290	1,897	4,187	2.03
2009	39,803	32,187	7,616	2,005	1,819	3,824	1.99
2010	44,138	36,262	7,876	1,655	1,749	3,404	2.31
2011	45,722	37,319	8,403	1,720	1,691	3,411	2.46
2012	34,367	26,657	7,710	1,950	1,427	3,377	2.28
2013	32,567	24,820	7,747	1,925	1,362	3,287	2.36
2014	31,881	23,760	8,121	2,130	1,033	3,163	2.57
2015	31,259	22,579	8,680	2,210	894	3,104	2.80

<b>Hospital Revenue Bonds</b>				<b>Debt Service</b>			
		Less:		Net Available			
	<b>Gross Revenues*</b>	<b>Operating Expenses*</b>	<b>Revenues</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
2006	\$ 773,841	\$ 683,260	\$ 90,581	\$ 580	\$ 1,119	\$ 1,699	53.31
2007	814,693	708,788	105,905	610	1,094	1,704	62.15
2008	871,173	784,225	86,948	635	2,326	2,961	29.36
2009	928,193	863,979	64,214	2,065	3,314	5,379	11.94
2010	943,458	842,556	100,902	3,615	5,458	9,073	11.12
2011	1,033,448	903,039	130,409	3,500	4,959	8,459	15.42
2012	1,098,292	981,872	116,420	3,680	5,891	9,571	12.16
2013	1,125,336	1,013,711	111,625	4,870	10,159	15,029	7.43
2014	1,189,532	1,061,304	128,228	5,905	13,797	19,702	6.51
2015	1,314,267	1,155,470	158,797	11,205	13,469	24,674	6.44

<b>Center For University Advancement Revenue Bonds</b>				<b>Debt Service*</b>			
		Less:		Net Available			
	<b>Gross Revenues*</b>	<b>Operating Expenses</b>	<b>Revenues</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
2006	\$ 897	\$ -	\$ 897	\$ 510	\$ 387	\$ 897	1.00
2007	870	-	870	535	367	902	0.96
2008	905	-	905	560	347	907	1.00
2009	945	-	945	575	337	912	1.04
2010	915	-	915	590	303	893	1.02
2011	890	-	890	610	280	890	1.00
2012	865	-	865	610	255	865	1.00
2013	876	-	876	645	231	876	1.00
2014	874	-	874	670	204	874	1.00
2015	865	-	865	690	175	865	1.00

All University Funds pledged revenues consist of charges for services which include room and board fees.

\* - Certain amounts have been revised to reflect changes made by the Universities.

Source: Information provided by the Treasurer of State, Tobacco Settlement Authority and Universities.

**STATE OF IOWA**  
**Demographic and Economic Statistics**  
For the Last Ten Calendar Years

**Schedule 10**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Population</b> (in thousands)	2,966	2,982	2,988	3,003	3,008	3,046	3,062	3,074	3,090	3,107
<b>Personal income</b> (in millions)	\$ 95,858	\$ 99,112	\$ 104,651	\$ 110,135	\$ 110,541	\$ 116,616	\$ 123,933	\$ 129,503	\$ 139,422	\$ 140,177
<b>Per capita personal income</b>	\$ 32,315	\$ 33,236	\$ 35,023	\$ 36,680	\$ 36,751	\$ 38,281	\$ 40,470	\$ 42,126	\$ 45,114	\$ 45,115
<b>Resident civilian labor force and employment</b> (annual averages)										
Civilian labor force (in thousands)	1,659.8	1,664.3	1,661.0	1,676.0	1,673.9	1,670.3	1,663.6	1,638.8	1,671.3	1,704.4
Resident employment (in thousands)	1,584.1	1,602.8	1,598.3	1,607.0	1,574.3	1,567.7	1,565.5	1,553.1	1,593.7	1,630.4
Resident unemployed (in thousands)	75.7	61.5	62.7	69.0	99.7	102.6	98.0	85.7	77.6	74.0
Percent unemployed	4.6	3.7	3.8	4.1	6.0	6.1	5.9	5.2	4.6	4.3
<b>Employment by industry, non-agricultural</b> (in thousands)										
Construction	71.2	74.8	72.5	73.0	64.8	61.6	62.5	64.6	67.4	74.4
Manufacturing	229.5	230.9	229.4	227.8	203.7	200.1	207.4	210.4	214.5	216.8
Trade, transportation and utilities	306.8	308.6	308.8	309.2	302.0	300.0	301.9	306.8	311.4	312.9
Information	33.3	32.8	33.5	33.3	30.4	28.5	27.9	27.1	26.1	25.6
Financial activities	98.3	100.6	102.6	102.9	101.8	101.2	100.3	101.6	103.4	104.2
Professional and business	112.6	117.0	120.9	121.5	117.6	121.7	123.5	129.5	131.9	136.1
Education and health	195.3	199.0	202.3	206.7	211.0	213.5	215.9	220.6	223.2	223.2
Leisure and hospitality	129.6	132.7	136.7	135.3	132.4	129.7	130.6	134.2	136.7	137.9
Other services	56.2	56.6	57.7	57.7	57.6	57.0	56.5	57.7	60.2	61.3
Government	245.5	247.3	249.7	252.7	254.7	253.6	249.8	254.0	255.4	255.5
<b>Total non-agricultural employment</b>	<b>1,478.3</b>	<b>1,500.3</b>	<b>1,514.1</b>	<b>1,520.1</b>	<b>1,476.0</b>	<b>1,466.9</b>	<b>1,476.3</b>	<b>1,506.5</b>	<b>1,530.2</b>	<b>1,547.9</b>

