



Iowa Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2017

Law Library:

The Iowa State Law Library occupies the entire west corridor of the second and third floor of the Iowa State Capitol. The Law Library is more than 100 feet long and approximately 45 feet from floor to ceiling.

This magnificent library features five separate levels lined with iron railings housing nearly 100,000 legal volumes. The circular staircases at either end of the room provide access to each level.

Original gaslight sconces are still in place although they were converted to electric lights more than a century ago. The chandeliers are reproductions of original gas fixtures.

The library is open to the public and used extensively by state agencies as well as serving as a reference library for public information.

Photos:

Front Cover:

Photo by Gary Hoard

Courtesy of the Iowa Legislative Services Agency

Back Cover:

Courtesy of the Iowa Legislative Services Agency



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year
Ended June 30, 2017

GOVERNOR:
Kim Reynolds

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

STATE OF IOWA

Comprehensive Annual Financial Report Table of Contents

For the Fiscal Year Ended June 30, 2017

INTRODUCTORY SECTION

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT	16-18
-------------------------------------	-------

MANAGEMENT'S DISCUSSION AND ANALYSIS	19-32
---	-------

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

Statement of Net Position	34-35
Statement of Activities	37

Governmental Fund Financial Statements

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

Proprietary Fund Financial Statements

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

Fiduciary Fund Financial Statements

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

Component Unit Financial Statements

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

Notes to the Financial Statements

61-134

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule - General Fund	136-137
Budgetary Comparison Schedule - Budget to GAAP Reconciliation - General Fund	138
Notes to Required Supplementary Information - Budgetary Reporting	139-141
Schedules of Funding Progress	142
Schedule of the Proportionate Share of the Net Pension Liability	143
Schedules of Changes in Net Pension Liability and Related Ratios	144-145
Schedules of Contributions	146-148
Notes to Required Supplementary Information - Schedules of Contributions	149-153

SUPPLEMENTARY INFORMATION

Governmental Funds

Combining Balance Sheet - By Fund Type	156
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - By Fund Type	157

Special Revenue Funds

Combining Balance Sheet	160
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	161
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary Basis	163-165

Capital Projects Funds

Combining Balance Sheet	168
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	169

Permanent Funds

Combining Balance Sheet	172
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	173

Proprietary Funds

Enterprise Funds

Combining Statement of Net Position	176
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	177
Combining Statement of Cash Flows	179

Internal Service Funds

Combining Statement of Net Position	182
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	183
Combining Statement of Cash Flows	185

Fiduciary Funds

Pension and Other Employee Benefit Funds

Combining Statement of Fiduciary Net Position	188
Combining Statement of Changes in Fiduciary Net Position	189

Private Purpose Trust Funds

Combining Statement of Fiduciary Net Position	192
Combining Statement of Changes in Fiduciary Net Position	193

Agency Funds

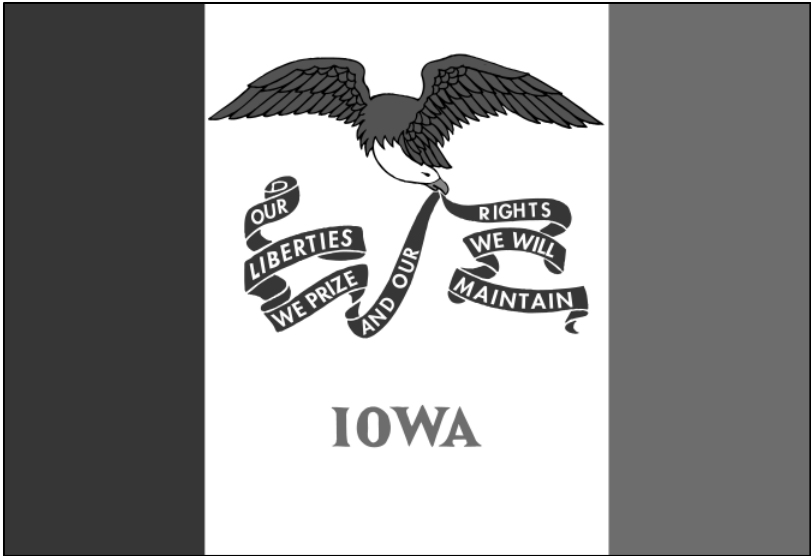
Combining Statement of Fiduciary Net Position	196
Combining Statement of Changes in Assets and Liabilities	197

STATISTICAL SECTION

Schedule

Schedule of Net Position by Component	1	203
Schedule of Changes in Net Position	2	204-205
Schedule of Fund Balances of Governmental Funds	3	206
Schedule of Changes in Fund Balances of Governmental Funds	4	207
Schedule of Tax Revenue by Source - Governmental Funds	5	208
Schedule of Individual Income Tax Returns Filed and Tax Rates	6	209
Schedule of Retail Sales by Business Classification	7	210
Schedule of Ratios of Outstanding Debt by Type	8	211
Schedule of Revenue Bond Coverage	9	212-216
Schedule of Demographic and Economic Statistics	10	217
Schedule of Principal Non-governmental Employers	11	218
Schedule of Significant Classes of Capital Assets by Function	12	219-220
Schedule of Operating Indicators by Function	13	221
Schedule of Number of Employees - Primary Government	14	222
Schedule of Current Expenditures - General Fund	15	223

ACKNOWLEDGMENTS



INTRODUCTORY
SECTION



December 14, 2017

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, 2017. 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 Iowa Code Chapter 11 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 29th state in 1846. Iowa is a midsize state with a mid-continent location. It covers 56,276 square miles, making it the 26th 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 February 1 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 the Governor.

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 2017-2018

During calendar year 2016, gross domestic product showed growth of 1.5 percent, reflecting a slowdown from calendar year 2015. According to Moody's Analytics, the projection for gross domestic product growth in calendar year 2017 is 2.2 percent and 2.9 percent in calendar year 2018.

Job growth has continued to grow over the past year. During calendar year 2016, 1.8 million jobs were gained nationally. Projections provided by Moody's Analytics for calendar year 2017 are for continued growth with 1.5 million jobs gained, and 1.6 million gained for calendar year 2018.

State and Local Economy

Iowa's economy is supported by a diverse mixture of industry, agriculture, services and government employment. In calendar year 2016, 18.3 percent of the State's gross domestic product was in manufacturing, down from 20.6 percent 10 years ago. The finance, insurance, and real estate sectors have continued to be the largest part of the State's economy at 22.7 percent during calendar year 2016. With the growth in renewable fuels processing in Iowa, and more grain and livestock production, agriculture has grown from 3.9 percent in 2006 to 4.8 percent in 2016. However, with the continued slowdown in agriculture in calendar year 2016, Iowa's real gross domestic product increased only 0.9 percent, ranking Iowa 34th in growth rate nationally. The United States average growth during the calendar year was 1.5 percent.

Personal Income. Personal income, as reported by the U.S. Department of Commerce, for the nation increased 3.8 percent during calendar year 2016. Iowa's personal income rose 2.3 percent for the calendar year 2016, ranking Iowa 42nd in growth rate nationally.

Employment. Over the past 10 years, Iowa's unemployment rate has been below the national average. As of September 2017, the State's unemployment rate stood at 3.2 percent, while the national average stood at 4.2 percent. Following the national trend, unemployment in Iowa has continued to drop during calendar year 2016 from 3.8 percent in January 2016 to 3.5 percent in December 2016. During calendar year 2016, nonfarm employment on a seasonally adjusted basis increased a net 6,400 jobs. During this time period, the financial activities sector gained 2,900 jobs, the trade and transportation sector gained 2,700 jobs, government sector gained 1,800 jobs, and construction sector gained 1,300 jobs. These gains were offset by reductions of 4,200 jobs in the manufacturing sector and 1,600 jobs in the information sector. The rest of the economic sectors had smaller job changes.

Exports. Exporting industries have been an important factor in Iowa's economic growth since the 1990s. Growth in exports of various agriculture and manufacturing commodities have helped diversify Iowa's economy. In calendar year 2016 according to the U.S. Census Bureau, the value of Iowa exports decreased 8.4 percent, after increasing 8.6 percent in calendar year 2014 and decreasing in calendar year 2015 by 8.5 percent.

Canada remains the top country for Iowa's exports, with Mexico as Iowa's second best trading partner. In 2016, Iowa's agricultural export value was second to California nationally.

Farmland Values. The Federal Reserve Bank of Chicago, in their August 2017 public release, reported that farmland values for the Seventh Federal Reserve District (Chicago) had increased 1.0 percent from a year ago for the second quarter of 2017. This was the first year-over-year gain in three years. Farmland values in Iowa increased by 3.0 percent for the period July 1, 2016 to July 1, 2017. 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 2015 average of 216,200 to the 2016 average of 213,300. During calendar year 2016, durable goods products accounted for about 58.4 percent of manufacturing employment.

Financial Policies

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

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

MAJOR INITIATIVES AND ISSUES

Reformed collective bargaining laws: During the 2017 session, the General Assembly passed and Governor Branstad signed into law reforms to the public employee collective bargaining law.

Reformed worker's compensation laws: During the 2017 session, the General Assembly passed and Governor Branstad signed into law reforms to ensure employees are compensated fairly for being injured on the job, while ensuring abuses are curtailed.

Strengthened traffic safety laws: During the 2017 session, the General Assembly passed and Governor Branstad signed into law reforms to strengthen distracted driving and drunk driving laws.

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 CAFR for the fiscal year ended June 30, 2016. 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-ninth 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

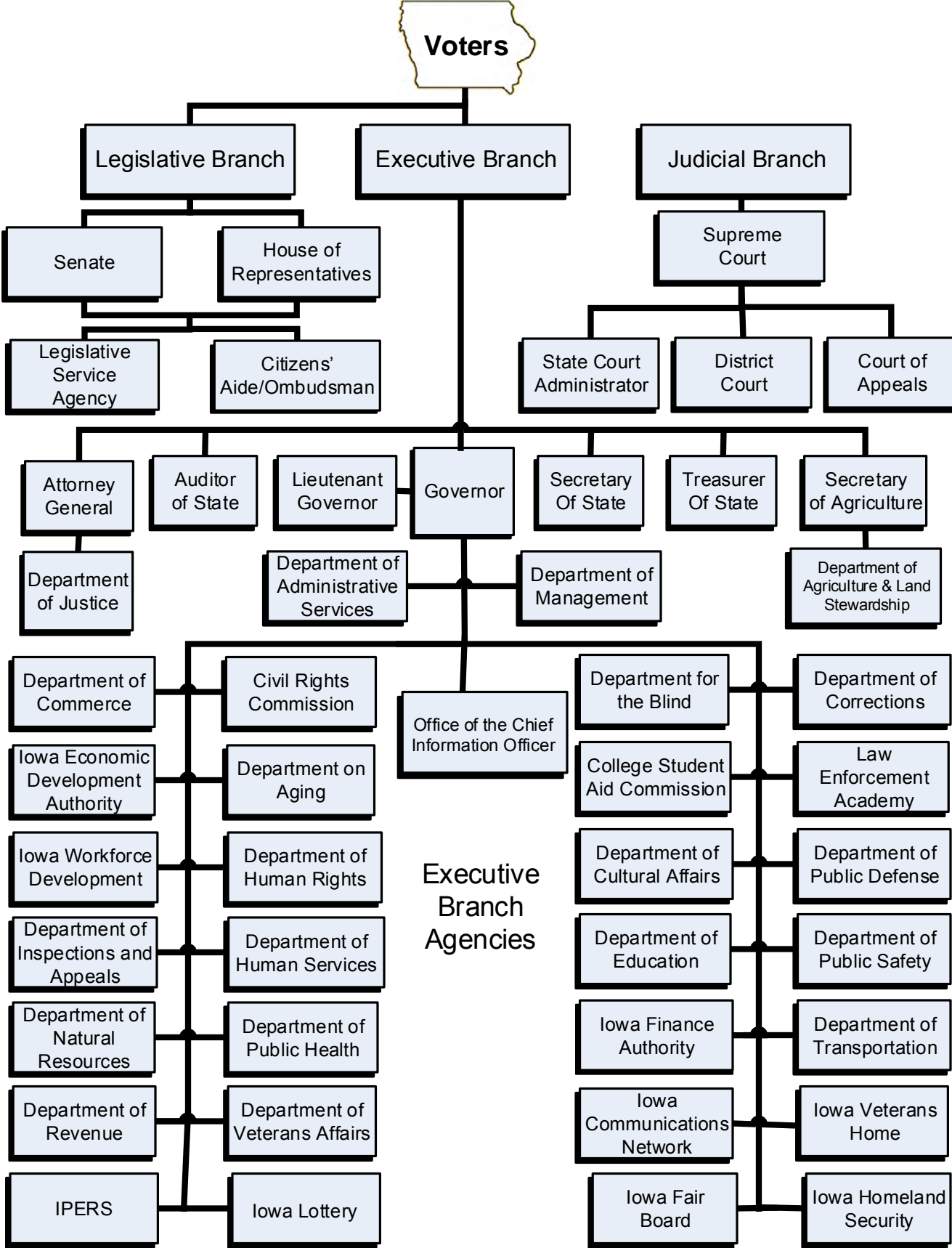
State of Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

State of Iowa Organizational Chart



Principal Officials

Elected Officials

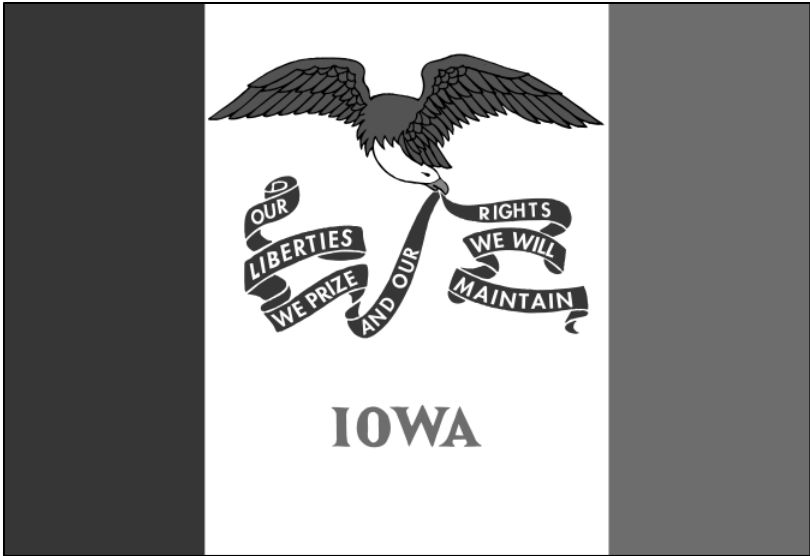
GOVERNOR - **Kim Reynolds**
LIEUTENANT GOVERNOR - **Adam Gregg**
SECRETARY OF STATE - **Paul D. Pate**
AUDITOR OF STATE - **Mary Mosiman**
TREASURER OF STATE - **Michael L. Fitzgerald**
SECRETARY OF AGRICULTURE - **William H. Northey**
ATTORNEY GENERAL - **Thomas J. Miller**

Legislative Branch

PRESIDENT OF THE SENATE - **Jack Whitver**
SPEAKER OF THE
HOUSE OF REPRESENTATIVES - **Linda L. Upmeyer**

Judicial Branch

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



FINANCIAL
SECTION



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Governor and Members of the General Assembly:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Iowa, as of and for the year ended June 30, 2017, 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 2% 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 94%, 92% and 63%, 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, 2017, 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.

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, 2017

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, 2017. 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 2017 by \$16,674.7 million (net position). Of this amount, \$768.5 million (unrestricted net position) is available to be used to meet the State's ongoing obligations to citizens and creditors.
- Total net position increased \$602.3 million from June 30, 2016 to June 30, 2017. Net position of governmental activities increased \$317.7 million, or 3.6%, while net position of business-type activities increased \$284.6 million, or 3.9%.
- In the State's governmental activities, revenues increased 1.4% to \$16,762.5 million while expenses increased 0.9% to \$15,966.8 million.
- For business-type activities, revenues increased 4.4% to \$5,365.1 million while expenses increased 5.5% to \$5,558.5 million.

Fund Highlights

- The State's governmental funds reported a combined ending fund balance of \$2,054.2 million, a \$130.8 million decrease from the prior year. Of this amount, \$57.3 million represents nonspendable fund balances, \$1,230.1 million represents spendable restricted fund balances, \$1,296.6 million represents spendable committed fund balances and a negative \$529.8 million represents unassigned fund balances.
- The General Fund total fund balance decreased \$114.5 million to \$1,875.7 million.
- The proprietary funds reported net position at year-end of \$7,650.2 million, an increase of \$291.7 million.

Long-term Debt

- The State's total long-term debt decreased \$35.1 million to \$3,613.7 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

Major Features of the State's Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	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
Required financial statements	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
Accounting basis and measurement focus	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
Type of asset/liability information	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, and capital assets
Type of deferred outflow/inflow information	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.
Type of inflow/outflow information	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 \$16,674.7 million at June 30, 2017, compared to \$16,072.4 million at June 30, 2016, as indicated in Table 2.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2016-2017
	2017	2016	2017	2016	2017	2016	
Current & other assets	\$ 4,285.8	\$ 4,146.9	\$ 5,155.6	\$ 5,076.5	\$ 9,441.4	\$ 9,223.4	2.4%
Capital assets	9,514.6	9,044.2	5,720.1	5,471.3	15,234.7	14,515.5	5.0%
Total assets	13,800.4	13,191.1	10,875.7	10,547.8	24,676.1	23,738.9	3.9%
Deferred outflows of resources	388.2	240.0	92.9	52.7	481.1	292.7	64.4%
Long-term liabilities	3,150.0	2,799.8	2,426.4	2,391.6	5,576.4	5,191.4	7.4%
Other liabilities	1,753.7	1,619.7	1,042.7	985.8	2,796.4	2,605.5	7.3%
Total liabilities	4,903.7	4,419.5	3,469.1	3,377.4	8,372.8	7,796.9	7.4%
Deferred inflows of resources	100.8	145.2	8.9	17.1	109.7	162.3	-32.4%
Net position:							
Net investment in capital assets	9,242.2	8,751.9	3,858.4	3,601.0	13,100.6	12,352.9	6.1%
Restricted	941.5	922.6	1,864.1	1,788.3	2,805.6	2,710.9	3.5%
Unrestricted	(999.6)	(808.1)	1,768.1	1,816.7	768.5	1,008.6	-23.8%
Total net position	\$ 9,184.1	\$ 8,866.4	\$ 7,490.6	\$ 7,206.0	\$ 16,674.7	\$ 16,072.4	3.7%

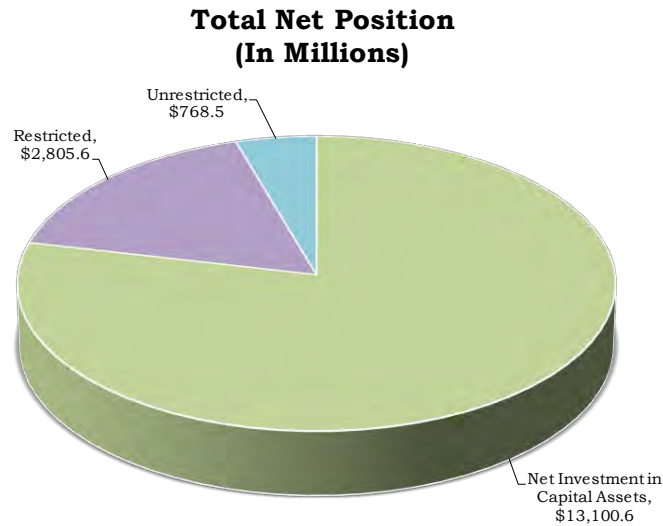
Net position of the State's governmental activities increased 3.6% to \$9,184.1 million. The largest component of the State's net position is its investment in capital assets (e.g. land, buildings, equipment, infrastructure and others), less any related outstanding debt that was used to acquire or construct the assets. Restricted net position represents 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 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 3.9% to \$7,490.6 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 7.4% to \$5,576.4 million due primarily to an increase of \$217.1 million in net pension liability. Deferred outflows of resources increased \$188.4 million and deferred inflows of resources decreased \$52.6 million, due almost entirely to the recognition of amounts related to pensions.

Other liabilities increased 7.3% to \$2,796.4 million. The \$190.9 million increase resulted mostly from increases of \$148.3 million in accounts payable & accruals, and \$54.8 million in funds held in custody and a decrease of \$22.6 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 \$16,674.7 million at June 30, 2017.



(Continued on next page.)

Changes in Net Position

The State's total net position increased by \$602.3 million from June 30, 2016 to June 30, 2017, as indicated in Table 3.

Table 3
Changes in Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2016-2017
	2017	2016	2017	2016	2017	2016	
Program revenues							
Charges for services	\$ 2,307.0	\$ 2,017.9	\$ 4,275.2	\$ 4,100.5	\$ 6,582.2	\$ 6,118.4	7.6%
Operating grants & contributions	5,194.2	5,500.4	801.1	777.4	5,995.3	6,277.8	-4.5%
Capital grants & contributions	503.1	440.8	57.6	101.7	560.7	542.5	3.4%
General revenues							
Personal income tax	3,637.9	3,542.4	-	-	3,637.9	3,542.4	2.7%
Corporate income tax	432.1	374.6	-	-	432.1	374.6	15.3%
Sales & use tax	2,793.8	2,758.4	-	-	2,793.8	2,758.4	1.3%
Other tax	791.6	803.0	8.1	7.6	799.7	810.6	-1.3%
Restricted for transportation purposes:							
Motor fuel tax	674.6	678.0	-	-	674.6	678.0	-0.5%
Road use tax	371.4	361.0	-	-	371.4	361.0	2.9%
Unrestricted investment earnings	16.3	22.1	162.4	78.1	178.7	100.2	78.3%
Other	40.5	36.2	60.7	73.0	101.2	109.2	-7.3%
Total revenues	16,762.5	16,534.8	5,365.1	5,138.3	22,127.6	21,673.1	2.1%
Expenses							
Administration & regulation	1,865.0	1,799.2	-	-	1,865.0	1,799.2	3.7%
Education	4,162.4	4,005.6	-	-	4,162.4	4,005.6	3.9%
Health & human rights	445.1	436.3	-	-	445.1	436.3	2.0%
Human services	6,585.9	6,708.8	-	-	6,585.9	6,708.8	-1.8%
Justice & public defense	1,041.5	1,097.6	-	-	1,041.5	1,097.6	-5.1%
Economic development	157.3	144.5	-	-	157.3	144.5	8.9%
Transportation	1,396.3	1,321.5	-	-	1,396.3	1,321.5	5.7%
Agriculture & natural resources	233.9	227.6	-	-	233.9	227.6	2.8%
Interest expense	79.4	90.1	-	-	79.4	90.1	-11.9%
University Funds	-	-	4,843.2	4,580.2	4,843.2	4,580.2	5.7%
Unemployment Benefits Fund	-	-	430.1	416.6	430.1	416.6	3.2%
Other	-	-	285.2	274.0	285.2	274.0	4.1%
Total expenses	15,966.8	15,831.2	5,558.5	5,270.8	21,525.3	21,102.0	2.0%
Increase (decrease) in net position before transfers	795.7	703.6	(193.4)	(132.5)	602.3	571.1	5.5%
Transfers	(478.0)	(538.3)	478.0	538.3	-	-	0.0%
Increase in net position	317.7	165.3	284.6	405.8	602.3	571.1	5.5%
Net position - July 1	8,866.4	8,701.1	7,206.0	6,800.2	16,072.4	15,501.3	3.7%
Net position - June 30	\$ 9,184.1	\$ 8,866.4	\$ 7,490.6	\$ 7,206.0	\$ 16,674.7	\$ 16,072.4	3.7%

Governmental Activities

Overall, total revenues for governmental activities increased 1.4% over the prior year.

Program revenues increased \$45.2 million, or 0.6%. The largest fluctuation in program revenues was in charges for services. Charges for services increased \$289.1 million, or 14.3%. The net increase resulted from an increase of \$273.1 million, or 49.6% in human services that was due mainly to an increase in the medical assistance drug rebate program, as a result of the transition to managed care as well as rising drug prices.

Capital grants and contributions increased \$62.3 million, or 14.1%. This increase is attributable to an increase of \$58.1 million in transportation resulting from annual fluctuations in the completion of projects and the receipt of the related federal funding.

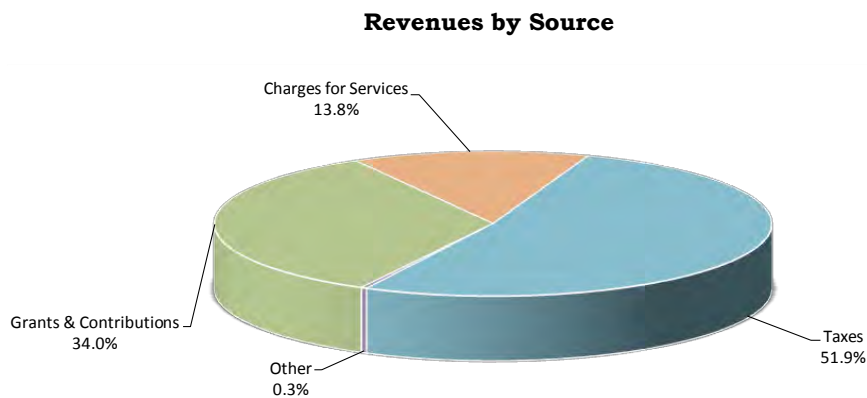
Operating grants and contributions decreased \$306.2 million, or 5.6%. The net decrease resulted from a decrease of \$272.8 million in human services, or 6.5%, due primarily to a reduction in federal support in the medical assistance program as a result of reduced expenditures and a slight change in the federal participation rate, and a decrease of \$66.8 million, or 32.6%, in justice & public defense due to lower federal disaster reimbursements. These decreases were offset by slight increases of \$14.0 million in education with additional federal funding for Child Nutrition and Title I programs, and \$10.7 million in economic development largely due to increases in federal support for the National Dislocated Worker grants and Trade grants at the Iowa Workforce Development.

General revenues experienced a net increase of \$182.5 million or 2.1% from fiscal year 2016. This is due in part to increases in personal income tax of \$95.5 million or 2.7%, sales & use tax of \$35.4 million or 1.3%, and in corporate income tax of \$57.5 million or 15.3%.

Although personal income tax withholding receipts grew at a steady 3.5%, both estimate payments and final return payments remitted by personal income taxpayers dropped in fiscal year 2017. The weakness in estimate payments is likely indicative of the lower realizations of capital gains during tax year 2016, while the decline in final return payments reflects both lower capital gains and a significant decrease in net farm income.

Retail sales tax receipts grew at only a 1.0% rate in fiscal year 2017. In contrast, retail and consumer's use tax receipts grew at a much stronger 4.2% rate in fiscal year 2017. With retail sales tax comprising over 83.0% of sales and use taxes collected each fiscal year, its weakness dragged down overall growth in fiscal year 2017. The weakness likely reflects the low price inflation for many taxable goods, a continued consumer shift to online shopping, and a continued turn by consumers away from the purchase of taxable goods toward the purchase of services, many of which are tax exempt in the State.

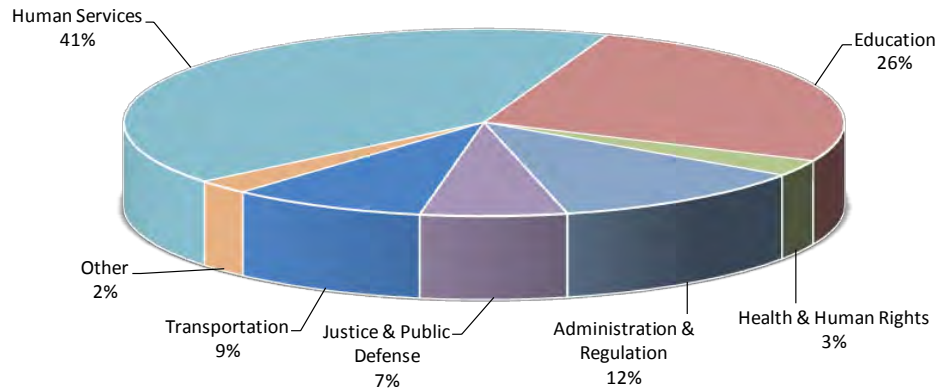
The growth in corporation income tax receipts results from an unexpected jump in corporation receipts that began in the fourth quarter and continued through the end of the fiscal year. The jump is largely the consequence of higher final return payments filed for returns received in April through September, although some growth in estimate payments were observed in the fiscal year hold-open.



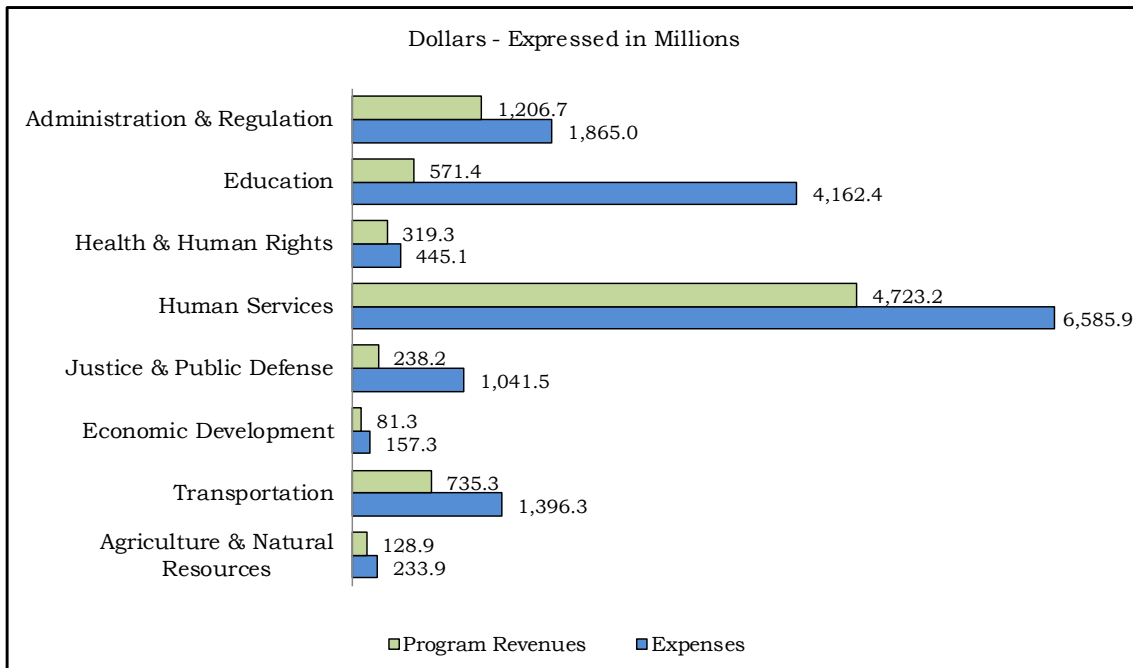
Overall, total expenses for governmental activities increased 0.9% over the prior year.

Expenses increased most significantly in education, \$156.8 million, transportation, \$74.8 million and administration & regulation, \$65.8 million, and decreased most significantly in human services, \$122.9 million and justice & public defense, \$56.1 million. The increase in education is primarily due to an increase of \$140.9 million in state aid to schools, and the increase in administration & regulation is largely due to an increase of \$25.0 million in state aid provided for commercial property tax credits and an increase of \$19.5 million in distributions corresponding to the increase in fuel tax receipts. The transportation increase of \$74.8 million is attributed to the normal fluctuation from year to year in the progress and completion of road projects. The decrease in human services is most notably due to a decrease in medical assistance expenses. The decrease in justice & public defense expenses is mainly due to a decrease of state aid for disaster reimbursements.

Expenses by Function



Program Revenues and Expenses



The cost of all governmental activities this fiscal year was \$15,966.8 million. However, the amount that taxpayers paid for these activities through State taxes was \$8,701.4 million. Part of the cost was paid by:

- Those who directly benefited from the programs (\$2,307.0 million) or
- Other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$5,697.3 million).

Business-type Activities

- University Funds had \$4,843.3 million in expenses and \$4,247.0 million in program revenues for net expenses of \$596.3 million. The largest change in revenues occurred in charges for services, which increased \$117.2 million or 3.6%. The increase was due, in part, to an increase in patient services revenue of \$57.1 million at the University of Iowa Hospitals and Clinics (UIHC) as well as an increase of \$46.1 million in tuition revenues. Capital grants and contributions revenue decreased \$44.1 million or

43.4% due to a decrease of \$72.0 million in federal reimbursements for flood related projects at the University of Iowa, which was partially offset by increases of \$27.9 million in capital grants and contributions including those for the Schindler renovation project and for the UIHC. The largest increases in expenses occurred in, personal services, \$154.6 million or 5.7%, and equipment & repairs, \$41.1 million or 6.6%. These increases are largely attributed to the provision of patient services at the UIHC. Investment income increased \$83.6 million or 149.5% due to favorable market performance. Assets increased \$284.4 million to \$9,437.4 million. This was due to an increase in capital assets of \$287.0 million related to a number of construction projects. Liabilities increased \$82.2 million, due to increases of \$36.0 million in other postemployment benefits payable and \$41.6 million in net pension liability. Deferred outflows of resources increased \$37.9 million and deferred inflows of resources decreased \$7.2 million, both primarily due to the recognition of amounts related to pensions.

- The Unemployment Benefits Fund had \$430.1 million in expenses and \$495.6 million in program revenues with operating income of \$65.5 million. Employer contributions increased \$44.7 million or 10.0%, as a result of higher contribution rates triggered by the fund balance of the prior fiscal year. Unemployment benefit payments increased \$13.5 million or 3.2%, due to an increase in claim filings as a result of a number of contributing factors.
- In total, business-type activities had net expenses of \$424.6 million with \$231.2 million in net general revenues and \$478.0 million in net transfers, for a net increase of \$284.6 million, to end with a net position of \$7,490.6 million.
- Other business-type activities expenses increased \$11.3 million and program revenues increased \$12.8 million. The Liquor Control Act fund which accounts for the revenues and expenses related to the sale of alcoholic beverages experienced an \$18.6 million increase in operating revenues and a \$15.1 million increase in operating expenses.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

The governmental funds reported total fund balances of \$2,054.2 million, a decrease of 6.0% from the previous year. Net revenues totaled \$16,806.5 million with expenditures of \$16,452.4 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* – \$1,230.1 million and \$1,225.7 million for FY2017 and FY2016, 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* – \$1,296.6 million and \$1,365.1 million for FY2017 and FY2016, 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 \$529.8 million and negative \$467.6 million for FY2017 and FY2016, 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 \$1,990.2 million for fiscal year 2016 to \$1,875.7 million for fiscal year 2017. The fiscal year 2017 General Fund consists of the following fund balances: \$46.4 million nonspendable, an increase of 3.4%, \$883.0 million restricted, an increase of 5.6%, \$1,274.4 million committed, a decrease of 3.7%, and negative \$328.1 million unassigned, a decrease of 53.0%. For fiscal year 2017, the committed fund balance includes \$605.7 million in reserve (rainy day) funds, a decrease of 16.9%.

Gross revenues of the General Fund increased \$294.8 million in fiscal year 2017. Taxes increased by \$240.5 million, a 2.6% increase from fiscal year 2016 to \$9,503.7 million in fiscal year 2017. Major contributors to the tax increase include an increase to individual income tax of \$139.2 million, an increase of \$53.8 million of corporate income tax, an increase of \$31.2 million of sales and use tax, and an increase of \$22.2 million in fuel tax resulting from a 3.8% increase in sales of taxable gallons of motor and diesel fuel. Receipts from other entities had a net decrease of \$92.3 million as a result of decreases 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 \$139.4 million due in part to the medical assistance program within the DHS, collections of drug rebates in managed care programs due to increased utilization and prices of prescription drugs.

Total expenditures of the General Fund increased \$116.8 million in fiscal year 2017. Expenditures increased in education \$148.7 million due mainly to an increase in the school foundation aid. Business Property Tax Credits expenditures, in the administration & regulation function increased by \$24.7 million due to property tax reduction legislation that became effective in fiscal year 2015. Capital outlay increased \$80.4 million due primarily to expected timing fluctuations of Department of Transportation projects. In addition, debt service payments had a net increase of \$2.6 million. The increases were offset by a net decrease in human services expenditures of \$119.2 million due primarily to decreases in the Medical Assistance program that transitioned from a fee-for-service model to a managed care model.

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 \$51.4 million to \$283.5 million. The decrease was due to receipt of funds from the Tobacco Collections Fund which reduced the interfund advance (receivable). These funds were primarily used to pay principal and interest on bonds totaling \$13.9 million and \$38.9 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 \$51.4 million to a deficit balance of \$201.7 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 \$247.2 million to \$6,128.8 million while unrestricted net position decreased \$39.1 million to \$1,747.6 million.

The total net position of the Unemployment Benefits Fund, which is entirely restricted for unemployment benefits, increased \$85.1 million to end fiscal year 2017 at \$1,303.5 million.

The nonmajor enterprise funds total net position decreased \$46.8 million or 41.4% to \$66.2 million.

The Iowa Communications Network net position decreased \$2.8 million or 8.1% to \$31.2 million. The decrease in net position is primarily due to increased expenses to upgrade the network.

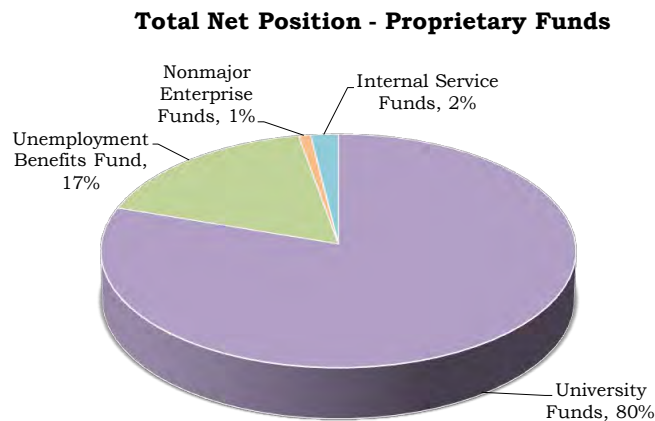
The Honey Creek Park total net position decreased \$45.4 million or 100.0% to \$0.0 million. Honey Creek Park was used to account for the development of the destination park and park operations. The State entered into a service and management arrangement with a corporation for park management and operations and transferred total net position, including approximately \$45.3 million of capital assets, to the General Fund/governmental activities.

The Liquor Control Act total net position increased \$0.5 million or 10.7% to \$5.2 million due mainly to the development of a new liquor licensing system along with a 5.8% increase in liquor sales.

Iowa State Prison Industries total net position remained constant at \$21.0 million.

The net position of the nonmajor enterprise funds – other funds increased \$0.9 million or 11.1% to \$8.9 million mainly as a result of operations of the Boiler & Pressure Vessel Safety Fund and the Elevator Safety Fund at Iowa Workforce Development where net position increased \$0.5 million, a 68.2% increase and \$0.3 million, a 27.8% increase, respectively.

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 three categories:

- Supplemental appropriations: \$4,300,000
- Legislatively approved reductions in appropriations: \$92,506,720
- Adjustments to standing appropriations: \$1,086,163

The originally enacted General Fund budget for fiscal year 2017 of \$7,350.6 million was predicated on \$7,357.4 million or 4.6% growth in General Fund revenues, as projected by the State’s Revenue Estimating Conference (REC) on March 16, 2016. The March estimate reflected the expectation that revenues would increase from an estimated 3.7% growth for fiscal year 2016. Also included in the enacted General Fund budget was \$22.6 million in revenue adjustments for tax law and revenue changes along with \$45.6 million in surplus from reserve funds back to the General Fund.

At the October 13, 2016 meeting, the REC revised its fiscal year 2017 General Fund revenue estimate downward to \$7,308.1 million and with a finalized FY2016 base, the growth was at 5.6%. This change was based upon the finalized base for fiscal year 2016 of 1.5%. On December 12, 2016, the REC decreased the revenue estimate slightly to \$7,211.9 million. On March 14, 2017, the REC lowered the revenue estimate to \$7,106.0 million or 2.7% growth.

On February 1, 2017, Governor Branstad signed into law SF130 that provided for \$92.5 million in deappropriations to the General Fund, \$4.3 million in supplemental appropriations from the General Fund and \$25.1 million in transfers to the General Fund from other State accounts. On May 12, 2017, Governor Branstad

signed into law SF516 which among other items, transferred \$131.1 million from the Cash Reserve Fund to the General Fund.

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 2017, these standing appropriations were more than the original estimates by \$1.1 million. A variety of standing appropriations make up the changes to standing appropriations.

During May and June of 2017, and throughout the accrual period, actual General Fund revenue collections continued to be slightly below the revised projections. At the close of fiscal year 2017, after adjusting for transfers from the reserve funds to the General Fund, revenue collections totaled \$7,095.9 million which is a 2.5% growth over fiscal year 2016. As a result, Governor Reynolds issued an official proclamation on September 28, 2017 authorizing the Department of Management to transfer \$13.0 million from the Economic Emergency Fund to the General Fund as provided by Iowa Code section 8.55, to bring the General Fund into balance for fiscal year 2017.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the State had \$15,234.7 million invested in capital assets, net of accumulated depreciation of \$13,081.4 million. Depreciation charges totaled \$945.0 million in fiscal year 2017. The details of these assets are presented in Table 4. Additional information about the State's capital assets is presented in NOTE 6 of the financial statements.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2016-2017
	2017	2016	2017	2016	2017	2016	
Land	\$ 892.0	\$ 840.8	\$ 93.3	\$ 88.7	\$ 985.3	\$ 929.5	6.0%
Land improvements	61.1	46.2	30.9	34.4	92.0	80.6	14.1%
Construction in progress	35.1	36.5	419.1	824.0	454.2	860.5	-47.2%
Computer software in progress	27.4	52.4	9.3	9.1	36.7	61.5	-40.3%
Infrastructure	7,021.9	6,665.1	440.7	431.3	7,462.6	7,096.4	5.2%
Buildings & improvements	1,096.4	1,081.1	3,794.1	3,230.2	4,890.5	4,311.3	13.4%
Equipment	209.2	205.5	450.0	389.1	659.2	594.6	10.9%
Works of art & collections	1.2	1.2	422.6	404.4	423.8	405.6	4.5%
Computer software	170.3	115.4	58.7	58.6	229.0	174.0	31.6%
Other intangibles	-	-	1.4	1.5	1.4	1.5	-6.7%
Total	\$ 9,514.6	\$ 9,044.2	\$ 5,720.1	\$ 5,471.3	\$ 15,234.7	\$ 14,515.5	5.0%

As previously discussed, the State entered into a service and management arrangement for Honey Creek Park which resulted in a transfer of \$45.3 million in capital assets from the business-type activities to the governmental activities; infrastructure \$11.5 million, land improvements \$5.5 million, buildings and improvements \$27.2 million, and equipment \$1.1 million. These amounts impact individual asset discussion below, but are not included to avoid repetition.

