

Iowa Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2018



Iowa Veterans Home:

FRONT COVER:

The formal iron gates and former guardhouse are now a “symbol” of the Iowa Veterans Home (IVH) in Marshalltown, Iowa. These gates once knew the sound of horses’ hooves and hundreds of horse carriages of the Iowa Soldiers Home.

The Iowa Soldiers Home accepted its first resident in 1887 when the facility provided living quarters for displaced veterans of the War Between the States. From that time, the Home has belonged to the people of Iowa. It is guided by the Iowa Legislature and the Iowa Commission of Veterans Affairs.

Today IVH is one of the largest of the 156 state-owned facilities for veterans in the nation. As in the past, IVH maintains its loyalty and dedication to American veterans. IVH is a true community, comprised of residents, staff, volunteers, and visitors. The beautiful campus spans over 150 acres with four main Nursing Care buildings (including memory care) and one Residential Care building.

BACK COVER:

The Iowa Veterans Home displays memorials, artifacts, and artwork commemorating all veterans from all wars since the War Between the States. It is also home to historic burial sites and architecture. The Vietnam War, Korean War, and World War II Memorials are pictured on the back cover as examples of what visitors can see on the IVH campus.

Photos:

Front Cover:

Photo by Bo Becker

Courtesy of the Iowa Veterans Home

Back Cover:

Photos by Kristy Kelley

Courtesy of the Iowa Veterans Home



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year
Ended June 30, 2018

GOVERNOR:
Kim Reynolds

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

STATE OF IOWA

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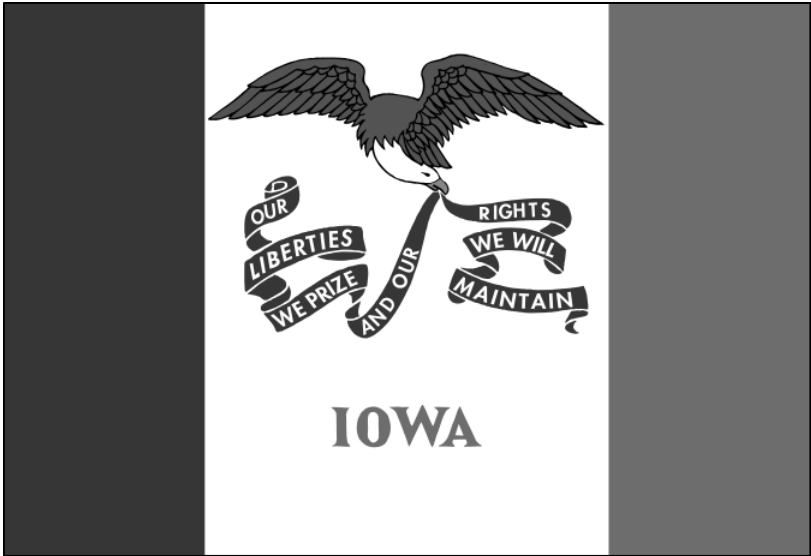
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ACKNOWLEDGMENTS



INTRODUCTORY
SECTION



December 14, 2018

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, 2018. 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 37 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 of Iowa Center for Advancement and Affiliate, Iowa State University Foundation, University of Northern Iowa Foundation, 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 2018-2019

During calendar year 2017, real gross domestic product showed growth of 2.1 percent, reflecting an increase from calendar year 2016 growth of 1.5 percent. According to Moody's Analytics, the projection for gross domestic product growth in calendar year 2018 is 2.9 percent and 2.9 percent in calendar year 2019.

Job growth has continued to grow over the past year. During calendar year 2017, 1.6 million jobs were gained nationally. Projections provided by Moody's Analytics for calendar year 2018 are for continued growth with 1.6 million jobs gained, and 1.4 million gained for calendar year 2019.

State and Local Economy

Iowa's economy is supported by a diverse mixture of industry, agriculture, services and government employment. In calendar year 2017, 18.1 percent of the State's gross domestic product was in manufacturing, down from 19.1 percent 10 years ago. The finance, insurance, and real estate sectors have continued to be the largest part of the State's economy at 25.2 percent during calendar year 2017, up from 23.7 percent 10 years ago. Agriculture has held steady at 4.6 percent in 2007 to 4.5 percent in 2017. However, with the continued slowdown in agriculture in calendar year 2017, Iowa's real gross domestic product increased only 0.5 percent, ranking Iowa tied for 43rd in growth rate nationally. The United States average growth during the calendar year was 2.1 percent.

Personal Income. Personal income, as reported by the U.S. Department of Commerce, for the nation increased 4.4 percent during calendar year 2017. Iowa's personal income rose 2.0 percent for calendar year 2017, ranking Iowa 47th in growth rate nationally.

Employment. Over the past 10 years, Iowa's unemployment rate has been below the national average. As of September 2018, the State's unemployment rate stood at 2.5 percent, while the national average stood at 3.7 percent. Following the national trend, unemployment in Iowa has continued to drop during calendar year 2017 from 3.4 percent in January 2017 to 2.9 percent in December 2017. During calendar year 2017, nonfarm employment on a seasonally adjusted basis increased a net 11,800 jobs. During this time period, the manufacturing sector gained 9,500 jobs, the leisure and hospitality sector gained 3,400 jobs, the financial activities sector gained 2,800 jobs, and the professional and business services sector gained 1,800 jobs. These gains were offset by reductions of 6,000 jobs in the construction sector and 1,400 jobs in the other services 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 2017, according to the U.S. Census Bureau, the value of Iowa exports increased 10.5 percent, after decreasing 8.4 percent in calendar year 2016 and decreasing 12.4 percent in calendar year 2015.

Canada remains the top country for Iowa's exports, with Mexico as Iowa's second best trading partner. In 2017, Iowa's agricultural export value was second to California nationally.

Farmland Values. The Federal Reserve Bank of Chicago, in their August 2018 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 2018. Overall, District farmland values were steady in the first half of 2018 even amid ongoing trade disputes. Farmland values in Iowa increased by 1.0 percent for the period July 1, 2017 to July 1, 2018. According to survey respondents, District farmland values were expected to be stable in the short term.

Manufacturing. Iowa's manufacturing employment increased from the 2016 average of 213,900 to the 2017 average of 216,300. During calendar year 2017, durable goods products accounted for about 57.2 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

State tax reform: During the 2018 session, the General Assembly passed and Governor Reynolds signed into law SF 2417, which conforms Iowa's tax law with many of the recent changes to the federal tax law, reduces Iowa individual income taxes starting in tax year 2019, expands the sales/use tax base to include additional types of items and services effective January 1, 2019, and reduces Iowa's corporate income tax rates beginning in tax year 2021.

Future ready Iowa: During the 2018 session, the General Assembly passed and Governor Reynolds signed into law HF 2458, which establishes a series of programs to train skilled workers in Iowa.

Mental health reform: During the 2018 session, the General Assembly passed and Governor Reynolds signed into law reforms to continue to modernize Iowa’s mental health system, and to begin the process of addressing mental health in Iowa’s schools.

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, 2017. 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 thirtieth 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

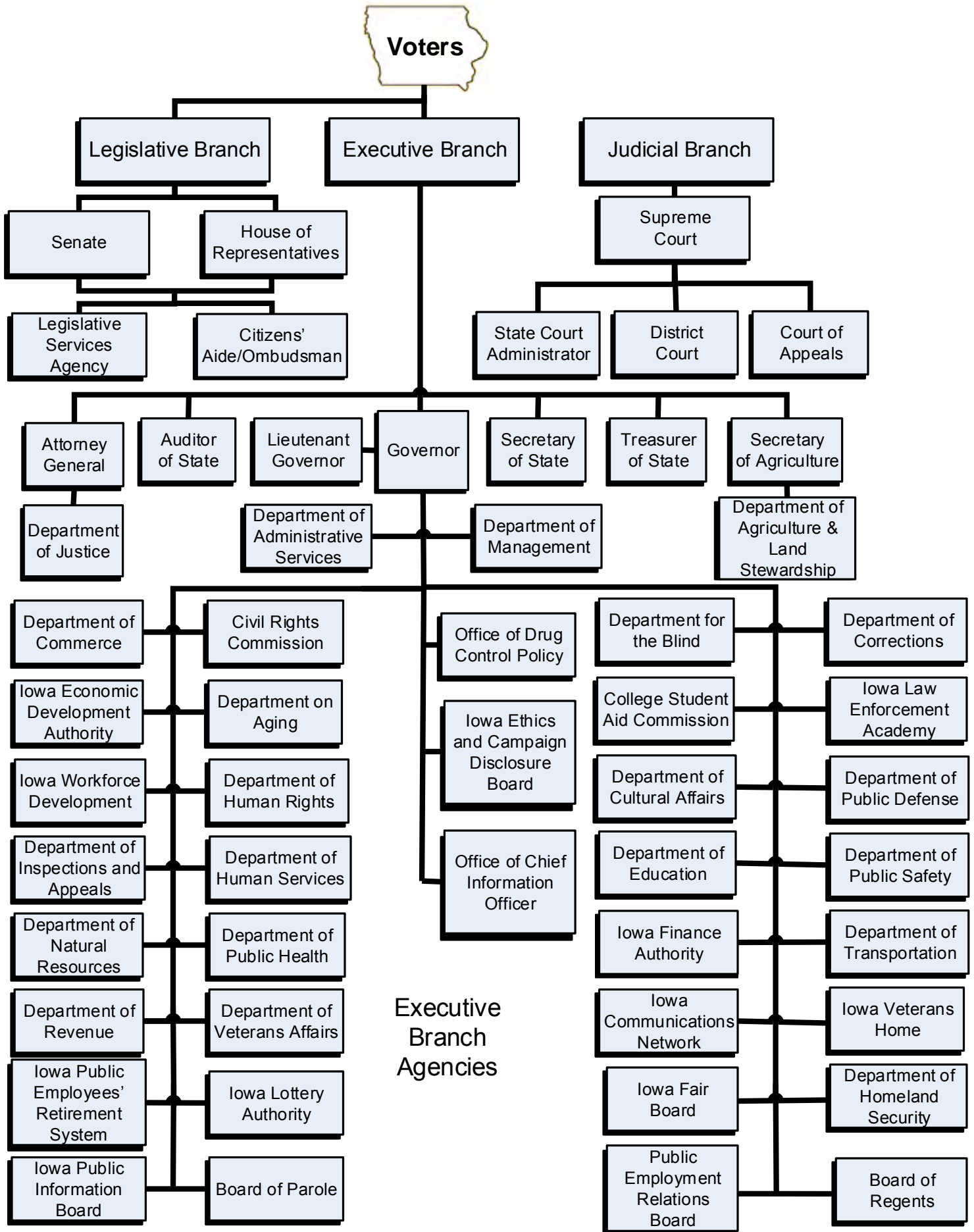
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

State of Iowa Organizational Chart



Principal Officials

Elected Officials

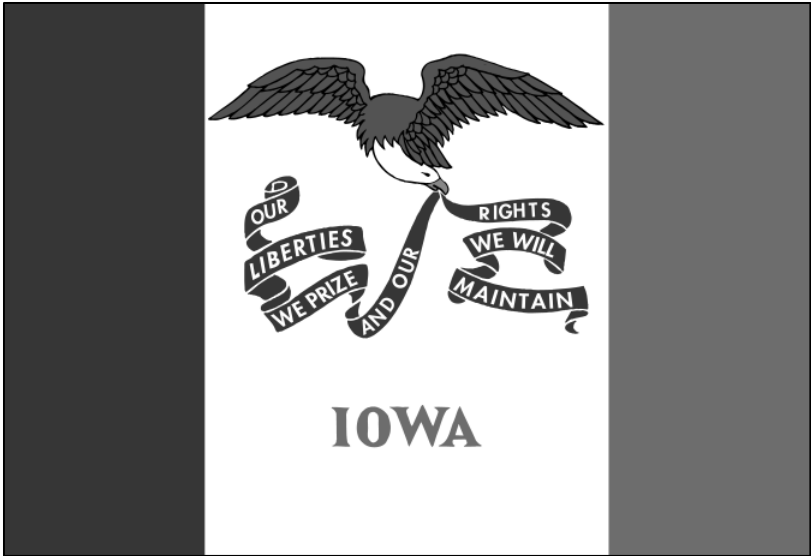
GOVERNOR - **Kim Reynolds**
LIEUTENANT GOVERNOR - **Adam Gregg**
SECRETARY OF STATE - **Paul D. Pate**
AUDITOR OF STATE - **Mary Mosiman**
TREASURER OF STATE - **Michael L. Fitzgerald**
SECRETARY OF AGRICULTURE - **Mike Naig**
ATTORNEY GENERAL - **Thomas J. Miller**

Legislative Branch

PRESIDENT OF THE SENATE - **Charles Schneider**
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

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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, 2018, 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 and the Iowa Public Radio, Inc., which represent 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 3% 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 Center for Advancement and Affiliate, 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 59%, 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 Public Radio, Inc., the Iowa Finance Authority, the University of Iowa Center for Advancement and Affiliate, 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 Center for Advancement and Affiliate, 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, 2018, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 22 to the financial statements, the State of Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Proportionate Share of the Net Pension Liability, the Schedules of Changes in Net Pension Liability and Related Ratios, the Schedules of Contributions and the Schedules of Changes in Total OPEB Liability and Related Ratios on pages 19 through 32 and 140 through 158 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 who 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 Public Radio, Inc., 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, 2018

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, 2018. 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 2018 by \$17,391.9 million (net position). Of this amount, \$832.4 million (unrestricted net position) is available to be used to meet the State's ongoing obligations to citizens and creditors.
- Total net position increased \$717.2 million from June 30, 2017 (not restated) to June 30, 2018. See NOTE 22 – BEGINNING BALANCE ADJUSTMENTS. Net position of governmental activities increased \$484.9 million, or 5.3%, while net position of business-type activities increased \$232.3 million, or 3.1%.
- In the State's governmental activities, revenues increased 2.4% to \$17,159.2 million while expenses increased 0.9% to \$16,111.4 million.
- For business-type activities, revenues increased 1.8% to \$5,462.5 million while expenses increased 3.1% to \$5,730.9 million.

Fund Highlights

- The State's governmental funds reported a combined ending fund balance of \$1,974.5 million, a \$79.7 million decrease from the prior year. Of this amount, \$63.7 million represents nonspendable fund balances, \$1,112.1 million represents spendable restricted fund balances, \$1,356.3 million represents spendable committed fund balances and a negative \$557.6 million represents unassigned fund balances.
- The General Fund total fund balance decreased \$75.6 million to \$1,800.1 million.
- The proprietary funds reported net position at year-end of \$7,895.0 million, an increase of \$244.9 million from the June 30, 2017 net position (not restated).

Long-term Debt

- The State's total long-term debt decreased \$2.4 million to \$3,611.3 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 businesses 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 Center for Advancement & Affiliate (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 net pension liability and a Schedule of Contributions for each pension plan along with

accompanying Notes to RSI and a Schedule of Changes in Total OPEB Liability and Related Ratios for each OPEB 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 \$17,391.9 million at June 30, 2018, compared to \$16,674.7 million at June 30, 2017 (not restated), as indicated in Table 2.

The State of Iowa implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)* in fiscal year 2018. GASB 75 replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, as amended. It establishes new accounting and financial reporting requirements, including additional note disclosures and required supplementary information, for state and local governments that provide OPEB benefits to their employees. This statement provides standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported.

The beginning net position as of July 1, 2017, was restated by \$527.2 million to retroactively report the change in valuation of the beginning total OPEB liability as of June 30, 2017. The fiscal year 2017 financial statement amounts were not restated because the necessary information is not available. See NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS and NOTE 22 – BEGINNING BALANCE ADJUSTMENTS for more details.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	Not Restated		Not Restated		Not Restated		2017-2018
	2018	2017	2018	2017	2018	2017	
Current & other assets	\$ 4,432.1	\$ 4,285.8	\$ 5,458.6	\$ 5,155.6	\$ 9,890.7	\$ 9,441.4	4.8%
Capital assets	10,021.1	9,514.6	5,857.0	5,720.1	15,878.1	15,234.7	4.2%
Total assets	14,453.2	13,800.4	11,315.6	10,875.7	25,768.8	24,676.1	4.4%
Deferred outflows of resources	418.2	388.2	173.5	92.9	591.7	481.1	23.0%
Long-term liabilities	2,979.0	3,150.0	2,516.3	2,426.4	5,495.3	5,576.4	-1.5%
Other liabilities	2,074.0	1,753.7	1,155.3	1,042.7	3,229.3	2,796.4	15.5%
Total liabilities	5,053.0	4,903.7	3,671.6	3,469.1	8,724.6	8,372.8	4.2%
Deferred inflows of resources	149.4	100.8	94.6	8.9	244.0	109.7	122.4%
Net position:							
Net investment in capital assets	9,741.0	9,242.2	3,982.4	3,858.4	13,723.4	13,100.6	4.8%
Restricted	941.3	941.5	1,894.8	1,864.1	2,836.1	2,805.6	1.1%
Unrestricted	(1,013.3)	(999.6)	1,845.7	1,768.1	832.4	768.5	8.3%
Total net position	\$ 9,669.0	\$ 9,184.1	\$ 7,722.9	\$ 7,490.6	\$ 17,391.9	\$ 16,674.7	4.3%

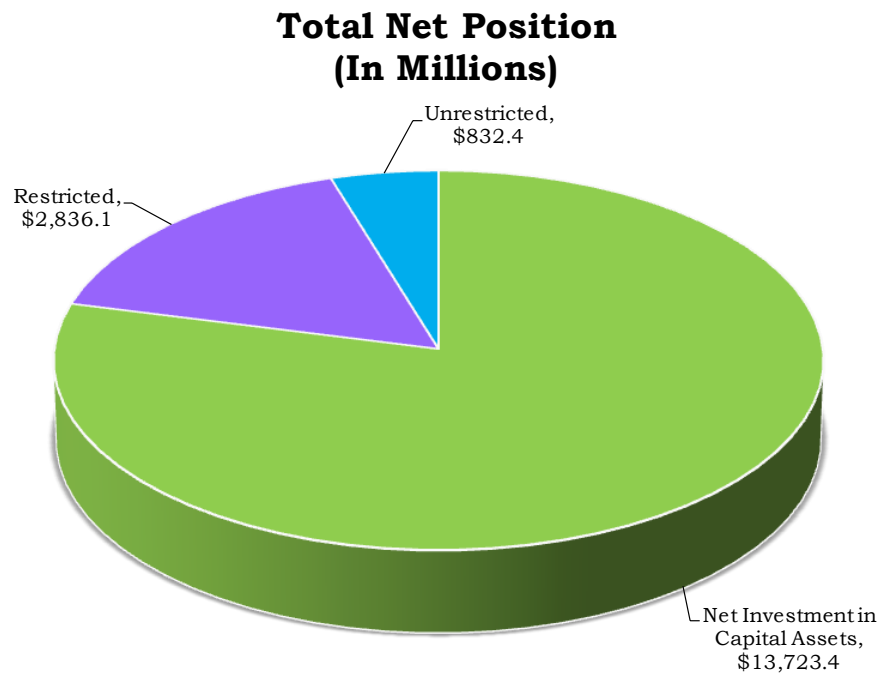
Net position of the State's governmental activities increased 5.3% to \$9,669.0 million. The largest component of the State's net position is its investment in capital assets (e.g. land, buildings, equipment, and infrastructure), less any related outstanding debt that was used to acquire or construct 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 has limitations on use based on State statutes.

The net position of business-type activities increased 3.1% to \$7,722.9 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 decreased \$81.1 million, or 1.5%, to \$5,495.3 million due primarily to a decrease of \$163.8 million in accounts payable & accruals, a decrease of \$9.7 million in other financing arrangements payable, an increase of \$66.6 million in other postemployment benefits (OPEB) and an increase of \$26.1 million in net pension liability. Deferred outflows of resources increased \$110.6 million and deferred inflows of resources increased \$134.3 million, due almost entirely to the recognition of amounts related to pensions and OPEB.