Source: U.S. Department of Commerce, Bureau of Economic Analysis and Iowa Workforce Development, Labor Market Information Unit in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

**STATE OF IOWA**  
**Principal Non-governmental Employers**  
 Prior Calendar Year and Nine Years Ago

**Schedule 11**

**CALENDAR YEAR 2014**

<b>Rank</b>	<b>Employer</b>	<b>Type of Business</b>
1	Hy-Vee Food Stores, Inc.	Retail Food
2	Wal-Mart Stores, Inc.	Retail General Merchandise
3	Deere and Company	Machinery Manufacturing
4	Wells Fargo Bank NA	Finance
5	Rockwell Collins, Inc.	Equipment Manufacturing
6	Casey's General Store	Convenience Stores
7	Tyson Fresh Meats, Inc.	Food Manufacturing
8	Fareway Food Stores, Inc.	Retail Food
9	Principal Life Insurance Company	Life Insurance
10	Unitypoint Health	Health Services

**CALENDAR YEAR 2005**

<b>Rank</b>	<b>Employer</b>	<b>Type of Business</b>
1	Hy-Vee Food Stores, Inc.	Retail Food
2	Wal-Mart Stores, Inc.	Retail General Merchandise
3	Deere and Company	Machinery Manufacturing
4	Rockwell Collins, Inc.	Equipment Manufacturing
5	Principal Financial Group	Finance & Insurance
6	Tyson Fresh Meats, Inc.	Food Manufacturing
7	Wells Fargo Bank NA	Finance
8	Fareway Food Stores, Inc.	Retail Food
9	Pella Corporation	Wood Products Manufacturing
10	Mercy Health	Health Services

**The Code of Iowa defines employee counts as confidential data; as such, this information is not available.**

Source: Iowa Workforce Development

**STATE OF IOWA**  
**Significant Classes of Capital Assets by Function**  
 Capital Intensive Departments Only  
 For the Last Ten Fiscal Years

**Schedule 12**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>ADMINISTRATION &amp; REGULATION</b>										
<i>Department of Administrative Services</i>										
Land (acres)	133	133	133	133	138	138	138	138	138	138
Buildings & improvements (square footage)	1,210,406	1,433,865	1,443,917	1,472,729	1,766,069	1,810,569	1,810,569	2,708,428	2,454,890	2,454,890
Machinery & equipment	580	574	594	576	613	962	985	594	627	341
<i>Alcoholic Beverages Division</i>										
Land (acres)	15	15	15	15	15	15	15	15	15	15
Buildings & improvements (square footage)	181,996	181,996	181,996	181,996	181,996	181,996	181,966	181,966	181,966	181,966
<b>EDUCATION</b>										
<i>Iowa Public Television</i>										
Land (acres)	131	131	211	211	211	208	208	208	208	208
Buildings & improvements (square footage)	119,800	119,800	119,800	62,000	62,000	62,000	75,500	75,500	75,500	75,000
Machinery & equipment	572	580	578	983	977	908	927	876	873	801
<i>Iowa Braille and Sight Saving School</i>										
Buildings & improvements (square footage)	190,612	190,612	190,612	190,612	190,612	190,612	190,612	190,612	190,612	190,612
<i>Iowa School for the Deaf</i>										
Buildings & improvements (square footage)	407,426	407,426	407,426	407,426	407,426	407,426	407,426	407,426	407,426	407,426
<b>HEALTH &amp; HUMAN RIGHTS</b>										
<i>Department for the Blind</i>										
Buildings & improvements (square footage)	98,606	98,606	98,606	98,606	98,606	98,606	100,000	100,000	100,000	100,000
Machinery & equipment	221	211	229	264	262	200	199	198	194	182
<i>Veterans Home</i>										
Land (acres)	258	258	158	158	158	158	158	158	158	158
Buildings & improvements (square footage)	742,041	742,041	736,534	736,534	736,534	736,534	886,711	886,711	891,811	891,811
Machinery & equipment	218	239	241	250	262	266	298	373	509	561
<i>Department of Public Health</i>										
Machinery & equipment	335	368	358	336	422	417	466	471	478	504
<b>HUMAN SERVICES</b>										
<i>Department of Human Services &amp; Institutions</i>										
Land (acres)	2,825	2,825	2,872	2,872	2,872	1,965	1,965	1,965	1,965	1,965
Buildings & improvements (square footage)	4,215,068	4,215,068	4,189,372	4,187,685	4,243,059	4,247,383	4,243,591	4,243,591	4,243,591	4,222,668
Machinery & equipment	1,424	1,562	1,617	1,734	1,754	1,793	1,807	1,900	1,946	1,930

(continued on next page)

**STATE OF IOWA**  
**Significant Classes of Capital Assets by Function**  
Capital Intensive Departments Only  
For the Last Ten Fiscal Years  
(continued)