In the governmental activities, capital assets, net of accumulated depreciation, increased \$470.4 million, or 5.2%, to \$9,514.6 million. Infrastructure increased \$356.8 million, or 5.4%, primarily due to increases in highway and bridge construction projects by the Department of Transportation (DOT), offset by the recognition of depreciation expense for the year. Computer software increased \$54.9 million or 47.6% and computer software in progress decreased \$25.0 million or 47.7% due mainly to the completion of projects at the Departments of Human Services, Workforce Development and Public Health. Land increased \$51.2 million, or 6.1%, as a result of net increases of \$34.9 million and \$4.2 million at the DOT and the Department of Public Defense, respectively. In

addition, buildings & improvements increased \$15.3 million, or 1.4%, due to increases at the Department of Public Defense and DOT, offset by the recognition of depreciation expense for the year.

Capital assets, net of accumulated depreciation, in the business-type activities increased \$248.8 million, or 4.5%, to \$5,720.1 million. Construction in progress decreased \$404.9 million, or 49.1%, primarily due to completed construction projects at the University of Iowa. The University had unprecedented construction on campus with the completion of Hancher Auditorium, Visual Arts Building, Voxman School of Music Building and the Stead Family Children’s Hospital in 2017. Correspondingly, buildings & improvements, net of accumulated depreciation, increased \$563.9 million, or 17.5%, due mainly to completion of construction projects at the University of Iowa and the recognition of depreciation expense for the year. In addition, equipment increased \$60.9 million, or 15.7%, with \$54.3 million and \$6.2 million at the University of Iowa and the Iowa Communications Network, respectively.

Outstanding commitments for future capital expenditures as of June 30, 2017 include \$735.0 million (net of \$496.2 million in anticipated federal funding) for highway and bridge construction, \$399.1 million for various projects at the three State universities, \$34.3 million for the Iowa Statewide Interoperable Communications System (ISICS), an emergency public safety communication system, \$15.7 million for State facilities and buildings, \$11.1 million for State parks, recreational areas, fisheries and wetland projects, and \$7.4 million for public defense improvements at various locations.

Long-term Debt

At year-end, the State had \$3,613.7 million in revenue bonds and leases and other financing arrangements outstanding as shown in Table 5. More detailed information about the State’s long-term liabilities is presented in NOTE 7 to the financial statements.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2016-2017
	2017	2016	2017	2016	2017	2016	
Revenue bonds	\$ 1,587.7	\$ 1,624.0	\$ 1,916.1	\$ 1,936.9	\$ 3,503.8	\$ 3,560.9	-1.6%
Leases & other financing arrangements	34.4	1.9	75.5	86.0	109.9	87.9	25.0%
Total	\$ 1,622.1	\$ 1,625.9	\$ 1,991.6	\$ 2,022.9	\$ 3,613.7	\$ 3,648.8	-1.0%

Revenue bonds issued by the State and its various authorities totaled \$5,017.3 million outstanding at fiscal year-end. This amount consisted of \$1,513.4 million of component unit (proprietary) revenue bonds (Iowa Finance Authority and Iowa State University Foundation), \$1,916.1 million in revenue bonds issued by the three State universities (for equipment and facilities), \$738.1 million in revenue bonds issued by the Tobacco Settlement Authority, \$9.4 million in revenue bonds issued by the State of Iowa for the Iowa Utilities Board, \$654.8 million in revenue bonds issued by the State of Iowa for the IJOBS program, \$128.2 million in revenue bonds issued by the State of Iowa for Prison Infrastructure and \$57.3 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 \$36.3 million, due to the payment of principal as it came due in fiscal year 2017.

Business-type activities outstanding revenue bonds decreased \$20.8 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.

Governmental activities leases & other financing arrangements increased \$32.5 million primarily due to the Department of Public Safety entering into a capital lease for tower sites as a part of the Iowa Statewide Interoperable Communications System (ISICS).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Iowa saw slower growth in fiscal year 2017. Iowa's 2.5% growth in General Fund revenues was due to slow growth in personal income and weak growth in sales/use tax offset by better than expected growth in corporate income tax. The volatility in personal income tax and continued weakness in taxable consumption has been the trend nationally as well, according to the Nelson A. Rockefeller Institute of Government.

The Governor and General Assembly finished their work on April 22, 2017, on the 104th day of the scheduled 100 day second session of the 87th General Assembly, finalizing the General Fund budget for fiscal year 2018. Amounts available for appropriation in fiscal year 2018 based on the 99% budget limitation for the General Fund budget were \$7,296.7 million. General Fund appropriations totaled \$7,268.8 million.

At the REC meeting in October 2017, the fiscal year 2018 revenue estimate was decreased from a revised \$7,370.5 million to \$7,237.5 million, largely as a reflection of actual revenue collections in fiscal year 2017, law changes passed during the 2017 Legislative Session which increased revenue a total of \$6.0 million, current year to date revenue growth, and the anticipated slow growth of tax revenues that is reflective of the slow growth in the agricultural economy in the State. The revised estimate reflects projected revenue growth of 0.0% compared to actual revenues for the previous fiscal year when taking into account the fiscal year 2017 transfers from the reserve funds to the General Fund.

Recent revenue performance has been positive, which is reflective of the positive impact of the continued job growth in Iowa's economy. Iowa's unemployment rate was at 3.2% in September 2017, slightly lower than the rate for August 2017 of 3.3% and lower than the national rate of 4.2% for September 2017, showing Iowa's labor market holding its own.

According to Moody's Analytics, the U.S. economy is at full employment and expected to be beyond full employment by this time next year. The unemployment rate is already closing in on 4.0%, any underemployment has also been absorbed and job growth is more than double that necessary to employ those coming into the labor force. Inflation is also expected to steadily accelerate, from under its 2.0% target to a high between 2.5% and 3.0% by 2019. Fueling the stronger inflation will be the tight labor market, strong rent growth, and greater medical care inflation.

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, 2017

(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Current assets:				
Cash & investments	\$ 1,802,776	\$ 1,803,113	\$ 3,605,889	\$ 1,529,699
Cash & investments - restricted	-	-	-	10,552
Deposits with trustees	157,688	-	157,688	-
Accounts receivable (net)	1,904,044	702,076	2,606,120	103,681
Interest receivable	-	2,656	2,656	6,230
Loans receivable (net)	15,130	8,239	23,369	106,958
Internal balances	22,269	(22,269)	-	-
Inventory	21,262	71,281	92,543	3,331
Prepaid expenses	39,754	50,290	90,044	1,446
Other assets	-	-	-	15,676
Total current assets	<u>3,962,923</u>	<u>2,615,386</u>	<u>6,578,309</u>	<u>1,777,573</u>
Noncurrent assets:				
Cash & investments	-	2,425,326	2,425,326	2,188,473
Deposits with trustees	76,947	14,650	91,597	-
Accounts receivable (net)	216,424	4,835	221,259	187,529
Interest receivable	-	552	552	-
Loans receivable (net)	29,482	68,078	97,560	1,697,961
Capital assets - nondepreciable	954,562	901,478	1,856,040	25,986
Capital assets - depreciable (net)	8,560,022	4,818,656	13,378,678	93,171
Prepaid expenses	-	11,673	11,673	-
Other assets	-	15,106	15,106	24,709
Total noncurrent assets	<u>9,837,437</u>	<u>8,260,354</u>	<u>18,097,791</u>	<u>4,217,829</u>
TOTAL ASSETS	<u>13,800,360</u>	<u>10,875,740</u>	<u>24,676,100</u>	<u>5,995,402</u>
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	-	-	1,241
Debt refunding loss	43,801	23,943	67,744	23,264
Excess consideration provided for acquisition	-	1,116	1,116	4,853
Related to pensions	344,443	67,829	412,272	6,113
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>388,244</u>	<u>92,888</u>	<u>481,132</u>	<u>35,471</u>

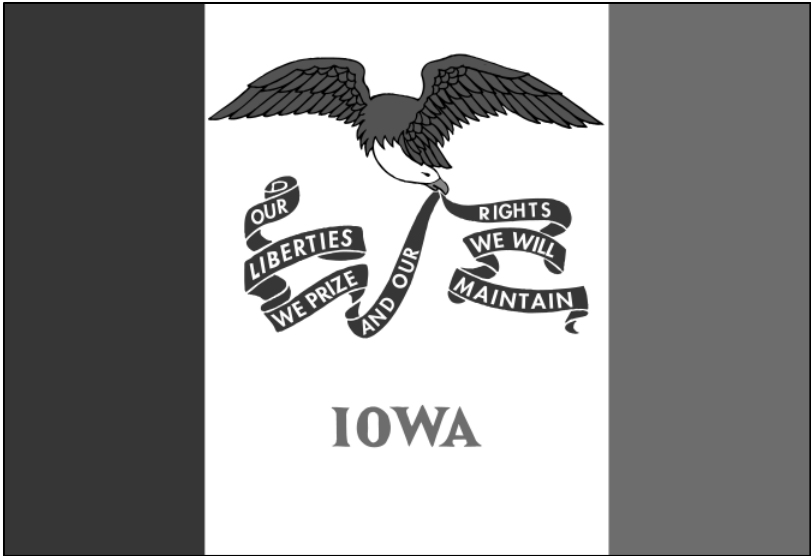
The notes are an integral part of the financial statements.

(continued on next page)

STATE OF IOWA

(Continued)

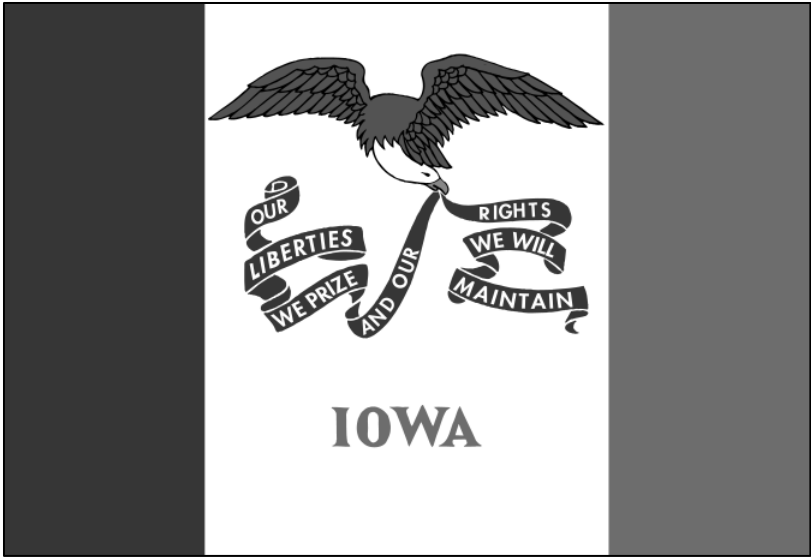
	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	1,422,897	429,304	1,852,201	73,512
Interest payable	7,299	27,018	34,317	22,583
Unearned revenue	47,030	113,180	160,210	505
Compensated absences	147,477	134,890	282,367	2,785
Capital leases	3,417	2,504	5,921	780
Bonds payable	125,260	98,774	224,034	63,431
Other financing arrangements payable	263	10,199	10,462	-
Funds held in custody	-	226,866	226,866	163,996
Total current liabilities	1,753,643	1,042,735	2,796,378	327,592
Noncurrent liabilities:				
Accounts payable & accruals	248,984	55,880	304,864	86,354
Unearned revenue	336	2,246	2,582	-
Compensated absences	172,931	81,309	254,240	2,887
Capital leases	29,426	26,983	56,409	825
Bonds payable	1,462,478	1,817,371	3,279,849	1,449,995
Other financing arrangements payable	1,285	35,805	37,090	-
Net pension liability	1,112,961	144,118	1,257,079	23,256
Other postemployment benefits	121,644	221,818	343,462	1,390
Funds held in custody	-	40,885	40,885	6,444
Total noncurrent liabilities	3,150,045	2,426,415	5,576,460	1,571,151
TOTAL LIABILITIES	4,903,688	3,469,150	8,372,838	1,898,743
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in fair value of hedging derivatives	-	-	-	3,768
Debt refunding gain	-	5,473	5,473	-
Grants received in advance of meeting timing requirements	-	385	385	-
Related to pensions	100,774	3,019	103,793	1,212
TOTAL DEFERRED INFLOWS OF RESOURCES	100,774	8,877	109,651	4,980
NET POSITION				
Net investment in capital assets	9,242,231	3,858,357	13,100,588	115,489
Restricted for:				
Education	54,595	-	54,595	-
Human services	5,962	-	5,962	-
Justice & public defense	3,608	-	3,608	-
Transportation	673,983	-	673,983	-
Agriculture & natural resources	6,539	-	6,539	-
Underground Storage Tank Program	16,274	-	16,274	-
Capital projects	8,374	-	8,374	-
University Funds - expendable	-	484,193	484,193	-
University Funds - nonexpendable	-	76,458	76,458	-
Permanent Funds - nonexpendable	10,428	-	10,428	-
Unemployment Benefits Fund	-	1,303,462	1,303,462	-
Other	161,751	-	161,751	3,765,515
Unrestricted	(999,603)	1,768,131	768,528	246,146
TOTAL NET POSITION	\$ 9,184,142	\$ 7,490,601	\$ 16,674,743	\$ 4,127,150



STATE OF IOWA
Statement of Activities
For the Year Ended June 30, 2017
(Expressed in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES & CHANGES IN NET POSITION			
		CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNITS
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
PRIMARY GOVERNMENT:								
Governmental activities:								
Administration & regulation	\$ 1,864,959	\$ 1,118,233	\$ 88,463	\$ -	\$ (658,263)	\$ -	\$ (658,263)	
Education	4,162,360	17,714	553,715	-	(3,590,931)	-	(3,590,931)	
Health & human rights	445,057	75,320	239,229	4,793	(125,715)	-	(125,715)	
Human services	6,585,944	823,549	3,899,623	-	(1,862,772)	-	(1,862,772)	
Justice & public defense	1,041,523	97,779	138,044	2,391	(803,309)	-	(803,309)	
Economic development	157,288	1,739	79,526	-	(76,023)	-	(76,023)	
Transportation	1,396,315	100,598	144,183	490,497	(661,037)	-	(661,037)	
Agriculture & natural resources	233,883	72,052	51,433	5,440	(104,958)	-	(104,958)	
Interest expense	79,424	-	-	-	(79,424)	-	(79,424)	
Total governmental activities	15,966,753	2,306,984	5,194,216	503,121	(7,962,432)	-	(7,962,432)	
Business-type activities:								
University Funds	4,843,267	3,390,227	799,141	57,588	-	(596,311)	(596,311)	
Unemployment Benefits Fund	430,068	493,643	1,979	-	-	65,554	65,554	
Other	285,205	391,346	-	-	-	106,141	106,141	
Total business-type activities	5,558,540	4,275,216	801,120	57,588	-	(424,616)	(424,616)	
TOTAL PRIMARY GOVERNMENT	\$ 21,525,293	\$ 6,582,200	\$ 5,995,336	\$ 560,709	(7,962,432)	(424,616)	(8,387,048)	
COMPONENT UNITS:								
Iowa Finance Authority	\$ 167,017	\$ 19,609	\$ 114,946	\$ -	-	-	-	\$ (32,462)
Iowa Economic Development Authority	169,186	2,779	138,400	-	-	-	-	(28,007)
Iowa State Fair Authority	26,773	25,119	2,858	2,234	-	-	-	3,438
Iowa Lottery Authority	351,921	352,265	-	-	-	-	-	344
University of Iowa Foundation	161,397	-	174,345	-	-	-	-	12,948
Iowa State University Foundation	129,850	-	223,834	-	-	-	-	93,984
University of Northern Iowa Foundation	21,298	-	16,799	-	-	-	-	(4,499)
University of Iowa Research Foundation	6,290	3,252	-	-	-	-	-	(3,038)
University of Iowa Health System	55,210	42,578	-	-	-	-	-	(12,632)
TOTAL COMPONENT UNITS	\$ 1,088,942	\$ 445,602	\$ 671,182	\$ 2,234	-	-	-	30,076
GENERAL REVENUES:								
Personal income tax					3,637,895	-	3,637,895	-
Corporate income tax					432,056	-	432,056	-
Sales & use tax					2,793,825	-	2,793,825	-
Other tax					791,607	8,078	799,685	-
Motor fuel tax restricted for transportation purposes					674,603	-	674,603	-
Road use tax restricted for transportation purposes					371,361	-	371,361	-
Unrestricted investment earnings					16,257	162,438	178,695	284,019
Other					38,369	60,590	98,959	25,479
Gain on sale of assets					2,260	69	2,329	(680)
Transfers					(478,019)	478,019	-	-
TOTAL GENERAL REVENUES & TRANSFERS					8,280,214	709,194	8,989,408	308,818
CHANGE IN NET POSITION					317,782	284,578	602,360	338,894
NET POSITION - JULY 1					8,866,360	7,206,023	16,072,383	3,788,256
NET POSITION - JUNE 30					\$ 9,184,142	\$ 7,490,601	\$ 16,674,743	\$ 4,127,150

The notes are an integral part of the financial statements.



GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Funds

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

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

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

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

STATE OF IOWA

**Balance Sheet
Governmental Funds**

June 30, 2017
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Current assets:					
Cash & investments	\$ 1,612,216	\$ 5,108	\$ -	\$ 112,381	\$ 1,729,705
Deposits with trustees	157,688	-	-	-	157,688
Accounts receivable (net)	1,857,722	217	27,048	18,013	1,903,000
Loans receivable (net)	14,982	-	-	148	15,130
Due from other funds	38,122	132,519	-	1,734	172,375
Inventory	12,348	-	-	136	12,484
Prepaid expenditures	34,097	-	-	248	34,345
Total current assets	3,727,175	137,844	27,048	132,660	4,024,727
Noncurrent assets:					
Deposits with trustees	-	76,947	-	-	76,947
Accounts receivable (net)	212,939	-	-	3,485	216,424
Loans receivable (net)	28,577	-	-	905	29,482
Due from other funds/advances to other funds	-	69,160	-	-	69,160
Total noncurrent assets	241,516	146,107	-	4,390	392,013
TOTAL ASSETS	\$ 3,968,691	\$ 283,951	\$ 27,048	\$ 137,050	\$ 4,416,740
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	\$ 1,345,756	\$ 211	\$ -	\$ 5,732	\$ 1,351,699
Due to other funds/advances from other funds	80,872	287	132,519	26,209	239,887
Unearned revenue	20,225	-	-	528	20,753
Total current liabilities	1,446,853	498	132,519	32,469	1,612,339
Noncurrent liabilities:					
Accounts payable & accruals	172,593	-	-	-	172,593
Due to other funds/advances from other funds	-	-	69,160	-	69,160
Unearned revenue	336	-	-	-	336
Total noncurrent liabilities	172,929	-	69,160	-	242,089
TOTAL LIABILITIES	1,619,782	498	201,679	32,469	1,854,428
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	473,175	-	27,048	7,906	508,129
FUND BALANCES					
Nonspendable	46,445	-	-	10,813	57,258
Spendable:					
Restricted	883,016	283,453	-	63,664	1,230,133
Committed	1,274,404	-	-	22,225	1,296,629
Unassigned	(328,131)	-	(201,679)	(27)	(529,837)
TOTAL FUND BALANCES	1,875,734	283,453	(201,679)	96,675	2,054,183
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	\$ 3,968,691	\$ 283,951	\$ 27,048	\$ 137,050	\$ 4,416,740

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, 2017
(Expressed in Thousands)

Total fund balances - governmental funds \$ 2,054,183

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 \$17,826,995,000 and the accumulated depreciation is \$(8,428,889,000). 9,398,106

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. 159,561

Certain revenues are earned but not available and, therefore, are deferred in governmental funds as deferred inflows of resources. 508,129

Pension related deferred amounts are not due and payable in the current year and, therefore, are not reported in the governmental funds:

Deferred outflows of resources	\$	337,782	
Deferred inflows of resources		(98,583)	
Net pension related deferred			239,199

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. 43,801

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		(1,587,738)	
Accrued interest payable		(7,299)	
Compensated absences		(314,123)	
Capital leases		(32,843)	
Other financing arrangements payable		(1,548)	
Pollution remediation		(19,297)	
Early retirement/termination benefits		(22,931)	
Risk management		(20,000)	
Net pension liability		(1,092,655)	
Other postemployment benefits		(119,361)	
Other long-term liabilities		(1,042)	
Total long-term liabilities			\$ (3,218,837)

Net position of governmental activities \$ 9,184,142

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, 2017
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 9,503,731	\$ -	\$ -	\$ -	\$ 9,503,731
Receipts from other entities	5,962,628	-	-	8,973	5,971,601
Investment income	10,834	2,705	-	2,689	16,228
Fees, licenses & permits	1,369,619	-	-	55,512	1,425,131
Refunds & reimbursements	778,287	-	65,869	5,397	849,553
Sales, rents & services	36,458	-	-	5,256	41,714
Miscellaneous	187,076	-	-	26,591	213,667
GROSS REVENUES	17,848,633	2,705	65,869	104,418	18,021,625
Less revenue refunds	1,212,234	-	-	2,921	1,215,155
NET REVENUES	16,636,399	2,705	65,869	101,497	16,806,470
EXPENDITURES					
Current:					
Administration & regulation	1,804,451	1,213	-	30,523	1,836,187
Education	4,134,125	-	-	20,143	4,154,268
Health & human rights	437,339	-	-	364	437,703
Human services	6,601,012	-	-	212	6,601,224
Justice & public defense	985,869	-	-	911	986,780
Economic development	156,032	-	-	-	156,032
Transportation	626,525	-	-	10	626,535
Agriculture & natural resources	205,803	-	-	7,288	213,091
Capital outlay	1,271,853	-	-	27,249	1,299,102
Debt service:					
Payment to escrow agent	3,246	-	-	-	3,246
Principal	44,360	13,935	-	-	58,295
Interest & fiscal charges	41,016	38,944	-	-	79,960
TOTAL EXPENDITURES	16,311,631	54,092	-	86,700	16,452,423
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	324,768	(51,387)	65,869	14,797	354,047
OTHER FINANCING SOURCES (USES)					
Transfers in	192,958	-	-	27,295	220,253
Transfers out	(670,608)	-	(14,491)	(58,423)	(743,522)
Leases, installment purchases & other	37,227	-	-	-	37,227
Premium on revenue refunding bonds	74,176	-	-	-	74,176
Revenue refunding bonds issued	345,215	-	-	-	345,215
Payment to refunded bond escrow agent	(418,206)	-	-	-	(418,206)
TOTAL OTHER FINANCING SOURCES (USES)	(439,238)	-	(14,491)	(31,128)	(484,857)
NET CHANGE IN FUND BALANCES	(114,470)	(51,387)	51,378	(16,331)	(130,810)
FUND BALANCES - JULY 1	1,990,204	334,840	(253,057)	113,006	2,184,993
FUND BALANCES - JUNE 30	\$ 1,875,734	\$ 283,453	\$ (201,679)	\$ 96,675	\$ 2,054,183

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, 2017
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ (130,810)

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	\$ 1,063,776	
Depreciation expense	<u>(586,896)</u>	
Excess of capital outlay over depreciation expense		476,880

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. (10,116)

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:

Bonds	(419,391)	
Capital leases	<u>(37,227)</u>	
Total		(456,618)

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	479,747	
Capital lease payments	4,436	
Other financing arrangements payments	<u>253</u>	
Total long-term debt repayments		484,436

Internal service funds are used by management to charge the cost of certain activities to individual funds. A portion of the net revenue of the internal service funds is reported with governmental activities. 7,073

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. (41,161)

Pension related deferred amounts are not due and payable in the current year and, therefore, are not reported in governmental funds:

Deferred outflows of resources	121,253	
Deferred inflows of resources	<u>43,194</u>	
Net pension related deferred		164,447

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	(2,615)	
Early retirement/termination benefits	(2,490)	
Net pension liability	(168,138)	
Other postemployment benefits	(8,212)	
Other	<u>5,106</u>	
Total additional expenses		<u>(176,349)</u>

Change in net position of governmental activities \$ 317,782

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, 2017
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS		
ASSETS					
Current assets:					
Cash & investments	\$ 594,416	\$ 1,160,534	\$ 43,720	\$ 1,798,670	\$ 77,514
Accounts receivable (net)	500,807	179,661	21,499	701,967	1,153
Interest receivable	2,656	-	-	2,656	-
Loans receivable (net)	8,239	-	-	8,239	-
Due from other funds/advances to other funds	-	650	50	700	91,637
Inventory	60,541	-	10,740	71,281	8,778
Prepaid expenses	48,169	-	2,112	50,281	5,418
Total current assets	1,214,828	1,340,845	78,121	2,633,794	184,500
Noncurrent assets:					
Cash & investments	2,425,326	-	-	2,425,326	-
Deposits with trustees	14,650	-	-	14,650	-
Accounts receivable	4,835	-	-	4,835	-
Interest receivable	552	-	-	552	-
Loans receivable (net)	68,078	-	-	68,078	-
Due from other funds/advances to other funds	-	-	-	-	103
Capital assets - nondepreciable	893,883	-	7,595	901,478	-
Capital assets - depreciable (net)	4,788,428	-	30,228	4,818,656	116,478
Prepaid expenses	11,673	-	-	11,673	-
Other assets	15,106	-	-	15,106	-
Total noncurrent assets	8,222,531	-	37,823	8,260,354	116,581
TOTAL ASSETS	9,437,359	1,340,845	115,944	10,894,148	301,081
DEFERRED OUTFLOWS OF RESOURCES					
Debt refunding loss	23,943	-	-	23,943	-
Excess consideration provided for acquisition	1,116	-	-	1,116	-
Related to pensions	62,993	-	4,836	67,829	6,661
TOTAL DEFERRED OUTFLOWS OF RESOURCES	88,052	-	4,836	92,888	6,661
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	391,585	14,887	22,160	428,632	34,797
Due to other funds/advances from other funds	-	684	10,569	11,253	13,572
Interest payable	27,018	-	-	27,018	-
Unearned revenue	88,872	21,812	2,496	113,180	26,277
Compensated absences	132,945	-	1,945	134,890	2,940
Capital leases	2,504	-	-	2,504	-
Bonds payable	98,774	-	-	98,774	-
Other financing arrangements payable	10,199	-	-	10,199	-
Funds held in custody	226,866	-	-	226,866	-
Total current liabilities	978,763	37,383	37,170	1,053,316	77,586
Noncurrent liabilities:					
Accounts payable & accruals	55,745	-	135	55,880	50,194
Due to other funds/advances from other funds	-	-	-	-	103
Unearned revenue	2,246	-	-	2,246	-
Compensated absences	79,262	-	2,047	81,309	3,345
Capital leases	26,983	-	-	26,983	-
Bonds payable	1,817,371	-	-	1,817,371	-
Other financing arrangements payable	35,805	-	-	35,805	-
Net pension liability	132,005	-	12,113	144,118	20,306
Other postemployment benefits	220,126	-	1,692	221,818	2,283
Funds held in custody	40,885	-	-	40,885	-
Total noncurrent liabilities	2,410,428	-	15,987	2,426,415	76,231
TOTAL LIABILITIES	3,389,191	37,383	53,157	3,479,731	153,817
DEFERRED INFLOWS OF RESOURCES					
Debt refunding gain	5,473	-	-	5,473	-
Grants received in advance of meeting timing requirements	385	-	-	385	-
Related to pensions	1,575	-	1,444	3,019	2,191
TOTAL DEFERRED INFLOWS OF RESOURCES	7,433	-	1,444	8,877	2,191
NET POSITION					
Net investment in capital assets	3,820,534	-	37,823	3,858,357	116,478
Restricted for:					
Expendable	484,193	-	-	484,193	-
Nonexpendable	76,458	-	-	76,458	-
Unemployment benefits	-	1,303,462	-	1,303,462	-
Unrestricted	1,747,602	-	28,356	1,775,958	35,256
TOTAL NET POSITION	\$ 6,128,787	\$ 1,303,462	\$ 66,179	7,498,428	\$ 151,734
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(7,827)	
NET POSITION OF BUSINESS-TYPE ACTIVITIES				\$ 7,490,601	

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, 2017
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS		
OPERATING REVENUES					
Employer contributions	\$ -	\$ 493,631	\$ -	\$ 493,631	\$ -
Receipts from other entities	-	1,979	-	1,979	159,473
Fees, licenses & permits	2,664,824	-	21,585	2,686,409	360
Refunds & reimbursements	-	-	300	300	57,780
Sales, rents & services	401,918	-	364,405	766,323	1,676
Grants & contracts	577,907	-	-	577,907	-
Independent/auxiliary operations	323,485	-	-	323,485	-
Miscellaneous	60,577	12	5,056	65,645	5,697
TOTAL OPERATING REVENUES	4,028,711	495,622	391,346	4,915,679	224,986
OPERATING EXPENSES					
General & administrative	-	-	11,806	11,806	-
Scholarship & fellowship	40,631	-	-	40,631	-
Depreciation	336,646	-	4,218	340,864	17,252
Direct & other	-	-	32,635	32,635	-
Personal services	2,881,431	-	8,772	2,890,203	37,293
Travel & subsistence	36,427	-	1,197	37,624	15,390
Supplies & materials	682,377	-	455	682,832	43,475
Contractual services	125,313	-	7,213	132,526	47,214
Equipment & repairs	662,578	-	899	663,477	26,644
Claims & miscellaneous	10,264	-	213,418	223,682	31,561
Licenses, permits & refunds	4,822	-	883	5,705	56
State aid & credits	-	430,068	3,716	433,784	-
TOTAL OPERATING EXPENSES	4,780,489	430,068	285,212	5,495,769	218,885
OPERATING INCOME (LOSS)	(751,778)	65,554	106,134	(580,090)	6,101
NONOPERATING REVENUES (EXPENSES)					
Gifts	221,234	-	-	221,234	-
Taxes	-	-	8,078	8,078	-
Investment income	139,571	22,610	152	162,333	134
Interest expense	(55,094)	-	-	(55,094)	-
Miscellaneous expenses	(523)	-	-	(523)	-
Gain (loss) on sale of capital assets	(6,146)	-	(45,181)	(51,327)	(66)
NET NONOPERATING REVENUES (EXPENSES)	299,042	22,610	(36,951)	284,701	68
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	(452,736)	88,164	69,183	(295,389)	6,169
Capital contributions & grants	57,602	-	-	57,602	-
Transfers in	642,340	-	1,150	643,490	-
Transfers out	-	(3,095)	(117,126)	(120,221)	-
CHANGE IN NET POSITION	247,206	85,069	(46,793)	285,482	6,169
TOTAL NET POSITION - JULY 1	5,881,581	1,218,393	112,972		145,565
TOTAL NET POSITION - JUNE 30	\$ 6,128,787	\$ 1,303,462	\$ 66,179		\$ 151,734
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(904)	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES				\$ 284,578	

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, 2017
(Expressed in Thousands)

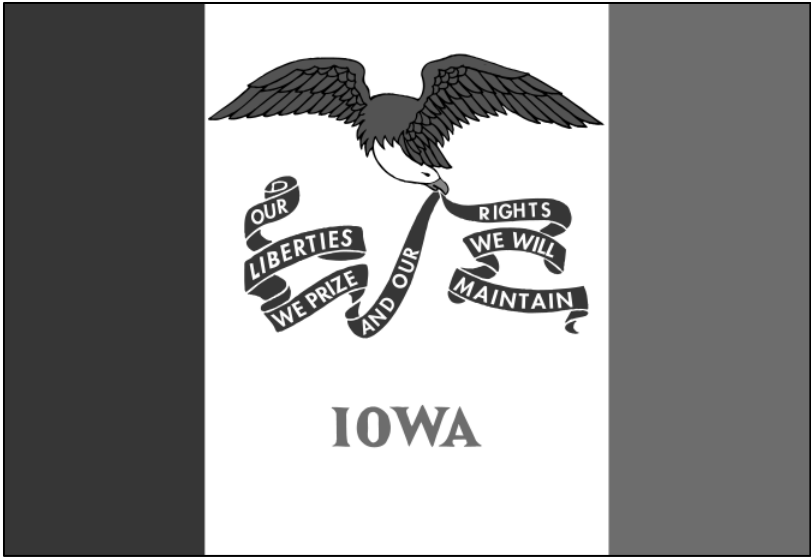
	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers/students	\$ 3,361,940	\$ -	\$ 386,478	\$ 3,748,418	\$ -
Cash received from miscellaneous	85,806	12	5,086	90,904	-
Cash received from employers	-	487,134	-	487,134	-
Cash received from other entities	593,948	1,979	-	595,927	16,761
Cash received from reciprocal interfund activity	-	-	-	-	204,897
Cash payments to suppliers for goods & services	(1,674,998)	-	(252,843)	(1,927,841)	(159,470)
Cash payments to employees/students for services	(2,765,768)	-	(18,980)	(2,784,748)	(36,434)
Cash payments for unemployment claims	-	(425,397)	-	(425,397)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(399,072)	63,728	119,741	(215,603)	25,754
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	585,785	-	1,150	586,935	-
Transfers out to other funds	-	(3,143)	(117,977)	(121,120)	-
Receipts from related agencies	1,034,207	-	-	1,034,207	-
Payments to related agencies	(1,018,667)	-	-	(1,018,667)	-
Other noncapital financing receipts	23,759	-	-	23,759	-
Other noncapital financing payments	(4,440)	-	-	(4,440)	-
Proceeds from noncapital gifts	200,042	-	-	200,042	-
Tax receipts	-	-	8,078	8,078	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	820,686	(3,143)	(108,749)	708,794	-
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Acquisition & construction of capital assets	(636,694)	-	(11,225)	(647,919)	(20,902)
Interest payments	(59,791)	-	-	(59,791)	-
Debt payments	(230,729)	-	-	(230,729)	-
Capital grants & contributions	67,133	-	-	67,133	-
Capital transfers in from other funds	59,836	-	-	59,836	-
Debt proceeds	248,726	-	-	248,726	-
Proceeds from sale of capital assets	2,747	-	70	2,817	-
Other capital & related financing activities	2,168	-	-	2,168	-
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	(546,604)	-	(11,155)	(557,759)	(20,902)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest & dividends on investments	40,057	22,610	152	62,819	134
Proceeds from sale & maturities of investments	1,301,597	-	-	1,301,597	-
Purchase of investments	(1,281,432)	-	-	(1,281,432)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	60,222	22,610	152	82,984	134
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(64,768)	83,195	(11)	18,416	4,986
CASH & CASH EQUIVALENTS - JULY 1	408,946	1,077,339	43,731	1,530,016	72,528
CASH & CASH EQUIVALENTS - JUNE 30	344,178	1,160,534	43,720	1,548,432	77,514
INVESTMENTS	2,675,564	-	-	2,675,564	-
CASH & INVESTMENTS PER STATEMENT OF NET POSITION	\$ 3,019,742	\$ 1,160,534	\$ 43,720	\$ 4,223,996	\$ 77,514

(continued on next page)

STATE OF IOWA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017
(Expressed in Thousands)
(continued)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (751,778)	\$ 65,554	\$ 106,134	\$ (580,090)	\$ 6,101
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	336,646	-	4,218	340,864	17,252
(Increase) decrease in accounts receivable	8,813	137	44	8,994	126
(Increase) decrease in due from	-	-	59	59	(6,110)
(Increase) decrease in inventory	(5,316)	-	762	(4,554)	(329)
(Increase) decrease in prepaid expenses	(7,039)	-	297	(6,742)	(3,003)
(Increase) decrease in loans receivable	(1,164)	-	-	(1,164)	-
(Increase) decrease in other assets	101	-	-	101	-
(Increase) decrease in deferred outflows of resources	(28,785)	-	(2,267)	(31,052)	(2,938)
Increase (decrease) in accounts payable	(29,533)	(188)	7,906	(21,815)	8,202
Increase (decrease) in due to	-	-	83	83	(543)
Increase (decrease) in unearned revenue	963	(1,775)	115	(697)	3,199
Increase (decrease) in compensated absences	6,192	-	125	6,317	659
Increase (decrease) in other liability/capital leases	106	-	-	106	-
Increase (decrease) in net pension liability	41,615	-	3,176	44,791	4,147
Increase (decrease) in other postemployment benefits	36,041	-	166	36,207	242
Increase (decrease) in deferred inflows of resources	(5,934)	-	(1,077)	(7,011)	(1,251)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (399,072)</u>	<u>\$ 63,728</u>	<u>\$ 119,741</u>	<u>\$ (215,603)</u>	<u>\$ 25,754</u>
NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES					
Capital assets acquired through capital leases	\$ 32	\$ -	\$ -	32	\$ -
Capital assets contributed	6,142	-	-	6,142	-
Capital assets transferred to Governmental Activities	-	-	(45,251)	(45,251)	-
TOTAL NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES	<u>\$ 6,174</u>	<u>\$ -</u>	<u>\$ (45,251)</u>	<u>\$ (39,077)</u>	<u>\$ -</u>

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, 2017
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash & cash equivalents	\$ 1,266,801	\$ 36,355	\$ 256,299
Receivables:			
Accounts (net)	-	80	222,871
Contributions	78,161	-	-
Investments sold	417,693	-	-
Foreign exchange contracts	83,168	-	-
Interest & dividends	86,090	-	-
Miscellaneous	18	-	-
Total receivables	<u>665,130</u>	<u>80</u>	<u>222,871</u>
Investments, at fair value:			
Fixed income securities	10,229,948	-	-
Equity investments	12,128,818	4,961,190	-
Real estate partnerships	73,706	-	-
Investment in private equity/debt	3,890,061	-	-
Real assets	4,191,859	-	-
Securities lending collateral pool	843,283	-	-
Securities on loan with brokers	10,545	-	-
Total investments	<u>31,368,220</u>	<u>4,961,190</u>	<u>-</u>
Capital assets:			
Land	500	-	-
Other - depreciable (net)	18,181	138	-
Total capital assets	<u>18,681</u>	<u>138</u>	<u>-</u>
Other assets	<u>315</u>	<u>17</u>	<u>-</u>
TOTAL ASSETS	<u><u>33,319,147</u></u>	<u><u>4,997,780</u></u>	<u><u>479,170</u></u>
LIABILITIES			
Accounts payable & accruals	33,155	241	479,170
Foreign exchange contracts payable	85,174	-	-
Payable for investments purchased	919,633	-	-
Payable to brokers for rebate & collateral	843,001	-	-
TOTAL LIABILITIES	<u>1,880,963</u>	<u>241</u>	<u>479,170</u>
NET POSITION			
Restricted for:			
Pension/other postemployment benefits	31,438,184	-	-
Individuals, organizations & other entities	-	4,997,539	-
TOTAL NET POSITION	<u><u>\$ 31,438,184</u></u>	<u><u>\$ 4,997,539</u></u>	<u><u>\$ -</u></u>

The notes are an integral part of the financial statements.