Other liabilities increased 15.5% to \$3,229.3 million. The \$432.9 million increase resulted mostly from increases of \$304.3 million in accounts payable & accruals, \$96.6 million in funds held in custody and \$8.3 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 \$17,391.9 million at June 30, 2018.



(Continued on next page.)

Changes in Net Position

The State's total net position increased by \$717.2 million from June 30, 2017 (not restated) to June 30, 2018, as indicated in Table 3.

Table 3
Changes in Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2017-2018
	Not Restated		Not Restated		Not Restated		
	2018	2017	2018	2017	2018	2017	
Program revenues							
Charges for services	\$ 2,341.1	\$ 2,307.0	\$ 4,469.6	\$ 4,275.2	\$ 6,810.7	\$ 6,582.2	3.5%
Operating grants & contributions	5,251.4	5,194.2	798.8	801.1	6,050.2	5,995.3	0.9%
Capital grants & contributions	509.1	503.1	15.1	57.6	524.2	560.7	-6.5%
General revenues							
Personal income tax	3,862.6	3,637.9	-	-	3,862.6	3,637.9	6.2%
Corporate income tax	443.7	432.1	-	-	443.7	432.1	2.7%
Sales & use tax	2,850.8	2,793.8	-	-	2,850.8	2,793.8	2.0%
Other tax	773.2	791.6	8.2	8.1	781.4	799.7	-2.3%
Restricted for transportation purposes:							
Motor fuel tax	671.9	674.6	-	-	671.9	674.6	-0.4%
Road use tax	374.7	371.4	-	-	374.7	371.4	0.9%
Unrestricted investment earnings	29.8	16.3	110.2	162.4	140.0	178.7	-21.7%
Other	50.9	40.5	60.6	60.7	111.5	101.2	10.2%
Total revenues	<u>17,159.2</u>	<u>16,762.5</u>	<u>5,462.5</u>	<u>5,365.1</u>	<u>22,621.7</u>	<u>22,127.6</u>	2.2%
Expenses							
Administration & regulation	1,862.2	1,865.0	-	-	1,862.2	1,865.0	-0.2%
Education	4,185.1	4,162.4	-	-	4,185.1	4,162.4	0.5%
Health & human rights	435.8	445.1	-	-	435.8	445.1	-2.1%
Human services	6,772.7	6,585.9	-	-	6,772.7	6,585.9	2.8%
Justice & public defense	999.2	1,041.5	-	-	999.2	1,041.5	-4.1%
Economic development	133.8	157.3	-	-	133.8	157.3	-14.9%
Transportation	1,419.4	1,396.3	-	-	1,419.4	1,396.3	1.7%
Agriculture & natural resources	224.4	233.9	-	-	224.4	233.9	-4.1%
Interest expense	78.8	79.4	-	-	78.8	79.4	-0.8%
University Funds	-	-	5,052.0	4,843.2	5,052.0	4,843.2	4.3%
Unemployment Benefits Fund	-	-	384.4	430.1	384.4	430.1	-10.6%
Other	-	-	294.5	285.2	294.5	285.2	3.3%
Total expenses	<u>16,111.4</u>	<u>15,966.8</u>	<u>5,730.9</u>	<u>5,558.5</u>	<u>21,842.3</u>	<u>21,525.3</u>	1.5%
Increase (decrease) in net position							
before special item and transfers	1,047.8	795.7	(268.4)	(193.4)	779.4	602.3	29.4%
Special item - change in other							
postemployment benefits	-	-	465.0	-	465.0	-	100.0%
Transfers	(515.9)	(478.0)	515.9	478.0	-	-	0.0%
Increase in net position	531.9	317.7	712.5	284.6	1,244.4	602.3	106.6%
Net position - July 1, restated	9,137.1	8,866.4	7,010.4	7,206.0	16,147.5	16,072.4	0.5%
Net position - June 30	<u>\$ 9,669.0</u>	<u>\$ 9,184.1</u>	<u>\$ 7,722.9</u>	<u>\$ 7,490.6</u>	<u>\$ 17,391.9</u>	<u>\$ 16,674.7</u>	4.3%

Governmental Activities

Overall, total revenues for governmental activities increased 2.4% over the prior year. Program revenues increased \$97.3 million, or 1.2%. The largest fluctuation in program revenues was in operating grants and contributions.

Operating grants and contributions increased \$57.2 million, or 1.1%, in total. A \$162.5 million increase in human services revenue, related to federal participation payments for medical assistance, was partially offset

by decreases associated with the timing of federal receipts in several functions, as well as a decrease of \$15.0 million in tobacco settlement receipts.

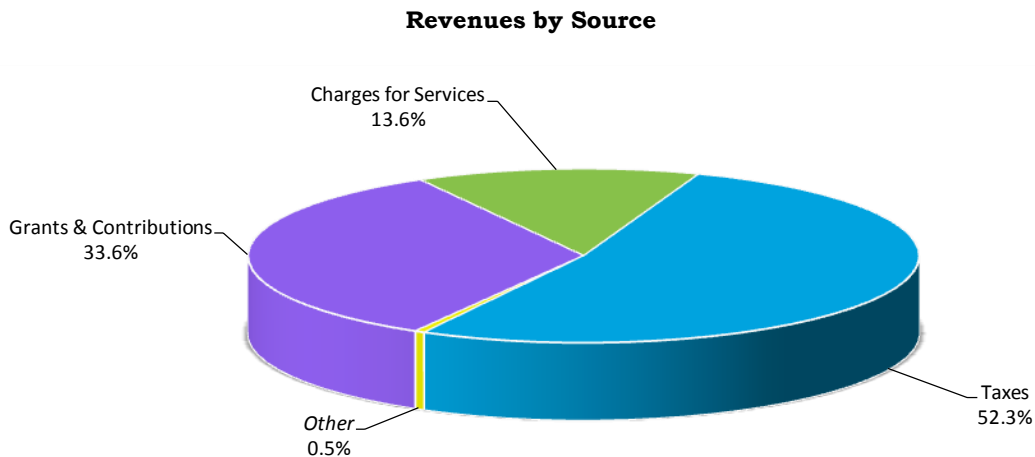
Charges for services increased \$34.1 million, or 1.5%. The net increase resulted from an increase of \$67.8 million, or 67.4%, in transportation revenue for reimbursement of project costs from other states that was partially offset by a decrease in human services that was due mainly to the timing of receipts in the medical assistance drug rebate program.

Capital grants and contributions increased \$6.0 million, or 1.2%. This increase is attributable to an increase of \$9.5 million in transportation resulting from annual fluctuations in the completion of projects and the receipt of the related federal funding, and to minor decreases that occurred in other functions.

General revenues experienced a net increase of \$299.4 million, or 3.4%, from fiscal year 2017. This is due in part to increases in personal income tax of \$224.7 million, or 6.2%, sales and use tax of \$57.0 million, or 2.0%, and corporate income tax of \$11.6 million, or 2.7%.

Personal income tax revenues in fiscal year 2018 were impacted by federal tax reform that was passed in December 2017. Reductions in federal withholding effective in early 2018 pushed up Iowa withholding as a result of federal deductibility, contributing to the 6.2% growth. With federal limits on state income tax deductions effective January 1, 2018, a surge of Iowa estimated payments made at the end of December drove the 18.1% growth. On the other hand, final return payments remitted by personal income taxpayers dropped in fiscal year 2018. The decline in final return payments reflects both the higher estimated payments (taxpayers shifted from paying final liability in April to paying in December) and another significant decrease in net farm income.

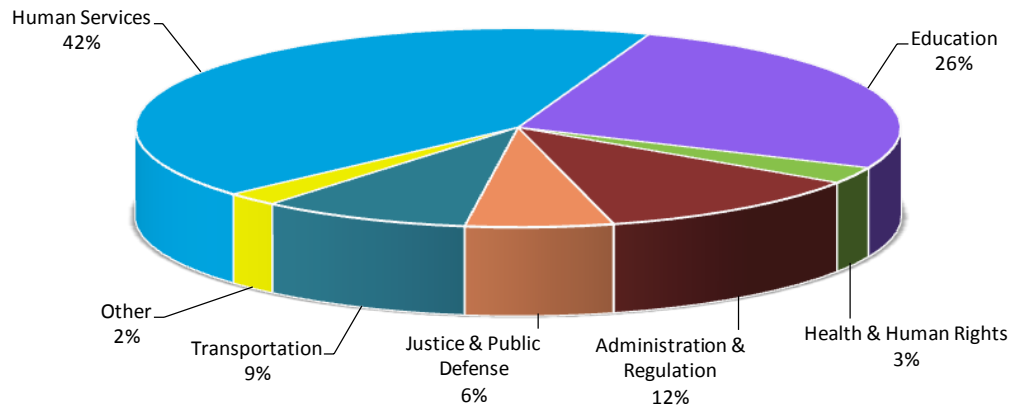
Retail sales and use tax receipts grew at a fairly strong rate in fiscal year 2018. Consumption was stronger during the last year and inflation also increased, raising the total amount of goods and services subject to Iowa tax.



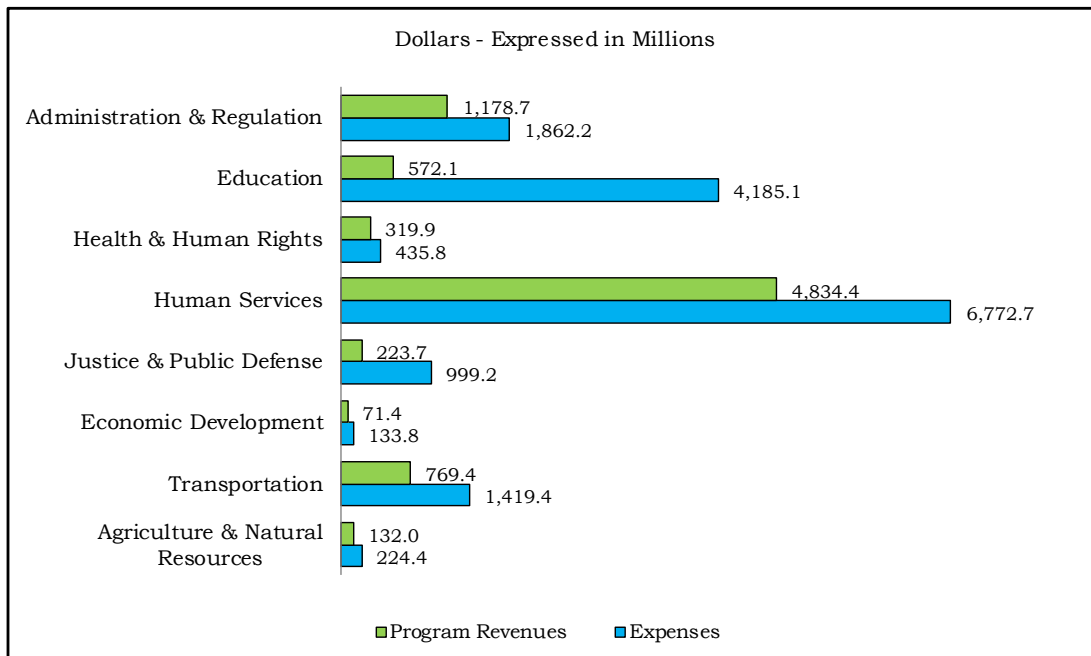
Overall, total expenses for governmental activities increased 0.9% over the prior year.

Expenses increased most significantly in human services, \$186.8 million, transportation, \$23.1 million, and education, \$22.7 million, and decreased most significantly in justice & public defense, \$42.3 million. The majority of the 2.8% increase in human services is related to the Iowa Medicaid program, and is due primarily to a managed care organization (MCO) rate increase in FY18, higher program enrollment numbers, and retroactive MCO rate adjustments. The increase in transportation is attributed to the normal fluctuations from year to year in the progress and completion of road projects. The increase in education is primarily due to an increase in state aid to schools. 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 \$16,111.4 million. However, the amount that taxpayers paid for these activities through State taxes was \$8,976.9 million. Part of the cost was paid by:

- Those who directly benefited from the programs (\$2,341.1 million) or
- Other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$5,760.5 million).

Business-type Activities

- University Funds had \$5,052.0 million in expenses and \$4,452.1 million in program revenues for net expenses of \$599.9 million. The largest change in revenues occurred in charges for services, which increased \$248.8 million, or 7.3%. The increase was due, in part, to an increase in patient services revenue of \$193.8 million at the University of Iowa Hospitals and Clinics (UIHC) as well as an increase of \$31.4 million in tuition revenues at the University of Iowa. Capital grants and contributions revenue

decreased \$42.5 million, or 73.7%, due mainly to a decrease of \$23.1 million resulting from the completion of construction projects at the UIHC. The largest increase in expenses occurred in, personal services, \$86.8 million, or 3.0%. The increase is largely attributed to the provision of patient services at the UIHC. Investment income decreased \$55.5 million, or 39.8%, due to unfavorable market performance. Assets increased \$393.7 million to \$9,831.0 million. This was due to an increase in capital assets of \$137.2 million related to a number of construction projects. Liabilities increased \$212.8 million, due to increases of \$28.7 million in other postemployment benefits payable (a change in benefit terms that implemented a cap on the University of Iowa's contribution for retiree health benefits at the current \$288 per month for current and future retirees is reflected in the change in the total OPEB liability) and \$27.2 million in net pension liability. Deferred outflows of resources increased \$80.7 million and deferred inflows of resources increased \$86.2 million, both primarily due to the recognition of amounts related to OPEB.

- The Unemployment Benefits Fund had \$384.4 million in expenses and \$428.4 million in program revenues with net revenues of \$44.0 million. Employer contributions decreased \$66.2 million, or 13.4%, as a result of a decrease in Unemployment Insurance (UI) Penalty and Interest collected in the current year. Unemployment benefit payments decreased \$45.7 million, or 10.6%, due to a decrease in claim filings as a result of a number of contributing factors.
- In total, business-type activities had net expenses of \$447.3 million, \$178.9 million in net general revenues, \$515.9 million in net transfers and \$465.0 million in special item – change in other postemployment benefits at the University of Iowa, for a net increase of \$712.5 million, to end with a net position of \$7,722.9 million.
- Other business-type activities expenses increased \$9.3 million and program revenues increased \$11.8 million. The Liquor Control Act Fund which accounts for the revenues and expenses related to the sale of alcoholic beverages experienced a \$14.1 million increase in operating revenues and a \$5.8 million increase in operating expenses. In addition, the Iowa Communications Network experienced a \$3.1 million increase in operating expenses.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

The governmental funds reported total fund balances of \$1,974.5 million, a decrease of 3.9% from the previous year. Net revenues totaled \$17,093.6 million with expenditures of \$16,660.4 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* – \$1,112.1 million and \$1,230.1 million for FY2018 and FY2017, 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* – \$1,356.3 million and \$1,296.6 million for FY2018 and FY2017, 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 \$557.6 million and negative \$529.8 million for FY2018 and FY2017, 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 \$1,875.7 million for fiscal year 2017 to \$1,800.1 million for fiscal year 2018. The fiscal year 2018 General Fund consists of the following fund balances: \$52.6 million nonspendable, an increase of 13.2%, \$807.5 million restricted, a decrease of 8.5%, \$1,335.6 million committed, an increase of 4.8%, and negative \$395.6 million unassigned, a decrease of 20.6%. For fiscal year 2018, the committed fund balance includes \$621.3 million in reserve (rainy day) funds, an increase of 2.6%.

Gross revenues of the General Fund increased \$362.0 million in fiscal year 2018. Taxes increased by \$342.7 million, a 3.6% increase from fiscal year 2017, to \$9,846.5 million in fiscal year 2018. Major contributors to the tax increase include an increase to individual income tax of \$251.0 million, an increase of \$16.4 million of corporate income tax, an increase of \$96.3 million of sales and use tax, and a decrease of \$17.7 million in fuel tax. In addition, investment income increased \$13.7 million, fees, licenses & permits increased \$30.6 million, and refunds & reimbursements decreased \$29.5 million. However, net revenues were negatively impacted as tax refunds increased \$56.4 million, or 4.8%, over 2017 refunds.

Total expenditures of the General Fund increased \$225.3 million in fiscal year 2018. Expenditures increased \$20.7 million in education, \$157.9 million in human services and \$47.1 million in transportation. The increases were partially offset by reductions of \$13.3 million in health & human rights, \$39.0 million in justice and public defense, and \$19.3 million in economic development. Capital outlay increased \$66.3 million due primarily to fluctuations of Department of Transportation projects. Debt service payments had a net decrease of \$2.8 million, as there were no payments to escrow agents in 2018 for advance refundings of bonds.

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 \$39.9 million to \$243.5 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 \$3.0 million and \$38.0 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 \$39.7 million to a deficit balance of \$162.0 million. The increase is due to the reduction of the interfund advance (liability) for the tobacco settlement moneys remitted to the Tobacco Settlement Authority during the year.

Proprietary Funds

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

Total net position of the University Funds increased \$175.3 million to \$6,304.0 million while unrestricted net position increased \$82.4 million to \$1,830.0 million.

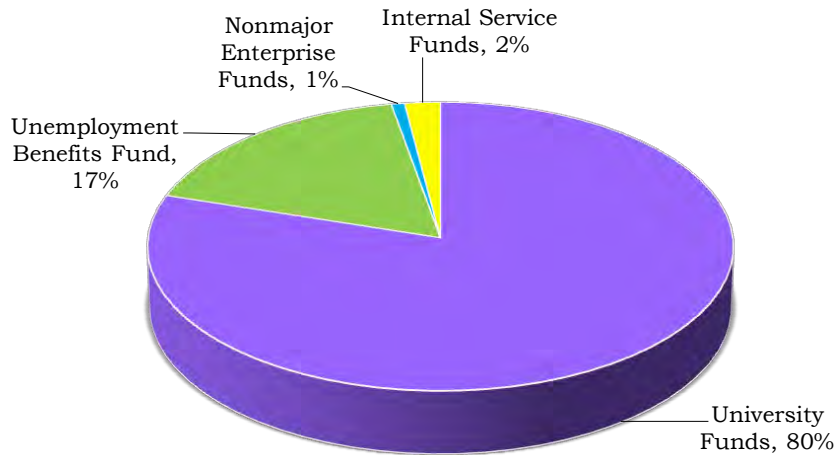
The total net position of the Unemployment Benefits Fund, which is entirely restricted for unemployment benefits, increased \$62.3 million to end fiscal year 2018 at \$1,365.8 million.

The nonmajor enterprise funds total net position decreased \$5.3 million, or 8.0%, to \$60.9 million. The Iowa Communications Network net position decreased \$9.3 million, or 29.8%, to \$21.9 million. The decrease in net

position is primarily due to increased expenses to upgrade the network. The Liquor Control Act Fund total net position increased \$3.9 million, or 74.3%, to \$9.1 million due mainly to the development of a new liquor licensing system along with a 4.7% increase in liquor sales.

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

Total Net Position - Proprietary Funds



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: \$2,151,871
- Legislatively approved reductions in appropriations: \$25,471,387
- Adjustments to standing appropriations: \$15,774,438

The originally enacted General Fund budget for fiscal year 2018 of \$7,268.6 million was predicated on \$7,364.5 million, or 3.6% growth in General Fund revenues, as projected by the State’s Revenue Estimating Conference (REC) on March 14, 2017. The March estimate reflected the expectation that revenues would increase from an estimated 2.7% growth for fiscal year 2017. Also included in the enacted General Fund budget was \$6.0 million in revenue adjustments for tax law and revenue changes.

At the October 19, 2017 meeting, the REC revised its fiscal year 2018 General Fund revenue estimate downward to \$7,237.5 million and with a finalized FY2017 base, the growth was at 0.0%. This change was based upon the finalized base for fiscal year 2016 of 4.6%, which included a \$131.1 million transfer from the Cash Reserve Fund and a \$13.0 million transfer from the Iowa Economic Emergency Fund. On December 11, 2017, the REC kept the estimate at the same amount of \$7,237.5 million. On March 9, 2018, the REC raised the revenue estimate to \$7,270.8 million, or 0.4% growth.