**Schedule 12**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>JUSTICE &amp; PUBLIC DEFENSE</b>										
<i>Department of Corrections &amp; Correctional Facilities</i>										
Land (acres)	1,872	2,112	2,112	2,112	2,122	2,136	1,984	1,976	1,976	1,738
Buildings & improvements (square footage)	3,101,404	3,786,838	3,922,016	3,930,180	3,930,180	4,057,021	3,958,161	3,978,657	4,213,108	4,213,108
Machinery & equipment	1,111	1,304	1,387	1,434	1,398	1,450	1,500	1,610	1,793	1,895
<i>Judicial Districts</i>										
Land (acres)	54	54	55	71	71	71	66	66	66	68
Buildings & improvements (square footage)	477,591	525,638	525,638	525,638	525,638	568,765	568,765	645,656	663,644	663,203
Machinery & equipment	294	296	298	297	283	292	310	305	320	334
<i>Department of Public Defense</i>										
Land (acres)	2,694	2,688	2,688	2,688	2,688	2,688	2,688	2,688	2,688	2,769
Buildings & improvements (square footage)	2,432,404	2,453,389	2,484,110	2,494,278	2,609,806	2,679,159	2,702,403	2,909,624	2,887,427	2,857,147
Machinery & equipment	323	327	350	330	391	417	401	466	486	490
<i>Department of Public Safety</i>										
Land (acres)	79	87	59	60	60	60	60	60	60	60
Buildings & improvements (square footage)	132,162	132,162	149,303	153,660	153,660	151,160	151,160	151,160	151,160	151,160
Machinery & equipment	1,471	1,420	1,416	1,495	1,477	1,623	1,806	1,904	1,929	1,950
<b>ECONOMIC DEVELOPMENT</b>										
<i>Iowa Workforce Development</i>										
Buildings & improvements (square footage)	129,822	129,822	129,822	129,822	129,822	129,822	129,822	129,822	129,822	129,822
Machinery & equipment	328	331	289	297	267	254	262	282	262	241
<b>TRANSPORTATION</b>										
<i>Department of Transportation</i>										
Land (acres)	8,161	8,256	7,568	7,199	7,404	7,071	7,069	7,138	6,943	5,245
Buildings & improvements (square footage)	2,279,725	2,293,725	2,311,895	2,320,784	2,360,453	2,388,154	2,413,888	2,474,076	2,494,219	2,560,921
Highway lane miles	234,451	235,471	235,821	235,999	236,426	236,428	237,115	237,394	237,391	237,588
Heavy equipment	5,114	5,326	5,385	5,550	5,803	5,779	6,101	6,238	6,416	6,463
Machinery & equipment	2,972	2,951	3,083	3,275	3,392	3,275	3,313	3,276	3,621	3,532
<b>AGRICULTURE &amp; NATURAL RESOURCES</b>										
<i>Department of Natural Resources</i>										
Land (acres)	331,198	335,735	339,541	162,859	165,711	169,881	173,921	174,632	176,972	180,710
Buildings & improvements (square footage)	578,906	582,401	603,161	634,149	625,649	634,268	662,577	784,815	810,633	584,218
State parks	71	71	71	71	71	71	71	71	71	71
Wildlife management areas	20	20	20	20	20	20	16	16	16	16
Machinery & equipment	2,111	2,124	2,355	2,472	2,535	2,632	2,343	2,186	2,083	2,065

Source: Information provided by the Departments.

**STATE OF IOWA**  
**Operating Indicators by Function**  
For the Last Ten Fiscal Years or as Identified

**Schedule 13**

	2006	2007	2008	2009	2010	2011 <sup>(1)</sup>	2012	2013	2014	2015
<b>ADMINISTRATION &amp; REGULATION</b>										
<i>Department of Administrative Services</i>										
State employees covered by benefit plans	19,382	19,747	20,299	20,630	20,140	18,951	19,315	18,421	18,145	17,966
Number of State payroll warrants processed*	524,984	534,237	549,932	558,438	541,636	509,232	502,198	495,234	485,222	461,371
<b>EDUCATION</b>										
<i>Department of Education</i>										
Enrollment:										
Public schools	483,105	482,584	480,609	477,019	474,227	473,493	473,504	476,245	478,921	480,772
Universities	67,896	67,701	69,178	70,325	71,353	72,708	73,948	74,811	76,465	78,047
Community colleges	82,499	84,961	87,072	88,104	100,736	106,597	105,975	100,519	94,234	93,722
<b>HEALTH &amp; HUMAN RIGHTS</b>										
<i>Department for the Blind</i>										
Number of clients served	8,006	8,204	7,204	8,239	8,093	7,197	6,971	6,617	9,158	7,024
<b>HUMAN SERVICES</b>										
<i>Department of Human Services</i>										
Average number of residents/patients	1,168	1,136	1,105	1,070	1,024	957	911	872	834	690
Average number of Medicaid recipients	297,000	317,169	306,000	330,286	361,385	380,749	393,664	401,129	405,704	406,155
<b>JUSTICE &amp; PUBLIC DEFENSE</b>										
<i>Department of Corrections</i>										
Average number of inmates	8,721	8,752	8,765	8,712	8,384	10,301	10,022	9,635	9,622	9,731
<b>ECONOMIC DEVELOPMENT</b>										
<i>Department of Economic Development</i>										
Number of community development block grants/home projects funded	110	117	104	61	84	-	-	-	-	-
<i>Iowa Workforce Development</i>										
Number of unemployment claims accepted (calendar year)	92,610	91,367	126,309	165,030	125,564	107,937	99,107	94,474	93,158	INA
Unemployment insurance regular benefits paid (in millions, calendar year)	312.9	329.6	421.5	788.1	586.9	463.4	417.0	418.8	402.6	INA
<b>TRANSPORTATION</b>										
<i>Department of Transportation</i>										
Automobile driver licenses issued	864,514	709,590	938,192	1,153,422	1,016,493	919,844	810,494	1,052,641	1,122,199	981,512
Vehicles weighed (in thousands, federal fiscal year)	921	595	534	441	492	587	793	1,043	812	837
<b>AGRICULTURE &amp; NATURAL RESOURCES</b>										
<i>Department of Natural Resources</i>										
Hunting & fishing licenses issued	1,378,487	1,372,423	1,305,779	1,374,122	1,418,625	1,356,740	1,413,309	1,559,955	1,330,709	1,443,919