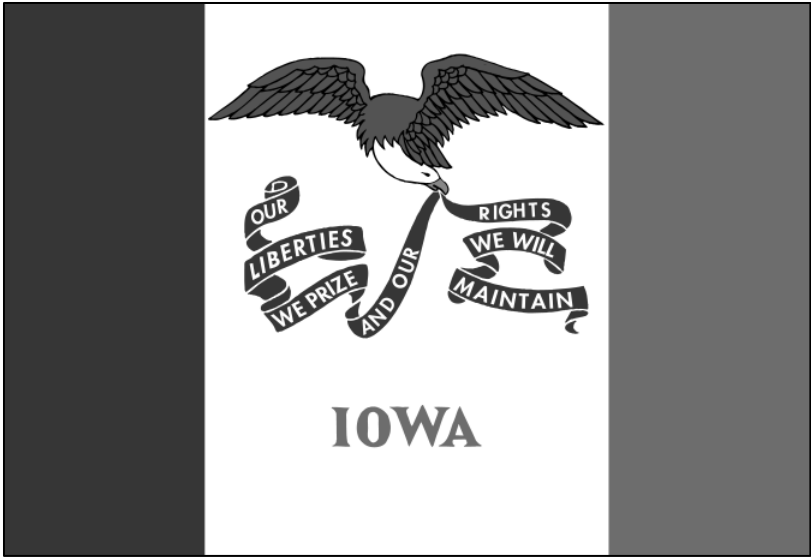
STATE OF IOWA

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

For the Year Ended June 30, 2017
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS		
Contributions:		
Member/participant contributions	\$ 482,398	\$ 385,694
Employer contributions	730,584	-
Buy-back/buy-in contributions	4,271	-
Other contributions	-	1,683
Gifts, bequests & endowments	-	4,508
Total contributions	1,217,253	391,885
Investment income:		
Net increase in fair value of investments	2,862,468	492,673
Interest	368,104	432
Dividends	133,260	-
Other	86,101	-
Total investment income	3,449,933	493,105
Less investment expense	71,066	-
Net investment income	3,378,867	493,105
TOTAL ADDITIONS	4,596,120	884,990
DEDUCTIONS		
Pension & annuity benefits	1,984,415	-
Distributions to participants	-	373,824
Payments in accordance with agreements	1,542	-
Administrative expense	16,154	-
Refunds	50,451	-
Other	-	787
TOTAL DEDUCTIONS	2,052,562	374,611
CHANGE IN NET POSITION	2,543,558	510,379
NET POSITION - JULY 1	28,894,626	4,487,160
NET POSITION - JUNE 30	\$ 31,438,184	\$ 4,997,539

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, 2017
(Expressed in Thousands)

	IOWA FINANCE AUTHORITY	IOWA ECONOMIC DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA FOUNDATION
ASSETS					
Current assets:					
Cash & investments	\$ 534,018	\$ 130,790	\$ 22,908	\$ 27,217	\$ 595,180
Cash & investments - restricted	-	-	-	612	-
Accounts receivable	-	13,499	1,651	3,014	36,915
Interest receivable	6,147	-	41	42	-
Loans receivable (net)	101,666	5,292	-	-	-
Inventory	-	174	179	2,302	-
Prepaid expenses	-	-	-	48	242
Other assets	14,632	-	-	716	-
Total current assets	656,463	149,755	24,779	33,951	632,337
Noncurrent assets:					
Cash & investments	465,412	-	-	-	694,567
Accounts receivable	-	-	2,422	-	110,443
Loans receivable (net)	1,617,399	79,259	-	-	-
Capital assets - nondepreciable	716	-	22,595	1,592	123
Capital assets - depreciable (net)	1,715	216	62,868	6,573	17,714
Other assets	12,550	-	-	5,546	-
Total noncurrent assets	2,097,792	79,475	87,885	13,711	822,847
TOTAL ASSETS	2,754,255	229,230	112,664	47,662	1,455,184
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of					
hedging derivatives	1,241	-	-	-	-
Debt refunding loss	23,264	-	-	-	-
Excess consideration provided for acquisition	-	-	-	-	-
Related to pensions	1,627	1,878	926	1,682	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	26,132	1,878	926	1,682	-
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	14,379	18,162	1,076	28,135	2,142
Interest payable	22,583	-	-	-	-
Unearned revenue	-	33	77	395	-
Compensated absences	-	884	321	897	-
Capital leases	-	-	-	-	780
Bonds payable	63,291	-	-	-	-
Funds held in custody	-	-	-	-	97,839
Total current liabilities	100,253	19,079	1,474	29,427	100,761
Noncurrent liabilities:					
Accounts payable & accruals	6,129	262	-	5,546	24,408
Compensated absences	-	614	1,366	907	-
Capital leases	-	-	-	-	825
Bonds payable	1,448,072	-	-	-	-
Net pension liability	6,114	6,909	4,076	6,157	-
Other postemployment benefits	-	668	-	722	-
Funds held in custody	-	-	-	-	-
Total noncurrent liabilities	1,460,315	8,453	5,442	13,332	25,233
TOTAL LIABILITIES	1,560,568	27,532	6,916	42,759	125,994
DEFERRED INFLOWS OF RESOURCES					
Accumulated increase in fair value of					
hedging derivatives	3,768	-	-	-	-
Related to pensions	361	343	281	227	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,129	343	281	227	-
NET POSITION					
Net investment in capital assets	2,431	216	85,463	8,165	16,232
Restricted for:					
Bond resolutions	980,557	-	-	-	-
Clean water and drinking water programs	148,573	-	-	-	-
Title guaranty program	32,565	-	-	-	-
Economic development	-	54,350	-	-	-
Other purposes	47,044	-	5,713	-	-
Nonexpendable - foundations	-	-	-	-	694,567
Expendable - foundations	-	-	-	-	605,024
Unrestricted	4,520	148,667	15,217	(1,807)	13,367
TOTAL NET POSITION	\$ 1,215,690	\$ 203,233	\$ 106,393	\$ 6,358	\$ 1,329,190

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, 2017
(Expressed in Thousands)
(continued)

	IOWA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF NORTHERN IOWA FOUNDATION	UNIVERSITY OF IOWA RESEARCH FOUNDATION	UNIVERSITY OF IOWA HEALTH SYSTEM	TOTAL COMPONENT UNITS
ASSETS					
Current assets:					
Cash & investments	\$ 172,989	\$ 17,922	\$ 14,363	\$ 14,312	\$ 1,529,699
Cash & investments - restricted	-	-	-	9,940	10,552
Accounts receivable	38,688	2,975	1,105	5,834	103,681
Interest receivable	-	-	-	-	6,230
Loans receivable (net)	-	-	-	-	106,958
Inventory	-	-	-	676	3,331
Prepaid expenses	250	-	7	899	1,446
Other assets	164	164	-	-	15,676
Total current assets	<u>212,091</u>	<u>21,061</u>	<u>15,475</u>	<u>31,661</u>	<u>1,777,573</u>
Noncurrent assets:					
Cash & investments	897,613	125,421	-	5,460	2,188,473
Accounts receivable	69,756	4,704	204	-	187,529
Loans receivable (net)	1,303	-	-	-	1,697,961
Capital assets - nondepreciable	960	-	-	-	25,986
Capital assets - depreciable (net)	2,754	192	-	1,139	93,171
Other assets	5,565	57	991	-	24,709
Total noncurrent assets	<u>977,951</u>	<u>130,374</u>	<u>1,195</u>	<u>6,599</u>	<u>4,217,829</u>
TOTAL ASSETS	<u>1,190,042</u>	<u>151,435</u>	<u>16,670</u>	<u>38,260</u>	<u>5,995,402</u>
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of					
hedging derivatives	-	-	-	-	1,241
Debt refunding loss	-	-	-	-	23,264
Excess consideration provided for acquisition	-	-	-	4,853	4,853
Related to pensions	-	-	-	-	6,113
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,853</u>	<u>35,471</u>
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	786	1,174	1,541	6,117	73,512
Interest payable	-	-	-	-	22,583
Unearned revenue	-	-	-	-	505
Compensated absences	683	-	-	-	2,785
Capital leases	-	-	-	-	780
Bonds payable	140	-	-	-	63,431
Funds held in custody	56,217	-	-	9,940	163,996
Total current liabilities	<u>57,826</u>	<u>1,174</u>	<u>1,541</u>	<u>16,057</u>	<u>327,592</u>
Noncurrent liabilities:					
Accounts payable & accruals	47,400	2,420	189	-	86,354
Compensated absences	-	-	-	-	2,887
Capital leases	-	-	-	-	825
Bonds payable	1,923	-	-	-	1,449,995
Net pension liability	-	-	-	-	23,256
Other postemployment benefits	-	-	-	-	1,390
Funds held in custody	6,444	-	-	-	6,444
Total noncurrent liabilities	<u>55,767</u>	<u>2,420</u>	<u>189</u>	<u>-</u>	<u>1,571,151</u>
TOTAL LIABILITIES	<u>113,593</u>	<u>3,594</u>	<u>1,730</u>	<u>16,057</u>	<u>1,898,743</u>
DEFERRED INFLOWS OF RESOURCES					
Accumulated increase in fair value of					
hedging derivatives	-	-	-	-	3,768
Related to pensions	-	-	-	-	1,212
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,980</u>
NET POSITION					
Net investment in capital assets	1,651	192	-	1,139	115,489
Restricted for:					
Bond resolutions	-	-	-	-	980,557
Clean water and drinking water programs	-	-	-	-	148,573
Title guaranty program	-	-	-	-	32,565
Economic development	-	-	-	-	54,350
Other purposes	-	-	-	-	52,757
Nonexpendable - foundations	807,115	95,517	-	-	1,597,199
Expendable - foundations	249,988	44,502	-	-	899,514
Unrestricted	17,695	7,630	14,940	25,917	246,146
TOTAL NET POSITION	<u>\$ 1,076,449</u>	<u>\$ 147,841</u>	<u>\$ 14,940</u>	<u>\$ 27,056</u>	<u>\$ 4,127,150</u>

STATE OF IOWA
Statement of Activities
Component Units
For the Year Ended June 30, 2017
(Expressed in Thousands)

	IOWA FINANCE AUTHORITY	IOWA ECONOMIC DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA FOUNDATION
Expenses	\$ 167,017	\$ 169,186	\$ 26,773	\$ 351,921	\$ 161,397
Program revenues:					
Charges for services	19,609	2,779	25,119	352,265	-
Operating grants & contributions	114,946	138,400	2,858	-	174,345
Capital grants & contributions	-	-	2,234	-	-
Total program revenues	<u>134,555</u>	<u>141,179</u>	<u>30,211</u>	<u>352,265</u>	<u>174,345</u>
Net program (expenses) revenues	<u>(32,462)</u>	<u>(28,007)</u>	<u>3,438</u>	<u>344</u>	<u>12,948</u>
General revenues:					
Investment income (loss)	53,635	721	138	182	96,021
Other	-	7,701	500	-	-
Gain (loss) on sale of assets	-	-	3	(722)	-
Total general revenues	<u>53,635</u>	<u>8,422</u>	<u>641</u>	<u>(540)</u>	<u>96,021</u>
CHANGE IN NET POSITION	21,173	(19,585)	4,079	(196)	108,969
NET POSITION - JULY 1	<u>1,194,517</u>	<u>222,818</u>	<u>102,314</u>	<u>6,554</u>	<u>1,220,221</u>
NET POSITION - JUNE 30	<u>\$ 1,215,690</u>	<u>\$ 203,233</u>	<u>\$ 106,393</u>	<u>\$ 6,358</u>	<u>\$ 1,329,190</u>

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, 2017
(Expressed in Thousands)
(continued)

	IOWA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF NORTHERN IOWA FOUNDATION	UNIVERSITY OF IOWA RESEARCH FOUNDATION	UNIVERSITY OF IOWA HEALTH SYSTEM	TOTAL COMPONENT UNITS
Expenses	\$ 129,850	\$ 21,298	\$ 6,290	\$ 55,210	\$ 1,088,942
Program revenues:					
Charges for services	-	-	3,252	42,578	445,602
Operating grants & contributions	223,834	16,799	-	-	671,182
Capital grants & contributions	-	-	-	-	2,234
Total program revenues	<u>223,834</u>	<u>16,799</u>	<u>3,252</u>	<u>42,578</u>	<u>1,119,018</u>
Net program (expenses) revenues	<u>93,984</u>	<u>(4,499)</u>	<u>(3,038)</u>	<u>(12,632)</u>	<u>30,076</u>
General revenues:					
Investment income (loss)	117,660	14,221	1,067	374	284,019
Other	-	-	-	17,278	25,479
Gain (loss) on sale of assets	-	-	-	39	(680)
Total general revenues	<u>117,660</u>	<u>14,221</u>	<u>1,067</u>	<u>17,691</u>	<u>308,818</u>
CHANGE IN NET POSITION	211,644	9,722	(1,971)	5,059	338,894
NET POSITION - JULY 1	<u>864,805</u>	<u>138,119</u>	<u>16,911</u>	<u>21,997</u>	<u>3,788,256</u>
NET POSITION - JUNE 30	<u>\$ 1,076,449</u>	<u>\$ 147,841</u>	<u>\$ 14,940</u>	<u>\$ 27,056</u>	<u>\$ 4,127,150</u>



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, 3rd 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 fundraising 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.
- Iowa Public Radio (Special Revenue Fund) manages the day-to-day operations of the State University radio stations and ensures compliance with Federal Communications Commission requirements on behalf of the Iowa Board of Regents (Regents). The Regents appoint the board of directors and has assumed the obligation to provide financial support to, and finance deficits of, Iowa Public Radio. It serves as the primary fundraising entity for the stations and exclusively benefits the State and provides services entirely to 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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

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

During the year ended June 30, 2017, the Iowa Lottery Authority distributed \$78.3 million to the General Fund and \$2.5 million to the Iowa Veterans 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 fundraising 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, 2017, the Foundations distributed \$231.3 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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

- Iowa Comprehensive Health Association
- Iowa Higher Education Loan Authority

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds 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 moneys 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 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, Iowa Veterans Trust Fund, 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 2017, the State of Iowa implemented the following GASB standards:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes financial reporting standards for state and local governmental OPEB plans that are administered through specific trusts or equivalent arrangements. It also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through specific trusts or equivalent arrangements. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

- GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This Statement amends Statement No. 14, *The Financial Reporting Entity*, as amended.

Also, in fiscal year 2016, the State 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 \$14.6 million associated with certain funds has been assigned to other funds for fiscal year 2017.

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 the 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.)

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

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

IPERS, PORS and JRS (together the "Systems") participate in a securities lending program with Deutsche Bank as the lending agent 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 no credit risk exposure to borrowers because the amounts the borrowers owed the Systems did not exceed the amount the Systems owed the borrowers. The contracts with the lending agent require it to indemnify the Systems if a borrower fails to return the securities, fails to return all of the income attributable to securities on loan, 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, 2017, the Systems had securities on loan, including accrued interest income, with a total value of \$822.3 million against collateral with a total value of \$843.0 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. PORS and JRS bear interest rate risk if the custodian bank invests in securities which decrease in value or default. (See NOTE 2.)

The effective duration of the cash collateral pool at June 30, 2017, for IPERS was 0.00. Credit quality and years to maturity statistics for the cash collateral pool at June 30, 2017, for the Systems is as follows (expressed in thousands):

Investment Type	Fair Value *	Credit Risk: S&P Quality Rating				Investment Maturity (Years)	Redemption Frequency	Redemption Notice Period
		AAA	A-1	BBB	Not Rated			
Overnight repurchase agreements	\$ 328,320	\$ -	\$ 105,000	\$ 137,500	\$ 85,820	Less than 1	N/A	On demand
Money market funds	49,040	2,964	-	-	46,076	Less than 1	Daily	On demand
	<u>\$ 377,360</u>	<u>\$ 2,964</u>	<u>\$ 105,000</u>	<u>\$ 137,500</u>	<u>\$ 131,896</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.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

H. Inventories

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

I. Prepaid Items

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

J. Capital Assets

Capital assets are reported in the government-wide and proprietary fund financial 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 June 30, 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 and 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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

accrued sick leave balances to pay the state share of group health insurance premiums upon retirement. The liability for accrued compensated absences as reported in the government-wide and proprietary fund financial statements is based on the current rates of pay.

M. Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond discounts for proprietary fund types are generally amortized over the terms of the bonds using the bonds-outstanding method or straight-line method, which approximates the effective interest method. 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 financial 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 Sections 8.55 and 8.56 of the Code of Iowa.

The maximum balance of the Iowa Economic Emergency Fund is the amount equal to 2.5% 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% 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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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% of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

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

R. Minimum Fund Balance Requirements

Currently, the State has seven 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

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 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 an asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for an 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. The assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each 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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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.

The fair value measurements, categorized by level of the fair value hierarchy, for the investments of the primary government, at June 30, 2017 follow (expressed in thousands):

Investments Measured at Fair Value Primary Government

Investment Type	Total	Level 1	Level 2	Level 3	NAV
Fixed:					
U.S. government treasuries, notes & bonds	\$ 271,413	\$ 241,466	\$ 29,947	\$ -	\$ -
U.S. government agency	455,716	-	455,716	-	-
Government asset & mortgage-backed	1,356,811	-	1,356,811	-	-
Corporate bonds	127,831	-	127,728	103	-
Corporate asset backed	24,793	-	24,793	-	-
Private placements	14,605	-	14,605	-	-
Fixed income mutual funds	1,263,579	1,003,314	33,313	7,419	219,533
Commercial paper	3,985	-	3,985	-	-
Other fixed income	6,863	-	6,863	-	-
Total fixed	<u>3,525,596</u>	<u>1,244,780</u>	<u>2,053,761</u>	<u>7,522</u>	<u>219,533</u>
Equity:					
U.S. equity	208,509	207,130	1,379	-	-
Private equity	72,935	-	-	-	72,935
Non U.S. equity	251,434	64,138	13,404	28,316	145,576
Pooled & mutual funds	73,056	70,474	2,582	-	-
Real assets	294,695	209,459	-	-	85,236
Investment pools	1,670	524	637	509	-
Other	299	251	6	42	-
Total equity	<u>902,598</u>	<u>551,976</u>	<u>18,008</u>	<u>28,867</u>	<u>303,747</u>
Total	<u>4,428,194</u>	<u>\$ 1,796,756</u>	<u>\$ 2,071,769</u>	<u>\$ 36,389</u>	<u>\$ 523,280</u>
Other:					
Bank investments	162,539				
Money markets	301,672				
Total invested assets	<u>\$ 4,892,405</u>				

The following table summarizes investments measured at the net asset value per share, or equivalent, for the primary government, at June 30, 2017 (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	\$ 219,533	\$ -	daily - monthly	5-30 days
Equity:				
Private equity	72,935	55,756	N/A	N/A
Non U.S. equity - redeemable	145,240	-	monthly - semi-monthly	2-30 days
Non U.S. equity - nonredeemable	336	-	N/A	N/A
Non U.S. equity	<u>145,576</u>	<u>-</u>		
Real assets - redeemable	25,019	-	quarterly	90 days
Real assets - nonredeemable	60,217	70,004	N/A	N/A
Real assets	<u>85,236</u>	<u>70,004</u>		
Total equity	<u>303,747</u>	<u>125,760</u>		
Total	<u>\$ 523,280</u>	<u>\$ 125,760</u>		

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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 and real assets investment 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.

The fair value measurements, categorized by level of the fair value hierarchy, for the investments of the fiduciary funds, at June 30, 2017 follow (expressed in thousands):

Investments Measured at Fair Value Fiduciary Funds

Investment Type	Total	Level 1	Level 2	Level 3	NAV
Fixed:					
U.S. government treasuries, notes & bonds	\$ 2,300,331	\$ -	\$ 2,300,331	\$ -	\$ -
U.S. government agency	456,072	2,944	453,128	-	-
Government asset & mortgage-backed	1,760,729	-	1,760,729	-	-
Corporate bonds	3,053,811	-	2,974,145	79,666	-
Corporate asset backed	237,412	-	237,412	-	-
Private placements	1,578,264	-	1,578,264	-	-
Fixed income mutual funds	1,669,025	-	-	11,183	1,657,842
Commingled bond funds	1,750,079	-	-	-	1,750,079
Other fixed income	135,767	-	135,767	-	-
Total fixed	12,941,490	2,944	9,439,776	90,849	3,407,921
Equity:					
U.S. equity	6,886,812	6,659,372	227,440	-	-
Private equity	3,633,870	-	-	-	3,633,870
Commingled & mutual funds	10,875,150	4,681,798	280,656	-	5,912,696
Real estate	2,299,390	-	-	2,057,116	242,274
Other	8,120	2,509	5,586	25	-
Total equity	23,703,342	11,343,679	513,682	2,057,141	9,788,840
Total invested assets	\$ 36,644,832	\$ 11,346,623	\$ 9,953,458	\$ 2,147,990	\$ 13,196,761

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 fiduciary funds, at June 30, 2017 (expressed in thousands):

Investments Measured at the Net Asset Value Fiduciary Funds				
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed:				
Fixed income mutual funds	\$ 1,657,842	\$ -	daily	N/A
Commingled bond funds	1,750,079	-	daily	2 days
Total fixed	3,407,921	-		
Equity:				
Private equity	3,633,870	2,177,500	N/A	N/A
Commingled & mutual funds	5,912,696	-	daily - weekly	2-15 days
Real estate	242,274	411,561	N/A	N/A
Total equity	9,788,840	2,589,061		
Total	\$ 13,196,761	\$ 2,589,061		

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:

- 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.
- Private equity – Consists of 189 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 – IPERS' private credit portfolio consists of five active partnerships. Three of the partnerships invest primarily in high-yield real estate debt while the other two partnerships invest primarily in middle market corporate debt. Three of the funds determine fair value by utilizing net asset values from one quarter in arrears plus current quarter cash flows. The other two funds determine 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.

Credit Risk

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

The State's exposure to credit risk for the fixed income investments of the primary government and fiduciary funds at June 30, 2017, is summarized as follows (expressed in thousands):

Primary Government			Fiduciary Funds		
S & P Quality Ratings	Fair Value	Percentage	S & P Quality Ratings	Fair Value	Percentage
TSY	\$ 267,275	7.58%	TSY	\$ 2,657,985	20.54%
AGY	952	0.03%	AGY	182,037	1.41%
AAA	28,970	0.82%	AAA	669,336	5.17%
AA	2,175,736	61.72%	AA	2,175,364	16.81%
A	123,863	3.51%	A	892,891	6.90%
BBB	183,087	5.19%	BBB	1,810,777	13.99%
BB	125,221	3.55%	BB	958,747	7.41%
B	123,029	3.49%	B	646,161	4.99%
Below B	7,118	0.20%	Below B	100,085	0.77%
Not rated	490,345	13.91%	Not rated	2,848,107	22.01%
Total	\$ 3,525,596	100.00%	Total	\$ 12,941,490	100.00%

The Treasurer's investment policy authorizes the investment in U.S. Treasuries, agencies and instrumentalities; certificates of deposit; domestic prime bankers' acceptances that are eligible for purchase by a federal reserve bank and which mature within 270 days from the date of purchase; 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; perfected repurchase agreements; 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; asset-backed securities rated AAA by Standard & Poor's or Aaa by Moody's; and money market mutual funds which are open-end investment management companies organized in trust form registered with the SEC under the Investment Company Act of 1940.

The State Board of Regents (BOR) establishes policy and sets objectives for the Universities' investments. The BOR investment policy (<http://www.iowaregents.edu/plans-and-policies/board-policy-manual/22-business-procedures/>) permits investments authorized in Chapter 12B.10 of the Code of Iowa. The Universities manage exposure to credit risk by measuring portfolios against benchmarks as established by the BOR.

There are no policy limitations for credit risk exposures within the investment portfolios of the Systems (IPERS, PORS and JRS). Each of the Systems' fixed-income portfolios are 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. In circumstances where downgrades occurred subsequent to purchase, investment managers are permitted to hold a downgraded security if the manager believes it is prudent to do so. 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 rows of the credit risk schedules.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Policies of the Treasurer and Universities limit investment in any single issuer to no more than 5% of the market value of the portfolio or account. The policies do not apply to investments in U.S. treasuries, government agencies or instrumentalities.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

IPERS' guidelines for each investment manager establish limits on investments in any corporate entity. IPERS has no separate account 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 IPERS' net position restricted for pensions. PORS' and JRS' investment policies state no investment manager shall be permitted to invest more than 5% of the accounts in any corporate issuer without written direction and approval of the Treasurer.

Custodial Credit Risk

Deposits: Custodial credit risk for deposits is the risk that in the event of a bank failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. 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 exceeds the total capital of the bank. If the applicable deposit insurance, the liquidation of pledged collateral, or the funds received from drawing on any Letters of Credit, and the assets of the bank which are liquidated within 30 days of the closing of the bank are not sufficient to satisfy the loss to public units, then the Treasurer shall obtain the additional amount needed to satisfy all remaining claims from the state sinking fund for public deposits in banks to the extent funds in the sinking fund are sufficient to cover public funds depositors' claims. If the funds in the sinking fund for public deposits in banks are inadequate to cover the remaining loss, the Treasurer shall make assessments against all remaining banks whose public funds deposits exceed federal deposit insurance coverage to satisfy the remaining loss. The \$1.2 billion total combined bank deposits of the primary government and fiduciary funds at June 30, 2017, were exposed to custodial credit risk for \$239.8 million of uninsured and uncollateralized bank deposits, of which \$238.7 million was invested in money market funds as cash equivalents.

Investments: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Treasurer's investment policy requires that all investments be held by a third-party custodian while the Universities and Systems have no formal policy for investment custodial credit risk. Of the \$41.5 billion total combined investments of the primary government and fiduciary funds at June 30, 2017, \$1.9 million was exposed to custodial credit risk as uninsured and unregistered, with the securities held by the counterparty or by its trust department or agent but not in the State's name.

The State's Unemployment Benefits Fund had \$1,008.2 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.

Interest Rate Risk

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

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

Maturity Limitations: No investment shall be made in a U.S. Treasury note or bond, a U.S. government agency note or bond or a U.S. government instrumentality note or bond with a maturity that exceeds 61 months at the time of purchase. (The 61-month maturity limitation for government agency or instrumentality securities 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 that 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.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

The Systems measure interest rate risk within the portfolios 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 portfolios. 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. However, two of IPERS' core-plus managers have authority under their contracts to reduce the interest rate sensitivity of their core-plus portfolios to less than 75% of the benchmark's effective duration (up to zero effective duration) if the managers forecast a period of rising interest rates. For high-yield bond portfolios, the effective duration must remain between 75% and 125% of the benchmark's effective duration.

The State's exposure to interest rate risk for the fixed income investments of the primary government and the fiduciary funds at June 30, 2017, is summarized using the effective duration method, as follows (expressed in thousands):

Primary Government			Fiduciary Funds		
Investment Type	Fair Value	Effective Duration (Years)	Investment Type	Fair Value	Effective Duration (Years)
U.S. government treasuries, notes & bonds	\$ 271,413	1.38	U.S. government treasuries, notes & bonds	\$ 2,300,331	7.11
U.S. government agency Government asset & mortgage-backed	455,716	1.62	U.S. government agency Government asset & mortgage-backed	456,072	7.32
Corporate bonds	1,356,811	1.24	Corporate bonds	1,760,729	3.56
Corporate asset backed	127,831	0.58	Corporate asset backed	3,053,811	5.72
Private placements	24,793	0.43	Private placements	237,412	1.43
Fixed income mutual funds	14,605	0.30	Fixed income mutual funds	1,578,264	4.06
Commercial paper	1,263,579	2.88	Commingled bond funds	1,669,025	0.01
Other fixed income	3,985	0.29	Other fixed income	1,750,079	6.80
Total	\$ 3,525,596	1.85	Total	\$ 12,941,490	4.84

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment or a deposit.

IPERS' currency policy is to allow 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% or less than 0% 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, 2017.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Foreign currency risk by investment type for the fiduciary funds, at June 30, 2017, follows (expressed in thousands):

	Total	Cash	Derivatives	Equity	Fixed Income
Argentine peso	\$ 8	\$ -	\$ -	\$ -	\$ 8
Australian dollar	195,588	6,277	-	189,311	-
Brazilian real	32,702	5,361	-	24,082	3,259
British pound	134,895	(11,540)	-	139,358	7,077
Canadian dollar	(168)	70	(238)	-	-
Chilean peso	2,248	-	-	2,248	-
Columbian peso	668	-	-	-	668
Czech koruna	6,812	-	-	6,812	-
Danish krone	17,308	290	-	17,018	-
Euro	626,429	(36,828)	2,593	629,543	31,121
Hong Kong dollar	242,077	1,371	-	240,706	-
Indian rupee	54,587	2,615	-	51,311	661
Indonesian rupiah	17,931	(1,014)	-	17,778	1,167
Japanese yen	664,053	10,383	557	653,113	-
Kenyan shilling	4,129	611	-	3,518	-
Mexican peso	44,465	216	-	12,651	31,598
New Zealand dollar	3,268	88	-	3,180	-
Norwegian krone	24,562	117	-	23,798	647
Philippine peso	2,336	-	-	2,336	-
Russian ruble	(425)	(425)	-	-	-
Singaporean dollar	38,791	(219)	-	39,010	-
South African rand	32,789	(455)	-	33,244	-
South Korean won	84,515	586	-	83,929	-
Swedish krona	10,846	-	-	10,846	-
Swiss franc	78,841	872	-	77,969	-
Taiwanese dollar	42,621	395	-	42,226	-
Thai baht	3,649	-	-	3,649	-
Turkish lira	7,598	-	-	7,598	-
Total	\$ 2,373,123	\$ (21,229)	\$ 2,912	\$ 2,315,234	\$ 76,206

Deposits with Trustees

Deposits with trustees totaled \$249.3 million at June 30, 2017. \$13.6 million was invested in fixed U.S. government treasury securities with an effective duration of 2.68 years, \$13.9 million was invested in fixed U.S. government agency securities with an effective duration of 2.35 years and a credit quality rating of AAA, \$221.0 million was invested in equity securities not subject to credit quality ratings and the remaining \$0.8 million was cash and cash equivalents.

University Endowments

For donor restricted endowments, Chapter 540A of the Code of Iowa permits the Universities to spend the net appreciation of realized and unrealized earnings as the Universities determine to be prudent.

The Universities' policies are to retain the realized and unrealized appreciation with the endowments 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%, which includes a 1.25% administrative fee, of a three-year moving average market value.
- The University of Northern Iowa's spending rule is 5% of the three-year moving average of the fair value of the endowment.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

	Amount	Net Position Classification
University of Iowa	\$ 12,978	Restricted nonexpendable net position
Iowa State University	5,701	Restricted expendable net position
University of Northern Iowa	688	Restricted expendable net position

B. Component Units

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 fair value measurements, categorized by level of the fair value hierarchy, for the investments of the component units, at June 30, 2017 follow (expressed in thousands):

Investments Measured at Fair Value

Investment Type	Total	Level 1	Level 2	Level 3
Fixed:				
U.S. government treasuries, notes & bonds	\$ 55,642	\$ -	\$ 55,642	\$ -
U.S. government agency	45,247	-	45,247	-
Government asset & mortgage-backed	426,259	-	426,259	-
Corporate bonds	8,144	-	8,144	-
Certificates of deposit	2,906	-	2,906	-
Fixed income mutual funds	175	175	-	-
Total fixed	538,373	175	538,198	-
Equity:				
Other	512	-	-	512
Total	538,885	\$ 175	\$ 538,198	\$ 512
Other:				
Guaranteed investment contracts	35,470			
Healthcare joint ventures	5,460			
Total invested assets	\$ 579,815			

The University Foundations', discretely presented component units, cash and investments of \$2.5 billion are not subject to GASB disclosure requirements.

Credit Risk

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

The Iowa Finance Authority's (Authority) investment of funds may be governed by the Authority's board of directors, the Authority's various bond indentures and the State. Permitted investments include direct obligations of, or obligations guaranteed by or issued by certain agencies of the federal government; repurchase agreements fully collateralized and secured by the U.S. Treasury; corporate bonds issued or guaranteed by a domestic U.S. corporation meeting certain credit rating standards; municipal bonds backed by the full faith and credit of the municipality; pooled money funds; money market funds; certificates of deposits and guaranteed investment contracts with financial institutions meeting certain credit rating standards. The Authority minimizes credit risk by limiting securities to the credits and types of investments authorized in the investment policy or relevant bond indentures; and prequalifying the financial institutions, brokers, dealers, and advisers with whom the Authority does business, as outlined in the Authority's investment policy.

The other component units have no formal policy to manage credit risk.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

The exposure to credit risk for the component units fixed income investments at June 30, 2017, is summarized as follows (expressed in thousands):

S & P Quality Ratings	Fair Value	Percentage
TSY	\$ 99	0.02%
AA	108,517	20.16%
Not rated	429,757	79.82%
Total	\$ 538,373	100.00%

Interest Rate Risk

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

The Iowa Finance Authority's strategy, as discussed in its investment policy, is to minimize interest rate risk by structuring investment portfolios so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

The other component units do not have formal policies limiting 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, 2017, 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	\$ 55,642	1.82
U.S. government agency	45,247	1.41
Government asset & mortgage-backed	426,259	21.95
Corporate bonds	8,144	2.54
Certificates of deposit	2,906	1.74
Fixed income mutual funds	175	0.08
Total	\$ 538,373	17.74

C. Derivatives

Fiduciary Funds

GAAP requires the fair value of financial arrangements called "derivatives" or "derivative instruments" to 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, 2017, are categorized as investment derivatives and, therefore, 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 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, including liquid absolute return 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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

time to time for hedging purposes; however, any derivatives held by these types of investment vehicles are not included in this Note. 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 by sector outstanding at June 30, 2017, follow (expressed in thousands):

Futures Exposure Summary

	Number of Contracts	Notional Value	Fair Value	% of Total Fund NAV
Long Futures:				
Agriculture	45	\$ 1,754	\$ 16	0.00005
Currency	1,679	150,215	1,159	0.00377
Index	11,341	1,072,260	(1,046)	(0.00341)
Interest	15,171	4,172,499	(3,982)	(0.01296)
Metal	440	29,378	486	0.00158
Total	28,676	\$ 5,426,106	\$ (3,367)	(0.01097)
Short Futures:				
Agriculture	(276)	\$ (9,534)	\$ (143)	(0.00047)
Currency	(2,274)	(181,117)	1,851	0.00602
Energy	(300)	(14,232)	(170)	(0.00055)
Index	(309)	(14,866)	54	0.00017
Interest	(7,138)	(1,361,950)	3,550	0.01156
Metal	(353)	(21,663)	(753)	(0.00245)
Total	(10,650)	\$ (1,603,362)	\$ 4,389	0.01428

Options Exposure Summary

	Fair Value	% of Total Fund NAV
Options purchased:		
Index	\$ 447	0.00145
Interest	2,053	0.00668
Total	\$ 2,500	0.00813
Options written:		
Index	\$ (401)	(0.00131)
Interest	(514)	(0.00167)
Total	\$ (915)	(0.00298)

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

security. At June 30, 2017, the net notional value of the credit default swaps held in IPERS' fixed-income portfolio was \$(11.3) million. The credit default swaps are reported at a fair value of \$(1.2) 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, 2017, the net notional value of the interest rate swaps held in IPERS' fixed-income portfolio was \$(155.5) million. All interest rate swaps held by IPERS are reported at a fair value of \$2.8 million in the Statement of Fiduciary Net Position.

Component Units

Iowa Finance Authority (Authority) uses derivative instruments to manage and reduce exposure to adverse fluctuations in interest rates and to lower the overall cost of financing. All derivative 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 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 instruments are commitments to purchase mortgage-backed pass-through certificates (securitized mortgage loans) backed by pools of Authority single-family mortgage loans. These derivative 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 liabilities 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.

Aggregate debt service requirements of the Authority's variable-rate debt and net receipts/payments on associated derivative instruments at June 30, 2017, follow (expressed in thousands):

Year Ending June 30,	Variable-rate Bonds Principal	Variable-rate Bonds Interest	Interest Rate Swaps, Net	Total
2018	\$ -	\$ 727	\$ 1,269	\$ 1,996
2019	-	739	1,555	2,294
2020	-	733	1,628	2,361
2021	-	734	1,693	2,427
2022	-	735	1,690	2,425
2023-2027	10,925	3,401	8,155	22,481
2028-2032	14,665	2,832	6,705	24,202
2033-2037	18,030	1,985	4,395	24,410
2038-2042	15,770	1,272	1,980	19,022
2043-2047	19,060	383	540	19,983
Total	<u>\$ 78,450</u>	<u>\$ 13,541</u>	<u>\$ 29,610</u>	<u>\$ 121,601</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.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

The terms of the Authority's swap hedging derivative instruments outstanding at June 30, 2017, follow (expressed in thousands):

Bond Series	2017	Effective Date	Termination Date	Terms		S & P Global Rating
	Notional Amount			Pay	Receive	
SF 2015 B	\$ 100	11/01/15	01/01/36	4.140%	SIFMA + 0.10% or Various LIBOR + Spread	AA-
SF 2015 B	265	05/01/06	07/01/36	3.843%	SIFMA + 0.10% or Various LIBOR + Spread	AA-
SF 2015 B	8,105	09/01/06	01/01/36	3.766%	Enhanced LIBOR	A+
SF 2015 B	545	11/01/06	07/01/36	4.632%	SIFMA + 0.10%	AA-
SF 2016 B	2,750	07/12/07	01/01/19	5.493%	1M LIBOR	AA-
SF 2015 B	4,780	12/12/07	01/01/39	4.364%	SIFMA + 0.06%	AA-
MF 2008 A	3,450	04/17/08	06/01/24	3.971%	SIFMA + 0.08%	A+
SF 2015 B	10,995	10/01/08	01/01/39	4.529%	SIFMA + 0.08%	A+
SF 2015 B	5,210	01/01/17	01/01/46	2.518%	67% of 1M LIBOR	AA-
SF 2016 B	4,920	07/01/16	07/01/46	2.206%	67% of 1M LIBOR	AA-
SF 2016 E	970 *	01/01/18	07/01/46	2.292%	67% of 1M LIBOR	AA-
	<u>\$ 42,090</u>					

* Notional value as of the effective date of the swap

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, 2017, follow (expressed in thousands):

Bond Series	2017	Effective Date	Maturity Date	Strike Rate	Ceiling Rate	S & P Global Rating
	Notional Amount					
MF 2007 B	\$ 9,300	06/14/07	01/01/24	5.0% SIFMA until 07/01/19, 5.5% SIFMA thereafter	N/A	AA-
MF 2007 A	11,450	07/01/15	07/01/18	SIFMA = 3%	N/A	AA-
MF FHLB B-1	10,648	07/01/15	07/01/18	1M LIBOR = 6%	N/A	AA-
	<u>\$ 31,398</u>					

Investment Derivatives: The Authority's investment derivative instruments had the following maturities as of June 30, 2017 (expressed in thousands):

Investment Type	Notional Value	Fair Value	Investment Maturities (in Years)		
			Less than 1	1 - 5	6 - 10
Investment derivative instruments:					
Swaps	\$ 29,740	\$ (1,263)	\$ -	\$ (166)	\$ (1,097)
Forward MBS sales	23,485	60	60	-	-
MBS purchase commitments	38,784	243	243	-	-
Total	<u>\$ 92,009</u>	<u>\$ (960)</u>	<u>\$ 303</u>	<u>\$ (166)</u>	<u>\$ (1,097)</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Fair Values of Derivatives: The Authority's fair value of derivative instruments outstanding at June 30, 2017, classified by type, and changes 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, 2017	Change in Fair Value
Hedging derivatives:			
SF 2015 B	Swap	\$ (8)	\$ 29
SF 2015 B	Swap	(10)	39
SF 2015 B	Swap	(291)	244
SF 2015 B	Swap	(48)	81
SF 2016 B	Swap	(60)	189
SF 2015 B	Swap	(59)	176
SF 2015 B	Swap	(190)	461
SF 2015 B	Swap	(751)	520
SF 2016 B	Swap	12	380
SF 2016 E	Swap	148	148
MF 2007 B	Cap	11	(3)
MF 2008 A	Swap	(490)	246
Total hedging derivatives		\$ (1,736)	\$ 2,510
Investment derivatives:			
NONE	Swap	\$ -	\$ 32
NONE	Swap	(970)	616
NONE	Basis swap	(13)	(29)
NONE	Basis swap	2	(2)
NONE	Swap	(154)	217
NONE	Swap	-	1
NONE	Swap	(114)	219
NONE	Swap	(14)	90
Forward MBS sales	Forward	60	588
MBS purchase commitments	Commitment	243	(2,322)
Total investment derivatives		\$ (960)	\$ (590)

The fair values, categorized by level of the fair value hierarchy, for the hedging and investment derivative instruments of the Authority, at June 30, 2017 follow (expressed in thousands):

Derivative Type	Total	Level 2	Level 3
Hedging derivative instruments	\$ (1,736)	\$ (1,736)	-
Investment derivative instruments	(960)	(1,203)	243

Methodology: The fair values of the interest rate derivative transactions 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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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 by 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 into consideration historical data and loan-level data. The weighted average closing ratio at June 30, 2017, was 76%.

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, 2017 was \$171,000. 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, Royal Bank of Canada, and Wells Fargo Bank, N.A. 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 any 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, 2017, the SIFMA swap index rate is 0.91% and US 1-month LIBOR is 1.22%.

Termination risk: Termination risk is the risk that 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 that the likelihood of any such termination event is remote.

Rollover risk: Rollover risk is the risk that 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.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – TRANSFERS

Interfund transfers for the year ended June 30, 2017, consisted of the following (expressed in thousands):

Transferred Out	Transferred In				Total
	General Fund	Nonmajor Governmental Funds	University Funds	Nonmajor Enterprise Funds	
General Fund	\$ -	\$ 27,118	\$ 642,340	\$ 1,150	\$ 670,608
Tobacco Collections Fund	14,491	-	-	-	14,491
Nonmajor Governmental Funds	58,246	177	-	-	58,423
Unemployment Benefits Fund	3,095	-	-	-	3,095
Nonmajor Enterprise Funds	117,126	-	-	-	117,126
Total	\$ 192,958	\$ 27,295	\$ 642,340	\$ 1,150	\$ 863,743

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

NOTE 4 – RECEIVABLES

Receivables at June 30, 2017, consisted of the following (expressed in thousands):

	Governmental Funds	Proprietary Funds		Component Units
		Enterprise Funds	Internal Service Funds	
Accounts receivable:				
Taxes	\$ 638,533	\$ 1,046	\$ 156	\$ -
Pledges	2,128	-	-	264,465
Benefit overpayments	-	59,701	-	-
Employer contributions	-	178,722	-	-
Grants & contracts	836,379	1,050,304	-	-
Other	1,320,309	107,518	997	67,851
Less:				
Allowance for doubtful accounts	677,925	690,489	-	6,647
Discount to present value	-	-	-	34,459
Accounts receivable (net)	<u>\$ 2,119,424</u>	<u>\$ 706,802</u>	<u>\$ 1,153</u>	<u>\$ 291,210</u>
Current	\$ 1,903,000	\$ 701,967	\$ 1,153	\$ 103,681
Noncurrent	216,424	4,835	-	187,529
Total	<u>\$ 2,119,424</u>	<u>\$ 706,802</u>	<u>\$ 1,153</u>	<u>\$ 291,210</u>
Loans receivable:				
Loans receivable	\$ 59,799	\$ 79,510	\$ -	\$ 1,952,909
Less:				
Allowance for doubtful accounts	15,187	3,193	-	147,990
Loans receivable (net)	<u>\$ 44,612</u>	<u>\$ 76,317</u>	<u>\$ -</u>	<u>\$ 1,804,919</u>
Current	\$ 15,130	\$ 8,239	\$ -	\$ 106,958
Noncurrent	29,482	68,078	-	1,697,961
Total	<u>\$ 44,612</u>	<u>\$ 76,317</u>	<u>\$ -</u>	<u>\$ 1,804,919</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – INTERFUND BALANCES

Interfund balances for the year ended June 30, 2017, 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	\$ -	\$ -	\$ 1,697	\$ 650	\$ 44	\$ 78,481	\$ 80,872
Tobacco Settlement Authority	287	-	-	-	-	-	287
Tobacco Collections Fund	-	132,519	-	-	-	-	132,519
Nonmajor Governmental Funds	26,129	-	37	-	-	43	26,209
Unemployment Benefits Fund	684	-	-	-	-	-	684
Nonmajor Enterprise Funds	10,040	-	-	-	6	523	10,569
Internal Service Funds	982	-	-	-	-	12,590	13,572
Total	\$38,122	\$ 132,519	\$ 1,734	\$ 650	\$ 50	\$91,637	\$264,712

\$63.1 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 \$69.2 million due from the Tobacco Collections Fund (a Special Revenue Fund) to the Tobacco Settlement Authority (a blended component unit classified as a Special Revenue Fund) for repayment of bonds issued by the Authority, the proceeds of which were provided to the State. The interfund advance will be reduced by pledged tobacco settlement moneys received.

(Notes continue on next page.)