On March 28, 2018, Governor Reynolds signed into law SF2117 that provided for \$25.5 million in deappropriations to the General Fund, \$2.2 million in supplemental appropriations from the General Fund and \$10.0 million in transfers to the General Fund from other State accounts.

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 2018, these standing appropriations were more than the original estimates by \$15.8 million. A variety of standing appropriations make up the changes to standing appropriations.

During May and June of 2018, and throughout the accrual period, actual General Fund revenue collections continued to be ahead of the revised projections. At the close of fiscal year 2018, revenue collections totaled \$7,383.9 million, which is a 2.0% growth over fiscal year 2017.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the State had \$15,878.1 million invested in capital assets, net of accumulated depreciation of \$13,974.0 million. Depreciation charges totaled \$1,003.1 million in fiscal year 2018. 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 2017-2018
	2018	2017	2018	2017	2018	2017	
	Land	\$ 917.2	\$ 892.0	\$ 95.5	\$ 93.3	\$ 1,012.7	
Land improvements	63.4	61.1	31.9	30.9	95.3	92.0	3.6%
Construction in progress	61.6	35.1	354.8	419.1	416.4	454.2	-8.3%
Computer software in progress	60.5	27.4	26.9	9.3	87.4	36.7	138.1%
Infrastructure	7,453.0	7,021.9	449.1	440.7	7,902.1	7,462.6	5.9%
Buildings & improvements	1,087.1	1,096.4	3,973.5	3,794.1	5,060.6	4,890.5	3.5%
Equipment	217.9	209.2	435.2	450.0	653.1	659.2	-0.9%
Works of art & collections	1.1	1.2	436.4	422.6	437.5	423.8	3.2%
Computer software	159.3	170.3	52.5	58.7	211.8	229.0	-7.5%
Other intangibles	-	-	1.2	1.4	1.2	1.4	-14.3%
Total	\$ 10,021.1	\$ 9,514.6	\$ 5,857.0	\$ 5,720.1	\$ 15,878.1	\$ 15,234.7	4.2%

In the governmental activities, capital assets, net of accumulated depreciation, increased \$506.5 million, or 5.3%, to \$10,021.1 million. The largest increases were in infrastructure (\$431.1 million, or 6.1%), computer software in progress (\$33.1 million, or 120.8%), and construction in progress (\$26.5 million, or 75.5%). Infrastructure increased 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 in progress increased as a result of computer software development projects at the Department of Human Services, Iowa Workforce Development and DOT. Construction in progress increased primarily due to construction projects at DOT and the Department of Natural Resources.

Capital assets, net of accumulated depreciation, in the business-type activities increased \$136.9 million, or 2.4%, to \$5,857.0 million. The largest changes were in buildings & improvements (an increase of \$179.4 million, or 4.7%) and construction in progress (a decrease of \$64.3 million, or 15.3%). These two changes were the result of the net changes due to new and completed construction projects at the University of Iowa, Iowa State University and the University of Northern Iowa, as well as the recognition of depreciation expense for the year.

Outstanding commitments for future capital expenditures as of June 30, 2018 include \$458.9 million (net of \$689.7 million in anticipated federal funding) for highway and bridge construction, \$327.6 million for various projects at the three State universities, \$30.4 million for the Iowa Statewide Interoperable Communications System (ISICS), an emergency public safety communication system, \$8.0 million for State facilities and buildings, \$17.7 million for State parks, recreational areas, fisheries and wetland projects, and \$6.2 million for public defense improvements at various locations.

Long-term Debt

At year-end, the State had \$3,611.3 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 2017-2018
	2018	2017	2018	2017	2018	2017	
Revenue bonds	\$ 1,535.9	\$ 1,587.7	\$ 1,984.2	\$ 1,916.1	\$ 3,520.1	\$ 3,503.8	0.5%
Leases & other financing arrangements	32.5	34.4	58.7	75.5	91.2	109.9	-17.0%
Total	\$ 1,568.4	\$ 1,622.1	\$ 2,042.9	\$ 1,991.6	\$ 3,611.3	\$ 3,613.7	-0.1%

Revenue bonds issued by the Primary Government totaled \$3,520.1 million outstanding at fiscal year-end. This amount consisted of \$1,984.2 million in revenue bonds issued by the three State universities (for equipment and facilities), \$741.3 million in revenue bonds issued by the Tobacco Settlement Authority, \$8.8 million in revenue bonds issued by the State of Iowa for the Iowa Utilities Board, \$626.0 million in revenue bonds issued by the State of Iowa for the IJOBS program, \$115.9 million in revenue bonds issued by the State of Iowa for Prison Infrastructure and \$43.9 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.

Governmental activities outstanding revenue bonds decreased \$51.8 million, due to the payment of principal as it came due in fiscal year 2018.

Business-type activities outstanding revenue bonds increased \$68.1 million, due to the issuance of new debt at the University of Iowa, Iowa State University and the University of Northern Iowa and the payment of principal as it came due by the three State universities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Iowa saw improved growth in fiscal year 2018. Iowa's 2.0% growth in General Fund revenues was artificially lower due to transfers from reserve funds made in fiscal year 2017 but not made in fiscal year 2018. Personal income grew 6.2% and sales and use tax grew 4.6%, reflecting a stronger state economy.

The Governor and General Assembly finished their work on May 5, 2018, on the 118th day of the scheduled 100-day second session of the 87th General Assembly, finalizing the General Fund budget for fiscal year 2019. Amounts available for appropriation in fiscal year 2019 based on the 99% budget limitation for the General Fund budget were \$7,545.0 million. General Fund appropriations totaled \$7,480.2 million.

At the REC meeting in October 2018, the fiscal year 2019 revenue estimate was increased from a revised \$7,640.4 million to \$7,742.1 million, largely as a reflection of actual revenue collections in fiscal year 2018, law changes passed during the 2018 Legislative Session and at the federal level, current year to date revenue growth, and the anticipated growth of tax revenues that is reflective of the growth in the economy in the State. The revised estimate reflects projected revenue growth of 4.9% compared to actual revenues for the previous fiscal year.

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 2.5% in September 2018; the same rate as for August 2018 and lower than the national rate of 3.7% for September 2018, showing Iowa's labor market holding its own.

According to Moody's Analytics, with the U.S. unemployment rate at 3.7%, concerns about an overheating labor market have not occurred. The labor market still manages to churn out jobs at the same average pace as during the past six years. This implies that the labor market has room to expand, thereby justifying the measured increase of rate hikes by the Federal Reserve. The stimulus of the federal government's budget outlays, along with federal tax cuts, will help push the unemployment rate down to a low of 3.3% by the end of 2019. For now, core

personal consumption expenditure inflation (PCE) remains steady, holding right at the Federal Reserves' target of 2% for four straight months. Core PCE is projected to hold at its current pace, increasing 2% on a year-ago basis during the final half of 2018 and through the first quarter of 2019, with an acceleration to 2.5% in mid-2020.

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, 2018

(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Current assets:				
Cash & investments	\$ 1,770,958	\$ 1,986,834	\$ 3,757,792	\$ 1,679,001
Cash & investments - restricted	-	-	-	642
Deposits with trustees	128,714	-	128,714	-
Accounts receivable (net)	2,228,913	668,090	2,897,003	92,982
Interest receivable	-	4,227	4,227	6,870
Loans receivable (net)	18,038	3,997	22,035	121,725
Internal balances	22,284	(22,284)	-	-
Inventory	22,199	71,087	93,286	3,028
Prepaid expenses	47,059	49,274	96,333	1,828
Other assets	-	-	-	17,708
Total current assets	4,238,165	2,761,225	6,999,390	1,923,784
Noncurrent assets:				
Cash & investments	-	2,591,552	2,591,552	2,279,575
Deposits with trustees	76,877	14,725	91,602	-
Accounts receivable (net)	93,962	4,232	98,194	247,615
Interest receivable	-	584	584	-
Loans receivable (net)	23,117	59,744	82,861	1,800,171
Capital assets - nondepreciable	1,039,273	869,967	1,909,240	29,456
Capital assets - depreciable (net)	8,981,821	4,987,005	13,968,826	97,537
Prepaid expenses	-	11,021	11,021	-
Other assets	-	15,500	15,500	30,208
Total noncurrent assets	10,215,050	8,554,330	18,769,380	4,484,562
TOTAL ASSETS	14,453,215	11,315,555	25,768,770	6,408,346
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	-	-	542
Debt refunding loss	39,725	27,578	67,303	19,586
Excess consideration provided for acquisition	-	879	879	4,260
Related to other postemployment benefits	2,731	63,249	65,980	173
Related to pensions	375,773	81,820	457,593	6,888
TOTAL DEFERRED OUTFLOWS OF RESOURCES	418,229	173,526	591,755	31,449

(continued on next page)

STATE OF IOWA

Statement of Net Position

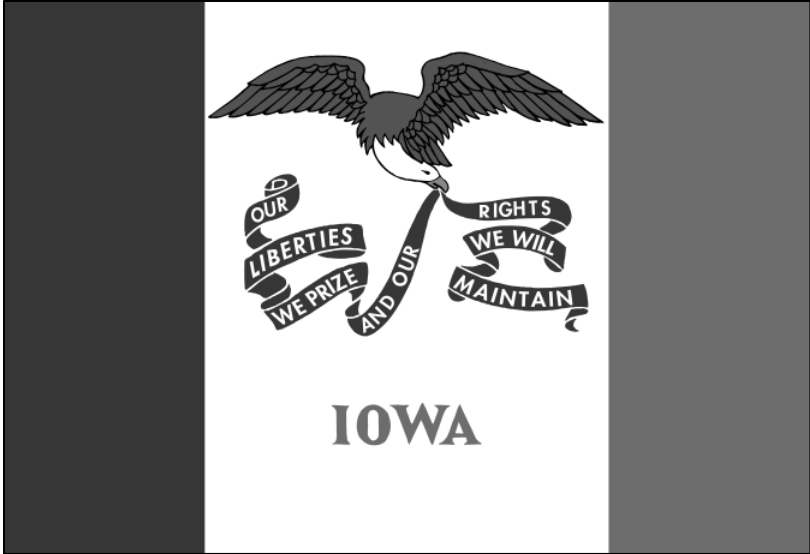
June 30, 2018

(Expressed in Thousands)

(continued)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	1,725,647	430,879	2,156,526	66,186
Interest payable	6,919	26,315	33,234	25,052
Unearned revenue	59,567	105,619	165,186	453
Compensated absences	143,602	140,058	283,660	2,706
Capital leases	3,580	1,915	5,495	825
Bonds payable	124,470	107,886	232,356	70,817
Other financing arrangements payable	83	8,414	8,497	-
Other postemployment benefits liability	10,120	10,829	20,949	-
Funds held in custody	-	323,429	323,429	110,501
Total current liabilities	2,073,988	1,155,344	3,229,332	276,540
Noncurrent liabilities:				
Accounts payable & accruals	85,780	55,291	141,071	58,469
Unearned revenue	3,102	2,185	5,287	-
Compensated absences	169,070	80,762	249,832	2,480
Capital leases	26,085	23,689	49,774	-
Bonds payable	1,411,487	1,876,303	3,287,790	1,636,711
Other financing arrangements payable	2,700	24,704	27,404	-
Net pension liability	1,111,160	171,993	1,283,153	24,723
Other postemployment benefits liability	169,697	240,369	410,066	3,331
Funds held in custody	-	40,966	40,966	6,636
Total noncurrent liabilities	2,979,081	2,516,262	5,495,343	1,732,350
TOTAL LIABILITIES	5,053,069	3,671,606	8,724,675	2,008,890
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in fair value of hedging derivatives	-	-	-	3,972
Debt refunding gain	-	4,327	4,327	-
Grants received in advance of meeting timing requirements	-	371	371	-
Related to other postemployment benefits	1,625	85,882	87,507	24
Related to pensions	147,667	4,011	151,678	1,206
Unconditional remainder interest	97	-	97	-
TOTAL DEFERRED INFLOWS OF RESOURCES	149,389	94,591	243,980	5,202
NET POSITION				
Net investment in capital assets	9,741,057	3,982,366	13,723,423	124,245
Restricted for:				
Education	61,035	-	61,035	-
Human services	3,036	-	3,036	-
Justice & public defense	3,985	-	3,985	-
Transportation	659,777	-	659,777	-
Agriculture & natural resources	6,340	-	6,340	-
Underground Storage Tank Program	9,974	-	9,974	-
Capital projects	8,584	-	8,584	-
University Funds - expendable	-	452,125	452,125	-
University Funds - nonexpendable	-	76,957	76,957	-
Permanent Funds - nonexpendable	10,700	-	10,700	-
Unemployment Benefits Fund	-	1,365,786	1,365,786	-
Other	177,766	-	177,766	4,040,347
Unrestricted	(1,013,268)	1,845,650	832,382	261,111
TOTAL NET POSITION	\$ 9,668,986	\$ 7,722,884	\$ 17,391,870	\$ 4,425,703

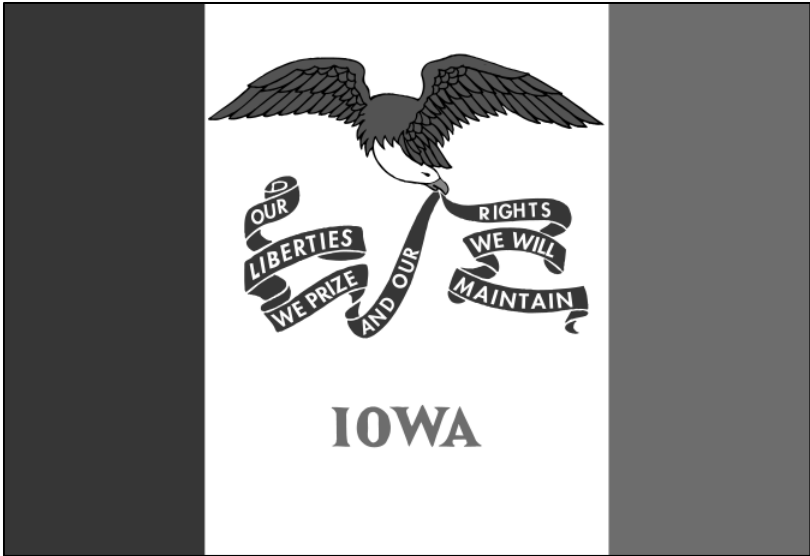
The notes are an integral part of the financial statements.



STATE OF IOWA
Statement of Activities
For the Year Ended June 30, 2018
(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	\$ 1,862,199	\$ 1,103,732	\$ 74,956	\$ -	\$ (683,511)	\$	\$ (683,511)	
Education	4,185,133	26,308	545,771	-	(3,613,054)		(3,613,054)	
Health & human rights	435,776	75,204	241,549	3,141	(115,882)		(115,882)	
Human services	6,772,755	772,301	4,062,100	-	(1,938,354)		(1,938,354)	
Justice & public defense	999,154	116,771	105,012	1,888	(775,483)		(775,483)	
Economic development	133,810	1,662	69,781	-	(62,367)		(62,367)	
Transportation	1,419,426	168,402	101,023	500,003	(649,998)		(649,998)	
Agriculture & natural resources	224,382	76,734	51,208	4,059	(92,381)		(92,381)	
Interest expense	78,773	-	-	-	(78,773)		(78,773)	
Total governmental activities	<u>16,111,408</u>	<u>2,341,114</u>	<u>5,251,400</u>	<u>509,091</u>	<u>(8,009,803)</u>		<u>(8,009,803)</u>	
Business-type activities:								
University Funds	5,052,039	3,639,063	797,878	15,131		(599,967)	(599,967)	
Unemployment Benefits Fund	384,371	427,407	956	-		43,992	43,992	
Other	294,471	403,102	-	-		108,631	108,631	
Total business-type activities	<u>5,730,881</u>	<u>4,469,572</u>	<u>798,834</u>	<u>15,131</u>		<u>(447,344)</u>	<u>(447,344)</u>	
TOTAL PRIMARY GOVERNMENT	<u>\$ 21,842,289</u>	<u>\$ 6,810,686</u>	<u>\$ 6,050,234</u>	<u>\$ 524,222</u>	<u>(8,009,803)</u>		<u>(447,344)</u>	<u>(8,457,147)</u>
COMPONENT UNITS:								
Iowa Finance Authority	\$ 163,753	\$ 20,344	\$ 112,381	\$ -				\$ (31,028)
Iowa Economic Development Authority	118,777	2,386	128,836	-				12,445
Iowa State Fair Authority	29,121	26,585	2,745	2,005				2,214
Iowa Lottery Authority	372,338	370,969	-	-				(1,369)
University of Iowa Center for Advancement & Affiliate	147,396	-	154,753	-				7,357
Iowa State University Foundation	101,198	-	225,280	-				124,082
University of Northern Iowa Foundation	19,914	-	18,078	-				(1,836)
University of Iowa Research Foundation	5,810	3,411	-	-				(2,399)
University of Iowa Health System	53,939	43,648	-	-				(10,291)
TOTAL COMPONENT UNITS	<u>\$ 1,012,246</u>	<u>\$ 467,343</u>	<u>\$ 642,073</u>	<u>\$ 2,005</u>				<u>99,175</u>
GENERAL REVENUES:								
					3,862,624	-	3,862,624	-
					443,698	-	443,698	-
					2,850,789	-	2,850,789	-
					773,204	8,167	781,371	-
					671,936	-	671,936	-
					374,701	-	374,701	-
					29,730	110,237	139,967	190,295
					50,091	59,863	109,954	10,667
					804	658	1,462	(435)
					-	465,008	465,008	-
					(515,933)	515,933	-	-
					<u>8,541,644</u>	<u>1,159,866</u>	<u>9,701,510</u>	<u>200,527</u>
					<u>531,841</u>	<u>712,522</u>	<u>1,244,363</u>	<u>299,702</u>
					<u>9,137,145</u>	<u>7,010,362</u>	<u>16,147,507</u>	<u>4,126,001</u>
					<u>\$ 9,668,986</u>	<u>\$ 7,722,884</u>	<u>\$ 17,391,870</u>	<u>\$ 4,425,703</u>

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, 2018
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Current assets:					
Cash & investments	\$ 1,589,465	\$ 4,612	\$ -	\$ 99,122	\$ 1,693,199
Deposits with trustees	128,714	-	-	-	128,714
Accounts receivable (net)	2,181,539	217	26,128	17,131	2,225,015
Loans receivable (net)	17,913	-	-	125	18,038
Due from other funds	28,033	128,674	-	1,985	158,692
Inventory	13,949	-	-	129	14,078
Prepaid expenditures	38,628	-	-	286	38,914
Total current assets	<u>3,998,241</u>	<u>133,503</u>	<u>26,128</u>	<u>118,778</u>	<u>4,276,650</u>
Noncurrent assets:					
Deposits with trustees	-	76,877	-	-	76,877
Accounts receivable (net)	87,731	-	-	6,231	93,962
Loans receivable (net)	22,672	-	-	445	23,117
Due from other funds/advances to other funds	-	33,312	-	-	33,312
Total noncurrent assets	<u>110,403</u>	<u>110,189</u>	<u>-</u>	<u>6,676</u>	<u>227,268</u>
TOTAL ASSETS	<u><u>\$ 4,108,644</u></u>	<u><u>\$ 243,692</u></u>	<u><u>\$ 26,128</u></u>	<u><u>\$ 125,454</u></u>	<u><u>\$ 4,503,918</u></u>
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	\$ 1,664,529	\$ 1	\$ -	\$ 5,056	\$ 1,669,586
Due to other funds/advances from other funds	80,389	161	128,674	14,579	223,803
Unearned revenue	27,687	-	-	493	28,180
Total current liabilities	<u>1,772,605</u>	<u>162</u>	<u>128,674</u>	<u>20,128</u>	<u>1,921,569</u>
Noncurrent liabilities:					
Due to other funds/advances from other funds	-	-	33,312	-	33,312
Unearned revenue	3,102	-	-	-	3,102
Total noncurrent liabilities	<u>3,102</u>	<u>-</u>	<u>33,312</u>	<u>-</u>	<u>36,414</u>
TOTAL LIABILITIES	<u>1,775,707</u>	<u>162</u>	<u>161,986</u>	<u>20,128</u>	<u>1,957,983</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	532,809	-	26,128	12,433	571,370
Unconditional remainder interest	-	-	-	97	97
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>532,809</u>	<u>-</u>	<u>26,128</u>	<u>12,530</u>	<u>571,467</u>
FUND BALANCES					
Nonspendable	52,577	-	-	11,115	63,692
Spendable:					
Restricted	807,570	243,530	-	60,982	1,112,082
Committed	1,335,606	-	-	20,732	1,356,338
Unassigned	(395,625)	-	(161,986)	(33)	(557,644)
TOTAL FUND BALANCES	<u>1,800,128</u>	<u>243,530</u>	<u>(161,986)</u>	<u>92,796</u>	<u>1,974,468</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u><u>\$ 4,108,644</u></u>	<u><u>\$ 243,692</u></u>	<u><u>\$ 26,128</u></u>	<u><u>\$ 125,454</u></u>	<u><u>\$ 4,503,918</u></u>