\* - Centralized State Payroll system only - excludes the Universities, Department of Transportation, Judicial Districts and certain other departments.

INA - Information not available.

Source: Information provided by Departments.

(1) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit.

**STATE OF IOWA**  
**Number of Employees - Primary Government**  
For the Last Ten Fiscal Years

**Schedule 14**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011 <sup>(1)</sup></b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Administration & regulation	2,101	2,147	2,167	2,254	2,227	2,142	2,073	1,993	1,936	1,910
Education	1,166	1,117	1,107	1,147	1,147	1,090	1,067	1,036	1,019	1,026
Health & human rights	1,851	1,878	1,931	1,976	1,959	1,801	1,710	1,746	1,755	1,743
Human services	5,676	5,982	6,060	6,224	6,079	5,631	5,441	5,395	5,170	4,986
Justice & public defense	7,685	7,854	8,119	8,247	8,024	7,614	6,415	6,371	6,327	6,339
Economic development	962	929	961	998	1,042	916	853	757	711	668
Transportation	3,338	3,190	3,257	3,311	3,328	3,135	2,908	2,899	2,996	2,883
Agriculture & natural resources	1,578	1,607	1,635	1,689	1,618	1,520	1,450	1,482	1,468	1,469
Universities	36,474	37,137	37,842	39,003	38,392	38,081	39,736	39,315	42,284	42,723
Other enterprise funds	300	298	302	310	294	173	178	174	172	169
<b>Total primary government</b>	<b>61,131</b>	<b>62,139</b>	<b>63,381</b>	<b>65,159</b>	<b>64,110</b>	<b>62,103</b>	<b>61,831</b>	<b>61,168</b>	<b>63,838</b>	<b>63,916</b>

Source: Department of Administrative Services

(1) - Due to changes in legislation, Fiscal Year 2011 amounts reflect a prior period adjustment made in 2012 to reclassify the Department of Economic Development, previously reported in the primary government, to the Iowa Economic Development Authority, a discretely presented component unit.

**STATE OF IOWA**  
**Schedule of Current Expenditures - General Fund**  
Year Ended June 30, 2015  
(Expressed in Thousands)

**Schedule 15**

	<b>Personal Services</b>	<b>Travel &amp; Subsistence</b>	<b>Supplies</b>	<b>Contractual Services</b>	<b>Equipment &amp; Repairs</b>	<b>Claims &amp; Miscellaneous</b>	<b>Licenses Permits &amp; Refunds</b>	<b>State Aid</b>	<b>Plant Improvement</b>	<b>Adjustments</b>	<b>Total Current Expenditures</b>
Administration & regulation	\$ 139,778	\$ 6,587	\$ 4,952	\$ 54,204	\$ 5,671	\$ 570,722	\$ 611	\$ 704,217	\$ 11,199	\$ 82,205	\$ 1,580,146
Education	79,777	2,387	4,566	38,785	2,416	1,300	746	3,723,968	-	39,584	3,893,529
Health & human rights	123,464	1,942	9,674	228,231	4,560	503	8	57,139	-	(5,171)	420,350
Human services	395,389	4,116	18,662	190,047	9,823	2,985	7	5,926,771	-	(93,052)	6,454,748
Justice & public defense	572,216	15,987	34,652	139,345	14,011	6,071	56	278,645	23,709	87,440	1,172,132
Economic development	65,428	1,274	2,194	48,909	3,122	2,728	3	35,884	-	(1,260)	158,282
Transportation	236,031	32,305	58,129	163,286	14,405	137,156	117	150,091	1,078,225	(1,223,886)	645,859
Agriculture & natural resources	113,897	5,619	6,748	47,277	4,713	1,251	9	27,274	17,460	(24,672)	199,576
<b>Total primary government</b>	<b>\$ 1,725,980</b>	<b>\$ 70,217</b>	<b>\$ 139,577</b>	<b>\$ 910,084</b>	<b>\$ 58,721</b>	<b>\$ 722,716</b>	<b>\$ 1,557</b>	<b>\$ 10,903,989</b>	<b>\$ 1,130,593</b>	<b>\$ (1,138,812)</b>	<b>\$ 14,524,622</b>

Source: State Financial Accounting System, Judicial Districts financial statements, Iowa School for the Deaf and Iowa Braille and Sight Saving School financials and adjusting journal entries from GAAP packages.