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows (expressed in thousands):

	Beginning Balance	Reclass- ifications	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated:					
Land	\$ 840,774	\$ 4,158	\$ 50,617	\$ 3,531	\$ 892,018
Construction in progress	36,498	(41,922)	40,525	-	35,101
Computer software in progress	52,428	(62,336)	37,351	-	27,443
Total capital assets not being depreciated	<u>929,700</u>	<u>(100,100)</u>	<u>128,493</u>	<u>3,531</u>	<u>954,562</u>
Capital assets being depreciated:					
Infrastructure	13,514,618	5,103	856,680	3,334	14,373,067
Buildings & improvements	1,813,072	22,122	45,687	6,583	1,874,298
Machinery, equipment & vehicles	584,664	3,566	42,569	30,958	599,841
Land improvements	72,411	6,973	11,275	-	90,659
Works of art & historical treasures	1,415	-	11	-	1,426
Computer software	155,742	62,336	1,507	3,903	215,682
Total capital assets being depreciated	<u>16,141,922</u>	<u>100,100</u>	<u>957,729</u>	<u>44,778</u>	<u>17,154,973</u>
Less accumulated depreciation for:					
Infrastructure	6,849,507	-	504,875	3,194	7,351,188
Buildings & improvements	731,960	-	50,034	4,032	777,962
Machinery, equipment & vehicles	379,154	-	40,271	28,771	390,654
Land improvements	26,165	-	3,374	-	29,539
Works of art & historical treasures	248	-	16	-	264
Computer software	40,351	-	5,578	585	45,344
Total accumulated depreciation	<u>8,027,385</u>	<u>-</u>	<u>604,148</u>	<u>36,582</u>	<u>8,594,951</u>
Total capital assets being depreciated (net)	<u>8,114,537</u>	<u>100,100</u>	<u>353,581</u>	<u>8,196</u>	<u>8,560,022</u>
Governmental activities capital assets (net)	<u>\$9,044,237</u>	<u>\$ -</u>	<u>\$482,074</u>	<u>\$ 11,727</u>	<u>\$9,514,584</u>

(continued on next page)

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

(continued)

	Beginning Balance	Reclass- ifications	Increases	Decreases	Ending Balance
Business-type activities					
Capital assets not being depreciated:					
Land	\$ 88,675	\$ -	\$ 4,667	\$ -	\$ 93,342
Land improvements	5,982	(249)	-	-	5,733
Library collections	328,141	-	19,068	1,425	345,784
Works of art	26,296	-	1,898	12	28,182
Construction in progress	823,956	(842,659)	438,006	195	419,108
Computer software in progress	9,103	(6,195)	6,421	-	9,329
Total capital assets not being depreciated	<u>1,282,153</u>	<u>(849,103)</u>	<u>470,060</u>	<u>1,632</u>	<u>901,478</u>
Capital assets being depreciated:					
Infrastructure	1,036,134	51,314	421	14,185	1,073,684
Buildings & improvements	5,716,728	786,187	2,341	42,403	6,462,853
Machinery, equipment & vehicles	1,183,655	72	158,952	63,294	1,279,385
Land improvements	76,557	5,335	-	6,363	75,529
Library collections	276,821	-	9,649	2,774	283,696
Computer software	121,051	6,195	2,428	2,104	127,570
Goodwill	2,302	-	-	-	2,302
Trademarks	107	-	-	-	107
Total capital assets being depreciated	<u>8,413,355</u>	<u>849,103</u>	<u>173,791</u>	<u>131,123</u>	<u>9,305,126</u>
Less accumulated depreciation for:					
Infrastructure	604,834	-	31,006	2,893	632,947
Buildings & improvements	2,486,518	-	194,988	12,778	2,668,728
Machinery, equipment & vehicles	794,487	-	92,016	57,128	829,375
Land improvements	48,139	-	3,098	882	50,355
Library collections	226,878	-	11,069	2,774	235,173
Computer software	62,434	-	8,527	2,104	68,857
Goodwill	836	-	153	-	989
Trademarks	39	-	7	-	46
Total accumulated depreciation	<u>4,224,165</u>	<u>-</u>	<u>340,864</u>	<u>78,559</u>	<u>4,486,470</u>
Total capital assets being depreciated (net)	<u>4,189,190</u>	<u>849,103</u>	<u>(167,073)</u>	<u>52,564</u>	<u>4,818,656</u>
Business-type activities capital assets (net)	<u>\$ 5,471,343</u>	<u>\$ -</u>	<u>\$302,987</u>	<u>\$ 54,196</u>	<u>\$ 5,720,134</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Governmental activities:	
Administration & regulation	\$ 13,123
Education	4,303
Health & human rights	6,167
Human services	6,825
Justice & public defense	34,090
Economic development	1,164
Transportation	501,613
Agriculture & natural resources	<u>19,611</u>
Subtotal	586,896
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>17,252</u>
Total	<u>\$ 604,148</u>
Business-type activities:	
Enterprise	<u>\$ 340,864</u>

Discretely Presented Component Units (expressed in thousands)

Capital assets not being depreciated:	
Land	\$ 16,455
Construction in progress	<u>9,531</u>
Total capital assets not being depreciated	<u>25,986</u>
Capital assets being depreciated:	
Infrastructure	11,249
Buildings & improvements	134,548
Machinery, equipment & vehicles	22,201
Land improvements	18
Computer software	<u>2,568</u>
Total capital assets being depreciated	170,584
Less accumulated depreciation	<u>77,413</u>
Total capital assets being depreciated (net)	<u>93,171</u>
Discretely presented component units capital assets (net)	<u>\$ 119,157</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2017, are summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts due within one year
Governmental activities					
Compensated absences	\$ 311,508	\$ 157,021	\$ 154,406	\$ 314,123	\$ 144,537
Capital leases	52	37,227	4,436	32,843	3,417
Bonds payable	1,623,980	419,391	455,633	1,587,738	125,260
Other financing arrangements	1,801	-	253	1,548	263
Net pension liability	924,517	194,203	26,065	1,092,655	-
Other postemployment benefits	111,149	8,212	-	119,361	-
Early retirement/termination benefits	20,441	13,462	10,972	22,931	9,574
Risk management	20,000	4,713	4,713	20,000	10,885
Pollution remediation	23,976	100	4,779	19,297	16,321
Other liabilities	933	169	60	1,042	-
Total *	<u>3,038,357</u>	<u>834,498</u>	<u>661,317</u>	<u>3,211,538</u>	<u>310,257</u>
Allocation of Internal Service					
Funds liabilities:					
Compensated absences	5,734	3,326	2,775	6,285	2,940
Net pension liability	16,159	4,147	-	20,306	-
Other postemployment benefits	2,041	242	-	2,283	-
Early retirement/termination benefits	488	341	233	596	246
Total	<u>24,422</u>	<u>8,056</u>	<u>3,008</u>	<u>29,470</u>	<u>3,186</u>
Total primary government - governmental activities	<u>\$ 3,062,779</u>	<u>\$ 842,554</u>	<u>\$ 664,325</u>	<u>\$ 3,241,008</u>	<u>\$ 313,443</u>
Business-type activities					
Compensated absences	\$ 209,872	\$ 138,762	\$ 132,435	216,199	\$ 134,890
Capital leases	31,865	32	2,410	29,487	2,504
Bonds payable	1,936,944	257,203	278,002	1,916,145	98,774
Other financing arrangements	54,134	4,500	12,630	46,004	10,199
Net pension liability	99,327	44,791	-	144,118	-
Other postemployment benefits	185,608	36,210	-	221,818	-
Early retirement/termination benefits	7,243	97	2,399	4,941	2,139
Total primary government - business-type activities	<u>\$ 2,524,993</u>	<u>\$ 481,595</u>	<u>\$ 427,876</u>	<u>\$ 2,578,712</u>	<u>\$ 248,506</u>

* The General Fund has typically been used to liquidate most long-term liabilities, except for \$738.1 million of bonds payable 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 1.64% to 15.41% 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
2018	\$ 3,417	\$ 540
2019	3,474	484
2020	3,531	426
2021	3,589	368
2022	3,646	309
Thereafter	15,186	628
Total	<u>\$ 32,843</u>	<u>\$ 2,755</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):

Construction in progress	\$ 2,420
Equipment	7
Total	<u>2,427</u>
Accumulated depreciation	(1)
Net	<u>\$ 2,426</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
2018	\$ 2,504	\$ 978
2019	2,590	882
2020	2,668	784
2021	2,015	692
2022	2,060	625
2023-2027	11,367	3,024
2028-2032	6,054	785
Thereafter	229	10
Total	<u>\$ 29,487</u>	<u>\$ 7,780</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	317
Total	<u>41,558</u>
Accumulated depreciation	(7,481)
Net	<u>\$ 34,077</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
2018	\$ 780
2019	825
Total	<u>\$ 1,605</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
2018	\$ 263	\$ 27
2019	263	22
2020	159	18
2021	165	15
2022	171	12
2023-2027	304	36
Thereafter	223	9
Total	<u>\$ 1,548</u>	<u>\$ 139</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 \$84,842,000 with interest rates ranging from 0.00% to 5.34%. The following is a schedule by year of future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2018	\$ 10,199	\$ 1,097
2019	8,350	845
2020	7,382	626
2021	6,723	421
2022	4,382	254
2023-2027	6,003	369
Thereafter	2,965	112
Total	<u>\$ 46,004</u>	<u>\$ 3,724</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – BONDS PAYABLE

Revenue bonds payable at June 30, 2017, are as follows (expressed in thousands):

	ISSUE DATES	ORIGINAL ISSUANCE	INTEREST RATES	MATURITY DATE RANGE	OUTSTANDING PRINCIPAL
PRIMARY GOVERNMENT					
Governmental activities					
Revenue bonds					
<i>Term bonds</i>					
Tobacco Settlement Authority	2006	\$ 635,635	5.38-6.50	2007-2041	\$ 493,980
IJOBS - 2010	2011	63,635	4.00-5.00	2034-2038	63,635
Total					<u>557,615</u>
<i>Serial bonds</i>					
Vision Iowa	2002	\$ 196,375	2.25-5.50	2002-2021	56,410
Iowa Utilities Board	2010	12,640	5.04	2011-2029	9,400
IJOBS - 2009	2010	220,950	6.75	2029-2034	220,950
Prison Infrastructure - 2010	2011	135,050	2.00-5.00	2012-2020	29,475
IJOBS - 2010	2011	87,675	2.50-5.00	2012-2030	68,000
Refunding, Prison Infrastructure - 2016	2017	79,790	5.00	2021-2027	79,790
Refunding, IJOBS - 2016	2017	265,425	2.00-5.00	2017-2029	246,690
Total					<u>710,715</u>
<i>Capital appreciation bonds</i>					
Tobacco Settlement Authority	2006	\$ 729,800	5.60-7.13	2007-2046	729,800
Total revenue bonds					1,998,130
Unamortized premium					76,123
Unamortized discount					(486,515)
Total governmental activities					<u>\$ 1,587,738</u>
Business-type activities					
Revenue bonds					
University of Iowa	2005-2017	\$ 1,417,885	0.30-5.00	2006-2043	\$ 1,219,915
Iowa State University	2008-2017	623,620	1.00-5.00	2010-2041	516,975
University of Northern Iowa	2009-2017	161,414	1.00-5.00	2011-2037	132,440
Total revenue bonds					1,869,330
Unamortized premium					47,711
Unamortized discount					(896)
Total business-type activities					<u>\$ 1,916,145</u>
COMPONENT UNITS					
Revenue bonds					
Iowa Finance Authority	1978-2017	\$ 1,714,326	variable (1)	2011-2048	\$ 1,389,527
Iowa State University Foundation	2002	3,850	2.40	2003-2020	2,063
Total revenue bonds					1,391,590
Unamortized premium					121,836
Total component units					<u>\$ 1,513,426</u>

(1) Variable rates are as of June 30, 2017.

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 96% of total deposits into the Vision Iowa Fund. As of June 30, 2017, total principal and interest remaining to be paid on the debt is \$63.8 million. Principal and interest paid for the current year and total deposits into the Vision Iowa Fund were \$16.0 million and \$14.9 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, 2017, total principal and interest remaining on the debt is \$1,982.4 million with annual requirements ranging from \$119.3 million in 2018 to \$734.9 million in the final year. TSRs received by the State have averaged \$60.7 million per year over the last 19 years. For the current year, principal and interest paid by the Authority and the total TSRs recognized by the State were \$52.9 million and \$65.9 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, Series 2009 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.

In July 2016, the State issued \$265.4 million of IJOBS Program Special Obligation Refunding Bonds, Series 2016A with interest rates ranging between 2.0% and 5.0% to refund \$288.1 million of outstanding IJOBS

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Program Special Obligation Bonds, Series 2009A with interest rates ranging between 4.25% and 5.00%. \$321.1 million was placed into an irrevocable trust with an escrow agent to provide for all future debt service payments related to the Series 2009A bonds. As a result of the in-substance defeasance, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. The advance refunding resulted in a decrease in the aggregate debt service payments of \$36.5 million over the next 13 years and an economic gain (difference between the present value of the old and new debt service payments) of \$33.2 million. As of June 30, 2017, Series 2009A bonds totaling \$270.2 million were considered defeased.

Annual principal and interest payments on the Series 2009B bonds are expected to require less than 25% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2017, total principal and interest remaining to be paid on the Series 2009B bonds is \$440.9 million. Interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were \$14.9 million and \$60.4 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.

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, 2017, total principal and interest remaining to be paid on the debt is \$12.8 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 – 2010

The State of Iowa has issued Special Obligation Bonds (Prison Infrastructure Fund), Series 2010 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.

In July 2016, the State issued \$79.8 million of Special Obligation Refunding Bonds (Prison Infrastructure Fund), Series 2016 with an interest rate of 5.0% to refund the \$86.6 million of outstanding 2021-2027 maturities of the Special Obligation Bonds (Prison Infrastructure Fund), Series 2010 with interest rates ranging between 3.60% and 5.00%. \$100.4 million was placed into an irrevocable trust with an escrow agent to provide for all future debt service payments related to the 2021-2027 maturities of the Series 2010 bonds. As a result of the in-substance defeasance, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. The advance refunding resulted in a decrease in the aggregate debt service payments of \$9.3 million over the next 11 years and an economic gain of \$8.4 million. As of June 30, 2017, Series 2010 bonds totaling \$86.6 million were considered defeased.

Annual principal and interest payments on the 2018-2020 maturities of the Series 2010 bonds are expected to require less than 71% of total deposits into the Prison Infrastructure Fund. As of June 30, 2017, total principal and interest remaining to be paid on the debt is \$32.1 million. Principal and interest paid in the current year and total deposits into the Prison Infrastructure Fund were \$10.7 million and \$15.2 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.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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, 2017, total principal and interest remaining to be paid on the Series 2010A bonds is \$209.6 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 \$60.4 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.

Refunding, Prison Infrastructure – 2016

The State of Iowa has issued Special Obligation Refunding Bonds (Prison Infrastructure Fund), Series 2016 to advance refund a portion of the outstanding Special Obligation Bonds (Prison Infrastructure Fund), Series 2010 and to pay certain costs of issuance. 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 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 \$79.8 million in refunding bonds issued in July 2016. 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 24% of total deposits into the Prison Infrastructure Fund. As of June 30, 2017, total principal and interest remaining to be paid on the debt is \$108.5 million. Interest paid in the current year and total deposits into the Prison Infrastructure Fund were \$3.5 million and \$15.2 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.

Refunding, IJOBS - 2016

The State of Iowa has issued IJOBS Program Special Obligation Refunding Bonds, Series 2016A to refund the IJOBS Program Special Obligation Bonds, Series 2009A, fund a Bond Reserve Fund and pay costs of issuance. The State has pledged a portion of future revenues to repay \$265.4 million of bonds issued in July 2016. 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 which would otherwise be deposited in the State's General Fund 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 2029. Annual principal and interest payments on the bonds are expected to require less than 49% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2017, total principal and interest remaining to be paid on the debt is \$324.9 million. Principal and interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were \$29.1 million and \$60.4 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 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, 2017, bonds totaling \$10.0 million are considered defeased.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Year Ending June 30,	Principal	Interest
2018	\$ 125,260	\$ 79,899
2019	46,170	72,507
2020	48,470	70,219
2021	50,050	67,387
2022	36,380	65,384
2023-2027	210,905	297,993
2028-2032	204,095	244,183
2033-2037	305,140	149,927
2038-2042	245,740	90,968
Thereafter	725,920	38,363
Total	<u>\$ 1,998,130</u>	<u>\$ 1,176,830</u>

B. Primary Government – Business-type Activities

Universities

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

- \$34.4 million of Dormitory Revenue Bonds, Series S.U.I. 2016, with an interest rate range of 2.00-3.00% 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.
- \$28.5 million of Dormitory Revenue Bonds, Series S.U.I. 2017, with an interest rate range of 3.00-3.50% 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:

- \$23.6 million of Academic Building Revenue Refunding Bonds, Series S.U.I. 2016A, with an average interest rate of 3.02% and accrued interest of \$33,000 to advance refund \$23.6 million of outstanding Academic Building Revenue Refunding Bonds, Series S.U.I. 2008, with interest rates ranging between 4.00% and 4.75%. Net bond proceeds of \$25.5 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. 2008 Bonds will be called on July 1, 2018. The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of \$3.0 million; and reduced the aggregate debt service payments by \$3.3 million over the next 13 years.
- \$17.0 million of Utility System Revenue Refunding Bonds, Series S.U.I. 2016A, with an average interest rate of 4.01% and accrued interest of \$9,000 to advance refund \$19.5 million of outstanding Utility System Revenue Refunding Bonds, Series S.U.I. 2007A, with interest rates ranging between 4.00% and 4.75%. The University chose to early fund principal of \$1.0 million. As a result, the outstanding amount of bonds at the time of closing was \$18.5 million. 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. 2007A Bonds will be called on November 1, 2018. The refunding permitted the University to realize an economic gain of \$2.2 million; and reduced the aggregate debt service payments by \$2.4 million over the next 13 years.
- \$18.6 million of Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2017, with an average interest rate of 5.01% and accrued interest of \$10,000 to advance refund \$20.5 million of outstanding Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2007, with interest rates ranging between 4.00% and 4.75%. Net bond proceeds of \$21.2 million were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Series S.U.I. 2007 Bonds will be called on July 1, 2018. The refunding permitted the University to realize an economic gain of \$0.9 million; and reduced the aggregate debt service payments by \$1.1 million over the next 17 years.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

- \$20.6 million of Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2017A, with an average interest rate of 2.98% and accrued interest of \$35,000 to advance refund \$20.7 million of outstanding Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2008, with interest rates ranging between 4.00% and 4.75%. The University chose to early fund principal of \$0.9 million. As a result, the outstanding amount of bonds at the time of closing was \$19.8 million. Net bond proceeds of \$20.8 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. 2008 Bonds will be called on July 1, 2019. The refunding permitted the University to realize an economic gain of \$1.5 million; and reduced the aggregate debt service payments by \$1.7 million over the next 17 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, 2017, bonds totaling \$178.1 million for the University of Iowa were considered defeased.

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

- \$23.2 million of Academic Building Revenue Refunding Bonds, Series I.S.U. 2016. \$24.3 million of proceeds were placed in an irrevocable escrow account to refund \$22.7 million of Academic Building Revenue Bonds, Series I.S.U. 2008. The advance refunding of these bonds permitted the University to realize an economic gain of \$2.5 million; and reduced the aggregate debt service payments by \$3.1 million over the next 19 years.
- \$14.3 million of Dormitory Revenue Refunding Bonds, Series I.S.U. 2016. \$16.0 million of proceeds and \$0.9 million of debt service reserve funds were used to refund \$16.6 million of Dormitory Revenue Refunding Bonds, Series I.S.U. 2006 and Series I.S.U. 2006A. The current refunding of these bonds permitted the University to realize an economic gain of \$3.1 million; and reduced the aggregate debt service payments by \$2.8 million over the next 11 years.
- \$24.5 million of Utility System Revenue Refunding Bonds, Series I.S.U. 2016 with an interest rate range of 2.00-3.00%. The bonds were issued to provide for the current refunding of the outstanding principal of the November 1, 2017 through November 1, 2026 maturities of the Utility System Revenue Bonds, Series I.S.U. 2006, and equipping and improving certain facilities and other improvements to the utility system. The revenues pledged to these bonds are net revenues of the utility system and any utility system student fees.

\$4.2 million of proceeds and \$0.3 million of debt service reserve funds were used to refund \$4.5 million of Utility System Revenue Bonds, Series I.S.U. 2006. The current refunding of these bonds permitted the University to realize an economic gain of \$0.8 million; and reduce the aggregate debt service payments by \$0.6 million over the next 10 years.
- \$8.3 million of Dormitory Revenue Refunding Bonds, Series I.S.U. 2017. \$9.0 million of proceeds and \$1.0 million of debt service reserve funds were placed in an irrevocable escrow account to refund \$9.0 million of Dormitory Revenue Bonds, Series I.S.U. 2007. The advance refunding of these bonds permitted the University to realize an economic gain of \$1.6 million; and reduce the aggregate debt service payments by \$1.4 million over the next 11 years.
- \$24.2 million of Academic Building Revenue Refunding Bonds, Series I.S.U. 2017. \$24.0 million of proceeds and \$1.3 million of debt service reserve funds were placed in an irrevocable escrow account to refund \$22.4 million of Academic Building Revenue Bonds, Series I.S.U. 2008A. The advance refunding of these bonds permitted the University to realize an economic gain of \$4.0 million; and reduce the aggregate debt service payments by \$4.4 million over the next 13 years.

During the current year, the *University of Northern Iowa* issued \$12.5 million of Academic Building Revenue Refunding Bonds, Series U.N.I. 2016A, with a net interest cost of 2.56%. The bonds were issued in the form of an advanced refunding to refund the July 1, 2017 through July 1, 2035 maturities of Academic Building Revenue Bonds, Series U.N.I. 2008. Outstanding Series U.N.I. 2008 bonds totaled \$11.5 million and the interest rate ranged between 4.00% and 5.00%. Aggregate debt service payments are reduced \$2.0 million over the next 19 years as a result of the refunding. The net proceeds of \$12.4 million were deposited in an irrevocable escrow account with Wells Fargo Bank, National Association, as trustee. The Academic Building Revenue Bonds, Series U.N.I. 2008 are callable on July 1, 2018. The advanced refunding resulted in an economic gain of \$1.7 million.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 98,774	\$ 63,488
2019	104,278	59,337
2020	107,369	56,191
2021	101,224	52,970
2022	103,075	49,832
2023-2027	520,372	197,134
2028-2032	441,559	111,447
2033-2037	307,629	42,163
2038-2042	83,110	5,391
Thereafter	<u>1,940</u>	<u>34</u>
Total	<u>\$ 1,869,330</u>	<u>\$ 637,987</u>

C. Component Units

Iowa Finance Authority

The Iowa Finance Authority (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 Authority to make payments of principal and interest from amounts available in the Authority’s General Account should deficiencies occur in the accounts established for such payments by the respective bond resolutions.

In a prior year, the 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 liabilities for these defeased bonds are not included in the Authority’s financial statements. As of June 30, 2017, bonds totaling \$258.0 million were considered defeased.

During the current fiscal year, the Authority issued three new bond series totaling \$310.6 million to purchase mortgage-backed securities (MBS) and SRF loans. In addition, the Authority made bond payments of \$100.6 million.

Iowa State University Foundation

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.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Year Ending June 30,	Principal	Interest
2018	\$ 63,431	\$ 52,626
2019	66,678	50,677
2020	69,354	48,001
2021	70,559	45,130
2022	71,126	42,216
2023-2027	336,099	169,233
2028-2032	317,110	101,350
2033-2037	186,814	46,996
2038-2042	134,303	18,429
2043-2047	75,026	3,934
Thereafter	1,090	15
Total	<u>\$ 1,391,590</u>	<u>\$ 578,607</u>

NOTE 11 – ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2017, consisted of the following (expressed in thousands):

	Current	Noncurrent
PRIMARY GOVERNMENT		
Governmental activities		
Salaries & fringes	\$ 93,237	\$ -
Early retirement/termination benefits	9,820	13,707
Risk management	10,885	9,115
Pollution remediation	16,321	2,976
State aid	336,186	-
Trade & other payables	956,448	223,186
Total governmental activities	<u>\$ 1,422,897</u>	<u>\$ 248,984</u>
Business-type activities		
Salaries & fringes	\$ 196,715	\$ -
Early retirement/termination benefits	2,139	2,802
General claims	31,943	-
Unemployment benefits	14,887	-
Trade & other payables	183,620	53,078
Total business-type activities	<u>\$ 429,304</u>	<u>\$ 55,880</u>
COMPONENT UNITS		
Annuity & life income obligations	\$ 340	\$ 26,481
Lotto prizes & annuity prizes payable	3,758	488
Other	69,414	59,385
Total component units	<u>\$ 73,512</u>	<u>\$ 86,354</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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, 2017, pollution remediation obligations totaled \$19.3 million, including \$19.1 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.

NOTE 12 – NET POSITION/GOVERNMENTAL FUND BALANCES

A. Net Position Restricted By Enabling Legislation

The Governmental Activities Statement of Net Position reports \$941.5 million of Restricted Net Position, of which \$15.8 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.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

The nonspendable and spendable fund balances for governmental funds at June 30, 2017, are as follows (expressed in thousands):

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
NONSPENDABLE					
Inventory & prepaid expenditures	\$ 46,445	\$ -	\$ -	\$ 384	\$ 46,829
Permanent fund principal	-	-	-	10,429	10,429
Total nonspendable	46,445	-	-	10,813	57,258
SPENDABLE					
Restricted:					
Administration & regulation	144,900	283,453	-	5,875	434,228
Education	21,385	-	-	54,272	75,657
Health & human rights	24,780	-	-	2,792	27,572
Human services	1,079	-	-	214	1,293
Justice & public defense	8,832	-	-	467	9,299
Economic development	1,774	-	-	-	1,774
Transportation	680,200	-	-	-	680,200
Agriculture & natural resources	66	-	-	44	110
Total restricted	883,016	283,453	-	63,664	1,230,133
Committed:					
Cash reserve	422,493	-	-	-	422,493
Economic emergency	183,188	-	-	-	183,188
Administration & regulation	240,733	-	-	7,149	247,882
Education	52,200	-	-	48	52,248
Health & human rights	14,555	-	-	-	14,555
Human services	113,403	-	-	1,060	114,463
Justice & public defense	76,587	-	-	2,433	79,020
Economic development	14,575	-	-	-	14,575
Transportation	46,545	-	-	1,276	47,821
Agriculture & natural resources	110,125	-	-	10,259	120,384
Total committed	1,274,404	-	-	22,225	1,296,629
Unassigned	(328,131)	-	(201,679)	(27)	(529,837)
TOTAL FUND BALANCES	\$ 1,875,734	\$ 283,453	\$ (201,679)	\$ 96,675	\$ 2,054,183

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 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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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 General Fund 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 \$60.0 million 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 seven 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.

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,	
2018	\$ 12,878
2019	9,592
2020	7,292
2021	4,901
2022	3,742
2023-2027	3,805
2028-2032	320
2033-2037	342
Thereafter	289
Total	<u>\$ 43,161</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 \$0.9 million.

Rental expense for the year ended June 30, 2017 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$15.6 million. Rental expense has not been adjusted for sublease rentals totaling \$0.5 million for the year ended June 30, 2017.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Business-type Activities

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

Year Ending June 30,	
2018	\$ 19,399
2019	14,572
2020	12,721
2021	11,254
2022	10,933
2023-2027	37,069
2028-2032	27,026
Thereafter	<u>10,836</u>
Total	<u>\$ 143,810</u>

Minimum payments have not been reduced by minimum sublease rentals of \$5,000.

Rental expense for the year ended June 30, 2017 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$28.3 million. Rental expense has not been adjusted for sublease rentals totaling \$4,000 for the year ended June 30, 2017.

B. Component Units

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

Year Ending June 30,	
2018	\$ 4,541
2019	4,131
2020	3,696
2021	1,882
2022	1,139
Thereafter	<u>4,333</u>
Total	<u>\$ 19,722</u>

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

Rental expense for the year ended June 30, 2017 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$4.5 million. Rental expense has not been adjusted for sublease rentals totaling \$15,588 for the year ended June 30, 2017.

NOTE 14 - LESSOR OPERATING LEASES

The Iowa Department of Natural Resources leases tracts of land for agricultural purposes valued at \$8.3 million. Glenwood Resource Center leases building space that is fully depreciated (net of accumulated depreciation of \$7.5 million). Iowa Public Television leases antenna and building space, the Iowa Communications Network leases dark fiber, 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 \$2.2 million. Iowa State University leases building space valued at \$2.0 million (net of accumulated depreciation of \$0.7 million), tower space valued at \$0.4 million (net of accumulated depreciation of \$0.1 million), equipment with an original value of \$0.6 million, and tracts of land for agricultural purposes valued at \$0.1 million. The University of Northern Iowa leases buildings valued at \$0.7 million (net of accumulated depreciation of \$0.6 million), tracts of land for agricultural purposes valued at \$0.2 million and tower space for which no value has been assigned to the lease portions. The Iowa Braille & Sight Saving School leases buildings valued at \$4.8 million (net of accumulated depreciation of \$2.4 million).

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

The following is a schedule by year of minimum future rentals on operating leases as of June 30, 2017 (expressed in thousands):

Year Ending <u>June 30,</u>	
2018	\$ 3,820
2019	2,228
2020	1,667
2021	1,166
2022	854
2023-2027	3,223
2028-2032	1,414
2033-2037	829
2038-2042	631
2043-2047	631
2048-2052	631
2053-2057	631
2058-2062	631
2063-2067	631
Thereafter	<u>53</u>
Total	<u>\$ 19,040</u>

(Notes continue on next page.)

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, the unamortized portion of the net difference between projected and actual earnings on pension plan investments, 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 unrecognized items not yet credited to pension expense and 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 5.00% 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 4.78% and 5.35%, 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, 2017, 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	\$ 1,078,059	\$ 23,256	\$ 167,758	\$ 11,262	\$ 1,280,335	
Deferred outflows of resources related to pensions	367,904	6,113	44,368	-	418,385	
Deferred inflows of resources related to pensions	80,196	1,212	16,835	6,762	105,005	
Pension expense for the period associated with net pension liabilities	132,042	2,474	28,556	4,248	167,320	

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

B. Pension Plans

Iowa Public Employees' Retirement System (IPERS)

General Information about the Plan

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

Participation in IPERS is mandatory for most state, county and local public employees, employees of school districts and certain elected officials. Membership is optional for some individuals, including the members of the Iowa Legislature. At June 30, 2017, IPERS had 1,956 public employers with 169,910 active members contributing to the system.

Plan Membership.

	Fiscal Years Ended June 30,	
	2017	2016
Inactive employees or beneficiaries currently receiving benefits	117,759	114,491
Inactive employees entitled to but not yet receiving benefits	67,962	66,847
Active employees	169,910	168,372
Total	355,631	349,710

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%. 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% 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% 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%.
 - **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.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Death Benefits. If a member dies before retirement, their designated beneficiary may receive a lump-sum payment based on the greater of two formulas: (1) actuarial present value of the member's accrued benefit as of the date of death, or (2) actual years of service divided by either 30 years for a regular member/22 years for special service member multiplied by member's highest annual covered wage plus 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 assets 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 2017, the contribution rates for all members exceeded the actuarial rates.

	Fiscal Year 2016 and 2017		
	Employee	Employer	Total
Regular members	5.95%	8.93%	14.88%
Sheriffs and deputies - 2016	9.88%	9.88%	19.76%
Sheriffs and deputies - 2017	9.63%	9.63%	19.26%
Protection occupation members	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 2016 and \$270,000 for calendar year 2017. There are no non-employer contributing entities to IPERS.

The State's employer contributions to IPERS for the years ended June 30, 2017 and 2016 were \$128,532,059 and \$124,717,806, respectively.

Actuarial Methods and Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions and the entry age normal actuarial cost method.

- Inflation rate: 3.00%
- Long-term rate of return: 7.50%
- Projected salary increases: 4.00% – 17.00%

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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 versus post-retirement versus post-disability mortality tables. Pre-retirement mortality rates were based on the RP-2000 Employee Table, post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Table, and post-disability mortality rates were based on the RP-2000 Disabled Mortality Table.

The actuarial assumptions used in the June 30, 2016 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 rate of 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 long-term rate of return is reviewed as part of the experience studies prepared for IPERS by the 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 long-term rate of return including 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 return, net of investment expense and inflation) along with estimates of variability and correlations for each asset class, were developed by the investment consultant. These ranges were combined to develop 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 the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of 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, 2016, 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%	1.90%
Domestic equity	24.00%	5.85%
International equity	16.00%	6.32%
Private equity/debt	11.00%	10.31%
Real estate	8.00%	3.87%
Credit opportunities	5.00%	4.48%
U.S. TIPS	5.00%	1.36%
Other real assets	2.00%	6.42%
Cash	1.00%	-0.26%
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; and (3) administrative expense in the prior year were projected forward with inflation as an estimate for administrative expense in the current and future years. The portion of the expenses in future years allocated to the current members was based on the proportionate share of covered payroll in each for the remainder of existing members to the total covered payroll for all members. 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 investments of 7.50% was applied to all period of projected benefit payments to determine the total 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.

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):

	2017	2016
Total pension liability	\$ 37,440,382	\$ 34,619,749
Plan fiduciary net position	30,779,116	28,326,434
Employers' net pension liability	\$ 6,661,266	\$ 6,293,315
Plan fiduciary net position as a percentage of the total pension liability	82.21%	81.82%

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, 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, 2017, the State reported a total liability of \$1,101.3 million, with \$1,078.0 million in the primary government and \$23.3 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, 2016, and the total pension liability as of June 30, 2016, used to calculate the net pension liability was determined based on the June 30, 2016 actuarial valuation for funding, dated November 9, 2016.

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, 2016, the State's total proportion was 17.499586% (17.130052% in the primary government and 0.369534% in the discretely presented component units). This was an increase of 0.218990% from the State's total proportion (an increase of 0.230659% in the primary government and a decrease of 0.011669% in the discretely presented component units), measured as of June 30, 2015.

For the year ended June 30, 2017, the State recognized IPERS pension expense of \$132.0 million for the primary government and \$2.5 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	\$ 9,441	\$ 205
Changes in assumptions	16,298	355	16,653
Net difference between projected and actual earnings on pension plan investments	175,301	3,254	178,555
Changes in proportion and differences between contributions and proportionate share of contributions	38,332	89	38,421
Contributions subsequent to the measurement date	128,532	2,210	130,742
Total	\$ 367,904	\$ 6,113	\$ 374,017

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	\$ 16,045	\$ 278	\$ 16,323
Changes in assumptions	43	-	43
Changes in proportion and differences between contributions and proportionate share of contributions	64,108	934	65,042
Total	<u>\$ 80,196</u>	<u>\$ 1,212</u>	<u>\$ 81,408</u>

The primary government and discretely presented component units reported deferred outflows of resources relating to pensions of \$128.5 million and \$2.2 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, 2018. 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
2018	\$ 37,615	\$ 603	\$ 38,218
2019	37,615	603	38,218
2020	39,883	684	40,567
2021	43,751	797	44,548
2022	312	4	316
Total	<u>\$ 159,176</u>	<u>\$ 2,691</u>	<u>\$ 161,867</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	\$ 1,824,433	\$ 1,078,059	\$ 448,193
Discretely presented component units	37,625	23,256	11,128
Total	<u>\$ 1,862,058</u>	<u>\$ 1,101,315</u>	<u>\$ 459,321</u>

Payables to the Pension Plan

At June 30, 2017, the State of Iowa reported payables of \$3.0 million for legally required employer contributions and \$2.0 million for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	597
Inactive employees entitled to but not yet receiving benefits	48
Nonvested terminations	7
Active employees	<u>540</u>
Total	<u>1,192</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. Benefits vest after four years of credited service.

- *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 22 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 22 years of creditable service and attaining the minimum service retirement age of 55.
- *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 22 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 55 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 22 or more years of membership service, the member will receive the greater of the benefit payable under a service retirement if the member were 55 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 55. 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.
- *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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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 PORS 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 is 11.4%. The employer contribution rate increased to 35% for plan year 2017 and will increase 2% each year until reaching 37%. In addition, the State contributed an additional \$5 million and will continue the supplemental contribution until the funded status of PORS attains 85%. In May, 2016, legislation was signed limiting the additional appropriation for fiscal year 2017 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 \$5,052,916, representing 11.40% of the current year covered payroll. The State contribution required by statute and the amount actually contributed was \$17,274,144. \$2,500,000 of the State contribution was an annual appropriation, which was in addition to the required employer 35% contribution rate. Costs of administering the plan are financed through employer contributions and investment income.

An actuarial valuation of PORS' 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 7th Street, Des Moines, IA 50319 or at info@auditor.state.ia.us.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2017, 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 8.50%, 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-2014 Total Dataset Mortality Table with a one-year age set-back for males and Generational Projection, using MP-2016. Post-retirement mortality rates were based on the RP-2014 Total Dataset Mortality Table with a one-year age set-back for males and Generational Projection, using MP-2016. Disability mortality rates were based on the RP-2014 Total Dataset Mortality Table with a four-year age set-forward for males and Generational Projection, using MP-2016.

The actuarial assumptions used in the July 1, 2017 valuation are based on the results of the most recent actuarial experience study, which covered the five year period ending June 30, 2016. The experience study report is dated June 19, 2017.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap equities	25.00%	8.83%
Small cap equities	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: 37.00% until fully funded, at which point the State will contribute the actuarial rate; and (3) supplemental State contributions: \$5 million until PORS 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 periods 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 3.56%. The projected future benefit payments for all current plan members were projected through 2116.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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	\$ 257,151	\$ 167,758	\$ 94,698

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, 2016	\$ 578,389	\$ 403,085
Changes for the year:			
Service cost	13,071	-	13,071
Interest	42,298	-	42,298
Difference between expected and actual experience	(1,886)	-	(1,886)
Assumption changes	33,549	-	33,549
Contributions - employer	-	17,274	(17,274)
Contributions - employee	-	5,053	(5,053)
Net investment income	-	72,488	(72,488)
Benefit payments including refunds of employee contributions	(29,362)	(29,362)	-
Administrative expense	-	(237)	237
Net changes	57,670	65,216	(7,546)
Balances at June 30, 2017	\$ 636,059	\$ 468,301	\$ 167,758

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

For the year ended June 30, 2017, the State of Iowa recognized pension expense related to the System of \$28.6 million. At June 30, 2017, 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	\$ -	\$ 9,014
Changes of assumptions	44,368	-
Net difference between projected and actual earnings on pension plan investments	-	7,821
Total	\$ 44,368	\$ 16,835

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 <u>June 30,</u>		
2018	\$	7,965
2019		7,965
2020		6,061
2021		(905)
2022		<u>6,447</u>
Total	\$	<u>27,533</u>

There are no non-employer contributing entities to PORS.

Payables to the Pension Plan

At June 30, 2017, the State of Iowa reported payables of \$591,203 for legally required employer contributions and \$192,563 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, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	204
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>198</u>
Total	<u>406</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 age 65 or has served 20 years of consecutive service as a judge of one or more of the above courts and is at least age 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 on or after July 1, 2006) of the basic senior judge salary multiplied by the judge's years of service, not to exceed an amount equal to a *specified percentage* of the basic senior judge salary as of the time the senior judge separated from service. The basic senior judge salary is equal to the highest salary the judge is receiving or received at the time the judge separated from full time service plus 75% of the difference between that salary and the basic current salary of the office the judge last served as a judge.
- The *specified percentages* to determine maximum annuity benefit for judges and senior judges are: (1) 50% for judges who retired prior to July 1, 1998, (2) 52% for judges who retired and received an annuity on or after July 1, 1998 but before July 1, 2000, (3) 56% for judges who retired and received an annuity on or after July 1, 2000 but before July 1, 2001, (4) 60% for judges who retire and receive an annuity on or after July 1, 2001 but before July 1, 2006, and (5) 65% for judges who retire and received an annuity on or after July 1, 2006.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

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

Judges contribute to JRS at the rate of 9.35% multiplied by the basic salary of the judge. 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 JRS 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 \$2,610,702, representing 9.35% of the current year covered payroll. The State contribution required by statute and the amount contributed was \$8,544,064. 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 JRS' 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.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, 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, 2017, 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, 2017 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.

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap equity	25.00%	5.92%
Small/mid cap equity	15.00%	6.71%
International equity	18.75%	6.71%
Emerging international equity	6.25%	9.70%
Core bonds	17.00%	1.38%
High-yield bonds	2.25%	3.66%
Diversified fixed income	5.75%	2.83%
Real estate (core)	10.00%	4.62%
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan contributions from members and the State will be made at the current contribution rates as set in state statute: (1) employee contribution rate: 9.35% until the plan is fully funded, after which employees will contribute 40% of the actuarially required contribution rate; and (2) employer contribution rate: 30.6% until the plan is fully funded, after which the employer will contribute 60% of the actuarially required contribution rate. Based on those assumptions, the pension fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on plan assets was applied to all periods 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 3.56%. 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	\$ 30,496	\$ 11,262	\$ (5,391)

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.

Changes in the Net Pension Liability

	Increase (Decrease) Expressed in Thousands		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2016	\$ 190,933	\$ 161,152	\$ 29,781
Changes for the year:			
Service cost	6,235	-	6,235
Interest	13,880	-	13,880
Difference between expected and actual experience	(865)	-	(865)
Contributions - employer	-	8,544	(8,544)
Contributions - employee	-	2,611	(2,611)
Net investment income	-	26,632	(26,632)
Benefit payments including refunds of employee contributions	(11,950)	(11,950)	-
Administrative expense	-	(18)	18
Net changes	<u>7,300</u>	<u>25,819</u>	<u>(18,519)</u>
Balances at June 30, 2017	<u>\$ 198,233</u>	<u>\$ 186,971</u>	<u>\$ 11,262</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

For the year ended June 30, 2017, the State of Iowa recognized pension expense related to the System of \$4.2 million. At June 30, 2017, the State reported deferred inflows of resources related to pensions for the System from the following sources (expressed in thousands):

	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,754
Net difference between projected and actual earnings on pension plan investments	1,008
Total	\$ 6,762

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

Year Ending June 30,			
2018	\$	(1,218)	
2019		(1,218)	
2020		(1,114)	
2021		(3,182)	
2022		(30)	
Total	\$	(6,762)	

There are no non-employer contributing entities to JRS.

Payables to the Pension Plan

At June 30, 2017, the State of Iowa reported payables of \$326,135 for legally required employer contributions and \$99,653 for legally required employee contributions which had been withheld from employee wages but not yet remitted to JRS.

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

The Universities, Board of Regents, the Iowa Braille and Sight Saving School and the Iowa School for the Deaf contribute to the 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 and the Code of Iowa, 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 employee contributes 5.00% and the employer contributes 10.00% on all earnings.

During fiscal years 2017 and 2016, the employers' required and actual contributions amounted to \$169,610,318 and \$162,735,972, respectively. During fiscal years 2017 and 2016, the employees' required and actual contributions amounted to \$84,974,675 and \$81,495,471, respectively. As of June 30, 2017, all required contributions were remitted to TIAA-CREF.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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 24,129 active and 2,324 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 In-Network, Iowa Select Out-of-Network, Wellmark Blue Access, Wellmark Blue Advantage, 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.

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, 2017, the amount actually contributed to the plan and changes in the State's net OPEB obligation as follows (expressed in thousands):

Annual required contribution	\$	26,591
Interest on net OPEB obligation		6,799
Adjustment to annual required contribution		<u>(9,276)</u>
Annual OPEB cost		24,114
Contributions made		<u>(10,776)</u>
Increase in net OPEB obligation		13,338
Net OPEB obligation beginning of year		<u>151,097</u>
Net OPEB obligation end of year	\$	<u><u>164,435</u></u>

The State's plan includes AFSCME employees of the Universities. The portion of the fiscal year 2017 net OPEB obligation related to those employees is \$39.2 million. The State plan also includes \$1.9 million of the fiscal year 2017 net OPEB obligation allocated to the State's discretely presented component units and fiduciary funds.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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, 2017.