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, 2018
(Expressed in Thousands)

Total fund balances - governmental funds \$ 1,974,468

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 \$18,912,796,000 and the accumulated depreciation is \$(9,020,749,000). 9,892,047

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. 172,142

Certain revenues are earned but not available and, therefore, are deferred in governmental funds as deferred inflows of resources. 571,370

Pension related and other postemployment benefits (OPEB) deferred amounts are not due and payable in the current year and, therefore, are not reported in the governmental funds:

Pension related deferred outflows of resources	\$ 367,871	
Pension related deferred inflows of resources	(145,620)	
Net pension related deferred		222,251
OPEB related deferred outflows of resources	2,595	
OPEB related deferred inflows of resources	(1,509)	
Net OPEB related deferred		1,086

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. 39,725

Long-term liabilities 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	(1,535,957)	
Accrued interest payable	(6,919)	
Compensated absences	(306,889)	
Capital leases	(29,665)	
Other financing arrangements payable	(2,783)	
Pollution remediation	(8,476)	
Early retirement/termination benefits	(22,314)	
Risk management	(25,000)	
Net pension liability	(1,088,639)	
Other postemployment benefits liability	(176,585)	
Other long-term liabilities	(876)	
Total long-term liabilities		(3,204,103)

Net position of governmental activities **\$ 9,668,986**

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, 2018
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 9,846,473	\$ -	\$ -	\$ -	\$ 9,846,473
Receipts from other entities	5,972,551	-	-	9,326	5,981,877
Investment income	24,581	2,851	-	2,172	29,604
Fees, licenses & permits	1,400,242	-	-	55,090	1,455,332
Refunds & reimbursements	748,789	-	50,888	5,573	805,250
Sales, rents & services	31,469	-	-	5,382	36,851
Miscellaneous	186,499	-	-	21,193	207,692
GROSS REVENUES	18,210,604	2,851	50,888	98,736	18,363,079
Less revenue refunds	1,266,446	-	-	3,032	1,269,478
NET REVENUES	16,944,158	2,851	50,888	95,704	17,093,601
EXPENDITURES					
Current:					
Administration & regulation	1,820,603	1,781	-	26,559	1,848,943
Education	4,154,800	-	-	22,418	4,177,218
Health & human rights	424,043	-	-	504	424,547
Human services	6,758,942	-	-	263	6,759,205
Justice & public defense	946,870	-	-	860	947,730
Economic development	136,717	-	-	-	136,717
Transportation	673,603	-	-	103	673,706
Agriculture & natural resources	197,349	-	-	7,544	204,893
Capital outlay	1,338,132	-	-	22,491	1,360,623
Debt service:					
Principal	44,005	2,955	-	-	46,960
Interest & fiscal charges	41,860	38,038	-	-	79,898
TOTAL EXPENDITURES	16,536,924	42,774	-	80,742	16,660,440
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	407,234	(39,923)	50,888	14,962	433,161
OTHER FINANCING SOURCES (USES)					
Transfers in	185,271	-	-	25,969	211,240
Transfers out	(671,168)	-	(11,195)	(44,810)	(727,173)
Leases, installment purchases & other	3,057	-	-	-	3,057
TOTAL OTHER FINANCING SOURCES (USES)	(482,840)	-	(11,195)	(18,841)	(512,876)
NET CHANGE IN FUND BALANCES	(75,606)	(39,923)	39,693	(3,879)	(79,715)
FUND BALANCES - JULY 1	1,875,734	283,453	(201,679)	96,675	2,054,183
FUND BALANCES - JUNE 30	\$ 1,800,128	\$ 243,530	\$ (161,986)	\$ 92,796	\$ 1,974,468

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, 2018
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ (79,715)

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	\$ 1,117,239	
Depreciation expense	<u>(618,428)</u>	
Excess of capital outlay over depreciation expense		498,811

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. (4,871)

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

Capital leases	(324)	
Other financing arrangements	<u>(2,734)</u>	
Total		(3,058)

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	46,960	
Capital lease payments	3,502	
Other financing arrangements payments	<u>1,499</u>	
Total long-term debt repayments		51,961

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. 13,329

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. 63,241

Pension related and other postemployment benefits (OPEB) related deferred amounts are not due and payable in the current year and, therefore, are not reported in governmental funds:

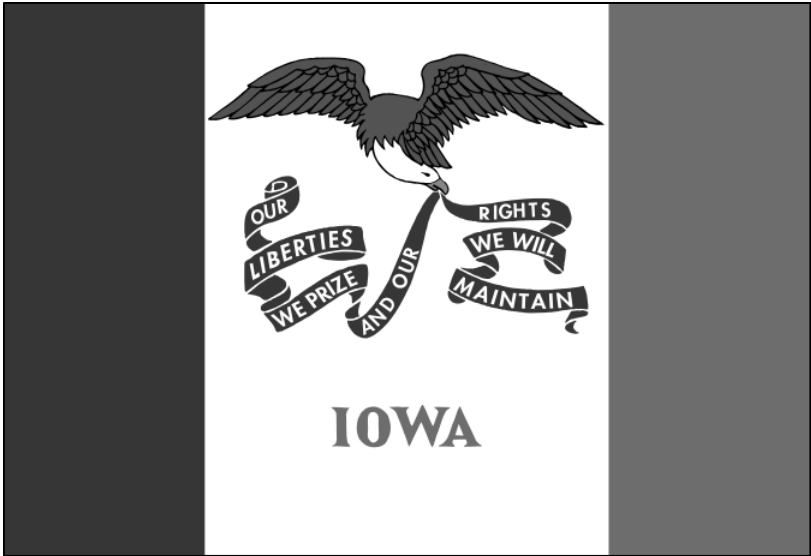
Pension related deferred outflows of resources	30,089	
Pension related deferred inflows of resources	<u>(47,037)</u>	
Net pension related deferred		(16,948)
OPEB related deferred outflows of resources	2,595	
OPEB related deferred inflows of resources	<u>(1,509)</u>	
Net OPEB related deferred		1,086

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	7,234	
Early retirement/termination benefits	617	
Net pension liability	4,016	
Other postemployment benefits liability	(10,975)	
Other	<u>7,113</u>	
Total additional expenses		<u>8,005</u>

Change in net position of governmental activities \$ 531,841

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, 2018
(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	\$ 697,050	\$ 1,242,926	\$ 42,047	\$ 1,982,023	\$ 82,570
Accounts receivable (net)	499,498	152,712	15,880	668,090	3,898
Interest receivable	4,227	-	-	4,227	-
Loans receivable (net)	3,997	-	-	3,997	-
Due from other funds/advances to other funds	-	1,672	84	1,756	90,073
Inventory	61,914	-	9,173	71,087	8,121
Prepaid expenses	47,646	-	1,615	49,261	8,158
Total current assets	<u>1,314,332</u>	<u>1,397,310</u>	<u>68,799</u>	<u>2,780,441</u>	<u>192,820</u>
Noncurrent assets:					
Cash & investments	2,591,552	-	-	2,591,552	-
Deposits with trustees	14,725	-	-	14,725	-
Accounts receivable (net)	4,027	-	205	4,232	-
Interest receivable	584	-	-	584	-
Loans receivable (net)	59,744	-	-	59,744	-
Due from other funds/advances to other funds	-	-	-	-	15
Capital assets - nondepreciable	859,072	-	10,895	869,967	215
Capital assets - depreciable (net)	4,960,468	-	26,537	4,987,005	128,832
Prepaid expenses	11,021	-	-	11,021	-
Other assets	15,500	-	-	15,500	-
Total noncurrent assets	<u>8,516,693</u>	<u>-</u>	<u>37,637</u>	<u>8,554,330</u>	<u>129,062</u>
TOTAL ASSETS	<u>9,831,025</u>	<u>1,397,310</u>	<u>106,436</u>	<u>11,334,771</u>	<u>321,882</u>
DEFERRED OUTFLOWS OF RESOURCES					
Debt refunding loss	27,578	-	-	27,578	-
Excess consideration provided for acquisition	879	-	-	879	-
Related to other postemployment benefits	63,118	-	131	63,249	136
Related to pensions	77,135	-	4,685	81,820	7,902
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>168,710</u>	<u>-</u>	<u>4,816</u>	<u>173,526</u>	<u>8,038</u>

(continued on next page)

STATE OF IOWA

Statement of Net Position Proprietary Funds

June 30, 2018

(Expressed in Thousands)

(continued)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS		
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	403,310	10,499	15,769	429,578	37,239
Due to other funds/advances from other funds	-	422	12,271	12,693	14,025
Interest payable	26,315	-	-	26,315	-
Unearned revenue	82,664	20,603	2,352	105,619	31,387
Compensated absences	138,286	-	1,772	140,058	3,025
Capital leases	1,915	-	-	1,915	-
Bonds payable	107,886	-	-	107,886	-
Other financing arrangements payable	8,414	-	-	8,414	-
Other postemployment benefits liability	10,692	-	137	10,829	183
Funds held in custody	323,429	-	-	323,429	-
Total current liabilities	1,102,911	31,524	32,301	1,166,736	85,859
Noncurrent liabilities:					
Accounts payable & accruals	55,065	-	226	55,291	49,237
Due to other funds/advances from other funds	-	-	-	-	15
Unearned revenue	2,185	-	-	2,185	-
Compensated absences	78,906	-	1,856	80,762	2,758
Capital leases	23,689	-	-	23,689	-
Bonds payable	1,876,303	-	-	1,876,303	-
Other financing arrangements payable	24,704	-	-	24,704	-
Net pension liability	159,187	-	12,806	171,993	22,521
Other postemployment benefits liability	238,102	-	2,267	240,369	3,049
Funds held in custody	40,966	-	-	40,966	-
Total noncurrent liabilities	2,499,107	-	17,155	2,516,262	77,580
TOTAL LIABILITIES	3,602,018	31,524	49,456	3,682,998	163,439
DEFERRED INFLOWS OF RESOURCES					
Debt refunding gain	4,327	-	-	4,327	-
Grants received in advance of meeting timing requirements	371	-	-	371	-
Related to other postemployment benefits	85,859	-	23	85,882	116
Related to pensions	3,120	-	891	4,011	2,047
TOTAL DEFERRED INFLOWS OF RESOURCES	93,677	-	914	94,591	2,163
NET POSITION					
Net investment in capital assets	3,944,934	-	37,432	3,982,366	129,047
Restricted for:					
Expendable	452,125	-	-	452,125	-
Nonexpendable	76,957	-	-	76,957	-
Unemployment benefits	-	1,365,786	-	1,365,786	-
Unrestricted	1,830,024	-	23,450	1,853,474	35,271
TOTAL NET POSITION	\$ 6,304,040	\$ 1,365,786	\$ 60,882	7,730,708	\$ 164,318

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds (7,824)

NET POSITION OF BUSINESS-TYPE ACTIVITIES **\$ 7,722,884**

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, 2018
(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	\$ -	\$ 427,401	\$ -	\$ 427,401	\$ -
Receipts from other entities	-	956	11	967	157,049
Fees, licenses & permits	2,900,894	-	23,157	2,924,051	549
Refunds & reimbursements	-	-	421	421	63,365
Sales, rents & services	411,254	-	375,758	787,012	1,225
Grants & contracts	581,882	-	-	581,882	-
Independent/auxiliary operations	326,915	-	-	326,915	-
Miscellaneous	59,863	6	3,755	63,624	4,417
TOTAL OPERATING REVENUES	4,280,808	428,363	403,102	5,112,273	226,605
OPERATING EXPENSES					
General & administrative	-	-	11,351	11,351	-
Scholarship & fellowship	40,164	-	-	40,164	-
Depreciation	363,275	-	4,566	367,841	16,822
Direct & other	-	-	33,880	33,880	-
Personal services	2,968,257	-	7,082	2,975,339	35,058
Travel & subsistence	37,547	-	1,257	38,804	17,787
Supplies & materials	752,000	-	607	752,607	44,733
Contractual services	131,079	-	7,893	138,972	48,597
Equipment & repairs	679,373	-	271	679,644	21,115
Claims & miscellaneous	7,328	-	222,805	230,133	29,536
Licenses, permits & refunds	4,599	-	953	5,552	58
State aid & credits	-	384,371	3,776	388,147	-
TOTAL OPERATING EXPENSES	4,983,622	384,371	294,441	5,662,434	213,706
OPERATING INCOME (LOSS)	(702,814)	43,992	108,661	(550,161)	12,899
NONOPERATING REVENUES (EXPENSES)					
Gifts	215,996	-	-	215,996	-
Taxes	-	-	8,167	8,167	-
Investment income	84,097	25,756	307	110,160	202
Interest expense	(56,246)	-	-	(56,246)	-
Miscellaneous expenses	(5,755)	-	-	(5,755)	-
Gain (loss) on sale of capital assets	(5,559)	-	(155)	(5,714)	231
NET NONOPERATING REVENUES (EXPENSES)	232,533	25,756	8,319	266,608	433
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	(470,281)	69,748	116,980	(283,553)	13,332
Capital contributions & grants	15,131	-	-	15,131	-
Special item - change in other postemployment benefits	465,008	-	-	465,008	-
Transfers in	645,217	-	-	645,217	-
Transfers out	-	(7,424)	(121,860)	(129,284)	-
CHANGE IN NET POSITION	655,075	62,324	(4,880)	712,519	13,332
TOTAL NET POSITION - JULY 1, RESTATED	5,648,965	1,303,462	65,762	7,018,189	150,986
TOTAL NET POSITION - JUNE 30	\$ 6,304,040	\$ 1,365,786	\$ 60,882	\$ 7,730,708	\$ 164,318
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				3	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES				\$ 712,522	

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, 2018
(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	\$ 3,612,458	\$ -	\$ 404,572	\$ 4,017,030	\$ -
Cash received from miscellaneous	91,705	6	3,766	95,477	-
Cash received from employers	-	445,447	-	445,447	-
Cash received from other entities	582,716	956	-	583,672	17,375
Cash received from reciprocal interfund activity	-	-	-	-	213,612
Cash payments to suppliers for goods & services	(1,710,261)	-	(276,648)	(1,986,909)	(162,465)
Cash payments to employees/students for services	(2,844,221)	-	(17,389)	(2,861,610)	(34,508)
Cash payments for interfund transactions	-	(1,022)	-	(1,022)	-
Cash payments for unemployment claims	-	(381,065)	-	(381,065)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(267,603)</u>	<u>64,322</u>	<u>114,301</u>	<u>(88,980)</u>	<u>34,014</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	563,059	-	-	563,059	-
Transfers out to other funds	-	(7,686)	(120,118)	(127,804)	-
Receipts from related agencies	963,349	-	-	963,349	-
Payments to related agencies	(888,886)	-	-	(888,886)	-
Other noncapital financing receipts	24,446	-	-	24,446	-
Other noncapital financing payments	(3,632)	-	-	(3,632)	-
Proceeds from noncapital gifts	194,844	-	-	194,844	-
Tax receipts	-	-	8,167	8,167	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>853,180</u>	<u>(7,686)</u>	<u>(111,951)</u>	<u>733,543</u>	<u>-</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Acquisition & construction of capital assets	(508,216)	-	(4,338)	(512,554)	(29,160)
Interest payments	(63,894)	-	-	(63,894)	-
Debt payments	(240,357)	-	-	(240,357)	-
Capital grants & contributions	17,146	-	-	17,146	-
Capital transfers in from other funds	83,450	-	-	83,450	-
Debt proceeds	312,649	-	-	312,649	-
Proceeds from sale of capital assets	2,003	-	8	2,011	-
Other capital & related financing activities	1,121	-	-	1,121	-
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	<u>(396,098)</u>	<u>-</u>	<u>(4,330)</u>	<u>(400,428)</u>	<u>(29,160)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest & dividends on investments	45,935	25,756	307	71,998	202
Proceeds from sale & maturities of investments	1,708,152	-	-	1,708,152	-
Purchase of investments	(1,848,774)	-	-	(1,848,774)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(94,687)</u>	<u>25,756</u>	<u>307</u>	<u>(68,624)</u>	<u>202</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	94,792	82,392	(1,673)	175,511	5,056
CASH & CASH EQUIVALENTS - JULY 1	<u>344,178</u>	<u>1,160,534</u>	<u>43,720</u>	<u>1,548,432</u>	<u>77,514</u>
CASH & CASH EQUIVALENTS - JUNE 30	438,970	1,242,926	42,047	1,723,943	82,570
INVESTMENTS	2,849,632	-	-	2,849,632	-
CASH & INVESTMENTS PER STATEMENT OF NET POSITION	<u>\$ 3,288,602</u>	<u>\$ 1,242,926</u>	<u>\$ 42,047</u>	<u>\$ 4,573,575</u>	<u>\$ 82,570</u>

(continued on next page)

STATE OF IOWA
Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2018
(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)	\$ (702,814)	\$ 43,992	\$ 108,661	\$ (550,161)	\$ 12,899
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	363,275	-	4,566	367,841	16,822
(Increase) decrease in accounts receivable	(2,648)	26,949	5,414	29,715	(2,745)
(Increase) decrease in due from	-	(1,022)	(34)	(1,056)	1,652
(Increase) decrease in inventory	(1,398)	-	1,567	169	657
(Increase) decrease in prepaid expenses	981	-	497	1,478	(2,740)
(Increase) decrease in loans receivable	(2,015)	-	-	(2,015)	-
(Increase) decrease in other assets	(116)	-	-	(116)	-
(Increase) decrease in deferred outflows of resources	(69,257)	-	20	(69,237)	(1,377)
Increase (decrease) in accounts payable	27,324	(4,388)	(6,300)	16,636	1,444
Increase (decrease) in due to	-	-	(40)	(40)	365
Increase (decrease) in unearned revenue	(6,420)	(1,209)	(144)	(7,773)	5,110
Increase (decrease) in compensated absences	5,061	-	(364)	4,697	(461)
Increase (decrease) in net pension liability	27,182	-	693	27,875	2,215
Increase (decrease) in other postemployment benefits liability	5,852	-	295	6,147	201
Increase (decrease) in deferred inflows of resources	87,390	-	(530)	86,860	(28)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (267,603)	\$ 64,322	\$ 114,301	\$ (88,980)	\$ 34,014
NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES					
Capital assets contributed	\$ 3,664	\$ -	\$ -	\$ 3,664	\$ -
TOTAL NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES	\$ 3,664	\$ -	\$ -	\$ 3,664	\$ -

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, 2018
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash & cash equivalents	\$ 345,860	\$ 43,124	\$ 238,963
Receivables:			
Accounts	-	125	246,822
Contributions	79,351	-	-
Investments sold	491,027	-	-
Foreign exchange contracts	116,473	-	-
Interest & dividends	96,803	-	-
Miscellaneous	1,000	-	-
Total receivables	784,654	125	246,822
Investments, at fair value:			
Fixed income securities	10,705,749	-	-
Equity investments	13,555,314	5,317,700	-
Real estate partnerships	79,988	-	-
Investment in private equity/debt	4,413,644	-	-
Real assets	4,372,438	-	-
Securities lending collateral pool	544,758	-	-
Total investments	33,671,891	5,317,700	-
Capital assets:			
Land	500	-	-
Other - depreciable (net)	15,994	116	-
Total capital assets	16,494	116	-
Other assets	1,357	20	-
TOTAL ASSETS	34,820,256	5,361,085	485,785
DEFERRED OUTFLOWS OF RESOURCES			
Related to other postemployment benefits	30	-	-
LIABILITIES			
Accounts payable & accruals	41,930	435	485,785
Foreign exchange contracts payable	113,052	-	-
Payable for investments purchased	1,061,657	-	-
Payable to brokers for rebate & collateral	544,573	-	-
TOTAL LIABILITIES	1,761,212	435	485,785
DEFERRED INFLOWS OF RESOURCES			
Related to other postemployment benefits	4	-	-
NET POSITION			
Restricted for:			
Pension/other postemployment benefits	33,059,070	-	-
Individuals, organizations & other entities	-	5,360,650	-
TOTAL NET POSITION	\$ 33,059,070	\$ 5,360,650	\$ -

The notes are an integral part of the financial statements.