# **A C K N O W L E D G M E N T S**

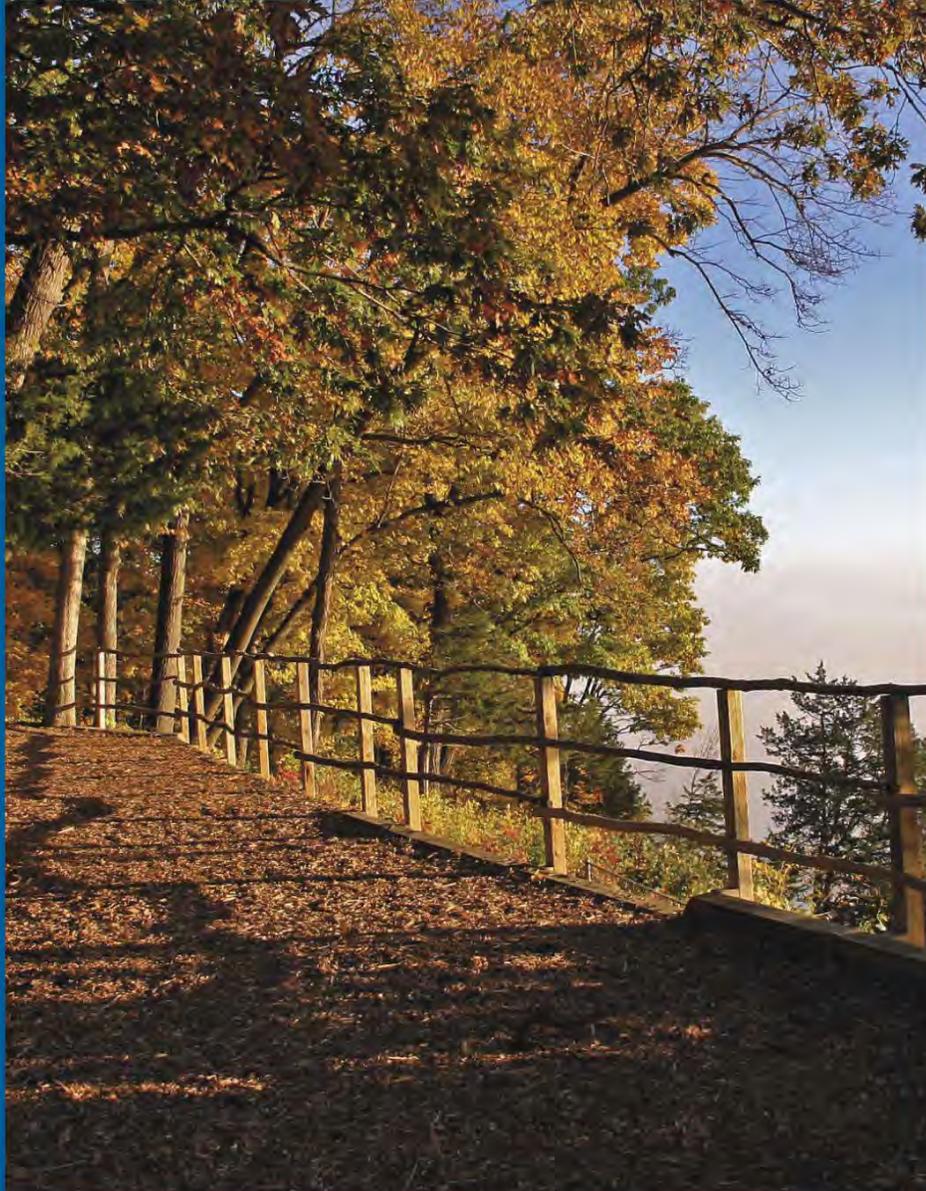
## **REPORT PREPARED BY**

Department of Administrative Services - **Janet Phipps**, Director  
State Accounting Enterprise - **Calvin McKelvogue**, Chief Operating Officer  
**Julie Marasco**  
GAAP Implementation Section - **Lisa Dooly**, CPA  
**Marilyn Hanson**, CPA  
**Kimberly Knight**, CPA  
**Richard Schoeppner**, CPA

## **ADDITIONAL ASSISTANCE PROVIDED BY**

Department of Management - **Joel Lunde**  
**Mike Hahn**





Iowa Department of Administrative Services  
State Accounting Enterprise  
Hoover State Office Building  
Des Moines, IA 50319  
Phone: 515-281-4840  
<https://das.iowa.gov/state-accounting>



Printed on Recycled Paper

**STATE OF IOWA**

**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**

**JUNE 30, 2015**

**State of Iowa**

**Officials**

Name

Title

**Executive Branch**

Honorable Terry E. Branstad

Governor

David Roederer

Director, Department of Management

**Legislative Branch**

Pam Jochum

President of the Senate

Kraig M. Paulsen (through Jan 10, 2016)

Speaker of the House of Representatives

Linda L. Upmeyer (effective Jan 11, 2016)

Speaker of the House of Representatives

Glen P. Dickinson

Director, Legislative Services Agency

**Judicial Branch**

Mark S. Cady

Chief Justice of the Supreme Court



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report 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 Governor and Members of the General Assembly:

