

# Iowa Comprehensive Annual Financial Report



**For the Fiscal Year Ended June 30, 2016**

The internationally acclaimed Iowa State Fair is the single largest event in the State of Iowa and one of the oldest and largest agricultural and industrial expositions in the country. Annually attracting more than a million people from all over the world, the Iowa State Fair is Iowa's great celebration, a salute to the State's best in agriculture, industry, entertainment and achievement. It is the true heartbeat of the Midwest, unequalled and unduplicated.

Photo: Courtesy Iowa Tourism Office



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

For the Fiscal Year  
Ended June 30, 2016

GOVERNOR:  
Terry E. Branstad

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

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**STATE OF IOWA**

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INTRODUCTORY  
SECTION



December 14, 2016

**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, 2016. 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 Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) 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. 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 2016-2017**

During calendar year 2015, gross domestic product showed growth of 2.6 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 2016 is 1.6 percent and 2.9 percent in calendar year 2017.

Job growth has continued to grow over the past year. During calendar year 2015, 2.1 million jobs were gained nationally. Projections provided by Moody's Analytics for calendar year 2016 are for continued growth with 1.7 million jobs gained, and 1.5 million gained for calendar year 2017.

### **State and Local Economy**

Iowa's economy is supported by a diverse mixture of industry, agriculture, services and government employment. In calendar year 2015, 18.3 percent of the State's gross domestic product was in manufacturing, down from 19.6 percent 10 years ago. The finance, insurance, and real estate sectors has continued to be the largest part of the State's economy at 21.4 percent during calendar year 2015. With the growth in renewable fuels processing in Iowa, and more grain and livestock production, agriculture has grown from 3.9 percent in 2005 to 5.9 percent in 2015. However, with the continued slowdown in agriculture in calendar year 2015, Iowa's real gross domestic product increased only 0.8 percent ranking Iowa 41st in growth rate nationally. The United States average growth during the calendar year was 2.4 percent.

**Personal Income.** Personal income, as reported by the U.S. Department of Commerce, for the nation increased 4.4 percent during calendar year 2015. Iowa's personal income rose 0.6 percent for the calendar year 2015, ranking Iowa 48th in growth rate nationally. For the second quarter, calendar year 2016, Iowa's personal income increased 1.2 percent, ranking Iowa 9th in growth rate nationally.

**Employment.** Over the past 10 years, Iowa's unemployment rate has been below the national average. As of September 2016, the state unemployment rate stood at 4.2 percent, while the national average stood at 5.0 percent. Following the national trend, unemployment in Iowa has continued to drop during calendar year 2015 from 3.8 percent in January 2015 to 3.5 percent in December 2015. During calendar year 2015, nonfarm employment on a seasonally adjusted basis increased a net 19,100 jobs. During this time period, the construction sector gained 5,700 jobs, the education and health services sector gained 3,500 jobs, other services sector gained 3,300 jobs, trade and transportation and government sectors gained 3,000 jobs, leisure and hospitality sector gained

2,800 jobs, 2,600 jobs were gained in the finance sector, and 1,900 jobs gained in the professional and business sector. These gains were offset by reductions of 1,600 jobs in the information sector and 1,300 jobs in the manufacturing 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 1990s. Growth in exports of various agriculture and manufacturing commodities have helped diversify Iowa's economy. In calendar year 2015 according to the U.S. Census Bureau, Iowa exports decreased 12.5 percent, after increasing 8.6 percent in calendar year 2014.

Canada remains the top country for Iowa's exports, with Mexico as Iowa's second best trading partner. In 2015, Iowa's agricultural export value was second to California nationally.

**Farmland Values.** The Federal Reserve Bank of Chicago, in their August 2016 public release, reported that farmland values for the Seventh Federal Reserve District (Chicago) had decreased 1.0 percent from a year ago for the second quarter of 2016. Farmland values in Iowa decreased by 6.0 percent for the period July 1, 2015 to July 1, 2016. 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 decreased from the 2014 average of 217,017 to the 2015 average of 216,075. During calendar year 2015, durable goods products accounted for about 59.6 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 PROGRAM CHANGE**

**Medicaid Managed Care.** On April 1, 2016, most Iowa Medicaid programs were joined together into one managed care program called IA Health Link. This creates one system of care to help the delivery of efficient, coordinated and improved health care and creates responsibility in health care coordination. This initiative aims to improve quality and access through better coordinated care, promote accountability for outcomes, and create a more predictable and sustainable Medicaid budget.

Managed care capitation rates are developed assuming efficiency reductions and lower inflationary trends relative to fee-for-service. For these reasons, the State expects to spend less under the managed care model than it would have under a fee-for-service model. In addition, as managed care programs mature, the quality of care provided to Medicaid clients is expected to increase. By enhancing the quality of care and access to providers, Managed Care Organizations are generating more value for every health care dollar spent under the Medicaid program.

## **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, 2015. 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.

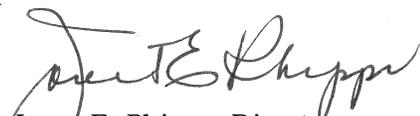
A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**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 Department of Administrative Services – State Accounting Enterprise, the Auditor of State's Office, and the financial and management personnel throughout State government.

This report, issued for the twenty-eighth 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

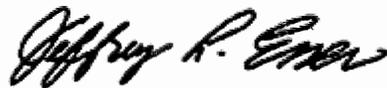
**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**State of Iowa**

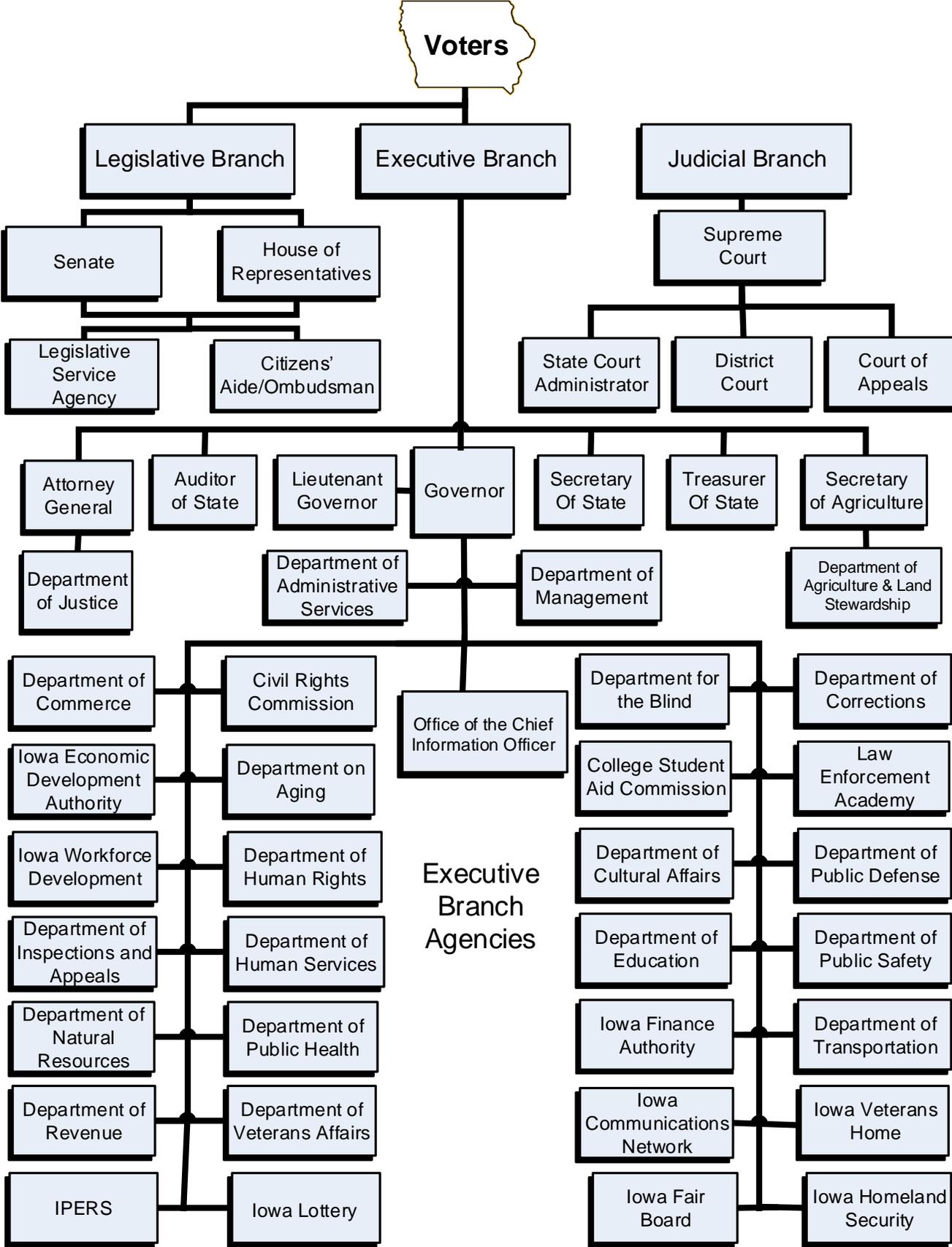
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**



Executive Director/CEO

# State of Iowa Organizational Chart



# Principal Officials

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## Elected Officials

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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**

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## Legislative Branch

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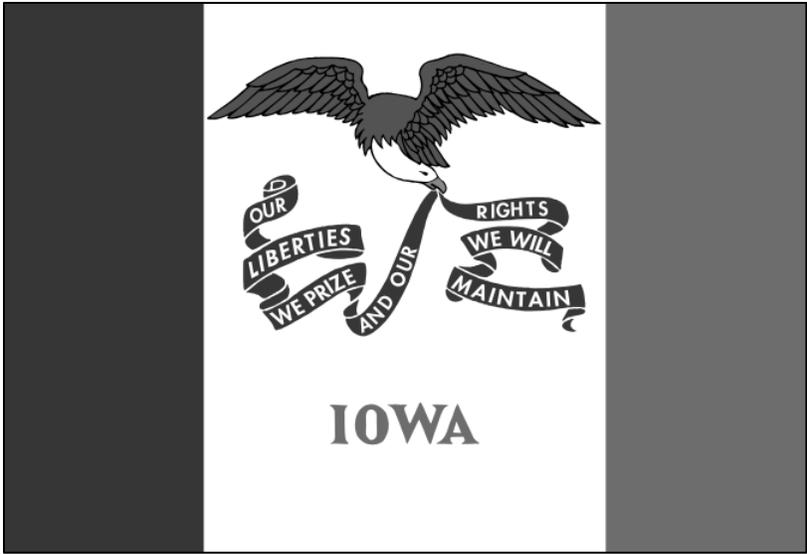
PRESIDENT OF THE SENATE - **Pam Jochum**  
  
SPEAKER OF THE  
HOUSE OF REPRESENTATIVES - **Linda L. Upmeyer**

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## Judicial Branch

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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, 2016, 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 Iowa Public Television Foundation, which represents less than 1% of the assets, the net position and the revenues of the governmental activities and less than 1% of the assets and the fund balance and 2% of the revenues of the aggregate remaining funds. We also 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, which represent a total of 92%, 91% and 46%, 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 Public Television Foundation, 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, 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 Iowa Public Television Foundation, the University of Iowa Foundation, the Iowa State University Foundation and the University of Northern Iowa Foundation 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, 2016, 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 Iowa State Fair Authority, a discretely presented component unit of 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, for its fiscal year ended October 31, 2015. 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 32 and 136 through 153 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, the University of Iowa Research Foundation and the University of Iowa Health System 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

December 14, 2016

## 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, 2016. 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 2016 by \$16,072.4 million (net position). Of this amount, \$1,008.6 million (unrestricted net position) is available to be used to meet the State's ongoing obligations to citizens and creditors.
- Total net position increased \$571.1 million from June 30, 2015 to June 30, 2016. Net position of governmental activities increased \$165.3 million, or 1.9%, while net position of business-type activities increased \$405.8 million, or 6.0%.
- In the State's governmental activities, revenues increased 2.6% to \$16,534.8 million while expenses increased 2.7% to \$15,831.2 million.
- For business-type activities, revenues increased 6.0% to \$5,138.3 million while expenses increased 5.4% to \$5,270.8 million.

#### Fund Highlights

- The State's governmental funds reported a combined ending fund balance of \$2,185.0 million, a \$297.6 million decrease from the prior year. Of this amount, \$61.8 million represents nonspendable fund balances, \$1,225.7 million represents spendable restricted fund balances, \$1,365.1 million represents spendable committed fund balances and a negative \$467.6 million represents unassigned fund balances.
- The General Fund total fund balance decreased \$319.4 million to \$1,990.2 million.
- The proprietary funds reported net position at year-end of \$7,358.5 million, an increase of \$421.4 million.

#### Long-term Debt

- The State's total long-term debt decreased \$30.3 million to \$3,648.8 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 (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 a Schedule of Contributions for each pension plan along with accompanying Notes to RSI 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 \$16,072.4 million at June 30, 2016, compared to \$15,501.3 million at June 30, 2015, as indicated in Table 2.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2015-2016
	2016	2015	2016	2015	2016	2015	
Current & other assets	\$ 4,146.9	\$ 4,634.1	\$ 5,076.5	\$ 5,116.0	\$ 9,223.4	\$ 9,750.1	-5.4%
Capital assets	9,044.2	8,662.7	5,471.3	5,041.0	14,515.5	13,703.7	5.9%
Total assets	13,191.1	13,296.8	10,547.8	10,157.0	23,738.9	23,453.8	1.2%
Deferred outflows of resources	240.0	177.1	52.7	32.5	292.7	209.6	39.6%
Long-term liabilities	2,799.8	2,649.5	2,391.6	2,324.4	5,191.4	4,973.9	4.4%
Other liabilities	1,619.7	1,804.8	985.8	1,027.6	2,605.5	2,832.4	-8.0%
Total liabilities	4,419.5	4,454.3	3,377.4	3,352.0	7,796.9	7,806.3	-0.1%
Deferred inflows of resources	145.2	318.5	17.1	37.3	162.3	355.8	-54.4%
Net position:							
Net investment in capital assets	8,751.9	8,360.4	3,601.0	3,225.0	12,352.9	11,585.4	6.6%
Restricted	922.6	855.8	1,788.3	1,713.9	2,710.9	2,569.7	5.5%
Unrestricted	(808.1)	(515.1)	1,816.7	1,861.3	1,008.6	1,346.2	-25.1%
Total net position	\$ 8,866.4	\$ 8,701.1	\$ 7,206.0	\$ 6,800.2	\$ 16,072.4	\$ 15,501.3	3.7%

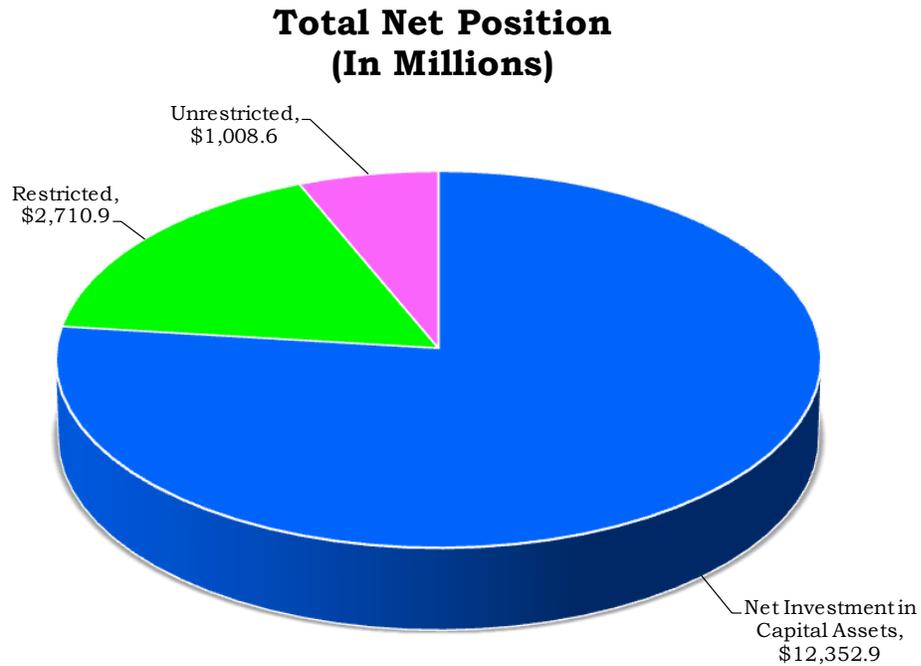
Net position of the State's governmental activities increased 1.9% to \$8,866.4 million. The largest component (98.7%) of the State's net position is its investment in capital assets (e.g. land, buildings, equipment, infrastructure and others), less any related outstanding debt that was used to acquire or construct the assets. Restricted net position is the next largest component (10.4%). 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 9.1%) 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 6.0% to \$7,206.0 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 4.4% to \$5,191.4 million due primarily to an increase of \$219.1 million in net pension liability. Deferred outflows of resources increased \$83.1 million and deferred inflows of resources decreased \$193.5 million, due almost entirely to the recognition of amounts related to pensions.

Other liabilities decreased 8.0% to \$2,605.5 million. The \$226.9 million decrease resulted mostly from decreases of \$180.8 million in accounts payable & accruals, and \$61.8 million in funds held in custody and an increase of \$15.4 million in the current portion of bonds payable.

The chart presented below provides a visual representation of the three components of the State's total net position of \$16,072.4 million at June 30, 2016.



(Continued on next page.)

## Changes in Net Position

The State's total net position increased by \$571.1 million from June 30, 2015 to June 30, 2016, as indicated in Table 3.

**Table 3**  
**Changes in Net Position**  
**(In Millions)**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2015-2016
	2016	2015	2016	2015	2016	2015	
<b>Program revenues</b>							
Charges for services	\$ 2,017.9	\$ 1,980.9	\$ 4,100.5	\$ 3,813.4	\$ 6,118.4	\$ 5,794.3	5.6%
Operating grants & contributions	5,500.4	5,349.9	777.4	746.7	6,277.8	6,096.6	3.0%
Capital grants & contributions	440.8	501.4	101.7	173.1	542.5	674.5	-19.6%
<b>General revenues</b>							
Personal income tax	3,542.4	3,456.5	-	-	3,542.4	3,456.5	2.5%
Corporate income tax	374.6	464.1	-	-	374.6	464.1	-19.3%
Sales & use tax	2,758.4	2,670.1	-	-	2,758.4	2,670.1	3.3%
Other tax	803.0	771.7	7.6	7.8	810.6	779.5	4.0%
Motor fuel tax restricted for transportation purposes	678.0	524.6	-	-	678.0	524.6	29.2%
Road use tax restricted for transportation purposes	361.0	346.9	-	-	361.0	346.9	4.1%
Unrestricted investment earnings	22.1	19.2	78.1	46.9	100.2	66.1	51.6%
Other	36.2	38.0	73.0	57.3	109.2	95.3	14.6%
<b>Total revenues</b>	<b>16,534.8</b>	<b>16,123.3</b>	<b>5,138.3</b>	<b>4,845.2</b>	<b>21,673.1</b>	<b>20,968.5</b>	3.4%
<b>Expenses</b>							
Administration & regulation	1,799.2	1,595.9	-	-	1,799.2	1,595.9	12.7%
Education	4,005.6	3,909.9	-	-	4,005.6	3,909.9	2.4%
Health & human rights	436.3	422.7	-	-	436.3	422.7	3.2%
Human services	6,708.8	6,463.8	-	-	6,708.8	6,463.8	3.8%
Justice & public defense	1,097.6	1,202.4	-	-	1,097.6	1,202.4	-8.7%
Economic development	144.5	158.6	-	-	144.5	158.6	-8.9%
Transportation	1,321.5	1,340.5	-	-	1,321.5	1,340.5	-1.4%
Agriculture & natural resources	227.6	223.9	-	-	227.6	223.9	1.7%
Interest expense	90.1	92.0	-	-	90.1	92.0	-2.1%
University Funds	-	-	4,580.2	4,339.4	4,580.2	4,339.4	5.5%
Unemployment Benefits Fund	-	-	416.6	396.8	416.6	396.8	5.0%
Other	-	-	274.0	264.1	274.0	264.1	3.7%
<b>Total expenses</b>	<b>15,831.2</b>	<b>15,409.7</b>	<b>5,270.8</b>	<b>5,000.3</b>	<b>21,102.0</b>	<b>20,410.0</b>	3.4%
Increase (decrease) in net position before transfers	703.6	713.6	(132.5)	(155.1)	571.1	558.5	2.3%
Transfers	(538.3)	(534.1)	538.3	534.1	-	-	0.0%
<b>Increase in net position</b>	<b>165.3</b>	<b>179.5</b>	<b>405.8</b>	<b>379.0</b>	<b>571.1</b>	<b>558.5</b>	2.3%
<b>Net position - July 1</b>	<b>8,701.1</b>	<b>8,521.6</b>	<b>6,800.2</b>	<b>6,421.2</b>	<b>15,501.3</b>	<b>14,942.8</b>	3.7%
<b>Net position - June 30</b>	<b>\$ 8,866.4</b>	<b>\$ 8,701.1</b>	<b>\$ 7,206.0</b>	<b>\$ 6,800.2</b>	<b>\$ 16,072.4</b>	<b>\$ 15,501.3</b>	3.7%

### Governmental Activities

Overall, total revenues for governmental activities increased 2.6% over the prior year.

Program revenues increased \$126.9 million, or 1.6%. The largest fluctuation in program revenues was in operating grants and contributions. Operating grants and contributions increased \$150.5 million, or 2.8%. The net increase resulted from an increase of \$244.2 million in human services that was largely due to an increase in federal support for medical assistance, which was partially offset by a decrease of \$122.5 million in justice & public defense due mainly to a decrease of \$57.6 million in disaster reimbursement from the federal government.

Capital grants and contributions decreased \$60.6 million, or 12.1%. This decrease is attributable to a decrease of \$56.7 million in transportation resulting from annual fluctuations in the completion of projects and the receipt of the related federal funding.

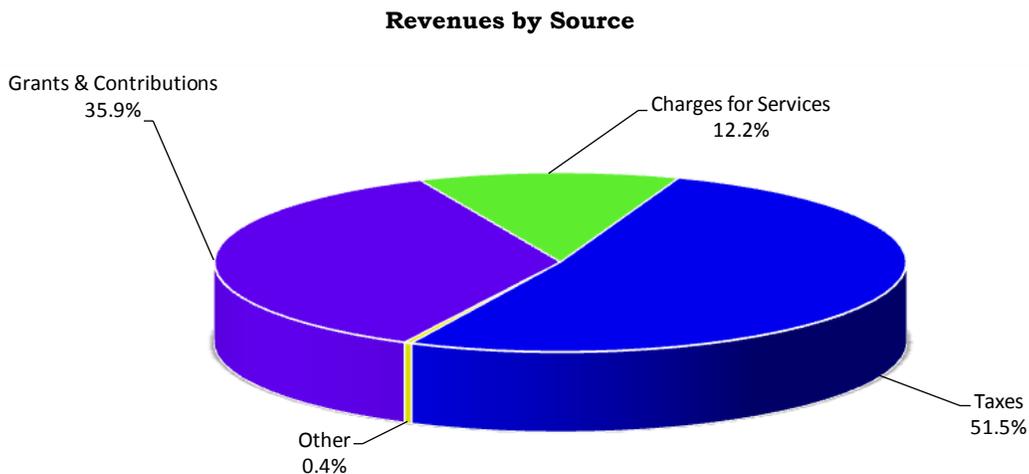
General revenues experienced a net increase of \$284.6 million or 3.4% from fiscal year 2015. This is due in part to increases in personal income tax of \$85.9 million or 2.5%, sales & use tax of \$88.3 million or 3.3%, and in motor fuel tax of \$153.4 million or 29.2%, and a decrease of \$89.5 million or 19.3% in corporate income tax.

Net personal income tax revenues increased for the fiscal year, but at a below average rate. Although withholding and estimated receipts experienced average growth, final return payments dropped unexpectedly. At the same time, individual refunds increased at a strong pace, pulling down the aggregate growth to the relatively weak 2.5%. Nationally, personal income taxes collected by the states increased 2.9% in fiscal year 2016, as reported by the National Association of State Budget Officers.

Sales and use net revenues were near average, but a large drop in refunds masked the relatively weak growth in receipts. Observed weakness in retail sales in rural counties and a belief that Iowans continue to shift to online purchases are thought to be the drivers behind the weak growth in taxable sales. The drop in refunds reflected a return to normal levels after a surge in refunds that were issued during fiscal year 2015. Nationally, sales and use tax receipts increased 3.2%.

Net corporation tax revenues dropped sharply in fiscal year 2016 reflecting both weakness in receipts and a jump in refunds. Nationally, corporation tax receipts dropped 5.8% in fiscal year 2016. Iowa's weakness was similar to that reported by most Midwestern states at a recent Federation of Tax Administrators meeting.

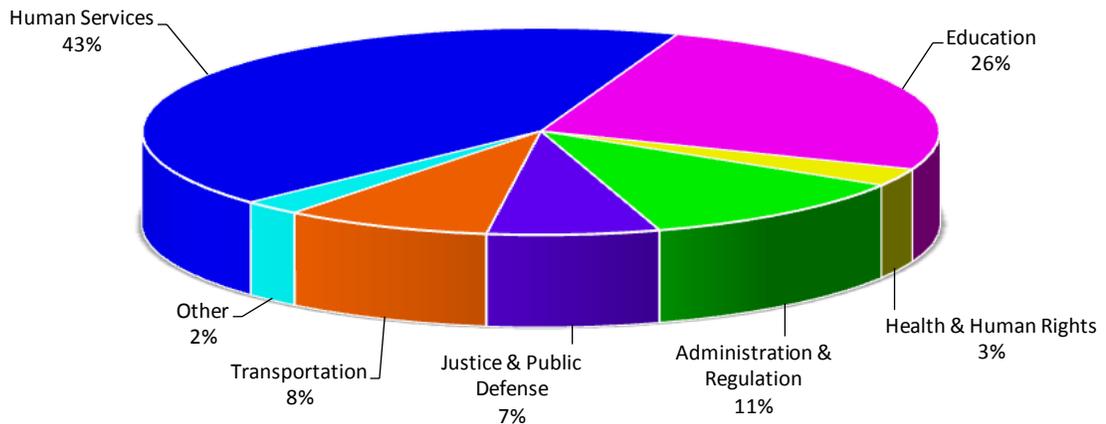
The increase in motor fuel tax receipts reflects a full year of the ten cent per gallon increase in the tax rate as compared to only four months of the increased rate in the prior year.



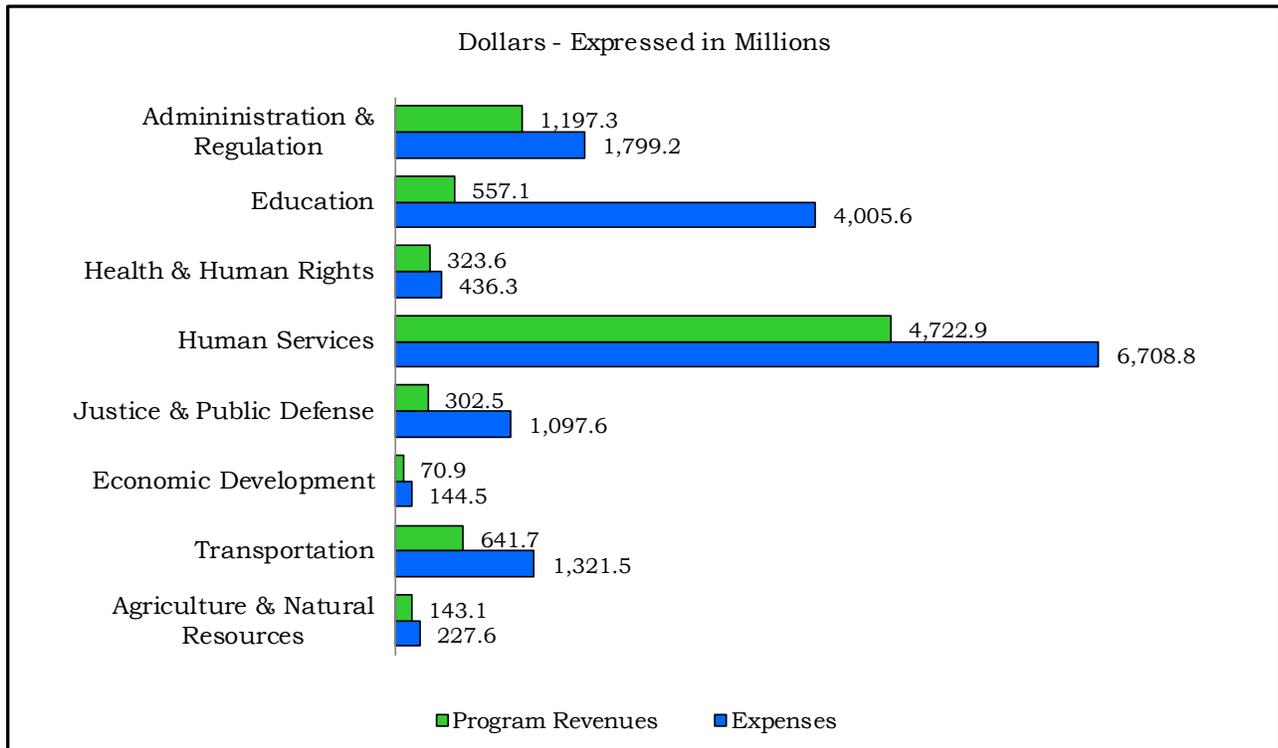
Overall, total expenses for governmental activities increased 2.7% over the prior year.

Expenses increased most significantly in human services, \$245.0 million, administration & regulation, \$203.3 million and education, \$95.7 million, and decreased most significantly in justice & public defense, \$104.8 million. The increase in human services expenses is largely a result of an increase in medical assistance payments. The increase in administration & regulation is largely due to an increase of \$133.1 million in state aid provided for commercial property tax credits, while the increase in education is primarily due to an increase of \$84.8 million in state aid to schools. The decrease in justice & public defense expenses is most notably due to a decrease of \$50.5 million in state aid for disaster reimbursements.

### Expenses by Function



### Program Revenues and Expenses



The cost of all governmental activities this fiscal year was \$15,831.2 million. However, the amount that taxpayers paid for these activities through State taxes was \$8,517.4 million. Part of the cost was paid by:

- Those who directly benefited from the programs (\$2,017.9 million) or
- Other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$5,941.2 million).

### **Business-type Activities**

- University Funds had \$4,580.2 million in expenses and \$4,149.6 million in program revenues for net expenses of \$430.6 million. The largest change in revenues occurred in charges for services, which increased \$236.0 million or 7.8%. The increase was due, in part, to an increase in patient services revenue of \$177.8 million at the University of Iowa Hospitals and Clinics (UIHC). Capital grants and contributions revenue decreased \$71.5 million or 41.3% due to a decrease of \$65.9 million in federal reimbursements for flood related projects at the University of Iowa. The largest increases in expenses occurred in, personal services, \$124.3 million or 4.8%, and equipment & repairs, \$68.1 million or 12.3%. These increases are largely attributed to the provision of patient services at the UIHC and to increased research activity at the University of Iowa. Investment income increased \$31.7 million or 130.3% due to favorable market performance. Assets increased \$350.9 million to \$9,153.0 million. This was due to an increase in capital assets of \$431.5 million related to construction, which was partially offset by decreases in accounts receivable and cash & investments of \$68.2 million and \$22.5 million, respectively. Liabilities increased \$40.0 million, due to increases of \$33.5 million in bonds payable and \$26.2 million in net pension liability. Deferred outflows of resources increased \$19.7 million and deferred inflows of resources decreased \$18.4 million, both primarily due to the recognition of amounts related to pensions.
- The Unemployment Benefits Fund had \$416.6 million in expenses and \$451.4 million in program revenues with operating income of \$34.8 million. Employer contributions increased \$38.7 million or 9.4%, as a result of higher contribution rates triggered by the fund balance of the prior fiscal year. Unemployment benefit payments increased \$19.7 million or 5.0%, due to an increase in claim filings as a result of a number of contributing factors including layoffs at several large companies.
- In total, business-type activities had net expenses of \$291.2 million with \$158.7 million in net general revenues and \$538.3 million in net transfers, for a net increase of \$405.8 million, to end with a net position of \$7,206.0 million.
- Other business-type activities expenses increased \$9.8 million and program revenues increased \$12.4 million. The Liquor Control Act fund which accounts for the revenues and expenses related to the sale of alcoholic beverages experienced an \$11.6 million increase in operating revenues and an \$8.5 million increase in operating expenses.

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

### **Governmental Funds**

The governmental funds reported total fund balances of \$2,185.0 million, a decrease of 12.0% from the previous year. Net revenues totaled \$16,563.9 million with expenditures of \$16,323.7 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 balances include 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 balances include resources that are in spendable form (e.g. cash) and are available for spending. Spendable fund balances are 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* – \$1,225.7 million and \$1,299.1 million for FY2016 and FY2015, 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* – \$1,365.1 million and \$1,700.7 million for FY2016 and FY2015, 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 \$467.6 million and negative \$578.1 million for FY2016 and FY2015, 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 \$2,309.6 million for fiscal year 2015 to \$1,990.2 million for fiscal year 2016. The fiscal year 2016 General Fund consists of the following fund balances: \$44.9 million nonspendable, a decrease of 0.9%, \$835.9 million restricted, a decrease of 3.0%, \$1,323.9 committed, a decrease of 21.0%, and negative \$214.5 million unassigned, an increase of 21.5%. For fiscal year 2016, the committed fund balance includes \$729.2 million in reserve (rainy day) funds, an increase of 4.5%.

Gross revenues of the General Fund increased \$637.8 million in fiscal year 2016. Taxes increased by \$345.9 million, a 3.9% increase from fiscal year 2015 to \$9,263.2 million in fiscal year 2016. Major contributors to the tax increase include an increase of gross tax receipts from the sale of vehicles, and increased sales tax deposited in to the General Fund for an overall sales tax increase of \$80.6 million; and a fuel tax increase of \$170.8 million due primarily to the Iowa gas tax increase effective March 1, 2015. Receipts from other entities had a net increase of \$124.5 million as a result of an increase in federal revenue for the medical assistance program in the Department of Human Services (DHS), increases and decreases in several DHS programs and an increase in federal funding for Department of Education programs. In addition, refunds & reimbursements increased \$105.2 million due in part to the medical assistance program within the DHS collecting an additional \$22.5 million in regular drug rebates and an additional \$41.7 million for the Iowa Health and Wellness Program.

Total expenditures of the General Fund increased \$387.3 million in fiscal year 2016. Medical assistance expenditures in the Department of Human Services increased \$288.7 million for the fiscal year. The Iowa Medicaid program transitioned from a fee-for-service model to a managed care model effective April 1, 2016. During the initial months of comprehensive managed care, the state paid for both managed care capitation payments and fee-for-service run-out claims associated with pre-managed care dates of service. As a result, monthly Medicaid payments were higher during the initial months of managed care transition. The majority of run-out claims are expected to be paid in the first six months of the managed care contract period. In addition to increased costs as a result of overall increasing healthcare costs and the costs associated with the transition to managed care, the Medicaid Buy-In payments increased by \$18.6 million due to increased enrollment and higher premium costs which go into effect each January.

Business Property Tax Credits and Commercial and Industrial Property Tax Replacement expenditures, in the administration & regulation function increased by \$133.1 million due to property tax reduction legislation that became effective in fiscal year 2015.

Capital outlay decreased \$8.5 million due primarily to expected timing fluctuations of Department of Transportation projects. In addition, debt service payments had a net increase of \$3.1 million.

### **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 \$52.7 million to \$334.8 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 \$14.4 million and \$39.9 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 \$51.9 million to a deficit balance of \$253.1 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 \$349.0 million to \$5,881.6 million while unrestricted net position decreased \$47.7 million to \$1,786.7 million.

The total net position of the Unemployment Benefits Fund, which is entirely restricted for unemployment benefits, increased \$55.1 million to end fiscal year 2016 at \$1,218.4 million.

The nonmajor enterprise funds total net position increased \$2.2 million or 1.9% to \$113.0 million.

The Iowa Communications Network net position increased \$1.2 million or 3.8% to \$33.9 million. The increase in net position is primarily due to an increase of \$1.0 million in voice and data services.

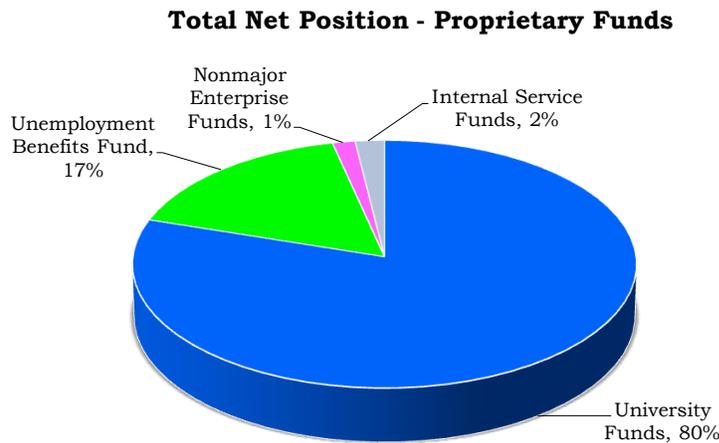
The Honey Creek Park total net position decreased \$1.5 million or 3.1% to \$45.4 million. The decrease in net position is attributable to a \$1.4 million decrease in capital assets, net of accumulated depreciation, due to recognition of the current year's depreciation expense offset by a minimal amount of additions to capital assets.

The Liquor Control Act total net position increased \$0.3 million or 6.3% to \$4.7 million.

Iowa State Prison Industries total net position increased \$0.3 million or 1.7% to \$21.0 million.

The net position of the nonmajor enterprise funds – other funds increased \$1.8 million or 28.6% to \$8.0 million as a result of a combined \$1.7 million operating income.

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: \$72,350,000
- Adjustments to standing appropriations: \$8,203,084

The originally enacted General Fund budget for fiscal year 2016 of \$7,171.7 million was predicated on \$7,175.5 million or 6.0% growth in General Fund revenues, as projected by the State's Revenue Estimating Conference (REC) on March 19, 2015. The March estimate reflected the expectation that revenues would increase from an estimated 4.3% growth for fiscal year 2015. Also included in the enacted General Fund budget was a negative \$11.2 million in revenue adjustments for tax law and revenue changes along with \$330.0 million in surplus from reserve funds back to the General Fund.

At the October 13, 2015 meeting, the REC revised its fiscal year 2016 General Fund revenue estimate downward to \$7,054.5 million and with a finalized FY2015 base, the growth was at 3.4%. This change was based upon the finalized base for fiscal year 2015 of 5.1%. On December 10, 2015, the REC decreased the revenue estimate slightly to \$7,045.6 million. On March 16, 2016, the REC kept the revenue estimate unchanged at \$7,045.6 million or 3.3% growth.