For fiscal year 2017, the State contributed \$10.8 million to the medical plan. The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2017 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
2015	\$ 22,421	48.01%	\$ 140,045
2016	23,341	52.65%	151,097
2017	24,114	44.69%	164,435

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$191.5 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$191.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1,827.4 million and the ratio of the UAAL to the covered payroll was 10.48%. As of June 30, 2017, 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 Schedules 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.

As of the July 1, 2016, 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 6.6% (managed care plans) or 6.9% (non-managed care plans) in 2016, based on survey data and client market expectations, and grade down to an ultimate rate of 5.0% beginning in the year 2037. 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, set back 1 year with a 5.0% increase above age 75. The majority of State of Iowa employees are participants in the Iowa Public Employees' Retirement System (IPERS). For this reason, the mortality rates, withdrawal, retirement and age of spouse assumptions are based on the assumptions used for the IPERS Actuarial Valuation Report as of June 30, 2016. 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.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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 2017, the Universities contributed \$13.3 million to the plan and members receiving benefits contributed \$13.8 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, 2017, the amount actually contributed to the plans and changes in the Universities' net OPEB obligation as follows (expressed in thousands):

Annual required contribution	\$	45,071
Interest on net OPEB obligation		6,718
Adjustment to annual required contribution		<u>(7,096)</u>
Annual OPEB cost		44,693
Contributions made		<u>(13,272)</u>
Increase in net OPEB obligation		31,421
Net OPEB obligation beginning of year		<u>149,534</u>
Net OPEB obligation end of year	\$	<u><u>180,955</u></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, 2017.

The Universities' annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation for fiscal year 2017 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
2015	\$ 39,669	39.18%	\$ 119,523
2016	42,520	29.42%	149,534
2017	44,693	29.70%	180,955

Funded Status and Funding Progress

As of the most recent actuarial valuation for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$196.7 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$196.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1,657.7 million and the ratio of the UAAL to the covered payroll was 11.87%. As of June 30, 2017, there were no trust fund assets. A change in plan benefits to cap the University of Iowa's employer contribution at \$288 a month resulted in a decrease of about \$234.5 million in the July 1, 2017, Actuarial Accrued Liability.

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Schedules 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:

	<u>University of Iowa</u>	<u>Iowa State University</u>	<u>University of Northern Iowa</u>
Actuarial valuation date	July 1, 2016	July 1, 2015	July 1, 2016
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	6.75%	4.00%	4.00%
Medical trend rate	7.55% (9.17% for post age 65)	8.50%	7.50%
Ultimate medical trend rate	4.50%	Reduced 0.50% each year until reaching 5.00%	Reduced 0.50% each year until reaching 4.50%
Inflation rate	2.50%	2.50%	4.50%
Payroll growth rate	3.00%	n/a	2.50%

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 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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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, 2017, totaled \$2.2 million for 183 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 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, 2017, 261 SPOC retirees received benefits totaling \$1.5 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:

<u>If the sick leave balance is:</u>	<u>The conversion rate is:</u>
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.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

If a retired employee who has utilized this benefit returns to permanent state employment, all remaining balances in the SLIP account 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, 2017, 1,310 employees from the Executive and Legislative branches have retired and received benefits totaling \$9.5 million under SLIP. In addition, 209 employees from the Judicial branch and Community Based Corrections have retired and received benefits totaling \$2.0 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.

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 2016 and 2017 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2016	\$ 59,971	30,809	25,806	\$ 64,974
FY 2017	64,974	29,760	25,818	68,916

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 2016 and 2017 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2016	\$ 249	1,765	961	\$ 1,053
FY 2017	1,053	1,797	960	1,890

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 2016 and 2017 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2016	\$ 1,211	600	1,094	\$ 717
FY 2017	717	241	297	661

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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 2016 and 2017 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2016	\$ 20,000	7,134	7,134	\$ 20,000
FY 2017	20,000	4,713	4,713	20,000

The Universities retain risk liability for medical faculty malpractice; medical, dental, unemployment and workers' compensation coverage for some employees; and for 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 damages are based on historical analysis. Changes in the balances for estimated claims liabilities for fiscal years 2016 and 2017 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2016	\$ 38,717	288,161	288,807	\$ 38,071
FY 2017	38,071	296,413	302,541	31,943

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 \$1.2 billion 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 \$48.9 million after a \$1.0 million deductible.
- The Iowa School for the Deaf is insured for catastrophic loss liabilities for \$78.0 million after a \$1.0 million deductible.
- The eight Judicial Districts individually insure buildings and contents with coverage ranging from \$3.8 million to \$28.0 million.
- 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 Iowa Lottery Authority is insured for \$11.9 million for buildings and contents.

There were no settlements in excess of coverage for the past three fiscal years.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 – LITIGATION, CONTINGENCIES AND COMMITMENTS

The *Iowa Public Employees' Retirement System* (IPERS) has commitments to fund an additional \$2.2 billion to various private equity/debt partnerships, \$98.1 million to various real estate debt partnerships, and \$313.5 million to direct lending partnerships at June 30, 2017.

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.

During the fiscal year, IPERS made several recoveries in the amount of \$4.3 million, that are reflected in the financial statements for the year ended June 30, 2017.

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.

The first phase of the trial has been completed but no verdict has been announced. The second phase is expected during the upcoming fiscal year. IPERS cannot estimate its potential losses at this time.

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 \$735.0 million (net of \$496.2 million in anticipated federal funding) at June 30, 2017.

The *University of Iowa* has outstanding construction contract commitments of \$331.7 million at June 30, 2017.

Iowa State University has outstanding construction contract commitments of \$61.9 million at June 30, 2017.

The *University of Northern Iowa* has outstanding construction contract commitments of \$5.5 million at June 30, 2017.

The *Iowa Department of Natural Resources* has outstanding construction contract commitments of \$11.1 million at June 30, 2017.

The *Iowa Department of Administrative Services* has outstanding construction contract commitments of \$15.7 million at June 30, 2017.

The *Iowa Department of Human Rights* has outstanding contractual obligations of \$18.3 million at June 30, 2017.

The *Iowa Department of Human Services* has outstanding contractual obligations of \$490.3 million at June 30, 2017.

The *Iowa Department of Public Defense* has outstanding contractual obligations for construction and other contracts of \$7.4 million at June 30, 2017.

The *Iowa Department of Homeland Security and Emergency Management* has outstanding contractual obligations of \$9.0 million at June 30, 2017.

The *Iowa Department of Public Safety* has outstanding construction contract commitments of \$34.3 million at June 30, 2017.

The State of Iowa has encumbrances at June 30, 2017, totaling \$41.1 million, \$29.7 million in the General Fund and \$11.4 million in the nonmajor governmental funds.

The *Iowa Finance Authority* has signed loan agreements under the State Revolving Fund for which \$254.1 million had not been disbursed at June 30, 2017.

The *Iowa Economic Development Authority* has outstanding contractual commitments of \$228.8 million at June 30, 2017.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20 – TAX ABATEMENTS

High Quality Jobs Program (HQJP)

The High Quality Jobs Program, as described in Iowa Code sections 15.326 through 15.336, provides tax incentives dependent on the number of jobs created or retained and the qualifying investment made. Actual award amounts will be based on the business's level of need, the quality of the jobs, the percentage of created jobs defined as high-quality, and the economic impact of the project. The new and retained jobs must have a wage which is at least equal to the applicable laborshed wage and provide sufficient benefits to be eligible for these tax credits. To be eligible to receive incentives, a business shall meet all of the following requirements:

- The community has approved the project by ordinance or resolution, if the qualifying investment is over \$10 million.
- The business has not closed or substantially reduced operations in one area of the state and relocated substantially the same operations in a community in another area of the state. This requirement does not prohibit a business from expanding its operation in a community if existing operations of a similar nature in the state are not closed or substantially reduced.
- The business shall meet the qualifying wage thresholds (the laborshed wage estimated for the geographic area surrounding the employment center in which the business is locating or expanding).
- If the business is creating jobs, the business shall demonstrate that the jobs will pay at least 100% of the qualifying wage threshold at the start of the project completion period, at least 120% of the qualifying wage threshold by the project completion date, and at least 120% of the qualifying wage threshold until the maintenance period completion date. If the business is retaining jobs, the business shall demonstrate that the jobs retained will pay at least 120% of the qualifying wage threshold throughout both the project completion period and the maintenance period. A business located at a Brownfield or a Grayfield site or in an economically distressed area may be awarded incentives for jobs that will pay less than 120% of the qualifying wage threshold.
- The business shall provide a sufficient package of benefits to each employee holding a created or retained job.
- The business shall demonstrate that the jobs created or retained will have a sufficient impact on State and local government revenues.
- The business shall not be a retail business, a business where entrance is limited by a cover charge or membership requirement, or a service business where a service business is a business providing services to a local consumer market which does not have a significant portion of its sales coming from outside the state.

The maximum tax credit awards available to a business range from up to 1% Investment Tax Credit (ITC) for qualifying investments of less than \$100 thousand for modernization or retention projects only, to up to 10% ITC, Sales Tax Refund, Supplemental Research Activities Credit (SRAC), and property tax exemption, for qualifying investments of more than \$10 million for projects creating or retaining more than 100 jobs.

The ITC is amortized equally over a 5-year period at the inception of the project instead of the entire credit being available when the asset is placed in service. An ITC in excess of the tax liability can be credited to the tax liability for the following seven years.

A SRAC may be awarded to a company participating in the program. The supplemental credit could allow the company to as much as double their Research Activities Tax Credit for up to five years for awards made prior to July 1, 2010. For awards made on or after July 1, 2010, the SRAC available is a function of the annual gross receipts of the company and can be claimed over five years up to the total amount of the award.

Credits are awarded based on application to the Iowa Economic Development Authority (IEDA). The Sales Tax Refund applies to the sales and use taxes and requires filing the Construction Contract Claim for Refund form. The Corporation Tax Credit for Third Party Sales Tax applies to corporation income, franchise, insurance premium, and moneys and credits taxes. The ITC applies to corporation income, individual income, franchise, insurance premium, and moneys and credits taxes. The SRAC applies to corporation income and individual income taxes.

The maximum Sales Tax Refund or Corporation Tax Credit for Third Party Sales Tax is awarded by IEDA prior to construction. To claim the refund or credit after construction, the business must submit to the Iowa Department of Revenue (IDR) a refund claim or tax credit application within one year of project completion. If the taxpayer received a Sales Tax Refund award, IDR will issue a refund for all eligible sales tax paid based on submitted contractor's statements and invoices up to the initial award amount; if the taxpayer received a Corporation Tax

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Credit for Third Party Sales Tax, IDR will issue a tax credit certificate with the final amount of the tax credit, based on that same information, up to the initial award amount.

Historic Preservation and Cultural and Entertainment District Tax Credit

The Historic Preservation and Cultural and Entertainment District Tax Credit as described in Iowa Code chapter 404A, is available for 25% of the qualified rehabilitation expenditures incurred for the substantial rehabilitation of eligible property in Iowa.

To qualify, the property or district must meet one or more of the following criteria:

- The property must be listed on the National Register of Historic Places or be eligible for such a listing.
- The property is designated as having historic significance to a district listed in the National Register of Historic Places or be eligible for such a listing.
- The property or district is designated as a local landmark by a city or county ordinance.
- The property is a barn constructed before 1937.

Substantial rehabilitation for commercial property means rehabilitation costs must equal at least \$50,000 or 50% of the assessed value of the property, prior to rehabilitation, excluding the land, whichever is less. For residential property or barns, in order to meet the standard of substantial rehabilitation, rehabilitation costs must equal at least \$25,000 or 25% of the property's assessed value, prior to rehabilitation, excluding the land, whichever is less.

Credits are allocated to projects based on applications including a description of the proposed rehabilitation project to the IEDA. Prior to receiving the tax credit award certificate, the applicant must complete the proposed rehabilitation and have those expenditures approved by IEDA, in consultation with the State Historic Preservation Office, Part 3 of the Historic Preservation Tax Credit Application.

The Historic Preservation and Cultural and Entertainment District Tax Credit applies to individual income, corporation income, franchise, and insurance premium taxes.

Iowa Industrial New Jobs Training Program

The Iowa Industrial New Jobs Training Program, as described by Iowa Code chapter 260E, assists businesses, which are creating new positions, with new employee training. Eligible businesses may be new, expanding their Iowa workforce, or relocating to the state. Employees qualifying for training services must fill newly-created positions and be subject to Iowa withholding tax.

A business must be engaged in interstate or intrastate commerce for the purpose of manufacturing, processing, assembling products, warehousing, wholesaling, or conducting research and development. A business which provides services must have customers outside of Iowa. A business cannot have closed or substantially reduced its employment base at any of its other business sites in Iowa in order to relocate substantially the same operation to another area of the state. The employees who will receive training must occupy job positions which did not exist during the six months prior to the date that the business and community college agree to pursue a training project. As part of the project, costs expended for on-the-job training can be no more than 50% of the annual gross payroll for up to one year of the new jobs.

The company's partner community college sells bonds to finance the cost of the established training. Dollars available through the program are dependent upon the training and development needs and the projected tax revenue from the new positions created. The business diverts 1.5% of gross payroll from the State withholding taxes generated by the new positions to the community college to retire the bonds. The employee whose wages are subject to a withholding agreement will receive full credit for the amount withheld when filing their individual income tax returns. Participating businesses must remit payments to the community colleges before making claims to the withholding tax credit.

A Supplemental New Jobs Withholding Tax Credit is also available to businesses who have an Enterprise Zone Program award from IEDA or who surpass the established wage threshold. If eligible, the business diverts an additional 1.5% of gross payroll from the State withholding taxes generated by the new positions. According to the statute, the bonds can also be paid off through tax increment financing (TIF).

Credits are awarded based on application to one of Iowa's 15 community colleges. Community colleges or the IEDA issues a tax credit certificate number. The New Jobs Credit from Withholding and the Supplemental New Jobs Credit from Withholding apply to withholding tax. Companies are required to pay withholding taxes semi-monthly, monthly, or quarterly. Companies can reduce semi-monthly and monthly payments by these credits, but file claims for the New Jobs Credit from Withholding and Supplemental New Jobs Credit from Withholding

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

using their tax credit certificate number on the quarterly return after making payments to the community colleges.

Renewable Energy Tax Credit

The Renewable Energy Tax Credit, as described in Iowa Code chapter 476C, is available for a producer or purchaser of energy from an eligible renewable energy facility approved by the Iowa Utilities Board (IUB). A power-purchase agreement is signed between the purchaser and producer which sets forth which party will receive the tax credit. The credit can also be received for renewable energy produced for on-site consumption by the producer provided the facility is capable of producing not less than $\frac{3}{4}$ megawatts.

A renewable energy facility includes a wind energy conversion facility, a biogas recovery facility, a biomass conversion facility, a methane gas recovery facility, a solar energy conversion facility, or a refuse conversion facility. The facility must be located in Iowa and placed in service between July 1, 2005 and January 1, 2018. A producer or purchaser of renewable energy may receive Renewable Energy Tax Credits for a 10-year period for each eligible renewable energy facility

Participants in the program receive Renewable Energy Tax Credits equal to \$0.015 per kilowatt-hour of electricity, or \$4.50 per million British thermal units of heat for a commercial purpose, or \$4.50 per million British thermal units of methane gas or other biogas used to generate electricity, or \$1.44 per one thousand standard cubic feet of hydrogen fuel generated by and purchased from an eligible renewable energy facility.

The Small Wind Innovation Zone Program, effective in tax years starting on or after January 1, 2009, allows Renewable Energy Tax Credits for small wind energy systems in small wind innovation zones. A small wind energy system is defined as a wind energy conversion system that collects and converts wind into energy to generate electricity which has a nameplate generating capacity of one hundred kilowatts or less. A small wind innovation zone is defined as a political subdivision of the State.

Facilities must be approved as eligible through an application to the IUB and energy production and sales must be shown. The purchaser or producer notifies IUB of the amount of eligible renewable energy generated and purchased, and IUB then notifies the IDR. IDR issues tax credit certificates to the designated awardee under the agreement. The nonrefundable and transferrable Renewable Energy Tax Credit applies to corporation income, individual income, franchise, insurance premium, consumer's use, and replacement taxes.

Targeted Jobs Tax Credit from Withholding

The Targeted Jobs Tax Credit from Withholding program, as described by Iowa Code section 403.19A, authorized four pilot project cities, each of which must contain three or more census tracts, and are approved by IEDA. One city must be in a county bordering South Dakota, one city in a county bordering Nebraska, and two cities must be in counties bordering a state other than South Dakota or Nebraska.

Current pilot project cities include: Sioux City, Council Bluffs, Burlington, Keokuk, and Fort Madison. Because Keokuk and Fort Madison are in the same county and have a total population of fewer than 45,000, they are considered as one pilot project city.

A pilot project city, in conjunction with IEDA, must enter into a withholding agreement with an employer. An agreement cannot be entered into with a business currently located in Iowa unless the business either creates or retains ten jobs, each paying a wage at least equal to the average county wage, or makes a qualifying investment of at least \$500,000 within the city. The withholding agreement may have a term of up to ten years. A copy of the withholding agreement must be provided to the IDR. A pilot project city cannot enter into a withholding agreement with an employer after June 30, 2018.

The withholding credit is equal to 3% of the gross wages paid by the employer to each employee covered under the withholding agreement. If the amount of withholding is less than 3% of the gross wages paid to employees covered under the withholding agreement, the employer shall receive a credit against other withholding taxes due or may carry the credit forward for up to ten years. The employer shall remit the amount of the credit quarterly to the pilot project city, and the city must use this amount for a project related to the employer. The employee whose wages are subject to a withholding agreement will receive full credit for the amount withheld when filing their individual income tax returns. The amount of tax credits awarded cannot exceed the qualifying investment.

A retained job is defined as a full-time equivalent position in existence at the time an employer applies to IEDA for approval of a withholding agreement and which remains continuously filled and which is at risk of elimination if the project for which the employer is seeking assistance under the withholding agreement does not proceed.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

If IEDA determines the employer no longer meets the requirements of the withholding agreement, the agreement is terminated and the tax credit will also cease. IEDA can negotiate a new agreement or terminate the agreement early if, after three years, it is determined the employer is incapable of meeting the original job or investment promises.

An employer may enter into a New Jobs Tax Credit from Withholding Agreement or a Supplemental New Jobs Tax Credit from Withholding at the same time as the employer is participating in a withholding agreement with a pilot project city. The credits are collected and disbursed first to the community college before the withholding is collected and disbursed to a pilot project city.

Credits are awarded based on application to a pilot project city and IEDA. The Targeted Jobs Tax Credit from Withholding applies to withholding tax. Companies are required to pay withholding taxes semi-monthly, monthly, or quarterly. Companies can reduce semi-monthly and monthly payments by the amount of payments made to the city, but file claims for the Targeted Jobs Tax Credit from Withholding using their tax credit certificate number on the quarterly return.

Enterprise Zone Program

The Enterprise Zone (EZ) Program, as most recently described in the 2013 Code of Iowa, section 15E.191 through 15E.196, provided incentives to encourage investment in Iowa's economically distressed areas. State tax credits, refunds, and exemptions were available for qualifying companies that expanded or located in designated EZs. This program was repealed effective July 1, 2014.

To receive these benefits the business: must make a minimum capital investment of \$500,000, must create or retain at least 10 full-time equivalent positions and maintain them until the maintenance period completion date, shall provide a sufficient package of benefits to each employee holding a created or retained job, cannot be a retail establishment or a business whose entrance is limited by cover charge or membership, must pay an average wage that is at least 90% of the qualifying wage threshold, if only partially located in an EZ, must be located on contiguous parcels of land, cannot close or reduce its operation in one area of the state and relocate substantially the same operation in the EZ, and must be approved by the local EZ Commission and IEDA prior to project initiation.

A business locating or expanding in an EZ may have received multiple tax incentives, including:

- Supplemental New Jobs Credit from Withholding, which provides additional funding for training new employees. Credit applied to the withholding tax.
- Refund of State sales, service, or use taxes paid to contractors or subcontractors during construction. Refund applied to the sales and use tax.
- Investment Tax Credit of up to 10% of the new investment in machinery and equipment, land, buildings, and improvements to existing buildings. Credit applied to corporation income, individual income, franchise, insurance premium, and moneys and credits taxes.
- Housing Investment Tax Credit of up to 10% of the new investment which is directly related to the building or rehabilitating of a minimum of four single-family homes or one multiple dwelling unit building containing three or more individual dwelling units located in that part of a city or county in which there is a designated EZ. Credit applied to corporation income, individual income, franchise, and insurance premium taxes.
- Supplemental Research Activities Tax Credit that could allow the participating company to as much as double their Research Activities Tax Credit for up to five years for awards made prior to July 1, 2010. Credit applied to corporation income and individual income taxes.

Credits were awarded based on application to the IEDA. IEDA would issue tax credit certificates to eligible housing businesses that were awarded Housing Investment Tax Credits. A Supplemental New Jobs Credit required a valid agreement with a community college under Iowa Code chapter 260E.

Accelerated Career Education Program

The Accelerated Career Education Program (ACE), as described in Iowa Code chapter 206G, assists Iowa's community colleges to either establish or expand programs that train individuals in the occupations most needed by Iowa businesses. The ACE program allows participating companies to divert a portion of the company's current Iowa individual income withholding tax based on the number of seats in a training program sponsored by a business, up to an annual capped award amount. Businesses participating in the program divert taxes up to 10% of the hiring wage that a sponsoring business would pay to an individual that completes the programs' requirements (with a minimum wage level of no less than 200% of the federal poverty guideline for a family of

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

two). The diversion goes to the community college over the life of the agreement (usually 5 years). The business also provides cash or in-kind contributions equal to at least 20% of the program costs.

To be eligible for the program a business must be engaged in interstate or intrastate commerce for the purpose of manufacturing, processing, or assembling products; construction; conducting research and development; or providing services in interstate or intrastate commerce.

Credits are awarded based on application to one of Iowa's 15 community colleges, and withholding tax credits are issued by the IEDA which monitors the program. Companies can reduce semi-monthly and monthly payments by the credit, but file claims for the ACE Credit from withholding using their tax credit certificate number on the quarterly return.

Beginning Farmer Tax Credit Program

The Agricultural Assets Transfer Tax Credit is allowed for an owner of agricultural assets that are subject to a lease or rental agreement with a beginning farmer under the program as defined in Iowa Code sections 16.78 through 16.82. The lease must be for a term of at least 2 years, but not more than 5 years. The tax credit equals 7% of the amount paid to the taxpayer under the rental agreement or 17% of the amount paid to the taxpayer from crops or animals sold under an agreement in which the payment is exclusively made from the sale of crops or animals. If the beginning farmer is also a veteran, landowners may claim an additional 1% of eligible rent or crop share payments.

The lease or rental agreement may be terminated by either the taxpayer or the beginning farmer. If the Iowa Agricultural Development Division (IADD) determines that the taxpayer is not at fault for the termination, IADD will not issue a tax credit certificate for subsequent years, but any prior tax credit certificates issued will be allowed. If IADD determines that the taxpayer is at fault for the termination, any prior tax credit certificates issued will be disallowed, and the tax credits can be recaptured by the IDR.

The Custom Farming Contract Tax Credit is available for landowners who hire a beginning farmer to do custom work and allows the landowner to claim 7% of the value of the contract as a tax credit. If the beginning farmer is a veteran, the credit is 8% for the first year.

An eligible applicant for the Beginning Farmer Tax Credit Program is defined as a state resident aged 18 or older with a net worth of less than \$672,171 for 2016. The allowed maximum net worth is indexed annually based on the October 1 annual change in the U.S. Department of Agriculture's Prices Paid by Farmers Index. The applicant must materially participate in the farm and have sufficient education, training, or experience in farming.

Credits are awarded based on application to the IADD. The Agricultural Assets Transfer Tax Credit and the Custom Farming Contract Tax Credit apply to corporation and individual income taxes.

The following is a schedule by program of the amount of taxes abated during the year ended June 30, 2017, (expressed in thousands):

	Sales & Use Tax	Individual Income Tax	Corporate Income Tax	Franchise Tax	Insurance Premium Tax	Withholding Tax	Total
High Quality Jobs Program (HQJP)	\$ 2,323	\$ 1,518	\$ 19,712	\$ -	\$ 1,322	\$ -	\$ 24,875
Historic Preservation and Cultural and Entertainment District Tax Credit	-	11,328	16,998	14,904	1,310	-	44,540
Iowa Industrial New Jobs Training Program	-	-	-	-	-	35,595	35,595
Renewable Energy Tax Credit *	33	815	1,057	668	1,772	-	4,345
Targeted Jobs Tax Credit from Withholding	-	-	-	-	-	4,437	4,437
Enterprise Zone Program	2,447	3,074	3,883	2,639	2,782	-	14,825
Accelerated Career Education Program	-	-	-	-	-	4,059	4,059
Beginning Farmer Tax Credit Program	4,848	84	-	-	-	-	4,932
Total	<u>\$ 9,651</u>	<u>\$ 16,819</u>	<u>\$ 41,650</u>	<u>\$ 18,211</u>	<u>\$ 7,186</u>	<u>\$ 44,091</u>	<u>\$ 137,608</u>

* The schedule does not include \$24 thousand of Replacement Tax abated.

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 \$201.7 million at June 30, 2017. 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

The University of Iowa received approval from the Iowa Board of Regents to issue Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2017B in the amount of \$20,685,000 in July 2017. The proceeds will be used to provide for the defeasance and advance refunding of the outstanding principal of the July 1, 2018 through July 1, 2034, maturities of \$25,175,000 Recreational Facilities Revenue Bonds, Series S.U.I. 2009, and pay the costs of issuance. These bonds will bear interest rates varying between 3.00% and 4.00% and will mature in varying amounts from July 1, 2018 through July 1, 2034.

Subsequent to June 30, 2017, Iowa State University received approval from the Iowa Board of Regents to issue Recreational Systems Facilities Revenue Refunding Bonds, Series I.S.U. 2017 in the amount of \$25,170,000. The proceeds will be used to provide for the advance refunding of the outstanding principal of the July 1, 2018 through July 1, 2037, maturities of the Recreational Facilities Revenue Bonds, Series I.S.U. 2009, and pay the costs of issuance. These bonds will bear varying interest rates and will mature in varying amounts from July 1, 2018 through July 1, 2037. The bonds are payable solely from net revenues of the Recreational Facilities System of Iowa State University.

Subsequent to June 30, 2017, Iowa State University received approval from the Iowa Board of Regents to issue Athletic Facilities Revenue Refunding Bonds, Series I.S.U. 2017 in the amount of \$6,255,000. The proceeds will be used to provide for the advance refunding of the outstanding principal of the July 1, 2018 through July 1, 2033, maturities of the Athletics Facilities Revenue Bonds, Series I.S.U. 2007A, and pay the costs of issuance. These bonds will bear varying interest rates and will mature in varying amounts from July 1, 2018 through July 1, 2033. The bonds are payable solely from net revenues of the Athletics Facilities System of Iowa State University.

Subsequent to June 30, 2017, Iowa State University received approval from the Iowa Board of Regents to issue ISU Facilities Corporation Revenue Bonds, Series I.S.U. 2017 in the amount of \$37,905,000. The proceeds will be used to finance a portion of the costs of constructing, equipping and renovating the Bessey Hall Addition and the Advanced Teaching and Research Building, fund a debt service reserve fund, and pay the costs of issuance. These bonds will bear varying interest rates and will mature in varying amounts from July 1, 2018 through July 1, 2042. The bonds are payable solely from and secured by rentals payable to the Facilities Corporation, an Iowa non-profit corporation which is organized for charitable purposes through the performance of the functions and purposes of the Iowa State Foundation, particularly by providing assistance through land and facilities acquisitions and other means for Iowa State University.

The University of Northern Iowa received approval from the Iowa Board of Regents to issue two advance refunded bonds in August 2017: \$13,835,000 of Academic Building Revenue Refunding Bonds (ABRB), Series U.N.I. 2017 and \$13,330,000 of Dormitory Revenue Refunding Bonds (Dorm), Series U.N.I. 2017. Proceeds of the sale of the ABRB will be used to provide for the defeasance and advance refunding of the outstanding principal of the July 1, 2018 through July 1, 2035, maturities of the Academic Building Revenue Bonds, Series U.N.I. 2009 dated April 1, 2009, and pay the cost of issuance. The proceeds of the sale of the Dorm Bonds will be used to provide for the defeasance and advance refunding of the outstanding principal of the July 1, 2018 through July 1, 2030, maturities of the Dormitory Revenue Bonds, Series U.N.I. 2010A dated December 1, 2010, and pay the cost of issuance.

In September 2017, the Iowa Finance Authority issued \$68,275,000 of Single Family Mortgage Bonds to purchase mortgage-backed securities under the Iowa Finance Authority's FirstHome program. In conjunction with the issuance, the Iowa Finance Authority has entered into an interest rate swap agreement with Wells Fargo Bank, N.A. with a fixed payer rate of 2.292% that will become effective January 1, 2018. The initial notional amount of the swap is \$970,000 increasing to \$11,250,000 by July 1, 2025, with a final termination date of July 1, 2046.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

In October 2017, the University of Iowa received approval from the Iowa Board of Regents to issue Athletic Facilities Revenue Bonds, Series S.U.I. 2017 in the amount of \$31,685,000 in November 2017. The proceeds will be used for paying the costs of improving, remodeling, repairing, furnishing, equipping, and building additions to Kinnick Stadium; funding a reserve fund; and paying the costs of issuance. These bonds will bear interest at varying rates between 3.00% and 3.25% and will mature in varying amounts from July 1, 2018 through July 1, 2037.

In October 2017, the University of Iowa received approval from the Iowa Board of Regents to issue Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2017A in the amount of \$22,075,000 in November 2017. The proceeds will be used to provide for the defeasance and advance refunding of the outstanding principal of the July 1, 2018 through July 1, 2035, maturities of the \$26,000,000 Athletic Facilities Revenue Bonds, Series S.U.I. 2009, and pay the costs of issuance. These bonds will bear interest at 3.00% and will mature in varying amounts from July 1, 2018 through July 1, 2035.

On October 1, 2017, Senate File 513 transitioned management of the Iowa Energy Center from Iowa State University to the Iowa Economic Development Authority. As of June 30, 2017, the Iowa Energy Center had operating program cash of approximately \$5.2 million and pledged commitments of approximately \$3.2 million. In addition, the Alternate Energy Revolving Loan Programs had cash and loans receivable balances of approximately \$2.8 million and \$14.0 million respectively, as of June 30, 2017.

On October 12, 2017, the Iowa Comprehensive Petroleum Underground Storage Tank Fund Board executed a loss portfolio transfer agreement with the Petroleum Marketers Management Insurance Company (PMMIC). The agreement transfers the Board's liabilities for corrective action for 199 sites to PMMIC. By assuming the liabilities, PMMIC agrees to assume all related responsibilities and activities of the Board with respect to corrective action for the assumed claims. The Board will pay PMMIC \$13,061,497 within thirty days of the execution of the agreement.

In December 2017, the Iowa Finance Authority issued \$347,460,000 of State Revolving Fund Revenue Bonds, Series 2017 (Green Bonds) to (1) provide for state match funds, (2) for Participant Loans funded under the Iowa Water Pollution Control Works and Drinking Water Facilities Financing Program (the "SRF Program") which includes the Iowa Water Pollution Control Works Financing Program (the "Clean Water Program") and the Iowa Drinking Water Facilities Financing Program (the "Drinking Water Program") including reimbursing the Authority for prior loan disbursements, (3) to provide moneys to advance refund the outstanding Series 2011 Bonds maturing in 2022 through 2031, the Series 2013 Bonds maturing in 2024 through 2030, and the Series 2016 Bonds maturing in 2027 and 2028, and (4) to pay for costs associated with the issuance of the 2017 Bonds.

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, 2017
(Expressed in Thousands)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE				
Special taxes:				
Personal income tax	\$ 4,763,000	\$ 4,548,500	\$ 4,503,420	\$ (45,080)
Sales/use tax	2,874,000	2,853,600	2,831,503	(22,097)
Corporation income tax	522,100	522,700	564,736	42,036
Inheritance tax	101,900	89,500	88,093	(1,407)
Insurance premium tax	106,700	120,500	114,808	(5,692)
Beer & liquor tax	14,500	14,400	13,941	(459)
Franchise tax	48,700	56,000	53,831	(2,169)
Miscellaneous tax	1,400	1,400	1,399	(1)
Total special taxes	<u>8,432,300</u>	<u>8,206,600</u>	<u>8,171,731</u>	<u>(34,869)</u>
Reimbursements & fees:				
Institutional reimbursements	5,800	8,000	11,640	3,640
Liquor transfers	105,300	115,900	114,570	(1,330)
Interest	4,600	3,700	2,142	(1,558)
Fees	27,400	27,500	26,372	(1,128)
Judicial revenue	113,400	99,700	94,810	(4,890)
Miscellaneous receipts	42,700	56,000	63,476	7,476
Total receipts	<u>8,731,500</u>	<u>8,517,400</u>	<u>8,484,741</u>	<u>(32,659)</u>
Transfers	96,200	255,200	275,556	20,356
Economic Emergency Fund Surplus	45,600	18,175	18,175	-
TOTAL APPROPRIATED REVENUE	<u>8,873,300</u>	<u>8,790,775</u>	<u>8,778,472</u>	<u>(12,303)</u>
RECEIPTS CREDITED TO APPROPRIATIONS				
Other taxes	981	981	1,372	391
Multi suspense	18,607	18,607	17,601	(1,006)
Federal support	3,606,364	3,625,988	3,422,129	(203,859)
Local governments	53,127	53,231	50,256	(2,975)
Other states	-	3	1	(2)
Internal service transfers	559,952	562,515	555,405	(7,110)
Reimbursements from other departments	6,348	6,233	5,440	(793)
Private gifts/grants/contracts	15	15	-	(15)
Government fund type transfers:				
Attorney General	16,471	16,471	16,827	356
Auditor of State	4,176	4,542	3,318	(1,224)
Other agencies	31,198	35,818	36,298	480
Interest	81	81	227	146
Fees, licenses & permits	50,264	53,135	41,987	(11,148)
Refunds & reimbursements	518,659	519,782	660,106	140,324
Sale of real estate	-	-	75	75
Sale of equipment & salvage	15	15	842	827
Rents & leases	2,856	2,856	2,397	(459)
Agricultural sales	1	1	2	1
Other sales & services	4,550	4,548	4,263	(285)
Unearned receipts	47,303	47,305	44,216	(3,089)
Promotional checkoffs	9,624	9,557	10,808	1,251
TOTAL APPROPRIATED RECEIPTS	<u>4,930,592</u>	<u>4,961,684</u>	<u>4,873,570</u>	<u>(88,114)</u>
TOTAL ALL REVENUE	<u>13,803,892</u>	<u>13,752,459</u>	<u>13,652,042</u>	<u>(100,417)</u>
SCHOOL INFRASTRUCTURE TRANSFER	(472,700)	(473,500)	(460,443)	13,057
REFUNDS OF TAXES COLLECTED	(975,000)	(1,061,100)	(1,059,834)	1,266
TOTAL REVENUES AVAILABLE	<u>12,356,192</u>	<u>12,217,859</u>	<u>12,131,765</u>	<u>(86,094)</u>

(continued on next page)

STATE OF IOWA

(continued)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
EXPENDITURES				
Administration & regulation	674,085	673,361	667,527	5,834
Agriculture & natural resources	175,279	175,052	161,981	13,071
Economic development	55,687	55,775	52,486	3,289
Education	4,354,834	4,328,577	4,315,555	13,022
Health & human services	6,183,159	6,188,434	6,026,739	161,695
Justice	633,131	629,407	622,499	6,908
Judicial	185,982	183,205	183,015	190
Legislature	32,853	32,264	37,887	(5,623)
Capitals	4,619	1,350	1,691	(341)
TOTAL EXPENDITURES	12,299,629	12,267,425	12,069,380	198,045
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	56,563	(49,566)	62,385	111,951
OTHER FINANCING SOURCES (USES)				
Balances credited to appropriations	28,569	52,849	52,849	-
Unexpended appropriations	(6,856)	(1,557)	(115,234)	(113,677)
TOTAL OTHER FINANCING SOURCES (USES)	21,713	51,292	(62,385)	(113,677)
REVENUES AVAILABLE OVER EXPENDITURES & OTHER ITEMS	78,276	1,726	-	(1,726)
BEGINNING FUND BALANCE (BUDGETARY)	-	-	-	-
REMAINING FUND BALANCE (BUDGETARY)	\$ 78,276	\$ 1,726	\$ -	\$ (1,726)
ENDING FUND BALANCE (BUDGETARY)	\$ 78,276	\$ 1,726	\$ -	
AUTHORIZED TRANSFER TO THE:				
Cash Reserve Fund	(78,276)	(1,726)	-	
REMAINING FUND BALANCE (BUDGETARY)	\$ -	\$ -	\$ -	

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, 2017
(Expressed in Thousands)

Fund balance - budgetary/legal	\$ -
Basis of accounting differences:	
Balance sheet accounts:	
Accounts receivable	657,854
Loans receivable	137
Due from other funds	18,309
Prepaid expenditures	28,340
Accounts payable & accruals	(599,232)
Due to other funds	(104,425)
Unearned revenue	(3,524)
Deferred revenue	(222,068)
Budgetary unexpended appropriations	115,234
Timing differences:	
Petty cash & inventory expensed in budgetary accounting	12,527
Perspective differences	<u>1,972,582</u>
Total fund balance - GAAP basis	<u><u>\$ 1,875,734</u></u>

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, 2017, actual expenditures exceeded budgeted expenditures in the General Fund in the Legislature and Capitals functions.

For the Legislature function, the Iowa Legislature received additional State funds over budget and expended those funds for allowable purposes.

For the Capitals function, the Department of Corrections 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: Primary Road Fund, Fish and Game Trust Fund, Environment First Fund, Revenue Bonds Capital Fund and Other Funds. Other Funds include: IOWAccess Revolving Fund, Real Estate Education, Medicaid Fraud Fund, Unclaimed Winnings, Vertical Infrastructure Fund, Federal Economic Stimulus and Jobs Holding Fund, Technology Reinvestment Fund, Federal Recovery and Reinvestment Fund, Address Confidentiality Program Revolving Fund, Revenue Bonds Capital II 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, 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, 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 beginning budgetary fund balance for the nonmajor Special Revenue Funds was restated to include the Address Confidentiality Program Revolving Fund. This fund was established in fiscal year 2016; however, fiscal year 2017 is the first year moneys were appropriated (budgeted) from the fund. This fund is classified as a Special Revenue Fund for budgetary purposes. The following summarizes the change to the beginning budgetary fund balance for nonmajor Special Revenue Funds (expressed in thousands):

	<u>Actual</u>
July 1, 2016 budgetary fund balances	\$ 434,609
Adjustment for:	
Address Confidentiality Program Revolving Fund	<u>42</u>
Budgetary fund balances restated	<u>\$ 434,651</u>

The original budget and related estimated revenues and expenditures represent the spending authority enacted into law by the appropriations bills as of July 1, 2016 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

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

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.

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

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

General Assembly shall pass a budget that does not exceed the State General Fund expenditure limitation. The 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.

On September 28, 2017, Governor Reynolds issued an official proclamation, authorizing the transfer of \$13.0 million from the Economic Emergency Fund to the General Fund as provided under Section 8.55 of the Code of Iowa. This action brought the General Fund into balance for fiscal year 2017.

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.

On May 12, 2017, Governor Branstad signed into law SF516, which transferred \$131.1 million from the Cash Reserve Fund to the General Fund.

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
State Plan ⁽¹⁾							
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%
2017	July 1, 2016	-	191,539	191,539	0.00%	1,827,410	10.48%
University Funds ⁽²⁾							
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%
2017	July 1, 2016	-	196,701 (3)	196,701	0.00%	1,657,700	11.87%

(1) The entry age actuarial cost method is used to calculate the actuarial accrued liability and the annual required contribution.

(2) The projected unit credit method is used to calculate the actuarial accrued liability and the annual required contribution.

(3) A change in plan benefits to cap the University of Iowa's employer contribution at \$288 a month resulted in a decrease of about \$234.5 million in the Actuarial Accrued Liability.