We have audited 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, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Iowa as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the State of Iowa's basic financial statements, and have issued our report thereon dated December 14, 2015. Our report includes a reference to other auditors who audited the financial statements of the Tobacco Settlement Authority, the Iowa Finance Authority, the University of Iowa Foundation, the Iowa State University Foundation, the University of Northern Iowa Foundation, the University of Iowa Research Foundation and the University of Iowa Health System and Subsidiaries, as described in our report on the State of Iowa'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 that are reported on separately by those auditors. The financial statements of the University of Iowa Foundation, the Iowa State University Foundation, the University of Northern Iowa Foundation and the University of Iowa Health System and Subsidiaries were not audited in accordance with Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Iowa's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the State of Iowa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B), (C) and (D) to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Iowa's financial statements are free from 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.

We noted certain immaterial instances of non-compliance or other matters which will be reported to management in separate reports.

#### The State of Iowa's Responses to the Findings

The State of Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The State of Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the State of Iowa's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 14, 2015

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Unemployment Benefits Fund – To comply with governmental accounting and financial reporting standards for the Unemployment Benefits Fund, the Iowa Department of Workforce Development (IWD) has developed the MYIOWAUI system to track employer unemployment insurance contributions based on quarterly employer payroll reports. The system generates information regarding the balance of employer contributions receivable and delinquent accounts, including penalty and interest calculations, for financial reporting purposes. This activity is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) in a GAAP package. The following were noted for the year ended June 30, 2015:

- (1) IWD understated accounts receivable by \$14,085,897 and understated the allowance for doubtful accounts by \$2,776,637 on the GAAP package Unemployment Benefits Fund page. As a result, the net accounts receivable balance was understated by \$11,309,260. This was properly adjusted for reporting purposes.
- (2) IWD overstated accounts payable by \$2,429,611 on the GAAP package Unemployment Benefits Fund page. This was properly adjusted for reporting purposes.
- (3) According to IWD, an account goes to non-collectible status when the most recent debt creation date on the account is older than 720 days and the last payment was not received within 90 days. These accounts should be written off for reporting purposes and not be included in the balance reported in the GAAP package. During testing, \$226,062 of \$41,143,963 of contributions, \$147,246 of \$14,204,936 of interest and \$39,422 of \$2,200,717 of penalties older than 720 days were included in the accounts receivable balance reported in the GAAP package.

Recommendation – IWD should ensure financial information generated for the GAAP package is properly reviewed for accuracy. IWD should continue to modify the MYIOWAUI system to ensure the data is accurate, timely and conforms to established policy.

Response – For numbers (1) and (2), IWD will review reconciling pages to ensure numbers are accurate on the Unemployment Benefits Fund page in the GAAP package. For number (3), the discrepancy is caused from the comparison of the Employer Accounts Receivable created from the MYIOWAUI system and the Non-Collection List. The problem lies where uncollected debt is never removed from the MYIOWAUI system so uncollected debt older than 720 days appears on this report, but is removed from the Non-Collection List. The reason the debt is not taken out of the MYIOWAUI system is because there are times we consider the debt uncollectible; however, we do receive payment on this at a later date. If there is no way to correct this in the system a comparison between the two reports will need to be done before the accountant completes this portion of the GAAP package and then back those accounts which appear older than 720 days out of the calculation.

Conclusion – Response accepted.

State of Iowa

Schedule of Findings

Year ended June 30, 2015

- (B) Financial Reporting – Departments record receipts and disbursements in the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded in the I/3 system is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS–SAE) in a GAAP package. The GAAP package is to be submitted to DAS–SAE by the first week of September each year. Findings were noted for the following departments:

**(1) Iowa Department of Administrative Services**

Accounts payable for capital projects were overstated by \$263,863.

Recommendation – The Department should ensure the GAAP package information reported is complete and accurate.

Response – The Department received and paid several fiscal year 2015 invoices related to infrastructure projects in the final days of August. For infrastructure projects, DAS reports outstanding information for both invoices and retainage. Retainage information is rolled up and added to the accounts payable section of the GAAP package. Several of the end-of-year payments also included final retainage which we did not realize because of the roll up information in the GAAP package. We will no longer roll up the retainage information, but instead, list each individual project and amount. This will enable us to see the details and make accurate last minute changes to the information being reported. We will also work with vendors to encourage them to submit invoices for work completed prior to June 30<sup>th</sup> more timely.

Conclusion – Response accepted.

**(2) Office of the Chief Information Officer**

- (a) Amounts due from the General Fund to the Internal Service Fund at June 30, 2015 were understated by \$141,882.
- (b) Operating lease rental expense was overstated by \$67,196.

Recommendation – The Office should ensure the GAAP package information reported is complete and accurate.

Response –

- (a) The fiscal year 2015 reimbursement was processed on August 26<sup>th</sup> and coded to fiscal year 2016 even though the fiscal year 2015 hold open period was not closed. We will review fiscal year and hold open coding requirements and pre-audit responsibilities with all Chief Financial Officers (CFO's) and the Accountant 4.
- (b) The vendor's invoice for annual maintenance charges was incorrectly added to the lease database causing the overstatement. Beginning July 1, 2015, annual maintenance expenses are being identified and tracked in a separate spreadsheet.