On March 21, 2016, Governor Branstad signed into law HF 2433 which coupled for one year state law with certain federal tax law changes, rescinded certain administrative rules and modified the sales tax exemptions related to the purchase of items used in manufacturing and other activities. This impacted General Fund revenue by a negative \$97.6 million. The revised estimates taking into account this law change was for a fiscal year 2016 revenue estimate of \$6,947.9 million or 1.9% growth.

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 2016, these standing appropriations were more than the original estimates by \$8.2 million. A variety of standing appropriations make up the changes to standing appropriations.

During May and June of 2016, and throughout the accrual period, actual General Fund revenue collections continued to be slightly below the revised projections. At the close of fiscal year 2016, revenue collections totaled \$6,921.1 million which is a 1.5% growth over fiscal year 2015. As a result, the General Fund budgetary ending balance for fiscal year 2016, statutorily required to be transferred to the Cash Reserve Fund in fiscal year 2016, totaled \$44.1 million.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2016, the State had \$14,515.5 million invested in capital assets, net of accumulated depreciation of \$12,251.6 million. Depreciation charges totaled \$891.9 million in fiscal year 2016. 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.

**Table 4**  
**Capital Assets, Net of Depreciation**  
**(In Millions)**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2015-2016
	2016	2015	2016	2015	2016	2015	
Land	\$ 840.8	\$ 815.3	\$ 88.7	\$ 88.6	\$ 929.5	\$ 903.9	2.8%
Land improvements	46.2	42.0	34.4	34.9	80.6	76.9	4.8%
Construction in progress	36.5	212.9	824.0	847.9	860.5	1,060.8	-18.9%
Computer software in progress	52.4	50.9	9.1	6.5	61.5	57.4	7.1%
Infrastructure	6,665.1	6,335.9	431.3	401.8	7,096.4	6,737.7	5.3%
Buildings & improvements	1,081.1	918.1	3,230.2	2,835.0	4,311.3	3,753.1	14.9%
Equipment	205.5	194.9	389.1	370.8	594.6	565.7	5.1%
Works of art & collections	1.2	1.2	404.4	390.8	405.6	392.0	3.5%
Computer software	115.4	91.5	58.6	63.0	174.0	154.5	12.6%
Other intangibles	-	-	1.5	1.7	1.5	1.7	-11.8%
<b>Total</b>	<b>\$ 9,044.2</b>	<b>\$ 8,662.7</b>	<b>\$ 5,471.3</b>	<b>\$ 5,041.0</b>	<b>\$ 14,515.5</b>	<b>\$ 13,703.7</b>	<b>5.9%</b>

In the governmental activities, capital assets, net of accumulated depreciation, increased \$381.5 million, or 4.4%, to \$9,044.2 million. Infrastructure increased \$329.2 million, or 5.2%, 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 \$25.5 million, or 3.1%, as a result of net increases of \$17.3 million and \$8.2 million at the DOT and Iowa Department of Natural Resources, respectively. In addition,

buildings & improvements increased \$163.0 million, or 17.8%, due to increases at the Iowa Veterans Home, Iowa Braille School, Iowa Department of Public Defense, Iowa State Penitentiary and remodeling of the Iowa Correctional Institution for Women, offset by the recognition of depreciation expense for the year.

Capital assets, net of accumulated depreciation, in the business-type activities increased \$430.3 million, or 8.5%, to \$5,471.3 million. Construction in progress decreased \$23.9 million, or 2.8%, primarily due to completed construction projects at the University of Iowa. Buildings & improvements, net of accumulated depreciation, increased \$395.2 million, or 13.9%, 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 the Children’s Hospital.

Outstanding commitments for future capital expenditures as of June 30, 2016 include \$674.3 million (net of \$532.8 million in anticipated federal funding) for highway and bridge construction, \$412.0 million for various projects at the three State universities, \$11.6 million for State facilities and buildings, and \$19.5 million for State parks, recreational areas, fisheries and wetland projects.

## Long-term Debt

At year-end, the State had \$3,648.8 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.

**Table 5**  
**State of Iowa’s Outstanding Debt**  
**(In Millions)**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2015-2016
	2016	2015	2016	2015	2016	2015	
Revenue bonds	\$ 1,624.0	\$ 1,675.6	\$ 1,936.9	\$ 1,903.5	\$ 3,560.9	\$ 3,579.1	-0.5%
Leases & other financing arrangements	1.9	1.6	86.0	98.4	87.9	100.0	-12.1%
<b>Total</b>	<b>\$ 1,625.9</b>	<b>\$ 1,677.2</b>	<b>\$ 2,022.9</b>	<b>\$ 2,001.9</b>	<b>\$ 3,648.8</b>	<b>\$ 3,679.1</b>	<b>-0.8%</b>

Revenue bonds issued by the State and its various authorities totaled \$4,876.0 million outstanding at fiscal year-end. This amount consisted of \$1,315.1 million of component unit (proprietary) revenue bonds (Iowa Finance Authority and Iowa State University Foundation), \$1,936.9 million in revenue bonds issued by the three State universities (for equipment and facilities), \$746.2 million in revenue bonds issued by the Tobacco Settlement Authority, \$10.0 million in revenue bonds issued by the State of Iowa for the Iowa Utilities Board, \$666.6 million in revenue bonds issued by the State of Iowa for the IJOBS program, \$131.2 million in revenue bonds issued by the State of Iowa for Prison Infrastructure and \$70.0 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 \$51.6 million, due to the payment of principal as it came due in fiscal year 2016.

Business-type activities outstanding revenue bonds increased \$33.4 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 saw slower growth in fiscal year 2016 with the second half of the fiscal year showing a slowdown in revenue collections. Iowa’s 1.5% growth in General Fund revenues was not only due to law changes impacting state revenues deposited, but also weak growth in overall revenue collections in fiscal year 2016, mostly in personal

income and corporate income taxes. This has been the trend nationally as well with revenue collections for all states decreasing 2.1% in the second quarter of calendar year 2016, according to the Nelson A. Rockefeller Institute of Government.

The Governor and General Assembly finished their work on April 29, 2016, on the 110th day of the originally anticipated 100 day second session of the 86th General Assembly, finalizing the General Fund budget for fiscal year 2017. Amounts available for appropriation in fiscal year 2017 based on the 99% budget limitation for the General Fund budget were \$7,350.8 million. General Fund appropriations totaled \$7,350.6 million.

At the REC meeting in October 2016, the fiscal year 2017 revenue estimate was decreased from a revised \$7,380.0 million to \$7,308.1 million, largely as a reflection of actual revenue collections in fiscal year 2016, law changes passed during the 2016 Legislative Session which increased revenue a total of \$22.6 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 5.6% 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 4.2% in September 2016, holding steady to the rate for August 2016 of 4.2% and lower than the national rate of 5.0% for September 2016, showing Iowa's labor market holding its own.

According to Moody's Analytics, the U.S. economy had a good summer, with the job market posting impressive gains, vehicle sales strong, home sales and house prices largely recovered from the downturn and the stock market hitting new highs. The U.S. labor market continues to generate jobs at a solid pace even in its seventh year of uninterrupted growth. Payroll employment rose by 156,000 in September while the August gain was revised upward by 16,000. The unemployment rate has stabilized around 5% primarily because more job seekers entered the labor market. Unemployed workers had more success securing employment than earlier this year. The labor market expansion will continue at roughly the current pace over the next year and slow thereafter. The unemployment rate will remain around 5% through year's end before declining gently to a low of 4.6% in 2020. The labor market will finally reach full employment in late 2017 or early 2018, with wage growth accelerating to better than 3% through 2018 as a result.

## **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, 2016

(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	\$ 1,946,735	\$ 1,676,371	\$ 3,623,106	\$ 1,425,424
Cash & investments - restricted	-	-	-	659
Deposits with trustees	120,147	-	120,147	-
Accounts receivable (net)	1,810,175	709,021	2,519,196	89,566
Interest receivable	-	3,366	3,366	5,952
Loans receivable (net)	3,479	8,478	11,957	98,302
Internal balances	21,544	(21,544)	-	-
Inventory	21,688	66,731	88,419	3,446
Prepaid expenses	34,377	42,901	77,278	1,756
Other assets	-	-	-	25,329
<b>Total current assets</b>	<b>3,958,145</b>	<b>2,485,324</b>	<b>6,443,469</b>	<b>1,650,434</b>
Noncurrent assets:				
Cash & investments	-	2,456,976	2,456,976	1,800,347
Deposits with trustees	77,375	14,772	92,147	-
Accounts receivable (net)	95,991	7,897	103,888	168,084
Interest receivable	-	486	486	-
Loans receivable (net)	15,322	69,333	84,655	1,613,297
Capital assets - nondepreciable	929,700	1,282,153	2,211,853	19,579
Capital assets - depreciable (net)	8,114,537	4,189,190	12,303,727	97,019
Prepaid expenses	-	12,156	12,156	-
Other assets	-	29,578	29,578	24,805
<b>Total noncurrent assets</b>	<b>9,232,925</b>	<b>8,062,541</b>	<b>17,295,466</b>	<b>3,723,131</b>
<b>TOTAL ASSETS</b>	<b>13,191,070</b>	<b>10,547,865</b>	<b>23,738,935</b>	<b>5,373,565</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated decrease in fair value of hedging derivatives	-	-	-	2,740
Debt refunding loss	19,711	15,966	35,677	27,282
Excess consideration provided for acquisition	-	-	-	5,446
Related to pensions	220,252	36,776	257,028	3,581
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>239,963</b>	<b>52,742</b>	<b>292,705</b>	<b>39,049</b>

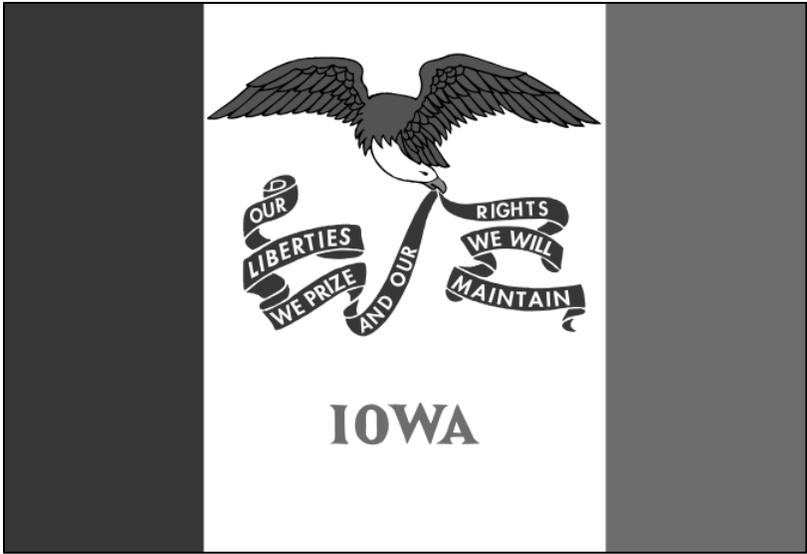
The notes are an integral part of the financial statements.

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# STATE OF IOWA

(Continued)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable & accruals	1,280,375	423,506	1,703,881	77,566
Interest payable	7,859	27,975	35,834	19,802
Unearned revenue	49,008	114,270	163,278	611
Compensated absences	143,531	128,018	271,549	2,686
Capital leases	28	2,410	2,438	740
Bonds payable	138,651	108,025	246,676	59,141
Other financing arrangements payable	253	9,546	9,799	-
Funds held in custody	-	172,088	172,088	106,195
<b>Total current liabilities</b>	<b>1,619,705</b>	<b>985,838</b>	<b>2,605,543</b>	<b>266,741</b>
Noncurrent liabilities:				
Accounts payable & accruals	198,461	264,232	462,693	64,410
Unearned revenue	-	2,307	2,307	-
Compensated absences	173,711	81,854	255,565	4,329
Capital leases	24	29,455	29,479	1,605
Bonds payable	1,485,329	1,828,919	3,314,248	1,255,978
Other financing arrangements payable	1,548	44,588	46,136	-
Net pension liability	940,676	99,327	1,040,003	18,834
Funds held in custody	-	40,943	40,943	6,004
<b>Total noncurrent liabilities</b>	<b>2,799,749</b>	<b>2,391,625</b>	<b>5,191,374</b>	<b>1,351,160</b>
<b>TOTAL LIABILITIES</b>	<b>4,419,454</b>	<b>3,377,463</b>	<b>7,796,917</b>	<b>1,617,901</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Accumulated increase in fair value of hedging derivatives	-	-	-	3,342
Debt refunding gain	-	6,705	6,705	-
Grants received in advance of meeting timing requirements	-	373	373	-
Related to pensions	145,219	10,043	155,262	3,115
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>145,219</b>	<b>17,121</b>	<b>162,340</b>	<b>6,457</b>
<b>NET POSITION</b>				
Net investment in capital assets	8,751,926	3,600,966	12,352,892	112,053
Restricted for:				
Education	54,148	-	54,148	-
Human services	3,261	-	3,261	-
Justice & public defense	6,352	-	6,352	-
Transportation	658,707	-	658,707	-
Agriculture & natural resources	7,442	-	7,442	-
Underground Storage Tank Program	14,082	-	14,082	-
Capital projects	21,395	-	21,395	-
University Funds - expendable	-	495,843	495,843	-
University Funds - nonexpendable	-	74,138	74,138	-
Permanent Funds - nonexpendable	16,552	-	16,552	-
Unemployment Benefits Fund	-	1,218,393	1,218,393	-
Other	140,618	-	140,618	3,414,893
Unrestricted	(808,123)	1,816,683	1,008,560	261,310
<b>TOTAL NET POSITION</b>	<b>\$ 8,866,360</b>	<b>\$ 7,206,023</b>	<b>\$ 16,072,383</b>	<b>\$ 3,788,256</b>







# 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, 2016  
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Current assets:					
Cash & investments	\$ 1,759,885	\$ 4,385	\$ -	\$ 113,967	\$ 1,878,237
Deposits with trustees	120,147	-	-	-	120,147
Accounts receivable (net)	1,759,528	214	32,652	16,501	1,808,895
Loans receivable (net)	3,317	-	-	162	3,479
Due from other funds	23,365	146,444	-	2,971	172,780
Inventory	13,109	-	-	131	13,240
Prepaid expenditures	31,808	-	-	162	31,970
Total current assets	<u>3,711,159</u>	<u>151,043</u>	<u>32,652</u>	<u>133,894</u>	<u>4,028,748</u>
Noncurrent assets:					
Deposits with trustees	-	77,375	-	-	77,375
Accounts receivable (net)	91,015	-	-	4,976	95,991
Loans receivable (net)	14,114	-	-	1,208	15,322
Due from other funds/ advances to other funds	-	106,613	-	-	106,613
Total noncurrent assets	<u>105,129</u>	<u>183,988</u>	<u>-</u>	<u>6,184</u>	<u>295,301</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,816,288</u></b>	<b><u>\$ 335,031</u></b>	<b><u>\$ 32,652</u></b>	<b><u>\$ 140,078</u></b>	<b><u>\$ 4,324,049</u></b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable & accruals	\$ 1,217,060	\$ 31	\$ -	\$ 6,380	\$ 1,223,471
Due to other funds/ advances from other funds	75,352	160	146,444	10,926	232,882
Unearned revenue	25,592	-	-	338	25,930
Total current liabilities	<u>1,318,004</u>	<u>191</u>	<u>146,444</u>	<u>17,644</u>	<u>1,482,283</u>
Noncurrent liabilities:					
Accounts payable & accruals	870	-	-	-	870
Due to other funds/ advances from other funds	-	-	106,613	-	106,613
Total noncurrent liabilities	<u>870</u>	<u>-</u>	<u>106,613</u>	<u>-</u>	<u>107,483</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,318,874</u></b>	<b><u>191</u></b>	<b><u>253,057</u></b>	<b><u>17,644</u></b>	<b><u>1,589,766</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue	507,210	-	32,652	9,428	549,290
<b>FUND BALANCES</b>					
Nonspendable	44,917	-	-	16,846	61,763
Spendable:					
Restricted	835,913	334,840	-	54,956	1,225,709
Committed	1,323,878	-	-	41,215	1,365,093
Unassigned	(214,504)	-	(253,057)	(11)	(467,572)
<b>TOTAL FUND BALANCES</b>	<b><u>1,990,204</u></b>	<b><u>334,840</u></b>	<b><u>(253,057)</u></b>	<b><u>113,006</u></b>	<b><u>2,184,993</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>	<b><u>\$ 3,816,288</u></b>	<b><u>\$ 335,031</u></b>	<b><u>\$ 32,652</u></b>	<b><u>\$ 140,078</u></b>	<b><u>\$ 4,324,049</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, 2016  
(Expressed in Thousands)

**Total fund balances - governmental funds** **\$ 2,184,993**

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 \$16,797,166,000 and the accumulated depreciation is \$(7,865,823,000). 8,931,343

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. 152,488

Certain revenues are earned but not available and, therefore, are deferred in governmental funds as deferred inflows of resources. 549,290

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. 19,710

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	\$ (1,623,980)	
Accrued interest payable	(7,859)	
Compensated absences	(311,508)	
Capital leases	(52)	
Other financing arrangements payable	(1,801)	
Pollution remediation	(23,976)	
Early retirement/termination benefits	(20,441)	
Risk management	(20,000)	
Net pension liability & related deferred amounts	(849,765)	
Other postemployment benefits	(111,149)	
Other long-term liabilities	(933)	
Total long-term liabilities		\$ (2,971,464)

**Net position of governmental activities** **\$ 8,866,360**

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, 2016  
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Taxes	\$ 9,263,248	\$ -	\$ -	\$ -	\$ 9,263,248
Receipts from other entities	6,054,948	-	-	9,843	6,064,791
Investment income	19,145	2,652	-	296	22,093
Fees, licenses & permits	1,353,336	-	-	56,003	1,409,339
Refunds & reimbursements	638,862	-	66,596	5,843	711,301
Sales, rents & services	34,652	-	-	5,013	39,665
Miscellaneous	189,684	-	-	19,382	209,066
<b>GROSS REVENUES</b>	<b>17,553,875</b>	<b>2,652</b>	<b>66,596</b>	<b>96,380</b>	<b>17,719,503</b>
Less revenue refunds	1,152,969	-	-	2,643	1,155,612
<b>NET REVENUES</b>	<b>16,400,906</b>	<b>2,652</b>	<b>66,596</b>	<b>93,737</b>	<b>16,563,891</b>
<b>EXPENDITURES</b>					
Current:					
Administration & regulation	1,770,460	1,057	-	20,586	1,792,103
Education	3,985,465	-	-	15,195	4,000,660
Health & human rights	430,989	-	-	566	431,555
Human services	6,720,208	-	-	188	6,720,396
Justice & public defense	1,053,781	-	-	805	1,054,586
Economic development	145,436	-	-	-	145,436
Transportation	610,854	-	-	138	610,992
Agriculture & natural resources	200,162	-	-	10,291	210,453
Capital outlay	1,191,480	-	-	25,810	1,217,290
Debt service:					
Principal	38,635	14,415	-	-	53,050
Interest & fiscal charges	47,338	39,881	-	-	87,219
<b>TOTAL EXPENDITURES</b>	<b>16,194,808</b>	<b>55,353</b>	<b>-</b>	<b>73,579</b>	<b>16,323,740</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>206,098</b>	<b>(52,701)</b>	<b>66,596</b>	<b>20,158</b>	<b>240,151</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	173,272	-	-	47,327	220,599
Transfers out	(699,394)	-	(14,651)	(44,901)	(758,946)
Leases, installment purchases & other	587	-	-	-	587
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(525,535)</b>	<b>-</b>	<b>(14,651)</b>	<b>2,426</b>	<b>(537,760)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(319,437)</b>	<b>(52,701)</b>	<b>51,945</b>	<b>22,584</b>	<b>(297,609)</b>
<b>FUND BALANCES - JULY 1</b>	<b>2,309,641</b>	<b>387,541</b>	<b>(305,002)</b>	<b>90,422</b>	<b>2,482,602</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 1,990,204</b>	<b>\$ 334,840</b>	<b>\$ (253,057)</b>	<b>\$ 113,006</b>	<b>\$ 2,184,993</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, 2016  
(Expressed in Thousands)

**Net change in fund balances - total governmental funds** **\$ (297,609)**

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	\$ 947,703	
Depreciation expense	(564,043)	
Excess of capital outlay over depreciation expense		383,660

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. (11,229)

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:

Capital leases	(17)	
Other financing arrangements	(570)	
Total		(587)

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	53,050	
Capital lease payments	41	
Other financing arrangements payments	243	
Total long-term debt repayments		53,334

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. 15,569

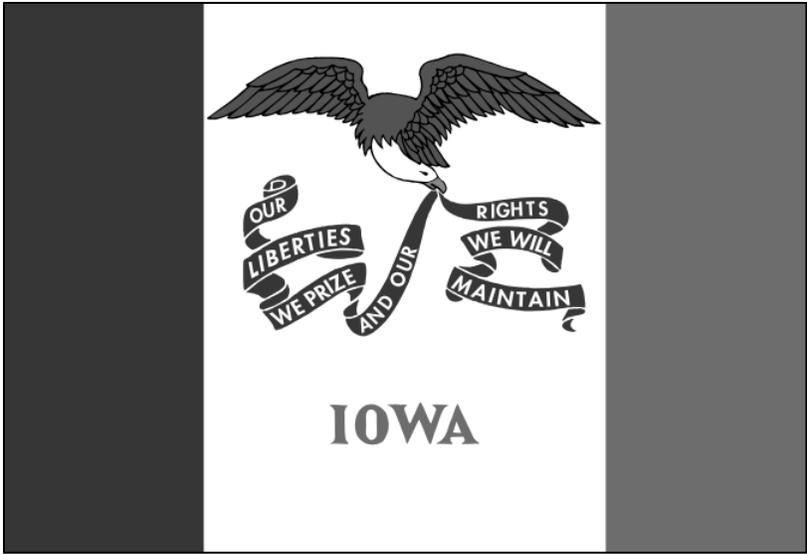
Because some revenues will not be collected for several months after the State's fiscal year-end, they are not considered available revenues and are deferred in the governmental funds as deferred inflows of resources. (25,855)

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	5,739	
Early retirement/termination benefits	602	
Net pension liability & related deferred amounts	45,848	
Other postemployment benefits	(8,259)	
Other	4,010	
Total additional expenses		47,940

**Change in net position of governmental activities** **\$ 165,223**

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, 2016  
(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	\$ 551,274	\$ 1,077,339	\$ 43,731	\$ 1,672,344	\$ 72,528
Accounts receivable (net)	507,680	179,798	21,543	709,021	1,279
Interest receivable	3,366	-	-	3,366	-
Loans receivable (net)	8,478	-	-	8,478	-
Due from other funds/advances to other funds	-	650	109	759	85,449
Inventory	55,229	-	11,502	66,731	8,449
Prepaid expenses	40,483	-	2,409	42,892	2,415
<b>Total current assets</b>	<b>1,166,510</b>	<b>1,257,787</b>	<b>79,294</b>	<b>2,503,591</b>	<b>170,120</b>
Noncurrent assets:					
Cash & investments	2,456,976	-	-	2,456,976	-
Deposits with trustees	14,772	-	-	14,772	-
Accounts receivable	7,897	-	-	7,897	-
Interest receivable	486	-	-	486	-
Loans receivable (net)	69,333	-	-	69,333	-
Due from other funds/advances to other funds	-	-	-	-	181
Capital assets - nondepreciable	1,276,511	-	5,642	1,282,153	-
Capital assets - depreciable (net)	4,118,765	-	70,425	4,189,190	112,894
Prepaid expenses	12,156	-	-	12,156	-
Other assets	29,578	-	-	29,578	-
<b>Total noncurrent assets</b>	<b>7,986,474</b>	<b>-</b>	<b>76,067</b>	<b>8,062,541</b>	<b>113,075</b>
<b>TOTAL ASSETS</b>	<b>9,152,984</b>	<b>1,257,787</b>	<b>155,361</b>	<b>10,566,132</b>	<b>283,195</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Debt refunding loss	15,966	-	-	15,966	-
Related to pensions	34,207	-	2,569	36,776	3,723
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>50,173</b>	<b>-</b>	<b>2,569</b>	<b>52,742</b>	<b>3,723</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable & accruals	393,520	15,075	14,186	422,781	29,987
Due to other funds/advances from other funds	-	732	11,337	12,069	14,037
Interest payable	27,975	-	-	27,975	-
Unearned revenue	88,302	23,587	2,381	114,270	23,078
Compensated absences	126,234	-	1,784	128,018	2,830
Capital leases	2,410	-	-	2,410	-
Bonds payable	108,025	-	-	108,025	-
Other financing arrangements payable	9,546	-	-	9,546	-
Funds held in custody	172,088	-	-	172,088	-
<b>Total current liabilities</b>	<b>928,100</b>	<b>39,394</b>	<b>29,688</b>	<b>997,182</b>	<b>69,932</b>
Noncurrent liabilities:					
Accounts payable & accruals	262,503	-	1,729	264,232	48,735
Due to other funds/advances from other funds	-	-	-	-	181
Unearned revenue	2,307	-	-	2,307	-
Compensated absences	79,771	-	2,083	81,854	2,904
Capital leases	29,455	-	-	29,455	-
Bonds payable	1,828,919	-	-	1,828,919	-
Other financing arrangements payable	44,588	-	-	44,588	-
Net pension liability	90,390	-	8,937	99,327	16,159
Funds held in custody	40,943	-	-	40,943	-
<b>Total noncurrent liabilities</b>	<b>2,378,876</b>	<b>-</b>	<b>12,749</b>	<b>2,391,625</b>	<b>67,979</b>
<b>TOTAL LIABILITIES</b>	<b>3,306,976</b>	<b>39,394</b>	<b>42,437</b>	<b>3,388,807</b>	<b>137,911</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Debt refunding gain	6,705	-	-	6,705	-
Grants received in advance of meeting timing requirements	373	-	-	373	-
Related to pensions	7,522	-	2,521	10,043	3,442
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>14,600</b>	<b>-</b>	<b>2,521</b>	<b>17,121</b>	<b>3,442</b>
<b>NET POSITION</b>					
Net investment in capital assets	3,524,899	-	76,067	3,600,966	112,894
Restricted for:					
Expendable	495,843	-	-	495,843	-
Nonexpendable	74,138	-	-	74,138	-
Unemployment benefits	-	1,218,393	-	1,218,393	-
Unrestricted	1,786,701	-	36,905	1,823,606	32,671
<b>TOTAL NET POSITION</b>	<b>\$ 5,881,581</b>	<b>\$ 1,218,393</b>	<b>\$ 112,972</b>	<b>7,212,946</b>	<b>\$ 145,565</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(6,923)	
<b>NET POSITION OF BUSINESS-TYPE ACTIVITIES</b>				<b>\$ 7,206,023</b>	

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, 2016  
(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	\$ -	\$ 448,907	\$ -	\$ 448,907	\$ -
Receipts from other entities	-	2,462	-	2,462	157,255
Fees, licenses & permits	2,561,645	-	21,685	2,583,330	208
Refunds & reimbursements	-	-	268	268	60,335
Sales, rents & services	409,937	-	353,121	763,058	2,054
Grants & contracts	574,983	-	-	574,983	-
Independent/auxiliary operations	301,472	-	-	301,472	-
Miscellaneous	67,825	7	3,459	71,291	5,233
<b>TOTAL OPERATING REVENUES</b>	<b>3,915,862</b>	<b>451,376</b>	<b>378,533</b>	<b>4,745,771</b>	<b>225,085</b>
<b>OPERATING EXPENSES</b>					
General & administrative	-	-	16,468	16,468	-
Scholarship & fellowship	39,155	-	-	39,155	-
Depreciation	303,397	-	5,873	309,270	18,554
Direct & other	-	-	28,068	28,068	-
Personal services	2,726,782	-	8,134	2,734,916	34,916
Travel & subsistence	37,783	-	1,243	39,026	14,397
Supplies & materials	643,685	-	418	644,103	44,577
Contractual services	127,892	-	6,718	134,610	41,575
Equipment & repairs	621,486	-	148	621,634	24,295
Claims & miscellaneous	14,434	-	202,482	216,916	31,509
Licenses, permits & refunds	4,065	-	713	4,778	27
State aid & credits	-	416,582	3,713	420,295	-
<b>TOTAL OPERATING EXPENSES</b>	<b>4,518,679</b>	<b>416,582</b>	<b>273,978</b>	<b>5,209,239</b>	<b>209,850</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(602,817)</b>	<b>34,794</b>	<b>104,555</b>	<b>(463,468)</b>	<b>15,235</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Gifts	199,923	-	-	199,923	-
Taxes	-	-	7,649	7,649	-
Investment income	55,946	21,960	169	78,075	121
Interest expense	(53,835)	-	-	(53,835)	-
Miscellaneous expenses	(387)	-	-	(387)	-
Gain (loss) on sale of capital assets	(2,849)	-	41	(2,808)	(142)
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<b>198,798</b>	<b>21,960</b>	<b>7,859</b>	<b>228,617</b>	<b>(21)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; TRANSFERS</b>	<b>(404,019)</b>	<b>56,754</b>	<b>112,414</b>	<b>(234,851)</b>	<b>15,214</b>
Capital contributions & grants	102,733	-	-	102,733	-
Transfers in	650,300	-	2,958	653,258	-
Transfers out	-	(1,691)	(113,220)	(114,911)	-
<b>CHANGE IN NET POSITION</b>	<b>349,014</b>	<b>55,063</b>	<b>2,152</b>	<b>406,229</b>	<b>15,214</b>
<b>TOTAL NET POSITION - JULY 1</b>	<b>5,532,567</b>	<b>1,163,330</b>	<b>110,820</b>		<b>130,351</b>
<b>TOTAL NET POSITION - JUNE 30</b>	<b>\$ 5,881,581</b>	<b>\$ 1,218,393</b>	<b>\$ 112,972</b>		<b>\$ 145,565</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(355)	
<b>CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES</b>				<b>\$ 405,874</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, 2016  
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers/students	\$ 3,296,090	\$ -	\$ 374,675	\$ 3,670,765	\$ -
Cash received from miscellaneous	90,152	7	3,499	93,658	-
Cash received from employers	-	409,540	-	409,540	-
Cash received from other entities	582,104	2,462	-	584,566	16,612
Cash received from reciprocal interfund activity	-	-	-	-	203,637
Cash payments to suppliers for goods & services	(1,579,024)	-	(250,977)	(1,830,001)	(154,794)
Cash payments to employees/students for services	(2,623,398)	-	(18,210)	(2,641,608)	(35,855)
Cash payments for interfund transactions	-	(80)	-	(80)	-
Cash payments for unemployment claims	-	(422,186)	-	(422,186)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(234,076)</b>	<b>(10,257)</b>	<b>108,987</b>	<b>(135,346)</b>	<b>29,600</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in from other funds	600,784	-	2,958	603,742	-
Transfers out to other funds	-	(1,141)	(113,760)	(114,901)	-
Receipts from related agencies	933,349	-	-	933,349	-
Payments to related agencies	(939,425)	-	-	(939,425)	-
Other noncapital financing receipts	21,192	-	-	21,192	-
Other noncapital financing payments	(3,533)	-	-	(3,533)	-
Proceeds from noncapital gifts	177,163	-	-	177,163	-
Tax receipts	-	-	7,649	7,649	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>789,530</b>	<b>(1,141)</b>	<b>(103,153)</b>	<b>685,236</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>					
Acquisition & construction of capital assets	(712,349)	-	(4,673)	(717,022)	(27,809)
Interest payments	(60,628)	-	-	(60,628)	-
Debt payments	(289,504)	-	-	(289,504)	-
Capital grants & contributions	24,451	-	-	24,451	-
Capital transfers in from other funds	56,239	-	-	56,239	-
Debt proceeds	298,224	-	-	298,224	-
Proceeds from sale of capital assets	3,692	-	41	3,733	-
Other capital & related financing activities	82,572	-	-	82,572	-
<b>NET CASH USED BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>(597,303)</b>	<b>-</b>	<b>(4,632)</b>	<b>(601,935)</b>	<b>(27,809)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest & dividends on investments	34,158	21,960	169	56,287	121
Proceeds from sale & maturities of investments	1,277,833	-	-	1,277,833	-
Purchase of investments	(1,249,405)	-	-	(1,249,405)	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>62,586</b>	<b>21,960</b>	<b>169</b>	<b>84,715</b>	<b>121</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>20,737</b>	<b>10,562</b>	<b>1,371</b>	<b>32,670</b>	<b>1,912</b>
<b>CASH &amp; CASH EQUIVALENTS - JULY 1</b>	<b>388,209</b>	<b>1,066,777</b>	<b>42,360</b>	<b>1,497,346</b>	<b>70,616</b>
<b>CASH &amp; CASH EQUIVALENTS - JUNE 30</b>	<b>408,946</b>	<b>1,077,339</b>	<b>43,731</b>	<b>1,530,016</b>	<b>72,528</b>
<b>INVESTMENTS</b>	<b>2,599,304</b>	<b>-</b>	<b>-</b>	<b>2,599,304</b>	<b>-</b>
<b>CASH &amp; INVESTMENTS PER STATEMENT OF NET POSITION</b>	<b>\$ 3,008,250</b>	<b>\$ 1,077,339</b>	<b>\$ 43,731</b>	<b>\$ 4,129,320</b>	<b>\$ 72,528</b>

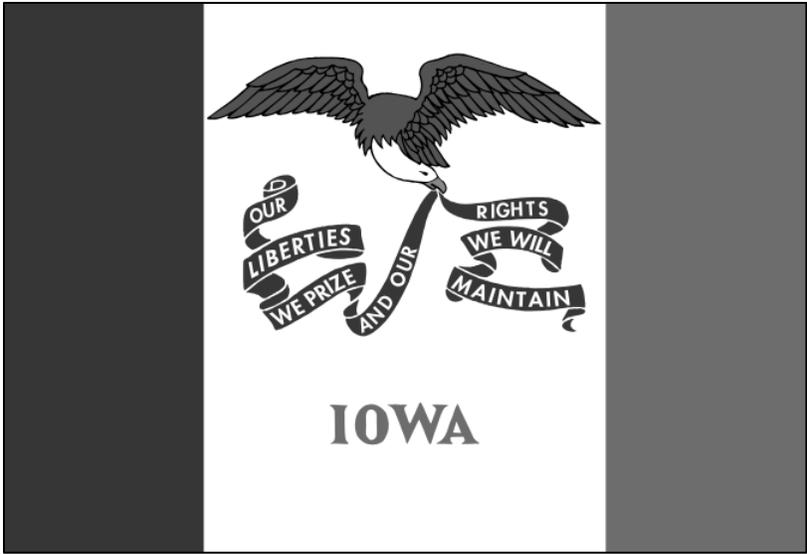
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**STATE OF IOWA**  
**Statement of Cash Flows**  
**Proprietary Funds**

For the Year Ended June 30, 2016  
(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)	\$ (602,817)	\$ 34,794	\$ 104,555	\$ (463,468)	\$ 15,235
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	303,397	-	5,873	309,270	18,554
(Increase) decrease in accounts receivable	47,953	(32,126)	216	16,043	(616)
(Increase) decrease in due from	-	(80)	37	(43)	(5,386)
(Increase) decrease in inventory	(2,639)	-	804	(1,835)	(280)
(Increase) decrease in prepaid expenses	(16,995)	-	1,011	(15,984)	5
(Increase) decrease in loans receivable	(2,087)	-	-	(2,087)	-
(Increase) decrease in other assets	(1,719)	-	-	(1,719)	-
(Increase) decrease in deferred outflows of resources	(10,593)	-	(599)	(11,192)	(578)
Increase (decrease) in accounts payable	33,418	(5,357)	(2,417)	25,644	1,861
Increase (decrease) in due to	-	-	14	14	726
Increase (decrease) in unearned revenue	(2,010)	(7,488)	(612)	(10,110)	440
Increase (decrease) in compensated absences	9,973	-	101	10,074	47
Increase (decrease) in other liability/capital leases	2,877	-	-	2,877	-
Increase (decrease) in net pension liability	24,250	-	1,827	26,077	2,152
Increase (decrease) in deferred inflows of resources	(17,084)	-	(1,823)	(18,907)	(2,560)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (234,076)</b>	<b>\$ (10,257)</b>	<b>\$ 108,987</b>	<b>\$ (135,346)</b>	<b>\$ 29,600</b>
<b>NONCASH INVESTING, CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>					
Capital assets contributed	\$ 22,094	\$ -	\$ -	\$ 22,094	\$ -
<b>TOTAL NONCASH INVESTING, CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>\$ 22,094</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,094</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, 2016  
(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	\$ 176,963	\$ 30,765	\$ 244,486
Receivables:			
Accounts (net)	-	50	238,961
Contributions	85,228	-	-
Investments sold	549,019	-	-
Foreign exchange contracts	1,068,998	-	-
Interest & dividends	85,495	-	-
Miscellaneous	27	-	-
Total receivables	<u>1,788,767</u>	<u>50</u>	<u>238,961</u>
Investments, at fair value:			
Fixed income securities	9,686,641	-	-
Equity investments	11,719,193	4,456,490	-
Real estate partnerships	2,437,171	-	-
Investment in private equity/debt	3,267,903	-	-
Real assets	1,772,873	-	-
Securities lending collateral pool	949,973	-	-
Securities on loan with brokers	27,973	-	-
Total investments	<u>29,861,727</u>	<u>4,456,490</u>	<u>-</u>
Capital assets:			
Land	500	-	-
Other - depreciable (net)	20,255	97	-
Total capital assets	<u>20,755</u>	<u>97</u>	<u>-</u>
Other assets	704	12	-
<b>TOTAL ASSETS</b>	<b><u>31,848,916</u></b>	<b><u>4,487,414</u></b>	<b><u>483,447</u></b>
<b>LIABILITIES</b>			
Accounts payable & accruals	26,242	254	483,447
Foreign exchange contracts payable	1,060,753	-	-
Payable for investments purchased	917,544	-	-
Payable to brokers for rebate & collateral	949,751	-	-
<b>TOTAL LIABILITIES</b>	<b><u>2,954,290</u></b>	<b><u>254</u></b>	<b><u>483,447</u></b>
<b>NET POSITION</b>			
Restricted for:			
Pension/other postemployment benefits	28,894,626	-	-
Individuals, organizations & other entities	-	4,487,160	-
<b>TOTAL NET POSITION</b>	<b><u>\$ 28,894,626</u></b>	<b><u>\$ 4,487,160</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, 2016  
(Expressed in Thousands)