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 Three Fiscal Years as of June 30 *

(Expressed in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
State's proportion of the net pension liability	17.130052%	16.899393%	17.009515%
State's proportionate share of the net pension liability	\$ 1,078,059	\$ 834,918	\$ 674,583
State's covered payroll	\$ 1,388,017	\$ 1,356,263	\$ 1,342,673
State's proportionate share of the net pension liability as a percentage of its covered payroll	77.67%	61.56%	50.24%
Plan fiduciary net position as a percentage of the total pension liability	81.82%	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 Four Fiscal Years as of June 30 *

(Expressed in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 13,071	\$ 12,207	\$ 11,847	\$ 11,551
Interest	42,298	41,661	40,222	38,880
Changes of benefit terms	-	-	-	(164)
Differences between expected & actual experience	(1,886)	(5,613)	(6,609)	(7,444)
Assumption changes	33,549	23,791	-	-
Benefit payments, including refunds of employee contributions	<u>(29,362)</u>	<u>(28,284)</u>	<u>(26,693)</u>	<u>(25,432)</u>
Net change in total pension liability	57,670	43,762	18,767	17,391
Total pension liability - beginning	578,389	534,627	515,860	498,469
Total pension liability - ending (a)	<u>\$ 636,059</u>	<u>\$ 578,389</u>	<u>\$ 534,627</u>	<u>\$ 515,860</u>
Plan fiduciary net position				
Contributions - employer	\$ 17,274	\$ 20,519	\$ 18,601	\$ 17,715
Contributions - employee	5,053	5,080	4,991	4,755
Net investment income (loss)	72,488	(4,581)	21,722	65,436
Benefit payments, including refunds of employee contributions	(29,362)	(28,284)	(26,693)	(25,432)
Administrative expense	<u>(237)</u>	<u>(248)</u>	<u>(217)</u>	<u>(199)</u>
Net change in fiduciary net position	65,216	(7,514)	18,404	62,275
Plan fiduciary net position - beginning	403,085	410,599	392,195	329,920
Plan fiduciary net position - ending (b)	<u>\$ 468,301</u>	<u>\$ 403,085</u>	<u>\$ 410,599</u>	<u>\$ 392,195</u>
Net pension liability - ending (a) - (b)	<u>\$ 167,758</u>	<u>\$ 175,304</u>	<u>\$ 124,028</u>	<u>\$ 123,665</u>
Plan fiduciary net position as a percentage of the total pension liability	73.63%	69.69%	76.80%	76.03%
Covered payroll	\$ 42,212	\$ 47,028	\$ 43,873	\$ 43,845
Net pension liability as a percentage of covered payroll	397.42%	372.77%	282.70%	282.05%

* 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 Four Fiscal Years as of June 30 * (Expressed in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 6,235	\$ 6,231	\$ 6,438	\$ 6,503
Interest	13,880	13,548	13,392	13,022
Differences between expected & actual experience	(865)	(3,655)	(6,586)	(3,957)
Benefit payments, including refunds of employee contributions	<u>(11,950)</u>	<u>(11,460)</u>	<u>(10,891)</u>	<u>(10,377)</u>
Net change in total pension liability	7,300	4,664	2,353	5,191
Total pension liability - beginning	<u>190,933</u>	<u>186,269</u>	<u>183,916</u>	<u>178,725</u>
Total pension liability - ending (a)	<u><u>\$ 198,233</u></u>	<u><u>\$ 190,933</u></u>	<u><u>\$ 186,269</u></u>	<u><u>\$ 183,916</u></u>
Plan fiduciary net position				
Contributions - employer	\$ 8,544	\$ 8,667	\$ 8,724	\$ 8,630
Contributions - employee	2,611	2,648	2,665	2,637
Net investment income (loss)	26,632	(2,673)	7,533	26,172
Benefit payments, including refunds of employee contributions	<u>(11,950)</u>	<u>(11,460)</u>	<u>(10,891)</u>	<u>(10,377)</u>
Administrative expense	<u>(18)</u>	<u>(20)</u>	<u>(15)</u>	<u>(17)</u>
Net change in fiduciary net position	25,819	(2,838)	8,016	27,045
Plan fiduciary net position - beginning	<u>161,152</u>	<u>163,990</u>	<u>155,974</u>	<u>128,929</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 186,971</u></u>	<u><u>\$ 161,152</u></u>	<u><u>\$ 163,990</u></u>	<u><u>\$ 155,974</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 11,262</u></u>	<u><u>\$ 29,781</u></u>	<u><u>\$ 22,279</u></u>	<u><u>\$ 27,942</u></u>
Plan fiduciary net position as a percentage of the total pension liability	94.32%	84.40%	88.04%	84.81%
Covered payroll	\$ 27,922	\$ 28,322	\$ 28,510	\$ 28,203
Net pension liability as a percentage of covered payroll	40.33%	105.15%	78.14%	99.07%

* 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 128,532	\$ 124,718	\$ 122,279	\$ 121,161	\$ 116,630
Contributions in relation to statutorily required contributions	<u>128,532</u>	<u>124,718</u>	<u>122,279</u>	<u>121,161</u>	<u>116,630</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State's covered payroll	\$ 1,431,290	\$ 1,388,017	\$ 1,356,263	\$ 1,342,673	\$ 1,322,751
Contributions as a percentage of covered payroll	8.98%	8.99%	9.02%	9.02%	8.82%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutorily required contribution	\$ 110,123	\$ 91,340	\$ 88,637	\$ 86,045	\$ 78,284
Contributions in relation to statutorily required contributions	<u>110,123</u>	<u>91,340</u>	<u>88,637</u>	<u>86,045</u>	<u>78,284</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State's covered payroll	\$ 1,327,065	\$ 1,243,013	\$ 1,270,140	\$ 1,298,610	\$ 1,230,868
Contributions as a percentage of covered payroll	8.30%	7.35%	6.98%	6.63%	6.36%

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 17,746	\$ 17,081	\$ 16,957	\$ 18,187	\$ 18,665
Actual employer contribution	<u>17,274</u>	<u>20,519</u>	<u>18,601</u>	<u>17,715</u>	<u>11,778</u>
Contribution deficiency (excess)	<u>\$ 472</u>	<u>\$ (3,438)</u>	<u>\$ (1,644)</u>	<u>\$ 472</u>	<u>\$ 6,887</u>
Covered payroll	\$ 42,212	\$ 47,028	\$ 43,873	\$ 43,845	\$ 43,621
Contributions as a percentage of covered payroll	40.92%	43.63%	42.40%	40.40%	27.00%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 16,623	\$ 14,967	\$ 14,237	\$ 13,356	\$ 14,374
Actual employer contribution	<u>10,741</u>	<u>9,554</u>	<u>8,499</u>	<u>7,898</u>	<u>6,697</u>
Contribution deficiency (excess)	<u>\$ 5,882</u>	<u>\$ 5,413</u>	<u>\$ 5,738</u>	<u>\$ 5,458</u>	<u>\$ 7,677</u>
Covered payroll	\$ 42,965	\$ 41,539	\$ 40,469	\$ 41,570	\$ 39,391
Contributions as a percentage of covered payroll	25.00%	23.00%	21.00%	19.00%	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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 6,201	\$ 6,667	\$ 7,709	\$ 8,376	\$ 8,445
Actual employer contribution	<u>8,544</u>	<u>8,667</u>	<u>8,724</u>	<u>8,630</u>	<u>8,232</u>
Contribution deficiency (excess)	<u>\$ (2,343)</u>	<u>\$ (2,000)</u>	<u>\$ (1,015)</u>	<u>\$ (254)</u>	<u>\$ 213</u>
Covered payroll	\$ 27,922	\$ 28,322	\$ 28,510	\$ 28,203	\$ 26,903
Contributions as a percentage of covered payroll	30.60%	30.60%	30.60%	30.60%	30.60%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 8,364	\$ 8,308	\$ 7,857	\$ 8,539	\$ 7,706
Actual employer contribution	<u>8,216</u>	<u>8,102</u>	<u>7,806</u>	<u>7,720</u>	<u>5,451</u>
Contribution deficiency (excess)	<u>\$ 148</u>	<u>\$ 206</u>	<u>\$ 51</u>	<u>\$ 819</u>	<u>\$ 2,255</u>
Covered payroll	\$ 26,849	\$ 26,477	\$ 25,511	\$ 25,230	\$ 24,920
Contributions as a percentage of covered payroll	30.60%	30.60%	30.60%	30.60%	21.87%

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, 2017

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, 2017 (based on the July 1, 2016 actuarial valuation):

- *Actuarial cost method:* Entry age normal
- *Amortization method:* Level percentage of payroll, closed
- *Amortization period:* 22 years

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Contributions

- *Asset valuation method:* 4 year smoothed market
- *Inflation:* 2.75%
- *Salary increase:* 4.00% to 7.00%, including inflation
- *Investment rate of return:* 7.50% 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:

2017: The State's contribution rate increased from 35% to 37% of payroll. In May, 2016, legislation was signed which reduced the State's supplemental contribution from \$5.0 million to \$2.5 million for fiscal year 2017.

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%.

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Contributions

- Clarifying language changed how the flat dollar escalator is paid. Rather than the payment amount increasing each year after retirement as was done in the past, the flat dollar escalator only increases every five years after retirement. For members and beneficiaries having already received \$35 or more, there will be no further adjustments associated with the flat escalator.

2009: The State's contribution rate increased from 19% 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, 2017 valuation:

- The mortality assumption was changed to the RP-2014 Mortality Table, with a one-year age setback for males. Generational mortality improvements are modeled using the MP-2016 scale.
- Retirement rates were modified for employees with less than 30 years of service.
- Accidental and Ordinary Disability rates were adjusted to better reflect actual experience.
- Termination rates were adjusted to better reflect actual experience.
- The salary increase assumption was adjusted to better reflect actual experience.
- The amortization of the UAAL was changed to a "layered" approach with new pieces of the UAAL amortized over a closed 20-year period, beginning with the July 1, 2018 valuation. The legacy UAAL (at July 1, 2017) continues to be amortized on its current schedule.
- The asset smoothing method was modified to recognize investment gains and losses over a five-year period rather than four.

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%.

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Contributions

C. Judicial Retirement System (JRS)

Valuation date: July 1, 2017

JRS is funded with fixed contribution rates for both the employee and employer (State). The actuarially determined contributions are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the actuarially determined employer contribution reported for the fiscal year ended June 30, 2017 (based on the July 1, 2016 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.

STATE OF IOWA

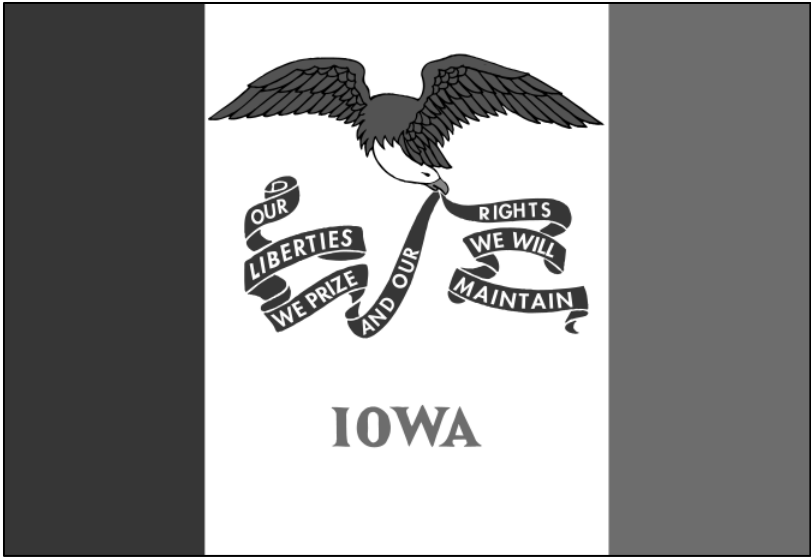
Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Contributions

- The amortization period was reset to a closed 25-year period commencing in 2009. Amortization bases established in subsequent valuations reflect any differences in the actual and expected experience, with that base amortized over a new 25-year period, starting on that valuation date.

July 1, 2008 valuation:

- The Actuarial Cost Method was changed from the Projected Unit Credit (PUC) method to the Entry Age Normal (EAN) method.



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, 2017
(Expressed in Thousands)

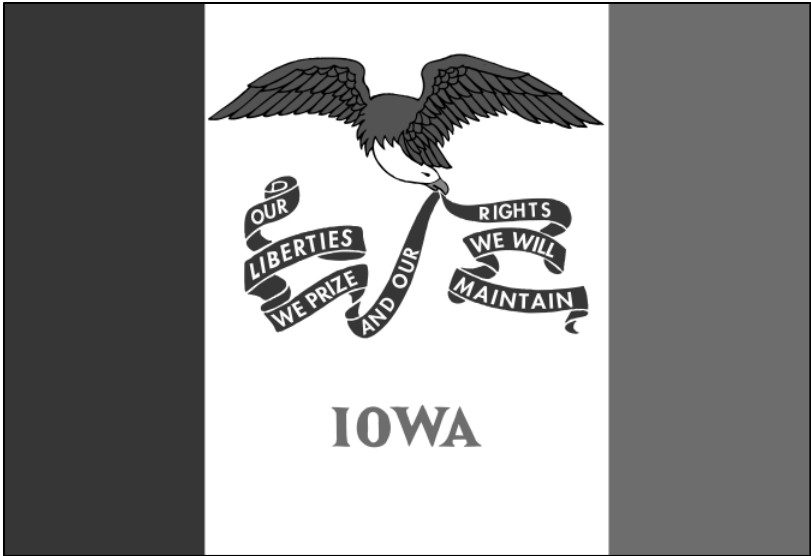
	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Current assets:				
Cash & investments	\$ 78,667	\$ 23,317	\$ 10,397	\$ 112,381
Accounts receivable (net)	16,230	1,751	32	18,013
Loans receivable (net)	148	-	-	148
Due from other funds	598	1,136	-	1,734
Inventory	136	-	-	136
Prepaid expenditures	248	-	-	248
Total current assets	<u>96,027</u>	<u>26,204</u>	<u>10,429</u>	<u>132,660</u>
Noncurrent assets:				
Accounts receivable (net)	3,485	-	-	3,485
Loans receivable (net)	905	-	-	905
Total noncurrent assets	<u>4,390</u>	<u>-</u>	<u>-</u>	<u>4,390</u>
TOTAL ASSETS	<u><u>\$ 100,417</u></u>	<u><u>\$ 26,204</u></u>	<u><u>\$ 10,429</u></u>	<u><u>\$ 137,050</u></u>
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	\$ 2,034	\$ 3,698	\$ -	\$ 5,732
Due to other funds	12,242	13,967	-	26,209
Unearned revenue	528	-	-	528
TOTAL LIABILITIES	<u>14,804</u>	<u>17,665</u>	<u>-</u>	<u>32,469</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	<u>7,906</u>	<u>-</u>	<u>-</u>	<u>7,906</u>
FUND BALANCES				
Nonspendable	384	-	10,429	10,813
Spendable:				
Restricted	62,322	1,342	-	63,664
Committed	15,028	7,197	-	22,225
Unassigned	<u>(27)</u>	<u>-</u>	<u>-</u>	<u>(27)</u>
TOTAL FUND BALANCES	<u>77,707</u>	<u>8,539</u>	<u>10,429</u>	<u>96,675</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u><u>\$ 100,417</u></u>	<u><u>\$ 26,204</u></u>	<u><u>\$ 10,429</u></u>	<u><u>\$ 137,050</u></u>

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, 2017
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Receipts from other entities	\$ 6,772	\$ 2,201	\$ -	\$ 8,973
Investment income	2,687	2	-	2,689
Fees, licenses & permits	55,512	-	-	55,512
Refunds & reimbursements	5,396	1	-	5,397
Sales, rents & services	5,256	-	-	5,256
Miscellaneous	26,580	-	11	26,591
	<hr/>	<hr/>	<hr/>	<hr/>
GROSS REVENUES	102,203	2,204	11	104,418
Less revenue refunds	2,921	-	-	2,921
	<hr/>	<hr/>	<hr/>	<hr/>
NET REVENUES	99,282	2,204	11	101,497
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Current:				
Administration & regulation	30,466	57	-	30,523
Education	20,143	-	-	20,143
Health & human rights	364	-	-	364
Human services	212	-	-	212
Justice & public defense	911	-	-	911
Transportation	10	-	-	10
Agriculture & natural resources	1,611	5,677	-	7,288
Capital outlay:				
Administration & regulation	19	4,553	-	4,572
Education	148	98	-	246
Health & human rights	5	6,368	-	6,373
Human services	-	225	-	225
Justice & public defense	210	2,230	-	2,440
Economic development	-	38	-	38
Transportation	11	-	-	11
Agriculture & natural resources	1	13,343	-	13,344
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	54,111	32,589	-	86,700
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	45,171	(30,385)	11	14,797
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,266	26,029	-	27,295
Transfers out	(43,646)	(8,642)	(6,135)	(58,423)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(42,380)	17,387	(6,135)	(31,128)
	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	2,791	(12,998)	(6,124)	(16,331)
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - JULY 1	74,916	21,537	16,553	113,006
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - JUNE 30	\$ 77,707	\$ 8,539	\$ 10,429	\$ 96,675
	<hr/>	<hr/>	<hr/>	<hr/>



COMBINING FINANCIAL STATEMENTS

Nonmajor Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Guaranty Agency Operating fund receives collections on defaulted student loans, default aversion fees, account maintenance fees and interest to pay for the operating of the Iowa guaranteed loan program.

Second Injury Fund accounts for payments from employers and insurance carriers in each case of compensable injury causing death and annual surcharges as determined by the Commissioner of Insurance per Chapter 85.65A of the Code of Iowa. Except for reimbursements to the Attorney General provided for in Chapter 85.67, payments from the fund are paid only upon the written order of the Workers' Compensation Commissioner to employees who become permanently disabled by a compensable injury, as defined in Chapter 85.64.

Quality Assurance Trust Fund receives nursing facility quality assurance assessments imposed by Chapter 249L of the Code of Iowa. These funds are to be used for reimbursement of services for which federal financial participation under the medical assistance program is available to match state funds.

Iowa Public Television Foundation is a non-profit corporation that solicits and manages gifts of money and property for Iowa Public Television.

Other Special Revenue Funds are aggregated for reporting purposes and account for various other revenues which must be used for specific purposes.

STATE OF IOWA
Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2017
(Expressed in Thousands)

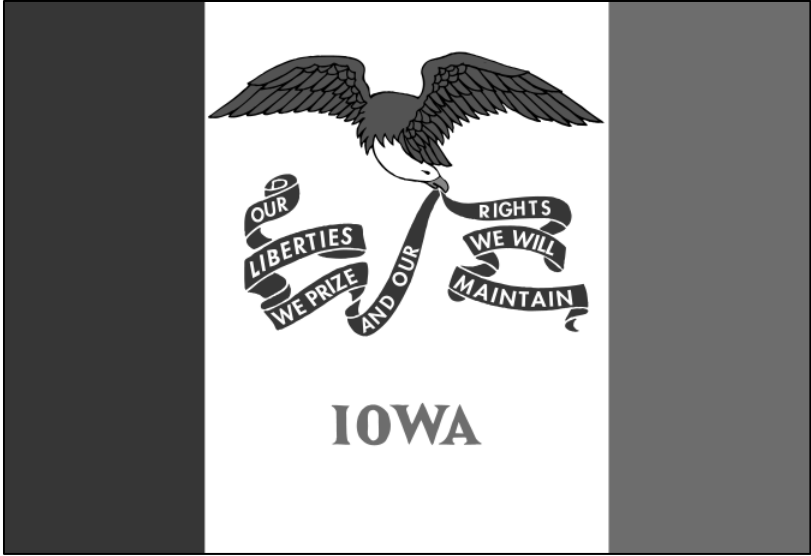
	GUARANTY AGENCY OPERATING	SECOND INJURY FUND	QUALITY ASSURANCE TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 26,810	\$ 5,783	\$ 2,845	\$ 12,352	\$ 30,877	\$ 78,667
Accounts receivable (net)	2,874	-	9,976	1,934	1,446	16,230
Loans receivable (net)	148	-	-	-	-	148
Due from other funds	203	22	11	-	362	598
Inventory	-	-	-	41	95	136
Prepaid expenditures	53	-	-	25	170	248
Total current assets	<u>30,088</u>	<u>5,805</u>	<u>12,832</u>	<u>14,352</u>	<u>32,950</u>	<u>96,027</u>
Noncurrent assets:						
Accounts receivable (net)	3,391	-	-	6	88	3,485
Loans receivable (net)	905	-	-	-	-	905
Total noncurrent assets	<u>4,296</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>88</u>	<u>4,390</u>
TOTAL ASSETS	<u><u>\$ 34,384</u></u>	<u><u>\$ 5,805</u></u>	<u><u>\$ 12,832</u></u>	<u><u>\$ 14,358</u></u>	<u><u>\$ 33,038</u></u>	<u><u>\$ 100,417</u></u>
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	\$ 718	\$ 241	\$ -	\$ 409	\$ 666	\$ 2,034
Due to other funds	18	-	11,289	800	135	12,242
Unearned revenue	43	-	-	335	150	528
TOTAL LIABILITIES	<u>779</u>	<u>241</u>	<u>11,289</u>	<u>1,544</u>	<u>951</u>	<u>14,804</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	4,888	-	1,552	1,364	102	7,906
FUND BALANCES						
Nonspendable	53	-	-	66	265	384
Spendable:						
Restricted	28,664	5,564	-	11,384	16,710	62,322
Committed	-	-	-	-	15,028	15,028
Unassigned	-	-	(9)	-	(18)	(27)
TOTAL FUND BALANCES	<u>28,717</u>	<u>5,564</u>	<u>(9)</u>	<u>11,450</u>	<u>31,985</u>	<u>77,707</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u><u>\$ 34,384</u></u>	<u><u>\$ 5,805</u></u>	<u><u>\$ 12,832</u></u>	<u><u>\$ 14,358</u></u>	<u><u>\$ 33,038</u></u>	<u><u>\$ 100,417</u></u>

STATE OF IOWA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017
(Expressed in Thousands)

	GUARANTY AGENCY OPERATING	SECOND INJURY FUND	QUALITY ASSURANCE TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION	OTHER FUNDS	TOTAL
REVENUES						
Receipts from other entities	\$ 6,396	\$ -	\$ -	\$ -	\$ 376	\$ 6,772
Investment income	76	33	27	1,232	1,319	2,687
Fees, licenses & permits	-	-	36,426	-	19,086	55,512
Refunds & reimbursements	4,935	-	-	-	461	5,396
Sales, rents & services	-	-	-	-	5,256	5,256
Miscellaneous	15	8,652	-	9,095	8,818	26,580
GROSS REVENUES	11,422	8,685	36,453	10,327	35,316	102,203
Less revenue refunds	-	12	20	-	2,889	2,921
NET REVENUES	11,422	8,673	36,433	10,327	32,427	99,282
EXPENDITURES						
Current:						
Administration & regulation	-	7,807	-	-	22,659	30,466
Education	9,677	-	-	4,197	6,269	20,143
Health & human rights	-	-	-	-	364	364
Human services	-	-	-	-	212	212
Justice & public defense	-	-	-	-	911	911
Transportation	-	-	-	-	10	10
Agriculture & natural resources	-	-	-	-	1,611	1,611
Capital outlay:						
Administration & regulation	-	-	-	-	19	19
Education	148	-	-	-	-	148
Health & human rights	-	-	-	-	5	5
Justice & public defense	-	-	-	-	210	210
Transportation	-	-	-	-	11	11
Agriculture & natural resources	-	-	-	-	1	1
TOTAL EXPENDITURES	9,825	7,807	-	4,197	32,282	54,111
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,597	866	36,433	6,130	145	45,171
OTHER FINANCING SOURCES (USES)						
Transfers in	206	-	-	-	1,060	1,266
Transfers out	(43)	-	(36,639)	(4,476)	(2,488)	(43,646)
TOTAL OTHER FINANCING SOURCES (USES)	163	-	(36,639)	(4,476)	(1,428)	(42,380)
NET CHANGE IN FUND BALANCES	1,760	866	(206)	1,654	(1,283)	2,791
FUND BALANCES - JULY 1	26,957	4,698	197	9,796	33,268	74,916
FUND BALANCES - JUNE 30	\$ 28,717	\$ 5,564	\$ (9)	\$ 11,450	\$ 31,985	\$ 77,707



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, 2017
(Expressed in Thousands)

	PRIMARY ROAD FUND				FISH AND GAME TRUST FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	\$ 617,200	\$ 685,000	\$ 707,098	\$ 22,098	\$ 203	\$ 203	\$ 385	\$ 182
RECEIPTS CREDITED TO APPROPRIATIONS:								
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	469,852	131,840	14,900	14,900	20,053	5,153
Local governments	4,600	7,500	14,924	7,424	-	-	-	-
Other states	3,000	9,400	9,727	327	-	-	-	-
Reimbursements from other agencies	160	160	21	(139)	-	-	-	-
Governmental fund type transfers from other agencies	-	123,500	136,622	13,122	100	100	43	(57)
Interest	1	1	-	(1)	50	50	179	129
Bonds & loans	-	150	1,728	1,578	-	-	-	-
Fees, licenses & permits	860	3,000	4,875	1,875	34,900	34,900	30,040	(4,860)
Refunds & reimbursements	-	-	-	-	200	200	611	411
Sale of real estate	1,710	4,910	5,638	728	-	-	-	-
Sale of equipment & salvage	-	-	-	-	20	20	1	(19)
Rents & leases	16	16	20	4	500	500	477	(23)
Agricultural sales	-	-	-	-	25	25	54	29
Other sales & services	-	-	-	-	1,300	1,300	923	(377)
Unearned receipts	-	-	-	-	150	150	416	266
Income tax checkoffs	-	-	-	-	150	150	149	(1)
Other	2,750	5,750	7,639	1,889	540	540	337	(203)
TOTAL APPROPRIATED RECEIPTS	351,114	492,404	651,046	158,642	52,835	52,835	53,283	448
TOTAL REVENUES AVAILABLE	968,314	1,177,404	1,358,144	180,740	53,038	53,038	53,668	630
EXPENDITURES:								
Administration & regulation	-	-	-	-	-	-	-	-
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Transportation	528,015	752,777	1,286,724	(533,947) *	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	528,015	752,777	1,286,724	(533,947)	-	-	-	-
TRANSFERS	297,862	297,863	13,673	284,190	53,148	53,148	53,102	46
TOTAL EXPENDITURES & TRANSFERS	825,877	1,050,640	1,300,397	(249,757)	53,148	53,148	53,102	46
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	142,437	126,764	57,747	(69,017)	(110)	(110)	566	676
FUND BALANCES - JULY 1 (BUDGETARY - RESTATED)	36,727	264,845	264,845	-	6,500	10,437	10,437	-
FUND BALANCES - JUNE 30 (BUDGETARY)	\$ 179,164	\$ 391,609	\$ 322,592	\$ (69,017)	\$ 6,390	\$ 10,327	\$ 11,003	\$ 676

(continued on next page)

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

For the Year Ended June 30, 2017
(Expressed in Thousands)
(continued)

	ENVIRONMENT FIRST FUND				REVENUE BONDS CAPITAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	\$ 42,075	\$ 42,000	\$ 42,004	\$ 4	\$ -	\$ -	\$ -	\$ -
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	-	-	-	-	-	-	-	-
Cigarette tax	-	-	-	-	-	-	-	-
Tobacco products tax	-	-	-	-	-	-	-	-
Liquor tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Wagering tax receipts	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Sales tax - DOT	-	-	-	-	-	-	-	-
Federal support	100	100	35	(65)	4,191	133	133	-
Local governments	-	-	-	-	-	-	-	-
Other states	-	-	-	-	-	-	-	-
Reimbursements from other agencies	-	-	-	-	-	-	-	-
Governmental fund type transfers from other agencies	-	75	99	24	-	-	-	-
Interest	-	-	-	-	10	10	28	18
Bonds & loans	-	-	-	-	-	-	-	-
Fees, licenses & permits	-	-	-	-	-	-	-	-
Refunds & reimbursements	300	300	601	301	-	-	-	-
Sale of real estate	-	-	-	-	-	-	-	-
Sale of equipment & salvage	-	-	-	-	-	-	-	-
Rents & leases	-	-	-	-	-	-	-	-
Agricultural sales	-	-	-	-	-	-	-	-
Other sales & services	-	-	-	-	-	-	-	-
Unearned receipts	-	-	-	-	-	-	-	-
Income tax checkoffs	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL APPROPRIATED RECEIPTS	400	475	735	260	4,201	143	161	18
TOTAL REVENUES AVAILABLE	42,475	42,475	42,739	264	4,201	143	161	18
EXPENDITURES:								
Administration & regulation	13,053	16,500	13,384	3,116	1,642	8,454	2,670	5,784
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	13,053	16,500	13,384	3,116	1,642	8,454	2,670	5,784
TRANSFERS	30,272	30,871	30,348	523	5,172	-	-	-
TOTAL EXPENDITURES & TRANSFERS	43,325	47,371	43,732	3,639	6,814	8,454	2,670	5,784
REVENUES AVAILABLE OVER (UNDER)								
EXPENDITURES & TRANSFERS	(850)	(4,896)	(993)	3,903	(2,613)	(8,311)	(2,509)	5,802
FUND BALANCES - JULY 1 (BUDGETARY - RESTATED)	8,113	12,180	12,180	-	11,041	11,434	11,434	-
FUND BALANCES - JUNE 30 (BUDGETARY)	\$ 7,263	\$ 7,284	\$ 11,187	\$ 3,903	\$ 8,428	\$ 3,123	\$ 8,925	\$ 5,802

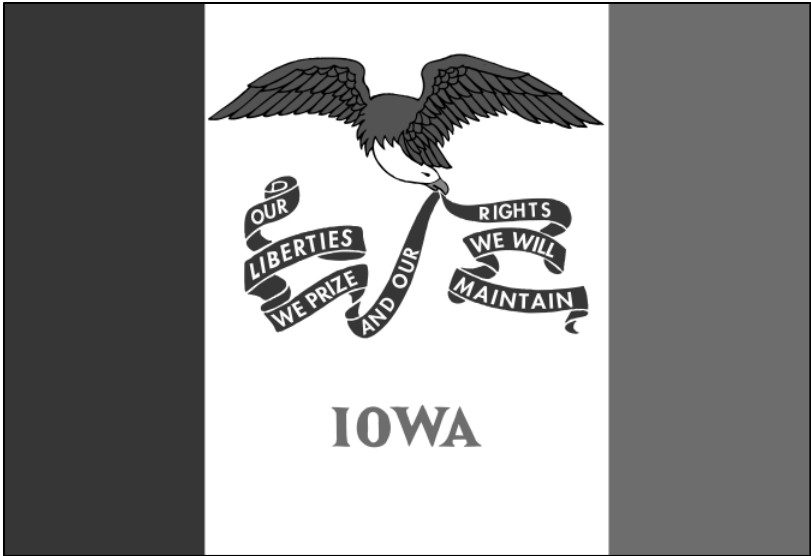
(continued on next page)

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

For the Year Ended June 30, 2017
(Expressed in Thousands)
(continued)

	OTHER FUNDS				TOTAL			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	\$ 35,398	\$ 35,424	\$ 19,642	\$ (15,782)	\$ 694,876	\$ 762,627	\$ 769,129	\$ 6,502
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	100	100	110	10	100	100	110	10
Cigarette tax	194,260	194,260	188,632	(5,628)	194,260	194,260	188,632	(5,628)
Tobacco products tax	25,500	25,500	32,445	6,945	25,500	25,500	32,445	6,945
Liquor tax	290	290	292	2	290	290	292	2
Other taxes	10,873	11,335	4,179	(7,156)	10,873	11,335	4,179	(7,156)
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	49,024	49,075	34,682	(14,393)	406,227	402,220	524,755	122,535
Local governments	1,490	1,490	1,246	(244)	6,090	8,990	16,170	7,180
Other states	-	-	-	-	3,000	9,400	9,727	327
Reimbursements from other agencies	6,750	6,750	5,277	(1,473)	6,910	6,910	5,298	(1,612)
Governmental fund type transfers from other agencies	6,280	6,280	6,003	(277)	6,380	129,955	142,767	12,812
Interest	808	808	1,640	832	869	869	1,847	978
Bonds & loans	2,799	2,799	4,126	1,327	2,799	2,949	5,854	2,905
Fees, licenses & permits	81,390	81,390	80,328	(1,062)	117,150	119,290	115,243	(4,047)
Refunds & reimbursements	4,953	4,953	6,245	1,292	5,453	5,453	7,457	2,004
Sale of real estate	-	-	-	-	1,710	4,910	5,638	728
Sale of equipment & salvage	-	-	-	-	20	20	1	(19)
Rents & leases	-	-	-	-	516	516	497	(19)
Agricultural sales	-	-	-	-	25	25	54	29
Other sales & services	465	465	412	(53)	1,765	1,765	1,335	(430)
Unearned receipts	311	310	139	(171)	461	460	555	95
Income tax checkoffs	-	-	-	-	150	150	149	(1)
Other	271	271	345	74	3,561	6,561	8,321	1,760
TOTAL APPROPRIATED RECEIPTS	396,560	397,072	372,101	(24,971)	805,110	942,929	1,077,326	134,397
TOTAL REVENUES AVAILABLE	431,958	432,496	391,743	(40,753)	1,499,986	1,705,556	1,846,455	140,899
EXPENDITURES:								
Administration & regulation	59,606	61,667	45,359	16,308	74,301	86,621	61,413	25,208
Agriculture & natural resources	21,948	21,948	14,102	7,846	21,948	21,948	14,102	7,846
Economic development	58,779	63,435	30,633	32,802	58,779	63,435	30,633	32,802
Education	18,876	18,932	9,932	9,000	18,876	18,932	9,932	9,000
Health & human services	25	344	9	335	25	344	9	335
Transportation	814	814	3,551	(2,737) *	528,829	753,591	1,290,275	(536,684) *
Judicial	696	680	197	483	696	680	197	483
TOTAL EXPENDITURES	160,744	167,820	103,783	64,037	703,454	945,551	1,406,561	(461,010)
TRANSFERS	333,422	334,343	315,612	18,731	719,876	716,225	412,735	303,490
TOTAL EXPENDITURES & TRANSFERS	494,166	502,163	419,395	82,768	1,423,330	1,661,776	1,819,296	(157,520)
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	(62,208)	(69,667)	(27,652)	42,015	76,656	43,780	27,159	(16,621)
FUND BALANCES - JULY 1 (BUDGETARY - RESTATED)	122,200	135,755	135,755	-	184,581	434,651	434,651	-
FUND BALANCES - JUNE 30 (BUDGETARY)	\$ 59,992	\$ 66,088	\$ 108,103	\$ 42,015	\$ 261,237	\$ 478,431	\$ 461,810	\$ (16,621)

* 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.



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, 2017
(Expressed in Thousands)

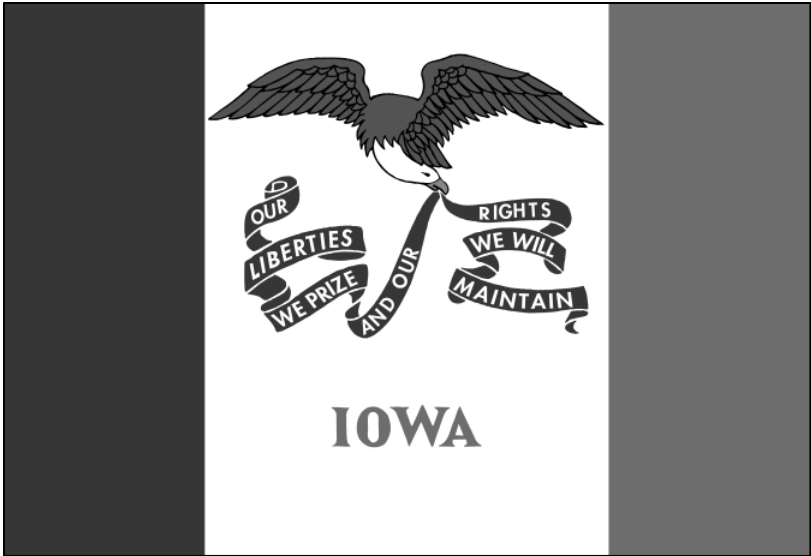
	GENERAL SERVICES CAPITALS FUND	ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	FISH & GAME CAPITALS FUND	FY2009 PRISON BONDING FUND	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 18,423	\$ 343	\$ 3,909	\$ 478	\$ 164	\$ 23,317
Accounts receivable	-	835	239	677	-	1,751
Due from other funds	1	-	385	750	-	1,136
TOTAL ASSETS	<u>\$ 18,424</u>	<u>\$ 1,178</u>	<u>\$ 4,533</u>	<u>\$ 1,905</u>	<u>\$ 164</u>	<u>\$ 26,204</u>
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	\$ 1,803	-	\$ 575	\$ 1,320	-	\$ 3,698
Due to other funds	13,966	-	1	-	-	13,967
TOTAL LIABILITIES	<u>15,769</u>	<u>-</u>	<u>576</u>	<u>1,320</u>	<u>-</u>	<u>17,665</u>
FUND BALANCES						
Spendable:						
Restricted	-	1,178	-	-	164	1,342
Committed	2,655	-	3,957	585	-	7,197
TOTAL FUND BALANCES	<u>2,655</u>	<u>1,178</u>	<u>3,957</u>	<u>585</u>	<u>164</u>	<u>8,539</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u>\$ 18,424</u>	<u>\$ 1,178</u>	<u>\$ 4,533</u>	<u>\$ 1,905</u>	<u>\$ 164</u>	<u>\$ 26,204</u>

STATE OF IOWA

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

For the Year Ended June 30, 2017
(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
REVENUES						
Receipts from other entities	\$ 1,014	\$ 850	\$ 337	\$ -	\$ -	\$ 2,201
Investment income	-	1	-	-	1	2
Refunds & reimbursements	-	-	1	-	-	1
TOTAL REVENUES	<u>1,014</u>	<u>851</u>	<u>338</u>	<u>-</u>	<u>1</u>	<u>2,204</u>
EXPENDITURES						
Current:						
Administration & regulation	57	-	-	-	-	57
Agriculture & natural resources	-	-	488	5,189	-	5,677
Capital outlay:						
Administration & regulation	4,553	-	-	-	-	4,553
Education	98	-	-	-	-	98
Health & human rights	6,368	-	-	-	-	6,368
Human services	225	-	-	-	-	225
Justice & public defense	2,230	-	-	-	-	2,230
Economic development	38	-	-	-	-	38
Agriculture & natural resources	-	-	4,875	8,468	-	13,343
TOTAL EXPENDITURES	<u>13,569</u>	<u>-</u>	<u>5,363</u>	<u>13,657</u>	<u>-</u>	<u>32,589</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(12,555)</u>	<u>851</u>	<u>(5,025)</u>	<u>(13,657)</u>	<u>1</u>	<u>(30,385)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	7,455	21	4,793	13,760	-	26,029
Transfers out	(7,879)	-	(762)	(1)	-	(8,642)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(424)</u>	<u>21</u>	<u>4,031</u>	<u>13,759</u>	<u>-</u>	<u>17,387</u>
NET CHANGE IN FUND BALANCES	<u>(12,979)</u>	<u>872</u>	<u>(994)</u>	<u>102</u>	<u>1</u>	<u>(12,998)</u>
FUND BALANCES - JULY 1	<u>15,634</u>	<u>306</u>	<u>4,951</u>	<u>483</u>	<u>163</u>	<u>21,537</u>
FUND BALANCES - JUNE 30	<u>\$ 2,655</u>	<u>\$ 1,178</u>	<u>\$ 3,957</u>	<u>\$ 585</u>	<u>\$ 164</u>	<u>\$ 8,539</u>



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, 2017
(Expressed in Thousands)

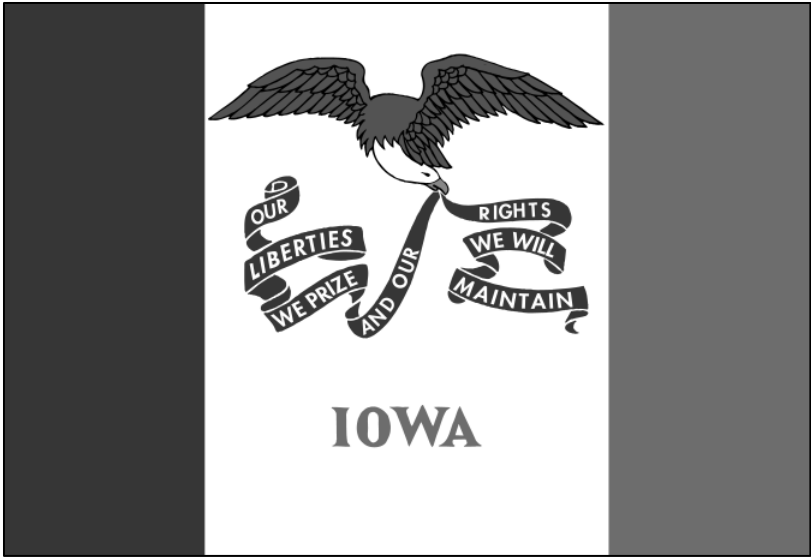
	PERMANENT SCHOOL PRINCIPAL FUND	IOWA CULTURAL TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	PILOT GROVE TRUST FUND	HENRY ALBERT TRUST FUND	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 8,038	\$ 1	\$ 2,347	\$ 10	\$ 1	\$ 10,397
Accounts receivable	-	-	32	-	-	32
TOTAL ASSETS	<u>\$ 8,038</u>	<u>\$ 1</u>	<u>\$ 2,379</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 10,429</u>
FUND BALANCES						
Nonspendable	\$ 8,038	\$ 1	\$ 2,379	\$ 10	\$ 1	\$ 10,429
TOTAL FUND BALANCES	<u>\$ 8,038</u>	<u>\$ 1</u>	<u>\$ 2,379</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 10,429</u>

STATE OF IOWA

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

For the Year Ended June 30, 2017
(Expressed in Thousands)

	PERMANENT SCHOOL PRINCIPAL FUND	IOWA CULTURAL TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	PILOT GROVE TRUST FUND	HENRY ALBERT TRUST FUND	TOTAL
REVENUES						
Miscellaneous	\$ -	\$ -	\$ 11	\$ -	\$ -	\$ 11
OTHER FINANCING SOURCES (USES)						
Transfers out	-	(6,135)	-	-	-	(6,135)
NET CHANGE IN FUND BALANCES	-	(6,135)	11	-	-	(6,124)
FUND BALANCES - JULY 1	<u>8,038</u>	<u>6,136</u>	<u>2,368</u>	<u>10</u>	<u>1</u>	<u>16,553</u>
FUND BALANCES - JUNE 30	<u>\$ 8,038</u>	<u>\$ 1</u>	<u>\$ 2,379</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 10,429</u>



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 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 were no longer reported in the fund. The unrestricted net position and net investment in capital assets were transferred to the General Fund and governmental activities on July 1, 2016.