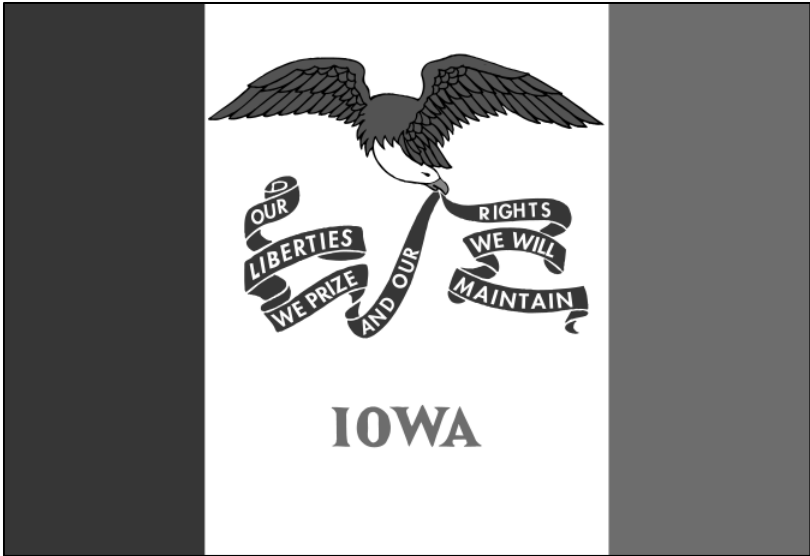
STATE OF IOWA

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

For the Year Ended June 30, 2018
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS		
Contributions:		
Member/participant contributions	\$ 491,168	\$ 419,374
Employer contributions	746,754	-
Buy-back/buy-in contributions	4,629	-
Other contributions	-	1,564
Gifts, bequests & endowments	-	8,793
Total contributions	1,242,551	429,731
Investment income:		
Net increase in fair value of investments	1,987,372	356,569
Interest	410,067	574
Dividends	150,894	-
Other	73,897	-
Total investment income	2,622,230	357,143
Less investment expense	71,969	-
Net investment income	2,550,261	357,143
TOTAL ADDITIONS	3,792,812	786,874
DEDUCTIONS		
Pension & annuity benefits	2,096,206	-
Distributions to participants	-	418,933
Payments in accordance with agreements	1,611	-
Administrative expense	15,007	-
Refunds	58,924	-
Other	-	4,830
TOTAL DEDUCTIONS	2,171,748	423,763
CHANGE IN NET POSITION	1,621,064	363,111
NET POSITION - JULY 1, RESTATED	31,438,006	4,997,539
NET POSITION - JUNE 30	\$ 33,059,070	\$ 5,360,650

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 Center for Advancement & Affiliate** (previously known as 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, 2018
(Expressed in Thousands)

	IOWA FINANCE AUTHORITY	IOWA ECONOMIC DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA CENTER FOR ADVANCEMENT & AFFILIATE
ASSETS					
Current assets:					
Cash & investments	\$ 605,042	\$ 141,471	\$ 18,649	\$ 26,818	\$ 644,123
Cash & investments - restricted	-	-	-	642	-
Accounts receivable	-	9,155	1,681	3,439	38,422
Interest receivable	6,774	-	39	57	-
Loans receivable (net)	113,100	8,625	-	-	-
Inventory	-	-	164	2,394	-
Prepaid expenses	-	215	-	61	268
Other assets	17,250	-	-	26	-
Total current assets	<u>742,166</u>	<u>159,466</u>	<u>20,533</u>	<u>33,437</u>	<u>682,813</u>
Noncurrent assets:					
Cash & investments	501,825	-	-	-	732,304
Accounts receivable	-	-	1,167	-	117,718
Loans receivable (net)	1,716,002	82,851	-	-	-
Capital assets - nondepreciable	764	-	26,017	1,592	123
Capital assets - depreciable (net)	1,568	143	68,980	6,232	16,973
Other assets	16,414	-	-	5,853	-
Total noncurrent assets	<u>2,236,573</u>	<u>82,994</u>	<u>96,164</u>	<u>13,677</u>	<u>867,118</u>
TOTAL ASSETS	<u>2,978,739</u>	<u>242,460</u>	<u>116,697</u>	<u>47,114</u>	<u>1,549,931</u>
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of					
hedging derivatives	542	-	-	-	-
Debt refunding loss	19,586	-	-	-	-
Excess consideration provided for acquisition	-	-	-	-	-
Related to other postemployment benefits	79	12	-	82	-
Related to pensions	1,997	2,011	996	1,884	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>22,204</u>	<u>2,023</u>	<u>996</u>	<u>1,966</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	13,662	11,280	1,486	28,386	2,046
Interest payable	25,052	-	-	-	-
Unearned revenue	-	28	229	196	-
Compensated absences	-	855	233	890	-
Capital leases	-	-	-	-	825
Bonds payable	70,674	-	-	-	-
Funds held in custody	-	-	-	-	92,507
Total current liabilities	<u>109,388</u>	<u>12,163</u>	<u>1,948</u>	<u>29,472</u>	<u>95,378</u>
Noncurrent liabilities:					
Accounts payable & accruals	4,445	14	-	5,921	22,618
Compensated absences	-	587	1,016	877	-
Bonds payable	1,634,931	-	-	-	-
Net pension liability	6,688	7,267	4,221	6,547	-
Other postemployment benefits liability	859	928	463	1,081	-
Funds held in custody	-	-	-	-	-
Total noncurrent liabilities	<u>1,646,923</u>	<u>8,796</u>	<u>5,700</u>	<u>14,426</u>	<u>22,618</u>
TOTAL LIABILITIES	<u>1,756,311</u>	<u>20,959</u>	<u>7,648</u>	<u>43,898</u>	<u>117,996</u>
DEFERRED INFLOWS OF RESOURCES					
Accumulated increase in fair value of					
hedging derivatives	3,972	-	-	-	-
Related to other postemployment benefits	4	14	-	6	-
Related to pensions	341	342	297	226	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,317</u>	<u>356</u>	<u>297</u>	<u>232</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	2,332	143	94,997	7,824	16,271
Restricted for:					
Bond resolutions	999,585	-	-	-	-
Clean water and drinking water programs	151,976	-	-	-	-
Title guaranty program	31,781	-	-	-	-
Economic development	-	53,596	-	-	-
Other purposes	49,293	-	3,580	-	-
Nonexpendable - foundations	-	-	-	-	732,303
Expendable - foundations	-	-	-	-	665,981
Unrestricted	5,348	169,429	11,171	(2,874)	17,380
TOTAL NET POSITION	<u>\$ 1,240,315</u>	<u>\$ 223,168</u>	<u>\$ 109,748</u>	<u>\$ 4,950</u>	<u>\$ 1,431,935</u>

(continued on next page)

STATE OF IOWA
Statement of Net Position
Component Units
June 30, 2018
(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	\$ 193,799	\$ 16,651	\$ 12,089	\$ 20,359	\$ 1,679,001
Cash & investments - restricted	-	-	-	-	642
Accounts receivable	29,012	2,871	866	7,536	92,982
Interest receivable	-	-	-	-	6,870
Loans receivable (net)	-	-	-	-	121,725
Inventory	-	-	-	470	3,028
Prepaid expenses	250	-	102	932	1,828
Other assets	281	151	-	-	17,708
Total current assets	<u>223,342</u>	<u>19,673</u>	<u>13,057</u>	<u>29,297</u>	<u>1,923,784</u>
Noncurrent assets:					
Cash & investments	904,736	135,013	-	5,697	2,279,575
Accounts receivable	124,236	4,304	190	-	247,615
Loans receivable (net)	1,318	-	-	-	1,800,171
Capital assets - nondepreciable	960	-	-	-	29,456
Capital assets - depreciable (net)	2,849	151	6	635	97,537
Other assets	5,818	872	1,251	-	30,208
Total noncurrent assets	<u>1,039,917</u>	<u>140,340</u>	<u>1,447</u>	<u>6,332</u>	<u>4,484,562</u>
TOTAL ASSETS	<u>1,263,259</u>	<u>160,013</u>	<u>14,504</u>	<u>35,629</u>	<u>6,408,346</u>
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of					
hedging derivatives	-	-	-	-	542
Debt refunding loss	-	-	-	-	19,586
Excess consideration provided for acquisition	-	-	-	4,260	4,260
Related to other postemployment benefits	-	-	-	-	173
Related to pensions	-	-	-	-	6,888
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,260</u>	<u>31,449</u>
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	1,022	1,059	990	6,255	66,186
Interest payable	-	-	-	-	25,052
Unearned revenue	-	-	-	-	453
Compensated absences	728	-	-	-	2,706
Capital leases	-	-	-	-	825
Bonds payable	143	-	-	-	70,817
Funds held in custody	4,520	-	-	13,474	110,501
Total current liabilities	<u>6,413</u>	<u>1,059</u>	<u>990</u>	<u>19,729</u>	<u>276,540</u>
Noncurrent liabilities:					
Accounts payable & accruals	23,143	2,139	189	-	58,469
Compensated absences	-	-	-	-	2,480
Bonds payable	1,780	-	-	-	1,636,711
Net pension liability	-	-	-	-	24,723
Other postemployment benefits liability	-	-	-	-	3,331
Funds held in custody	6,636	-	-	-	6,636
Total noncurrent liabilities	<u>31,559</u>	<u>2,139</u>	<u>189</u>	<u>-</u>	<u>1,732,350</u>
TOTAL LIABILITIES	<u>37,972</u>	<u>3,198</u>	<u>1,179</u>	<u>19,729</u>	<u>2,008,890</u>
DEFERRED INFLOWS OF RESOURCES					
Accumulated increase in fair value of					
hedging derivatives	-	-	-	-	3,972
Related to other postemployment benefits	-	-	-	-	24
Related to pensions	-	-	-	-	1,206
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,202</u>
NET POSITION					
Net investment in capital assets	1,886	151	6	635	124,245
Restricted for:					
Bond resolutions	-	-	-	-	999,585
Clean water and drinking water programs	-	-	-	-	151,976
Title guaranty program	-	-	-	-	31,781
Economic development	-	-	-	-	53,596
Other purposes	-	-	-	-	52,873
Nonexpendable - foundations	910,397	94,956	-	-	1,737,656
Expendable - foundations	293,972	52,927	-	-	1,012,880
Unrestricted	19,032	8,781	13,319	19,525	261,111
TOTAL NET POSITION	<u>\$ 1,225,287</u>	<u>\$ 156,815</u>	<u>\$ 13,325</u>	<u>\$ 20,160</u>	<u>\$ 4,425,703</u>

The notes are an integral part of the financial statements.

STATE OF IOWA
Statement of Activities
Component Units
For the Year Ended June 30, 2018
(Expressed in Thousands)

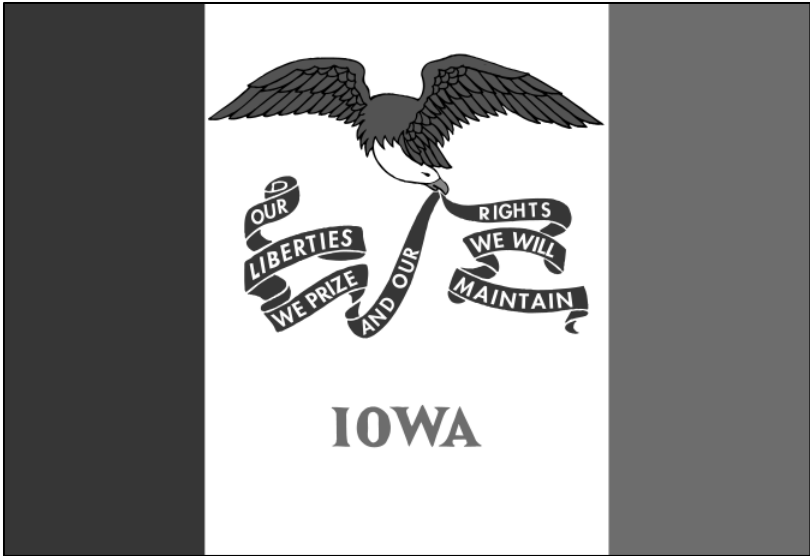
	IOWA FINANCE AUTHORITY	IOWA ECONOMIC DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA CENTER FOR ADVANCEMENT & AFFILIATE
Expenses	\$ 163,753	\$ 118,777	\$ 29,121	\$ 372,338	\$ 147,396
Program revenues:					
Charges for services	20,344	2,386	26,585	370,969	-
Operating grants & contributions	112,381	128,836	2,745	-	154,753
Capital grants & contributions	-	-	2,005	-	-
Total program revenues	<u>132,725</u>	<u>131,222</u>	<u>31,335</u>	<u>370,969</u>	<u>154,753</u>
Net program (expenses) revenues	<u>(31,028)</u>	<u>12,445</u>	<u>2,214</u>	<u>(1,369)</u>	<u>7,357</u>
General revenues:					
Investment income (loss)	56,380	1,279	141	314	95,388
Other	-	6,420	1,000	-	-
Gain (loss) on sale of assets	-	-	-	(140)	-
Total general revenues	<u>56,380</u>	<u>7,699</u>	<u>1,141</u>	<u>174</u>	<u>95,388</u>
CHANGE IN NET POSITION	25,352	20,144	3,355	(1,195)	102,745
NET POSITION - JULY 1, RESTATED	<u>1,214,963</u>	<u>203,024</u>	<u>106,393</u>	<u>6,145</u>	<u>1,329,190</u>
NET POSITION - JUNE 30	<u>\$ 1,240,315</u>	<u>\$ 223,168</u>	<u>\$ 109,748</u>	<u>\$ 4,950</u>	<u>\$ 1,431,935</u>

(continued on next page)

STATE OF IOWA
Statement of Activities
Component Units
For the Year Ended June 30, 2018
(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	\$ 101,198	\$ 19,914	\$ 5,810	\$ 53,939	\$ 1,012,246
Program revenues:					
Charges for services	-	-	3,411	43,648	467,343
Operating grants & contributions	225,280	18,078	-	-	642,073
Capital grants & contributions	-	-	-	-	2,005
Total program revenues	<u>225,280</u>	<u>18,078</u>	<u>3,411</u>	<u>43,648</u>	<u>1,111,421</u>
Net program (expenses) revenues	<u>124,082</u>	<u>(1,836)</u>	<u>(2,399)</u>	<u>(10,291)</u>	<u>99,175</u>
General revenues:					
Investment income (loss)	24,756	10,810	784	443	190,295
Other	-	-	-	3,247	10,667
Gain (loss) on sale of assets	-	-	-	(295)	(435)
Total general revenues	<u>24,756</u>	<u>10,810</u>	<u>784</u>	<u>3,395</u>	<u>200,527</u>
CHANGE IN NET POSITION	148,838	8,974	(1,615)	(6,896)	299,702
NET POSITION - JULY 1	<u>1,076,449</u>	<u>147,841</u>	<u>14,940</u>	<u>27,056</u>	<u>4,126,001</u>
NET POSITION - JUNE 30	<u>\$ 1,225,287</u>	<u>\$ 156,815</u>	<u>\$ 13,325</u>	<u>\$ 20,160</u>	<u>\$ 4,425,703</u>

The notes are an integral part of the financial statements.



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, Hoover State Office Bldg., 3rd Floor, 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, 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 their 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. The State has the ability to impose its will upon the Authority.

- 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 has the ability 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 is financially accountable for the Authority through fiscal dependency and imposition of a financial burden. Bonds issued by the Authority must be approved by the State and there is a history of financial support. (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. The Authority's 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, while providing a financial benefit to the State.

During the year ended June 30, 2018, the Iowa Lottery Authority distributed \$84.6 million to the General Fund and \$2.5 million to the Iowa Veterans Trust Fund.

- The University of Iowa Center for Advancement & Affiliate (previously known as 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, 2018, the Foundations distributed \$216.7 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.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Related Organizations

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

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

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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.

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).

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Proprietary Funds

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

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

Fiduciary Funds

Pension and Other Employee Benefit 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 ABLE Savings Plan Trust, Iowa Veterans Trust Fund, and Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR-UP) Fund.

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

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

In fiscal year 2018, the State of Iowa implemented the following GASB standards:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes accounting and financial reporting standards for state and local governments for postemployment benefits other than pensions. This statement replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement.
- GASB Statement No. 85, *Omnibus 2017*. This Statement addresses a variety of practice issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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 \$21.1 million associated with certain funds has been assigned to other funds for fiscal year 2018.

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.)

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.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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, IPERS had \$0.4 million in risk exposure, while PORS and JRS had no credit risk exposure to borrowers because the amounts the borrowers owed PORS and JRS did not exceed the amount PORS and JRS 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, 2018, the Systems had securities on loan, including accrued interest income, with a total value of \$528.2 million against collateral with a total value of \$544.6 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, 2018, for IPERS was 0.00. Credit quality and years to maturity statistics for the cash collateral pool at June 30, 2018, for the Systems is as follows (expressed in thousands):

		Securities Lending Collateral Pool						
		<u>Credit Risk: S&P Quality Rating</u>				Investment	Redemption	Redemption
<u>Investment Type</u>	<u>Fair Value *</u>	<u>AAA</u>	<u>A-1</u>	<u>A-2</u>	<u>Not Rated</u>	<u>Maturity</u>	<u>Frequency</u>	<u>Notice</u>
						<u>(Years)</u>		<u>Period</u>
Overnight repurchase agreements	\$ 95,277	\$ 76,916	\$ -	\$ -	\$ 18,361	Less than 1	N/A	on demand
Money market funds	<u>232,408</u>	<u>-</u>	<u>107,675</u>	<u>15,000</u>	<u>109,733</u>	Less than 1	Daily	on demand
	<u>\$ 327,685</u>	<u>\$ 76,916</u>	<u>\$ 107,675</u>	<u>\$ 15,000</u>	<u>\$ 128,094</u>			

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

G. Accounts Receivable

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

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

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NOTES TO THE FINANCIAL STATEMENTS

H. Inventories

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

I. Prepaid Items

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

J. Capital Assets

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

M. Long-term Liabilities

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

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

N. Deferred Inflows of Resources

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

O. Interfund Activity and Balances

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide 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 reserve funds: the Cash Reserve Fund and the Iowa Economic Emergency Fund, created in Sections 8.56 and 8.55 of the Code of Iowa. 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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

the General Fund of the State for payment of State obligations. An appropriation shall not be made from the Cash Reserve Fund if the appropriation would cause the fund's balance to be less than 3.75% of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

The *Iowa Economic Emergency Fund* is separate from the General Fund of the State and the fund is not to be considered part of the balance of the General Fund of the State. The moneys in the fund do not revert to the General Fund. The maximum balance of the fund is equal to 2.5% of the adjusted revenue estimate for the General Fund for the current fiscal year. Interest or earnings on moneys deposited in the Iowa Economic Emergency 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 Iowa Economic Emergency Fund by the end of each fiscal year. The balance may be used in determining the cash position of the General Fund of the State for payment of State obligations. Amounts in excess of the maximum balance are distributed as follows: (1) the first \$60 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 is transferred to the Taxpayers Trust Fund, (2) the remainder of the excess, if any, shall be transferred to the General Fund of the State.