	<b>PENSION &amp; OTHER EMPLOYEE BENEFIT FUNDS</b>	<b>PRIVATE PURPOSE TRUST FUNDS</b>
<b>ADDITIONS</b>		
Contributions:		
Member/participant contributions	\$ 469,255	\$ 373,483
Employer contributions	713,851	-
Buy-back/buy-in contributions	32,148	-
Other contributions	-	1,212
Gifts, bequests & endowments	-	4,585
Total contributions	1,215,254	379,280
Investment income:		
Net increase in fair value of investments	113,040	38,967
Interest	348,101	352
Dividends	107,137	-
Other	112,803	-
Total investment income	681,081	39,319
Less investment expense	63,477	-
Net investment income	617,604	39,319
<b>TOTAL ADDITIONS</b>	<b>1,832,858</b>	<b>418,599</b>
<b>DEDUCTIONS</b>		
Pension & annuity benefits	1,880,479	-
Distributions to participants	-	330,614
Payments in accordance with agreements	1,367	-
Administrative expense	15,207	-
Refunds	49,248	-
Other	-	704
<b>TOTAL DEDUCTIONS</b>	<b>1,946,301</b>	<b>331,318</b>
<b>CHANGE IN NET POSITION</b>	<b>(113,443)</b>	<b>87,281</b>
<b>NET POSITION - JULY 1</b>	<b>29,008,069</b>	<b>4,399,879</b>
<b>NET POSITION - JUNE 30</b>	<b>\$ 28,894,626</b>	<b>\$ 4,487,160</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** 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, 2016  
(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	\$ 422,650	\$ 144,755	\$ 21,108	\$ 25,844	\$ 576,582
Cash & investments - restricted	-	-	-	659	-
Accounts receivable	-	15,805	3,037	5,238	33,348
Interest receivable	5,869	-	37	30	-
Loans receivable (net)	92,897	5,405	-	-	-
Inventory	-	-	193	2,472	-
Prepaid expenses	-	92	-	157	228
Other assets	23,992	-	-	1,201	-
<b>Total current assets</b>	<b>545,408</b>	<b>166,057</b>	<b>24,375</b>	<b>35,601</b>	<b>610,158</b>
Noncurrent assets:					
Cash & investments	444,578	-	-	-	635,948
Accounts receivable	-	-	3,020	-	81,463
Loans receivable (net)	1,530,218	81,791	-	-	-
Capital assets - nondepreciable	716	-	15,666	1,592	123
Capital assets - depreciable (net)	1,969	194	65,760	6,540	18,230
Other assets	11,437	-	-	5,952	-
<b>Total noncurrent assets</b>	<b>1,988,918</b>	<b>81,985</b>	<b>84,446</b>	<b>14,084</b>	<b>735,764</b>
<b>TOTAL ASSETS</b>	<b>2,534,326</b>	<b>248,042</b>	<b>108,821</b>	<b>49,685</b>	<b>1,345,922</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Accumulated decrease in fair value of					
hedging derivatives	2,740	-	-	-	-
Debt refunding loss	27,282	-	-	-	-
Excess consideration provided for acquisition	-	-	-	-	-
Related to pensions	1,532	944	286	819	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>31,554</b>	<b>944</b>	<b>286</b>	<b>819</b>	<b>-</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable & accruals	18,612	17,106	1,342	29,641	4,419
Interest payable	19,802	-	-	-	-
Unearned revenue	-	19	57	535	-
Compensated absences	-	847	327	857	-
Capital leases	-	-	-	-	740
Bonds payable	59,004	-	-	-	-
Funds held in custody	-	-	-	-	94,211
<b>Total current liabilities</b>	<b>97,418</b>	<b>17,972</b>	<b>1,726</b>	<b>31,033</b>	<b>99,370</b>
Noncurrent liabilities:					
Accounts payable & accruals	10,281	342	-	5,967	24,726
Compensated absences	-	1,542	1,356	1,431	-
Capital leases	-	-	-	-	1,605
Bonds payable	1,253,915	-	-	-	-
Net pension liability	5,093	5,634	3,140	4,967	-
Funds held in custody	-	-	-	-	-
<b>Total noncurrent liabilities</b>	<b>1,269,289</b>	<b>7,518</b>	<b>4,496</b>	<b>12,365</b>	<b>26,331</b>
<b>TOTAL LIABILITIES</b>	<b>1,366,707</b>	<b>25,490</b>	<b>6,222</b>	<b>43,398</b>	<b>125,701</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Accumulated increase in fair value of					
hedging derivatives	3,342	-	-	-	-
Related to pensions	1,314	678	569	554	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,656</b>	<b>678</b>	<b>569</b>	<b>554</b>	<b>-</b>
<b>NET POSITION</b>					
Net investment in capital assets	2,685	194	81,426	8,132	16,008
Restricted for:					
Bond resolutions	964,457	-	-	-	-
Clean water and drinking water programs	146,813	-	-	-	-
Title guaranty program	31,420	-	-	-	-
Economic development	-	56,760	-	-	-
Other purposes	44,651	-	7,548	-	-
Nonexpendable - foundations	-	-	-	-	635,948
Expendable - foundations	-	-	-	-	553,362
Unrestricted	4,491	165,864	13,340	(1,578)	14,903
<b>TOTAL NET POSITION</b>	<b>\$ 1,194,517</b>	<b>\$ 222,818</b>	<b>\$ 102,314</b>	<b>\$ 6,554</b>	<b>\$ 1,220,221</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, 2016  
(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</b>	<b>TOTAL COMPONENT UNITS</b>
<b>ASSETS</b>					
Current assets:					
Cash & investments	\$ 184,965	\$ 18,549	\$ 14,916	\$ 16,055	\$ 1,425,424
Cash & investments - restricted	-	-	-	-	659
Accounts receivable	24,070	2,578	1,044	4,446	89,566
Interest receivable	-	-	16	-	5,952
Loans receivable (net)	-	-	-	-	98,302
Inventory	-	-	-	781	3,446
Prepaid expenses	250	-	94	935	1,756
Other assets	-	136	-	-	25,329
<b>Total current assets</b>	<b>209,285</b>	<b>21,263</b>	<b>16,070</b>	<b>22,217</b>	<b>1,650,434</b>
Noncurrent assets:					
Cash & investments	604,428	113,943	-	1,450	1,800,347
Accounts receivable	77,970	5,564	67	-	168,084
Loans receivable (net)	1,288	-	-	-	1,613,297
Capital assets - nondepreciable	960	-	-	522	19,579
Capital assets - depreciable (net)	2,937	672	2	715	97,019
Other assets	5,299	61	2,056	-	24,805
<b>Total noncurrent assets</b>	<b>692,882</b>	<b>120,240</b>	<b>2,125</b>	<b>2,687</b>	<b>3,723,131</b>
<b>TOTAL ASSETS</b>	<b>902,167</b>	<b>141,503</b>	<b>18,195</b>	<b>24,904</b>	<b>5,373,565</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Accumulated decrease in fair value of					
hedging derivatives	-	-	-	-	2,740
Debt refunding loss	-	-	-	-	27,282
Excess consideration provided for acquisition	-	-	-	5,446	5,446
Related to pensions	-	-	-	-	3,581
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,446</b>	<b>39,049</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable & accruals	214	1,111	1,126	3,995	77,566
Interest payable	-	-	-	-	19,802
Unearned revenue	-	-	-	-	611
Compensated absences	655	-	-	-	2,686
Capital leases	-	-	-	-	740
Bonds payable	137	-	-	-	59,141
Funds held in custody	7,626	-	-	4,358	106,195
<b>Total current liabilities</b>	<b>8,632</b>	<b>1,111</b>	<b>1,126</b>	<b>8,353</b>	<b>266,741</b>
Noncurrent liabilities:					
Accounts payable & accruals	20,663	2,273	158	-	64,410
Compensated absences	-	-	-	-	4,329
Capital leases	-	-	-	-	1,605
Bonds payable	2,063	-	-	-	1,255,978
Net pension liability	-	-	-	-	18,834
Funds held in custody	6,004	-	-	-	6,004
<b>Total noncurrent liabilities</b>	<b>28,730</b>	<b>2,273</b>	<b>158</b>	<b>-</b>	<b>1,351,160</b>
<b>TOTAL LIABILITIES</b>	<b>37,362</b>	<b>3,384</b>	<b>1,284</b>	<b>8,353</b>	<b>1,617,901</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Accumulated increase in fair value of					
hedging derivatives	-	-	-	-	3,342
Related to pensions	-	-	-	-	3,115
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,457</b>
<b>NET POSITION</b>					
Net investment in capital assets	1,697	672	2	1,237	112,053
Restricted for:					
Bond resolutions	-	-	-	-	964,457
Clean water and drinking water programs	-	-	-	-	146,813
Title guaranty program	-	-	-	-	31,420
Economic development	-	-	-	-	56,760
Other purposes	-	-	-	-	52,199
Nonexpendable - foundations	604,384	91,497	-	-	1,331,829
Expendable - foundations	237,852	40,201	-	-	831,415
Unrestricted	20,872	5,749	16,909	20,760	261,310
<b>TOTAL NET POSITION</b>	<b>\$ 864,805</b>	<b>\$ 138,119</b>	<b>\$ 16,911</b>	<b>\$ 21,997</b>	<b>\$ 3,788,256</b>

**STATE OF IOWA**  
**Statement of Activities**  
**Component Units**  
For the Year Ended June 30, 2016  
(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	\$ 172,918	\$ 160,503	\$ 25,567	\$ 366,415	\$ 124,215
Program revenues:					
Charges for services	17,991	1,607	23,918	366,948	-
Operating grants & contributions	129,746	175,995	2,542	-	150,061
Capital grants & contributions	-	-	6,004	-	-
Total program revenues	<u>147,737</u>	<u>177,602</u>	<u>32,464</u>	<u>366,948</u>	<u>150,061</u>
Net program (expenses) revenues	<u>(25,181)</u>	<u>17,099</u>	<u>6,897</u>	<u>533</u>	<u>25,846</u>
General revenues:					
Investment income (loss)	67,681	706	52	195	4,307
Other	-	7,646	2,325	-	-
Gain (loss) on sale of assets	-	-	3	28	-
Total general revenues	<u>67,681</u>	<u>8,352</u>	<u>2,380</u>	<u>223</u>	<u>4,307</u>
<b>CHANGE IN NET POSITION</b>	<b>42,500</b>	<b>25,451</b>	<b>9,277</b>	<b>756</b>	<b>30,153</b>
<b>NET POSITION - JULY 1, RESTATED</b>	<b><u>1,152,017</u></b>	<b><u>197,367</u></b>	<b><u>93,037</u></b>	<b><u>5,798</u></b>	<b><u>1,190,068</u></b>
<b>NET POSITION - JUNE 30</b>	<b><u>\$ 1,194,517</u></b>	<b><u>\$ 222,818</u></b>	<b><u>\$ 102,314</u></b>	<b><u>\$ 6,554</u></b>	<b><u>\$ 1,220,221</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, 2016  
(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</b>	<b>TOTAL COMPONENT UNITS</b>
Expenses	\$ 95,554	\$ 15,664	\$ 7,042	\$ 37,804	\$ 1,005,682
Program revenues:					
Charges for services	-	-	3,257	35,513	449,234
Operating grants & contributions	123,703	21,415	-	-	603,462
Capital grants & contributions	-	-	-	-	6,004
Total program revenues	<u>123,703</u>	<u>21,415</u>	<u>3,257</u>	<u>35,513</u>	<u>1,058,700</u>
Net program (expenses) revenues	<u>28,149</u>	<u>5,751</u>	<u>(3,785)</u>	<u>(2,291)</u>	<u>53,018</u>
General revenues:					
Investment income (loss)	(44,791)	(3,009)	38	45	25,224
Other	-	-	-	4,600	14,571
Gain (loss) on sale of assets	-	-	-	(1)	30
Total general revenues	<u>(44,791)</u>	<u>(3,009)</u>	<u>38</u>	<u>4,644</u>	<u>39,825</u>
<b>CHANGE IN NET POSITION</b>	<b>(16,642)</b>	<b>2,742</b>	<b>(3,747)</b>	<b>2,353</b>	<b>92,843</b>
<b>NET POSITION - JULY 1, RESTATED</b>	<b>881,447</b>	<b>135,377</b>	<b>20,658</b>	<b>19,644</b>	<b>3,695,413</b>
<b>NET POSITION - JUNE 30</b>	<b><u>\$ 864,805</u></b>	<b><u>\$ 138,119</u></b>	<b><u>\$ 16,911</u></b>	<b><u>\$ 21,997</u></b>	<b><u>\$ 3,788,256</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.

#### ***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 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.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

- 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, 2016, the Iowa Lottery Authority distributed \$85.5 million to the State of Iowa General Fund and \$2.5 million to the Veteran's Trust Fund.

- The University of Iowa Foundation, Iowa State University Foundation and the University of Northern Iowa Foundation (Foundations) are private, nonprofit organizations that report under FASB standards, including FASB Statement No. 117, (*Financial Reporting for Not-for-Profit Organizations*). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the 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. The University of Iowa Research Foundation and the University of Iowa Health System report under GASB standards.

- The 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, 2016, the Foundations distributed \$183.6 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 (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.

### **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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### 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 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 balances include 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.

Spendable fund balances include resources that are in spendable form (e.g. cash) and are available for spending. Spendable fund balances are 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 used 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.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

*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).

*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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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.

In fiscal year 2016, the State of Iowa implemented the following GASB standards:

- GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and*

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

68. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement establishes the hierarchy of GAAP for state and local governments. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

Also, in fiscal year 2016, the State of Iowa early implemented GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

#### **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 \$10,482,987 associated with certain funds has been assigned to other funds for fiscal year 2016.

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 reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*. (See NOTE 2 – CASH, INVESTMENTS AND SECURITIES LENDING.) 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

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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 for the systems. 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.

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 \$42,956 in credit risk exposure to borrowers because the amounts the borrowers owed the Systems exceeded the amount the Systems owed the borrowers on three separate loans. The contracts with the lending agent require it to indemnify the Systems if a borrower fails to return the securities, fails to return all of the income attributable to securities on loan, the borrower becomes insolvent, or if a loss is incurred from an investment in an overnight repurchase agreement. The securities lending contracts do not allow the Systems to pledge or sell collateral securities received unless the borrower defaults. As of June 30, 2016, the Systems had securities on loan, including accrued interest income, with a total value of \$925.7 million against collateral with a total value of \$949.7 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, 2016, for IPERS was 0.00. Credit quality and years to maturity statistics for the cash collateral pool at June 30, 2016, for the Systems is as follows (expressed in thousands):

#### Securities Lending Collateral Pool

Investment Type	Fair Value *	Credit Risk: S&P Quality Rating			Investment Maturity (Years)	Redemption Frequency	Redemption Notice Period
		AAA	A-1	Not Rated			
Overnight repurchase agreements	\$ 533,457	\$ -	\$ 209,802	\$ 323,655	Less than 1	N/A	N/A
Money market funds	416,271	291,271	-	125,000	Less than 1	Daily	N/A
	<u>\$ 949,728</u>	<u>\$ 291,271</u>	<u>\$ 209,802</u>	<u>\$ 448,655</u>			

\* Investments are measured at the net asset value. See NOTE 2 - CASH, INVESTMENTS AND SECURITIES LENDING for additional information about fair value measurement.

#### 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.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### 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 acquired before July 1, 2015, are reported at their estimated fair market value at the date of acquisition. Donated capital assets acquired after July 1, 2015, are reported at their acquisition value at the date of acquisition. 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 & 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 may 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.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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

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

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

In addition to liabilities, the government-wide and fund financial statements may 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.

#### **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 General Fund of the State 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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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 four 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).

## NOTE 2 – CASH, INVESTMENTS AND SECURITIES LENDING

### A. Primary Government and Fiduciary Funds

Investments of the primary government and fiduciary funds at June 30, 2016, 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	\$ 290,286	U.S. government treasuries, notes & bonds	\$ 2,112,916
U.S. government agency	522,484	U.S. government agency	449,097
Government asset & mortgage-backed	1,337,740	Government asset & mortgage-backed	1,726,959
Corporate bonds	152,403	Corporate bonds	2,934,090
Corporate asset backed	22,329	Corporate asset backed	207,877
Private placements	5,882	Private placements	1,665,469
Fixed income mutual funds	1,353,070	Fixed income mutual funds	708,970
Commercial paper	1,500	Commingled bond funds	1,505,415
Other fixed income	255,819	Other fixed income	30,084
Total fixed	3,941,513	Total fixed	11,340,877
Equity:		Equity:	
U.S. equity	206,088	U.S. equity	6,009,051
Private equity	55,098	Private equity	3,258,996
Non U.S. equity	206,207	Commingled & mutual funds	10,827,927
Pooled & mutual funds	103,175	Real estate	1,915,335
Real assets	322,624	Other	148,355
Real estate	129	Total equity	22,159,664
Investment pools	1,569		
Bank investments	217,522		
Money market funds	223,769	Total invested assets	\$ 33,500,541
Other	375		
Total equity	1,336,556		
Total invested assets	\$ 5,278,069		

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### **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 authorizes the investment in domestic commercial paper maturing within 270 days from the date of purchase having the highest rating of both Standard & Poor's and Moody's on the date of purchase; short-term corporate debt, other than commercial paper, maturing within 270 days from the date of purchase having one of the two highest ratings of either Standard & Poor's or Moody's on the date of purchase, provided that 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 classification; obligations or guaranteed investment contracts of domestic corporations with maturities greater than 270 days from the date of purchase which have long-term ratings of not less than A2 by Moody's and not less than A by Standard & Poor's; and asset-backed securities rated AAA by Standard & Poor's or Aaa by Moody's.

The State Board of Regents (BOR) establishes policy and sets objectives for the Universities' investments. The BOR investment policy permits all investments authorized in 12B.10 and 97B.7A of the Code of Iowa. 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; 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 invested in paper and debt rated in the second highest classification; and 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.

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.

There are no policy limitations for credit risk exposures within the investment portfolios of the Systems (IPERS, PORS and JRS). Each IPERS fixed-income portfolio is managed in accordance with an investment contract that is specific as to permissible credit quality ranges and the average credit quality of the overall portfolios. Policies related to credit risk pertaining to IPERS', PORS' and JRS' securities lending programs are 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, 2016, 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	BB
U.S. government treasuries, notes & bonds	\$ 235,588	\$ -	\$ 54,698	\$ -	\$ -	\$ -
U.S. government agency	-	15,689	505,474	-	-	-
Government asset & mortgage-backed	-	-	1,337,740	-	-	-
Corporate bonds	-	4,366	31,412	62,297	6,409	528
Corporate asset backed	-	13,972	-	-	-	-
Private placements	-	623	2,004	3,255	-	-
Fixed income mutual funds	59,236	9,306	264,445	67,842	168,964	137,854
Commercial paper	-	-	-	-	-	-
Other fixed income	-	-	19	-	-	-
<b>Total</b>	<b>\$ 294,824</b>	<b>\$ 43,956</b>	<b>\$ 2,195,792</b>	<b>\$ 133,394</b>	<b>\$ 175,373</b>	<b>\$ 138,382</b>

(continued)

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**Primary Government**

(continued)

Investment Type	B	CCC	CC & Below	A1+P1	NR	Total
U.S. government treasuries, notes & bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 290,286
U.S. government agency	-	-	-	-	1,321	522,484
Government asset & mortgage-backed	-	-	-	-	-	1,337,740
Corporate bonds	202	-	-	-	47,189	152,403
Corporate asset backed	-	-	-	-	8,357	22,329
Private placements	-	-	-	-	-	5,882
Fixed income mutual funds	137,596	2,927	137	-	504,763	1,353,070
Commercial paper	-	-	-	1,500	-	1,500
Other fixed income	-	-	-	-	255,800	255,819
<b>Total</b>	<b>\$ 137,798</b>	<b>\$ 2,927</b>	<b>\$ 137</b>	<b>\$ 1,500</b>	<b>\$ 817,430</b>	<b>\$ 3,941,513</b>

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

**Fiduciary Funds**

Investment Type	TSY	AGY	AAA	AA	A
U.S. government treasuries, notes & bonds	\$ 2,112,663	\$ -	\$ 253	\$ -	\$ -
U.S. government agency	-	-	3,642	47,875	51,406
Government asset & mortgage-backed	-	230,110	12,215	1,036,369	15,626
Corporate bonds	-	-	31,738	150,770	595,340
Corporate asset backed	-	-	43,634	72,635	31,016
Private placements	-	-	162,977	122,236	124,395
Fixed income mutual funds	-	-	-	-	-
Commingled bond funds	994,983	20,047	348,468	20,890	55,168
Other fixed income	-	-	4,509	19,831	3,130
<b>Total</b>	<b>\$ 3,107,646</b>	<b>\$ 250,157</b>	<b>\$ 607,436</b>	<b>\$ 1,470,606</b>	<b>\$ 876,081</b>

(continued)

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

**Fiduciary Funds**

(continued)

Investment Type	BBB	BB	B	Below B	NR	Total
U.S. government treasuries, notes & bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,112,916
U.S. government agency	102,036	112,601	42,735	8,680	80,122	449,097
Government asset & mortgage-backed	17,454	1,900	3,336	4,135	405,814	1,726,959
Corporate bonds	1,124,582	543,977	370,643	71,869	45,171	2,934,090
Corporate asset backed	4,981	13,295	2,853	2,913	36,550	207,877
Private placements	293,300	345,962	308,878	49,117	258,604	1,665,469
Fixed income mutual funds	-	-	-	-	708,970	708,970
Commingled bond funds	65,859	-	-	-	-	1,505,415
Other fixed income	-	-	-	-	2,614	30,084
<b>Total</b>	<b>\$ 1,608,212</b>	<b>\$ 1,017,735</b>	<b>\$ 728,445</b>	<b>\$ 136,714</b>	<b>\$ 1,537,845</b>	<b>\$ 11,340,877</b>

## 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 a fixed-income 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 the 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 continuously invested in money market mutual funds or money market accounts with Iowa financial institutions.

The Universities' policies for the operating portfolio prohibit investment in securities that at the time of purchase have effective maturities exceeding 63 months. There is no explicit limit on the average maturity of fixed income securities in the endowment portfolios.

IPERS measures interest rate risk within the portfolio using the effective duration (or option-adjusted) methodology. 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. There are no organization-wide policies for interest rate risk exposure within the overall fixed-income portfolio. IPERS' core-plus fixed-income investment contracts generally require the effective duration of the manager's portfolio to remain between 75% and 125% of the effective duration measure of a specific fixed-income 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, 2016, is summarized using the effective duration method, as follows (expressed in thousands):

<b>Primary Government</b>			<b>Fiduciary Funds</b>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration (Years)</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration (Years)</u>
U.S. government treasuries, notes & bonds	\$ 290,286	1.41	U.S. government treasuries, notes & bonds	\$ 2,112,916	7.28
U.S. government agency	522,484	1.22	U.S. government agency	449,097	7.70
Government asset & mortgage-backed	1,337,740	0.89	Government asset & mortgage-backed	1,726,959	1.94
Corporate bonds	152,403	0.43	Corporate bonds	2,934,090	6.09
Corporate asset backed	22,329	0.53	Corporate asset backed	207,877	0.62
Private placements	5,882	1.35	Private placements	1,665,469	3.96
Fixed income mutual funds	1,353,070	2.72	Fixed income mutual funds	708,970	-
Commercial paper	1,500	-	Commingled bond funds	1,505,415	6.63
Other fixed income	255,819	0.26	Other fixed income	30,084	8.91
<b>Total</b>	<b>\$ 3,941,513</b>	<b>1.54</b>	<b>Total</b>	<b>\$ 11,340,877</b>	<b>5.03</b>

#### **Fair Value Measurement**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles provide a hierarchy that prioritizes the inputs to fair value measurements based on the extent inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

would reflect the State's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements should maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are as follows:

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

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

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

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

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

(Notes continue on next page.)

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

The fair value measurements, categorized by level of the fair value hierarchy, for the investments of the primary government, at June 30, 2016 follow (expressed in thousands):

**Investments Measured at Fair Value  
Primary Government**

Investment Type	Fair Value Measurement Using			Investments Measured at the Net Asset Value (NAV)	Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
<b>Fixed:</b>					
U.S. government treasuries, notes & bonds	\$ 214,317	\$ 75,969	\$ -	\$ -	\$ 290,286
U.S. government agency	-	522,484	-	-	522,484
Government asset & mortgage-backed	-	1,337,740	-	-	1,337,740
Corporate bonds	-	152,403	-	-	152,403
Corporate asset backed	-	22,329	-	-	22,329
Private placements	-	5,882	-	-	5,882
Fixed income mutual funds	1,083,122	43,653	-	226,295	1,353,070
Commercial paper	-	1,500	-	-	1,500
Other fixed income	-	255,819	-	-	255,819
<b>Total fixed</b>	<b>1,297,439</b>	<b>2,417,779</b>	<b>-</b>	<b>226,295</b>	<b>3,941,513</b>
<b>Equity:</b>					
U.S. equity	205,337	751	-	-	206,088
Private equity	-	-	-	55,098	55,098
Non U.S. equity	47,521	810	31,733	126,143	206,207
Pooled & mutual funds	100,364	2,811	-	-	103,175
Real assets	247,376	-	-	75,248	322,624
Real estate	129	-	-	-	129
Investment pools	492	599	478	-	1,569
Other	-	-	375	-	375
<b>Total equity</b>	<b>601,219</b>	<b>4,971</b>	<b>32,586</b>	<b>256,489</b>	<b>895,265</b>
<b>Total</b>	<b>\$ 1,898,658</b>	<b>\$ 2,422,750</b>	<b>\$ 32,586</b>	<b>\$ 482,784</b>	<b>4,836,778</b>
				Bank investments	217,522
				Money market funds	223,769
				<b>Total invested assets</b>	<b>\$ 5,278,069</b>

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

The following table summarizes investments measured at the net asset value per share, or equivalent, for the primary government, at June 30, 2016 (expressed in thousands):

#### Investments Measured at the Net Asset Value Primary Government

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed:				
Fixed income mutual funds	\$ 226,295	\$ -	daily - monthly	5 - 30 days
Equity:				
Private equity	55,098	95,668	N/A	N/A
Non U.S. equity - redeemable	125,720	-	monthly - semi-monthly	2 - 30 days
Non U.S. equity - nonredeemable	423	94	N/A	N/A
Non U.S. equity	<u>126,143</u>	<u>94</u>		
Real assets - redeemable	22,630	-	quarterly	90 days
Real assets - nonredeemable	52,618	77,330	N/A	N/A
Real assets	<u>75,248</u>	<u>77,330</u>		
Total equity	<u>256,489</u>	<u>173,092</u>		
Total	<u>\$ 482,784</u>	<u>\$ 173,092</u>		

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

- Fixed income mutual funds – This category includes investments in mutual funds holding assets that provide stability, generate income, and diversify market risk.
- Private equity – This category includes funds that invest in strategies such as venture capital, leveraged buyouts and mezzanine debt.
- Non U.S. equity – This category includes investments in international equities including both developed and emerging markets.
- Real assets – This category includes investments in private real estate and natural resource equities funds.
- For the private equity, non U.S. equity and real assets investments types, capital is committed during the course of the investment period, typically four years, of each fund, after which point capital commitments stop. The Universities' interest in the nonredeemable funds is considered to be illiquid in that distributions from liquidation of the underlying asset of the fund are at the discretion of the general partner per the terms of the limited partnership agreement. Funds are typically liquidated over a period of 5 to 10 years, and include a mechanism to extend the length of the partnership with approval from the limited partners.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

The fair value measurements, categorized by level of the fair value hierarchy, for the investments of the fiduciary funds, at June 30, 2016 follow (expressed in thousands):

<b>Investments Measured at Fair Value Fiduciary Funds</b>					
Investment Type	Fair Value Measurement Using			Investments Measured at the Net Asset Value (NAV)	Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Fixed:					
U.S. government treasuries, notes & bonds	\$ -	\$ 2,112,916	\$ -	\$ -	\$ 2,112,916
U.S. government agency Government asset & mortgage-backed	2,665	446,432	-	-	449,097
Corporate bonds	-	1,726,959	-	-	1,726,959
Corporate asset backed	-	2,887,068	47,022	-	2,934,090
Private placements	-	207,877	-	-	207,877
Fixed income mutual funds	-	1,654,485	10,984	-	1,665,469
Commingled bond funds	-	-	13,982	694,988	708,970
Other fixed income	2,129	27,955	-	1,505,415	1,505,415
<b>Total fixed</b>	<b>4,794</b>	<b>9,063,692</b>	<b>71,988</b>	<b>2,200,403</b>	<b>11,340,877</b>
Equity:					
U.S. equity	5,804,545	84,054	120,452	-	6,009,051
Private equity	-	-	-	3,258,996	3,258,996
Commingled & mutual funds	4,451,784	-	-	6,376,143	10,827,927
Real estate	-	-	1,810,458	104,877	1,915,335
Other	(2,161)	(4,341)	154,857	-	148,355
<b>Total equity</b>	<b>10,254,168</b>	<b>79,713</b>	<b>2,085,767</b>	<b>9,740,016</b>	<b>22,159,664</b>
<b>Total invested assets</b>	<b>\$ 10,258,962</b>	<b>\$ 9,143,405</b>	<b>\$ 2,157,755</b>	<b>\$ 11,940,419</b>	<b>\$ 33,500,541</b>

The following table summarizes investments measured at the net asset value per share, or equivalent, for the fiduciary funds, at June 30, 2016 (expressed in thousands):

<b>Investments Measured at the Net Asset Value Fiduciary Funds</b>				
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed:				
Fixed income mutual funds	\$ 694,988	\$ -	daily	N/A
Commingled bond funds	1,505,415	-	daily	2 days
<b>Total fixed</b>	<b>2,200,403</b>	<b>-</b>		
Equity:				
Private equity	3,258,996	2,174,810	N/A	N/A
Commingled & mutual funds	6,376,143	-	daily - weekly	2 - 15 days
Real estate	104,877	104,877	N/A	N/A
<b>Total equity</b>	<b>9,740,016</b>	<b>2,279,687</b>		
<b>Total</b>	<b>\$ 11,940,419</b>	<b>\$ 2,279,687</b>		

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

- Fixed income mutual funds, commingled bond funds and commingled & mutual funds – Consists of two bond funds, four domestic equity funds, five international equity funds, and one real estate investment fund that are considered to be commingled in nature. Each is valued at the net asset value of the units held at the end of the period based upon the fair value of underlying investments.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

- Private equity – Consists of 198 active partnerships within the legacy program and a fund-of-one investment, which invests primarily in buyout funds, with some exposure to venture capital, special situations, and distressed debt funds. The fair values of these funds and the fund-of-one has been determined using net assets valued one quarter in arrears plus current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years.
- Real estate – Consists of two real estate debt funds, which invest primarily in high-yield real estate debt. One of the funds determines fair value by utilizing net asset values from one quarter in arrears plus current quarter cash flows. The second fund determines fair value by utilizing net asset values from the current quarter. These funds are not eligible for redemption. Distributions are received as underlying investments are liquidated, which on average can occur over the span of 3 to 7 years.

#### **Foreign Currency Risk**

Foreign currency risk is the risk that 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 portfolio's 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, 2016.

Foreign currency risk by investment type for the fiduciary funds, at June 30, 2016, follows (expressed in thousands):

	Total	Cash	Derivatives	Equity	Fixed Income
Australian dollar	\$ 160,352	\$ 6,174	\$ -	\$ 153,898	\$ 280
Brazilian real	29,164	15	-	23,087	6,062
British pound	193,070	(12,638)	-	194,558	11,150
Canadian dollar	(15)	(15)	-	-	-
Chilean peso	8,729	-	-	8,729	-
Chinese yuan renminbi	124	124	-	-	-
Columbian peso	645	-	-	-	645
Czech koruna	1,367	-	-	1,367	-
Danish krone	28,832	270	-	28,562	-
Euro	630,863	(33,415)	(1,105)	652,634	12,749
Hong Kong dollar	184,281	2,297	-	181,984	-
Hungarian forint	1,423	-	-	1,423	-
Indian rupee	44,490	-	-	43,679	811
Indonesian rupiah	16,218	(1,103)	-	16,189	1,132
Japanese yen	523,046	4,512	(103)	518,637	-
Malaysian ringgit	7,437	6	-	7,431	-
Mexican peso	52,267	7,347	-	13,404	31,516
New Zealand dollar	8,420	11	-	8,409	-
Norwegian krone	20,720	140	-	20,580	-
Philippine peso	10,517	(1,098)	-	11,615	-
Singaporean dollar	20,668	157	-	20,511	-
South African rand	19,927	13	-	19,914	-
South Korean won	71,964	14	-	71,950	-
Swedish krona	10,930	-	-	10,930	-
Swiss franc	80,683	461	-	80,222	-
Taiwanese dollar	40,041	563	-	39,478	-
Turkish lira	14,363	-	-	14,363	-
<b>Total</b>	<b>\$ 2,180,526</b>	<b>\$ (26,165)</b>	<b>\$ (1,208)</b>	<b>\$ 2,143,554</b>	<b>\$ 64,345</b>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### **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 issuer. 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 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 \$1.4 billion total combined bank deposits of the primary government and fiduciary funds at June 30, 2016, was exposed to custodial credit risk for \$292.9 million of uninsured and uncollateralized bank deposits, of which \$292.3 million was invested in money market funds as cash equivalents.

*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 \$38.8 billion total combined investments of the primary government and fiduciary funds at June 30, 2016, \$1.8 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 \$923.4 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 \$212.3 million at June 30, 2016. \$14.8 million was invested in fixed U.S. government treasury securities with an effective duration of 3.45 years, \$9.8 million was invested in fixed U.S. government agency securities with an effective duration of 0.17 years and a credit quality rating of AAA, \$182.8 million was invested in equity securities not subject to credit quality ratings and the remaining \$4.9 million was cash and cash equivalents.

### **B. Component Units**

Investments of the component units at June 30, 2016, are scheduled as follows (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>
Fixed:	
U.S. government treasuries, notes & bonds	\$ 30,566
U.S. government agency	39,831
Government asset & mortgage-backed	399,530
Corporate bonds	9,364
Total fixed	<u>479,291</u>
Equity:	
Pooled & mutual funds	174
Guaranteed investment contracts	32,659
Certificates of deposit	2,712
Total fixed	<u>35,545</u>
Total invested assets	<u>\$ 514,836</u>

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

Cash and investments of \$2.2 billion 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.

The exposure to credit risk for the component units fixed income investments at June 30, 2016, is summarized by credit quality ratings, as follows (expressed in thousands):

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

<u>Investment Type</u>	<u>AA</u>	<u>NR</u>	<u>Total</u>
U.S. government treasuries, notes & bonds	\$ 30,566	\$ -	\$ 30,566
U.S. government agency	39,831	-	39,831
Government asset & mortgage-backed	-	399,530	399,530
Corporate bonds	9,364	-	9,364
Total	<u>\$ 79,761</u>	<u>\$ 399,530</u>	<u>\$ 479,291</u>

#### **Interest Rate Risk**

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

The component units' exposure to interest rate risk for the fixed income investments at June 30, 2016, is summarized using the weighted average maturity method, as follows (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. government treasuries, notes & bonds	\$ 30,566	2.90
U.S. government agency	39,831	2.40
Government asset & mortgage-backed	399,530	22.15
Corporate bonds	9,364	2.57
Total	<u>\$ 479,291</u>	<u>18.90</u>

#### **Fair Value Measurement**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles provide a hierarchy that prioritizes the inputs to fair value measurements based on the extent inputs to valuation techniques are observable in the marketplaces.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

The fair value measurements, categorized by level of the fair value hierarchy, for the investments of the component units, at June 30, 2016 follow (expressed in thousands):

#### Investments Measured at Fair Value

Investment Type	Fair Value Measurement Using		Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Fixed:			
U.S. government treasuries, notes & bonds	\$ -	\$ 30,566	\$ 30,566
U.S. government agency Government asset & mortgage-backed	-	39,831	39,831
Corporate bonds	-	399,530	399,530
Total fixed	-	479,291	479,291
Equity:			
Pooled & mutual funds	174	-	174
Total	\$ 174	\$ 479,291	479,465
		Guaranteed investment contracts	32,659
		Negotiable certificates of deposit	2,712
		Total invested assets	\$ 514,836

#### C. University Endowments

For donor restricted endowments, Chapter 540A of the Code of Iowa permits the 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 average market value.
- The University of Northern Iowa's spending rule is 5.0% of the three-year moving average of the fair value of the endowment.

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

	Amount	Net Position Classification
University of Iowa	\$ 10,722	Restricted nonexpendable net position
Iowa State University	5,983	Restricted expendable net position
University of Northern Iowa	597	Restricted expendable net position

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### D. Derivatives

##### *Fiduciary Funds*

GAAP requires the fair value of financial arrangements called “derivatives” or “derivative instruments” be reported in the financial statements of state and local governments. Further, derivatives are required to be categorized as either a hedging derivative or an investment derivative. All of IPERS’ derivative exposures at June 30, 2016, are categorized as investment derivatives and, therefore, the hedge accounting provisions 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 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 implementing 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 Fiduciary 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 derivatives 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 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. The Statement of Fiduciary Net Position reports these contracts at fair value.

Futures and options can potentially offer lower-cost, more efficient alternatives to buying the underlying securities or currency. They 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, 2016, follow (expressed in thousands):

#### **Futures Exposure Summary**

	Expiration Date	Long/Short	Notional Value	Fair Value
U.S. 10-year Treasury notes	Sept. 2016	Short	\$ (443,769)	\$ (8,078)
U.S. 10-year Ultra bonds	Sept. 2016	Short	(115,081)	(4,019)
U.S. 2-year Treasury notes	Sept. 2016	Short	(151,994)	(1,030)
U.S. 5-year Treasury notes	Sept. 2016	Long	854,415	11,739
E-mini (S&P 500)	Sept. 2016	Long	66,050	1,146
Euro bunds	Sept. 2016	Short	(70,366)	(1,335)
Euro BOBL	Sept. 2016	Long	37,106	300
SPI 200 Index	Sept. 2016	Long	5,588	-
TOPIX Index	Sept. 2016	Long	1,335	(103)
U.S. Treasury bonds	Sept. 2016	Short	(124,949)	(5,790)
U.S. Ultra Bonds	Sept. 2016	Long	102,134	5,591
90-day Eurodollar	Dec. 2016	Short	(130,861)	(683)
Total			<u>\$ 29,608</u>	<u>\$ (2,262)</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**Options Exposure Summary**

	<u>Expiration Date</u>	<u>Long/Short</u>	<u>Option Type</u>	<u>Strike Price</u>	<u>Fair Value</u>
U.S. Treasury bonds	Aug. 2016	Short	Put	\$ 161.00	\$ (16)
U.S. 5-year Treasury notes	Aug. 2016	Long	Call	123.00	203
U.S. 5-year Treasury notes	Aug. 2016	Short	Put	122.50	(227)
U.S. 10-year Treasury notes	Aug. 2016	Long	Put	132.25	178
U.S. 10-year Treasury notes	Aug. 2016	Short	Call	134.00	(37)
Total					<u>\$ 101</u>

*Credit Default Swaps:* IPERS had investments in credit default swaps during the year. The credit default swaps held by IPERS are derivative instruments that are 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, 2016, the net notional value of the credit default swaps held in IPERS' fixed-income portfolio was \$18.5 million. The credit default swaps are reported at a fair value of \$0.3 million in the Statement of Fiduciary 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, 2016, the net notional value of the interest rate swaps held in IPERS' fixed-income portfolio was \$(157.0) million. All interest rate swaps held by IPERS are reported at a fair value of \$(10.6) million in the Statement of Fiduciary 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. Certain of the derivatives consist of interest rate swap and interest rate cap 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 in 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 Authority single-family mortgage loans. These derivative financial instruments consist of forward sales of mortgage-backed securities (MBS) in the To-Be-Announced market, which hedge changes in the fair value of mortgage loan inventory and commitments. 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 of resources in the Statement of Net Position, and investment derivative instruments' accumulated changes in fair value as other income (loss) in the Statement of Revenues, Expenses and Changes in Net Position.