Conclusion – Response accepted.

State of Iowa

Schedule of Findings

Year ended June 30, 2015

**(3) Iowa Department of Commerce**

- (a) The Department's construction obligations included in the GAAP package were overstated by \$1,812,712. This was properly adjusted for reporting purposes.
- (b) The Department overstated future minimum rental payments for operating leases by \$500,112. This was properly adjusted for reporting purposes.

Recommendation – The Department should ensure the GAAP package information reported is complete and accurate.

Response – The Comptroller and Accountant II received advice from DAS-SAE regarding the appropriate way to account for obligated costs incurred by the Division for construction contracts and improvements within the fiscal year 2015 GAAP package. The GAAP package submitted by the Division was reviewed by DAS-SAE and was later reviewed by staff of the Office of Auditor of State (AOS). In September 2015, the Division was notified by the auditors that revisions were to be made to the GAAP package. These revisions have been completed in accordance with the auditor's findings. The Division will work with DAS-SAE and the AOS on future GAAP reporting issues and questions to ensure accurate and complete data is submitted.

Conclusion – Response accepted.

**(4) Iowa Economic Development Authority**

The Authority overstated contractual commitments by \$1,410,062. This was properly adjusted for reporting purposes.

Recommendation – The Authority should ensure the information reported is complete and accurate.

Response - The Authority will improve both the calculation and subsequent review of information reported to ensure information is correct.

Conclusion – Response accepted.

**(5) Iowa Judicial Branch**

One contract paid in fiscal year 2015 included eleven months of service for fiscal year 2016, resulting in an understatement of prepaid expense of \$420,981. This was properly adjusted for reporting purposes.

Recommendation – The Judicial Branch should ensure the GAAP package information reported is complete and accurate.

Response – We reviewed our processing of prepaid expenses and will ensure the GAAP package information is complete and accurate.

Conclusion – Response accepted.

**(6) Iowa Department of Transportation**

The Department incorrectly recorded fiscal year 2015 accrual activity in the I/3 system as fiscal year 2016 activity, resulting in an understatement of accounts payable of \$1,392,128 for fiscal year 2015. The payable was not reported in the Department's GAAP package. This was properly adjusted for reporting purposes.

Recommendation – The Department should implement procedures to ensure all payables are identified and recorded to the proper fiscal year.

Response – The Department has implemented procedures to ensure payables are properly identified. Discussions between Accounting and Purchasing sections have identified ways for improvement in tracking fiscal years for the future, especially as they relate to capital assets. Additional information regarding fiscal year coding will be included in the year-end financial memo sent to business units. Discussions will also be held with business units providing education on proper fiscal year coding.

Conclusion – Response accepted.

- (C) Capital Assets – Chapter 7A.30 of the Code of Iowa requires each department of the state to maintain a written, detailed and up-to-date inventory of property under its charge and control. Findings were noted for the following departments:

**(1) Office of the Chief Information Officer**

Accumulated depreciation was understated by \$329,236 due to depreciation not recorded after a manual entry transferred assets from the Department of Administrative Services – Information Technology Enterprise (DAS-ITE) to the newly-formed Office of the Chief Information Officer (OCIO).

Recommendation – The Office should ensure a detailed, up-to-date capital asset listing is maintained. Accumulated depreciation should be properly calculated and recorded.

Response – The process of moving assets from DAS to OCIO in the I/3 fixed asset system involved multiple steps and calculations at a point in time. This was one of many activities DAS and OCIO were diligently working through, to create a new department, something which is rarely undertaken in state government and for which an implementation plan had to be created and managed. Existing controls were not all designed to accommodate the types of accounting and financial activities required to transition DAS-ITE to OCIO. The I/3 fixed asset documents were not completed timely and calculations were not adjusted for this delay. This caused a gap in the systems depreciation and an understatement in the accumulated depreciation. A one-time catch-up entry was completed in fiscal year 2016 to bring the depreciation in line.

Conclusion – Response accepted.

State of Iowa

Schedule of Findings

Year ended June 30, 2015

**(2) Iowa Department of Commerce**

- (a) The Alcoholic Beverages Division did not complete a reconciliation between the I/3 system and the Division's capital asset listing. In addition, the capital asset listing was not updated throughout the year, causing capital assets to be understated by \$69,653 and accumulated depreciation to be overstated by \$7,601.
- (b) Construction in progress was overstated by \$2,436,347. This was properly adjusted for reporting purposes.
- (c) Intangible assets were overstated by \$738,721. This was properly adjusted for reporting purposes.

Recommendation – The Department should ensure a detailed, up-to-date capital asset listing is maintained. Capital assets and accumulated depreciation should be properly calculated and recorded.

Response – The Division's current asset listing will be reviewed on a yearly basis by the Chief Operating Officer, Comptroller and the Accountant II. Should revisions need to be made to the asset listing, the Comptroller will review the asset listing and make the necessary adjustments. The Division will also explore the application of the I/3 asset listing to the Division's operations. Should the I/3 asset listing module prove sufficient for the needs of the Division, the current asset listing will be migrated into the I/3 system. This will provide the Division with a consolidated listing, as well as the ability to reconcile all assets within the I/3 system.

Conclusion – Response accepted.