The General Assembly can only appropriate moneys in the fund for emergency expenditures. A maximum of \$50 million may be used to prevent a deficit in the General Fund when *all* of the following have occurred: (1) the Revenue Estimating Conference (REC) estimate of General Fund receipts made during the last quarter of the fiscal year was, or the actual fiscal year receipts and accruals were, at least one-half of one percent less than the comparable estimate made during the third quarter of the fiscal year; (2) the Governor has implemented the uniform reductions in appropriations required in section 8.31 as a result of the above item and such reduction was insufficient to prevent an overdraft on or deficit in the General Fund of the State, or the Governor did not implement uniform reductions in appropriations because of the lateness of the estimated or actual receipts and accruals under item (1); (3) the balance of the General Fund of the State at the end of the fiscal year prior to the appropriation made in this paragraph was negative; and (4) the Governor has issued an official proclamation and has notified the co-chairpersons of the fiscal committee of the Legislative Council and the Legislative Services Agency that the contingencies above have occurred and the reasons why the uniform reductions specified in item (2) were insufficient, or were not implemented to prevent an overdraft on or deficit in the General Fund of the State. Additionally, the Executive Council may receive an amount sufficient to pay expenses authorized in 7D.29 of the Code of Iowa.

R. Minimum Fund Balance Requirements

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

S. Budgeting and Budgetary Control

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – CASH, INVESTMENTS AND SECURITIES LENDING

A. Primary Government and Fiduciary Funds

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.

Valuation techniques – Treasurer: The custodian for the Treasurer's investments, Bank of New York Mellon (BNYM), prices securities based on information from third-party vendors. Where available, BNYM uses more than one vendor for securities of each asset type, class, or issue. Vendor-provided prices are subjected to automated tolerance checks to identify and avoid, where possible, the use of inaccurate prices. Data received from vendors is checked to test for possible errors, which are researched manually. Vendor prices or prices from other specified alternative sources which are considered to be reliable are then applied for all customer accounts.

When a portfolio includes limited partnerships, commingled funds, real estate funds or other similar private investment vehicles that do not actively trade through established exchange mechanisms, such positions are usually valued by a general or managing partner (or functional equivalent). Certain private placements, or other difficult to price holdings, where there is no, or limited, information in the market place are frequently priced by investment managers whose portfolio holds the asset.

Valuation techniques – IPERS: Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest, which approximates fair value.

Debt, equity and derivative securities classified in Level 1 are valued using prices quoted in active markets for those securities. Derivative securities classified in Level 2 are securities whose values are either derived daily from associated traded securities or are determined by using a market approach that considers benchmark interest rates.

Debt and debt derivative securities classified in Level 2 and Level 3 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 2 debt securities have nonproprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market. Level 3 debt securities are solely composed of bank loans and these investments use proprietary information or single-source pricing.

Other real assets and private real estate separate accounts classified in Level 3 are investments generally valued using one or a combination of the following accepted valuation approaches: market, cost, or income.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Independent third-party appraisals are required every three years. Annual appraisals are done internally by the advisors and all portfolios have audited financials completed at fiscal year-end.

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

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

The fair value measurements, categorized by level of the fair value hierarchy, for the investments of the primary government, at June 30, 2018 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	\$ 423,367	\$ 302,759	\$ 120,608	\$ -	\$ -
U.S. government agency	345,484	-	345,484	-	-
Government asset & mortgage-backed	1,220,239	-	1,220,239	-	-
Corporate bonds	115,045	-	115,045	-	-
Corporate asset backed	27,387	-	27,387	-	-
Private placements	36,443	-	36,443	-	-
Fixed income mutual funds	1,593,777	1,056,049	1	-	537,727
Other fixed income	8,287	-	8,287	-	-
Total fixed	3,770,029	1,358,808	1,873,494	-	537,727
Equity:					
U.S. equity	32,159	31,554	605	-	-
Private equity	94,635	-	-	-	94,635
Non U.S. equity	40,748	-	-	-	40,748
Pooled & mutual funds	519,457	293,503	2,208	-	223,746
Real assets	201,825	-	-	-	201,825
Investment pools	1,715	538	654	523	-
Other	1,492	768	665	59	-
Total equity	892,031	326,363	4,132	582	560,954
Total	4,662,060	\$ 1,685,171	\$ 1,877,626	\$ 582	\$ 1,098,681
Other:					
Bank investments	64,892				
Money markets	219,207				
Total invested assets	\$ 4,946,159				

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NOTES TO THE FINANCIAL STATEMENTS

The following table summarizes investments measured at the net asset value per share, or equivalent, for the primary government, at June 30, 2018 (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	\$ 537,727	\$ -	daily-quarterly	5 - 60 days
Equity:				
Private equity	94,635	58,866	N/A	N/A
Non U.S. equity	40,748	-	daily - monthly	2 - 30 days
Pooled & mutual funds	223,746	-	daily - monthly	2 - 30 days
Real assets - redeemable	116,825	-	quarterly	60 - 90 days
Real assets - nonredeemable	85,000	61,144	N/A	N/A
Real assets	201,825	61,144		
Total equity	560,954	120,010		
Total	\$ 1,098,681	\$ 120,010		

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 global 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.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

The fair value measurements, categorized by level of the fair value hierarchy, for the investments of the fiduciary funds, at June 30, 2018 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	\$ 2,072,546	\$ -	\$ 2,072,546	\$ -	\$ -
U.S. government agency	495,904	2,405	493,499	-	-
Government asset & mortgage-backed	1,941,295	-	1,941,295	-	-
Corporate bonds	3,365,535	-	3,233,086	132,449	-
Corporate asset backed	229,820	-	229,510	310	-
Private placements	1,656,682	-	1,656,339	343	-
Fixed income mutual funds	768,667	-	-	11,263	757,404
Commingled bond funds	1,971,305	-	-	-	1,971,305
Other fixed income	31,924	-	31,924	-	-
Total fixed	<u>12,533,678</u>	<u>2,405</u>	<u>9,658,199</u>	<u>144,365</u>	<u>2,728,709</u>
Equity:					
U.S. equity	7,449,622	7,188,825	260,797	-	-
Private equity	4,120,755	-	-	-	4,120,755
Commingled & mutual funds	12,233,258	5,020,991	300,458	-	6,911,809
Real estate	2,342,420	-	-	2,065,548	276,872
Other	48,224	515	47,684	25	-
Total equity	<u>26,194,279</u>	<u>12,210,331</u>	<u>608,939</u>	<u>2,065,573</u>	<u>11,309,436</u>
Total invested assets	<u>\$ 38,727,957</u>	<u>\$ 12,212,736</u>	<u>\$ 10,267,138</u>	<u>\$ 2,209,938</u>	<u>\$ 14,038,145</u>

The following table summarizes investments measured at the net asset value per share, or equivalent, for the fiduciary funds, at June 30, 2018 (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	\$ 757,404	\$ -	daily	N/A
Commingled bond funds	1,971,305	-	daily	2 days
Total fixed	<u>2,728,709</u>	<u>-</u>		
Equity:				
Private equity	4,120,755	2,235,884	N/A	N/A
Commingled & mutual funds	6,911,809	-	daily - weekly	2 - 15 days
Real estate	276,872	523,374	N/A	N/A
Total equity	<u>11,309,436</u>	<u>2,759,258</u>		
Total	<u>\$ 14,038,145</u>	<u>\$ 2,759,258</u>		

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

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situations, and distressed debt funds. The fair values of these funds and the fund-of-one has been determined using net assets valued one quarter in arrears plus current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years.

- Real estate – Consists of 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. The State's exposure to credit risk for the fixed income investments of the primary government and fiduciary funds at June 30, 2018, 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	\$ 448,975	11.91%	TSY	\$ 3,330,468	26.57%
AGY	18,068	0.48%	AGY	249,168	1.99%
AAA	37,317	0.99%	AAA	682,945	5.45%
AA	2,248,133	59.62%	AA	1,480,556	11.81%
A	275,848	7.32%	A	1,067,585	8.52%
BBB	81,397	2.16%	BBB	2,030,918	16.20%
BB	109,643	2.91%	BB	893,102	7.13%
B	114,838	3.05%	B	673,288	5.37%
Below B	2,655	0.07%	Below B	111,118	0.89%
Not rated	433,155	11.49%	Not rated	2,014,530	16.07%
Total	\$ 3,770,029	100.00%	Total	\$ 12,533,678	100.00%

The Treasurer's investment policy authorizes the investment in U.S. Treasuries, agencies and instrumentalities; certificates of deposit and other evidences of deposit at federally insured depository institutions approved pursuant to chapter 12C of the Code of Iowa; 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 a rating of A1+/P1 by 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 maturing within 270 days 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 which are purchased at par value or at a discount to par value and have an expected average time to receipt of principal (average life) of less than two years and a final maturity of less than three years at the time of purchase; 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.

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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.

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 \$955.1 million total combined bank deposits of the primary government and fiduciary funds at June 30, 2018, were exposed to custodial credit risk for \$352.5 million of uninsured and uncollateralized bank deposits, of which \$350.7 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 \$43.7 billion total combined investments of the primary government and fiduciary funds at June 30, 2018, \$2.1 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 \$1.1 billion 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 maturity diversification parameters and liquidity funding requirements set by the Investment Committee.

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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. Each fixed income portfolio is managed to an appropriate benchmark.

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, 2018, 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	\$ 423,367	0.97	U.S. government treasuries, notes & bonds	\$ 2,072,546	6.83
U.S. government agency	345,484	1.59	U.S. government agency	495,904	5.59
Government asset & mortgage-backed	1,220,239	1.49	Government asset & mortgage-backed	1,941,295	4.75
Corporate bonds	115,045	0.23	Corporate bonds	3,365,535	4.85
Corporate asset backed	27,387	0.65	Corporate asset backed	229,820	1.32
Private placements	36,443	0.30	Private placements	1,656,682	3.26
Fixed income mutual funds	1,593,777	3.38	Fixed income mutual funds	768,667	0.08
Other fixed income	8,287	6.91	Commingled bond funds	1,971,305	6.70
Total	<u>\$ 3,770,029</u>	<u>2.20</u>	Other fixed income	31,924	7.19
			Total	<u>\$ 12,533,678</u>	<u>4.92</u>

Foreign Currency Risk

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

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

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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, 2018.

Foreign currency risk by investment type for the fiduciary funds, at June 30, 2018, follows (expressed in thousands):

	Total	Cash	Derivatives	Equity	Fixed Income
Argentine peso	\$ 208	\$ -	\$ -	\$ -	\$ 208
Australian dollar	175,017	247	28	174,742	-
Brazilian real	38,945	(1,299)	-	37,430	2,814
British pound	62,737	(3,362)	(63)	62,071	4,091
Canadian dollar	16,902	830	19	16,053	-
Chilean peso	2,490	17	-	2,473	-
Columbian peso	1,744	-	-	940	804
Czech koruna	7,193	28	-	7,165	-
Danish krone	5,664	364	-	5,300	-
Egyptian pound	467	18	-	449	-
Euro	295,027	(39,795)	(1,922)	297,913	38,831
Hong Kong dollar	319,616	1,837	-	317,779	-
Hungarian forint	10,297	51	-	10,246	-
Indian rupee	63,589	278	-	63,311	-
Indonesian rupiah	5,826	71	-	5,755	-
Israeli shekel	3,653	12	-	3,641	-
Japanese yen	614,818	13,357	(135)	601,596	-
Malaysian ringgit	7,165	38	-	5,225	1,902
Mexican peso	44,447	89	-	9,824	34,534
New Zealand dollar	4,742	14	-	4,728	-
Norwegian krone	3,634	120	-	3,514	-
Philippine peso	2,113	-	-	2,113	-
Polish zloty	1,824	30	-	1,794	-
Qatari riyal	502	-	-	502	-
Russian ruble	5	5	-	-	-
Singapore dollar	40,817	234	-	40,583	-
South African rand	52,621	50	-	52,571	-
South Korean won	86,048	(525)	-	86,573	-
Swedish krona	15,516	129	-	15,387	-
Swiss franc	11,058	928	-	10,130	-
Taiwanese dollar	68,452	(339)	-	68,791	-
Thai baht	5,723	-	-	5,723	-
Turkish lira	8,319	57	-	8,262	-
United Arab Emirates dirham	7,644	-	-	7,644	-
Total	\$ 1,984,823	\$ (26,516)	\$ (2,073)	\$ 1,930,228	\$ 83,184

Deposits with Trustees

Deposits with trustees totaled \$220.3 million at June 30, 2018. \$12.6 million was invested in fixed U.S. government treasury securities with an effective duration of 1.80 years, \$29.3 million was invested in fixed U.S. government agency securities (\$15.5 million with an effective duration of 0.05 years and a credit quality rating of A-1+ and \$13.8 million with an effective duration of 1.37 years and a credit quality rating of AAA), \$177.5 million was invested in equity securities not subject to credit quality ratings and the remaining \$0.9 million was cash and cash equivalents.

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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.

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

	<u>Amount</u>	<u>Net Position Classification</u>
University of Iowa	\$ 13,893	Restricted nonexpendable net position
Iowa State University	7,442	Restricted expendable net position
University of Northern Iowa	728	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 Iowa Finance Authority (Authority) obtains its fair value pricing on fixed income investments from its third party custodian. There are multiple pricing methodologies which are used to value the Authority's fixed income investments. These methods include, but are not limited to, gathering pricing from multiple market sources and vendor credit information, observed market movements, sector news into the pricing applications and models, or manual methods. Since none of the Authority's fixed income investments are actively traded on an exchange, yet rely on significant observable inputs for fair value pricing, these securities are classified as Level 2.

The Authority also holds investments in governmental money market mutual funds, guaranteed investment contracts and the State of Iowa Treasurer pooled money fund. These investments are valued using cost based measures. The State Treasurer manages the investments and accepts all risks with respect to the investments in the pool. The pool has no limitations or restrictions on withdrawals and transacts with the Authority at a value of \$1 per share.

The Authority obtains its fair value pricing on interest rate swaps and cap derivative instruments from a third party vendor. The fair value of the forward MBS sales and MBS purchase commitments are estimated based on internal valuation models. See section C. Derivatives for further description of the fair value methodology for derivative instruments.

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The fair value measurements, categorized by level of the fair value hierarchy, for the investments of the component units, at June 30, 2018 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	\$ 48,215	\$ -	\$ 48,215	\$ -
U.S. government agency	20,208	-	20,208	-
Government asset & mortgage-backed	484,396	-	484,396	-
Corporate bonds	7,234	-	7,234	-
Certificates of deposit	2,750	-	2,750	-
Fixed income mutual funds	29	29	-	-
Total fixed	562,832	29	562,803	-
Equity:				
Other	483	-	-	483
Total	563,315	\$ 29	\$ 562,803	\$ 483
Other:				
Money markets	426,764			
Guaranteed investment contracts	38,378			
State of Iowa Treasurer pooled money fund	25,195			
Healthcare joint ventures	5,697			
Total invested assets	\$ 1,059,349			

The University Foundations', discretely presented component units, cash and investments of \$2.6 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.

The exposure to credit risk for the component units fixed income investments at June 30, 2018, is summarized as follows (expressed in thousands):

S & P Quality Ratings	Fair Value	Percentage
AA	\$ 75,657	13.44%
Not rated	487,175	86.56%
Total	\$ 562,832	100.00%

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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.

The Iowa Finance Authority's investment policy outlines the allowable concentrations of various investment categories. Bond indentures restrict the types of permitted investments. Portfolio maturities are staggered to avoid undue concentration of assets within a specific maturity period which provides for stability of income and reasonable liquidity.

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

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, 2018, is summarized using the weighted average maturity method, as follows (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. government treasuries, notes & bonds	\$ 48,215	1.31
U.S. government agency	20,208	1.48
Government asset & mortgage-backed	484,396	21.69
Corporate bonds	7,234	1.74
Certificates of deposit	2,750	1.20
Fixed income mutual funds	29	0.08
Total	<u>\$ 562,832</u>	<u>18.86</u>

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, 2018, 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 time to time for hedging purposes; however, any derivatives held by these types of investment vehicles are not

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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, 2018, follow (expressed in thousands):

Futures Exposure Summary

	Number of Contracts	Notional Value	Fair Value	% of Total Fund NAV
Long Futures:				
Agriculture	186	\$ 5,201	\$ (228)	(0.00071)
Currency	1,643	135,062	(973)	(0.00302)
Energy	325	26,191	1,462	0.00453
Index	5,051	439,323	(7,358)	(0.02281)
Interest	22,180	5,519,238	9,443	0.02927
Metal	499	35,921	(1,934)	(0.00599)
Total	<u>29,884</u>	<u>\$ 6,160,936</u>	<u>\$ 412</u>	<u>0.00127</u>
Short Futures:				
Agriculture	(308)	\$ (6,708)	\$ 189	0.00059
Currency	(3,775)	(357,532)	1,521	0.00471
Energy	(81)	(2,907)	(51)	(0.00016)
Index	(1,679)	(186,524)	3,017	0.00935
Interest	(9,798)	(2,236,280)	(5,736)	(0.01778)
Metal	(650)	(47,692)	1,344	0.00416
Total	<u>(16,291)</u>	<u>\$(2,837,643)</u>	<u>\$ 284</u>	<u>0.00087</u>

Options Exposure Summary

	Fair Value	% of Total Fund NAV
Options purchased:		
Interest	<u>\$ 2,187</u>	<u>0.00678</u>
Options written:		
Index	\$ (1,612)	(0.00499)
Interest	(854)	(0.00265)
Total	<u>\$ (2,466)</u>	<u>(0.00764)</u>

Credit Default Swaps: IPERS had investments in credit default swaps during the year. The credit default swaps held by IPERS are derivative instruments that are used to hedge or to replicate investments in debt obligations of corporate bond issuers. The risk of the credit default swap is comparable to the credit risk of the reference security. At June 30, 2018, the net notional value of the credit default swaps held in IPERS' fixed-income

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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, 2018, the net notional value of the interest rate swaps held in IPERS' fixed-income portfolio was \$221.3 million. All interest rate swaps held by IPERS are reported at a fair value of \$(2.2) million in the Statement of Fiduciary Net Position.

Mortgage-Backed Securities: IPERS invests in mortgage-backed securities, which are reported in the Statement of Fiduciary Net Position at fair value based on estimated future cash flows from the interest and principal payments of the underlying mortgages. Mortgage-backed securities prices are sensitive to prepayments by mortgagees, a scenario that is more likely in declining-interest-rate environments. IPERS invests in mortgage-backed securities to diversify the portfolio and earn the return premium associated with prepayment risk.

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 as other assets or other liabilities in 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 part of the net increase/decrease in fair value of investments within the Statement of Revenues, Expenses and Changes in Net Position.

Aggregate debt service requirements of the Authority's hedged variable-rate debt and net receipts/payments on associated derivative instruments at June 30, 2018, follow (expressed in thousands):

Year Ending June 30,	Variable-rate Bonds Principal	Variable-rate Bonds Interest	Interest Rate Swaps, Net	Total
2019	\$ -	\$ 1,717	\$ 1,066	\$ 2,783
2020	-	1,801	1,064	2,865
2021	-	1,795	1,060	2,855
2022	-	1,798	1,035	2,833
2023	1,300	1,785	1,018	4,103
2024-2028	11,820	8,381	4,419	24,620
2029-2033	21,615	7,228	3,571	32,414
2034-2038	29,450	5,082	2,375	36,907
2039-2043	26,740	2,978	1,369	31,087
2044-2048	24,715	692	305	25,712
Total	<u>\$ 115,640</u>	<u>\$ 33,257</u>	<u>\$ 17,282</u>	<u>\$ 166,179</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. Not all variable rate debt is associated with a derivative instrument.