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**NOTES TO THE FINANCIAL STATEMENTS**

Aggregate debt service requirements of the Authority's variable-rate debt and net receipts/payments on associated derivative instruments at June 30, 2016, follow (expressed in thousands):

Year Ending June 30,	Variable-rate Bonds Principal	Variable-rate Bonds Interest	Interest Rate Swaps, Net	Total
2017	\$ -	\$ 283	\$ 1,580	\$ 1,863
2018	-	286	1,572	1,858
2019	-	288	1,753	2,041
2020	-	285	1,762	2,047
2021	-	286	1,786	2,072
2022-2026	9,180	1,341	8,133	18,654
2027-2031	10,335	1,106	6,375	17,816
2032-2036	15,820	786	4,288	20,894
2037-2041	10,925	507	1,620	13,052
2042-2046	15,685	197	401	16,283
2047-2051	1,605	1	-	1,606
Total	<u>\$ 63,550</u>	<u>\$ 5,366</u>	<u>\$ 29,270</u>	<u>\$ 98,186</u>

The amounts presented in the table above assume that current interest rates on variable-rate bonds and the 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.

*Hedging Derivatives – Swaps:* Swap agreements allow the Authority to raise funds at variable rates and swap them into fixed rates that are lower than those available to the Authority if fixed-rate borrowings were made directly. These contracts involve the exchange of variable-rate for fixed-rate payments between the parties, without the exchange of the underlying debt, based on a common notional amount and maturity date. The terms of the Authority's swap hedging derivative instruments outstanding at June 30, 2016, follow (expressed in thousands):

Bond Series	2016		Termination Date	Pay	Terms	Counterparty Rating
	Notional Amount	Effective Date				
SF 2015 B	\$ 470	01/01/15	01/01/36	4.140%	SIFMA + 0.10% or Various LIBOR + Spread	Aa2
SF 2015 B	1,210	01/01/15	07/01/36	3.843%	SIFMA + 0.10% or Various LIBOR + Spread	Aa2
SF 2015 B	8,215	09/01/06	01/01/36	3.766%	Enhanced LIBOR	A1
SF 2015 B	1,140	01/01/15	07/01/36	4.632%	SIFMA + 0.10%	Aa2
SF 2016 B	6,135	07/12/07	01/01/19	5.493%	LIBOR	Aa2
SF 2015 B	4,780	01/01/14	01/01/39	4.364%	SIFMA + 0.06%	Aa2
MF 2008 A	3,550	04/17/08	06/01/24	3.971%	SIFMA + 0.08%	A1
SF 2015 B	14,020	10/01/08	01/01/39	4.529%	SIFMA + 0.08%	A1
SF 2015 B	5,210 *	01/01/17	01/01/46	2.518%	67% of USD LIBOR	Aa3
SF 2016 B	845 *	07/01/16	07/01/46	2.206%	67% of USD LIBOR	Aa3

\* Notional value as of the effective date of the swap

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**NOTES TO THE FINANCIAL STATEMENTS**

*Hedging Derivatives – Caps:* Interest rate cap derivatives are when the Authority receives payments at the end of each period, based on a notional amount, when the interest rate exceeds the agreed-upon strike rate. Terms of the Authority’s cap derivative instruments outstanding at June 30, 2016, follow (expressed in thousands):

Bond Series	2016 Notional Amount	Effective Date	Maturity Date	Strike Rate	Ceiling Rate	Counterparty Rating
MF 2007 B	\$ 9,300	06/14/07	01/01/24	5% SIFMA until 07/01/19 5.5% SIFMA thereafter	N/A	Aa2
MF 2007 A	11,450	07/01/15	07/01/18	3% SIFMA	N/A	Aa3
MF FHLB B-1	10,817	07/01/18	07/01/18	6% LIBOR	N/A	Aa3

*Investment Derivatives:* The Authority’s investment derivative instruments had the following maturities as of June 30, 2016 (expressed in thousands):

Investment Type	Notional Amount	Fair Value	Investment Maturities (in Years)			
			Less than 1	1 - 5	6 - 10	More than 10
Investment derivative instruments:						
Swaps	\$ 57,565	\$ (2,407)	\$ -	\$ (100)	\$ (2,274)	\$ (33)
Forward MBS sales	56,815	(528)	(528)	-	-	-
MBS purchase commitments	39,610	2,565	2,565	-	-	-
Total	<u>\$ 153,990</u>	<u>\$ (370)</u>	<u>\$ 2,037</u>	<u>\$ (100)</u>	<u>\$ (2,274)</u>	<u>\$ (33)</u>

*Fair Values of Derivatives:* The fair value balances of derivative instruments outstanding at June 30, 2016, 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, 2016	Change in Fair Value
Hedging derivatives:			
SF 2015 B	Swap	\$ (37)	\$ 93
SF 2015 B	Swap	(49)	174
SF 2015 B	Swap	(535)	102
SF 2015 B	Swap	(129)	156
SF 2016 B	Swap	(249)	319
SF 2015 B	Swap	(235)	150
SF 2015 B	Swap	(651)	(68)
SF 2015 B	Swap	(1,271)	(1,271)
SF 2016 B	Swap	(368)	(368)
MF 2007 B	Cap	14	(59)
MF 2008 A	Swap	(736)	(121)
Total hedging derivatives		<u>\$ (4,246)</u>	<u>\$ (893)</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

Bond Series	Type	Fair Value June 30, 2016	Change in Fair Value
Investment derivatives:			
SF 2004 G	Swap	\$ -	\$ 18
SF 2005 E	Swap	(32)	173
SF 2007 C	Swap	(1,586)	49
SF 2007 C	Basis swap	16	(40)
SF 2007 G	Basis swap	4	(42)
SF 2007 M	Swap	(371)	168
SF 2008 B	Swap	(1)	225
SF 2008 C	Swap	(333)	168
SF 2008 G	Swap	(104)	152
MF 2007 A	Cap	-	-
MF FHLB B-1	Cap	-	-
Forward MBS sales	Forward	(528)	(828)
MBS purchase commitments	Commitment	2,565	2,082
Total investment derivatives		<u>\$ (370)</u>	<u>\$ 2,125</u>

The fair value measurements, categorized by level of the fair value hierarchy, for the hedging and investment derivative instruments of the Authority, at June 30, 2016 follow (expressed in thousands):

Derivative Type	Fair Value Measurement Using			Total
	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
		\$	\$	
Hedging derivative instruments	(4,246)	-	-	(4,246)
Investment derivative instruments	(2,935)	2,565	-	(370)

*Methodology:* The fair value of the interest rate derivative instruments 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 expected transaction cash flows are calculated using the zero-coupon discounting method which takes into consideration the prevailing benchmark interest rate environment, the specific terms and conditions of a given transaction, and assumes that the current forward rates implied by the benchmark yield curve are the market's best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the transactions, where future amounts (the expected transaction cash flows) are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows and time value of money. Where applicable under the income approach (which takes into consideration the risk of nonperformance) an option pricing model technique is applied such as the Black-Scholes-Merton model, the Black-Derman-Toy model, one of the short-rate models, or other market standard models consistent with accepted practices in the market for interest rate option products. The option models would consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions. This valuation technique is applied consistently across all transactions.

The fair value of the forward MBS 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 MBS 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 commitment groups based on interest rate, terms, and commitment expiration dates of the commitment group. The closing ratio, which represents the percentage of commitments that management estimates it will ultimately fund, calculation takes

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### NOTES TO THE FINANCIAL STATEMENTS

into consideration historical data and loan-level data. The weighted average closing ratio at June 30, 2016, was 71%

*Risks Associated with 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, 2016 was \$34,000. 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, 2016, the SIFMA swap index rate is 0.41% and U.S. 1-month LIBOR is 0.465%.

*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 wishes to maintain the same or similar hedge position, it may incur additional costs at that time. The Authority minimizes this risk by matching the term of the swaps with the maturity of the related bonds.

#### NOTE 3 – TRANSFERS

Interfund transfers for the year ended June 30, 2016, consisted of the following (expressed in thousands):

Transferred Out	Transferred In				Total
	General Fund	Nonmajor Governmental Funds	University Funds	Nonmajor Enterprise Funds	
General Fund	\$ -	\$ 46,415	\$ 650,300	\$ 2,679	\$ 699,394
Tobacco Collections Fund	14,651	-	-	-	14,651
Nonmajor Governmental Funds	43,710	912	-	279	44,901
Unemployment Benefits Fund	1,691	-	-	-	1,691
Nonmajor Enterprise Funds	113,220	-	-	-	113,220
<b>Total</b>	<b>\$ 173,272</b>	<b>\$ 47,327</b>	<b>\$ 650,300</b>	<b>\$ 2,958</b>	<b>\$ 873,857</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.

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2016, consisted of the following (expressed in thousands):

	Proprietary Funds			Component Units
	Governmental Funds	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds	
Accounts receivable:				
Taxes	\$ 565,392	\$ 854	\$ 161	\$ -
Pledges	2,204	-	-	222,476
Benefit overpayments	-	67,665	-	-
Employer contributions	-	179,394	-	-
Grants & contracts	934,874	957,746	-	-
Other	1,052,647	149,784	1,118	65,461
Less allowance for doubtful accounts	650,231	638,515	-	5,709
Less discount to present value	-	-	-	24,578
Accounts receivable (net)	<u>\$ 1,904,886</u>	<u>\$ 716,928</u>	<u>\$ 1,279</u>	<u>\$ 257,650</u>
Current	\$ 1,808,895	\$ 709,021	\$ 1,279	\$ 89,566
Noncurrent	95,991	7,897	-	168,084
Total	<u>\$ 1,904,886</u>	<u>\$ 716,918</u>	<u>\$ 1,279</u>	<u>\$ 257,650</u>
Loans receivable:				
Loans receivable	\$ 33,795	\$ 81,244	\$ -	\$ 1,870,608
Less allowance for doubtful accounts	14,994	3,433	-	159,009
Loans receivable (net)	<u>\$ 18,801</u>	<u>\$ 77,811</u>	<u>\$ -</u>	<u>\$ 1,711,599</u>
Current	\$ 3,479	\$ 8,478	\$ -	\$ 98,302
Noncurrent	15,322	69,333	-	1,613,297
Total	<u>\$ 18,801</u>	<u>\$ 77,811</u>	<u>\$ -</u>	<u>\$ 1,711,599</u>

(Notes continue on next page.)

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 – INTERFUND BALANCES**

Interfund balances for the year ended June 30, 2016, 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	\$ -	\$ -	\$ 2,961	\$ 650	\$ 98	\$71,643	\$ 75,352
Tobacco Settlement Authority	160	-	-	-	-	-	160
Tobacco Collections Fund	-	146,444	-	-	-	-	146,444
Nonmajor Governmental Funds	10,863	-	7	-	-	56	10,926
Unemployment Benefits Fund	732	-	-	-	-	-	732
Nonmajor Enterprise Funds	11,264	-	-	-	11	62	11,337
Internal Service Funds	346	-	3	-	-	13,688	14,037
<b>Total</b>	<u>\$23,365</u>	<u>\$ 146,444</u>	<u>\$ 2,971</u>	<u>\$ 650</u>	<u>\$ 109</u>	<u>\$85,449</u>	<u>\$258,988</u>

\$58.9 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 \$106.6 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.)

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016, was as follows (expressed in thousands):

	Beginning Balance	Reclass- ifications	Increases	Decreases	Ending Balance
<b>Governmental activities</b>					
Capital assets not being depreciated:					
Land	\$ 815,291	\$ -	\$ 30,062	\$ 4,579	\$ 840,774
Construction in progress	212,945	(207,975)	32,179	651	36,498
Computer software in progress	50,853	(33,119)	34,694	-	52,428
Total capital assets not being depreciated	<u>1,079,089</u>	<u>(241,094)</u>	<u>96,935</u>	<u>5,230</u>	<u>929,700</u>
Capital assets being depreciated:					
Infrastructure	12,709,987	1,273	803,358	-	13,514,618
Buildings & improvements	1,610,247	192,266	16,511	5,952	1,813,072
Machinery, equipment & vehicles	556,467	10,226	48,380	30,409	584,664
Land improvements	65,421	4,210	2,780	-	72,411
Works of art & historical treasures	1,415	-	-	-	1,415
Computer software	118,392	33,119	9,065	4,834	155,742
Total capital assets being depreciated	<u>15,061,929</u>	<u>241,094</u>	<u>880,094</u>	<u>41,195</u>	<u>16,141,922</u>
Less accumulated depreciation for:					
Infrastructure	6,374,076	-	475,431	-	6,849,507
Buildings & improvements	692,167	(47)	41,496	1,656	731,960
Machinery, equipment & vehicles	361,524	-	45,629	27,999	379,154
Land improvements	23,383	30	2,752	-	26,165
Works of art & historical treasures	215	17	16	-	248
Computer software	26,957	-	17,273	3,879	40,351
Total accumulated depreciation	<u>7,478,322</u>	<u>-</u>	<u>582,597</u>	<u>33,534</u>	<u>8,027,385</u>
Total capital assets being depreciated (net)	<u>7,583,607</u>	<u>241,094</u>	<u>297,497</u>	<u>7,661</u>	<u>8,114,537</u>
Governmental activities capital assets (net)	<u>\$ 8,662,696</u>	<u>\$ -</u>	<u>\$ 394,432</u>	<u>\$ 12,891</u>	<u>\$ 9,044,237</u>

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**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	\$ 88,549	\$ -	\$ 4,978	\$ 4,852	\$ 88,675
Land improvements	5,733	249	-	-	5,982
Library collections	314,231	-	15,458	1,548	328,141
Works of art	26,224	-	638	566	26,296
Construction in progress	847,931	(618,686)	597,215	2,504	823,956
Computer software in progress	6,463	(2,364)	5,004	-	9,103
Total capital assets not being depreciated	<u>1,289,131</u>	<u>(620,801)</u>	<u>623,293</u>	<u>9,470</u>	<u>1,282,153</u>
Capital assets being depreciated:					
Infrastructure	976,667	60,361	583	1,477	1,036,134
Buildings & improvements	5,165,094	557,237	7,619	13,222	5,716,728
Machinery, equipment & vehicles	1,117,941	(955)	107,818	41,149	1,183,655
Land improvements	74,408	1,794	365	10	76,557
Library collections	267,521	-	10,697	1,397	276,821
Computer software	117,429	2,364	1,915	657	121,051
Goodwill	2,302	-	-	-	2,302
Trademarks	107	-	-	-	107
Total capital assets being depreciated	<u>7,721,469</u>	<u>620,801</u>	<u>128,997</u>	<u>57,912</u>	<u>8,413,355</u>
Less accumulated depreciation for:					
Infrastructure	574,827	198	30,683	874	604,834
Buildings & improvements	2,330,073	-	169,264	12,819	2,486,518
Machinery, equipment & vehicles	747,120	(198)	86,535	38,970	794,487
Land improvements	45,292	-	2,853	6	48,139
Library collections	217,141	-	11,134	1,397	226,878
Computer software	54,438	-	8,641	645	62,434
Goodwill	683	-	153	-	836
Trademarks	32	-	7	-	39
Total accumulated depreciation	<u>3,969,606</u>	<u>-</u>	<u>309,270</u>	<u>54,711</u>	<u>4,224,165</u>
Total capital assets being depreciated (net)	<u>3,751,863</u>	<u>620,801</u>	<u>(180,273)</u>	<u>3,201</u>	<u>4,189,190</u>
Business-type activities capital assets (net)	<u>\$ 5,040,994</u>	<u>\$ -</u>	<u>\$443,020</u>	<u>\$ 12,671</u>	<u>\$ 5,471,343</u>

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## NOTES TO THE FINANCIAL STATEMENTS

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

Governmental activities:	
Administration & regulation	\$ 12,164
Education	3,680
Health & human rights	5,790
Human services	18,987
Justice & public defense	36,078
Economic development	518
Transportation	477,829
Agriculture & natural resources	8,997
Subtotal	<u>564,043</u>
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	<u>18,554</u>
Total	<u>\$ 582,597</u>
Business-type activities:	
Enterprise	<u>\$ 309,270</u>

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

Capital assets not being depreciated:	
Land	\$ 11,691
Construction in progress	<u>7,888</u>
Total capital assets not being depreciated	<u>19,579</u>
Capital assets being depreciated:	
Infrastructure	11,249
Buildings & improvements	135,118
Machinery, equipment & vehicles	25,990
Land improvements	45
Computer software	<u>2,547</u>
Total capital assets being depreciated	174,949
Less accumulated depreciation	<u>77,930</u>
Total capital assets being depreciated (net)	<u>97,019</u>
Discretely presented component units capital assets (net)	<u>\$ 116,598</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

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

Changes in long-term liabilities for the year ended June 30, 2016, are summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts due within one year
<b>Governmental activities</b>					
Compensated absences	\$ 317,247	\$ 149,493	\$ 155,232	\$ 311,508	\$ 140,701
Capital leases	76	17	41	52	28
Revenue bonds	1,675,590	-	51,610	1,623,980	138,651
Other financing arrangements	1,474	570	243	1,801	253
Net pension liability	735,556	188,961	-	924,517	-
Early retirement/termination benefits	21,043	9,841	10,443	20,441	8,195
Other postemployment benefits	102,890	8,259	-	111,149	-
Risk management	20,000	7,134	7,134	20,000	10,778
Pollution remediation	30,747	15	6,786	23,976	8,546
Other liabilities	1,058	-	125	933	125
<b>Total *</b>	<b>2,905,681</b>	<b>364,290</b>	<b>231,614</b>	<b>3,038,357</b>	<b>307,277</b>
<b>Allocation of Internal Service Funds liabilities:</b>					
Compensated absences	5,802	2,487	2,555	5,734	2,830
Net pension liability	14,007	2,152	-	16,159	-
Early retirement/termination benefits	591	184	287	488	185
Other postemployment benefits	1,858	183	-	2,041	-
<b>Total</b>	<b>22,258</b>	<b>5,006</b>	<b>2,842</b>	<b>24,422</b>	<b>3,015</b>
<b>Total primary government - governmental activities</b>	<b>\$ 2,927,939</b>	<b>\$ 369,296</b>	<b>\$ 234,456</b>	<b>\$ 3,062,779</b>	<b>\$ 310,292</b>
<b>Business-type activities</b>					
Compensated absences	\$ 200,026	\$ 133,243	\$ 123,397	209,872	\$ 128,018
Capital leases	34,200	-	2,335	31,865	2,410
Revenue bonds	1,903,485	301,395	267,936	1,936,944	108,025
Other financing arrangements	64,214	3,200	13,280	54,134	9,546
Net pension liability	71,327	28,000	-	99,327	-
Early retirement/termination benefits	10,464	232	3,453	7,243	2,380
Other postemployment benefits	153,127	32,481	-	185,608	-
<b>Total primary government - business-type activities</b>	<b>\$ 2,436,843</b>	<b>\$ 498,551</b>	<b>\$ 410,401</b>	<b>\$ 2,524,993</b>	<b>\$ 250,379</b>

\* The General Fund has typically been used to liquidate most long-term liabilities, except for \$746.2 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
2017	\$ 28	\$ 1
2018	11	-
2019	5	-
2020	4	-
2021	4	-
Total	<u>\$ 52</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	\$ 47
Accumulated depreciation	<u>(19)</u>
Net	<u>\$ 28</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
2017	\$ 2,410	\$ 1,069
2018	2,498	977
2019	2,584	882
2020	2,662	783
2021	2,008	691
2022-2026	10,992	3,248
2027-2031	8,413	1,178
Thereafter	298	17
Total	<u>\$ 31,865</u>	<u>\$ 8,845</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	<u>304</u>
Total	41,545
Accumulated depreciation	<u>(5,959)</u>
Net	<u>\$ 35,586</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
2017	\$ 740
2018	780
2019	825
Total	<u>\$ 2,345</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
2017	\$ 253	\$ 37
2018	263	30
2019	263	24
2020	159	18
2021	165	15
2022-2026	412	43
Thereafter	286	14
Total	<u>\$ 1,801</u>	<u>\$ 181</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 \$84,342,000 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
2017	\$ 9,546	\$ 1,317
2018	9,528	1,074
2019	7,659	842
2020	6,670	645
2021	5,990	460
2022-2026	11,261	680
Thereafter	3,480	135
Total	<u>\$ 54,134</u>	<u>\$ 5,153</u>

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10 – BONDS PAYABLE**

Revenue bonds payable at June 30, 2016, 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	\$ 507,915
IJOBS - 2010	2011	63,635	4.00-5.25	2034-2038	63,635
Total					<u>571,550</u>
<i>Serial bonds</i>					
Vision Iowa	2002	\$ 196,375	2.25-5.50	2002-2021	68,705
Iowa Utilities Board	2010	12,640	5.04	2011-2029	9,960
IJOBS - 2009	2010	601,070	3.00-6.75	2011-2034	509,030
Prison Infrastructure	2011	135,050	2.00-5.00	2012-2027	125,215
IJOBS - 2010	2011	113,260	2.50-5.00	2012-2030	71,650
Total					<u>784,560</u>
<i>Capital appreciation bonds</i>					
Tobacco Settlement Authority	2006	\$ 729,800	5.60-7.13	2007-2046	729,800
Total revenue bonds					2,085,910
Unamortized premium					30,480
Unamortized discount					(492,410)
Total governmental activities					<u>\$ 1,623,980</u>
<b>Business-type activities</b>					
Revenue bonds					
University of Iowa	2005-2016	\$ 1,404,495	0.30-5.00	2006-2041	\$ 1,215,775
Iowa State University	2006-2016	587,625	1.00-5.25	2008-2041	524,405
University of Northern Iowa	2005-2016	186,617	1.00-6.20	2006-2037	157,125
Total revenue bonds					1,897,305
Unamortized premium					42,257
Unamortized discount					(2,618)
Total business-type activities					<u>\$ 1,936,944</u>
<b>COMPONENT UNITS</b>					
Revenue bonds					
Iowa Finance Authority	1978-2016	\$ 1,448,301	variable (1)	2011-2047	\$ 1,217,494
Iowa State University Foundation	2002	3,850	2.40	2003-2020	2,200
Total revenue bonds					1,219,694
Unamortized premium					95,425
Total component units					<u>\$ 1,315,119</u>

(1) Variable rates are as of June 30, 2016.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

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 95% of total deposits into the Vision Iowa Fund. As of June 30, 2016, total principal and interest remaining to be paid on the debt is \$79.8 million. Principal and interest paid for the current year and total deposits into the Vision Iowa Fund were \$16.0 million and \$15.6 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, 2016, total principal and interest remaining on the debt is \$2,030.0 million with annual requirements ranging from \$134.1 million in 2017 to \$734.9 million in the final year. TSRs received by the State have averaged \$60.5 million per year over the last 18 years. For the current year, principal and interest paid by the Authority and the total TSRs recognized by the State were \$54.3 million and \$66.6 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, 2016, total principal and interest remaining to be paid on the debt is \$846.4 million. Principal and interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were \$47.0 million and \$60.1 million, respectively.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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.

#### ***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, 2016, total principal and interest remaining to be paid on the debt is \$13.8 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 51% of total deposits into the Prison Infrastructure Fund. As of June 30, 2016, total principal and interest remaining to be paid on the debt is \$164.1 million. Principal and interest paid in the current year and total deposits into the Prison Infrastructure Fund were \$11.8 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, 2016, total principal and interest remaining to be paid on the Series 2010A bonds is \$219.6 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 \$60.1 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 School Infrastructure Special Fund Refunding Bonds, Series 2012, by placing proceeds from existing resources into an irrevocable trust with an escrow agent to provide for all future

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

debt service payments. Accordingly, trust account assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2016, bonds totaling \$12.3 million are considered defeased.

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

Year Ending June 30,	Principal	Interest
2017	\$ 138,651	\$ 84,571
2018	45,574	76,283
2019	47,815	74,094
2020	50,150	71,774
2021	52,710	68,858
2022-2026	216,730	312,774
2027-2031	211,390	256,479
2032-2036	341,870	170,065
2037-2041	119,980	97,974
Thereafter	861,040	54,970
Total	<u>\$ 2,085,910</u>	<u>\$ 1,267,842</u>

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

##### Universities

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

- \$14.1 million of Academic Building Revenue Bonds, Series S.U.I. 2015, with an interest rate range of 2.00-3.25% 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.
- \$34.7 million of Dormitory Revenue Bonds, Series S.U.I. 2015, with an interest rate range of 3.00-3.75% to defray the cost of constructing various residence halls at the University. The revenues pledged to these bonds are fees paid by users of the residence halls' services.

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

- \$19.8 million of Academic Building Revenue Refunding Bonds, Series S.U.I. 2016, with an average interest rate of 3.03% and accrued interest of \$46,000 to refund \$20.5 million of outstanding Academic Building Revenue Refunding Bonds, Series S.U.I. 2007 with interest rates ranging between 4.00% and 4.375%. Net bond proceeds of \$21.4 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. 2007 Bonds will be called on July 1, 2017. The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of \$2.5 million; and reduced the aggregate debt service payments by \$2.7 million over the next 12 years.
- \$12.1 million of Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2015B, with an average interest rate of 3.20% and accrued interest of \$2,000 to refund \$11.5 million of outstanding Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2005B with interest rates ranging between 5.00% and 5.30%. Net bond proceeds of \$12.0 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. 2005B Bonds will be called on July 1, 2016. The refunding permitted the University to realize an economic gain of \$1.3 million; and reduced the aggregate debt service payments by \$1.6 million over the next 15 years.
- \$21.1 million of Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2015C, with an average interest rate of 3.34% and accrued interest of \$32,000 to refund \$20.6 million of outstanding Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2006 with interest rates ranging between 4.25% and 4.50%. Net bond proceeds of \$21.5 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 July 1, 2016. The refunding

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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 15 years.

- \$19.8 million of Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2015D, with an average interest rate of 3.13% and accrued interest of \$28,000 to refund \$18.9 million of outstanding Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2006A with interest rates ranging between 4.00% and 4.75%. Net bond proceeds of \$19.7 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. 2006A Bonds will be called on July 1, 2016. The 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 15 years.
- \$29.0 million of Hospital Revenue Refunding Bonds, Series S.U.I. 2016, with an average interest rate of 4.25% and accrued interest of \$50,000 to refund \$35.4 million of outstanding Hospital Revenue Refunding Bonds, Series S.U.I. 2007 and 2007A with interest rates ranging between 4.00% and 5.50%. The University chose to early fund principal of \$2.3 million, resulting in \$33.1 million of outstanding bonds at closing. Net bond proceeds of \$33.5 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. 2007 and 2007A Bonds will be called on September 1, 2017. The refunding permitted the University to realize an economic gain of \$4.1 million; and reduced the aggregate debt service payments by \$4.4 million over the next 11 years.
- \$23.9 million of Hospital Revenue Refunding Bonds, Series S.U.I. 2016A, with an average interest rate of 3.03% and accrued interest of \$56,000 to refund \$25.2 million of outstanding Hospital Revenue Refunding Bonds, Series S.U.I. 2009 with interest rates ranging between 5.50% and 6.125%. The University chose to early fund principal of \$1.4 million, resulting in \$23.8 million of outstanding bonds at closing. Net bond proceeds of \$25.7 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. 2009 Bonds will be called on September 1, 2018. The refunding permitted the University to realize an economic gain of \$4.0 million; and reduced the aggregate debt service payments by \$4.3 million over the next 12 years.
- \$14.8 million of Utility System Revenue Refunding Bonds, Series S.U.I. 2015A, with an average interest rate of 5.04% and accrued interest of \$45,000 to refund \$17.3 million of outstanding Utility System Revenue Refunding Bonds, Series S.U.I. 2006A with interest rates ranging between 4.00% and 4.25%. Net bond proceeds of \$17.6 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. 2006A Bonds will be called on November 1, 2016. The refunding permitted the University to realize an economic gain of \$1.8 million; and reduced the aggregate debt service payments by \$1.9 million over the next 11 years.
- \$19.3 million of Utility System Revenue Refunding Bonds, Series S.U.I. 2016, with an average interest rate of 2.32% and accrued interest of \$27,000 to refund \$18.5 million of outstanding Utility System Revenue Refunding Bonds, Series S.U.I. 2007 with interest rates ranging between 4.00% and 4.35%. Net bond proceeds of \$19.8 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. 2007 Bonds will be called on November 1, 2017. The refunding permitted the University to realize an economic gain of \$1.9 million; and reduced the aggregate debt service payments by \$2.0 million over the next 12 years.

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, 2016, bonds totaling \$188.4 million for the University of Iowa were considered defeased.

During the current year, *Iowa State University* issued \$30.0 million of Dormitory System Revenue Bonds, Series I.S.U. 2015A, with an interest rate range of 2.00-3.50% 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 \$12.1 million of Academic Building Revenue Refunding Bonds, Series I.S.U. 2016. \$12.4 million of proceeds were placed in an irrevocable escrow account to refund

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

\$12.1 million of Academic Building Revenue Bonds, Series I.S.U. 2007. The advance refunding of these bonds permitted the University to realize an economic gain of \$1.3 million; and reduced the aggregate debt service payments by \$1.4 million over the next 11 years.

During the current year, the *University of Northern Iowa* issued \$23.8 million of Dormitory System Revenue Bonds, Series U.N.I. 2016, with an interest rate range of 3.00-3.25% to defray the cost of constructing and equipping dormitories and related facilities. The revenues pledged to these bonds are rents, profits and income of the system.

During the current year, the *University of Northern Iowa* issued \$14.0 million of Academic Building Revenue Refunding Bonds, Series U.N.I. 2016, with an average interest rate of 2.11% to refund the July 1, 2017 through July 1, 2027 maturities of the Academic Building Revenue Bonds, Series U.N.I. 2005, the July 1, 2017 through July 1, 2020 maturities of the Academic Building Revenue Refunding Bonds, Series U.N.I. 2005, and the July 1, 2017 through July 1, 2027 maturities of the Academic Building Revenue Bonds, Series U.N.I. 2007. Outstanding Series U.N.I. 2005 bonds totaled \$8.9 million and the interest rates ranged between 3.75% and 4.25%. Outstanding Refunding Series U.N.I. 2005 bonds totaled \$1.6 million and the interest rate was 4.25%. Outstanding Series U.N.I. 2007 bonds totaled \$5.9 million and the interest rates ranged between 4.00% and 4.25%. Net bond proceeds of \$18.3 million 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 Academic Building Revenue Bonds, Series U.N.I. 2005, Refunding Series U.N.I. 2005 and Series U.N.I. 2007 will be called on July 1, 2016. The refunding permitted the University to realize an economic gain of \$2.0 million; and reduced the aggregate debt service payments by \$2.2 million over the next 11 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
2017	\$ 108,025	\$ 65,766
2018	98,550	62,545
2019	103,186	59,219
2020	105,950	56,006
2021	99,976	52,716
2022-2026	508,129	212,043
2027-2031	451,804	122,751
2032-2036	321,359	49,361
Thereafter	100,326	6,648
Total	<u>\$ 1,897,305</u>	<u>\$ 687,055</u>

### 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 Resolution and the Multifamily Housing Bonds Master Trust 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.

In a prior year, the Finance Authority defeased certain State Revolving Fund (SRF) revenue bonds by issuing bonds to provide resources to purchase investment securities that were placed into an irrevocable trust to provide funds for future debt service payments. As a result, the irrevocable trust account assets and the

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

liabilities for these defeased bonds are not included in the Finance Authority's financial statements. As of June 30, 2016, bonds totaling \$278.5 million were considered defeased.

During the current fiscal year, the Finance Authority issued two single-family bond series totaling \$196.5 million to purchase mortgage-backed securities (MBS) and retire prior debt (as described in the following two paragraphs). In addition, the Finance Authority made bond payments of \$237.9 million.

In September 2015, the Finance Authority issued \$81.3 million of Single Family Mortgage Bonds fixed rate bonds at a premium and refunded \$84.0 million of prior bonds. The purpose of the refunding was to reduce the Finance Authority's borrowing costs and to reduce outstanding variable rate debt. Assuming mortgage prepayment speeds consistent with the 26% OTS (Office of Thrift Supervision); interest rates of 0.02% SIFMA (Securities Industry and Financial Markets Association) and 0.20% LIBOR (London Interbank Offered Rate) continuing; cost of issuance of \$216,000; the estimated economic gain is \$4.7 million.

In March 2016, the Finance Authority issued \$22.5 million of Single Family Mortgage Bonds fixed rate bonds and refunded \$22.5 million of prior bonds. The purpose of the refunding was to reduce the Finance Authority's borrowing costs and to reduce outstanding variable rate debt. Assuming mortgage prepayment speeds consistent with the 32% OTS; interest rates of 0.10% SIFMA and 0.43% LIBOR continuing; cost of issuance of \$230,000; the estimated economic gain is \$273,000.

#### **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
2017	\$ 59,141	\$ 44,729
2018	63,616	42,969
2019	64,213	40,514
2020	62,294	37,992
2021	67,454	35,317
2022-2026	335,919	134,721
2027-2031	254,365	75,389
2032-2036	147,105	29,646
2037-2041	81,705	13,732
2042-2046	80,097	3,658
Thereafter	3,785	44
Total	<u>\$ 1,219,694</u>	<u>\$ 458,711</u>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 11 – ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2016, consisted of the following (expressed in thousands):

	Current	Noncurrent
<b>PRIMARY GOVERNMENT</b>		
<b>Governmental activities</b>		
Salaries & fringes	\$ 84,584	\$ -
Early retirement/termination benefits	8,380	12,549
Other postemployment benefits	-	113,190
Risk management	10,778	9,222
Pollution remediation	8,546	15,430
State aid	395,277	-
Trade & other payables	772,810	48,070
Total governmental activities	\$ 1,280,375	\$ 198,461
<b>Business-type activities</b>		
Salaries & fringes	\$ 187,294	\$ -
Early retirement/termination benefits	2,380	4,863
Other postemployment benefits	-	185,608
General claims	38,071	-
Unemployment benefits	15,075	-
Trade & other payables	180,686	73,761
Total business-type activities	\$ 423,506	\$ 264,232
<b>COMPONENT UNITS</b>		
Annuity & life income obligations	\$ 336	\$ 45,547
Lotto prizes & annuity prizes payable	6,329	738
Other	70,901	18,125
Total component units	\$ 77,566	\$ 64,410

#### 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, 2016, pollution remediation obligations totaled \$24.0 million, including \$23.8 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.

In August 2016, the University of Iowa received a letter from the Environmental Protection Agency (EPA) Region 7 regarding an anonymous complaint about the alleged presence of Polychlorinated Biphenyls (PCBs) in caulk located in the Institute for Rural and Environmental Health (IREH) building. The EPA requested that the

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

University of Iowa open a dialogue with them in response to this complaint. The University is scheduling a discussion with the EPA Regional Coordinator of the PCB program to determine the EPA's position on this matter and to determine whether any required remediation activities could coincide with the University of Iowa's plans to raise and replace the nearly five-decade-old IREH building in the near future.

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

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

The Governmental Activities Statement of Net Position reports \$922.6 million of Restricted Net Position, of which \$15.9 million is restricted by enabling legislation.

##### **B. Governmental Fund Balances**

Fund balances for governmental funds are 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. Other governmental funds may report a negative unassigned fund balance if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes.

(Notes continue on next page.)

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

The nonspendable and spendable fund balances for governmental funds at June 30, 2016, are as follows (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>NONSPENDABLE</b>					
Inventory & prepaid	\$ 44,917	\$ -	\$ -	\$ 293	\$ 45,210
Permanent fund principal	-	-	-	16,553	16,553
Total nonspendable	<u>44,917</u>	<u>-</u>	<u>-</u>	<u>16,846</u>	<u>61,763</u>
<b>SPENDABLE</b>					
Restricted:					
Roads	517,747	-	-	-	517,747
Debt service	94,530	334,840	-	-	429,370
Farm to market road system	83,507	-	-	-	83,507
Underground storage tanks	25,124	-	-	-	25,124
Higher education	-	-	-	26,914	26,914
Tourism	22,120	-	-	-	22,120
Public health	15,600	-	-	-	15,600
Other:					
Administration & regulation	8,686	-	-	4,949	13,635
Education	21,407	-	-	20,926	42,333
Health & human rights	12,312	-	-	1,686	13,998
Human services	1,127	-	-	47	1,174
Justice & public defense	9,778	-	-	390	10,168
Economic development	2,295	-	-	-	2,295
Transportation	21,614	-	-	-	21,614
Agriculture & natural resources	66	-	-	44	110
Total restricted	<u>835,913</u>	<u>334,840</u>	<u>-</u>	<u>54,956</u>	<u>1,225,709</u>
Committed:					
Cash reserve	539,315	-	-	-	539,315
Economic emergency	189,863	-	-	-	189,863
Administration & insurance reserves	159,996	-	-	1,889	161,885
Infrastructure	100,856	-	-	21,068	121,924
Debt service	42,444	-	-	-	42,444
Groundwater, soil & air protection	41,227	-	-	-	41,227
Medical assistance	30,048	-	-	-	30,048
Technology	23,194	-	-	-	23,194
Railroads	18,841	-	-	-	18,841
Natural resources	17,634	-	-	-	17,634
Emergency 911 services	16,202	-	-	-	16,202
Workforce	13,640	-	-	-	13,640
Underground storage tanks	12,561	-	-	-	12,561
Recreational facilities	11,716	-	-	-	11,716
Justice	11,214	-	-	-	11,214
Fish & wildlife	10,442	-	-	-	10,442
Other:					
Administration & regulation	27,404	-	-	7,131	34,535
Education	14,411	-	-	58	14,469
Health & human rights	5,870	-	-	-	5,870
Human services	6,397	-	-	1,134	7,531
Justice & public defense	16,254	-	-	2,432	18,686
Economic development	2,406	-	-	-	2,406
Transportation	2,467	-	-	1,293	3,760
Agriculture & natural resources	9,476	-	-	6,210	15,686
Total committed	<u>1,323,878</u>	<u>-</u>	<u>-</u>	<u>41,215</u>	<u>1,365,093</u>
Unassigned	(214,504)	-	(253,057)	(11)	(467,572)
<b>TOTAL FUND BALANCES</b>	<b><u>\$ 1,990,204</u></b>	<b><u>\$ 334,840</u></b>	<b><u>\$ (253,057)</u></b>	<b><u>\$ 113,006</u></b>	<b><u>\$ 2,184,993</u></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 four 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, 2042. 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,	
2017	\$ 12,728
2018	8,269
2019	5,389
2020	3,669
2021	1,639
2022-2026	1,479
2027-2031	319
2032-2036	336
2037-2041	346
Thereafter	14
Total	<u>\$ 34,188</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 \$834,479.