**(3) Iowa Department of Public Health**

- (a) The Department maintained a list of assets disposed of on a calendar year basis. However, the listing did not contain the dates of disposal, making it difficult to determine fiscal year cut-off for testing purposes. There was no evidence of approval for two of five assets disposed of tested. In addition, one asset still in use was improperly recorded as a disposal. This was properly adjusted for reporting purposes.
- (b) Two of twelve assets selected to review the capital asset listing for completeness were not on the Department's listing.
- (c) The asset listing for the Bioterrorism program is not maintained on a current basis. The capital asset listing does not contain identifying information such as state tag I.D., serial and model number. Depreciation on assets is calculated on a yearly basis rather than being based on the month of acquisition. In addition, two of the twenty-eight additions tested were below the capitalization threshold and were incorrectly capitalized. The assets capitalized in error were properly adjusted for reporting purposes.

State of Iowa

Schedule of Findings

Year ended June 30, 2015

Recommendation – The Department should develop written procedures to ensure a detailed, up-to-date capital asset listing is maintained. The listing should include identifying information for each asset, including state tag I.D., serial and model number. Assets should be depreciated beginning with the month of acquisition. A listing of assets disposed of should be maintained and document the dates of disposal. An independent person should review and approve disposals and approval should be documented by the reviewer's signature and date of review on the disposal listing. In addition, the Department should ensure capital assets are capitalized in the correct amounts and in the proper fiscal year.

Response – The Department will revise the guidelines for annual equipment inventory to incorporate specific guidance for purchasing, reporting and disposition of assets. An asset listing form will be developed to provide documentation of required information. The guidelines and form will be disseminated to Department personnel for use throughout the year.

Conclusion – Response accepted.

**(4) Iowa Department of Transportation**

The DAS-SAE policy for capitalization of internally generated software requires software modifications which exceed \$500,000 to be capitalized as intangible assets. The Department initially capitalized individual enhancements going back several years which cumulatively amounted to more than \$500,000. However, many of the enhancements did not constitute a modification for capitalization purposes. For this reason, intangible capital assets were overstated by \$3,218,537. This was properly adjusted for reporting purposes.

Recommendation – The Department should ensure intangible capital assets are correctly reported.

Response – Intangible capital assets were capitalized based on the Department's understanding of the DAS-SAE, GASB 51 Implementation – Intangible Assets policy. The Department made a good faith effort to report all intangible assets currently in use which exceeded \$500,000, based on our interpretation of the policy. After the GAAP package was completed, staff from the Office of Auditor of State provided additional clarification on the definition of enhancement costs and thresholds which should be used. Intangible capital assets will be reported according to this revised understanding of the guideline in future years.

Conclusion – Response accepted.

State of Iowa

Schedule of Findings

Year ended June 30, 2015

- (D) Payroll – Departments process and record payroll and personnel information in the Human Resource Information System (HRIS). The Human Resource Associates utilize an online P-1 document to initiate and approve payroll actions, such as adding new employees and recording pay raises. Findings were noted for the following departments where there were no compensating controls:

**(1) Iowa Department of Education**

Twenty-seven individuals within the Department have the ability to initiate and approve timesheets.

Recommendation – To strengthen controls, the Department should develop and implement procedures to segregate the duties of the Human Resource Associates from the duties of payroll.

Response – We certainly understand the concern and the rationale behind the recommendation. In practical terms, this will be very difficult for us to implement due to staffing levels. We have developed a process where no one person can put all levels of approval on anything in HRIS. We believe this process gets us to the same result as the above recommendation.

Conclusion – Response accepted.

**(2) Iowa Department of Natural Resources**

Three individuals have the ability to apply multiple levels of approval to timesheets. These three individuals also have the ability to initiate and approve P-1 documents.

Also, one individual receives the preliminary payroll report, makes changes and reviews the final report. However, the preliminary payroll report is not maintained and there is no independent review to ensure the final adjusted payroll report is correct.

In addition, four of ten timesheets tested were approved by a supervisor on or after the payroll warrant date and two of ten timesheets tested were not approved by a supervisor.

Recommendation – To strengthen controls, the Department should develop and implement procedures to further segregate duties so individuals do not have the ability to apply multiple levels of approval to timesheets. The Department should obtain a listing from the Department of Administrative Services to verify Department approvals of P-1 documents are being applied appropriately. This report should be independently reviewed by the Bureau Chief or designee.

Also, the individual certifying the final payroll reports should periodically choose individual items from the payroll reports to review for accuracy and documentation of changes and the preliminary report should be kept with the final payroll report.

In addition, the Department should develop procedures to ensure all timesheets are approved timely.

State of Iowa

Schedule of Findings

Year ended June 30, 2015

Response – The Department makes every effort to ensure accurate time reporting. Beginning in fiscal year 2016, the Department requested a P-1 report quarterly from the Department of Administrative Services. This report is formatted upon receipt to determine which P-1's are initiated and approved by the same individual. These P-1's are then reviewed for reasonableness and necessity by the Human Resource Supervisor or his designee. The Department will also periodically perform an independent review of final payroll journals to approved timesheets.

In addition, the Department plans to eliminate the use of paper timesheets by April 2016. The shift from bubble sheets (paper timesheets) to the Time and Activity reporting system – TARS, will increase the accuracy of time reporting, and allow timely supervisor approval.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.