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NOTES TO THE FINANCIAL STATEMENTS

Hedging Derivatives – Swaps: Swap agreements allow the Authority to raise funds at variable rates and swap them into fixed rates that are lower than those available to the Authority if fixed-rate borrowings were made directly. These contracts involve the exchange of variable-rate for fixed-rate payments between the parties, without the exchange of the underlying debt, based on a common notional amount and maturity date. The terms of the Authority’s swap hedging derivative instruments outstanding at June 30, 2018, follow (expressed in thousands):

Bond Series	2018		Effective Date	Termination Date	Terms		S & P Global Rating
	Notional Amount				Pay	Receive	
SF 2015 B	\$ 15		11/01/05	01/01/36	4.140%	SIFMA + 0.10% or Various LIBOR + Spread	AA-
SF 2015 B	40		05/01/06	07/01/36	3.843%	SIFMA + 0.10% or Various LIBOR + Spread	AA-
SF 2015 B	4,890		09/01/06	01/01/36	3.766%	Enhanced LIBOR	A+
SF 2015 B	245		11/01/06	07/01/36	4.632%	SIFMA + 0.10%	AA-
SF 2016 B	960		07/12/07	01/01/19	5.493%	USD LIBOR	AA-
MF 2008 A	3,450		04/17/08	06/01/24	3.971%	SIFMA + 0.08%	A+
SF 2015 B	20,030		01/01/17	01/01/46	2.518%	67% of 1M LIBOR	AA-
SF 2016 B	9,950		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	A+
SF 2017 D	13,125		01/01/18	01/01/47	2.126%	67% of 1M LIBOR	A+
SF 2018 B	15,000		07/01/18	07/01/47	2.490%	70% of 1M LIBOR	AA-
	<u>\$ 68,675</u>						

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, 2018, follow (expressed in thousands):

Bond Series	2018		Effective Date	Maturity Date	Strike 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	AA-
MF 2007 A	11,305		07/01/18	07/01/21	SIFMA = 3%	AA-
MF FHLB B-1	10,451		07/01/18	07/01/22	USD LIBOR = 6%	AA-
	<u>\$ 31,056</u>					

Investment Derivatives: The Authority’s investment derivative instruments had the following maturities as of June 30, 2018 (expressed in thousands):

Investment Type	Notional Value	Fair Value	Investment Maturities (in Years)		
			Less than 1	1 - 5	6 - 10
Investment derivative instruments:					
Swaps	\$ 17,115	\$ (583)	\$ -	\$ (51)	\$ (532)
Forward MBS sales	34,775	(109)	(109)	-	-
MBS purchase commitments	34,523	497	497	-	-
Total	<u>\$ 86,413</u>	<u>\$ (195)</u>	<u>\$ 388</u>	<u>\$ (51)</u>	<u>\$ (532)</u>

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NOTES TO THE FINANCIAL STATEMENTS

Fair Values of Derivatives: The Authority's fair value of derivative instruments outstanding at June 30, 2018, 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, 2018	Change in Fair Value
Hedging derivatives:			
SF 2015 B	Swap	\$ -	\$ 8
SF 2015 B	Swap	-	10
SF 2015 B	Swap	(181)	110
SF 2015 B	Swap	(8)	40
SF 2016 B	Swap	(2)	58
SF 2015 B	Swap	-	59
SF 2015 B	Swap	-	190
SF 2015 B	Swap	(93)	658
SF 2016 B	Swap	336	324
SF 2016 E	Swap	249	101
SF 2017 D	Swap	299	299
SF 2018 B	Swap	(15)	(15)
MF 2007 A	Cap	10	10
MF 2007 B	Cap	4	(7)
MF 2011 B1	Cap	2	2
MF 2008 A	Swap	(332)	158
Total hedging derivatives		\$ 269	\$ 2,005
Investment derivatives:			
NONE	Swap	\$ (543)	\$ 427
NONE	Basis swap	11	24
NONE	Basis swap	-	(2)
NONE	Swap	(51)	103
NONE	Swap	-	114
NONE	Swap	-	14
Forward MBS sales	Forward	(109)	(169)
MBS purchase commitments	Commitment	497	254
Total investment derivatives		\$ (195)	\$ 765

The fair values, categorized by level of the fair value hierarchy, for the hedging and investment derivative instruments of the Authority, at June 30, 2018 follow (expressed in thousands):

Derivative Type	Total	Level 2	Level 3
Hedging derivative instruments	\$ 269	\$ 269	-
Investment derivative instruments	(195)	(692)	497

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

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NOTES TO THE FINANCIAL STATEMENTS

for interest rate option products. The option models would consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions. This valuation technique is applied consistently across all transactions.

The fair value of the forward MBS sales are estimated based on an internal valuation model, which includes current trade pricing for similar financial instruments in active markets that the Authority has the ability to access.

The fair value of the MBS purchase commitments are estimated using an internal valuation model, which includes grouping the commitments by interest rate and terms, applying an estimated closing ratio, and then multiplying 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, 2018, was 80%.

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, 2018 was \$900,000. 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, 2018, the SIFMA swap index rate is 1.51% and US 1-month LIBOR is 2.09%.

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.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – TRANSFERS

Interfund transfers for the year ended June 30, 2018, consisted of the following (expressed in thousands):

Transferred Out	Transferred In			Total
	General Fund	Nonmajor Governmental Funds	University Funds	
General Fund	\$ -	\$ 25,951	\$ 645,217	\$ 671,168
Tobacco Collections Fund	11,195	-	-	11,195
Nonmajor Governmental Funds	44,792	18	-	44,810
Unemployment Benefits Fund	7,424	-	-	7,424
Nonmajor Enterprise Funds	121,860	-	-	121,860
Total	\$ 185,271	\$ 25,969	\$ 645,217	\$ 856,457

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, 2018, consisted of the following (expressed in thousands):

	Governmental Funds	Proprietary Funds		Component Units
		Enterprise Funds	Internal Service Funds	
Accounts receivable:				
Taxes	\$ 614,887	\$ 1,495	\$ 154	\$ -
Pledges	2,306	-	-	333,980
Benefit overpayments	-	63,537	-	-
Employer contributions	-	152,567	-	-
Grants & contracts	1,317,618	1,114,029	7	-
Other	1,116,377	92,753	3,737	57,425
Less:				
Allowance for doubtful accounts	732,211	752,059	-	8,189
Discount to present value	-	-	-	42,619
Accounts receivable (net)	\$ 2,318,977	\$ 672,322	\$ 3,898	\$ 340,597
Current	\$ 2,225,015	\$ 668,090	\$ 3,898	\$ 92,982
Noncurrent	93,962	4,232	-	247,615
Total	\$ 2,318,977	\$ 672,322	\$ 3,898	\$ 340,597
Loans receivable:				
Loans receivable	\$ 49,567	\$ 67,376	\$ -	\$ 2,064,787
Less:				
Allowance for doubtful accounts	8,412	3,635	-	142,891
Loans receivable (net)	\$ 41,155	\$ 63,741	\$ -	\$ 1,921,896
Current	\$ 18,038	\$ 3,997	\$ -	\$ 121,725
Noncurrent	23,117	59,744	-	1,800,171
Total	\$ 41,155	\$ 63,741	\$ -	\$ 1,921,896

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – INTERFUND BALANCES

Interfund balances for the year ended June 30, 2018, 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	\$ -	\$ -	\$ 1,522	\$ 1,672	\$ 82	\$77,113	\$ 80,389
Tobacco Settlement Authority	161	-	-	-	-	-	161
Tobacco Collections Fund	-	128,674	-	-	-	-	128,674
Nonmajor Governmental Funds	14,514	-	13	-	-	52	14,579
Unemployment Benefits Fund	422	-	-	-	-	-	422
Nonmajor Enterprise Funds	11,859	-	-	-	1	411	12,271
Internal Service Funds	1,077	-	450	-	1	12,497	14,025
Total	\$28,033	\$ 128,674	\$ 1,985	\$ 1,672	\$ 84	\$90,073	\$250,521

\$62.0 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 \$33.3 million due from the Tobacco Collections Fund (a Special Revenue Fund) to the Tobacco Settlement Authority (a blended component unit classified as a Special Revenue Fund) for repayment of bonds issued by the Authority, the proceeds of which were provided to the State. The interfund advance will be reduced by pledged tobacco settlement moneys received.

(Notes continue on next page.)

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows (expressed in thousands):

	Beginning Balance	Reclass- ifications	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated:					
Land	\$ 892,018	\$ 966	\$ 26,235	\$ 2,026	\$ 917,193
Construction in progress	35,101	(28,111)	54,584	-	61,574
Computer software in progress	27,443	(4,051)	37,299	185	60,506
Total capital assets not being depreciated	<u>954,562</u>	<u>(31,196)</u>	<u>118,118</u>	<u>2,211</u>	<u>1,039,273</u>
Capital assets being depreciated:					
Infrastructure	14,373,067	2,981	957,827	9,335	15,324,540
Buildings & improvements	1,874,298	15,299	21,278	934	1,909,941
Machinery, equipment & vehicles	599,841	4,225	48,153	30,981	621,238
Land improvements	90,659	3,535	1,423	-	95,617
Works of art & historical treasures	1,426	-	-	-	1,426
Computer software	215,682	5,156	950	-	221,788
Total capital assets being depreciated	<u>17,154,973</u>	<u>31,196</u>	<u>1,029,631</u>	<u>41,250</u>	<u>18,174,550</u>
Less accumulated depreciation for:					
Infrastructure	7,351,188	-	529,668	9,334	7,871,522
Buildings & improvements	777,962	-	45,806	934	822,834
Machinery, equipment & vehicles	390,654	(153)	40,019	27,204	403,316
Land improvements	29,539	-	2,723	-	32,262
Works of art & historical treasures	264	-	16	-	280
Computer software	45,344	153	17,018	-	62,515
Total accumulated depreciation	<u>8,594,951</u>	<u>-</u>	<u>635,250</u>	<u>37,472</u>	<u>9,192,729</u>
Total capital assets being depreciated (net)	<u>8,560,022</u>	<u>31,196</u>	<u>394,381</u>	<u>3,778</u>	<u>8,981,821</u>
Governmental activities capital assets (net)	<u>\$ 9,514,584</u>	<u>\$ -</u>	<u>\$ 512,499</u>	<u>\$ 5,989</u>	<u>\$ 10,021,094</u>

(continued on next page)

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NOTES TO THE FINANCIAL STATEMENTS

(continued)

	Beginning Balance	Reclass- ifications	Increases	Decreases	Ending Balance
Business-type activities					
Capital assets not being depreciated:					
Land	\$ 93,342	\$ -	\$ 2,281	\$ 88	\$ 95,535
Land improvements	5,733	-	-	-	5,733
Library collections	345,784	-	13,896	1,486	358,194
Works of art	28,182	-	778	166	28,794
Construction in progress	419,108	(436,320)	373,416	1,366	354,838
Computer software in progress	9,329	(1,680)	19,364	140	26,873
Total capital assets not being depreciated	<u>901,478</u>	<u>(438,000)</u>	<u>409,735</u>	<u>3,246</u>	<u>869,967</u>
Capital assets being depreciated:					
Infrastructure	1,073,684	40,559	33	-	1,114,276
Buildings & improvements	6,462,853	390,848	2,075	5,773	6,850,003
Machinery, equipment & vehicles	1,279,385	547	87,972	69,075	1,298,829
Land improvements	75,529	4,366	-	-	79,895
Library collections	283,696	-	12,138	2,962	292,872
Computer software	127,570	1,680	2,310	1,532	130,028
Goodwill	2,302	-	-	-	2,302
Trademarks	107	-	-	-	107
Total capital assets being depreciated	<u>9,305,126</u>	<u>438,000</u>	<u>104,528</u>	<u>79,342</u>	<u>9,768,312</u>
Less accumulated depreciation for:					
Infrastructure	632,947	-	32,211	-	665,158
Buildings & improvements	2,668,728	-	211,926	4,130	2,876,524
Machinery, equipment & vehicles	829,375	-	98,717	64,447	863,645
Land improvements	50,355	-	3,418	-	53,773
Library collections	235,173	-	11,279	2,962	243,490
Computer software	68,857	-	10,130	1,465	77,522
Goodwill	989	-	153	-	1,142
Trademarks	46	-	7	-	53
Total accumulated depreciation	<u>4,486,470</u>	<u>-</u>	<u>367,841</u>	<u>73,004</u>	<u>4,781,307</u>
Total capital assets being depreciated (net)	<u>4,818,656</u>	<u>438,000</u>	<u>(263,313)</u>	<u>6,338</u>	<u>4,987,005</u>
Business-type activities capital assets (net)	<u>\$ 5,720,134</u>	<u>\$ -</u>	<u>\$ 146,422</u>	<u>\$ 9,584</u>	<u>\$ 5,856,972</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	\$ 13,418
Education	4,182
Health & human rights	7,167
Human services	15,465
Justice & public defense	35,048
Economic development	1,027
Transportation	531,279
Agriculture & natural resources	<u>10,842</u>
Subtotal	618,428
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>16,822</u>
Total	<u>\$ 635,250</u>
Business-type activities:	
Enterprise	<u>\$ 367,841</u>

Discretely Presented Component Units (expressed in thousands)

Capital assets not being depreciated:	
Land	\$ 19,301
Construction in progress	<u>10,155</u>
Total capital assets not being depreciated	<u>29,456</u>
Capital assets being depreciated:	
Infrastructure	11,798
Buildings & improvements	142,769
Machinery, equipment & vehicles	18
Land improvements	17,708
Computer software	<u>2,046</u>
Total capital assets being depreciated	174,339
Less accumulated depreciation	<u>76,802</u>
Total capital assets being depreciated (net)	<u>97,537</u>
Discretely presented component units capital assets (net)	<u>\$ 126,993</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, 2018, are summarized as follows (expressed in thousands):

	Beginning Balance	Beginning Balance Adjustment	Beginning Balance, Restated	Additions	Deductions	Ending Balance	Amounts due within one year
Governmental activities							
Compensated absences	\$ 314,123	\$ -	\$ 314,123	\$ 145,838	\$ 153,072	\$ 306,889	\$ 140,577
Capital leases	32,843	-	32,843	324	3,502	29,665	3,580
Bonds payable	1,587,738	-	1,587,738	-	51,781	1,535,957	124,470
Other financing arrangements payable	1,548	-	1,548	2,734	1,499	2,783	83
Net pension liability	1,092,655	-	1,092,655	34,037	38,053	1,088,639	-
Other postemployment benefits liability	119,361	46,249	165,610	10,975	-	176,585	9,937
Early retirement/termination benefits	22,931	-	22,931	11,823	12,440	22,314	9,194
Risk management	20,000	-	20,000	12,497	7,497	25,000	6,448
Pollution remediation	19,297	-	19,297	-	10,821	8,476	4,292
Other liabilities	1,042	-	1,042	-	166	876	187
Total *	<u>3,211,538</u>	<u>46,249</u>	<u>3,257,787</u>	<u>218,228</u>	<u>278,831</u>	<u>3,197,184</u>	<u>298,768</u>
Allocation of Internal Service							
Funds liabilities:							
Compensated absences	6,285	-	6,285	2,614	3,116	5,783	3,025
Net pension liability	20,306	-	20,306	2,215	-	22,521	-
Other postemployment benefits liability	2,283	748	3,031	201	-	3,232	183
Early retirement/termination benefits	596	-	596	394	354	636	252
Total	<u>29,470</u>	<u>748</u>	<u>30,218</u>	<u>5,424</u>	<u>3,470</u>	<u>32,172</u>	<u>3,460</u>
Total primary government - governmental activities	<u>\$3,241,008</u>	<u>\$ 46,997</u>	<u>\$3,288,005</u>	<u>\$223,652</u>	<u>\$ 282,301</u>	<u>\$ 3,229,356</u>	<u>\$ 302,228</u>
Business-type activities							
Compensated absences	\$ 216,199	\$ -	\$ 216,199	\$ 141,714	\$ 137,093	220,820	\$ 140,058
Capital leases	29,487	-	29,487	-	3,883	25,604	1,915
Bonds payable	1,916,145	-	1,916,145	311,052	243,008	1,984,189	107,886
Other financing arrangements payable	46,004	-	46,004	-	12,886	33,118	8,414
Net pension liability	144,118	-	144,118	27,875	-	171,993	-
Other postemployment benefits liability	221,818	480,239	702,057	16,984	467,843	251,198	10,829
Early retirement/termination benefits	4,941	-	4,941	293	2,187	3,047	1,513
Total primary government - business-type activities	<u>\$2,578,712</u>	<u>\$ 480,239</u>	<u>\$3,058,951</u>	<u>\$497,918</u>	<u>\$ 866,900</u>	<u>\$ 2,689,969</u>	<u>\$ 270,615</u>

* The General Fund has typically been used to liquidate most long-term liabilities, except for \$741.3 million of bonds payable to be liquidated by the Tobacco Settlement Authority, a Special Revenue Fund.

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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, 2034.

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.

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
2019	\$ 3,580	\$ 487
2020	3,639	428
2021	3,602	368
2022	3,655	309
2023	3,707	249
Thereafter	11,482	379
Total	<u>\$ 29,665</u>	<u>\$ 2,220</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	\$ 32,045
Equipment	465
Total	<u>32,510</u>
Accumulated depreciation	(26)
Net	<u>\$ 32,484</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
2019	\$ 1,915	\$ 822
2020	1,957	757
2021	2,015	692
2022	2,060	625
2023	2,131	802
2024-2028	10,673	2,524
2029-2033	4,696	488
Thereafter	157	4
Total	<u>\$ 25,604</u>	<u>\$ 6,714</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	\$ 34,341
Equipment	273
Total	<u>34,614</u>
Accumulated depreciation	(6,517)
Net	<u>\$ 28,097</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – OTHER FINANCING ARRANGEMENTS PAYABLE

Loans and Contracts Payable – Primary Government

Governmental Activities

The Iowa Department of Natural Resources and the Iowa Department of Public Defense have entered into agreements for facilities and land for a total of \$5,805,000 with interest rates ranging from 0.75% to 3.00%. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2019	\$ 83	\$ 67
2020	86	66
2021	87	64
2022	89	62
2023	1,895	61
2024-2028	233	17
2029-2033	255	8
Thereafter	55	1
Total	<u>\$ 2,783</u>	<u>\$ 346</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 \$79,017,000 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
2019	\$ 8,414	\$ 800
2020	7,382	579
2021	6,723	373
2022	4,382	208
2023	4,268	100
Thereafter	1,949	28
Total	<u>\$ 33,118</u>	<u>\$ 2,088</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – BONDS PAYABLE

Revenue bonds payable at June 30, 2018, 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	\$ 491,025
IJOBS - 2010	2011	63,635	4.00-5.00	2034-2038	63,635
Total					<u>554,660</u>
<i>Serial bonds</i>					
Vision Iowa	2002	\$ 196,375	2.25-5.50	2002-2021	43,430
Iowa Utilities Board	2010	12,640	5.04	2011-2029	8,810
IJOBS - 2009	2010	220,950	6.75	2029-2034	220,950
Prison Infrastructure - 2010	2011	135,050	2.00-5.00	2012-2020	20,030
IJOBS - 2010	2011	87,675	2.50-5.00	2012-2030	64,165
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	229,535
Total					<u>666,710</u>
<i>Capital appreciation bonds</i>					
Tobacco Settlement Authority	2006	\$ 729,800	5.60-7.13	2007-2046	729,800
Total revenue bonds					1,951,170
Unamortized premium					65,069
Unamortized discount					(480,282)
Total governmental activities					<u>\$ 1,535,957</u>
Business-type activities					
Revenue bonds					
University of Iowa	2005-2018	\$ 1,531,725	0.30-5.00	2006-2044	\$ 1,281,300
Iowa State University	2008-2018	616,155	1.00-5.00	2010-2043	528,600
University of Northern Iowa	2010-2018	158,376	1.00-5.00	2011-2037	125,204
Total revenue bonds					1,935,104
Unamortized premium					49,347
Unamortized discount					(262)
Total business-type activities					<u>\$ 1,984,189</u>
COMPONENT UNITS					
Revenue bonds					
Iowa Finance Authority	1978-2018	\$ 2,173,899	variable (1)	2011-2048	\$ 1,555,841
Iowa State University Foundation	2002	3,850	2.40	2003-2020	1,923
Total revenue bonds					1,557,764
Unamortized premium					149,764
Total component units					<u>\$ 1,707,528</u>

(1) Variable rates are as of June 30, 2018.