Rental expense for the year ended June 30, 2016 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$15,604,397. Rental expense has not been adjusted for sublease rentals totaling \$477,455 for the year ended June 30, 2016.

##### *Business-type Activities*

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

Year Ending June 30,	
2017	\$ 26,554
2018	14,099
2019	10,234
2020	8,089
2021	6,776
2022-2026	30,645
2027-2031	24,537
Thereafter	15,158
Total	<u>\$ 136,092</u>

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

Rental expense for the year ended June 30, 2016 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$26,877,365. Rental expense has not been adjusted for sublease rentals totaling \$4,000 for the year ended June 30, 2016.

# 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,		
2017	\$	4,305
2018		4,325
2019		3,959
2020		3,604
2021		1,830
2022-2026		4,690
Thereafter		<u>185</u>
Total	\$	<u>22,898</u>

Minimum payments have not been reduced by minimum sublease rentals of \$15,588.

Rental expense for the year ended June 30, 2016 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$4,189,324. Rental expense has not been adjusted for sublease rentals totaling \$62,355 for the year ended June 30, 2016.

### NOTE 14 - LESSOR OPERATING LEASES

The Iowa Department of Natural Resources leases tracts of land for agricultural purposes valued at \$11,839,688. Glenwood Resource Center leases building space valued at \$4,622,860. Iowa Public Television leases antenna and building space and the Iowa Department of Workforce Development leases building space, 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 \$727,656 (net of accumulated depreciation of \$327,653), tower space valued at \$367,802 (net of accumulated depreciation of \$130,087), 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 \$744,527 (net of accumulated depreciation of \$585,705), tracts of land for agricultural purposes valued at \$200,542 and tower space for which no value has been assigned to the lease portions. The Iowa Braille & Sight Saving School leases buildings valued at \$4,973,731 (net of accumulated depreciation of \$2,148,705).

The following is a schedule by year of minimum future rentals on operating leases as of June 30, 2016 (expressed in thousands):

Year Ending June 30,		
2017	\$	4,147
2018		2,955
2019		1,387
2020		939
2021		486
2022-2026		775
2027-2031		518
Thereafter		<u>292</u>
Total	\$	<u>11,499</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.

##### **Investments**

IPERS – All investments are reported at fair value.

IPERS 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.

PORS’ and JRS’ investments in governmental bonds and treasury notes constitute approximately 5.51% and 5.96%, 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, 2016, 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					TOTAL
	Cost-sharing, Multiple-employer		Single-employer			
	IPERS - Primary Government	IPERS - Discretely Presented Component Units	PORS	JRS		
Net pension liability	\$ 834,918	\$ 18,834	\$ 175,304	\$ 29,781	\$1,058,837	
Deferred outflows of resources related to pensions	186,858	3,581	55,685	14,485	260,609	
Deferred inflows of resources related to pensions	138,916	3,115	9,325	7,021	158,377	
Pension expense for the period associated with net pension liabilities	70,718	1,366	27,461	6,722	106,267	

#### 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.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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, 2016, IPERS had 1,960 public employers with 168,372 active members contributing to the system.

### *Plan Membership.*

	Fiscal Years Ended June 30,	
	2016	2015
Inactive employees or beneficiaries currently receiving benefits	114,491	111,368
Inactive employees entitled to but not yet receiving benefits	66,847	67,374
Active employees	168,372	167,367
Total	349,710	346,109

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.

*Benefits Provided.* Members are eligible for all rights and benefits once they become vested. Criteria for vesting varies by membership group. **Regular members**, prior to July 1, 2012, vested after completing four years of covered service or upon reaching the age of 55 while in IPERS-covered employment. Beginning July 1, 2012, regular members vested after seven years of covered service or upon reaching the age of 65 while in IPERS-covered employment. **Special Service members (Sheriffs/Deputies and Protection Occupation)** vest when they complete four years of covered service or reach the age of 55 while in covered employment.

At retirement, members have six benefit options. Each option provides for lifetime monthly member benefits and available death benefits. The benefit amounts are dependent upon the option selected, but once calculated, remain constant. However, members which began receiving benefits before July 1, 1990, receive a guaranteed dividend with their November payment per Iowa Code section 97B.49F(1)(b).

- **Regular members** are eligible for full benefits at normal retirement which occurs at: (1) age 65, (2) age 62 with 20 or more years of covered employment, or (3) when years of service plus age equal or exceed 88. This membership class cannot receive benefits before 55, and those who are 70 and still working for a covered employer may receive 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. If retirement occurs prior to normal retirement, an early-retirement reduction is permanently applied to benefits. For service earned prior to July 1, 2012, the reduction is 0.25 percent for each month benefits are received before the earliest *normal retirement*. For service earned on or after July 1, 2012, the reduction increases to 0.50 percent per month benefits are received before the member reaches age 65.
- **Special Service members** have different retirement eligibility requirements than regular members. 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.
  - **Sheriffs and deputies** are eligible for retirement benefits at age 50, with 22 years of qualified service.
  - **Protection occupation members** are eligible for retirement benefits if vested, no longer working for an IPERS-covered employer, and reach age 55.

*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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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 contribution. The unfunded actuarial liability contribution 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 2016, the contribution rates for all members exceeded the actuarial rates.

	Fiscal Year 2015 and 2016		
	Employee	Employer	Total
Regular members	5.95%	8.93%	14.88%
Sheriffs and deputies	9.88%	9.88%	19.76%
Protection occupation members - 2015	6.76%	10.14%	16.90%
Protection occupation members - 2016	6.56%	9.84%	16.40%

Contributions are remitted by participating employers. Wages were covered up to the Internal Revenue Code section 401(a)(17) compensation limit of \$265,000 for calendar year 2015 and 2016. There are no non-employer contributing entities at IPERS.

The State's employer contributions to IPERS for the years ended June 30, 2016 and 2015 were \$124,717,806 and \$122,278,840, respectively.

*Actuarial Methods and Assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2015, 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

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.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

The actuarial assumptions used in the June 30, 2015 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 27, 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, 2015, 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%	2.04%
Domestic equity	24.00%	6.29%
International equity	16.00%	6.75%
Private equity/debt	11.00%	11.32%
Real estate	8.00%	3.48%
Credit opportunities	5.00%	3.63%
U.S. TIPS	5.00%	1.91%
Other real assets	2.00%	6.24%
Cash	1.00%	-0.71%
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 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 3.82%. The projected future benefit payments for all current plan members were projected through 2114.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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

	2016	2015
Total pension liability	\$ 34,619,749	\$ 33,370,319
Plan fiduciary net position	28,326,434	28,429,835
Employers' net pension liability	\$ 6,293,315	\$ 4,940,484
Plan fiduciary net position as a percentage of the total pension liability	81.82%	85.19%

The NPL increased in 2016 due to lower than expected earnings as of June 30, 2016. 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 included in the supplementary information section of this report.

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

At June 30, 2016, the State reported a total liability of \$853.7 million, with \$834.9 million in the primary government and \$18.8 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, 2015, and the total pension liability as of June 30, 2015, used to calculate the net pension liability was determined based on the June 30, 2015 actuarial valuation for funding, dated October 29, 2015.

The State's proportion of the net pension liability was based on the State's share of contributions to the pension plan relative to the contributions of all participating employers, actuarially determined. At June 30, 2015, the State's total proportion was 17.280596% (16.899393% in the primary government and 0.381203% in the discretely presented component units). This was a decrease of 0.055992% from the State's total proportion (decrease of 0.110122% in the primary government and an increase of 0.054130% in the discretely presented component units), measured as of June 30, 2014.

For the year ended June 30, 2016, the State recognized IPERS pension expense of \$70.7 million for the primary government and \$1.4 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	\$ 12,937	\$ 285	\$ 13,222
Changes in assumptions	23,576	518	24,094
Net difference between projected and actual earnings on pension plan investments	-	410	410
Changes in proportion and differences between contributions and proportionate share of contributions	25,627	-	25,627
Contributions subsequent to the measurement date	124,718	2,368	127,086
Total	\$ 186,858	\$ 3,581	\$ 190,439

**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	\$ 4,106	\$ -	\$ 4,106
Changes in assumptions	63	-	63
Net difference between projected and actual earnings on pension plan investments	81,595	2,279	83,874
Changes in proportion and differences between contributions and proportionate share of contributions	53,152	836	53,988
Total	<u>\$ 138,916</u>	<u>\$ 3,115</u>	<u>\$ 142,031</u>

The primary government and discretely presented component units reported deferred outflows of resources relating to pensions of \$124.7 million and \$2.4 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, 2017. 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
2017	\$ (19,992)	\$ (501)	\$ (20,493)
2018	(19,992)	(501)	(20,493)
2019	(19,992)	(501)	(20,493)
2020	(17,724)	(420)	(18,144)
2021	924	21	945
Total	<u>\$ (76,776)</u>	<u>\$ (1,902)</u>	<u>\$ (78,678)</u>

There are no non-employer contributing entities to IPERS.

*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	\$ 1,561,036	\$ 834,918	\$ 222,137
Discretely presented component units	32,974	18,834	6,898
Total	<u>\$ 1,594,010</u>	<u>\$ 853,752</u>	<u>\$ 229,035</u>

Payables to the Pension Plan

At June 30, 2016, 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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	588
Inactive employees entitled to but not yet receiving benefits	47
Active employees	<u>563</u>
Total	<u>1,198</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.

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### 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 33% for plan year 2016 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%. In May, 2016, legislation was signed limiting the additional appropriation for the year beginning July 1, 2016, to \$2.5 million. 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 \$5,079,754, representing 11.4% of the current year covered payroll. The State contribution required by statute and the amount actually contributed was \$20,519,243. \$5,000,000 of the State contribution was an annual appropriation, which was in addition to the required employer 33% 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).

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## NOTES TO THE FINANCIAL STATEMENTS

### Net Pension Liability

The net pension liability was measured as of June 30, 2016, 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, 2016, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

- Inflation: 2.75%
- Salary increases: 4.00% to 7.00%, including inflation
- Investment rate of return: 7.50% 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, 2016 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 economic assumptions, including the long-term rate of return, were reviewed in a more recent experience study with presentation dated May 16, 2016.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. stocks (larger capitalization)	25.00%	8.83%
U.S. stocks (small cap)	15.00%	9.64%
International equity - developed	18.75%	9.89%
International equity - emerging	6.25%	12.50%
Fixed income	25.00%	3.95%
Real estate	10.00%	7.50%
Total	100.00%	

*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: 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 85.00% 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 3.01%. The projected future benefit payments for all current plan members were projected through 2115.

*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

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**NOTES TO THE FINANCIAL STATEMENTS**

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	\$ 252,115	\$ 175,304	\$ 111,719

*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 included in the supplementary information section of this report.

Changes in the Net Pension Liability

	Increase (Decrease) Expressed in Thousands		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	Balances at June 30, 2015	\$ 534,627	\$ 410,599
Changes for the year:			
Service cost	12,207	-	12,207
Interest	41,661	-	41,661
Difference between expected and actual experience	(5,613)	-	(5,613)
Assumption changes	23,791	-	23,791
Contributions - employer	-	20,519	(20,519)
Contributions - employee	-	5,080	(5,080)
Net investment income	-	(4,581)	4,581
Benefit payments including refunds of employee contributions	(28,284)	(28,284)	-
Administrative expense	-	(248)	248
Net changes	43,762	(7,514)	51,276
Balances at June 30, 2016	\$ 578,389	\$ 403,085	\$ 175,304

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

For the year ended June 30, 2016, the State of Iowa recognized pension expense related to the System of \$27.5 million. At June 30, 2016, 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	\$ -	\$ 9,325
Changes of assumptions	20,119	-
Net difference between projected and actual earnings on pension plan investments	35,566	-
Total	\$ 55,685	\$ 9,325

# 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,		
2017	\$	11,158
2018		11,158
2019		11,158
2020		9,253
2021		2,287
Thereafter		<u>1,346</u>
Total	\$	<u>46,360</u>

There are no non-employer contributing entities to PORS.

### Payables to the Pension Plan

At June 30, 2016, the State of Iowa reported payables of \$590,557 for legally required employer contributions and \$192,353 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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	198
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>202</u>
Total	<u>405</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.

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### 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 member contribution shall be 40% of the required contribution rate and the State contribution shall be 60% of the required contribution rate.

The member contribution required and contributed was \$2,648,125, representing 9.35% of the current year covered payroll. The State contribution required by statute and the amount contributed was \$8,666,541. 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, 2016, 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, 2016, 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, 2016 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. stocks (larger capitalization)	25.00%	8.83%
U.S. stocks (small cap)	15.00%	9.64%
International equity	25.00%	9.89%
Core-plus fixed income	25.00%	4.05%
Real estate	10.00%	7.50%
Total	100.00%	

*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 3.01%. The projected future benefit payments for all current plan members were projected through 2115.

*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	\$ 48,434	\$ 29,781	\$ 13,636

*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 included in the supplementary information section of this report.

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**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, 2015	\$ 186,269	\$ 163,990	\$ 22,279
Changes for the year:			
Service cost	6,231	-	6,231
Interest	13,548	-	13,548
Difference between expected and actual experience	(3,655)	-	(3,655)
Contributions - employer	-	8,667	(8,667)
Contributions - employee	-	2,648	(2,648)
Net investment income	-	(2,673)	2,673
Benefit payments including refunds of employee contributions	(11,460)	(11,460)	-
Administrative expense	-	(20)	20
Net changes	4,664	(2,838)	7,502
Balances at June 30, 2016	\$ 190,933	\$ 161,152	\$ 29,781

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

For the year ended June 30, 2016, the State of Iowa recognized pension expense related to the System of \$6.7 million. At June 30, 2016, 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	\$ -	\$ 7,021
Net difference between projected and actual earnings on pension plan investments	14,485	-
Total	\$ 14,485	\$ 7,021

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,	
2017	\$ 1,865
2018	1,865
2019	1,865
2020	1,969
2021	(100)
Total	\$ 7,464

There are no non-employer contributing entities to JRS.

Payables to the Pension Plan

At June 30, 2016, the State of Iowa reported payables of \$332,533 for legally required employer contributions and \$101,608 for legally required employee contributions which had been withheld from employee wages but not yet remitted to JRS.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### **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 2016 and 2015, the employers' required and actual contributions amounted to \$162,735,972 and \$156,936,419, respectively. During fiscal years 2016 and 2015, the employees' required and actual contributions amounted to \$81,495,471 and \$78,478,632, respectively. As of June 30, 2016, 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. A copy of the plan's separately issued actuarial valuation may be obtained by writing to the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319. 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, 2016, the amount actually contributed to the plan and changes in the State's net OPEB obligation as follows (expressed in thousands):

Annual required contribution	\$	25,637
Interest on net OPEB obligation		6,302
Adjustment to annual required contribution		(8,598)
Annual OPEB cost		<u>23,341</u>
Contributions made		<u>(12,289)</u>
Increase in net OPEB obligation		11,052
Net OPEB obligation beginning of year		<u>140,045</u>
Net OPEB obligation end of year	\$	<u>151,097</u>

The State's plan includes AFSCME employees of the Universities. The portion of the fiscal year 2016 net OPEB obligation related to those employees is \$34.6 million. The State plan also includes \$1.8 million of the fiscal year 2016 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, 2016.

For fiscal year 2016, the State contributed \$12.3 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 2016 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
2014	\$ 25,427	46.00%	\$ 128,389
2015	22,421	48.01%	140,045
2016	23,341	52.65%	151,097

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

As of July 1, 2014, the most recent actuarial valuation for the period July 1, 2015 through June 30, 2016, 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, 2016, 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 2016, the Universities contributed \$12.5 million to the plan and members receiving benefits contributed \$13.6 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, 2016, the amount actually contributed to the plans and changes in the Universities' net OPEB obligation as follows (expressed in thousands):

Annual required contribution	\$ 42,893
Interest on net OPEB obligation	5,337
Adjustment to annual required contribution	<u>(5,710)</u>
Annual OPEB cost	42,520
Contributions made	<u>(12,509)</u>
Increase in net OPEB obligation	30,011
Net OPEB obligation beginning of year	<u>119,523</u>
Net OPEB obligation end of year	<u>\$ 149,534</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, 2016.

## 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 2016 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
2014	\$ 32,534	43.62%	\$ 95,398
2015	39,669	39.18%	119,523
2016	42,520	29.42%	149,534

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

As of the most recent actuarial valuation for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$425.4 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$425.4 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1,510.0 million and the ratio of the UAAL to the covered payroll was 28.17%. As of June 30, 2016, 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, 2015	July 1, 2015	July 1, 2015
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%	4.00%
Medical trend rate	7.25% (8.50% for post age 65)	9.00%	8.00%
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 4.50%
Inflation rate	3.00%	2.50%	4.50%
Payroll growth rate	3.00%	n/a	2.50%

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 17 – OTHER TERMINATION BENEFITS

##### A. 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, 2016, totaled \$3.1 million for 373 participants in the Board of Regents Retirement Incentive Options.

##### B. 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.

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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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, 2016, 251 SPOC retirees received benefits totaling \$1.4 million.

### C. 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, 2016, 1,240 employees from the Executive and Legislative branches have retired and received benefits totaling \$9.3 million under SLIP. In addition, 198 employees from the Judicial branch and Community Based Corrections have retired and received benefits totaling \$1.7 million under SLIP.

### 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.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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 2015 and 2016 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2015	\$ 58,114	25,919	24,062	\$ 59,971
FY 2016	59,971	30,809	25,806	64,974

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 2015 and 2016 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2015	\$ 140	1,026	917	\$ 249
FY 2016	249	1,765	961	1,053

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 2015 and 2016 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2015	\$ 1,530	205	524	\$ 1,211
FY 2016	1,211	600	1,094	717

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 2015 and 2016 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2015	\$ 20,000	20,807	20,807	\$ 20,000
FY 2016	20,000	7,134	7,134	20,000

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.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

Changes in the balances for estimated claims liabilities for fiscal years 2015 and 2016 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2015	\$ 33,239	264,149	258,671	\$ 38,717
FY 2016	38,717	288,161	288,807	38,071

#### 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 \$8.0 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 \$2.4 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 \$1,250.0 million for catastrophic property loss for general fund properties with a \$1.0 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 \$48.0 million after a \$1.0 million deductible.
- The Iowa School for the Deaf is insured for catastrophic loss liabilities for \$76.5 million after a \$1.0 million deductible.
- The eight Judicial Districts individually insure buildings and contents with coverage ranging from \$3.7 million to \$27.3 million.
- The Iowa Lottery Authority is insured for \$11.9 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 \$6.9 million.

The *Iowa Public Employees' Retirement System* (IPERS) has commitments to fund an additional \$2,175 million to various private equity/debt partnerships and \$91.5 million to a real estate debt partnership at June 30, 2016.

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.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

In the fraud action against Westridge Capital Management, IPERS continues to pursue full recovery. On October 26, 2015, IPERS received a distribution of \$20.0 million that is reflected in the financial statements ended June 30, 2016. The total recovery through June 30, 2016, is nearly 97.0% of IPERS' initial investment.

IPERS remains a defendant, along with approximately 500 other investors, in an action before the United States Bankruptcy Court for the Southern District of New York known as *Motors Liquidation Company Avoidance Action Trust v. JP Morgan Chase Bank, N.A. et.al.*, Proceeding Nos. 09-50026 and 09-00504.

IPERS cannot estimate its potential losses because the court has sealed the documents related to 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 \$674.3 million (net of \$532.8 million in anticipated federal funding) at June 30, 2016.

The *University of Iowa* has outstanding construction contract commitments of \$288.1 million at June 30, 2016.

*Iowa State University* has outstanding construction contract commitments of \$94.9 million at June 30, 2016.

The *University of Northern Iowa* has outstanding construction contract commitments of \$29.0 million at June 30, 2016.

The *Iowa Department of Natural Resources* has outstanding construction contract commitments of \$19.5 million at June 30, 2016.

The *Iowa Department of Administrative Services* has outstanding construction contract commitments of \$11.6 million at June 30, 2016.

The *Iowa Department of Human Rights* has outstanding contractual obligations of \$30.5 million at June 30, 2016.

The *Iowa Department of Human Services* has outstanding contractual obligations of \$429.1 million at June 30, 2016.

The *Iowa Department of Public Defense* has outstanding contractual obligations for construction and other contracts of \$9.6 million at June 30, 2016.

The State of Iowa has encumbrances at June 30, 2016, totaling \$41.7 million, \$35.6 million in the General Fund and \$6.1 million in the nonmajor governmental funds.

The *Iowa Finance Authority* has signed loan agreements under the State Revolving Fund for which \$196.5 million had not been disbursed at June 30, 2016.

The *Iowa Economic Development Authority* has outstanding contractual commitments of \$179.2 million at June 30, 2016.

#### NOTE 20 – BEGINNING BALANCE ADJUSTMENTS

##### **GASB 68 and GASB 71 Implementation**

The Iowa State Fair Authority (the Authority), a discretely presented component unit of the State, has a fiscal year end of October 31. During the Authority's fiscal year 2015, the Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. 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 Authority 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 cumulative effect of adopting the new standards to the Authority was a change in net position from \$96.7 million to a restated net position of \$93.0 million.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 21 – DEFICIT FUND BALANCE

The Tobacco Collections Fund, a major Special Revenue Fund, had a deficit fund balance of \$253.1 million at June 30, 2016. 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

In July 2016, the University of Iowa received approval from the Iowa Board of Regents to issue Academic Revenue Refunding Bonds, Series S.U.I. 2016A in the amount of \$23,640,000 in August 2016. The proceeds of the Bonds will be used to provide for the advance refunding of the outstanding principal of the July 1, 2017 through July 1, 2030 maturities of the Board's \$25,000,000 Academic building Revenue Bonds, Series S.U.I. 2008, and paying the cost of issuing the bonds. These bonds will bear interest at 3.00% and will mature in varying amounts from July 1, 2017 through July 1, 2030.

In September 2016, the University of Iowa received approval from the Iowa Board of Regents to issue Dormitory Revenue Bonds, Series S.U.I. 2016 in the amount of \$34,450,000 in September 2016 for the purpose of paying a portion of the costs of constructing and equipping a new residence hall for students housing and related facilities, funding a debt service reserve fund, and paying the cost of issuing the bonds. These bonds will bear interest at varying rates between 2.00% and 3.00% and will mature in varying amounts from July 1, 2021 through July 1, 2041.

In September 2016, the University of Iowa received approval from the Iowa Board of Regents to issue Utility Revenue Refunding Bonds, Series S.U.I. 2016A in the amount of \$17,015,000 in September 2016. The proceeds of the Bonds will be used to provide for the advance refunding of the outstanding principal of the November 1, 2017 through November 1, 2029 maturities of the \$25,000,000 Utility System Revenue Bonds, Series S.U.I. 2007A, and paying the cost of issuing the bonds. These bonds will bear interest at 4.00% and will mature in varying amounts from November 1, 2017 through November 1, 2029.

In December 2016, the University of Iowa received approval from the Iowa Board of Regents to issue Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2017 in the amount of \$18,650,000 in December 2016. The proceeds of the Bonds will be used to provide for the advance refunding of the outstanding principal of the July 1, 2017 through July 1, 2034 maturities of the \$26,000,000 Recreational Facilities Revenue Bonds, Series S.U.I. 2007, and paying the cost of issuing the bonds. These bonds will bear interest at 5.00% and will mature in varying amounts from July 1, 2017 through July 1, 2034.

Subsequent to June 30, 2016, Iowa State University received approval from the Iowa Board of Regents to issue Academic building Revenue Refunding Bonds, Series I.S.U. 2016 for \$23,160,000 to be issued on August 1, 2016. These bonds will bear interest at varying rates and will mature in varying amounts from July 1, 2017 through July 1, 2035. The proceeds of the bonds will be used to provide for the advance refunding of the outstanding principal of the July 1, 2017 through July 1, 2035 maturities of the Academic Building Revenue Bonds, Series I.S.U. 2008, and paying the cost of issuing the bonds. These bonds will be payable solely out of gross student fees and charges collected by Iowa State University and the institutional income received by the University.

Subsequent to June 30, 2016, Iowa State University received approval from the Iowa Board of Regents to issue Dormitory Revenue Refunding Bonds, Series I.S.U. 2016 for \$14,345,000 to be issued on November 1, 2016. These bonds will bear interest at varying rates and will mature in varying amounts from July 1, 2017 through July 1, 2027. The proceeds of these bonds will be used to provide for the current refunding of the outstanding principal of the July 1, 2017 through July 1, 2027 maturities of the Dormitory Revenue Bonds, Series I.S.U. 2006 and Series I.S.U. 2006A, 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, 2016, Iowa State University received approval from the Iowa Board of Regents to issue Utility System Revenue and Refunding Bonds, Series I.S.U. 2016 for \$24,480,000 to be issued on November 1, 2016. These bonds will bear interest at varying rates and will mature in varying amounts from July 1, 2017 through July 1, 2036. The proceeds of these bonds will be used for the purpose of equipping and improving certain facilities and other improvements to the Utility System, to provide for the current refunding of the

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

outstanding principal of the November 1, 2017 through November 1, 2026 maturities of the Utility System Revenue Bonds, Series I.S.U. 2006, to provide a deposit in the Debt Service Reserve Fund, and to pay the costs of issuing the bonds. The bonds will be payable solely from net revenues of the Utility System and any Utility System student fees.

On October 25, 2016, the Iowa Finance Authority issued \$58,670,000 of Single Family Mortgage Bonds to purchase mortgage-backed securities under the Iowa Finance Authority's FirstHome program. In conjunction with this issuance, the Iowa Finance Authority has entered into an interest rate swap agreement with Wells Fargo Bank, N.A. that will become effective January 1, 2018 with an initial notional amount of \$970,000 then increase to \$11,250,000 by July 1, 2025.

On July 28, 2016, the Iowa Treasurer of State issued \$79,790,000 Special Obligation Refunding Bonds (Prison Infrastructure Fund) Series 2016. The Series 2016 bonds were issued for the purpose of advance refunding callable maturities for \$86,620,000 of the Special Obligation Bonds Series (Prison Infrastructure Fund) Series 2010 and paying certain costs of issuance. The refunding will result in savings of \$9.3 million in debt services payments over the life of the refunding bonds through the final maturity in 2027.

On July 28, 2016, the Iowa Treasurer of State issued \$265,425,000 IJOBS Program Special Obligation Refunding Bonds Series 2016A. The Series 2016A bonds were issued for the purpose of advance refunding all maturities for \$288,080,000 of the IJOBS Program Special Obligation Bonds Series 2009A and paying certain cost of issuance. The refunding will result in savings of \$36.5 million in debt service payments over the life of the refunding bonds through the final maturity in 2029.

On August 25, 2016, the Iowa Treasurer of State entered into a lease purchase agreement to finance the acquisition of the Iowa Statewide Interoperable Communication System (ISICS). Total funded amount was \$37,213,917 at 1.64% interest rate, with the total principal and interest payment due in 2025. Money was placed in an escrow account to pay for ISICS while being built, with a completion date expected in 2018.

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.



REQUIRED  
SUPPLEMENTARY  
INFORMATION

# STATE OF IOWA

## Required Supplementary Information Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2016  
(Expressed in Thousands)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
<b>APPROPRIATED REVENUE</b>				
Special taxes:				
Personal income tax	\$ 4,509,300	\$ 4,432,500	\$ 4,364,229	\$ (68,271)
Sales/use tax	2,896,100	2,812,200	2,829,918	17,718
Corporation income tax	559,000	506,400	513,274	6,874
Inheritance tax	95,600	97,100	88,759	(8,341)
Insurance premium tax	107,700	108,100	119,675	11,575
Cigarette tax	-	-	4	4
Beer & liquor tax	14,500	14,600	14,214	(386)
Franchise tax	41,800	50,600	50,355	(245)
Miscellaneous tax	1,200	1,500	1,494	(6)
Total special taxes	8,225,200	8,023,000	7,981,922	(41,078)
Reimbursements & fees:				
Institutional reimbursements	7,800	6,300	11,066	4,766
Liquor transfers	98,700	103,400	111,788	8,388
Interest	3,400	4,400	3,837	(563)
Fees	27,100	27,200	26,716	(484)
Judicial revenue	112,000	112,300	96,606	(15,694)
Miscellaneous receipts	39,400	39,600	44,938	5,338
Total receipts	8,513,600	8,316,200	8,276,873	(39,327)
Transfers	100,200	106,400	129,443	23,043
Economic Emergency Fund Surplus	330,000	367,264	367,264	-
<b>TOTAL APPROPRIATED REVENUE</b>	<b>8,943,800</b>	<b>8,789,864</b>	<b>8,773,580</b>	<b>(16,284)</b>
<b>RECEIPTS CREDITED TO APPROPRIATIONS</b>				
Other taxes	1,216	1,216	981	(235)
Multi suspense	16,295	16,295	15,560	(735)
Federal support	3,763,425	3,764,443	3,723,167	(41,276)
Local governments	51,914	51,871	50,800	(1,071)
Internal service transfers	594,086	592,477	597,789	5,312
Reimbursements from other departments	5,930	7,188	6,151	(1,037)
Government fund type transfers-				
Attorney General	16,016	16,136	15,527	(609)
Auditor of State	3,884	4,176	3,269	(907)
Other agencies	32,775	35,566	43,372	7,806
Interest	61	61	81	20
Fees, licenses & permits	55,177	58,180	43,897	(14,283)
Refunds & reimbursements	562,621	563,061	609,910	46,849
Sale of equipment & salvage	15	1,115	266	(849)
Rents & leases	2,696	2,696	2,568	(128)
Agricultural sales	1	1	2	1
Other sales & services	3,048	3,040	4,263	1,223
Unearned receipts	46,174	46,217	51,289	5,072
Promotional checkoffs	9,568	9,623	10,683	1,060
<b>TOTAL APPROPRIATED RECEIPTS</b>	<b>5,164,902</b>	<b>5,173,362</b>	<b>5,179,575</b>	<b>6,213</b>
<b>TOTAL ALL REVENUE</b>	<b>14,108,702</b>	<b>13,963,226</b>	<b>13,953,155</b>	<b>(10,071)</b>
<b>SCHOOL INFRASTRUCTURE TRANSFER</b>	<b>(473,700)</b>	<b>(460,000)</b>	<b>(466,891)</b>	<b>(6,891)</b>
<b>REFUNDS OF TAXES COLLECTED</b>	<b>(953,400)</b>	<b>(1,014,600)</b>	<b>(1,018,286)</b>	<b>(3,686)</b>
<b>TOTAL REVENUES AVAILABLE</b>	<b>12,681,602</b>	<b>12,488,626</b>	<b>12,467,978</b>	<b>(20,648)</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	647,361	662,619	677,374	(14,755)
Agriculture & natural resources	179,151	179,096	164,100	14,996
Economic development	57,555	56,799	50,445	6,354
Education	4,212,576	4,218,242	4,195,313	22,929
Health & human services	6,415,315	6,508,470	6,513,492	(5,022)
Justice	611,371	617,235	607,096	10,139
Judicial	186,355	186,381	186,159	222
Legislature	34,029	34,037	35,673	(1,636)
Capitals	5,224	22,745	21,993	752
<b>TOTAL EXPENDITURES</b>	<b>12,348,937</b>	<b>12,485,624</b>	<b>12,451,645</b>	<b>33,979</b>
<b>REVENUES AVAILABLE OVER EXPENDITURES AND TRANSFERS</b>	<b>332,665</b>	<b>3,002</b>	<b>16,333</b>	<b>13,331</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Balances credited to appropriations	35,809	80,580	80,580	-
Unexpended appropriations	(16,822)	(8,289)	(52,849)	(44,560)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>18,987</b>	<b>72,291</b>	<b>27,731</b>	<b>(44,560)</b>
<b>REVENUES AVAILABLE OVER EXPENDITURES AND OTHER ITEMS</b>	<b>351,652</b>	<b>75,293</b>	<b>44,064</b>	<b>(31,229)</b>
<b>BEGINNING FUND BALANCE (BUDGETARY)</b>	-	-	-	-
<b>REMAINING FUND BALANCE (BUDGETARY)</b>	<b>\$ 351,652</b>	<b>\$ 75,293</b>	<b>\$ 44,064</b>	<b>\$ (31,229)</b>
<b>ENDING FUND BALANCE (BUDGETARY)</b>	<b>\$ 351,652</b>	<b>\$ 75,293</b>	<b>\$ 44,064</b>	
<b>AUTHORIZED TRANSFER TO THE:</b>				
Cash Reserve Fund	(351,652)	(75,293)	(44,064)	
<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, 2016  
(Expressed in Thousands)

<b>Fund balance - budgetary/legal</b>	<b>\$ 44,064</b>
Basis of accounting differences:	
Balance sheet accounts:	
Accounts receivable	392,347
Loans receivable	158
Due from other funds	2,420
Prepaid expenditures	26,855
Accounts payable & accruals	(258,414)
Due to other funds	(84,107)
Unearned revenue	(7,160)
Deferred revenue	(211,684)
Budgetary unexpended appropriations	52,849
Timing differences:	
Petty cash & inventory expensed in budgetary accounting	13,087
Perspective differences	<u>2,019,789</u>
<b>Total fund balance - GAAP basis</b>	<b><u><u>\$ 1,990,204</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, 2016, actual expenditures exceeded budgeted expenditures in the General Fund in the Administration and Regulation, Health and Human Services, 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. The State Appeal Board received additional State funds for payment of claims against the State over and above the estimates for the fiscal year. Also, the Department of Revenue received additional State funds for the Homestead Tax Credit Aid program over budget and expended those funds for allowable purposes.

For the Health and Human Services function, the Department of Human Services received additional federal funds and other State funds for Glenwood Resource Center, Woodward Resource Center, and the Medical Assistance and Child Care Assistance programs 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 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, Address Confidentiality Program, 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, 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, 2015 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>							
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%
2016	July 1, 2014	-	217,948	217,948	0.00%	1,796,600	12.13%
<b>University Funds **</b>							
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%
2016	July 1, 2015	-	425,400	425,400	0.00%	1,510,000	28.17%

\* 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 Two Fiscal Year as of June 30 \*

(Expressed in Thousands)

	<u>2016</u>	<u>2015</u>
State's proportion of the net pension liability	16.899393%	17.009515%
State's proportionate share of the net pension liability	\$ 834,918	\$ 674,583
State's covered payroll	\$ 1,356,263	\$ 1,342,673
State's proportionate share of the net pension liability as a percentage of its covered payroll	61.56%	50.24%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

In accordance with GASB Statement No. 68, the amounts presented were determined as of the measurement date of the collective net pension liability, which is June 30 of the preceding fiscal year.

\* 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 Three Fiscal Years as of June 30 \*

(Expressed in Thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>			
Service cost	\$ 12,207	\$ 11,847	\$ 11,551
Interest	41,661	40,222	38,880
Changes of benefit terms	-	-	(164)
Differences between expected & actual experience	(5,613)	(6,609)	(7,444)
Assumption changes	23,791	-	-
Benefit payments, including refunds of employee contributions	(28,284)	(26,693)	(25,432)
<b>Net change in total pension liability</b>	<b>43,762</b>	<b>18,767</b>	<b>17,391</b>
<b>Total pension liability - beginning</b>	<b>534,627</b>	<b>515,860</b>	<b>498,469</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 578,389</b>	<b>\$ 534,627</b>	<b>\$ 515,860</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 20,519	\$ 18,601	\$ 17,715
Contributions - employee	5,080	4,991	4,755
Net investment income (loss)	(4,581)	21,722	65,436
Benefit payments, including refunds of employee contributions	(28,284)	(26,693)	(25,432)
Administrative expense	(248)	(217)	(199)
<b>Net change in fiduciary net position</b>	<b>(7,514)</b>	<b>18,404</b>	<b>62,275</b>
<b>Plan fiduciary net position - beginning</b>	<b>410,599</b>	<b>392,195</b>	<b>329,920</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 403,085</b>	<b>\$ 410,599</b>	<b>\$ 392,195</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 175,304</b>	<b>\$ 124,028</b>	<b>\$ 123,665</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>69.69%</b>	<b>76.80%</b>	<b>76.03%</b>
<b>Covered payroll</b>	<b>\$ 47,028</b>	<b>\$ 43,873</b>	<b>\$ 43,845</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>372.77%</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 Three Fiscal Years as of June 30 \*  
(Expressed in Thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>			
Service cost	\$ 6,231	\$ 6,438	\$ 6,503
Interest	13,548	13,392	13,022
Differences between expected & actual experience	(3,655)	(6,586)	(3,957)
Benefit payments, including refunds of employee contributions	(11,460)	(10,891)	(10,377)
<b>Net change in total pension liability</b>	<b>4,664</b>	<b>2,353</b>	<b>5,191</b>
<b>Total pension liability - beginning</b>	<b>186,269</b>	<b>183,916</b>	<b>178,725</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 190,933</b>	<b>\$ 186,269</b>	<b>\$ 183,916</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 8,667	\$ 8,724	\$ 8,630
Contributions - employee	2,648	2,665	2,637
Net investment income (loss)	(2,673)	7,533	26,172
Benefit payments, including refunds of employee contributions	(11,460)	(10,891)	(10,377)
Administrative expense	(20)	(15)	(17)
<b>Net change in fiduciary net position</b>	<b>(2,838)</b>	<b>8,016</b>	<b>27,045</b>
<b>Plan fiduciary net position - beginning</b>	<b>163,990</b>	<b>155,974</b>	<b>128,929</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 161,152</b>	<b>\$ 163,990</b>	<b>\$ 155,974</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 29,781</b>	<b>\$ 22,279</b>	<b>\$ 27,942</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>84.40%</b>	<b>88.04%</b>	<b>84.81%</b>
<b>Covered payroll</b>	<b>\$ 28,322</b>	<b>\$ 28,510</b>	<b>\$ 28,203</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>105.15%</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 Ten Fiscal Years as of June 30

(Expressed in Thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 124,718	\$ 122,279	\$ 121,161	\$ 116,630	\$ 110,123
Contributions in relation to statutorily required contributions	<u>124,718</u>	<u>122,279</u>	<u>121,161</u>	<u>116,630</u>	<u>110,123</u>
Contribution deficiency (excess)	<u>\$ -</u>				
State's covered payroll	\$ 1,388,017	\$ 1,356,263	\$ 1,342,673	\$ 1,322,751	\$ 1,327,065
Contributions as a percentage of covered payroll	8.99%	9.02%	9.02%	8.82%	8.30%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Statutorily required contribution	\$ 91,340	\$ 88,637	\$ 86,045	\$ 78,284	\$ 71,496
Contributions in relation to statutorily required contributions	<u>91,340</u>	<u>88,637</u>	<u>86,045</u>	<u>78,284</u>	<u>71,496</u>
Contribution deficiency (excess)	<u>\$ -</u>				
State's covered payroll	\$ 1,243,013	\$ 1,270,140	\$ 1,298,610	\$ 1,230,868	\$ 1,159,399
Contributions as a percentage of covered payroll	7.35%	6.98%	6.63%	6.36%	6.17%

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><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>2012</b></u>
Actuarially determined contribution	\$ 17,081	\$ 16,957	\$ 18,187	\$ 18,665	\$ 16,623
Actual employer contribution	<u>20,519</u>	<u>18,601</u>	<u>17,715</u>	<u>11,778</u>	<u>10,741</u>
Contribution deficiency (excess)	<u>\$ (3,438)</u>	<u>\$ (1,644)</u>	<u>\$ 472</u>	<u>\$ 6,887</u>	<u>\$ 5,882</u>
Covered payroll	\$ 47,028	\$ 43,873	\$ 43,845	\$ 43,621	\$ 42,965
Contributions as a percentage of covered payroll	43.63%	42.40%	40.40%	27.00%	25.00%
	<u><b>2011</b></u>	<u><b>2010</b></u>	<u><b>2009</b></u>	<u><b>2008</b></u>	<u><b>2007</b></u>
Actuarially determined contribution	\$ 14,967	\$ 14,237	\$ 13,356	\$ 14,374	\$ 12,592
Actual employer contribution	<u>9,554</u>	<u>8,499</u>	<u>7,898</u>	<u>6,697</u>	<u>6,263</u>
Contribution deficiency (excess)	<u>\$ 5,413</u>	<u>\$ 5,738</u>	<u>\$ 5,458</u>	<u>\$ 7,677</u>	<u>\$ 6,329</u>
Covered payroll	\$ 41,539	\$ 40,469	\$ 41,570	\$ 39,391	\$ 36,841
Contributions as a percentage of covered payroll	23.00%	21.00%	19.00%	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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 6,667	\$ 7,709	\$ 8,376	\$ 8,445	\$ 8,364
Actual employer contribution	<u>8,667</u>	<u>8,724</u>	<u>8,630</u>	<u>8,232</u>	<u>8,216</u>
Contribution deficiency (excess)	<u>\$ (2,000)</u>	<u>\$ (1,015)</u>	<u>\$ (254)</u>	<u>\$ 213</u>	<u>\$ 148</u>
Covered payroll	\$ 28,322	\$ 28,510	\$ 28,203	\$ 26,903	\$ 26,849
Contributions as a percentage of covered payroll	30.60%	30.60%	30.60%	30.60%	30.60%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 8,308	\$ 7,857	\$ 8,539	\$ 7,706	\$ 7,597
Actual employer contribution	<u>8,102</u>	<u>7,806</u>	<u>7,720</u>	<u>5,451</u>	<u>2,040</u>
Contribution deficiency (excess)	<u>\$ 206</u>	<u>\$ 51</u>	<u>\$ 819</u>	<u>\$ 2,255</u>	<u>\$ 5,557</u>
Covered payroll	\$ 26,477	\$ 25,511	\$ 25,230	\$ 24,920	\$ 24,210
Contributions as a percentage of covered payroll	30.60%	30.60%	30.60%	21.87%	8.43%

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 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:

2010: Legislature passed House File 2518 which increased the contribution rate and benefit structure for Regular members. These changes were:

- The combined contribution rate was increased to 13.45%, effective July 1, 2011.
- IPERS was given the authority to set the required contribution rate on an actuarial basis for fiscal years after 2012, but the contribution rate cannot vary by more than 1.0% per year.
- The definition of final average salary was modified to the highest five years of covered wages, increasing the years of service to vest from four to seven, and increased the early retirement reduction from 3.0% per year measured from the member's first unreduced retirement age to a 6.0% reduction measured from age 65.