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, 2017
(Expressed in Thousands)

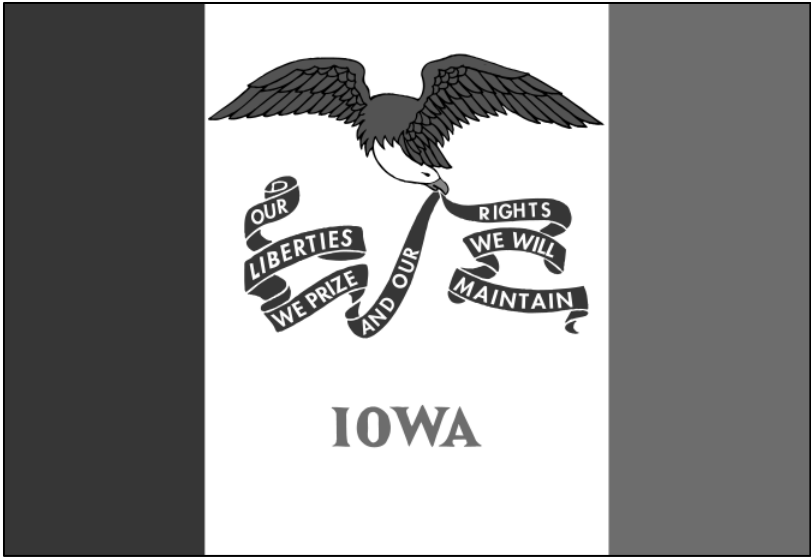
	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 17,617	\$ -	\$ 12,700	\$ 6,983	\$ 6,420	\$ 43,720
Accounts receivable (net)	9,700	-	7,780	3,742	277	21,499
Due from other funds	15	-	-	8	27	50
Inventory	2,115	-	62	6,952	1,611	10,740
Prepaid expenses	1,658	-	96	2	356	2,112
Total current assets	<u>31,105</u>	<u>-</u>	<u>20,638</u>	<u>17,687</u>	<u>8,691</u>	<u>78,121</u>
Noncurrent assets:						
Capital assets - nondepreciable	-	-	6,762	223	610	7,595
Capital assets - depreciable (net)	19,548	-	1,071	8,010	1,599	30,228
Total noncurrent assets	<u>19,548</u>	<u>-</u>	<u>7,833</u>	<u>8,233</u>	<u>2,209</u>	<u>37,823</u>
TOTAL ASSETS	<u>50,653</u>	<u>-</u>	<u>28,471</u>	<u>25,920</u>	<u>10,900</u>	<u>115,944</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	<u>1,936</u>	<u>-</u>	<u>742</u>	<u>1,725</u>	<u>433</u>	<u>4,836</u>
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	10,048	-	10,169	1,754	189	22,160
Due to other funds/advances from other funds	-	-	10,382	-	187	10,569
Unearned revenue	2,496	-	-	-	-	2,496
Compensated absences	1,054	-	181	568	142	1,945
Total current liabilities	<u>13,598</u>	<u>-</u>	<u>20,732</u>	<u>2,322</u>	<u>518</u>	<u>37,170</u>
Noncurrent liabilities:						
Accounts payable & accruals	-	-	-	64	71	135
Compensated absences	775	-	90	1,007	175	2,047
Net pension liability	6,212	-	2,626	1,954	1,321	12,113
Other postemployment benefits	586	-	429	511	166	1,692
Total noncurrent liabilities	<u>7,573</u>	<u>-</u>	<u>3,145</u>	<u>3,536</u>	<u>1,733</u>	<u>15,987</u>
TOTAL LIABILITIES	<u>21,171</u>	<u>-</u>	<u>23,877</u>	<u>5,858</u>	<u>2,251</u>	<u>53,157</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	<u>259</u>	<u>-</u>	<u>139</u>	<u>829</u>	<u>217</u>	<u>1,444</u>
NET POSITION						
Net investment in capital assets	19,548	-	7,833	8,233	2,209	37,823
Unrestricted	11,611	-	(2,636)	12,725	6,656	28,356
TOTAL NET POSITION	<u>\$ 31,159</u>	<u>\$ -</u>	<u>\$ 5,197</u>	<u>\$ 20,958</u>	<u>\$ 8,865</u>	<u>\$ 66,179</u>

STATE OF IOWA

Combining Statement of Revenues, Expenses and Changes in Fund Net Position Nonmajor Enterprise Funds

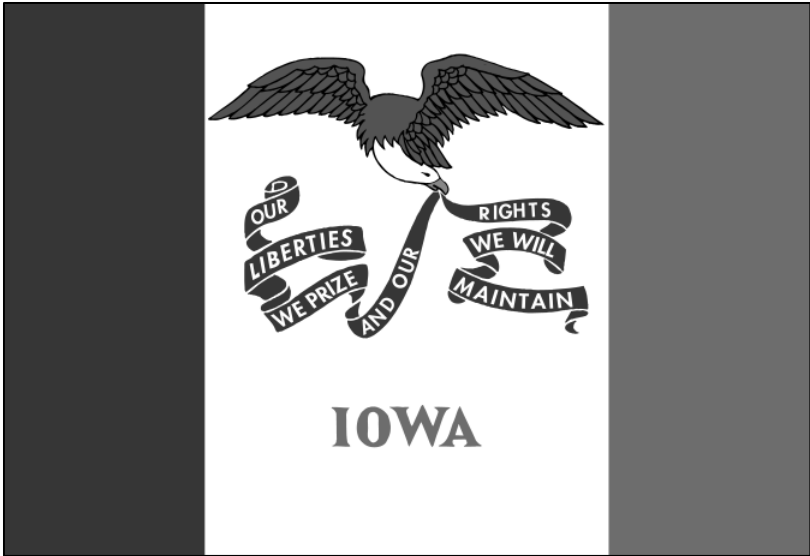
For the Year Ended June 30, 2017
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
OPERATING REVENUES						
Fees, licenses & permits	\$ -	\$ -	\$ 17,218	\$ -	\$ 4,367	\$ 21,585
Refunds & reimbursements	-	-	30	-	270	300
Sales, rents & services	33,086	-	305,727	24,485	1,107	364,405
Miscellaneous	-	-	4,425	134	497	5,056
TOTAL OPERATING REVENUES	33,086	-	327,400	24,619	6,241	391,346
OPERATING EXPENSES						
General & administrative	11,806	-	-	-	-	11,806
Depreciation	3,017	-	209	693	299	4,218
Direct & other	12,788	-	-	19,321	526	32,635
Personal services	-	-	4,378	1,639	2,755	8,772
Travel & subsistence	-	-	1,150	11	36	1,197
Supplies & materials	-	-	288	22	145	455
Contractual services	-	-	3,759	2,059	1,395	7,213
Equipment & repairs	-	-	784	5	110	899
Claims & miscellaneous	9,499	-	202,851	945	123	213,418
Licenses, permits & refunds	-	-	874	-	9	883
State aid & credits	-	-	3,716	-	-	3,716
TOTAL OPERATING EXPENSES	37,110	-	218,009	24,695	5,398	285,212
OPERATING INCOME (LOSS)	(4,024)	-	109,391	(76)	843	106,134
NONOPERATING REVENUES (EXPENSES)						
Taxes	-	-	8,078	-	-	8,078
Investment income	115	-	-	24	13	152
Gain (loss) on sale of capital assets	-	(45,251)	-	41	29	(45,181)
NET NONOPERATING REVENUES (EXPENSES)	115	(45,251)	8,078	65	42	(36,951)
INCOME (LOSS) BEFORE TRANSFERS	(3,909)	(45,251)	117,469	(11)	885	69,183
Transfers in	1,150	-	-	-	-	1,150
Transfers out	-	(159)	(116,967)	-	-	(117,126)
CHANGE IN NET POSITION	(2,759)	(45,410)	502	(11)	885	(46,793)
TOTAL NET POSITION - JULY 1	33,918	45,410	4,695	20,969	7,980	112,972
TOTAL NET POSITION - JUNE 30	\$ 31,159	\$ -	\$ 5,197	\$ 20,958	\$ 8,865	\$ 66,179



STATE OF IOWA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 34,891	\$ (12)	\$ 322,383	\$ 23,155	\$ 6,061	\$ 386,478
Cash received from miscellaneous	-	-	4,455	134	497	5,086
Cash payments to suppliers for goods & services	(17,461)	17	(211,764)	(21,309)	(2,326)	(252,843)
Cash payments to employees for services	(10,237)	-	(4,445)	(1,543)	(2,755)	(18,980)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>7,193</u>	<u>5</u>	<u>110,629</u>	<u>437</u>	<u>1,477</u>	<u>119,741</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in from other funds	1,150	-	-	-	-	1,150
Transfers out to other funds	-	(159)	(117,818)	-	-	(117,977)
Tax receipts	-	-	8,078	-	-	8,078
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>1,150</u>	<u>(159)</u>	<u>(109,740)</u>	<u>-</u>	<u>-</u>	<u>(108,749)</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	(8,282)	-	(2,224)	(171)	(548)	(11,225)
Proceeds from sale of capital assets	-	-	-	41	29	70
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	<u>(8,282)</u>	<u>-</u>	<u>(2,224)</u>	<u>(130)</u>	<u>(519)</u>	<u>(11,155)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	115	-	-	24	13	152
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>115</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u>13</u>	<u>152</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	176	(154)	(1,335)	331	971	(11)
CASH & CASH EQUIVALENTS - JULY 1	17,441	154	14,035	6,652	5,449	43,731
CASH & CASH EQUIVALENTS - JUNE 30	<u>\$ 17,617</u>	<u>\$ -</u>	<u>\$ 12,700</u>	<u>\$ 6,983</u>	<u>\$ 6,420</u>	<u>\$ 43,720</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (4,024)	\$ -	\$ 109,391	\$ (76)	\$ 843	\$ 106,134
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	3,017	-	209	693	299	4,218
(Increase) decrease in accounts receivable	1,466	194	(565)	(1,327)	276	44
(Increase) decrease in due from	18	-	3	(3)	41	59
(Increase) decrease in inventory	169	-	161	436	(4)	762
(Increase) decrease in prepaid expenses	(1,105)	50	1,348	29	(25)	297
(Increase) decrease in deferred outflows of resources	(1,049)	-	(375)	(667)	(176)	(2,267)
Increase (decrease) in accounts payable	7,237	(33)	149	589	(36)	7,906
Increase (decrease) in due to	-	-	-	-	83	83
Increase (decrease) in unearned revenue	321	(206)	-	-	-	115
Increase (decrease) in compensated absences	153	-	(128)	66	34	125
Increase (decrease) in net pension liability	1,506	-	572	861	237	3,176
Increase (decrease) in other postemployment benefits	77	-	37	51	1	166
Increase (decrease) in deferred inflows of resources	(593)	-	(173)	(215)	(96)	(1,077)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 7,193</u>	<u>\$ 5</u>	<u>\$ 110,629</u>	<u>\$ 437</u>	<u>\$ 1,477</u>	<u>\$ 119,741</u>
NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES						
Capital assets transferred to Governmental Activities	\$ -	\$ (45,251)	\$ -	\$ -	\$ -	\$ (45,251)



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, 2017

(Expressed in Thousands)

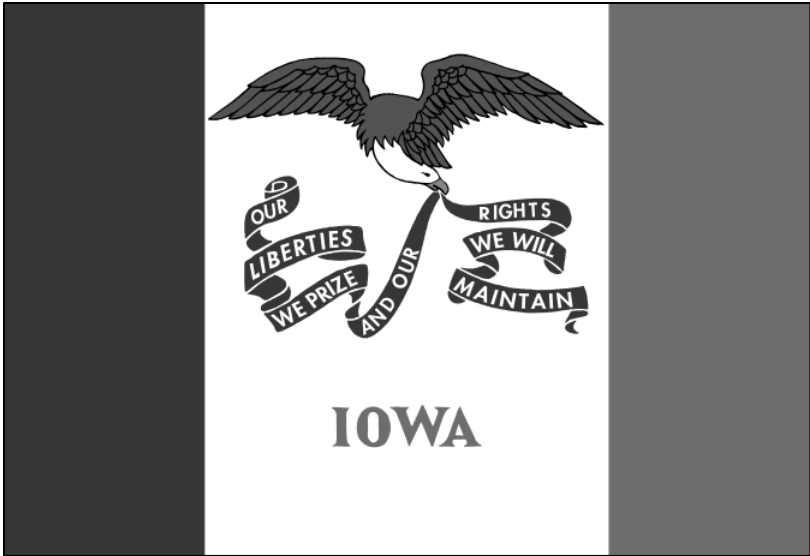
	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	OFFICE OF CHIEF INFORMATION OFFICER FUND	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 4,759	\$ 20,143	\$ 25,180	\$ 5,342	\$ 22,090	\$ 77,514
Accounts receivable (net)	36	-	23	452	642	1,153
Due from other funds/advances to other funds	64,244	2,190	2,697	7,672	14,834	91,637
Inventory	-	6,085	1,077	52	1,564	8,778
Prepaid expenses	-	-	-	2,616	2,802	5,418
Total current assets	69,039	28,418	28,977	16,134	41,932	184,500
Noncurrent assets:						
Due from other funds/advances to other funds	-	-	103	-	-	103
Capital assets - depreciable (net)	-	111,082	-	2,668	2,728	116,478
Total noncurrent assets	-	111,082	103	2,668	2,728	116,581
TOTAL ASSETS	69,039	139,500	29,080	18,802	44,660	301,081
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	135	954	-	3,346	2,226	6,661
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	19,091	5,782	1,077	3,485	5,362	34,797
Due to other funds/advances from other funds	65	337	2	1,585	11,583	13,572
Unearned revenue	-	-	25,301	907	69	26,277
Compensated absences	12	440	-	1,450	1,038	2,940
Total current liabilities	19,168	6,559	26,380	7,427	18,052	77,586
Noncurrent liabilities:						
Accounts payable & accruals	49,847	67	-	143	137	50,194
Due to other funds/advances from other funds	-	-	-	-	103	103
Compensated absences	1	756	-	1,822	766	3,345
Net pension liability	142	3,315	-	9,084	7,765	20,306
Other postemployment benefits	14	457	-	852	960	2,283
Total noncurrent liabilities	50,004	4,595	-	11,901	9,731	76,231
TOTAL LIABILITIES	69,172	11,154	26,380	19,328	27,783	153,817
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	2	178	-	251	1,760	2,191
NET POSITION						
Net investment in capital assets	-	111,082	-	2,667	2,729	116,478
Unrestricted	-	18,040	2,700	(98)	14,614	35,256
TOTAL NET POSITION	\$ -	\$ 129,122	\$ 2,700	\$ 2,569	\$ 17,343	\$ 151,734

STATE OF IOWA

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

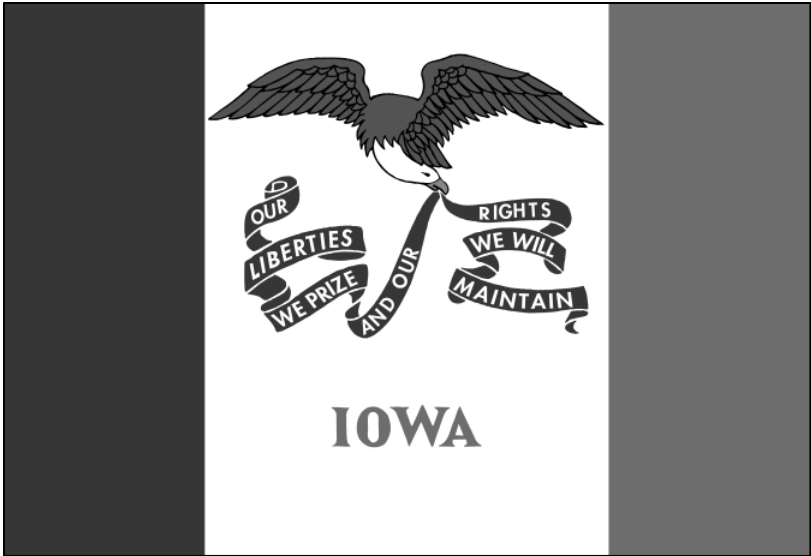
For the Year Ended June 30, 2017
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	OFFICE OF CHIEF INFORMATION OFFICER FUND	OTHER FUNDS	TOTAL
OPERATING REVENUES						
Receipts from other entities	\$ 32,399	\$ 6,172	\$ 6,377	\$ 61,370	\$ 53,155	\$ 159,473
Fees, licenses & permits	-	-	-	360	-	360
Refunds & reimbursements	261	54,814	165	-	2,540	57,780
Sales, rents & services	-	-	1,601	-	75	1,676
Miscellaneous	-	5,556	-	-	141	5,697
TOTAL OPERATING REVENUES	32,660	66,542	8,143	61,730	55,911	224,986
OPERATING EXPENSES						
Depreciation	-	15,748	-	981	523	17,252
Personal services	280	5,833	-	15,862	15,318	37,293
Travel & subsistence	1	7,919	-	71	7,399	15,390
Supplies & materials	1	26,126	-	995	16,353	43,475
Contractual services	2,331	2,015	-	32,164	10,704	47,214
Equipment & repairs	-	5,278	8,964	10,117	2,285	26,644
Claims & miscellaneous	30,047	-	-	216	1,298	31,561
Licenses, permits & refunds	-	22	-	-	34	56
TOTAL OPERATING EXPENSES	32,660	62,941	8,964	60,406	53,914	218,885
OPERATING INCOME (LOSS)	-	3,601	(821)	1,324	1,997	6,101
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	-	-	20	114	134
Gain on sale of capital assets	-	82	-	-	-	82
Loss on sale of capital assets	-	-	-	-	(148)	(148)
NET NONOPERATING REVENUES (EXPENSES)	-	82	-	20	(34)	68
CHANGE IN NET POSITION	-	3,683	(821)	1,344	1,963	6,169
TOTAL NET POSITION - JULY 1	-	125,439	3,521	1,225	15,380	145,565
TOTAL NET POSITION - JUNE 30	\$ -	\$ 129,122	\$ 2,700	\$ 2,569	\$ 17,343	\$ 151,734



STATE OF IOWA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	OFFICE OF CHIEF INFORMATION OFFICER FUND	OTHER FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from other entities	\$ 261	\$ 11,728	\$ 1,681	\$ 26	\$ 3,065	\$ 16,761
Cash received from reciprocal interfund activity	28,293	53,670	9,645	60,345	52,944	204,897
Cash payments to suppliers for goods & services	(28,439)	(39,518)	(8,964)	(44,587)	(37,962)	(159,470)
Cash payments to employees for services	(263)	(5,832)	-	(14,805)	(15,534)	(36,434)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(148)</u>	<u>20,048</u>	<u>2,362</u>	<u>979</u>	<u>2,513</u>	<u>25,754</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	-	(18,625)	-	(2,176)	(101)	(20,902)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(18,625)</u>	<u>-</u>	<u>(2,176)</u>	<u>(101)</u>	<u>(20,902)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	-	-	-	20	114	134
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>114</u>	<u>134</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(148)	1,423	2,362	(1,177)	2,526	4,986
CASH & CASH EQUIVALENTS - JULY 1	4,907	18,720	22,818	6,519	19,564	72,528
CASH & CASH EQUIVALENTS - JUNE 30	<u>\$ 4,759</u>	<u>\$ 20,143</u>	<u>\$ 25,180</u>	<u>\$ 5,342</u>	<u>\$ 22,090</u>	<u>\$ 77,514</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ -	\$ 3,601	\$ (821)	\$ 1,324	\$ 1,997	\$ 6,101
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	15,748	-	981	523	17,252
(Increase) decrease in accounts receivable	71	-	80	(334)	309	126
(Increase) decrease in due from	(4,184)	(1,332)	728	(1,064)	(258)	(6,110)
(Increase) decrease in inventory	-	114	(923)	21	459	(329)
(Increase) decrease in prepaid expenses	-	-	-	(1,970)	(1,033)	(3,003)
(Increase) decrease in deferred outflows of resources	(120)	(506)	-	(1,444)	(868)	(2,938)
Increase (decrease) in accounts payable	3,941	1,728	923	925	685	8,202
Increase (decrease) in due to	7	188	2	(868)	128	(543)
Increase (decrease) in unearned revenue	-	-	2,373	907	(81)	3,199
Increase (decrease) in compensated absences	(9)	(26)	-	731	(37)	659
Increase (decrease) in net pension liability	142	733	-	2,114	1,158	4,147
Increase (decrease) in other postemployment benefits	2	28	-	190	22	242
Increase (decrease) in deferred inflows of resources	2	(228)	-	(534)	(491)	(1,251)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (148)</u>	<u>\$ 20,048</u>	<u>\$ 2,362</u>	<u>\$ 979</u>	<u>\$ 2,513</u>	<u>\$ 25,754</u>



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, 2017

(Expressed in Thousands)

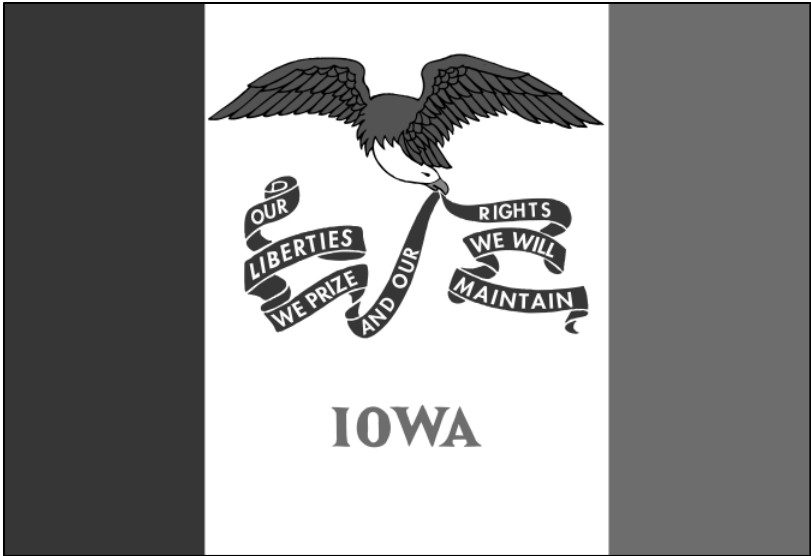
	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
ASSETS						
Cash & cash equivalents	\$ 1,253,785	\$ 6,378	\$ 3,708	\$ 141	\$ 2,789	\$ 1,266,801
Receivables:						
Contributions	75,921	905	469	866	-	78,161
Investments sold	417,082	347	264	-	-	417,693
Foreign exchange contracts	83,168	-	-	-	-	83,168
Interest & dividends	85,330	760	-	-	-	86,090
Miscellaneous	18	-	-	-	-	18
Total receivables	<u>661,519</u>	<u>2,012</u>	<u>733</u>	<u>866</u>	<u>-</u>	<u>665,130</u>
Investments, at fair value:						
Fixed income securities	10,089,629	102,608	37,711	-	-	10,229,948
Equity investments	11,703,282	300,113	125,423	-	-	12,128,818
Real estate partnerships	-	54,035	19,671	-	-	73,706
Investment in private equity/debt	3,890,061	-	-	-	-	3,890,061
Real assets	4,191,859	-	-	-	-	4,191,859
Securities lending collateral pool	832,202	8,944	2,137	-	-	843,283
Securities on loan with brokers	-	8,468	2,077	-	-	10,545
Total investments	<u>30,707,033</u>	<u>474,168</u>	<u>187,019</u>	<u>-</u>	<u>-</u>	<u>31,368,220</u>
Capital assets:						
Land	500	-	-	-	-	500
Other - depreciable (net)	18,181	-	-	-	-	18,181
Total capital assets	<u>18,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,681</u>
Other assets	<u>315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>315</u>
TOTAL ASSETS	<u>32,641,333</u>	<u>482,558</u>	<u>191,460</u>	<u>1,007</u>	<u>2,789</u>	<u>33,319,147</u>
LIABILITIES						
Accounts payable & accruals	32,671	393	91	-	-	33,155
Foreign exchange contracts payable	85,174	-	-	-	-	85,174
Payable for investments purchased	912,452	4,920	2,261	-	-	919,633
Payable to brokers for rebate & collateral	831,920	8,944	2,137	-	-	843,001
TOTAL LIABILITIES	<u>1,862,217</u>	<u>14,257</u>	<u>4,489</u>	<u>-</u>	<u>-</u>	<u>1,880,963</u>
NET POSITION						
Restricted for pension/other postemployment benefits	<u>\$ 30,779,116</u>	<u>\$ 468,301</u>	<u>\$ 186,971</u>	<u>\$ 1,007</u>	<u>\$ 2,789</u>	<u>\$ 31,438,184</u>

STATE OF IOWA

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

For the Year Ended June 30, 2017
(Expressed in Thousands)

	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
ADDITIONS						
Contributions:						
Member contributions	\$ 473,355	\$ 5,053	\$ 2,611	\$ 1,270	\$ 109	\$ 482,398
Employer contributions	704,766	17,274	8,544	-	-	730,584
Buy-back/buy-in contributions	4,271	-	-	-	-	4,271
Total contributions	<u>1,182,392</u>	<u>22,327</u>	<u>11,155</u>	<u>1,270</u>	<u>109</u>	<u>1,217,253</u>
Investment income (loss):						
Net increase in fair value of investments	2,773,012	65,814	23,642	-	-	2,862,468
Interest	361,694	4,373	2,033	4	-	368,104
Dividends	127,100	4,702	1,458	-	-	133,260
Other	85,998	59	44	-	-	86,101
Total investment income (loss)	<u>3,347,804</u>	<u>74,948</u>	<u>27,177</u>	<u>4</u>	<u>-</u>	<u>3,449,933</u>
Less investment expense	68,061	2,460	545	-	-	71,066
Net investment income (loss)	<u>3,279,743</u>	<u>72,488</u>	<u>26,632</u>	<u>4</u>	<u>-</u>	<u>3,378,867</u>
TOTAL ADDITIONS	<u>4,462,135</u>	<u>94,815</u>	<u>37,787</u>	<u>1,274</u>	<u>109</u>	<u>4,596,120</u>
DEDUCTIONS						
Pension & annuity benefits	1,943,103	29,362	11,950	-	-	1,984,415
Payments in accordance with agreements	-	-	-	1,012	530	1,542
Administrative expense	15,899	237	18	-	-	16,154
Refunds	50,451	-	-	-	-	50,451
TOTAL DEDUCTIONS	<u>2,009,453</u>	<u>29,599</u>	<u>11,968</u>	<u>1,012</u>	<u>530</u>	<u>2,052,562</u>
CHANGE IN NET POSITION	2,452,682	65,216	25,819	262	(421)	2,543,558
NET POSITION - JULY 1	<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>
NET POSITION - JUNE 30	<u>\$ 30,779,116</u>	<u>\$ 468,301</u>	<u>\$ 186,971</u>	<u>\$ 1,007</u>	<u>\$ 2,789</u>	<u>\$ 31,438,184</u>



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, 2017

(Expressed in Thousands)

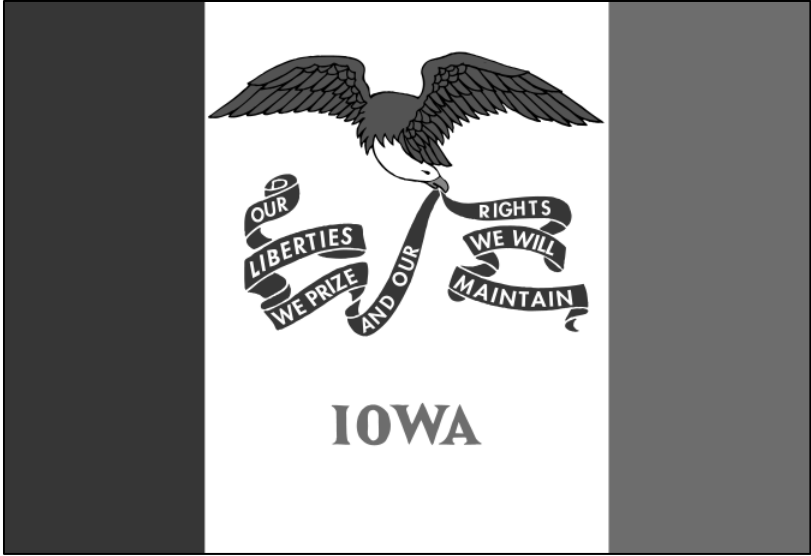
	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA VETERANS TRUST FUND	BRAILLE & SIGHT SAVING SCHOOL FUND	GEAR-UP FUND	OTHER FUNDS	TOTAL
ASSETS						
Cash	\$ 1,963	\$ 26,235	\$ 609	\$ 6,040	\$ 1,508	\$ 36,355
Accounts receivable (net)	-	79	-	-	1	80
Investments	4,961,065	-	-	-	125	4,961,190
Capital assets - depreciable (net)	-	-	-	-	138	138
Prepaid expenses	8	-	-	-	1	9
Inventory	-	-	-	-	8	8
TOTAL ASSETS	<u>4,963,036</u>	<u>26,314</u>	<u>609</u>	<u>6,040</u>	<u>1,781</u>	<u>4,997,780</u>
LIABILITIES						
Accounts payable & accruals	<u>76</u>	<u>96</u>	<u>-</u>	<u>-</u>	<u>69</u>	<u>241</u>
NET POSITION						
Restricted for individuals, organizations & other entities	<u>\$ 4,962,960</u>	<u>\$ 26,218</u>	<u>\$ 609</u>	<u>\$ 6,040</u>	<u>\$ 1,712</u>	<u>\$ 4,997,539</u>

STATE OF IOWA

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

For the Year Ended June 30, 2017
(Expressed in Thousands)

	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA VETERANS TRUST FUND	BRILLE & SIGHT SAVING SCHOOL FUND	GEAR-UP FUND	OTHER FUNDS	TOTAL
ADDITIONS						
Contributions:						
Participant contributions	\$ 385,694	\$ -	\$ -	\$ -	\$ -	\$ 385,694
Other contributions	983	1	-	-	699	1,683
Gifts, bequests & endowments	-	2,832	-	1,601	75	4,508
Total contributions	<u>386,677</u>	<u>2,833</u>	<u>-</u>	<u>1,601</u>	<u>774</u>	<u>391,885</u>
Investment income (loss):						
Net increase (decrease) in fair value of investments	492,771	(107)	-	9	-	492,673
Interest	10	186	74	158	4	432
Total investment income (loss)	<u>492,781</u>	<u>79</u>	<u>74</u>	<u>167</u>	<u>4</u>	<u>493,105</u>
TOTAL ADDITIONS	<u>879,458</u>	<u>2,912</u>	<u>74</u>	<u>1,768</u>	<u>778</u>	<u>884,990</u>
DEDUCTIONS						
Distributions to participants	368,599	852	29	3,991	353	373,824
Other	701	-	-	-	86	787
TOTAL DEDUCTIONS	<u>369,300</u>	<u>852</u>	<u>29</u>	<u>3,991</u>	<u>439</u>	<u>374,611</u>
CHANGE IN NET POSITION	510,158	2,060	45	(2,223)	339	510,379
NET POSITION - JULY 1	<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>
NET POSITION - JUNE 30	<u>\$ 4,962,960</u>	<u>\$ 26,218</u>	<u>\$ 609</u>	<u>\$ 6,040</u>	<u>\$ 1,712</u>	<u>\$ 4,997,539</u>



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, 2017

(Expressed in Thousands)

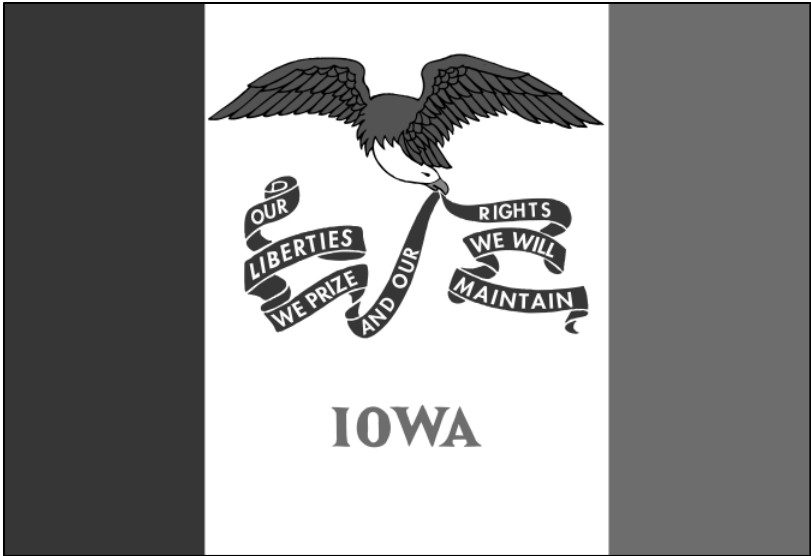
	LOCAL SALES & SERVICES TAX FUND	CENTRALIZED PAYROLL TRUSTEE FUND	JUDICIAL - CLERKS OF DISTRICT COURT	SCHOOL DISTRICT SURTAX CLEARING FUND	OTHER FUNDS	TOTAL
ASSETS						
Cash	\$ 28,796	\$ 2,173	\$ 47,840	\$ 90,746	\$ 86,744	\$ 256,299
Accounts receivable	88,801	47,819	-	5,883	80,368	222,871
TOTAL ASSETS	<u>\$ 117,597</u>	<u>\$ 49,992</u>	<u>\$ 47,840</u>	<u>\$ 96,629</u>	<u>\$ 167,112</u>	<u>\$ 479,170</u>
LIABILITIES						
Accounts payable & accruals	\$ 117,597	\$ 49,992	\$ 47,840	\$ 96,629	\$ 167,112	\$ 479,170
TOTAL LIABILITIES	<u>\$ 117,597</u>	<u>\$ 49,992</u>	<u>\$ 47,840</u>	<u>\$ 96,629</u>	<u>\$ 167,112</u>	<u>\$ 479,170</u>

STATE OF IOWA

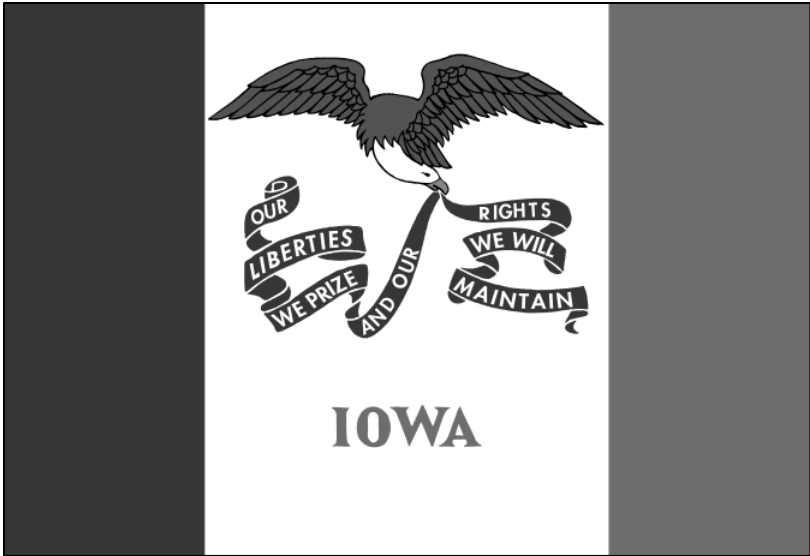
Combining Statement of Changes in Assets and Liabilities Agency Funds

For the Year Ended June 30, 2017
(Expressed in Thousands)

	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
LOCAL SALES & SERVICES TAX FUND				
ASSETS				
Cash	\$ 27,794	\$ 831,822	\$ 830,820	\$ 28,796
Accounts receivable	107,288	88,801	107,288	88,801
TOTAL ASSETS	\$ 135,082	\$ 920,623	\$ 938,108	\$ 117,597
LIABILITIES				
Accounts payable & accruals	\$ 135,082	\$ 920,623	\$ 938,108	\$ 117,597
CENTRALIZED PAYROLL TRUSTEE FUND				
ASSETS				
Cash	\$ 2,115	\$ 908,517	\$ 908,459	\$ 2,173
Accounts receivable	46,719	47,819	46,719	47,819
TOTAL ASSETS	\$ 48,834	\$ 956,336	\$ 955,178	\$ 49,992
LIABILITIES				
Accounts payable & accruals	\$ 48,834	\$ 956,336	\$ 955,178	\$ 49,992
JUDICIAL - CLERKS OF DISTRICT COURT				
ASSETS				
Cash	\$ 54,790	\$ 305,816	\$ 312,766	\$ 47,840
LIABILITIES				
Accounts payable & accruals	\$ 54,790	\$ 305,816	\$ 312,766	\$ 47,840
SCHOOL DISTRICT SURTAX CLEARING FUND				
ASSETS				
Cash	\$ 94,069	\$ 99,810	\$ 103,133	\$ 90,746
Accounts receivable	3,541	5,883	3,541	5,883
TOTAL ASSETS	\$ 97,610	\$ 105,693	\$ 106,674	\$ 96,629
LIABILITIES				
Accounts payable & accruals	\$ 97,610	\$ 105,693	\$ 106,674	\$ 96,629
OTHER FUNDS				
ASSETS				
Cash	\$ 65,718	\$ 1,538,653	\$ 1,517,627	\$ 86,744
Accounts receivable	81,413	80,368	81,413	80,368
TOTAL ASSETS	\$ 147,131	\$ 1,619,021	\$ 1,599,040	\$ 167,112
LIABILITIES				
Accounts payable & accruals	\$ 147,131	\$ 1,619,021	\$ 1,599,040	\$ 167,112
TOTAL				
ASSETS				
Cash	\$ 244,486	\$ 3,684,618	\$ 3,672,805	\$ 256,299
Accounts receivable	238,961	222,871	238,961	222,871
TOTAL ASSETS	\$ 483,447	\$ 3,907,489	\$ 3,911,766	\$ 479,170
LIABILITIES				
Accounts payable & accruals	\$ 483,447	\$ 3,907,489	\$ 3,911,766	\$ 479,170



STATISTICAL
SECTION

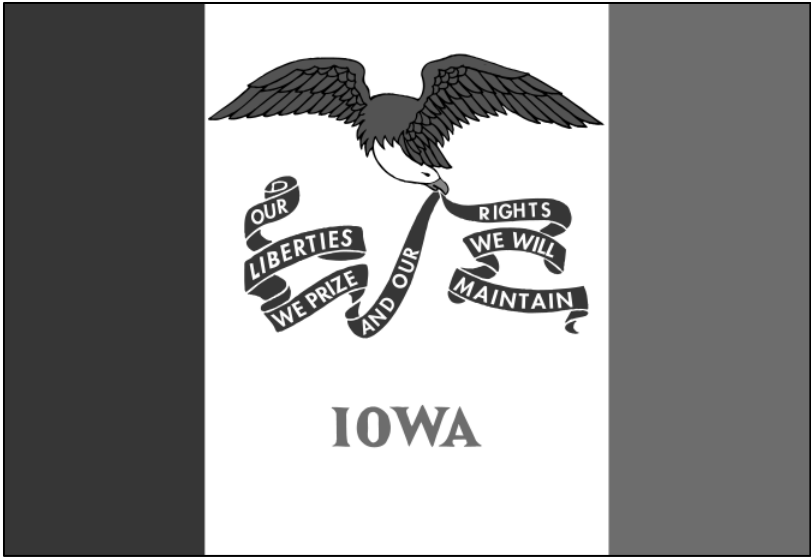


STATE OF IOWA
STATISTICAL SECTION
TABLE OF CONTENTS

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.