The 0.50% annual cap for the change in the contribution rate for the Sheriffs and Deputies and the Protection Occupation groups which was to be effective for fiscal year 2012 was eliminated, and a cancer and infectious disease presumption for in-service disability benefits was added, effective July 1, 2011.

2008: Four groups were transferred from Regular membership to the Protection Occupation group for future service only (Emergency Medical Service (EMS) providers, County Jailers, County Attorney Investigators and National Guard Installation Security Officers). In addition, IPERS was given the authority to implement the actuarially determined contribution rates for the Regular membership group after fiscal year 2011; however, the contribution rate cannot change by more than 0.50% per year.

##### *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, 2016

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, 2016:

- *Actuarial cost method:* Entry age normal
- *Amortization method:* Level percentage of payroll, closed
- *Amortization period:* 23 years

# STATE OF IOWA

## Required Supplementary Information

### Notes to Required Supplementary Information – Schedules of Contributions

- *Asset valuation method:* 4 year smoothed market
- *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
- *Post-retirement adjustment:* Pensions are adjusted by a percentage, which varies by type of retirement, of the change in the compensation of active members of the same rank. In addition, a dollar adjustment is made which varies by a schedule based on the number of years since the member retired.
- *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:

2016: The State's contribution rate increased from 33% to 35% of payroll.

2015: The State's contribution rate increased from 31% to 33% of payroll. There was an increase in the reemployment limit for disability retirees under the age of 55. This change had no impact on the valuation results.

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% to 31% of payroll, as scheduled by law.

2013: The member contribution rate increased from 10.35% to 10.85% of payroll and the State's contribution rate increased from 27% to 29% of payroll.

2012: The member contribution rate increased from 9.85% to 10.35% of payroll and the State's contribution rate increased from 25% to 27% 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: The member contribution rate increased from 9.35% to 9.85% of payroll and the State's contribution rate increased from 23% to 25% of payroll.

2010: The State's contribution rate increased from 21% to 23% 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

# STATE OF IOWA

## Required Supplementary Information

### Notes to Required Supplementary Information – Schedules of Contributions

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% to 21% 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% to 19% of payroll.

#### **Changes in Assumptions**

##### *July 1, 2016 valuation:*

- The price inflation assumption was decreased from 3.00% to 2.75%.
- The wage inflation assumption was decreased from 3.75% to 3.50%.
- The payroll growth assumption was decreased from 3.75% to 3.00%.
- The long-term investment return assumption was decreased from 8.00% to 7.50%.

##### *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%.

##### *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, 2016

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.

# STATE OF IOWA

## Required Supplementary Information

### Notes to Required Supplementary Information – Schedules of Contributions

The following actuarial methods and assumptions were used to determine the actuarially determined employer contribution reported for the fiscal year ended June 30, 2016 (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.

#### **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.

## **STATE OF IOWA**

### **Required Supplementary Information**

#### **Notes to Required Supplementary Information – Schedules of Contributions**

*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, 2016  
(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	\$ 73,994	\$ 23,420	\$ 16,553	\$ 113,967
Accounts receivable (net)	16,272	229	-	16,501
Loans receivable (net)	162	-	-	162
Due from other funds	505	2,466	-	2,971
Inventory	131	-	-	131
Prepaid expenditures	162	-	-	162
Total current assets	<u>91,226</u>	<u>26,115</u>	<u>16,553</u>	<u>133,894</u>
Noncurrent assets:				
Accounts receivable (net)	4,976	-	-	4,976
Loans receivable (net)	1,208	-	-	1,208
Total noncurrent assets	<u>6,184</u>	<u>-</u>	<u>-</u>	<u>6,184</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 97,410</u></b>	<b><u>\$ 26,115</u></b>	<b><u>\$ 16,553</u></b>	<b><u>\$ 140,078</u></b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable & accruals	\$ 1,917	\$ 4,463	\$ -	\$ 6,380
Due to other funds	10,832	94	-	10,926
Unearned revenue	338	-	-	338
<b>TOTAL LIABILITIES</b>	<b><u>13,087</u></b>	<b><u>4,557</u></b>	<b><u>-</u></b>	<b><u>17,644</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue	<u>9,407</u>	<u>21</u>	<u>-</u>	<u>9,428</u>
<b>FUND BALANCES</b>				
Nonspendable	293	-	16,553	16,846
Spendable:				
Restricted	54,487	469	-	54,956
Committed	20,147	21,068	-	41,215
Unassigned	(11)	-	-	(11)
<b>TOTAL FUND BALANCES</b>	<b><u>74,916</u></b>	<b><u>21,537</u></b>	<b><u>16,553</u></b>	<b><u>113,006</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>	<b><u>\$ 97,410</u></b>	<b><u>\$ 26,115</u></b>	<b><u>\$ 16,553</u></b>	<b><u>\$ 140,078</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, 2016  
(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	\$ 7,595	\$ 2,248	\$ -	\$ 9,843
Investment income	296	-	-	296
Fees, licenses & permits	56,003	-	-	56,003
Refunds & reimbursements	5,775	68	-	5,843
Sales, rents & services	5,013	-	-	5,013
Miscellaneous	19,374	-	8	19,382
<b>GROSS REVENUES</b>	<b>94,056</b>	<b>2,316</b>	<b>8</b>	<b>96,380</b>
Less revenue refunds	2,643	-	-	2,643
<b>NET REVENUES</b>	<b>91,413</b>	<b>2,316</b>	<b>8</b>	<b>93,737</b>
<b>EXPENDITURES</b>				
Current:				
Administration & regulation	20,576	10	-	20,586
Education	15,136	-	59	15,195
Health & human rights	566	-	-	566
Human services	188	-	-	188
Justice & public defense	805	-	-	805
Transportation	138	-	-	138
Agriculture & natural resources	1,687	8,604	-	10,291
Capital outlay:				
Administration & regulation	3	4,122	-	4,125
Education	196	51	-	247
Health & human rights	22	9,869	-	9,891
Human services	-	73	-	73
Justice & public defense	168	3,863	-	4,031
Agriculture & natural resources	2	7,441	-	7,443
<b>TOTAL EXPENDITURES</b>	<b>39,487</b>	<b>34,033</b>	<b>59</b>	<b>73,579</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>51,926</b>	<b>(31,717)</b>	<b>(51)</b>	<b>20,158</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,418	45,450	459	47,327
Transfers out	(43,525)	(1,376)	-	(44,901)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(42,107)</b>	<b>44,074</b>	<b>459</b>	<b>2,426</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>9,819</b>	<b>12,357</b>	<b>408</b>	<b>22,584</b>
<b>FUND BALANCES - JULY 1</b>	<b>65,097</b>	<b>9,180</b>	<b>16,145</b>	<b>90,422</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 74,916</b>	<b>\$ 21,537</b>	<b>\$ 16,553</b>	<b>\$ 113,006</b>



# 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, 2016  
(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	\$ 24,694	\$ 5,166	\$ 808	\$ 10,742	\$ 32,584	\$ 73,994
Accounts receivable (net)	3,293	-	9,791	2,031	1,157	16,272
Loans receivable (net)	162	-	-	-	-	162
Due from other funds	154	12	7	-	332	505
Inventory	-	-	-	37	94	131
Prepaid expenditures	43	-	-	42	77	162
Total current assets	<u>28,346</u>	<u>5,178</u>	<u>10,606</u>	<u>12,852</u>	<u>34,244</u>	<u>91,226</u>
Noncurrent assets:						
Accounts receivable (net)	4,857	-	-	47	72	4,976
Loans receivable (net)	1,208	-	-	-	-	1,208
Total noncurrent assets	<u>6,065</u>	<u>-</u>	<u>-</u>	<u>47</u>	<u>72</u>	<u>6,184</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 34,411</u></b>	<b><u>\$ 5,178</u></b>	<b><u>\$ 10,606</u></b>	<b><u>\$ 12,899</u></b>	<b><u>\$ 34,316</u></b>	<b><u>\$ 97,410</u></b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable & accruals	\$ 530	\$ 265	\$ -	\$ 344	\$ 778	\$ 1,917
Due to other funds	28	215	9,705	721	163	10,832
Unearned revenue	16	-	-	310	12	338
<b>TOTAL LIABILITIES</b>	<b><u>574</u></b>	<b><u>480</u></b>	<b><u>9,705</u></b>	<b><u>1,375</u></b>	<b><u>953</u></b>	<b><u>13,087</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenue	<u>6,880</u>	<u>-</u>	<u>704</u>	<u>1,728</u>	<u>95</u>	<u>9,407</u>
<b>FUND BALANCES</b>						
Nonspendable	43	-	-	79	171	293
Spendable:						
Restricted	26,914	4,698	-	9,717	13,158	54,487
Committed	-	-	197	-	19,950	20,147
Unassigned	-	-	-	-	(11)	(11)
<b>TOTAL FUND BALANCES</b>	<b><u>26,957</u></b>	<b><u>4,698</u></b>	<b><u>197</u></b>	<b><u>9,796</u></b>	<b><u>33,268</u></b>	<b><u>74,916</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>	<b><u>\$ 34,411</u></b>	<b><u>\$ 5,178</u></b>	<b><u>\$ 10,606</u></b>	<b><u>\$ 12,899</u></b>	<b><u>\$ 34,316</u></b>	<b><u>\$ 97,410</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, 2016  
(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	\$ 7,130	\$ -	\$ -	\$ -	\$ 465	\$ 7,595
Investment income (loss)	166	44	28	(98)	156	296
Fees, licenses & permits	-	-	36,574	-	19,429	56,003
Refunds & reimbursements	5,401	-	-	-	374	5,775
Sales, rents & services	12	-	-	-	5,001	5,013
Miscellaneous	50	10,646	-	7,762	916	19,374
<b>GROSS REVENUES</b>	<b>12,759</b>	<b>10,690</b>	<b>36,602</b>	<b>7,664</b>	<b>26,341</b>	<b>94,056</b>
Less revenue refunds	-	-	-	-	2,643	2,643
<b>NET REVENUES</b>	<b>12,759</b>	<b>10,690</b>	<b>36,602</b>	<b>7,664</b>	<b>23,698</b>	<b>91,413</b>
<b>EXPENDITURES</b>						
Current:						
Administration & regulation	-	6,681	-	-	13,895	20,576
Education	10,866	-	-	3,951	319	15,136
Health & human rights	-	-	-	-	566	566
Human services	-	-	-	-	188	188
Justice & public defense	-	-	-	-	805	805
Transportation	-	-	-	-	138	138
Agriculture & natural resources	-	-	-	-	1,687	1,687
Capital outlay:						
Administration & regulation	-	-	-	-	3	3
Education	196	-	-	-	-	196
Health & human rights	-	-	-	-	22	22
Justice & public defense	-	-	-	-	168	168
Agriculture & natural resources	-	-	-	-	2	2
<b>TOTAL EXPENDITURES</b>	<b>11,062</b>	<b>6,681</b>	<b>-</b>	<b>3,951</b>	<b>17,793</b>	<b>39,487</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,697</b>	<b>4,009</b>	<b>36,602</b>	<b>3,713</b>	<b>5,905</b>	<b>51,926</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	152	-	-	-	1,266	1,418
Transfers out	(54)	-	(37,205)	(4,422)	(1,844)	(43,525)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>98</b>	<b>-</b>	<b>(37,205)</b>	<b>(4,422)</b>	<b>(578)</b>	<b>(42,107)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,795</b>	<b>4,009</b>	<b>(603)</b>	<b>(709)</b>	<b>5,327</b>	<b>9,819</b>
<b>FUND BALANCES - JULY 1</b>	<b>25,162</b>	<b>689</b>	<b>800</b>	<b>10,505</b>	<b>27,941</b>	<b>65,097</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 26,957</b>	<b>\$ 4,698</b>	<b>\$ 197</b>	<b>\$ 9,796</b>	<b>\$ 33,268</b>	<b>\$ 74,916</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, 2016  
(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	\$ 663,509	\$ 690,806	\$ 27,297	\$ 203	\$ 203	\$ -	\$ (203)
<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	358,739	20,727	15,900	15,900	17,116	1,216
Local governments	4,600	4,600	6,826	2,226	-	-	-	-
Other states	3,000	3,000	9,730	6,730	-	-	-	-
Reimbursements from other agencies	160	160	-	(160)	-	-	-	-
Governmental fund type transfers from other agencies	-	1	122,666	122,665	100	100	71	(29)
Interest	1	1	-	(1)	50	50	103	53
Bonds & loans	-	-	165	165	-	-	-	-
Fees, licenses & permits	860	860	3,491	2,631	34,900	34,900	36,166	1,266
Refunds & reimbursements	-	-	-	-	200	200	196	(4)
Sale of real estate	1,710	1,710	4,707	2,997	-	-	-	-
Sale of equipment & salvage	-	-	-	-	20	20	-	(20)
Rents & leases	16	15	18	3	500	500	336	(164)
Agricultural sales	-	-	-	-	25	25	-	(25)
Other sales & services	-	-	-	-	1,300	1,300	843	(457)
Unearned receipts	-	-	-	-	150	150	601	451
Income tax checkoffs	-	-	-	-	150	150	139	(11)
Other	2,750	2,750	5,665	2,915	540	540	783	243
<b>TOTAL APPROPRIATED RECEIPTS</b>	<b>351,114</b>	<b>351,114</b>	<b>512,007</b>	<b>160,893</b>	<b>53,835</b>	<b>53,835</b>	<b>56,354</b>	<b>2,519</b>
<b>TOTAL REVENUES AVAILABLE</b>	<b>968,314</b>	<b>1,014,623</b>	<b>1,202,813</b>	<b>188,190</b>	<b>54,038</b>	<b>54,038</b>	<b>56,354</b>	<b>2,316</b>
<b>EXPENDITURES:</b>								
Administration & regulation	-	-	-	-	-	-	-	-
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Transportation	522,799	980,393	1,225,144	(244,751) *	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>522,799</b>	<b>980,393</b>	<b>1,225,144</b>	<b>(244,751)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TRANSFERS</b>	<b>297,775</b>	<b>297,774</b>	<b>13,094</b>	<b>284,680</b>	<b>52,044</b>	<b>52,044</b>	<b>51,500</b>	<b>544</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>820,574</b>	<b>1,278,167</b>	<b>1,238,238</b>	<b>39,929</b>	<b>52,044</b>	<b>52,044</b>	<b>51,500</b>	<b>544</b>
<b>REVENUES AVAILABLE OVER (UNDER) EXPENDITURES &amp; TRANSFERS</b>	<b>147,740</b>	<b>(263,544)</b>	<b>(35,425)</b>	<b>228,119</b>	<b>1,994</b>	<b>1,994</b>	<b>4,854</b>	<b>2,860</b>
<b>FUND BALANCES - JULY 1 (BUDGETARY)</b>	<b>334,037</b>	<b>300,270</b>	<b>300,270</b>	<b>-</b>	<b>4,392</b>	<b>5,583</b>	<b>5,583</b>	<b>-</b>
<b>FUND BALANCES - JUNE 30 (BUDGETARY)</b>	<b>\$ 481,777</b>	<b>\$ 36,726</b>	<b>\$ 264,845</b>	<b>\$ 228,119</b>	<b>\$ 6,386</b>	<b>\$ 7,577</b>	<b>\$ 10,437</b>	<b>\$ 2,860</b>

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**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, 2016  
(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	\$ 42,065	\$ 42,065	\$ 42,003	\$ (62)	\$ -	\$ -	\$ -	\$ -
<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	200	200	56	(144)	5,398	6,604	6,043	(561)
Local governments	-	-	-	-	-	-	-	-
Other states	-	-	-	-	-	-	-	-
Reimbursements from other agencies	-	-	-	-	-	-	-	-
Governmental fund type transfers from other agencies	-	-	128	128	-	-	-	-
Interest	-	-	-	-	10	4	9	5
Bonds & loans	-	-	-	-	-	-	-	-
Fees, licenses & permits	-	-	-	-	-	-	-	-
Refunds & reimbursements	330	330	983	653	-	-	-	-
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>530</b>	<b>530</b>	<b>1,167</b>	<b>637</b>	<b>5,408</b>	<b>6,608</b>	<b>6,052</b>	<b>(556)</b>
<b>TOTAL REVENUES AVAILABLE</b>	<b>42,595</b>	<b>42,595</b>	<b>43,170</b>	<b>575</b>	<b>5,408</b>	<b>6,608</b>	<b>6,052</b>	<b>(556)</b>
<b>EXPENDITURES:</b>								
Administration & regulation	13,987	14,587	11,706	2,881	8,305	13,211	10,732	2,479
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>13,987</b>	<b>14,587</b>	<b>11,706</b>	<b>2,881</b>	<b>8,305</b>	<b>13,211</b>	<b>10,732</b>	<b>2,479</b>
<b>TRANSFERS</b>	<b>30,071</b>	<b>29,471</b>	<b>29,419</b>	<b>52</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>44,058</b>	<b>44,058</b>	<b>41,125</b>	<b>2,933</b>	<b>8,305</b>	<b>13,211</b>	<b>10,732</b>	<b>2,479</b>
<b>REVENUES AVAILABLE OVER (UNDER)</b>								
<b>EXPENDITURES &amp; TRANSFERS</b>	<b>(1,463)</b>	<b>(1,463)</b>	<b>2,045</b>	<b>3,508</b>	<b>(2,897)</b>	<b>(6,603)</b>	<b>(4,680)</b>	<b>1,923</b>
<b>FUND BALANCES - JULY 1 (BUDGETARY)</b>	<b>10,648</b>	<b>10,135</b>	<b>10,135</b>	<b>-</b>	<b>12,857</b>	<b>16,114</b>	<b>16,114</b>	<b>-</b>
<b>FUND BALANCES - JUNE 30 (BUDGETARY)</b>	<b>\$ 9,185</b>	<b>\$ 8,672</b>	<b>\$ 12,180</b>	<b>\$ 3,508</b>	<b>\$ 9,960</b>	<b>\$ 9,511</b>	<b>\$ 11,434</b>	<b>\$ 1,923</b>

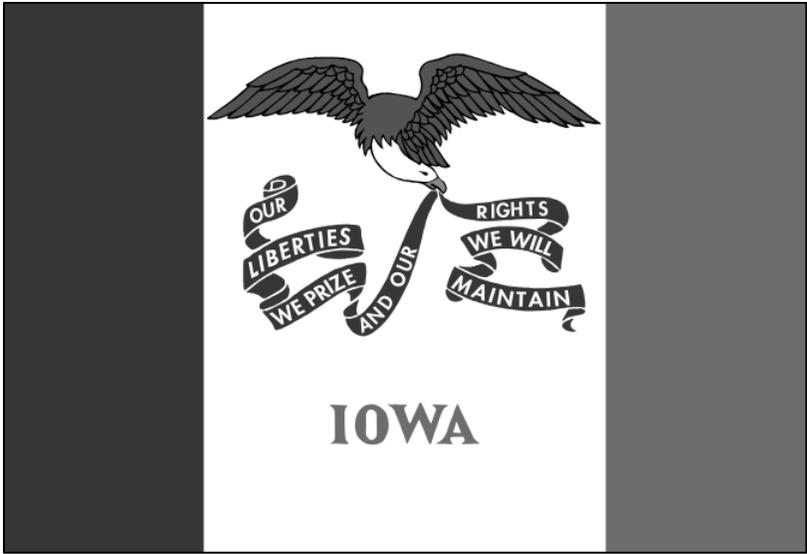
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**STATE OF IOWA**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Budgetary Basis**  
**Nonmajor Special Revenue Funds**

For the Year Ended June 30, 2016  
(Expressed in Thousands)  
(continued)

	<b>OTHER FUNDS</b>				<b>TOTAL</b>			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
<b>APPROPRIATED REVENUE:</b>								
Transfers	\$ 41,015	\$ 34,472	\$ 21,317	\$ (13,155)	\$ 700,483	\$ 740,249	\$ 754,126	\$ 13,877
<b>RECEIPTS CREDITED TO APPROPRIATIONS:</b>								
Beer tax	35	50	109	59	35	50	109	59
Cigarette tax	218,317	193,280	196,765	3,485	218,317	193,280	196,765	3,485
Tobacco products tax	6,000	28,620	31,131	2,511	6,000	28,620	31,131	2,511
Liquor tax	215	230	320	90	215	230	320	90
Other taxes	1,900	1,900	1,309	(591)	1,900	1,900	1,309	(591)
Wagering tax receipts	4,996	4,996	-	(4,996)	4,996	4,996	-	(4,996)
Individual income tax quarterly	6,000	6,000	6,000	-	6,000	6,000	6,000	-
Sales tax - DOT	-	-	-	-	5	5	-	(5)
Federal support	43,359	42,521	29,219	(13,302)	402,869	403,237	411,173	7,936
Local governments	1,500	1,501	1,394	(107)	6,100	6,101	8,220	2,119
Other states	-	-	-	-	3,000	3,000	9,730	6,730
Reimbursements from other agencies	6,666	6,666	5,824	(842)	6,826	6,826	5,824	(1,002)
Governmental fund type transfers from other agencies	6,113	6,113	7,519	1,406	6,213	6,214	130,384	124,170
Interest	864	853	1,205	352	925	908	1,317	409
Bonds & loans	3,685	3,619	3,164	(455)	3,685	3,619	3,329	(290)
Fees, licenses & permits	81,424	81,413	80,946	(467)	117,184	117,173	120,603	3,430
Refunds & reimbursements	3,386	4,369	13,925	9,556	3,916	4,899	15,104	10,205
Sale of real estate	-	-	-	-	1,710	1,710	4,707	2,997
Sale of equipment & salvage	-	-	-	-	20	20	-	(20)
Rents & leases	-	-	-	-	516	515	354	(161)
Agricultural sales	-	-	-	-	25	25	-	(25)
Other sales & services	470	470	512	42	1,770	1,770	1,355	(415)
Unearned receipts	200	200	232	32	350	350	833	483
Income tax checkoffs	-	-	-	-	150	150	139	(11)
Other	984	389	341	(48)	4,274	3,679	6,789	3,110
<b>TOTAL APPROPRIATED RECEIPTS</b>	<b>386,114</b>	<b>383,190</b>	<b>379,915</b>	<b>(3,275)</b>	<b>797,001</b>	<b>795,277</b>	<b>955,495</b>	<b>160,218</b>
<b>TOTAL REVENUES AVAILABLE</b>	<b>427,129</b>	<b>417,662</b>	<b>401,232</b>	<b>(16,430)</b>	<b>1,497,484</b>	<b>1,535,526</b>	<b>1,709,621</b>	<b>174,095</b>
<b>EXPENDITURES:</b>								
Administration & regulation	58,481	63,049	47,350	15,699	80,773	90,847	69,788	21,059
Agriculture & natural resources	28,540	22,767	16,358	6,409	28,540	22,767	16,358	6,409
Economic development	45,733	38,480	14,502	23,978	45,733	38,480	14,502	23,978
Education	19,679	19,678	10,266	9,412	19,679	19,678	10,266	9,412
Health & human services	748	936	3,657	(2,721) *	748	936	3,657	(2,721) *
Transportation	4	3	2,876	(2,873) *	522,803	980,396	1,228,020	(247,624) *
Judicial	600	600	1,009	(409) *	600	600	1,009	(409) *
<b>TOTAL EXPENDITURES</b>	<b>153,785</b>	<b>145,513</b>	<b>96,018</b>	<b>49,495</b>	<b>698,876</b>	<b>1,153,704</b>	<b>1,343,600</b>	<b>(189,896)</b>
<b>TRANSFERS</b>	<b>319,970</b>	<b>334,547</b>	<b>321,640</b>	<b>12,907</b>	<b>699,860</b>	<b>713,836</b>	<b>415,653</b>	<b>298,183</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>473,755</b>	<b>480,060</b>	<b>417,658</b>	<b>62,402</b>	<b>1,398,736</b>	<b>1,867,540</b>	<b>1,759,253</b>	<b>108,287</b>
<b>REVENUES AVAILABLE OVER (UNDER)</b>								
<b>EXPENDITURES &amp; TRANSFERS</b>	<b>(46,626)</b>	<b>(62,398)</b>	<b>(16,426)</b>	<b>45,972</b>	<b>98,748</b>	<b>(332,014)</b>	<b>(49,632)</b>	<b>282,382</b>
<b>FUND BALANCES - JULY 1 (BUDGETARY)</b>	<b>163,785</b>	<b>152,294</b>	<b>152,139</b>	<b>(155)</b>	<b>525,719</b>	<b>484,396</b>	<b>484,241</b>	<b>(155)</b>
<b>FUND BALANCES - JUNE 30 (BUDGETARY)</b>	<b>\$ 117,159</b>	<b>\$ 89,896</b>	<b>\$ 135,713</b>	<b>\$ 45,817</b>	<b>\$ 624,467</b>	<b>\$ 152,382</b>	<b>\$ 434,609</b>	<b>\$ 282,227</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; the IowaCare Fund in the Health & Human Services function; and the Court Technology and Modernization Fund in the Judicial function.



# 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.

**FY2009 Prison Bonding Fund** received the net proceeds from the Prison Infrastructure Bonds to be used for prison improvements and construction projects.

**STATE OF IOWA**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**

June 30, 2016  
(Expressed in Thousands)

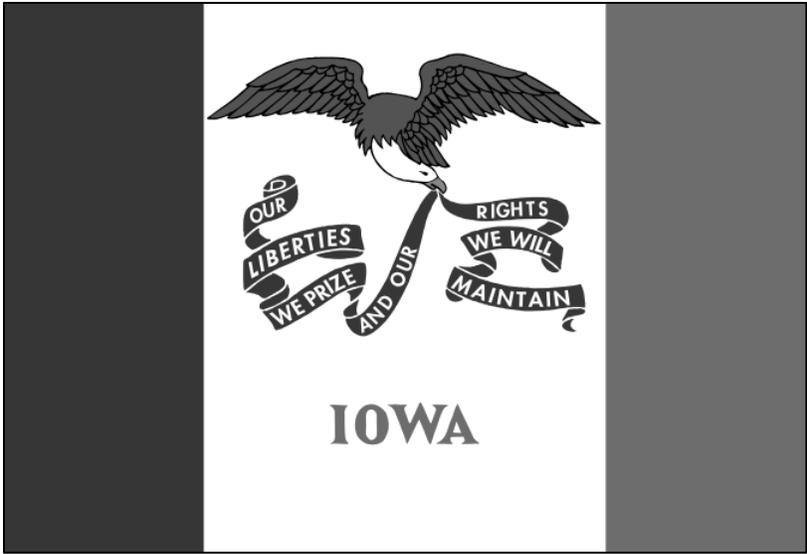
	<b>GENERAL SERVICES CAPITALS FUND</b>	<b>ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND</b>	<b>MARINE FUEL TAX CAPITALS FUND</b>	<b>FISH &amp; GAME CAPITALS FUND</b>	<b>FY2009 PRISON BONDING FUND</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Current assets:						
Cash & investments	\$ 17,593	\$ 306	\$ 4,850	\$ 508	\$ 163	\$ 23,420
Accounts receivable	-	-	95	134	-	229
Due from other funds	87	-	377	2,002	-	2,466
<b>TOTAL ASSETS</b>	<b><u>\$ 17,680</u></b>	<b><u>\$ 306</u></b>	<b><u>\$ 5,322</u></b>	<b><u>\$ 2,644</u></b>	<b><u>\$ 163</u></b>	<b><u>\$ 26,115</u></b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable & accruals	\$ 2,012	-	\$ 290	\$ 2,161	-	\$ 4,463
Due to other funds	34	-	60	-	-	94
<b>TOTAL LIABILITIES</b>	<b><u>2,046</u></b>	<b><u>-</u></b>	<b><u>350</u></b>	<b><u>2,161</u></b>	<b><u>-</u></b>	<b><u>4,557</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenue	-	-	21	-	-	21
<b>FUND BALANCES</b>						
Spendable:						
Restricted	-	306	-	-	163	469
Committed	15,634	-	4,951	483	-	21,068
<b>TOTAL FUND BALANCES</b>	<b><u>15,634</u></b>	<b><u>306</u></b>	<b><u>4,951</u></b>	<b><u>483</u></b>	<b><u>163</u></b>	<b><u>21,537</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>	<b><u>\$ 17,680</u></b>	<b><u>\$ 306</u></b>	<b><u>\$ 5,322</u></b>	<b><u>\$ 2,644</u></b>	<b><u>\$ 163</u></b>	<b><u>\$ 26,115</u></b>

## STATE OF IOWA

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Capital Projects Funds

For the Year Ended June 30, 2016  
(Expressed in Thousands)

	GENERAL SERVICES CAPITALS FUND	ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	FISH & GAME CAPITALS FUND	FY2009 PRISON BONDING FUND	TOTAL
<b>REVENUES</b>						
Receipts from other entities	\$ 1,691	\$ -	\$ 557	\$ -	\$ -	\$ 2,248
Refunds & reimbursements	64	-	4	-	-	68
<b>TOTAL REVENUES</b>	<b>1,755</b>	<b>-</b>	<b>561</b>	<b>-</b>	<b>-</b>	<b>2,316</b>
<b>EXPENDITURES</b>						
Current:						
Administration & regulation	10	-	-	-	-	10
Agriculture & natural resources	-	-	489	8,115	-	8,604
Capital outlay:						
Administration & regulation	4,095	27	-	-	-	4,122
Education	51	-	-	-	-	51
Health & human rights	9,839	30	-	-	-	9,869
Human services	73	-	-	-	-	73
Justice & public defense	3,831	32	-	-	-	3,863
Agriculture & natural resources	12	-	2,425	5,004	-	7,441
<b>TOTAL EXPENDITURES</b>	<b>17,911</b>	<b>89</b>	<b>2,914</b>	<b>13,119</b>	<b>-</b>	<b>34,033</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(16,156)</b>	<b>(89)</b>	<b>(2,353)</b>	<b>(13,119)</b>	<b>-</b>	<b>(31,717)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	27,669	-	4,431	13,350	-	45,450
Transfers out	-	(354)	(1,022)	-	-	(1,376)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>27,669</b>	<b>(354)</b>	<b>3,409</b>	<b>13,350</b>	<b>-</b>	<b>44,074</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>11,513</b>	<b>(443)</b>	<b>1,056</b>	<b>231</b>	<b>-</b>	<b>12,357</b>
<b>FUND BALANCES - JULY 1</b>	<b>4,121</b>	<b>749</b>	<b>3,895</b>	<b>252</b>	<b>163</b>	<b>9,180</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 15,634</b>	<b>\$ 306</b>	<b>\$ 4,951</b>	<b>\$ 483</b>	<b>\$ 163</b>	<b>\$ 21,537</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, 2016  
(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>HENRY ALBERT TRUST FUND</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Current assets:						
Cash & investments	\$ 8,038	\$ 6,136	\$ 2,368	\$ 10	\$ 1	\$ 16,553
<b>TOTAL ASSETS</b>	<b>\$ 8,038</b>	<b>\$ 6,136</b>	<b>\$ 2,368</b>	<b>\$ 10</b>	<b>\$ 1</b>	<b>\$ 16,553</b>
<b>FUND BALANCES</b>						
Nonspendable	\$ 8,038	\$ 6,136	\$ 2,368	\$ 10	\$ 1	\$ 16,553
<b>TOTAL FUND BALANCES</b>	<b>\$ 8,038</b>	<b>\$ 6,136</b>	<b>\$ 2,368</b>	<b>\$ 10</b>	<b>\$ 1</b>	<b>\$ 16,553</b>

**STATE OF IOWA**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Permanent Funds**

For the Year Ended June 30, 2016  
(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>HENRY ALBERT TRUST FUND</b>	<b>TOTAL</b>
<b>REVENUES</b>						
Miscellaneous	\$ 5	\$ -	\$ 3	\$ -	\$ -	\$ 8
<b>EXPENDITURES</b>						
Current:						
Education	-	-	59	-	-	59
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>59</b>	<b>-</b>	<b>-</b>	<b>59</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5</b>	<b>-</b>	<b>(56)</b>	<b>-</b>	<b>-</b>	<b>(51)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	459	-	-	459
<b>NET CHANGE IN FUND BALANCES</b>	<b>5</b>	<b>-</b>	<b>403</b>	<b>-</b>	<b>-</b>	<b>408</b>
<b>FUND BALANCES - JULY 1</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 - JUNE 30</b>	<b>\$ 8,038</b>	<b>\$ 6,136</b>	<b>\$ 2,368</b>	<b>\$ 10</b>	<b>\$ 1</b>	<b>\$ 16,553</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 the development of the destination park and park operations. In fiscal year 2016, the Iowa Department of Natural Resources entered into a service and management arrangement (SMA) with Delaware North Companies Parks & Resorts, Inc. (Delaware North) and on June 1, 2016, management of Honey Creek Park transitioned to Delaware North. Effective June 1, 2016, Honey Creek Park's operating revenues and expenses are not reported in the fund.

**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, 2016  
(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	\$ 17,441	\$ 154	\$ 14,035	\$ 6,652	\$ 5,449	\$ 43,731
Accounts receivable (net)	11,166	194	7,215	2,415	553	21,543
Due from other funds	33	-	3	5	68	109
Inventory	2,284	-	223	7,388	1,607	11,502
Prepaid expenses	553	50	1,444	31	331	2,409
Total current assets	<u>31,477</u>	<u>398</u>	<u>22,920</u>	<u>16,491</u>	<u>8,008</u>	<u>79,294</u>
Noncurrent assets:						
Capital assets - nondepreciable	14	-	4,538	610	480	5,642
Capital assets - depreciable (net)	14,269	45,251	1,280	8,145	1,480	70,425
Total noncurrent assets	<u>14,283</u>	<u>45,251</u>	<u>5,818</u>	<u>8,755</u>	<u>1,960</u>	<u>76,067</u>
<b>TOTAL ASSETS</b>	<b><u>45,760</u></b>	<b><u>45,649</u></b>	<b><u>28,738</u></b>	<b><u>25,246</u></b>	<b><u>9,968</u></b>	<b><u>155,361</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Related to pensions	<u>887</u>	<u>-</u>	<u>367</u>	<u>1,058</u>	<u>257</u>	<u>2,569</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable & accruals	2,811	33	10,020	1,133	189	14,186
Due to other funds/advances from other funds	-	-	11,233	-	104	11,337
Unearned revenue	2,175	206	-	-	-	2,381
Compensated absences	846	-	245	529	164	1,784
Total current liabilities	<u>5,832</u>	<u>239</u>	<u>21,498</u>	<u>1,662</u>	<u>457</u>	<u>29,688</u>
Noncurrent liabilities:						
Accounts payable & accruals	509	-	392	556	272	1,729
Compensated absences	830	-	154	980	119	2,083
Net pension liability	4,706	-	2,054	1,093	1,084	8,937
Total noncurrent liabilities	<u>6,045</u>	<u>-</u>	<u>2,600</u>	<u>2,629</u>	<u>1,475</u>	<u>12,749</u>
<b>TOTAL LIABILITIES</b>	<b><u>11,877</u></b>	<b><u>239</u></b>	<b><u>24,098</u></b>	<b><u>4,291</u></b>	<b><u>1,932</u></b>	<b><u>42,437</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Related to pensions	<u>852</u>	<u>-</u>	<u>312</u>	<u>1,044</u>	<u>313</u>	<u>2,521</u>
<b>NET POSITION</b>						
Net investment in capital assets	14,283	45,251	5,818	8,755	1,960	76,067
Unrestricted	19,635	159	(1,123)	12,214	6,020	36,905
<b>TOTAL NET POSITION</b>	<b><u>\$ 33,918</u></b>	<b><u>\$ 45,410</u></b>	<b><u>\$ 4,695</u></b>	<b><u>\$ 20,969</u></b>	<b><u>\$ 7,980</u></b>	<b><u>\$ 112,972</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, 2016  
(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>OPERATING REVENUES</b>						
Fees, licenses & permits	\$ -	\$ -	\$ 17,102	\$ -	\$ 4,583	\$ 21,685
Refunds & reimbursements	-	-	40	-	228	268
Sales, rents & services	32,848	5,399	289,014	24,442	1,418	353,121
Miscellaneous	-	-	2,604	130	725	3,459
<b>TOTAL OPERATING REVENUES</b>	<b>32,848</b>	<b>5,399</b>	<b>308,760</b>	<b>24,572</b>	<b>6,954</b>	<b>378,533</b>
<b>OPERATING EXPENSES</b>						
General & administrative	10,795	5,673	-	-	-	16,468
Depreciation	2,994	1,788	115	708	268	5,873
Direct & other	8,352	-	-	19,167	549	28,068
Personal services	-	-	4,162	1,370	2,602	8,134
Travel & subsistence	-	-	1,116	10	117	1,243
Supplies & materials	-	-	212	27	179	418
Contractual services	-	120	3,277	2,056	1,265	6,718
Equipment & repairs	-	-	-	3	145	148
Claims & miscellaneous	11,822	-	189,611	935	114	202,482
Licenses, permits & refunds	-	-	706	-	7	713
State aid & credits	-	-	3,713	-	-	3,713
<b>TOTAL OPERATING EXPENSES</b>	<b>33,963</b>	<b>7,581</b>	<b>202,912</b>	<b>24,276</b>	<b>5,246</b>	<b>273,978</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,115)</b>	<b>(2,182)</b>	<b>105,848</b>	<b>296</b>	<b>1,708</b>	<b>104,555</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Taxes	-	-	7,649	-	-	7,649
Investment income	92	-	-	51	26	169
Gain on sale of capital assets	-	-	-	2	39	41
<b>NET NONOPERATING REVENUES</b>	<b>92</b>	<b>-</b>	<b>7,649</b>	<b>53</b>	<b>65</b>	<b>7,859</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(1,023)</b>	<b>(2,182)</b>	<b>113,497</b>	<b>349</b>	<b>1,773</b>	<b>112,414</b>
Transfers in	2,249	709	-	-	-	2,958
Transfers out	-	-	(113,220)	-	-	(113,220)
<b>CHANGE IN NET POSITION</b>	<b>1,226</b>	<b>(1,473)</b>	<b>277</b>	<b>349</b>	<b>1,773</b>	<b>2,152</b>
<b>TOTAL NET POSITION - JULY 1</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>
<b>TOTAL NET POSITION - JUNE 30</b>	<b>\$ 33,918</b>	<b>\$ 45,410</b>	<b>\$ 4,695</b>	<b>\$ 20,969</b>	<b>\$ 7,980</b>	<b>\$ 112,972</b>



**STATE OF IOWA**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
For the Year Ended June 30, 2016  
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 33,075	\$ 4,735	\$ 305,190	\$ 25,616	\$ 6,059	\$ 374,675
Cash received from miscellaneous	-	-	2,644	130	725	3,499
Cash payments to suppliers for goods & services	(22,714)	(5,893)	(197,849)	(22,003)	(2,518)	(250,977)
Cash payments to employees for services	(9,517)	-	(4,274)	(1,669)	(2,750)	(18,210)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>844</b>	<b>(1,158)</b>	<b>105,711</b>	<b>2,074</b>	<b>1,516</b>	<b>108,987</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in from other funds	2,249	709	-	-	-	2,958
Transfers out to other funds	-	-	(113,760)	-	-	(113,760)
Tax receipts	-	-	7,649	-	-	7,649
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>2,249</b>	<b>709</b>	<b>(106,111)</b>	<b>-</b>	<b>-</b>	<b>(103,153)</b>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>						
Acquisition & construction of capital assets	(1,011)	(389)	(2,626)	(256)	(391)	(4,673)
Proceeds from sale of capital assets	-	-	-	2	39	41
<b>NET CASH USED BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>(1,011)</b>	<b>(389)</b>	<b>(2,626)</b>	<b>(254)</b>	<b>(352)</b>	<b>(4,632)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest & dividends on investments	92	-	-	51	26	169
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>92</b>	<b>-</b>	<b>-</b>	<b>51</b>	<b>26</b>	<b>169</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>2,174</b>	<b>(838)</b>	<b>(3,026)</b>	<b>1,871</b>	<b>1,190</b>	<b>1,371</b>
<b>CASH &amp; CASH EQUIVALENTS - JULY 1</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>CASH &amp; CASH EQUIVALENTS - JUNE 30</b>	<b>\$ 17,441</b>	<b>\$ 154</b>	<b>\$ 14,035</b>	<b>\$ 6,652</b>	<b>\$ 5,449</b>	<b>\$ 43,731</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ (1,115)	\$ (2,182)	\$ 105,848	\$ 296	\$ 1,708	\$ 104,555
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	2,994	1,788	115	708	268	5,873
(Increase) decrease in accounts receivable	238	(55)	(970)	1,178	(175)	216
(Increase) decrease in due from	(10)	-	44	(2)	5	37
(Increase) decrease in inventory	221	189	277	263	(146)	804
(Increase) decrease in prepaid expenses	(114)	116	1,005	8	(4)	1,011
(Increase) decrease in deferred outflows of resources	(95)	-	2	(522)	16	(599)
Increase (decrease) in accounts payable	(1,434)	(405)	(496)	(76)	(6)	(2,417)
Increase (decrease) in due to	-	-	-	-	14	14
Increase (decrease) in unearned revenue	(1)	(609)	-	(2)	-	(612)
Increase (decrease) in compensated absences	215	-	12	(48)	(78)	101
Increase (decrease) in net pension liability	894	-	250	521	162	1,827
Increase (decrease) in deferred inflows of resources	(949)	-	(376)	(250)	(248)	(1,823)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 844</b>	<b>\$ (1,158)</b>	<b>\$ 105,711</b>	<b>\$ 2,074</b>	<b>\$ 1,516</b>	<b>\$ 108,987</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.

**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, 2016

(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	\$ 4,907	\$ 18,720	\$ 22,818	\$ 6,519	\$ 19,564	\$ 72,528
Accounts receivable (net)	107	-	103	118	951	1,279
Due from other funds/advances to other funds	60,060	858	3,347	6,608	14,576	85,449
Inventory	-	6,199	154	73	2,023	8,449
Prepaid expenses	-	-	-	646	1,769	2,415
Total current assets	<u>65,074</u>	<u>25,777</u>	<u>26,422</u>	<u>13,964</u>	<u>38,883</u>	<u>170,120</u>
Noncurrent assets:						
Due from other funds/ advances to other funds	-	-	181	-	-	181
Capital assets - depreciable (net)	-	108,123	-	1,473	3,298	112,894
Total noncurrent assets	<u>-</u>	<u>108,123</u>	<u>181</u>	<u>1,473</u>	<u>3,298</u>	<u>113,075</u>
<b>TOTAL ASSETS</b>	<b><u>65,074</u></b>	<b><u>133,900</u></b>	<b><u>26,603</u></b>	<b><u>15,437</u></b>	<b><u>42,181</u></b>	<b><u>283,195</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Related to pensions	15	448	-	1,902	1,358	3,723
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable & accruals	18,612	4,051	154	2,516	4,654	29,987
Due to other funds/advances from other funds	58	149	-	2,453	11,377	14,037
Unearned revenue	-	-	22,928	-	150	23,078
Compensated absences	9	443	-	1,327	1,051	2,830
Total current liabilities	<u>18,679</u>	<u>4,643</u>	<u>23,082</u>	<u>6,296</u>	<u>17,232</u>	<u>69,932</u>
Noncurrent liabilities:						
Accounts payable & accruals	46,410	537	-	733	1,055	48,735
Due to other funds/advances from other funds	-	-	-	-	181	181
Compensated absences	-	741	-	1,330	833	2,904
Net pension liability	-	2,582	-	6,970	6,607	16,159
Total noncurrent liabilities	<u>46,410</u>	<u>3,860</u>	<u>-</u>	<u>9,033</u>	<u>8,676</u>	<u>67,979</u>
<b>TOTAL LIABILITIES</b>	<b><u>65,089</u></b>	<b><u>8,503</u></b>	<b><u>23,082</u></b>	<b><u>15,329</u></b>	<b><u>25,908</u></b>	<b><u>137,911</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Related to pensions	-	406	-	785	2,251	3,442
<b>NET POSITION</b>						
Net investment in capital assets	-	108,123	-	1,473	3,298	112,894
Unrestricted	-	17,316	3,521	(248)	12,082	32,671
<b>TOTAL NET POSITION</b>	<b><u>\$ -</u></b>	<b><u>\$ 125,439</u></b>	<b><u>\$ 3,521</u></b>	<b><u>\$ 1,225</u></b>	<b><u>\$ 15,380</u></b>	<b><u>\$ 145,565</u></b>

**STATE OF IOWA**

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Internal Service Funds**

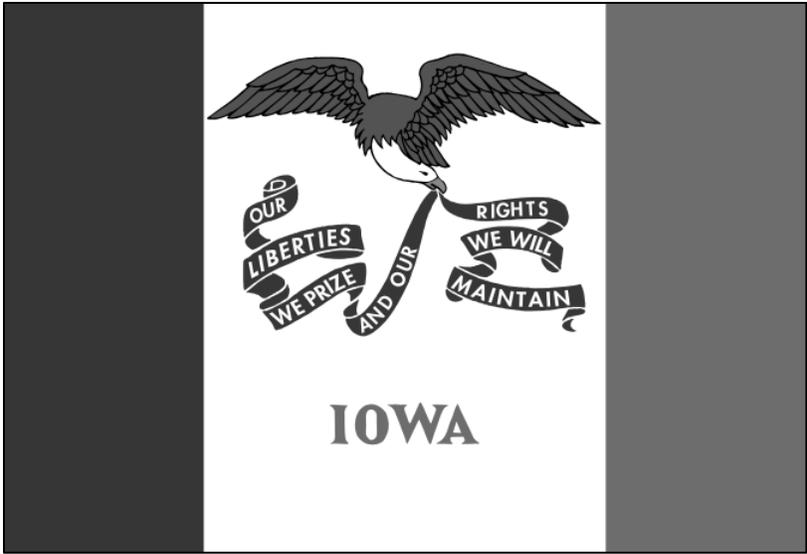
For the Year Ended June 30, 2016  
(Expressed in Thousands)

	<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>OPERATING REVENUES</b>						
Receipts from other entities	\$ 32,598	\$ 6,068	\$ 8,886	\$ 56,278	\$ 53,425	\$ 157,255
Fees, licenses & permits	-	-	-	208	-	208
Refunds & reimbursements	351	56,578	197	54	3,155	60,335
Sales, rents & services	-	-	1,799	7	248	2,054
Miscellaneous	-	5,112	-	-	121	5,233
<b>TOTAL OPERATING REVENUES</b>	<b>32,949</b>	<b>67,758</b>	<b>10,882</b>	<b>56,547</b>	<b>56,949</b>	<b>225,085</b>
<b>OPERATING EXPENSES</b>						
Depreciation	-	16,876	-	1,040	638	18,554
Personal services	242	5,391	-	14,519	14,764	34,916
Travel & subsistence	3	7,351	-	79	6,964	14,397
Supplies & materials	-	25,857	-	901	17,819	44,577
Contractual services	2,214	2,239	-	27,820	9,302	41,575
Equipment & repairs	-	-	10,818	10,771	2,706	24,295
Claims & miscellaneous	30,490	7	-	214	798	31,509
Licenses, permits & refunds	-	13	-	-	14	27
<b>TOTAL OPERATING EXPENSES</b>	<b>32,949</b>	<b>57,734</b>	<b>10,818</b>	<b>55,344</b>	<b>53,005</b>	<b>209,850</b>
<b>OPERATING INCOME</b>	<b>-</b>	<b>10,024</b>	<b>64</b>	<b>1,203</b>	<b>3,944</b>	<b>15,235</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	-	-	-	42	79	121
Gain on sale of capital assets	-	-	-	-	33	33
Loss on sale of capital assets	-	(167)	-	(8)	-	(175)
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<b>-</b>	<b>(167)</b>	<b>-</b>	<b>34</b>	<b>112</b>	<b>(21)</b>
<b>CHANGE IN NET POSITION</b>	<b>-</b>	<b>9,857</b>	<b>64</b>	<b>1,237</b>	<b>4,056</b>	<b>15,214</b>
<b>TOTAL NET POSITION - JULY 1</b>	<b>-</b>	<b>115,582</b>	<b>3,457</b>	<b>(12)</b>	<b>11,324</b>	<b>130,351</b>
<b>TOTAL NET POSITION - JUNE 30</b>	<b>\$ -</b>	<b>\$ 125,439</b>	<b>\$ 3,521</b>	<b>\$ 1,225</b>	<b>\$ 15,380</b>	<b>\$ 145,565</b>



**STATE OF IOWA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
For the Year Ended June 30, 2016  
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	OFFICE OF CHIEF INFORMATION OFFICER FUND	OTHER FUNDS	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from other entities	\$ 351	\$ 11,229	\$ 1,723	\$ 192	\$ 3,117	\$ 16,612
Cash received from reciprocal interfund activity	28,314	56,084	9,470	56,275	53,494	203,637
Cash payments to suppliers for goods & services	(27,697)	(38,998)	(10,849)	(39,174)	(38,076)	(154,794)
Cash payments to employees for services	(235)	(5,531)	-	(14,635)	(15,454)	(35,855)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>733</b>	<b>22,784</b>	<b>344</b>	<b>2,658</b>	<b>3,081</b>	<b>29,600</b>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>						
Acquisition & construction of capital assets	-	(26,496)	-	(854)	(459)	(27,809)
<b>NET CASH USED BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>(26,496)</b>	<b>-</b>	<b>(854)</b>	<b>(459)</b>	<b>(27,809)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest & dividends on investments	-	-	-	42	79	121
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42</b>	<b>79</b>	<b>121</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>733</b>	<b>(3,712)</b>	<b>344</b>	<b>1,846</b>	<b>2,701</b>	<b>1,912</b>
<b>CASH &amp; CASH EQUIVALENTS - JULY 1</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>CASH &amp; CASH EQUIVALENTS - JUNE 30</b>	<b>\$ 4,907</b>	<b>\$ 18,720</b>	<b>\$ 22,818</b>	<b>\$ 6,519</b>	<b>\$ 19,564</b>	<b>\$ 72,528</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
Operating income	\$ -	\$ 10,024	\$ 64	\$ 1,203	\$ 3,944	\$ 15,235
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	-	16,876	-	1,040	638	18,554
(Increase) decrease in accounts receivable	(105)	49	(76)	(77)	(407)	(616)
(Increase) decrease in due from	(4,204)	(618)	9	(845)	272	(5,386)
(Increase) decrease in inventory	-	556	(154)	1	(683)	(280)
(Increase) decrease in prepaid expenses	-	-	-	376	(371)	5
(Increase) decrease in deferred outflows of resources	(15)	(8)	-	(761)	206	(578)
Increase (decrease) in accounts payable	5,010	(4,087)	123	234	581	1,861
Increase (decrease) in due to	25	124	-	846	(269)	726
Increase (decrease) in unearned revenue	-	-	378	(4)	66	440
Increase (decrease) in compensated absences	22	32	-	125	(132)	47
Increase (decrease) in net pension liability	-	397	-	1,926	(171)	2,152
Increase (decrease) in deferred inflows of resources	-	(561)	-	(1,406)	(593)	(2,560)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 733</b>	<b>\$ 22,784</b>	<b>\$ 344</b>	<b>\$ 2,658</b>	<b>\$ 3,081</b>	<b>\$ 29,600</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, 2016

(Expressed in Thousands)

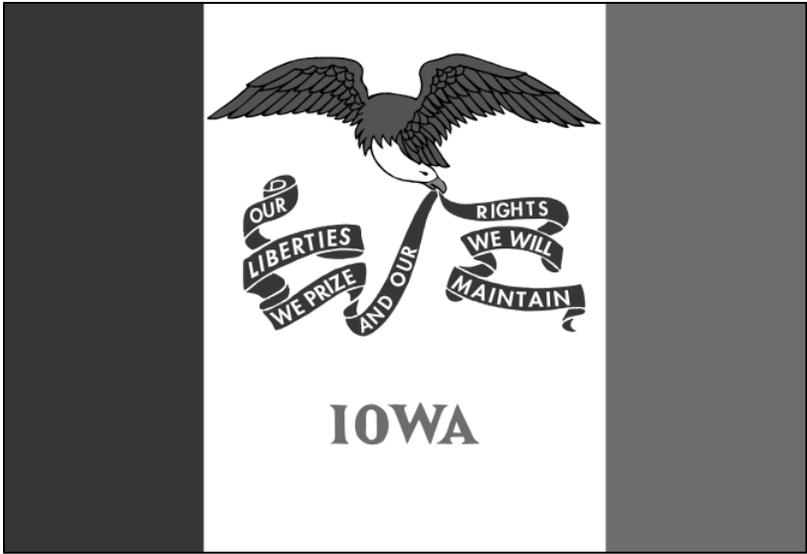
	<b>IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM</b>	<b>PEACE OFFICERS' RETIREMENT SYSTEM</b>	<b>JUDICIAL RETIREMENT SYSTEM</b>	<b>INSURANCE FUND</b>	<b>SPOC INSURANCE FUND</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Cash & cash equivalents	\$ 159,901	\$ 8,844	\$ 5,090	\$ 250	\$ 2,878	\$ 176,963
Receivables:						
Contributions	82,401	1,566	434	495	332	85,228
Investments sold	542,420	6,479	120	-	-	549,019
Foreign exchange contracts	1,068,998	-	-	-	-	1,068,998
Interest & dividends	84,699	796	-	-	-	85,495
Miscellaneous	27	-	-	-	-	27
Total receivables	<u>1,778,545</u>	<u>8,841</u>	<u>554</u>	<u>495</u>	<u>332</u>	<u>1,788,767</u>
Investments, at fair value:						
Fixed income securities	9,551,790	96,311	38,540	-	-	9,686,641
Equity investments	11,392,770	228,230	98,193	-	-	11,719,193
Real estate partnerships	2,369,773	49,247	18,151	-	-	2,437,171
Investment in private equity/debt	3,267,903	-	-	-	-	3,267,903
Real assets	1,772,873	-	-	-	-	1,772,873
Securities lending collateral pool	921,318	23,978	4,677	-	-	949,973
Securities on loan with brokers	-	23,410	4,563	-	-	27,973
Total investments	<u>29,276,427</u>	<u>421,176</u>	<u>164,124</u>	<u>-</u>	<u>-</u>	<u>29,861,727</u>
Capital assets:						
Land	500	-	-	-	-	500
Other - depreciable (net)	20,255	-	-	-	-	20,255
Total capital assets	<u>20,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,755</u>
Other assets	<u>704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>704</u>
<b>TOTAL ASSETS</b>	<b><u>31,236,332</u></b>	<b><u>438,861</u></b>	<b><u>169,768</u></b>	<b><u>745</u></b>	<b><u>3,210</u></b>	<b><u>31,848,916</u></b>
<b>LIABILITIES</b>						
Accounts payable & accruals	25,828	334	80	-	-	26,242
Foreign exchange contracts payable	1,060,753	-	-	-	-	1,060,753
Payable for investments purchased	902,220	11,465	3,859	-	-	917,544
Payable to brokers for rebate & collateral	921,097	23,977	4,677	-	-	949,751
<b>TOTAL LIABILITIES</b>	<b><u>2,909,898</u></b>	<b><u>35,776</u></b>	<b><u>8,616</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,954,290</u></b>
<b>NET POSITION</b>						
Restricted for pension/other postemployment benefits	<u>\$ 28,326,434</u>	<u>\$ 403,085</u>	<u>\$ 161,152</u>	<u>\$ 745</u>	<u>\$ 3,210</u>	<u>\$ 28,894,626</u>

# STATE OF IOWA

## Combining Statement of Changes in Fiduciary Net Position Pension and Other Employee Benefit Funds

For the Year Ended June 30, 2016  
(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	\$ 459,854	\$ 5,080	\$ 2,648	\$ 898	\$ 775	\$ 469,255
Employer contributions	684,665	20,519	8,667	-	-	713,851
Buy-back/buy-in contributions	32,148	-	-	-	-	32,148
Total contributions	<u>1,176,667</u>	<u>25,599</u>	<u>11,315</u>	<u>898</u>	<u>775</u>	<u>1,215,254</u>
Investment income (loss):						
Net increase (decrease) in fair value of investments	129,240	(10,766)	(5,434)	-	-	113,040
Interest	341,474	4,655	1,968	4	-	348,101
Dividends	102,062	3,699	1,376	-	-	107,137
Other	112,722	35	46	-	-	112,803
Total investment income (loss)	<u>685,498</u>	<u>(2,377)</u>	<u>(2,044)</u>	<u>4</u>	<u>-</u>	<u>681,081</u>
Less investment expense	60,644	2,204	629	-	-	63,477
Net investment income (loss)	<u>624,854</u>	<u>(4,581)</u>	<u>(2,673)</u>	<u>4</u>	<u>-</u>	<u>617,604</u>
<b>TOTAL ADDITIONS</b>	<b><u>1,801,521</u></b>	<b><u>21,018</u></b>	<b><u>8,642</u></b>	<b><u>902</u></b>	<b><u>775</u></b>	<b><u>1,832,858</u></b>
<b>DEDUCTIONS</b>						
Pension & annuity benefits	1,840,735	28,284	11,460	-	-	1,880,479
Payments in accordance with agreements	-	-	-	900	467	1,367
Administrative expense	14,939	248	20	-	-	15,207
Refunds	49,248	-	-	-	-	49,248
<b>TOTAL DEDUCTIONS</b>	<b><u>1,904,922</u></b>	<b><u>28,532</u></b>	<b><u>11,480</u></b>	<b><u>900</u></b>	<b><u>467</u></b>	<b><u>1,946,301</u></b>
<b>CHANGE IN NET POSITION</b>	<b>(103,401)</b>	<b>(7,514)</b>	<b>(2,838)</b>	<b>2</b>	<b>308</b>	<b>(113,443)</b>
<b>NET POSITION - JULY 1</b>	<b><u>28,429,835</u></b>	<b><u>410,599</u></b>	<b><u>163,990</u></b>	<b><u>743</u></b>	<b><u>2,902</u></b>	<b><u>29,008,069</u></b>
<b>NET POSITION - JUNE 30</b>	<b><u>\$ 28,326,434</u></b>	<b><u>\$ 403,085</u></b>	<b><u>\$ 161,152</u></b>	<b><u>\$ 745</u></b>	<b><u>\$ 3,210</u></b>	<b><u>\$ 28,894,626</u></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.

**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, 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, and the Iowa ABLE Savings Plan Trust that receives contributions to be invested for the future payment of disability-related costs of an individual.

**STATE OF IOWA**

**Combining Statement of Fiduciary Net Position  
Private Purpose Trust Funds**

June 30, 2016  
(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	\$ 1,630	\$ 24,173	\$ 564	\$ 2,972	\$ 1,426	\$ 30,765
Accounts receivable (net)	-	48	-	-	2	50
Investments	4,451,199	-	-	5,291	-	4,456,490
Capital assets - depreciable (net)	-	-	-	-	97	97
Prepaid expenses	9	-	-	-	-	9
Inventory	-	-	-	-	3	3
<b>TOTAL ASSETS</b>	<b><u>4,452,838</u></b>	<b><u>24,221</u></b>	<b><u>564</u></b>	<b><u>8,263</u></b>	<b><u>1,528</u></b>	<b><u>4,487,414</u></b>
<b>LIABILITIES</b>						
Accounts payable & accruals	36	63	-	-	155	254
<b>NET POSITION</b>						
Restricted for individuals, organizations & other entities	<u>\$ 4,452,802</u>	<u>\$ 24,158</u>	<u>\$ 564</u>	<u>\$ 8,263</u>	<u>\$ 1,373</u>	<u>\$ 4,487,160</u>

# STATE OF IOWA

## Combining Statement of Changes in Fiduciary Net Position Private Purpose Trust Funds

For the Year Ended June 30, 2016  
(Expressed in Thousands)

	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA VETERANS TRUST FUND	BRAILLE & SIGHT SAVING SCHOOL FUND	GEAR-UP FUND	OTHER FUNDS	TOTAL
<b>ADDITIONS</b>						
Contributions:						
Participant contributions	\$ 373,400	\$ -	\$ -	\$ -	\$ 83	\$ 373,483
Other contributions	881	1	-	-	330	1,212
Gifts, bequests & endowments	-	2,831	-	1,603	151	4,585
Total contributions	<u>374,281</u>	<u>2,832</u>	<u>-</u>	<u>1,603</u>	<u>564</u>	<u>379,280</u>
Investment income (loss):						
Net increase (decrease) in fair value of investments	39,006	33	(8)	(64)	-	38,967
Interest	4	133	-	213	2	352
Total investment income (loss)	<u>39,010</u>	<u>166</u>	<u>(8)</u>	<u>149</u>	<u>2</u>	<u>39,319</u>
<b>TOTAL ADDITIONS</b>	<b><u>413,291</u></b>	<b><u>2,998</u></b>	<b><u>(8)</u></b>	<b><u>1,752</u></b>	<b><u>566</u></b>	<b><u>418,599</u></b>
<b>DEDUCTIONS</b>						
Distributions to participants	324,692	667	30	4,965	260	330,614
Other	680	-	-	11	13	704
<b>TOTAL DEDUCTIONS</b>	<b><u>325,372</u></b>	<b><u>667</u></b>	<b><u>30</u></b>	<b><u>4,976</u></b>	<b><u>273</u></b>	<b><u>331,318</u></b>
<b>CHANGE IN NET POSITION</b>	<b><u>87,919</u></b>	<b><u>2,331</u></b>	<b><u>(38)</u></b>	<b><u>(3,224)</u></b>	<b><u>293</u></b>	<b><u>87,281</u></b>
<b>NET POSITION - JULY 1</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>
<b>NET POSITION - JUNE 30</b>	<b><u>\$ 4,452,802</u></b>	<b><u>\$ 24,158</u></b>	<b><u>\$ 564</u></b>	<b><u>\$ 8,263</u></b>	<b><u>\$ 1,373</u></b>	<b><u>\$ 4,487,160</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, 2016

(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	\$ 27,794	\$ 2,115	\$ 54,790	\$ 94,069	\$ 65,718	\$ 244,486
Accounts receivable	107,288	46,719	-	3,541	81,413	238,961
<b>TOTAL ASSETS</b>	<b><u>\$ 135,082</u></b>	<b><u>\$ 48,834</u></b>	<b><u>\$ 54,790</u></b>	<b><u>\$ 97,610</u></b>	<b><u>\$ 147,131</u></b>	<b><u>\$ 483,447</u></b>
<b>LIABILITIES</b>						
Accounts payable & accruals	\$ 135,082	\$ 48,834	\$ 54,790	\$ 97,610	\$ 147,131	\$ 483,447
<b>TOTAL LIABILITIES</b>	<b><u>\$ 135,082</u></b>	<b><u>\$ 48,834</u></b>	<b><u>\$ 54,790</u></b>	<b><u>\$ 97,610</u></b>	<b><u>\$ 147,131</u></b>	<b><u>\$ 483,447</u></b>

# STATE OF IOWA

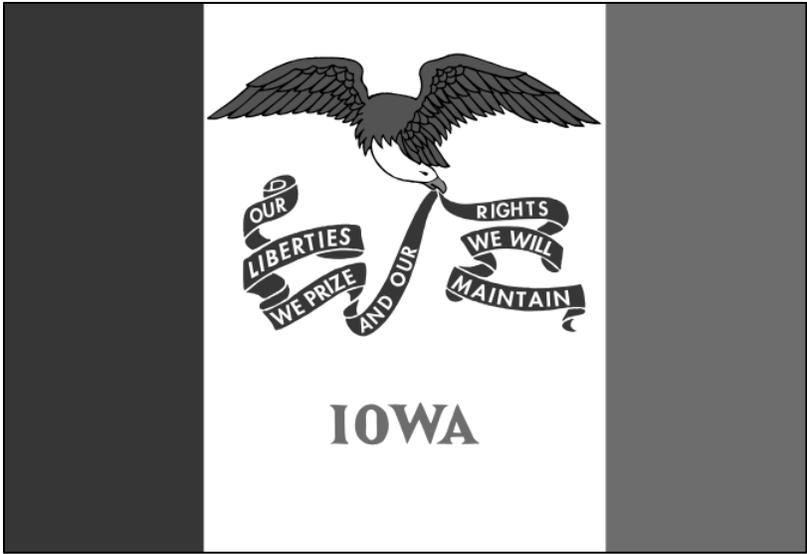
## Combining Statement of Changes in Assets and Liabilities Agency Funds

For the Year Ended June 30, 2016  
(Expressed in Thousands)

	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
<b>LOCAL SALES &amp; SERVICES TAX FUND</b>				
<b>ASSETS</b>				
Cash	\$ 24,742	\$ 830,381	\$ 827,329	\$ 27,794
Accounts receivable	113,685	107,288	113,685	107,288
<b>TOTAL ASSETS</b>	<u>\$ 138,427</u>	<u>\$ 937,669</u>	<u>\$ 941,014</u>	<u>\$ 135,082</u>
<b>LIABILITIES</b>				
Accounts payable & accruals	\$ 138,427	\$ 937,669	\$ 941,014	\$ 135,082
<b>CENTRALIZED PAYROLL TRUSTEE FUND</b>				
<b>ASSETS</b>				
Cash	\$ 2,274	\$ 888,700	\$ 888,859	\$ 2,115
Accounts receivable	1,644	46,719	1,644	46,719
<b>TOTAL ASSETS</b>	<u>\$ 3,918</u>	<u>\$ 935,419</u>	<u>\$ 890,503</u>	<u>\$ 48,834</u>
<b>LIABILITIES</b>				
Accounts payable & accruals	\$ 3,918	\$ 935,419	\$ 890,503	\$ 48,834
<b>JUDICIAL - CLERKS OF DISTRICT COURT</b>				
<b>ASSETS</b>				
Cash	\$ 46,838	\$ 307,039	\$ 299,087	\$ 54,790
<b>LIABILITIES</b>				
Accounts payable & accruals	\$ 46,838	\$ 307,039	\$ 299,087	\$ 54,790
<b>SCHOOL DISTRICT SURTAX CLEARING FUND</b>				
<b>ASSETS</b>				
Cash	\$ 90,375	\$ 106,742	\$ 103,048	\$ 94,069
Accounts receivable	3,693	3,541	3,693	3,541
<b>TOTAL ASSETS</b>	<u>\$ 94,068</u>	<u>\$ 110,283</u>	<u>\$ 106,741</u>	<u>\$ 97,610</u>
<b>LIABILITIES</b>				
Accounts payable & accruals	\$ 94,068	\$ 110,283	\$ 106,741	\$ 97,610
<b>OTHER FUNDS</b>				
<b>ASSETS</b>				
Cash	\$ 72,983	\$ 1,494,422	\$ 1,501,687	\$ 65,718
Accounts receivable	79,702	81,413	79,702	81,413
<b>TOTAL ASSETS</b>	<u>\$ 152,685</u>	<u>\$ 1,575,835</u>	<u>\$ 1,581,389</u>	<u>\$ 147,131</u>
<b>LIABILITIES</b>				
Accounts payable & accruals	\$ 152,685	\$ 1,575,835	\$ 1,581,389	\$ 147,131
<b>TOTAL</b>				
<b>ASSETS</b>				
Cash	\$ 237,212	\$ 3,627,284	\$ 3,620,010	\$ 244,486
Accounts receivable	198,724	238,961	198,724	238,961
<b>TOTAL ASSETS</b>	<u>\$ 435,936</u>	<u>\$ 3,866,245</u>	<u>\$ 3,818,734</u>	<u>\$ 483,447</u>
<b>LIABILITIES</b>				
Accounts payable & accruals	\$ 435,936	\$ 3,866,245	\$ 3,818,734	\$ 483,447



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>Schedule</b>
<b>Financial Trends</b>	<b>1 - 4</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>Revenue Capacity</b>	<b>5 - 7</b>
These schedules contain information to help the reader assess the State's most significant revenue source, individual income tax.	
<b>Debt Capacity</b>	<b>8 - 9</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>Demographic and Economic Information</b>	<b>10 - 11</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>Operating Information</b>	<b>12 - 15</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.	

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**

**Schedule 1**

For the Last Ten Fiscal Years  
(Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year									
	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>	2016
<b>Governmental activities</b>										
Net investment in capital assets	\$ 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	\$ 8,751,926
Restricted	954,614	1,096,738	981,399	1,190,535	1,217,229	1,066,451	1,085,008	1,064,266	855,856	922,557
Unrestricted	612,506	490,372	145,222	(86,726)	(226,038)	90,401	525,989	413,880	(515,129)	(808,123)
Total governmental activities net position	<u>\$ 7,638,618</u>	<u>\$ 7,780,906</u>	<u>\$ 7,616,121</u>	<u>\$ 7,984,185</u>	<u>\$ 8,033,509</u>	<u>\$ 8,454,816</u>	<u>\$ 9,190,654</u>	<u>\$ 9,438,242</u>	<u>\$ 8,701,137</u>	<u>\$ 8,866,360</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 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	\$ 3,600,966
Restricted	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	1,788,374
Unrestricted	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	1,816,683
Total business-type activities net position	<u>\$ 4,304,983</u>	<u>\$ 4,561,524</u>	<u>\$ 4,489,394</u>	<u>\$ 4,606,933</u>	<u>\$ 5,085,974</u>	<u>\$ 5,590,078</u>	<u>\$ 5,972,731</u>	<u>\$ 6,501,007</u>	<u>\$ 6,800,149</u>	<u>\$ 7,206,023</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 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	\$ 12,352,892
Restricted	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	2,710,931
Unrestricted	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	1,008,560
Total primary government net position	<u>\$ 11,943,601</u>	<u>\$ 12,342,430</u>	<u>\$ 12,105,515</u>	<u>\$ 12,591,118</u>	<u>\$ 13,119,483</u>	<u>\$ 14,044,894</u>	<u>\$ 15,163,385</u>	<u>\$ 15,939,249</u>	<u>\$ 15,501,286</u>	<u>\$ 16,072,383</u>

(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)

	<b>Fiscal Year</b>									
	<b>2007</b>	<b>2008 <sup>(1)</sup></b>	<b>2009 <sup>(2)</sup></b>	<b>2010 <sup>(3)</sup></b>	<b>2011 <sup>(4)</sup></b>	<b>2012 <sup>(5)</sup></b>	<b>2013 <sup>(6)</sup></b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Expenses</b>										
Governmental activities:										
Administration & regulation	\$ 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	\$ 1,799,186
Education	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	4,005,597
Health & human rights	368,342	405,459	450,955	488,380	458,702	423,202	420,844	423,723	422,677	436,330
Human services	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	6,708,824
Justice & public defense	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	1,097,646
Economic development	227,266	234,579	329,936	351,635	273,377	254,902	186,948	159,964	158,632	144,472
Transportation	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	1,321,540
Agriculture & natural resources	193,327	220,995	210,984	212,590	217,783	214,526	219,948	219,159	223,916	227,612
Interest expense	74,053	73,065	62,387	91,432	101,867	101,849	99,311	95,312	92,011	90,105
<b>Total governmental activities expenses</b>	<b>10,475,449</b>	<b>11,374,806</b>	<b>12,762,309</b>	<b>13,253,271</b>	<b>13,456,647</b>	<b>13,713,440</b>	<b>13,650,364</b>	<b>14,332,531</b>	<b>15,409,736</b>	<b>15,831,312</b>
Business-type activities:										
University Funds	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	4,580,247
Unemployment Benefits Fund	342,499	356,261	872,030	1,258,041	928,379	718,611	554,883	439,937	396,842	416,582
Other	363,508	391,077	396,668	213,185	222,239	246,673	257,011	260,564	264,092	273,939
<b>Total business-type activities expenses</b>	<b>3,648,227</b>	<b>3,902,365</b>	<b>4,669,824</b>	<b>4,813,103</b>	<b>4,616,008</b>	<b>4,807,598</b>	<b>4,772,621</b>	<b>4,856,646</b>	<b>5,000,310</b>	<b>5,270,768</b>
<b>Total primary government expenses</b>	<b>\$ 14,123,676</b>	<b>\$ 15,277,171</b>	<b>\$ 17,432,133</b>	<b>\$ 18,066,374</b>	<b>\$ 18,072,655</b>	<b>\$ 18,521,038</b>	<b>\$ 18,422,985</b>	<b>\$ 19,189,177</b>	<b>\$ 20,410,046</b>	<b>\$ 21,102,080</b>
<b>Program revenues</b>										
Governmental activities:										
Charges for services:										
Administration & regulation	\$ 765,932	\$ 808,206	\$ 1,069,214	\$ 957,591	\$ 1,063,106	\$ 1,060,902	\$ 1,099,289	\$ 1,061,265	\$ 1,064,230	\$ 1,106,530
Education	39,402	47,201	45,794	54,219	61,920	52,686	21,787	18,057	20,656	17,374
Health & human rights	55,086	83,700	71,849	60,885	70,702	66,922	68,865	69,159	80,767	77,168
Human services	448,255	417,733	437,131	465,890	575,377	666,496	438,915	519,909	544,631	550,432
Justice & public defense	60,529	177,293	83,868	102,600	110,215	104,969	89,888	106,730	95,952	97,638
Economic development	2,519	7,125	5,012	3,423	13,795	3,672	3,864	3,374	1,749	2,049
Transportation	30,106	17,695	84,511	84,291	76,404	93,908	106,081	122,683	100,322	79,955
Agriculture & natural resources	78,306	72,564	78,697	86,086	74,295	84,912	78,476	79,777	72,634	86,807
Operating grants & contributions	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	5,500,402
Capital grants & contributions	283,759	230,585	385,478	590,926	420,006	494,715	426,350	472,885	501,378	440,783
<b>Total governmental activities program revenues</b>	<b>5,011,667</b>	<b>5,333,596</b>	<b>6,606,874</b>	<b>7,715,221</b>	<b>7,387,814</b>	<b>7,118,320</b>	<b>6,952,651</b>	<b>7,359,456</b>	<b>7,832,263</b>	<b>7,959,138</b>
Business-type activities:										
Charges for services:										
University Funds	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	3,273,055
Unemployment Benefits Fund	352,067	368,202	358,198	474,465	619,455	643,970	543,535	471,738	410,209	448,914
Other	478,850	506,995	521,913	284,931	297,750	325,699	342,596	355,988	366,129	378,533
Operating grants & contributions	633,957	670,859	987,715	1,333,041	1,200,118	1,044,159	848,672	783,036	746,633	777,368
Capital grants & contributions	30,943	35,225	45,432	8,801	36,197	61,339	61,948	90,263	173,150	101,682
<b>Total business-type activities program revenues</b>	<b>3,186,282</b>	<b>3,382,178</b>	<b>3,907,190</b>	<b>4,166,091</b>	<b>4,377,047</b>	<b>4,665,475</b>	<b>4,484,320</b>	<b>4,546,813</b>	<b>4,733,175</b>	<b>4,979,552</b>
<b>Total primary government program revenues</b>	<b>\$ 8,197,949</b>	<b>\$ 8,715,774</b>	<b>\$ 10,514,064</b>	<b>\$ 11,881,312</b>	<b>\$ 11,764,861</b>	<b>\$ 11,783,795</b>	<b>\$ 11,436,971</b>	<b>\$ 11,906,269</b>	<b>\$ 12,565,438</b>	<b>\$ 12,938,690</b>
<b>Net expense</b>										
Governmental activities	\$ (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)	\$ (7,872,174)
Business-type activities	(461,945)	(520,187)	(762,634)	(647,012)	(238,961)	(142,123)	(288,301)	(309,833)	(267,135)	(291,216)
<b>Total primary government net expense</b>	<b>\$ (5,925,727)</b>	<b>\$ (6,561,397)</b>	<b>\$ (6,918,069)</b>	<b>\$ (6,185,062)</b>	<b>\$ (6,307,794)</b>	<b>\$ (6,737,243)</b>	<b>\$ (6,986,014)</b>	<b>\$ (7,282,908)</b>	<b>\$ (7,844,608)</b>	<b>\$ (8,163,390)</b>