	Schedule
Financial Trends	1 - 4
These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	
Revenue Capacity	5 - 7
These schedules contain information to help the reader assess the State's most significant revenue source, individual income tax.	
Debt Capacity	8 - 9
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.	
Demographic and Economic Information	10 - 11
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	
Operating Information	12 - 15
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									
	2008 ⁽¹⁾	2009 ⁽²⁾	2010 ⁽³⁾	2011 ⁽⁴⁾	2012 ⁽⁵⁾	2013 ⁽⁶⁾	2014	2015 ⁽⁷⁾	2016	2017
Governmental activities										
Net investment in capital assets	\$ 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	\$ 9,242,231
Restricted	1,096,738	981,399	1,190,535	1,217,229	1,066,451	1,085,008	1,064,266	855,856	922,557	941,514
Unrestricted	490,372	145,222	(86,726)	(226,038)	90,401	525,989	413,880	(515,129)	(808,123)	(999,603)
Total governmental activities net position	<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>	<u>\$ 9,184,142</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 3,858,357
Restricted	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	1,864,113
Unrestricted	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	1,768,131
Total business-type activities net position	<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>	<u>\$ 7,490,601</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 13,100,588
Restricted	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	2,805,627
Unrestricted	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	768,528
Total primary government net position	<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>	<u>\$ 16,674,743</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)

	Fiscal Year									
	2008 ⁽¹⁾	2009 ⁽²⁾	2010 ⁽³⁾	2011 ⁽⁴⁾	2012 ⁽⁵⁾	2013 ⁽⁶⁾	2014	2015	2016	2017
Expenses										
Governmental activities:										
Administration & regulation	\$ 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	\$ 1,864,959
Education	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	4,162,360
Health & human rights	405,459	450,955	488,380	458,702	423,202	420,844	423,723	422,677	436,330	445,057
Human services	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	6,585,944
Justice & public defense	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	1,041,523
Economic development	234,579	329,936	351,635	273,377	254,902	186,948	159,964	158,632	144,472	157,288
Transportation	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	1,396,315
Agriculture & natural resources	220,995	210,984	212,590	217,783	214,526	219,948	219,159	223,916	227,612	233,883
Interest expense	73,065	62,387	91,432	101,867	101,849	99,311	95,312	92,011	90,105	79,424
Total governmental activities expenses	11,374,806	12,762,309	13,253,271	13,456,647	13,713,440	13,650,364	14,332,531	15,409,736	15,831,312	15,966,753
Business-type activities:										
University Funds	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	4,843,267
Unemployment Benefits Fund	356,261	872,030	1,258,041	928,379	718,611	554,883	439,937	396,842	416,582	430,068
Other	391,077	396,668	213,185	222,239	246,673	257,011	260,564	264,092	273,939	285,205
Total business-type activities expenses	3,902,365	4,669,824	4,813,103	4,616,008	4,807,598	4,772,621	4,856,646	5,000,310	5,270,768	5,558,540
Total primary government expenses	\$ 15,277,171	\$ 17,432,133	\$ 18,066,374	\$ 18,072,655	\$ 18,521,038	\$ 18,422,985	\$ 19,189,177	\$ 20,410,046	\$ 21,102,080	\$ 21,525,293
Program revenues										
Governmental activities:										
Charges for services:										
Administration & regulation	\$ 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	\$ 1,118,233
Education	47,201	45,794	54,219	61,920	52,686	21,787	18,057	20,656	17,374	17,714
Health & human rights	83,700	71,849	60,885	70,702	66,922	68,865	69,159	80,767	77,168	75,320
Human services	417,733	437,131	465,890	575,377	666,496	438,915	519,909	544,631	550,432	823,549
Justice & public defense	177,293	83,868	102,600	110,215	104,969	89,888	106,730	95,952	97,638	97,779
Economic development	7,125	5,012	3,423	13,795	3,672	3,864	3,374	1,749	2,049	1,739
Transportation	17,695	84,511	84,291	76,404	93,908	106,081	122,683	100,322	79,955	100,598
Agriculture & natural resources	72,564	78,697	86,086	74,295	84,912	78,476	79,777	72,634	86,807	72,052
Operating grants & contributions	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	5,194,216
Capital grants & contributions	230,585	385,478	590,926	420,006	494,715	426,350	472,885	501,378	440,783	503,121
Total governmental activities program revenues	5,333,596	6,606,874	7,715,221	7,387,814	7,118,320	6,952,651	7,359,456	7,832,263	7,959,138	8,004,321
Business-type activities:										
Charges for services:										
University Funds	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	3,390,227
Unemployment Benefits Fund	368,202	358,198	474,465	619,455	643,970	543,535	471,738	410,209	448,914	493,643
Other	506,995	521,913	284,931	297,750	325,699	342,596	355,988	366,129	378,533	391,346
Operating grants & contributions	670,859	987,715	1,333,041	1,200,118	1,044,159	848,672	783,036	746,633	777,368	801,120
Capital grants & contributions	35,225	45,432	8,801	36,197	61,339	61,948	90,263	173,150	101,682	57,588
Total business-type activities program revenues	3,382,178	3,907,190	4,166,091	4,377,047	4,665,475	4,484,320	4,546,813	4,733,175	4,979,552	5,133,924
Total primary government program revenues	\$ 8,715,774	\$ 10,514,064	\$ 11,881,312	\$ 11,764,861	\$ 11,783,795	\$ 11,436,971	\$ 11,906,269	\$ 12,565,438	\$ 12,938,690	\$ 13,138,245
Net expense										
Governmental activities	\$ (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)	\$ (7,962,432)
Business-type activities	(520,187)	(762,634)	(647,012)	(238,961)	(142,123)	(288,301)	(309,833)	(267,135)	(291,216)	(424,616)
Total primary government net expense	\$ (6,561,397)	\$ (6,918,069)	\$ (6,185,062)	\$ (6,307,794)	\$ (6,737,243)	\$ (6,986,014)	\$ (7,282,908)	\$ (7,844,608)	\$ (8,163,390)	\$ (8,387,048)

(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									
	2008 ⁽¹⁾	2009 ⁽²⁾	2010 ⁽³⁾	2011 ⁽⁴⁾	2012 ⁽⁵⁾	2013 ⁽⁶⁾	2014	2015	2016	2017
General revenues & other changes in net position										
Governmental activities:										
Personal income tax	\$ 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	\$ 3,637,895
Corporate income tax	347,833	258,115	196,723	254,761	430,395	428,991	387,232	464,121	374,559	432,056
Sales & use tax	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	2,793,825
Other tax	783,814	743,231	710,946	685,454	756,713	759,681	756,237	771,702	803,003	791,607
Motor fuel tax restricted for transportation purposes	443,997	436,732	436,567	445,580	438,953	438,009	446,449	524,569	677,999	674,603
Road use tax restricted for transportation purposes	257,523	256,554	254,016	281,998	303,368	307,821	322,470	346,901	360,993	371,361
Unrestricted investment earnings	114,987	66,159	25,729	30,696	21,155	6,240	21,406	19,175	22,156	16,257
Other	32,492	30,476	31,571	28,317	27,504	29,746	35,357	36,680	35,013	38,369
Gain on sale of assets	571	804	842	51	732	871	1,011	1,401	1,197	2,260
Loss on extinguishment of debt	-	-	-	-	-	-	(5,679)	-	-	-
Contribution to Permanent Fund principal	4,031	-	-	-	-	-	-	-	-	-
Special items - disposal of operations	-	-	-	-	-	5,728	-	-	-	-
Extraordinary items - impairment of assets & other	-	-	-	(4,394)	-	-	-	-	-	-
Transfers	(598,789)	(612,520)	(612,563)	(503,494)	(456,940)	(500,210)	(575,626)	(534,103)	(538,347)	(478,019)
Total governmental activities	\$ 6,220,104	\$ 5,991,099	\$ 5,914,295	\$ 6,411,741	\$ 7,016,427	\$ 7,433,551	\$ 7,220,663	\$ 7,757,033	\$ 8,037,397	\$ 8,280,214
Business-type activities:										
Other tax	\$ 6,551	\$ 5,688	\$ 6,459	\$ 6,803	\$ 7,031	\$ 7,463	\$ 7,527	\$ 7,765	\$ 7,649	\$ 8,078
Unrestricted investment earnings	69,378	(25,411)	115,200	154,176	90,891	109,987	186,857	46,888	78,133	162,438
Other	46,919	94,068	50,678	47,610	76,091	67,096	68,072	57,303	68,961	60,590
Gain on sale of assets	7	75	101	16	688	78	27	20	4,000	69
Contribution to University Endowments	-	404	(250)	-	-	-	-	-	-	-
Extraordinary items - impairment of assets & other	55,084	3,160	(15,785)	5,900	991	(2,580)	-	-	-	-
Transfers	598,789	612,520	612,563	503,494	456,940	500,210	575,626	534,103	538,347	478,019
Total business-type activities	\$ 776,728	\$ 690,504	\$ 768,966	\$ 717,999	\$ 632,632	\$ 682,254	\$ 838,109	\$ 646,079	\$ 697,090	\$ 709,194
Change in net position										
Governmental activities	\$ 178,894	\$ (164,336)	\$ 376,245	\$ 342,908	\$ 421,307	\$ 735,838	\$ 247,588	\$ 179,560	\$ 165,223	\$ 317,782
Business-type activities	256,541	(72,130)	121,954	479,038	490,509	393,953	528,276	378,944	405,874	284,578
Total primary government	\$ 435,435	\$ (236,466)	\$ 498,199	\$ 821,946	\$ 911,816	\$ 1,129,791	\$ 775,864	\$ 558,504	\$ 571,097	\$ 602,360

(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									
	2008	2009 ⁽²⁾	2010 ⁽³⁾	2011 ⁽⁴⁾	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 1,178,178	\$ 1,121,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,118,497	802,767	-	-	-	-	-	-	-	-
Nonspendable	-	-	31,950	31,364	41,382	43,138	41,248	44,528	44,917	46,445
Spendable:										
Restricted	-	-	1,219,215	1,236,111	1,062,771	1,017,927	1,045,227	861,583	835,913	883,016
Committed	-	-	1,385,901	1,486,404	1,732,552	2,145,980	1,912,518	1,676,632	1,323,878	1,274,404
Unassigned	-	-	(201,720)	(250,589)	(210,684)	(156,800)	(214,660)	(273,102)	(214,504)	(328,131)
Total General Fund	<u>\$ 2,296,675</u>	<u>\$ 1,923,899</u>	<u>\$ 2,435,346</u>	<u>\$ 2,503,290</u>	<u>\$ 2,626,021</u>	<u>\$ 3,050,245</u>	<u>\$ 2,784,333</u>	<u>\$ 2,309,641</u>	<u>\$ 1,990,204</u>	<u>\$ 1,875,734</u>
All other governmental funds										
Reserved	\$ 927,732 ⁽¹⁾	\$ 820,497 ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	(633,676) ⁽¹⁾	(584,829) ⁽¹⁾	-	-	-	-	-	-	-	-
Capital projects funds	82,668	52,417	-	-	-	-	-	-	-	-
Nonspendable	-	-	14,857	15,692	16,192	16,376	16,327	16,451	16,846	10,813
Spendable:										
Restricted	-	-	779,220 ⁽¹⁾	789,149 ⁽¹⁾	667,541 ⁽¹⁾	570,702 ⁽¹⁾	489,259 ⁽¹⁾	437,487 ⁽¹⁾	389,796 ⁽¹⁾	347,117 ⁽¹⁾
Committed	-	-	25,347	27,348	26,453	28,346	29,124	24,038	41,215	22,225
Unassigned	-	-	(572,626) ⁽¹⁾	(513,010) ⁽¹⁾	(461,801) ⁽¹⁾	(410,619) ⁽¹⁾	(354,758) ⁽¹⁾	(305,015) ⁽¹⁾	(253,068) ⁽¹⁾	(201,706) ⁽¹⁾
Total all other governmental funds	<u>\$ 376,724</u>	<u>\$ 288,085</u>	<u>\$ 246,798</u>	<u>\$ 319,179</u>	<u>\$ 248,385</u>	<u>\$ 204,805</u>	<u>\$ 179,952</u>	<u>\$ 172,961</u>	<u>\$ 194,789</u>	<u>\$ 178,449</u>

(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

Schedule 4

(Modified Accrual Basis of Accounting Expressed in Thousands)

	Fiscal Year									
	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 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	\$ 9,503,731
Receipts from other entities	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	5,971,601
Investment income	118,360	66,294	26,431	29,931	21,766	6,244	21,370	19,141	22,093	16,228
Fees, licenses & permits	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	1,425,131
Refunds & reimbursements	431,503	474,081	465,278	539,796	537,219	527,456	576,484	601,812	711,301	849,553
Sales, rents & services	29,143	29,925	34,620	31,400	33,225	32,639	35,827	39,765	39,665	41,714
Miscellaneous	117,568	93,961	118,521	147,736	141,461	150,035	158,048	177,710	209,066	213,667
Contributions	48	1,008	-	-	-	-	-	-	-	-
Gross revenues	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	18,021,625
Less revenue refunds	762,926	883,633	954,852	918,313	918,524	909,631	1,039,704	1,066,067	1,155,612	1,215,155
Net revenues	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	16,806,470
Expenditures										
Administration & regulation	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	1,836,187
Education	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	4,154,268
Health & human rights	389,209	443,841	472,053	451,393	417,306	414,981	418,906	420,907	431,555	437,703
Human services	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	6,601,224
Justice & public defense	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	986,780
Economic development	220,313	335,429	343,857	270,192	255,299	184,877	159,626	158,282	145,436	156,032
Transportation	416,388	471,563	550,192	542,490	548,629	552,228	580,831	646,481	610,992	626,535
Agriculture & natural resources	181,518	199,639	189,349	198,876	201,838	200,439	201,194	207,823	210,453	213,091
Capital outlay	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	1,299,102
Debt service:										
Payment to escrow agent	-	-	-	-	-	-	73,940	-	-	3,246
Principal	69,575	36,335	29,090	40,495	72,555	49,815	69,215	45,625	53,050	58,295
Interest & fiscal charges	58,621	59,146	86,108	100,122	101,327	98,242	94,875	89,659	87,219	79,960
Total expenditures	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	16,452,423
Excess of revenues over expenditures	757,331	136,795	444,049	598,095	482,640	903,238	284,730	52,220	240,151	354,047
Other financing sources (uses)										
Transfers in	533,885	538,129	395,422	197,540	197,567	215,291	229,136	200,611	220,599	220,253
Transfers out	(1,124,271)	(1,136,203)	(1,004,206)	(696,832)	(651,385)	(713,290)	(804,762)	(734,713)	(758,946)	(743,522)
Leases, installment purchases & other	848	313	2,340	93	562	9	131	199	587	37,227
Revenue bonds issued	-	-	613,710	311,945	-	-	-	-	-	-
Premium (discount) on bonds	-	-	27,027	26,043	1,643	-	-	-	-	74,176
Revenue refunding bonds issued	-	-	-	-	20,910	-	-	-	-	345,215
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	(418,206)
Total other financing sources (uses)	(589,538)	(597,761)	34,293	(161,211)	(430,703)	(497,990)	(575,495)	(533,903)	(537,760)	(484,857)
Special items - disposal of operations	-	-	-	-	-	(24,604)	-	-	-	-
Net change in fund balances	\$ 167,793	\$ (460,966)	\$ 478,342	\$ 436,884	\$ 51,937	\$ 380,644	\$ (290,765)	\$ (481,683)	\$ (297,609)	\$ (130,810)
Debt service as a percentage of noncapital expenditures	1.2%	<1%	0.9%	1.1%	1.3%	1.1%	1.7%	0.9%	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									
	2008	2009	2010	2011 ⁽¹⁾	2012	2013	2014	2015	2016	2017
Individual income tax	\$ 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	\$ 4,503,420
Sales tax	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	2,344,828
Use tax	630,184	374,686	371,195	404,151	439,772	464,126	489,764	501,073	497,160	515,740
Fuel tax	497,613	487,265	482,417	496,486	490,377	481,120	493,999	575,844	746,601	768,810
Corporate tax	464,907	408,578	373,416	401,628	550,343	563,016	507,522	579,881	510,664	564,423
Inheritance tax	79,783	72,562	68,358	65,535	79,670	86,785	90,791	89,807	88,759	88,093
Insurance premium tax	111,647	90,035	88,571	97,098	101,406	104,885	105,532	109,634	119,675	114,809
Cigarette & tobacco tax	251,584	238,153	232,573	226,692	225,499	226,300	225,375	223,069	227,901	221,077
Wagering tax	287,247	282,545	272,361	269,842	287,680	283,168	275,659	280,706	290,004	291,980
Franchise tax	36,813	33,271	31,564	39,423	41,121	43,860	40,330	47,482	50,354	53,831
Beer tax	14,454	14,717	14,503	14,272	14,726	13,865	14,187	14,489	14,214	13,941
Other	5,961	8,835	8,011	9,272	11,839	10,960	15,232	19,619	21,467	22,779
Gross taxes	7,386,422	7,333,204	7,089,985	7,484,244	7,985,697	8,456,345	8,414,849	8,917,337	9,263,248	9,503,731
Less refunds	663,997	786,757	858,281	822,634	820,178	871,332	1,000,031	1,028,612	1,111,432	1,173,495
Net taxes	\$ 6,722,425	\$ 6,546,447	\$ 6,231,704	\$ 6,661,610	\$ 7,165,519	\$ 7,585,013	\$ 7,414,818	\$ 7,888,725	\$ 8,151,816	\$ 8,330,236

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 2007		Tax Year 2008		Tax Year 2009		Tax Year 2010		Tax Year 2011	
Net Taxable Income	Number of Returns	Net Taxable Income	Number of Returns	Net Taxable Income	Number of Returns	Net Taxable Income	Number of Returns	Net Taxable Income	Number of Returns
No AGI	42,488	No AGI	45,574	No AGI	51,620	No AGI	49,110	No AGI	52,101
\$1 - 9,999	368,519	\$1 - 9,999	356,260	\$1 - 9,999	336,423	\$1 - 9,999	333,307	\$1 - 9,999	337,187
\$10,000 - 19,999	344,833	\$10,000 - 19,999	335,220	\$10,000 - 19,999	332,440	\$10,000 - 19,999	338,049	\$10,000 - 19,999	332,596
\$20,000 - 29,999	337,340	\$20,000 - 29,999	329,579	\$20,000 - 29,999	330,853	\$20,000 - 29,999	323,039	\$20,000 - 29,999	314,841
\$30,000 - 39,999	282,702	\$30,000 - 39,999	281,286	\$30,000 - 39,999	273,662	\$30,000 - 39,999	274,706	\$30,000 - 39,999	272,314
\$40,000 - 49,999	196,874	\$40,000 - 49,999	199,752	\$40,000 - 49,999	194,025	\$40,000 - 49,999	198,580	\$40,000 - 49,999	202,716
\$50,000 - 74,999	221,027	\$50,000 - 74,999	234,607	\$50,000 - 74,999	233,380	\$50,000 - 74,999	242,170	\$50,000 - 74,999	253,213
\$75,000 - 99,999	74,841	\$75,000 - 99,999	79,374	\$75,000 - 99,999	77,882	\$75,000 - 99,999	82,412	\$75,000 - 99,999	89,113
\$100,000 & above	103,651	\$100,000 & above	105,736	\$100,000 & above	99,179	\$100,000 & above	107,941	\$100,000 & above	121,578
	1,972,275		1,967,388		1,929,464		1,949,314		1,975,659

Net Taxable Income	Tax Rate*	Net Taxable Income	Tax Rate*	Net Taxable Income	Tax Rate*	Net Taxable Income	Tax Rate*	Net Taxable Income	Tax Rate*
\$0 - 1,343	0.36%	\$0 - 1,379	0.36%	\$0 - 1,407	0.36%	\$0 - 1,428	0.36%	\$0 - 1,439	0.36%
\$1,343 - 2,686	0.72%	\$1,379 - 2,758	0.72%	\$1,407 - 2,814	0.72%	\$1,428 - 2,856	0.72%	\$1,439 - 2,878	0.72%
\$2,686 - 5,372	2.43%	\$2,758 - 5,516	2.43%	\$2,814 - 5,628	2.43%	\$2,856 - 5,712	2.43%	\$2,878 - 5,756	2.43%
\$5,372 - 12,087	4.50%	\$5,516 - 12,411	4.50%	\$5,628 - 12,663	4.50%	\$5,712 - 12,852	4.50%	\$5,756 - 12,951	4.50%
\$12,087 - 20,145	6.12%	\$12,411 - 20,685	6.12%	\$12,663 - 21,105	6.12%	\$12,852 - 21,420	6.12%	\$12,951 - 21,585	6.12%
\$20,145 - 26,860	6.48%	\$20,685 - 27,580	6.48%	\$21,105 - 28,140	6.48%	\$21,420 - 28,560	6.48%	\$21,585 - 28,780	6.48%
\$26,860 - 40,290	6.80%	\$27,580 - 41,370	6.80%	\$28,140 - 42,210	6.80%	\$28,560 - 42,840	6.80%	\$28,780 - 43,170	6.80%
\$40,290 - 60,435	7.92%	\$41,370 - 62,055	7.92%	\$42,210 - 63,315	7.92%	\$42,840 - 64,260	7.92%	\$43,170 - 64,755	7.92%
\$60,435 & above	8.98%	\$62,055 & above	8.98%	\$63,315 & above	8.98%	\$64,260 & above	8.98%	\$64,755 & above	8.98%

Tax Year 2012		Tax Year 2013		Tax Year 2014		Tax Year 2015		Tax Year 2016	
Net Taxable Income	Number of Returns	Net Taxable Income	Number of Returns	Net Taxable Income	Number of Returns	Net Taxable Income	Number of Returns	Net Taxable Income	Number of Returns
No AGI	52,301	No AGI	53,992	No AGI	58,373	No AGI	61,291		
\$1 - 9,999	326,822	\$1 - 9,999	315,190	\$1 - 9,999	311,378	\$1 - 9,999	311,295		
\$10,000 - 19,999	324,978	\$10,000 - 19,999	320,585	\$10,000 - 19,999	315,860	\$10,000 - 19,999	310,750		
\$20,000 - 29,999	309,181	\$20,000 - 29,999	303,974	\$20,000 - 29,999	300,205	\$20,000 - 29,999	294,558		
\$30,000 - 39,999	272,654	\$30,000 - 39,999	273,340	\$30,000 - 39,999	273,584	\$30,000 - 39,999	274,223		
\$40,000 - 49,999	207,046	\$40,000 - 49,999	210,320	\$40,000 - 49,999	214,873	\$40,000 - 49,999	218,392		
\$50,000 - 74,999	268,326	\$50,000 - 74,999	278,264	\$50,000 - 74,999	294,842	\$50,000 - 74,999	308,245		
\$75,000 - 99,999	96,439	\$75,000 - 99,999	103,702	\$75,000 - 99,999	111,906	\$75,000 - 99,999	118,823		
\$100,000 & above	138,830	\$100,000 & above	144,703	\$100,000 & above	156,687	\$100,000 & above	163,513		
	1,996,577		2,004,070		2,037,708		2,061,090		

Net Taxable Income	Tax Rate*	Net Taxable Income	Tax Rate*	Net Taxable Income	Tax Rate*	Net Taxable Income	Tax Rate*	Net Taxable Income	Tax Rate*
\$0 - 1,469	0.36%	\$0 - 1,494	0.36%	\$0 - 1,515	0.36%	\$0 - 1,539	0.36%	\$0 - 1,554	0.36%
\$1,469 - 2,938	0.72%	\$1,494 - 2,988	0.72%	\$1,515 - 3,030	0.72%	\$1,539 - 3,078	0.72%	\$1,554 - 3,108	0.72%
\$2,938 - 5,876	2.43%	\$2,988 - 5,976	2.43%	\$3,030 - 6,060	2.43%	\$3,078 - 6,156	2.43%	\$3,108 - 6,216	2.43%
\$5,876 - 13,221	4.50%	\$5,976 - 13,446	4.50%	\$6,060 - 13,635	4.50%	\$6,156 - 13,851	4.50%	\$6,216 - 13,986	4.50%
\$13,221 - 22,035	6.12%	\$13,446 - 22,410	6.12%	\$13,635 - 22,725	6.12%	\$13,851 - 23,085	6.12%	\$13,986 - 23,310	6.12%
\$22,035 - 29,380	6.48%	\$22,410 - 29,880	6.48%	\$22,725 - 30,300	6.48%	\$23,085 - 30,780	6.48%	\$23,310 - 31,080	6.48%
\$29,380 - 44,070	6.80%	\$29,880 - 44,820	6.80%	\$30,300 - 45,450	6.80%	\$30,780 - 46,170	6.80%	\$31,080 - 46,620	6.80%
\$44,070 - 66,105	7.92%	\$44,820 - 67,230	7.92%	\$45,450 - 68,175	7.92%	\$46,170 - 69,255	7.92%	\$46,620 - 69,930	7.92%
\$66,105 & above	8.98%	\$67,230 & above	8.98%	\$68,175 & above	8.98%	\$69,255 & above	8.98%	\$69,930 & above	8.98%

* Iowa is one of three states that allow all taxpayers full deductibility of net federal tax payments.

Source: Iowa Individual Income Tax Annual Statistical Report, compiled by the Iowa Department of Revenue, Tax Research and Program Analysis Section

STATE OF IOWA
Retail Sales by Business Classification

Schedule 7

Sales Tax Annual Period April 1 through March 31 of the following year 2008 through 2017

Classification	2008		2009		2010		2011		2012	
	Number of Businesses	Taxable Sales (in thousands)	Number of Businesses	Taxable Sales (in thousands)	Number of Businesses	Taxable Sales (in thousands)	Number of Businesses	Taxable Sales (in thousands)	Number of Businesses	Taxable Sales (in thousands)
Utilities & transportation	14,628	\$ 3,385,552	14,876	\$ 3,517,073	14,570	\$ 3,416,539	14,489	\$ 3,428,950	14,737	\$ 3,405,479
Building materials	6,985	2,470,307	6,981	2,561,077	6,821	2,437,841	6,636	2,507,236	6,530	2,704,879
General merchandise	6,678	5,218,644	6,666	5,428,309	6,478	5,366,827	6,296	5,408,118	6,211	5,530,952
Food dealers	6,833	1,564,199	6,817	1,634,570	6,770	1,713,971	6,766	1,732,752	6,776	1,772,985
Motor vehicles	14,707	1,827,036	15,177	1,926,927	14,210	1,852,142	13,867	1,967,946	13,723	2,108,205
Apparel	6,147	841,572	6,326	855,151	6,383	866,270	6,312	907,046	6,224	972,815
Home furnishings & appliances	7,621	1,469,497	7,960	1,456,128	7,914	1,202,096	7,615	1,195,401	7,474	1,205,592
Eating & drinking places	30,518	3,274,850	30,936	3,359,230	30,435	3,305,611	30,191	3,434,699	30,248	3,635,252
Specialty retail stores	60,964	2,456,805	61,037	2,510,639	60,568	2,496,150	59,166	2,615,424	58,914	2,759,729
Services	116,970	4,476,801	122,863	4,729,859	127,591	4,511,003	123,085	4,661,026	125,225	4,877,162
Wholesale goods	18,788	2,499,040	18,611	2,507,198	18,148	2,227,656	17,385	2,354,819	16,945	2,568,014
All other	59,196	3,604,722	54,838	3,218,496	50,982	2,547,487	50,573	2,690,600	50,937	2,996,903
Total	350,035	\$ 33,089,025	353,088	\$ 33,704,657	350,870	\$ 31,943,593	342,381	\$ 32,904,017	343,944	\$ 34,537,967

Classification	2013		2014		2015		2016		2017	
	Number of Businesses	Taxable Sales (in thousands)	Number of Businesses	Taxable Sales (in thousands)	Number of Businesses	Taxable Sales (in thousands)	Number of Businesses	Taxable Sales (in thousands)	Number of Businesses	Taxable Sales (in thousands)
Utilities & transportation	15,053	\$ 3,335,512	14,701	\$ 3,483,048	14,357	\$ 3,632,047	14,134	\$ 3,669,812	13,029	\$ 3,929,813
Building materials	6,504	2,712,261	6,059	2,538,244	6,118	2,706,767	5,943	2,763,359	5,695	2,862,822
General merchandise	6,151	5,475,235	3,156	4,650,592	3,093	4,711,009	3,073	4,719,728	3,067	4,676,612
Food dealers	6,729	1,782,829	12,807	3,156,659	12,790	3,297,011	12,724	3,478,201	12,607	3,519,738
Motor vehicles	13,612	2,124,416	9,534	1,704,501	9,428	1,793,580	9,340	1,860,126	9,241	1,904,414
Apparel	6,316	1,011,028	6,256	1,044,542	6,221	1,063,320	6,225	1,067,251	6,215	1,025,902
Home furnishings & appliances	7,398	1,202,792	6,246	1,208,754	6,169	1,216,924	5,917	1,235,700	5,750	1,227,997
Eating & drinking places	30,430	3,732,685	30,035	3,827,209	29,889	4,056,025	30,362	4,228,185	30,720	4,306,324
Specialty retail stores	59,103	2,909,350	56,330	2,771,512	55,786	2,911,596	56,083	3,052,179	56,480	3,082,359
Services	126,867	4,945,765	125,773	4,889,626	126,249	5,188,730	126,900	5,324,603	127,633	5,409,162
Wholesale goods	16,659	2,552,248	18,059	3,772,090	17,698	3,929,422	17,346	3,937,460	17,139	3,889,348
All other	50,965	3,016,466	48,831	2,800,836	49,219	3,019,888	49,763	3,082,894	49,819	3,122,021
Total	345,787	\$ 34,800,587	337,787	\$ 35,847,613	337,017	\$ 37,526,319	337,810	\$ 38,419,498	337,395	\$ 38,956,512

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			
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
2017	1,587,738	32,843	1,548	-	1,916,145	29,487	46,004	3,613,765	2.46	1,153

(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

				Debt Service			
	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Total	Coverage
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
2017	16,131	-	16,131	-	14,914	14,914	1.08

Pledged revenues consist of casino and racetrack gaming revenues.

IJOBS-2010

				Debt Service			
	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Total	Coverage
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
2017	11,302	-	11,302	3,650	6,432	10,082	1.12

Pledged revenues consist of casino and racetrack gaming revenues.

IJOBS-2016

				Debt Service			
	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Total	Coverage
2017	\$ 32,633	\$ -	\$ 32,633	\$ 18,735	\$ 10,374	\$ 29,109	1.12

Pledged revenues consist of casino and racetrack gaming revenues.

Vision Iowa

				Debt Service			
	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Total	Coverage
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
2017	16,018	8	16,010	12,295	3,709	16,004	1.00

Pledged revenues consist of casino and racetrack gaming revenues.

Iowa Utilities Board and Consumer Advocate State Building

				Debt Service			
	Gross Revenues	Less: Operating Expenses	Net Available 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
2017	1,062	-	1,062	560	502	1,062	1.00

Pledged revenues are from utility company assessments.

(continued on next page)

STATE OF IOWA
Revenue Bond Coverage
For the Last Ten Fiscal Years
(continued)

Schedule 9

Governmental Activities - General Fund
(Expressed in Thousands)

Prison Infrastructure 2010

				Debt Service			
Gross Revenues		Less: Operating Expenses	Net Available 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
2017	10,698	5	10,693	9,120	1,573	10,693	1.00

Pledged revenues are from fines, fees and forfeited bail receipts.

Prison Infrastructure 2016

				Debt Service			
Gross Revenues		Less: Operating Expenses	Net Available Revenues	Principal	Interest	Total	Coverage
2017	\$ 3,513	\$ -	\$ 3,513	\$ -	\$ 3,513	\$ 3,513	1.00

Pledged revenues are from fines, fees and forfeited bail receipts.

Governmental Activities - Special Revenue Funds
(Expressed in Thousands)

Tobacco Settlement Authority

				Debt Service			
Gross Revenues		Less: Operating Expenses	Net Available Revenues	Principal	Interest	Total	Coverage
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
2017	68,541 *	1,216	67,325	13,935	38,944	52,879	1.27

* 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

Business-type Activities - University Funds
(Expressed in Thousands)

Residence/Dormitory Building Revenue Bonds				Debt Service*			
		Less:	Net Available				
	Gross Revenues	Operating Expenses*	Revenues	Principal	Interest	Total	Coverage
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	20,825	7,032	27,857	2.20
2016	226,911	156,044	70,867	25,339	9,314	34,653	2.05
2017	228,397	159,745	68,652	25,574	9,784	35,358	1.94

Athletic/Multipurpose/Academic Facilities Revenue Bonds				Debt Service*			
		Less:	Net Available				
	Gross Revenues*	Operating Expenses*	Revenues	Principal	Interest	Total	Coverage
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
2017	97,974	22,067	75,907	9,845	6,562	16,407	4.63

Telecommunications Revenue Bonds				Debt Service*			
		Less:	Net Available				
	Gross Revenues	Operating Expenses	Revenues	Principal	Interest	Total	Coverage
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
2017	24,666	18,639	6,027	1,190	1,219	2,409	2.50

Student Health Facility Revenue Bonds				Debt Service*			
		Less:	Net Available				
	Gross Revenues	Operating Expenses*	Revenues	Principal	Interest	Total	Coverage
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
2017	3,930	3,608	322	215	37	252	1.28

(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)

<i>Utility System Revenue Bonds</i>				Debt Service*			
Gross Revenues	Less: Operating Expenses*	Net Available Revenues				Coverage	
			Principal	Interest	Total		
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
2017	136,677	96,620	40,057	11,725	7,187	18,912	2.12

<i>Parking System Revenue Bonds</i>				Debt Service*			
Gross Revenues	Less: Operating Expenses	Net Available Revenues				Coverage	
			Principal	Interest	Total		
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
2017	26,907	13,974	12,933	3,205	1,743	4,948	2.61

<i>Recreational/Regulated Materials Facility Revenue Bonds</i>				Debt Service*			
Gross Revenues	Less: Operating Expenses	Net Available Revenues				Coverage	
			Principal	Interest	Total		
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
2017	50,828	14,864	35,964	3,816	5,086	8,902	4.04

<i>Memorial/Maucker Union Revenue Bonds</i>				Debt Service*			
Gross Revenues*	Less: Operating Expenses*	Net Available Revenues				Coverage	
			Principal	Interest	Total		
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
2017	32,403	23,473	8,930	2,330	771	3,101	2.88

(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)

Hospital Revenue Bonds				Debt Service				
		Less:	Net Available					
	Gross Revenues*	Operating Expenses*	Revenues	Principal	Interest	Total	Coverage	
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	
2017	1,502,410	1,385,284	117,126	8,190	10,925	19,115	6.13	

Center For University Advancement Revenue Bonds				Debt Service*				
		Less:	Net Available					
	Gross Revenues*	Operating Expenses	Revenues	Principal	Interest	Total	Coverage	
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	
2017	851	-	851	740	111	851	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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population (<i>in thousands</i>)	2,988	3,003	3,008	3,046	3,062	3,074	3,090	3,107	3,124	3,135
Personal income (<i>in millions</i>)	\$ 104,651	\$ 110,135	\$ 110,541	\$ 116,616	\$ 123,933	\$ 129,503	\$ 139,422	\$ 140,177	\$ 140,501	\$ 146,685
Per capita personal income	\$ 35,023	\$ 36,680	\$ 36,751	\$ 38,281	\$ 40,470	\$ 42,126	\$ 45,114	\$ 45,115	\$ 44,971	\$ 46,794
Resident civilian labor force & employment (<i>annual averages</i>)										
Civilian labor force (<i>in thousands</i>)	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	1,701.0
Resident employment (<i>in thousands</i>)	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	1,638.3
Resident unemployed (<i>in thousands</i>)	62.7	69.0	99.7	102.6	98.0	85.7	77.6	74.0	62.5	62.4
Percent unemployed	3.8	4.1	6.0	6.1	5.9	5.2	4.6	4.3	3.7	3.7
Employment by industry, non-agricultural (<i>in thousands</i>)										
Construction	72.5	73.0	64.8	61.6	62.5	64.6	67.4	74.4	78.6	80.9
Manufacturing	229.4	227.8	203.7	200.1	207.4	210.4	214.5	216.8	216.1	213.3
Trade, transportation & utilities	308.8	309.2	302.0	300.0	301.9	306.8	311.4	312.9	316.0	316.2
Information	33.5	33.3	30.4	28.5	27.9	27.1	26.1	25.6	24.7	22.6
Financial activities	102.6	102.9	101.8	101.2	100.3	101.6	103.4	104.2	105.7	108.5
Professional & business	120.9	121.5	117.6	121.7	123.5	129.5	131.9	136.1	139.2	138.6
Education & health	202.3	206.7	211.0	213.5	215.9	220.6	223.2	223.2	225.0	228.6
Leisure & hospitality	136.7	135.3	132.4	129.7	130.6	134.2	136.7	137.9	139.7	142.6
Other services	57.7	57.7	57.6	57.0	56.5	57.7	60.2	61.3	62.4	61.7
Government	249.7	252.7	254.7	253.6	249.8	254.0	255.4	255.5	254.8	257.9
Total non-agricultural employment	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	1,570.9

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 2016

Rank	Employer	Type of Business
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 2007

Rank	Employer	Type of Business
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	Wells Fargo	Finance
7	Tyson Fresh Meats	Food Manufacturing
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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ADMINISTRATION & REGULATION										
<i>Department of Administrative Services</i>										
Land (acres)	133	133	138	138	138	138	138	138	138	138
Buildings & improvements (square footage)	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	2,489,205
Machinery & equipment	594	576	613	962	985	594	627	341	321	300
<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	181,966	181,966	181,966	181,966	181,966	181,966
EDUCATION										
<i>Iowa Public Television</i>										
Land (acres)	211	211	211	208	208	208	208	208	208	209
Buildings & improvements (square footage)	119,800	62,000	62,000	62,000	75,500	75,500	75,500	75,500	75,500	75,500
Machinery & equipment	578	983	977	908	927	876	873	801	797	786
<i>Iowa Braille & Sight Saving School</i>										
Buildings & improvements (square footage)	190,612	190,612	190,612	190,612	190,612	190,612	190,612	190,612	190,612	190,612
<i>Iowa School for the Deaf</i>										
Buildings & improvements (square footage)	407,426	407,426	407,426	407,426	407,426	407,426	407,426	407,426	407,426	407,426
HEALTH & HUMAN RIGHTS										
<i>Department for the Blind</i>										
Buildings & improvements (square footage)	98,606	98,606	98,606	98,606	100,000	100,000	100,000	100,000	100,000	120,000
Machinery & equipment	229	264	262	200	199	198	194	182	177	176
<i>Veterans Home</i>										
Land (acres)	158	158	158	158	158	158	158	158	158	158
Buildings & improvements (square footage)	736,534	736,534	736,534	736,534	886,711	886,711	891,811	891,811	891,811	891,811
Machinery & equipment	241	250	262	266	298	373	509	561	629	640
<i>Department of Public Health</i>										
Machinery & equipment	358	336	422	417	466	471	478	504	593	502
HUMAN SERVICES										
<i>Department of Human Services & Institutions</i>										
Land (acres)	2,872	2,872	2,872	1,965	1,965	1,965	1,965	1,965	1,965	1,965
Buildings & improvements (square footage)	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	3,448,804
Machinery & equipment	1,617	1,734	1,754	1,793	1,807	1,900	1,946	1,930	1,823	1,738

(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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
JUSTICE & PUBLIC DEFENSE										
<i>Department of Corrections & Correctional Facilities</i>										
Land (acres)	2,112	2,112	2,122	2,136	1,984	1,976	1,976	1,738	1,738	1,738
Buildings & improvements (square footage)	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	5,328,016
Machinery & equipment	1,387	1,434	1,398	1,450	1,500	1,610	1,793	1,895	2,181	1,922
<i>Judicial Districts</i>										
Land (acres)	55	71	71	71	66	66	66	68	68	68
Buildings & improvements (square footage)	525,638	525,638	525,638	568,765	568,765	645,656	663,644	663,203	663,203	663,203
Machinery & equipment	298	297	283	292	310	305	320	334	336	338
<i>Department of Public Defense</i>										
Land (acres)	2,688	2,688	2,688	2,688	2,688	2,688	2,688	2,769	2,769	2,994
Buildings & improvements (square footage)	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	2,807,365
Machinery & equipment	350	330	391	417	401	466	486	490	490	496
<i>Department of Public Safety</i>										
Land (acres)	59	60	60	60	60	60	60	60	60	60
Buildings & improvements (square footage)	149,303	153,660	153,660	151,160	151,160	151,160	151,160	151,160	151,160	151,160
Machinery & equipment	1,416	1,495	1,477	1,623	1,806	1,904	1,929	1,950	2,122	2,098
ECONOMIC DEVELOPMENT										
<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	289	297	267	254	262	282	262	241	234	185
TRANSPORTATION										
<i>Department of Transportation</i>										
Land (acres)	7,568	7,199	7,404	7,071	7,069	7,138	6,943	5,245	4,580	4,233
Buildings & improvements (square footage)	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	2,565,443
Highway lane miles	235,821	235,999	236,426	236,428	237,115	237,394	237,391	237,588	237,637	238,364
Heavy equipment	5,385	5,550	5,803	5,779	6,101	6,238	6,416	6,463	6,695	6,779
Machinery & equipment	3,083	3,275	3,392	3,275	3,313	3,276	3,621	3,532	3,839	3,901
AGRICULTURE & NATURAL RESOURCES										
<i>Department of Natural Resources</i>										
Land (acres)	339,541	162,859	165,711	169,881	173,921	174,632	176,972	180,710	184,546	189,678
Buildings & improvements (square footage)	603,161	634,149	625,649	634,268	662,577	784,815	810,633	584,218	850,613	859,335
State parks	71	71	71	71	71	71	71	71	71	72
Wildlife management areas	20	20	20	20	16	16	16	16	16	16
Machinery & equipment	2,355	2,472	2,535	2,632	2,343	2,186	2,083	2,065	2,265	2,217

Source: Information provided by the Departments.

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

Schedule 13

	2008	2009	2010	2011 ⁽¹⁾	2012	2013	2014	2015	2016	2017
ADMINISTRATION & REGULATION										
<i>Department of Administrative Services</i>										
State employees covered by benefit plans	20,299	20,630	20,140	18,951	19,315	18,421	18,145	17,966	17,602	17,224
Number of State payroll warrants processed*	549,932	558,438	541,636	509,232	502,198	495,234	485,222	461,371	488,231	461,197
EDUCATION										
<i>Department of Education</i>										
Enrollment:										
Public schools	480,609	477,019	474,227	473,493	473,504	476,245	478,921	480,772	483,451	485,147
Universities	69,178	70,325	71,353	72,708	73,948	74,811	76,465	78,047	80,132	81,899
Community colleges	87,072	88,104	100,736	106,597	105,975	100,519	94,234	93,722	93,074	91,430
HEALTH & HUMAN RIGHTS										
<i>Department for the Blind</i>										
Number of clients served	7,204	8,239	8,093	7,197	6,971	6,617	9,158	7,024	6,150	6,835
HUMAN SERVICES										
<i>Department of Human Services</i>										
Average number of residents/patients	1,105	1,070	1,024	957	911	872	834	690	680	668
Average number of Medicaid recipients	306,000	330,286	361,385	380,749	393,664	401,129	405,704	406,155	416,285	424,916
JUSTICE & PUBLIC DEFENSE										
<i>Department of Corrections</i>										
Average number of inmates	8,765	8,712	8,384	10,301	10,022	9,635	9,622	9,731	9,742	9,865
ECONOMIC DEVELOPMENT										
<i>Department of Economic Development</i>										
Number of community development block grants/home projects funded	104	61	84	-	-	-	-	-	-	-
<i>Iowa Workforce Development</i>										
Number of unemployment claims accepted (calendar year)	126,309	165,030	125,564	107,937	99,107	94,474	93,158	92,606	88,566	INA
Unemployment insurance regular benefits paid (in millions, calendar year)	421.5	788.1	586.9	463.4	417.0	418.8	402.6	417.6	423.5	INA
TRANSPORTATION										
<i>Department of Transportation</i>										
Automobile driver licenses issued	938,192	1,153,422	1,016,493	919,844	810,494	1,052,641	1,122,199	981,512	873,457	793,156
Vehicles weighed (in thousands, federal fiscal year)	534	441	492	587	793	1,043	812	837	760	880
AGRICULTURE & NATURAL RESOURCES										
<i>Department of Natural Resources</i>										
Hunting & fishing licenses issued	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	1,431,849

* - 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

	2008	2009	2010	2011 ⁽¹⁾	2012	2013	2014	2015	2016	2017
Administration & regulation	2,167	2,254	2,227	2,142	2,073	1,993	1,936	1,910	1,925	1,928
Education	1,107	1,147	1,147	1,090	1,067	1,036	1,019	1,026	1,028	1,018
Health & human rights	1,931	1,976	1,959	1,801	1,710	1,746	1,755	1,743	1,767	1,801
Human services	6,060	6,224	6,079	5,631	5,441	5,395	5,170	4,986	4,838	4,689
Justice & public defense	8,119	8,247	8,024	7,614	6,415	6,371	6,327	6,339	6,195	6,059
Economic development	961	998	1,042	916	853	757	711	668	662	663
Transportation	3,257	3,311	3,328	3,135	2,908	2,899	2,996	2,883	2,992	2,913
Agriculture & natural resources	1,635	1,689	1,618	1,520	1,450	1,482	1,468	1,469	1,449	1,433
Universities	37,842	39,003	38,392	38,081	39,736	39,315	42,284	42,723	43,463	44,339
Other enterprise funds	302	310	294	173	178	174	172	169	171	174
Total primary government	63,381	65,159	64,110	62,103	61,831	61,168	63,838	63,916	64,490	65,017

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, 2017
(Expressed in Thousands)

Schedule 15

	Personal Services	Travel & Subsistence	Supplies	Contractual Services	Equipment & Repairs	Claims & Miscellaneous	Licenses Permits & Refunds	State Aid	Plant Improvement	Adjustments	Total Current Expenditures
Administration & regulation	\$ 143,236	\$ 6,241	\$ 4,571	\$ 56,953	\$ 5,711	\$ 592,126	\$ 162	\$ 803,659	\$ 12,971	\$ 178,821	\$ 1,804,451
Education	84,089	1,803	4,333	33,125	2,161	2,299	14	3,963,734	-	42,567	4,134,125
Health & human rights	126,354	1,942	9,570	241,774	5,181	1,194	8	53,855	-	(2,539)	437,339
Human services	386,955	4,228	17,873	196,322	11,962	1,943	4	5,666,284	-	315,441	6,601,012
Justice & public defense	586,381	11,917	32,916	140,008	12,925	10,990	56	103,806	18,996	67,874	985,869
Economic development	67,968	1,449	2,133	63,743	4,622	7,446	12	14,182	-	(5,523)	156,032
Transportation	239,355	28,473	56,053	155,897	16,801	148,572	119	142,770	1,160,021	(1,321,536)	626,525
Agriculture & natural resources	115,769	5,292	6,909	49,205	3,305	1,217	8	29,230	16,258	(21,390)	205,803
Total primary government	\$ 1,750,107	\$ 61,345	\$ 134,358	\$ 937,027	\$ 62,668	\$ 765,787	\$ 383	\$ 10,777,520	\$ 1,208,246	\$ (746,285)	\$ 14,951,156

Source: State Financial Accounting System, Judicial Districts financial statements, Iowa School for the Deaf and Iowa Braille & Sight Saving School financials and adjusting journal entries from GAAP packages.

ACKNOWLEDGMENTS

REPORT PREPARED BY

- Department of Administrative Services - **Janet Phipps**, Director
State Accounting Enterprise - **Calvin McKelvogue**, Chief Operating Officer
Julie Marasco
GAAP Implementation Section - **Lisa Dooly**, CPA
Marilyn Hanson, CPA
Kimberly Knight, CPA
Richard Schoeppner, CPA

ADDITIONAL ASSISTANCE PROVIDED BY

- Department of Management - **Joel Lunde**
Mike Hahn



Iowa Department of Administrative Services
State Accounting Enterprise
Hoover State Office Building
Des Moines, IA 50319
Phone: 515-281-4840
<https://das.iowa.gov/state-accounting>