(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									
	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	2016
<b>General revenues and other changes in net position</b>										
Governmental activities:										
Personal income tax	\$ 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	\$ 3,542,419
Corporate income tax	322,315	347,833	258,115	196,723	254,761	430,395	428,991	387,232	464,121	374,559
Sales & use tax	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	2,758,405
Other tax	641,206	783,814	743,231	710,946	685,454	756,713	759,681	756,237	771,702	803,003
Motor fuel tax restricted for transportation purposes	446,607	443,997	436,732	436,567	445,580	438,953	438,009	446,449	524,569	677,999
Road use tax restricted for transportation purposes	248,959	257,523	256,554	254,016	281,998	303,368	307,821	322,470	346,901	360,993
Unrestricted investment earnings	146,669	114,987	66,159	25,729	30,696	21,155	6,240	21,406	19,175	22,156
Other	25,807	32,492	30,476	31,571	28,317	27,504	29,746	35,357	36,680	35,013
Gain/(loss) on sale of assets	-	571	804	842	51	732	871	1,011	1,401	1,197
Loss on extinguishment of debt	-	-	-	-	-	-	-	(5,679)	-	-
Contribution to Permanent Fund principal	55	4,031	-	-	-	-	-	-	-	-
Special items - disposal of operations	-	-	-	-	-	-	5,728	-	-	-
Extraordinary items - impairment of assets and other	-	-	-	-	(4,394)	-	-	-	-	-
Transfers	(549,206)	(598,789)	(612,520)	(612,563)	(503,494)	(456,940)	(500,210)	(575,626)	(534,103)	(538,347)
<b>Total governmental activities</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>	<b>\$ 8,037,397</b>
Business-type activities:										
Other tax	\$ 5,909	\$ 6,551	\$ 5,688	\$ 6,459	\$ 6,803	\$ 7,031	\$ 7,463	\$ 7,527	\$ 7,765	\$ 7,649
Unrestricted investment earnings	159,246	69,378	(25,411)	115,200	154,176	90,891	109,987	186,857	46,888	78,133
Other	40,162	46,919	94,068	50,678	47,610	76,091	67,096	68,072	57,303	68,961
Gain/(loss) on sale of assets	18	7	75	101	16	688	78	27	20	4,000
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	549,206	598,789	612,520	612,563	503,494	456,940	500,210	575,626	534,103	538,347
<b>Total business-type activities</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>\$ 697,090</b>
<b>Change in net position</b>										
Governmental activities	\$ 370,991	\$ 178,894	\$ (164,336)	\$ 376,245	\$ 342,908	\$ 421,307	\$ 735,838	\$ 247,588	\$ 179,560	\$ 165,223
Business-type activities	292,596	256,541	(72,130)	121,954	479,038	490,509	393,953	528,276	378,944	405,874
<b>Total primary government</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>	<b>\$ 571,097</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									
	2007	2008	2009 <sup>(2)</sup>	2010 <sup>(3)</sup>	2011 <sup>(4)</sup>	2012	2013	2014	2015	2016
<b>General Fund</b>										
Reserved	\$ 1,000,811	\$ 1,178,178	\$ 1,121,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,052,537	1,118,497	802,767	-	-	-	-	-	-	-
Nonspendable	-	-	-	31,950	31,364	41,382	43,138	41,248	44,528	44,917
Spendable:										
Restricted	-	-	-	1,219,215	1,236,111	1,062,771	1,017,927	1,045,227	861,583	835,913
Committed	-	-	-	1,385,901	1,486,404	1,732,552	2,145,980	1,912,518	1,676,632	1,323,878
Unassigned	-	-	-	(201,720)	(250,589)	(210,684)	(156,800)	(214,660)	(273,102)	(214,504)
<b>Total General Fund</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>\$ 1,990,204</b>
<b>All other governmental funds</b>										
Reserved	\$ 305,336	\$ 927,732 <sup>(1)</sup>	\$ 820,497 <sup>(1)</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	48,907	(633,676) <sup>(1)</sup>	(584,829) <sup>(1)</sup>	-	-	-	-	-	-	-
Capital projects funds	98,015	82,668	52,417	-	-	-	-	-	-	-
Nonspendable	-	-	-	14,857	15,692	16,192	16,376	16,327	16,451	16,846
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>	389,796 <sup>(1)</sup>
Committed	-	-	-	25,347	27,348	26,453	28,346	29,124	24,038	41,215
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>	(253,068) <sup>(1)</sup>
<b>Total all other governmental funds</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>	<b>\$ 194,789</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									
	2007	2008	2009	2010 <sup>(1)</sup>	2011 <sup>(2)</sup>	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 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	\$ 9,263,248
Receipts from other entities	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	6,064,791
Investment income	145,561	118,360	66,294	26,431	29,931	21,766	6,244	21,370	19,141	22,093
Fees, licenses & permits	680,615	690,211	978,396	1,077,664	1,195,283	1,226,093	1,268,880	1,324,029	1,358,661	1,409,339
Refunds & reimbursements	411,734	431,503	474,081	465,278	539,796	537,219	527,456	576,484	601,812	711,301
Sales, rents & services	28,589	29,143	29,925	34,620	31,400	33,225	32,639	35,827	39,765	39,665
Miscellaneous	120,677	117,568	93,961	118,521	147,736	141,461	150,035	158,048	177,710	209,066
Contributions	156	48	1,008	-	-	-	-	-	-	-
Gross revenues	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	17,719,503
Less revenue refunds	686,423	762,926	883,633	954,852	918,313	918,524	909,631	1,039,704	1,066,067	1,155,612
Net revenues	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	16,563,891
<b>Expenditures</b>										
Administration & regulation	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	1,792,103
Education	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	4,000,660
Health & human rights	357,830	389,209	443,841	472,053	451,393	417,306	414,981	418,906	420,907	431,555
Human services	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	6,720,396
Justice & public defense	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	1,054,586
Economic development	221,567	220,313	335,429	343,857	270,192	255,299	184,877	159,626	158,282	145,436
Transportation	458,950	416,388	471,563	550,192	542,490	548,629	552,228	580,831	646,481	610,992
Agriculture & natural resources	172,948	181,518	199,639	189,349	198,876	201,838	200,439	201,194	207,823	210,453
Capital outlay	800,188	769,202	1,029,341	1,161,197	962,834	1,136,378	1,012,032	1,128,589	1,238,409	1,217,290
Debt service:										
Payment to escrow agent	-	-	-	-	-	-	-	73,940	-	-
Principal	28,025	69,575	36,335	29,090	40,495	72,555	49,815	69,215	45,625	53,050
Interest & fiscal charges	53,194	58,621	59,146	86,108	100,122	101,327	98,242	94,875	89,659	87,219
Total expenditures	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	16,323,740
Excess of revenues over expenditures	429,939	757,331	136,795	444,049	598,095	482,640	903,238	284,730	52,220	240,151
<b>Other financing sources (uses)</b>										
Transfers in	323,251	533,885	538,129	395,422	197,540	197,567	215,291	229,136	200,611	220,599
Transfers out	(869,369)	(1,124,271)	(1,136,203)	(1,004,206)	(696,832)	(651,385)	(713,290)	(804,762)	(734,713)	(758,946)
Leases, installment purchases & other	4,730	848	313	2,340	93	562	9	131	199	587
Debt issued	33,370	-	-	613,710	311,945	-	-	-	-	-
Premium (discount) on bonds	270	-	-	27,027	26,043	1,643	-	-	-	-
Refunding debt issued	-	-	-	-	-	20,910	-	-	-	-
Total other financing sources (uses)	(507,748)	(589,538)	(597,761)	34,293	(161,211)	(430,703)	(497,990)	(575,495)	(533,903)	(537,760)
Special items - disposal of operations	-	-	-	-	-	-	(24,604)	-	-	-
Net change in fund balances	\$ (77,809)	\$ 167,793	\$ (460,966)	\$ 478,342	\$ 436,884	\$ 51,937	\$ 380,644	\$ (290,765)	\$ (481,683)	\$ (297,609)
Debt service as a percentage of noncapital expenditures	<1%	1.2%	<1%	0.9%	1.1%	1.3%	1.1%	1.7%	0.9%	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									
	2007	2008	2009	2010	2011 <sup>(1)</sup>	2012	2013	2014	2015	2016
Individual income tax	\$ 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	\$ 4,364,229
Sales tax	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	2,332,220
Use tax	587,009	630,184	374,686	371,195	404,151	439,772	464,126	489,764	501,073	497,160
Fuel tax	500,531	497,613	487,265	482,417	496,486	490,377	481,120	493,999	575,844	746,601
Corporate tax	436,060	464,907	408,578	373,416	401,628	550,343	563,016	507,522	579,881	510,664
Inheritance tax	77,750	79,783	72,562	68,358	65,535	79,670	86,785	90,791	89,807	88,759
Insurance premium tax	105,223	111,647	90,035	88,571	97,098	101,406	104,885	105,532	109,634	119,675
Cigarette & tobacco tax	135,207	251,584	238,153	232,573	226,692	225,499	226,300	225,375	223,069	227,901
Wagering tax	272,210	287,247	282,545	272,361	269,842	287,680	283,168	275,659	280,706	290,004
Franchise tax	33,601	36,813	33,271	31,564	39,423	41,121	43,860	40,330	47,482	50,354
Beer tax	14,264	14,454	14,717	14,503	14,272	14,726	13,865	14,187	14,489	14,214
Other	5,514	5,961	8,835	8,011	9,272	11,839	10,960	15,232	19,619	21,467
<b>Gross taxes</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>9,263,248</b>
<b>Less refunds</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>1,111,432</b>
<b>Net taxes</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>	<b>\$ 8,151,816</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 2006		Tax Year 2007		Tax Year 2008		Tax Year 2009		Tax Year 2010	
Net Taxable Income	Number of Returns								
No AGI	39,558	No AGI	42,488	No AGI	45,574	No AGI	51,620	No AGI	49,110
\$1 - 9,999	362,337	\$1 - 9,999	368,519	\$1 - 9,999	356,260	\$1 - 9,999	336,423	\$1 - 9,999	333,307
\$10,000 - 19,999	343,506	\$10,000 - 19,999	344,833	\$10,000 - 19,999	335,220	\$10,000 - 19,999	332,440	\$10,000 - 19,999	338,049
\$20,000 - 29,999	337,101	\$20,000 - 29,999	337,340	\$20,000 - 29,999	329,579	\$20,000 - 29,999	330,853	\$20,000 - 29,999	323,039
\$30,000 - 39,999	277,113	\$30,000 - 39,999	282,702	\$30,000 - 39,999	281,286	\$30,000 - 39,999	273,662	\$30,000 - 39,999	274,706
\$40,000 - 49,999	185,575	\$40,000 - 49,999	196,874	\$40,000 - 49,999	199,752	\$40,000 - 49,999	194,025	\$40,000 - 49,999	198,580
\$50,000 - 74,999	199,518	\$50,000 - 74,999	221,027	\$50,000 - 74,999	234,607	\$50,000 - 74,999	233,380	\$50,000 - 74,999	242,170
\$75,000 - 99,999	66,119	\$75,000 - 99,999	74,841	\$75,000 - 99,999	79,374	\$75,000 - 99,999	77,882	\$75,000 - 99,999	82,412
\$100,000 & above	90,788	\$100,000 & above	103,651	\$100,000 & above	105,736	\$100,000 & above	99,179	\$100,000 & above	107,941
	1,901,615		1,972,275		1,967,388		1,929,464		1,949,314

Net Taxable Income	Tax Rate*								
\$0 - 1,300	0.36%	\$0 - 1,343	0.36%	\$0 - 1,379	0.36%	\$0 - 1,407	0.36%	\$0 - 1,428	0.36%
\$1,300 - 2,600	0.72%	\$1,343 - 2,686	0.72%	\$1,379 - 2,758	0.72%	\$1,407 - 2,814	0.72%	\$1,428 - 2,856	0.72%
\$2,600 - 5,200	2.43%	\$2,686 - 5,372	2.43%	\$2,758 - 5,516	2.43%	\$2,814 - 5,628	2.43%	\$2,856 - 5,712	2.43%
\$5,200 - 11,700	4.50%	\$5,372 - 12,087	4.50%	\$5,516 - 12,411	4.50%	\$5,628 - 12,663	4.50%	\$5,712 - 12,852	4.50%
\$11,700 - 19,500	6.12%	\$12,087 - 20,145	6.12%	\$12,411 - 20,685	6.12%	\$12,663 - 21,105	6.12%	\$12,852 - 21,420	6.12%
\$19,500 - 26,000	6.48%	\$20,145 - 26,860	6.48%	\$20,685 - 27,580	6.48%	\$21,105 - 28,140	6.48%	\$21,420 - 28,560	6.48%
\$26,000 - 39,000	6.80%	\$26,860 - 40,290	6.80%	\$27,580 - 41,370	6.80%	\$28,140 - 42,210	6.80%	\$28,560 - 42,840	6.80%
\$39,000 - 58,500	7.92%	\$40,290 - 60,435	7.92%	\$41,370 - 62,055	7.92%	\$42,210 - 63,315	7.92%	\$42,840 - 64,260	7.92%
\$58,500 & above	8.98%	\$60,435 & above	8.98%	\$62,055 & above	8.98%	\$63,315 & above	8.98%	\$64,260 & above	8.98%

Tax Year 2011		Tax Year 2012		Tax Year 2013		Tax Year 2014		Tax Year 2015	
Net Taxable Income	Number of Returns								
No AGI	52,101	No AGI	52,301	No AGI	53,992	No AGI	58,373		
\$1 - 9,999	337,187	\$1 - 9,999	326,822	\$1 - 9,999	315,190	\$1 - 9,999	311,378		
\$10,000 - 19,999	332,596	\$10,000 - 19,999	324,978	\$10,000 - 19,999	320,585	\$10,000 - 19,999	315,860		
\$20,000 - 29,999	314,841	\$20,000 - 29,999	309,181	\$20,000 - 29,999	303,974	\$20,000 - 29,999	300,205		
\$30,000 - 39,999	272,314	\$30,000 - 39,999	272,654	\$30,000 - 39,999	273,340	\$30,000 - 39,999	273,584		
\$40,000 - 49,999	202,716	\$40,000 - 49,999	207,046	\$40,000 - 49,999	210,320	\$40,000 - 49,999	214,873		
\$50,000 - 74,999	253,213	\$50,000 - 74,999	268,326	\$50,000 - 74,999	278,264	\$50,000 - 74,999	294,842		
\$75,000 - 99,999	89,113	\$75,000 - 99,999	96,439	\$75,000 - 99,999	103,702	\$75,000 - 99,999	111,906		
\$100,000 & above	121,578	\$100,000 & above	138,830	\$100,000 & above	144,703	\$100,000 & above	156,687		
	1,975,659		1,996,577		2,004,070		2,037,708		

Net Taxable Income	Tax Rate*								
\$0 - 1,439	0.36%	\$0 - 1,469	0.36%	\$0 - 1,494	0.36%	\$0 - 1,515	0.36%	\$0 - 1,539	0.36%
\$1,439 - 2,878	0.72%	\$1,469 - 2,938	0.72%	\$1,494 - 2,988	0.72%	\$1,515 - 3,030	0.72%	\$1,539 - 3,078	0.72%
\$2,878 - 5,756	2.43%	\$2,938 - 5,876	2.43%	\$2,988 - 5,976	2.43%	\$3,030 - 6,060	2.43%	\$3,078 - 6,156	2.43%
\$5,756 - 12,951	4.50%	\$5,876 - 13,221	4.50%	\$5,976 - 13,446	4.50%	\$6,060 - 13,635	4.50%	\$6,156 - 13,851	4.50%
\$12,951 - 21,585	6.12%	\$13,221 - 22,035	6.12%	\$13,446 - 22,410	6.12%	\$13,635 - 22,725	6.12%	\$13,851 - 23,085	6.12%
\$21,585 - 28,780	6.48%	\$22,035 - 29,380	6.48%	\$22,410 - 29,880	6.48%	\$22,725 - 30,300	6.48%	\$23,085 - 30,780	6.48%
\$28,780 - 43,170	6.80%	\$29,380 - 44,070	6.80%	\$29,880 - 44,820	6.80%	\$30,300 - 45,450	6.80%	\$30,780 - 46,170	6.80%
\$43,170 - 64,755	7.92%	\$44,070 - 66,105	7.92%	\$44,820 - 67,230	7.92%	\$45,450 - 68,175	7.92%	\$46,170 - 69,255	7.92%
\$64,755 & above	8.98%	\$66,105 & above	8.98%	\$67,230 & above	8.98%	\$68,175 & above	8.98%	\$69,255 & 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**

Sales Tax Annual Period April 1 through March 31 of the following year 2007 through 2016

**Schedule 7**

Classification	2007		2008		2009		2010		2011	
	Number of Businesses	Taxable Sales (in thousands)								
Utilities & transportation	14,409	\$ 3,253,006	14,628	\$ 3,385,552	14,876	\$ 3,517,073	14,570	\$ 3,416,539	14,489	\$ 3,428,950
Building materials	6,965	2,502,180	6,985	2,470,307	6,981	2,561,077	6,821	2,437,841	6,636	2,507,236
General merchandise	6,862	5,159,008	6,678	5,218,644	6,666	5,428,309	6,478	5,366,827	6,296	5,408,118
Food dealers	6,796	1,503,246	6,833	1,564,199	6,817	1,634,570	6,770	1,713,971	6,766	1,732,752
Motor vehicles	14,843	1,737,850	14,707	1,827,036	15,177	1,926,927	14,210	1,852,142	13,867	1,967,946
Apparel	6,162	825,421	6,147	841,572	6,326	855,151	6,383	866,270	6,312	907,046
Home furnishings & appliances	7,582	1,435,783	7,621	1,469,497	7,960	1,456,128	7,914	1,202,096	7,615	1,195,401
Eating & drinking places	29,893	3,084,773	30,518	3,274,850	30,936	3,359,230	30,435	3,305,611	30,191	3,434,699
Specialty retail stores	60,925	2,418,715	60,964	2,456,805	61,037	2,510,639	60,568	2,496,150	59,166	2,615,424
Services	114,755	4,277,480	116,970	4,476,801	122,863	4,729,859	127,591	4,511,003	123,085	4,661,026
Wholesale goods	19,280	2,469,117	18,788	2,499,040	18,611	2,507,198	18,148	2,227,656	17,385	2,354,819
All other	57,075	2,979,140	59,196	3,604,722	54,838	3,218,496	50,982	2,547,487	50,573	2,690,600
<b>Total</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>	<b>342,381</b>	<b>\$ 32,904,017</b>

Classification	2012		2013		2014		2015		2016	
	Number of Businesses	Taxable Sales (in thousands)								
Utilities & transportation	14,737	\$ 3,405,479	15,053	\$ 3,335,512	14,701	\$ 3,483,048	14,357	\$ 3,632,047	14,134	\$ 3,669,812
Building materials	6,530	2,704,879	6,504	2,712,261	6,059	2,538,244	6,118	2,706,767	5,943	2,763,359
General merchandise	6,211	5,530,952	6,151	5,475,235	3,156	4,650,592	3,093	4,711,009	3,073	4,719,728
Food dealers	6,776	1,772,985	6,729	1,782,829	12,807	3,156,659	12,790	3,297,011	12,724	3,478,201
Motor vehicles	13,723	2,108,205	13,612	2,124,416	9,534	1,704,501	9,428	1,793,580	9,340	1,860,126
Apparel	6,224	972,815	6,316	1,011,028	6,256	1,044,542	6,221	1,063,320	6,225	1,067,251
Home furnishings & appliances	7,474	1,205,592	7,398	1,202,792	6,246	1,208,754	6,169	1,216,924	5,917	1,235,700
Eating & drinking places	30,248	3,635,252	30,430	3,732,685	30,035	3,827,209	29,889	4,056,025	30,362	4,228,185
Specialty retail stores	58,914	2,759,729	59,103	2,909,350	56,330	2,771,512	55,786	2,911,596	56,083	3,052,179
Services	125,225	4,877,162	126,867	4,945,765	125,773	4,889,626	126,249	5,188,730	126,900	5,324,603
Wholesale goods	16,945	2,568,014	16,659	2,552,248	18,059	3,772,090	17,698	3,929,422	17,346	3,937,460
All other	50,937	2,996,903	50,965	3,016,466	48,831	2,800,836	49,219	3,019,888	49,763	3,082,894
<b>Total</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>	<b>337,810</b>	<b>\$ 38,419,498</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			
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
2016	1,623,980	52	1,801	-	1,936,944	31,865	54,134	3,648,776	2.60	1,168

(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**

				<b>Debt Service</b>			
	<b>Gross Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenues</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
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
2016	49,569	11	49,558	17,120	29,905	47,025	1.05

**IJOBS-2010**

				<b>Debt Service</b>			
	<b>Gross Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenues</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
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
2016	10,486	2	10,484	3,480	6,571	10,051	1.04

**Vision Iowa**

				<b>Debt Service</b>			
	<b>Gross Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenues</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
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
2016	15,987	3	15,984	11,645	4,339	15,984	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**

				<b>Debt Service</b>			
	<b>Gross Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenues</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
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
2016	69,218 *	1,054	68,164	14,415	39,881	54,296	1.26

\* 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>				
		Less:	Net Available					
Gross Revenues		Operating Expenses	Revenues		Principal	Interest	Total	Coverage
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
2016	1,064	-	1,064		535	529	1,064	1.00

Pledged revenues are from utility company assessments.

<i>Prison Infrastructure 2010</i>				<b>Debt Service</b>				
		Less:	Net Available					
Gross Revenues		Operating Expenses	Revenues		Principal	Interest	Total	Coverage
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
2016	11,853	4	11,849		5,855	5,994	11,849	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>				
		Less:	Net Available					
Gross Revenues		Operating Expenses*	Revenues		Principal	Interest	Total	Coverage
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
2016	226,911	156,044	70,867		25,339	9,314	34,653	2.05

<i>Athletic/Multipurpose/Academic Facilities Revenue Bonds</i>				<b>Debt Service*</b>				
		Less:	Net Available					
Gross Revenues*		Operating Expenses*	Revenues		Principal	Interest	Total	Coverage
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
2016	92,519	23,735	68,784		9,745	6,958	16,703	4.12

(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)

**Telecommunications Revenue Bonds**

	Less:			Net Available		Debt Service*			
	Gross Revenues	Operating Expenses		Revenues	Principal	Interest	Total	Coverage	
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	27,139	21,671		5,468	1,835	1,305	3,140	1.74	
2016	26,065	19,537		6,528	1,160	1,252	2,412	2.71	

**Student Health Facility Revenue Bonds**

	Less:			Net Available		Debt Service*			
	Gross Revenues	Operating Expenses*		Revenues	Principal	Interest	Total	Coverage	
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	
2016	3,719	3,356		363	210	42	252	1.44	

**Utility System Revenue Bonds**

	Less:			Net Available		Debt Service*			
	Gross Revenues	Operating Expenses*		Revenues	Principal	Interest	Total	Coverage	
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	
2016	133,687	86,424		47,263	11,405	7,386	18,791	2.52	

**Parking System Revenue Bonds**

	Less:			Net Available		Debt Service*			
	Gross Revenues	Operating Expenses		Revenues	Principal	Interest	Total	Coverage	
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	
2016	25,366	13,531		11,835	3,220	1,832	5,052	2.34	

(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>			
		<b>Less:</b>	<b>Net Available</b>				
	<b>Gross Revenues</b>	<b>Operating Expenses</b>	<b>Revenues</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
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
2016	46,479	13,668	32,811	3,870	4,975	8,845	3.71

<b>Memorial/Maucker Union Revenue Bonds</b>				<b>Debt Service*</b>			
		<b>Less:</b>	<b>Net Available</b>				
	<b>Gross Revenues*</b>	<b>Operating Expenses*</b>	<b>Revenues</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
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
2016	32,317	23,091	9,226	2,285	816	3,101	2.98

<b>Hospital Revenue Bonds</b>				<b>Debt Service</b>			
		<b>Less:</b>	<b>Net Available</b>				
	<b>Gross Revenues*</b>	<b>Operating Expenses*</b>	<b>Revenues</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
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
2016	1,456,666	1,276,516	180,150	11,510	13,023	24,533	7.34

<b>Center For University Advancement Revenue Bonds</b>				<b>Debt Service*</b>			
		<b>Less:</b>	<b>Net Available</b>				
	<b>Gross Revenues*</b>	<b>Operating Expenses</b>	<b>Revenues</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
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
2016	869	-	869	725	144	869	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**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Population</b> ( <i>in thousands</i> )	2,982	2,988	3,003	3,008	3,046	3,062	3,074	3,090	3,107	3,124
<b>Personal income</b> ( <i>in millions</i> )	\$ 99,112	\$ 104,651	\$ 110,135	\$ 110,541	\$ 116,616	\$ 123,933	\$ 129,503	\$ 139,422	\$ 140,177	\$ 140,501
<b>Per capita personal income</b>	\$ 33,236	\$ 35,023	\$ 36,680	\$ 36,751	\$ 38,281	\$ 40,470	\$ 42,126	\$ 45,114	\$ 45,115	\$ 44,971
<b>Resident civilian labor force and employment</b> ( <i>annual averages</i> )										
Civilian labor force ( <i>in thousands</i> )	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	1,701.3
Resident employment ( <i>in thousands</i> )	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	1,638.9
Resident unemployed ( <i>in thousands</i> )	61.5	62.7	69.0	99.7	102.6	98.0	85.7	77.6	74.0	62.5
Percent unemployed	3.7	3.8	4.1	6.0	6.1	5.9	5.2	4.6	4.3	3.7
<b>Employment by industry, non-agricultural</b> ( <i>in thousands</i> )										
Construction	74.8	72.5	73.0	64.8	61.6	62.5	64.6	67.4	74.4	78.6
Manufacturing	230.9	229.4	227.8	203.7	200.1	207.4	210.4	214.5	216.8	216.1
Trade, transportation and utilities	308.6	308.8	309.2	302.0	300.0	301.9	306.8	311.4	312.9	316.0
Information	32.8	33.5	33.3	30.4	28.5	27.9	27.1	26.1	25.6	24.7
Financial activities	100.6	102.6	102.9	101.8	101.2	100.3	101.6	103.4	104.2	105.7
Professional and business	117.0	120.9	121.5	117.6	121.7	123.5	129.5	131.9	136.1	139.2
Education and health	199.0	202.3	206.7	211.0	213.5	215.9	220.6	223.2	223.2	225.0
Leisure and hospitality	132.7	136.7	135.3	132.4	129.7	130.6	134.2	136.7	137.9	139.7
Other services	56.6	57.7	57.7	57.6	57.0	56.5	57.7	60.2	61.3	62.4
Government	247.3	249.7	252.7	254.7	253.6	249.8	254.0	255.4	255.5	254.8
Total non-agricultural employment	1,500.3	1,514.1	1,520.1	1,476.0	1,466.9	1,476.3	1,506.5	1,530.2	1,547.9	1,562.2

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 2015**

<b>Rank</b>	<b>Employer</b>	<b>Type of Business</b>
1	Hy-Vee Food Stores	Retail Food
2	Wal-Mart	Retail General Merchandise
3	Wells Fargo	Finance
4	Deere and Company	Machinery Manufacturing
5	Casey's General Store	Convenience Stores
6	Rockwell Collins	Equipment Manufacturing
7	Tyson Fresh Meats	Food Manufacturing
8	Fareway Food Stores	Retail Food
9	Principal Financial Group	Finance & Insurance
10	Unitypoint Health	Health Care Services

**CALENDAR YEAR 2006**

<b>Rank</b>	<b>Employer</b>	<b>Type of Business</b>
1	Hy-Vee Food Stores	Retail Food
2	Wal-Mart	Retail General Merchandise
3	Deere and Company	Machinery Manufacturing
4	Rockwell Collins	Equipment Manufacturing
5	Principal Financial Group	Finance & Insurance
6	Tyson Fresh Meats	Food Manufacturing
7	Wells Fargo	Finance
8	Fareway Food Stores	Retail Food
9	Pella Corp.	Wood Products Manufacturing
10	Iowa Health Services	Health Care 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**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>ADMINISTRATION &amp; REGULATION</b>										
<i>Department of Administrative Services</i>										
Land (acres)	133	133	133	138	138	138	138	138	138	138
Buildings & improvements (square footage)	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	2,558,182
Machinery & equipment	574	594	576	613	962	985	594	627	341	321
<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	181,966	181,966	181,966	181,966	181,966
<b>EDUCATION</b>										
<i>Iowa Public Television</i>										
Land (acres)	131	211	211	211	208	208	208	208	208	208
Buildings & improvements (square footage)	119,800	119,800	62,000	62,000	62,000	75,500	75,500	75,500	75,500	75,500
Machinery & equipment	580	578	983	977	908	927	876	873	801	797
<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	407,246
<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	100,000	100,000	100,000	100,000	100,000
Machinery & equipment	211	229	264	262	200	199	198	194	182	177
<i>Veterans Home</i>										
Land (acres)	258	158	158	158	158	158	158	158	158	158
Buildings & improvements (square footage)	742,041	736,534	736,534	736,534	736,534	886,711	886,711	891,811	891,811	891,811
Machinery & equipment	239	241	250	262	266	298	373	509	561	629
<i>Department of Public Health</i>										
Machinery & equipment	368	358	336	422	417	466	471	478	504	593
<b>HUMAN SERVICES</b>										
<i>Department of Human Services &amp; Institutions</i>										
Land (acres)	2,825	2,872	2,872	2,872	1,965	1,965	1,965	1,965	1,965	1,965
Buildings & improvements (square footage)	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	4,222,668
Machinery & equipment	1,562	1,617	1,734	1,754	1,793	1,807	1,900	1,946	1,930	1,823

(continued on next page)

**STATE OF IOWA**  
**Significant Classes of Capital Assets by Function**  
Capital Intensive Departments Only  
For the Last Ten Fiscal Years

**Schedule 12**

(continued)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>JUSTICE &amp; PUBLIC DEFENSE</b>										
<i>Department of Corrections &amp; Correctional Facilities</i>										
Land (acres)	2,112	2,112	2,112	2,122	2,136	1,984	1,976	1,976	1,738	1,738
Buildings & improvements (square footage)	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	4,685,047
Machinery & equipment	1,304	1,387	1,434	1,398	1,450	1,500	1,610	1,793	1,895	2,181
<i>Judicial Districts</i>										
Land (acres)	54	55	71	71	71	66	66	66	68	68
Buildings & improvements (square footage)	525,638	525,638	525,638	525,638	568,765	568,765	645,656	663,644	663,203	663,203
Machinery & equipment	296	298	297	283	292	310	305	320	334	336
<i>Department of Public Defense</i>										
Land (acres)	2,688	2,688	2,688	2,688	2,688	2,688	2,688	2,688	2,769	2,769
Buildings & improvements (square footage)	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	2,857,147
Machinery & equipment	327	350	330	391	417	401	466	486	490	490
<i>Department of Public Safety</i>										
Land (acres)	87	59	60	60	60	60	60	60	60	60
Buildings & improvements (square footage)	132,162	149,303	153,660	153,660	151,160	151,160	151,160	151,160	151,160	151,160
Machinery & equipment	1,420	1,416	1,495	1,477	1,623	1,806	1,904	1,929	1,950	2,122
<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	331	289	297	267	254	262	282	262	241	234
<b>TRANSPORTATION</b>										
<i>Department of Transportation</i>										
Land (acres)	8,256	7,568	7,199	7,404	7,071	7,069	7,138	6,943	5,245	4,580
Buildings & improvements (square footage)	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	2,590,038
Highway lane miles	235,471	235,821	235,999	236,426	236,428	237,115	237,394	237,391	237,588	237,637
Heavy equipment	5,326	5,385	5,550	5,803	5,779	6,101	6,238	6,416	6,463	6,695
Machinery & equipment	2,951	3,083	3,275	3,392	3,275	3,313	3,276	3,621	3,532	3,839
<b>AGRICULTURE &amp; NATURAL RESOURCES</b>										
<i>Department of Natural Resources</i>										
Land (acres)	335,735	339,541	162,859	165,711	169,881	173,921	174,632	176,972	180,710	184,546
Buildings & improvements (square footage)	582,401	603,161	634,149	625,649	634,268	662,577	784,815	810,633	584,218	850,613
State parks	71	71	71	71	71	71	71	71	71	71
Wildlife management areas	20	20	20	20	20	16	16	16	16	16
Machinery & equipment	2,124	2,355	2,472	2,535	2,632	2,343	2,186	2,083	2,065	2,265

Source: Information provided by the Departments.

**STATE OF IOWA**  
**Operating Indicators by Function**  
For the Last Ten Fiscal Years or as Identified

**Schedule 13**

	2007	2008	2009	2010	2011 <sup>(1)</sup>	2012	2013	2014	2015	2016
<b>ADMINISTRATION &amp; REGULATION</b>										
<i>Department of Administrative Services</i>										
State employees covered by benefit plans	19,747	20,299	20,630	20,140	18,951	19,315	18,421	18,145	17,966	17,602
Number of State payroll warrants processed*	534,237	549,932	558,438	541,636	509,232	502,198	495,234	485,222	461,371	488,231
<b>EDUCATION</b>										
<i>Department of Education</i>										
Enrollment:										
Public schools	482,584	480,609	477,019	474,227	473,493	473,504	476,245	478,921	480,772	483,451
Universities	67,701	69,178	70,325	71,353	72,708	73,948	74,811	76,465	78,047	80,132
Community colleges	84,961	87,072	88,104	100,736	106,597	105,975	100,519	94,234	93,722	93,074
<b>HEALTH &amp; HUMAN RIGHTS</b>										
<i>Department for the Blind</i>										
Number of clients served	8,204	7,204	8,239	8,093	7,197	6,971	6,617	9,158	7,024	6,150
<b>HUMAN SERVICES</b>										
<i>Department of Human Services</i>										
Average number of residents/patients	1,136	1,105	1,070	1,024	957	911	872	834	690	680
Average number of Medicaid recipients	317,169	306,000	330,286	361,385	380,749	393,664	401,129	405,704	406,155	416,285
<b>JUSTICE &amp; PUBLIC DEFENSE</b>										
<i>Department of Corrections</i>										
Average number of inmates	8,752	8,765	8,712	8,384	10,301	10,022	9,635	9,622	9,731	9,742
<b>ECONOMIC DEVELOPMENT</b>										
<i>Department of Economic Development</i>										
Number of community development block grants/home projects funded	117	104	61	84	-	-	-	-	-	-
<i>Iowa Workforce Development</i>										
Number of unemployment claims accepted (calendar year)	91,367	126,309	165,030	125,564	107,937	99,107	94,474	93,158	92,606	INA
Unemployment insurance regular benefits paid (in millions, calendar year)	329.6	421.5	788.1	586.9	463.4	417.0	418.8	402.6	417.6	INA
<b>TRANSPORTATION</b>										
<i>Department of Transportation</i>										
Automobile driver licenses issued	709,590	938,192	1,153,422	1,016,493	919,844	810,494	1,052,641	1,122,199	981,512	873,457
Vehicles weighed (in thousands, federal fiscal year)	595	534	441	492	587	793	1,043	812	837	760
<b>AGRICULTURE &amp; NATURAL RESOURCES</b>										
<i>Department of Natural Resources</i>										
Hunting & fishing licenses issued	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	1,935,104

\* - 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>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>	<b>2016</b>
Administration & regulation	2,147	2,167	2,254	2,227	2,142	2,073	1,993	1,936	1,910	1,925
Education	1,117	1,107	1,147	1,147	1,090	1,067	1,036	1,019	1,026	1,028
Health & human rights	1,878	1,931	1,976	1,959	1,801	1,710	1,746	1,755	1,743	1,767
Human services	5,982	6,060	6,224	6,079	5,631	5,441	5,395	5,170	4,986	4,838
Justice & public defense	7,854	8,119	8,247	8,024	7,614	6,415	6,371	6,327	6,339	6,195
Economic development	929	961	998	1,042	916	853	757	711	668	662
Transportation	3,190	3,257	3,311	3,328	3,135	2,908	2,899	2,996	2,883	2,992
Agriculture & natural resources	1,607	1,635	1,689	1,618	1,520	1,450	1,482	1,468	1,469	1,449
Universities	37,137	37,842	39,003	38,392	38,081	39,736	39,315	42,284	42,723	43,463
Other enterprise funds	298	302	310	294	173	178	174	172	169	171
<b>Total primary government</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>	<b>64,490</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, 2016  
(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	\$ 141,449	\$ 6,542	\$ 4,862	\$ 55,571	\$ 7,893	\$ 568,537	\$ 110	\$ 786,477	\$ 11,938	\$ 187,081	\$ 1,770,460
Education	81,759	2,361	4,954	37,356	2,883	1,606	800	3,821,552	-	32,194	3,985,465
Health & human rights	126,901	1,955	9,150	238,716	4,153	377	11	57,957	-	(8,231)	430,989
Human services	379,290	3,897	19,599	202,716	11,283	1,947	11	6,150,051	-	(48,586)	6,720,208
Justice & public defense	583,974	12,529	34,572	145,124	16,419	6,301	54	233,336	14,497	6,975	1,053,781
Economic development	65,890	1,305	2,339	62,654	3,956	3,429	6	10,627	-	(4,770)	145,436
Transportation	237,298	28,914	54,467	152,600	15,558	139,281	98	130,710	1,066,929	(1,215,001)	610,854
Agriculture & natural resources	114,793	5,208	6,653	47,311	3,073	1,209	5	26,953	23,500	(28,543)	200,162
<b>Total primary government</b>	<b>\$ 1,731,354</b>	<b>\$ 62,711</b>	<b>\$ 136,596</b>	<b>\$ 942,048</b>	<b>\$ 65,218</b>	<b>\$ 722,687</b>	<b>\$ 1,095</b>	<b>\$ 11,217,663</b>	<b>\$ 1,116,864</b>	<b>\$ (1,078,881)</b>	<b>\$ 14,917,355</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.

# ACKNOWLEDGMENTS

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