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, 2018, total principal and interest remaining to be paid on the debt is \$47.7 million. Principal and interest paid for the current year and total deposits into the Vision Iowa Fund were \$16.0 million and \$15.1 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, 2018, total principal and interest remaining on the debt is \$1,946.5 million with annual requirements ranging from \$116.1 million in 2019 to \$734.9 million in the final year. TSRs received by the State have averaged \$60.3 million per year over the last 20 years. For the current year, principal and interest paid by the Authority and the total TSRs recognized by the State were \$41.0 million and \$50.9 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, 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 \$221.0 million in State of Iowa IJOBS Program Special Obligation Bonds, Taxable Series 2009B issued in July 2009. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund including a standing appropriation of \$55.0 million annually from gaming revenues and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The State has designated the Series 2009B Bonds as Build America Bonds under the American Recovery and Reinvestment Act of 2009, and as such, elected to receive from the federal government a subsidy equal to 35% of the amount of each interest payment on the taxable bonds. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2034.

Annual principal and interest payments on the Series 2009B bonds are expected to require less than 25% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2018, total principal and interest remaining

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

to be paid on the Series 2009B bonds is \$426.0 million. Interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were \$14.9 million and \$61.3 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, 2018, total principal and interest remaining to be paid on the debt is \$11.7 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. In July 2016, the State issued the Special Obligation Refunding Bonds (Prison Infrastructure Fund), Series 2016, defeasing the 2021-2027 maturities of the Series 2010 bonds. The remaining Series 2010 bonds are payable from the Debt Service Reserve Fund and are payable through fiscal year 2020.

Annual principal and interest payments on the 2018-2020 maturities of the Series 2010 bonds are expected to require less than 70% of total deposits into the Prison Infrastructure Fund. As of June 30, 2018, total principal and interest remaining to be paid on the debt is \$21.4 million. Principal and interest paid in the current year and total deposits into the Prison Infrastructure Fund were \$10.7 million and \$15.4 million, respectively.

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

IJOBS – 2010

The State of Iowa has issued IJOBS Program Special Obligation Bonds to finance certain infrastructure projects of the State and certain grant and loan programs of the State. The State has pledged a portion of future revenues to repay \$151.3 million in State of Iowa IJOBS Program Special Obligation Bonds, Series 2010A issued in October 2010. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund including a standing appropriation of \$55.0 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, 2018, total principal and interest remaining to be paid on the Series 2010A bonds is \$199.5 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 \$61.3 million, respectively.

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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 25% of total deposits into the Prison Infrastructure Fund. As of June 30, 2018, total principal and interest remaining to be paid on the debt is \$104.5 million. Interest paid in the current year and total deposits into the Prison Infrastructure Fund were \$4.0 million and \$15.4 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 \$55.0 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 48% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2018, total principal and interest remaining to be paid on the debt is \$295.9 million. Principal and interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were \$29.1 million and \$61.3 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, the IJOBS Program Special Obligation Bonds, Series 2009A, and the 2021-2027 maturities of the Special Obligation Bonds (Prison Infrastructure Fund), Series 2010, by placing proceeds from existing resources into irrevocable trusts with escrow agents to provide for all future debt service payments. Accordingly, trust account assets and the liabilities for the defeased bonds are not included in the State’s financial statements. As of June 30, 2018, bonds totaling \$345.8 million are considered defeased.

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

Year Ending June 30,	Principal	Interest
2019	\$ 124,470	\$ 77,596
2020	48,470	70,220
2021	50,050	67,387
2022	36,380	65,384
2023	38,190	63,565
2024-2028	207,465	287,698
2029-2033	217,480	231,749
2034-2038	264,150	131,773
2039-2043	238,595	78,081
Thereafter	725,920	28,568
Total	<u>\$ 1,951,170</u>	<u>\$ 1,102,021</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

B. Primary Government – Business-type Activities

Universities

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

- \$31.7 million of Athletic Facilities Revenue Bonds, Series S.U.I. 2017, with an interest rate range of 3.00-3.25% to defray part of the cost of improving, equipping, furnishing, remodeling, repairing, and building additions to Kinnick Stadium, Carver Hawkeye Arena and related facilities located on the campus. The revenues pledged to these bonds are student fees, tickets sold to athletic events, and concessions at athletic events.
- \$32.9 million of Athletic Facilities Revenue Bonds, Series S.U.I. 2018, with an interest rate range of 3.00-3.25% to defray part of the cost of improving, equipping, furnishing, remodeling, repairing, and building additions to Kinnick Stadium, Carver Hawkeye Arena and related facilities located on the campus. The revenues pledged to these bonds are student fees, tickets sold to athletic events, and concessions at athletic events.
- \$32.7 million of Hospital Revenue Bonds, Series S.U.I. 2018, with an interest rate range of 3.00-5.00% to defray the cost of constructing additions to the general hospital on the campus. The revenues pledged to these bonds are charges to patients for medical services.
- \$25.0 million of Utility System Revenue Bonds, Series S.U.I. 2018, with an interest rate range of 3.00-3.375% to provide funds to pay the cost of constructing, equipping and furnishing the Utility Facility on the campus. The revenues pledged to these bonds are charges assessed to users of the system.

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

- \$22.1 million of Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2017A, with an average interest rate of 3.01% and accrued interest of \$28,000 to advance refund \$21.1 million of outstanding Athletic Facilities Revenue Refunding Bonds, Series S.U.I. 2009, with interest rates ranging between 3.60% and 4.35%. Net bond proceeds of \$22.7 million were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Series S.U.I. 2009 Bonds will be called on July 1, 2020. The refunding permitted the University to realize an economic gain of \$1.4 million; and reduced the aggregate debt service payments by \$1.7 million over the next 18 years.
- \$20.7 million of Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2017B, with an average interest rate of 4.00% and accrued interest of \$11,000 to advance refund \$21.9 million of outstanding Recreational Facilities Revenue Refunding Bonds, Series S.U.I. 2009, with interest rates ranging between 4.00% and 4.875%. Net bond proceeds of \$23.3 million were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Series S.U.I. 2009 Bonds will be called on July 1, 2019. The refunding permitted the University to realize an economic gain of \$2.7 million; and reduced the aggregate debt service payments by \$3.2 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, 2018, bonds totaling \$144.5 million for the University of Iowa were considered defeased.

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

- \$37.9 million of ISU Facilities Corporation Revenue Bonds, Series I.S.U. 2017, with an interest rate range of 2.0-3.125% to finance costs of constructing, renovating, and equipping ISU Biosciences Facilities. The revenues pledged to these bonds are basic rent by the ISU Facilities Corporation for lease of property.

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

- \$25.4 million of Academic Building Revenue Refunding Bonds, Series I.S.U. 2017A. \$26.0 million of proceeds were placed in an irrevocable escrow account to refund \$24.6 million of Academic Building Revenue Bonds, Series I.S.U. 2009A. The advance refunding of these bonds permitted the University to realize an economic gain of \$2.2 million; and reduced the aggregate debt service payments by \$2.6 million over the next 18 years.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

- \$6.3 million of Athletic Facilities Revenue Refunding Bonds, Series I.S.U. 2017. \$5.9 million of proceeds and \$0.6 million of debt service reserve funds were placed in an irrevocable escrow account to refund \$6.2 million of Athletic Facilities Revenue Bonds, Series I.S.U. 2007A. The advance refunding of these bonds permitted the University to realize an economic gain of \$0.8 million; and reduced the aggregate debt service payments by \$0.9 million over the next 16 years.
- \$25.2 million of Recreational System Facilities Revenue Refunding Bonds, Series I.S.U. 2017. \$23.8 million of proceeds and \$2.0 million of debt service reserve funds were placed in an irrevocable escrow account to refund \$24.3 million of Recreational System Facilities Revenue Bonds, Series I.S.U. 2009. The advance refunding of these bonds permitted the University to realize an economic gain of \$3.0 million; and reduce the aggregate debt service payments by \$3.8 million over the next 20 years.
- \$21.5 million of Recreational System Facilities Revenue Refunding Bonds, Series I.S.U. 2017A. \$20.3 million of proceeds and \$1.6 million of debt service reserve funds were placed in an irrevocable escrow account to refund \$20.9 million of Recreational System Facilities Revenue Bonds, Series I.S.U. 2010. The advance refunding of these bonds permitted the University to realize an economic gain of \$1.7 million; and reduce the aggregate debt service payments by \$2.0 million over the next 20 years.

In prior years, *Iowa State University* 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, 2018, bonds totaling \$53.3 million for Iowa State University were considered defeased.

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

- Dormitory Revenue Refunding Bonds, Series U.N.I. 2017 were issued in the amount of \$13.3 million, with interest rates ranging from 2.00% to 2.75%. The proceeds were used to advance refund \$16.8 million of outstanding Dormitory Revenue Bonds, Series U.N.I. 2010A, with interest rates ranging between 3.25% and 5.00%, and pay the costs of issuing the bonds. The advance refunding of these bonds permitted the University to realize an economic gain of \$0.9 million; and reduce the aggregate debt service payments by \$1.0 million over the next 12 years.
- Academic Building Revenue Refunding Bonds, Series U.N.I. 2017 were issued in the amount of \$13.8 million, with interest rates ranging from 2.00% to 3.00%. The proceeds were used to advance refund \$13.9 million of outstanding Academic Building Revenue Bonds, Series U.N.I. 2009, with interest rates ranging between 3.00% and 5.00%, and pay the costs of issuing the bonds. The advance refunding of these bonds permitted the University to realize an economic gain of \$1.7 million; and reduce the aggregate debt service payments by \$2.1 million over the next 17 years.

In prior years, the *University of Northern 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, 2018, bonds totaling \$11.2 million for the University of Northern Iowa were considered defeased.

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

Year Ending June 30,	Principal	Interest
2019	\$ 107,886	\$ 63,069
2020	112,591	59,372
2021	107,176	56,039
2022	109,143	52,776
2023	111,264	49,335
2024-2028	550,790	191,719
2029-2033	446,370	106,007
2034-2038	306,404	38,426
2039-2043	81,530	5,466
Thereafter	1,950	34
Total	\$ 1,935,104	\$ 622,243

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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 Bonds 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.

During the current fiscal year, the Authority issued three new bond series and a refunding bond series totaling \$545.7 million to purchase mortgage-backed securities (MBS) and State Revolving Fund (SRF) loans and to refund prior bonds. The Authority made bond payments of \$309.1 million.

The Authority issued SRF revenue bonds with a face value of \$347.5 million to provide resources to purchase investment securities that were placed into an irrevocable trust to provide funds for future debt service payments on \$207.4 million of SRF revenue bonds. The funds required for this transaction exceeded the net carrying value of the defeased debt by \$87,300. This refunding was undertaken to take advantage of the low interest rate environment. The aggregate difference in debt service between the refunding debt and the refunded debt was \$19.9 million; the refunding resulted in an economic gain of \$16.2 million.

In a prior year, the Authority defeased certain 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.

The irrevocable trust account assets and the liabilities for the defeased bonds are not included in the Authority's financial statements. As of June 30, 2018, bonds totaling \$407.4 million were considered defeased.

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 November 2013, the bonds were refinanced under an amended agreement with the City. The refinanced bonds have a maturity date of January 1, 2020 and carry an interest rate of 2.4% through November 2018. The bonds will carry an adjusted interest rate from November 2018 through the maturity date of January 2020. The bonds are collateralized with a mortgage on the building and other real estate owned by the Foundation. The Foundation has no taxing authority and bonds issued do not constitute a debt, liability or obligation of the State of Iowa or any political subdivision thereof.

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

Year Ending June 30,	Principal	Interest
2019	\$ 70,817	\$ 60,003
2020	71,963	57,697
2021	73,279	54,764
2022	73,911	51,785
2023	67,615	48,884
2024-2028	335,844	202,854
2029-2033	332,950	132,852
2034-2038	248,461	74,538
2039-2043	183,599	32,994
Thereafter	99,325	6,361
Total	<u>\$ 1,557,764</u>	<u>\$ 722,732</u>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2018, consisted of the following (expressed in thousands):

	Current	Noncurrent
PRIMARY GOVERNMENT		
Governmental activities		
Salaries & fringes	\$ 86,500	\$ -
Early retirement/termination benefits	9,446	13,504
Risk management	6,448	18,552
Pollution remediation	4,292	4,184
State aid	889,683	-
Trade & other payables	729,278	49,540
Total governmental activities	\$ 1,725,647	\$ 85,780
Business-type activities		
Salaries & fringes	\$ 204,115	\$ -
Early retirement/termination benefits	1,513	1,534
General claims	45,839	-
Unemployment benefits	10,499	-
Trade & other payables	168,913	53,757
Total business-type activities	\$ 430,879	\$ 55,291
COMPONENT UNITS		
Annuity & life income obligations	\$ 357	\$ 24,540
Lotto prizes & annuity prizes payable	4,724	457
Other	61,105	33,472
Total component units	\$ 66,186	\$ 58,469

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, 2018, pollution remediation obligations totaled \$8.5 million, including \$8.4 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 \$941.2 million of Restricted Net Position, of which \$12.4 million is restricted by enabling legislation.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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.

The nonspendable and spendable fund balances for governmental funds at June 30, 2018, are as follows (expressed in thousands):

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
NONSPENDABLE					
Inventory & prepaid expenditures	\$ 52,577	\$ -	\$ -	\$ 415	\$ 52,992
Permanent fund principal	-	-	-	10,700	10,700
Total nonspendable	52,577	-	-	11,115	63,692
SPENDABLE					
Restricted:					
Administration & regulation	245,613	243,530	-	2,440	491,583
Education	17,713	-	-	53,377	71,090
Health & human rights	9,326	-	-	3,071	12,397
Human services	1,269	-	-	36	1,305
Justice & public defense	10,987	-	-	828	11,815
Economic development	1,636	-	-	-	1,636
Transportation	520,761	-	-	1,185	521,946
Agriculture & natural resources	265	-	-	45	310
Total restricted	807,570	243,530	-	60,982	1,112,082
Committed:					
Cash reserve	442,493	-	-	-	442,493
Economic emergency	178,811	-	-	-	178,811
Administration & regulation	390,665	-	-	7,526	398,191
Education	40,044	-	-	37	40,081
Health & human rights	21,561	-	-	27	21,588
Human services	56,416	-	-	321	56,737
Justice & public defense	50,630	-	-	2,853	53,483
Economic development	15,604	-	-	-	15,604
Transportation	40,842	-	-	-	40,842
Agriculture & natural resources	98,540	-	-	9,968	108,508
Total committed	1,335,606	-	-	20,732	1,356,338
Unassigned	(395,625)	-	(161,986)	(33)	(557,644)
TOTAL FUND BALANCES	\$ 1,800,128	\$ 243,530	\$ (161,986)	\$ 92,796	\$ 1,974,468

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.

See NOTE 1, section Q for additional information on the two reserve funds and section R for minimum fund balance requirements.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – OPERATING LEASES

The State has leased office space and equipment. These leases have been classified as operating leases and expire before June 30, 2042. In most cases, management expects the leases will be renewed or replaced by other leases.

A. Primary Government

Governmental Activities

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

Year Ending June 30,	
2019	\$ 12,172
2020	9,464
2021	6,732
2022	5,196
2023	3,635
2024-2028	4,095
2029-2033	636
2034-2038	348
Thereafter	216
Total	<u>\$ 42,494</u>

All leases contain nonappropriation clauses indicating continuation of the lease is subject to funding by the Legislature. Minimum payments have not been reduced by minimum sublease rentals of \$1.1 million.

Rental expense for the year ended June 30, 2018 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$15.4 million. Rental expense has not been adjusted for sublease rentals totaling \$0.5 million for the year ended June 30, 2018.

Business-type Activities

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

Year Ending June 30,	
2019	\$ 21,631
2020	19,878
2021	17,958
2022	13,206
2023	10,236
2024-2028	44,936
2029-2033	25,251
Thereafter	8,220
Total	<u>\$ 161,316</u>

Rental expense for the year ended June 30, 2018 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$22.7 million. Rental expense has not been adjusted for sublease rentals totaling \$4,000 for the year ended June 30, 2018.

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NOTES TO THE FINANCIAL STATEMENTS

B. Component Units

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

Year Ending June 30,	
2019	\$ 898
2020	882
2021	828
2022	732
2023	701
Thereafter	<u>2,342</u>
Total	<u>\$ 6,383</u>

Rental expense for the year ended June 30, 2018 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$1.0 million.

NOTE 14 – LESSOR OPERATING LEASES

The Iowa Department of Natural Resources leases tracts of land for agricultural purposes valued at \$13.3 million. Glenwood Resource Center leases building space that is fully depreciated (net of accumulated depreciation of \$7.1 million). Iowa Public Television leases antenna and building space, Iowa Communications Network leases dark fiber, and Iowa 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 \$2.1 million. Iowa State University leases building space valued at \$2.0 million (net of accumulated depreciation of \$0.8 million), tower space valued at \$0.3 million (net of accumulated depreciation of \$0.2 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 \$0.9 million (net of accumulated depreciation of \$0.8 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 \$4.6 million (net of accumulated depreciation of \$2.5 million).

The following is a schedule by year of minimum future rentals on operating leases as of June 30, 2018 (expressed in thousands):

Year Ending June 30,	
2019	\$ 5,425
2020	3,794
2021	2,673
2022	1,656
2023	1,019
2024-2028	2,894
2029-2033	1,479
2034-2038	876
2039-2043	632
2044-2048	632
2049-2053	631
2054-2058	631
2059-2063	631
Thereafter	<u>558</u>
Total	<u>\$ 23,531</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 – PENSION PLANS

A. Summary of Significant Accounting Policies & Pension Totals

Pensions

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

Deferred Outflows and Inflows of Resources Related to Pensions

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources related to pensions consist of unrecognized items not yet charged to pension expense, 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 3.24% and 5.72%, 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, 2018, 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	\$ 1,129,772	\$ 24,723	\$ 129,705	\$ 23,676	\$ 1,307,876	
Deferred outflows of resources related to pensions	395,704	6,888	35,068	26,821	464,481	
Deferred inflows of resources related to pensions	89,834	1,206	43,909	17,935	152,884	
Pension expense for the period associated with net pension liabilities	160,483	3,133	19,820	5,270	188,706	

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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, 2018, IPERS had 1,956 public employers with 170,378 active members contributing to the system.

Plan Membership.

	Fiscal Years Ended June 30,	
	2018	2017
Inactive employees or beneficiaries currently receiving benefits	120,987	117,759
Inactive employees entitled to but not yet receiving benefits	70,047	67,962
Active employees	170,378	169,910
Total	361,412	355,631

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. *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 and 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.

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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 the 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 for Regular members.

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 Contribution Rate Funding Policy. Therefore, these groups have consistently paid the rate needed to fully fund their benefits.

In fiscal year 2018, the contribution rates for all members exceeded the actuarial rates.

	Fiscal Year 2017 and 2018		
	Employee	Employer	Total
Regular members	5.95%	8.93%	14.88%
Sheriffs and deputies - 2017	9.63%	9.63%	19.26%
Sheriffs and deputies - 2018	9.38%	9.38%	18.76%
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 \$270,000 for calendar year 2017 and \$275,000 for calendar year 2018. There are no non-employer contributing entities to IPERS.

The State's employer contributions to IPERS for the years ended June 30, 2018 and 2017 were \$126,868,000 and \$128,532,000, respectively.

Actuarial Methods and Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions and the entry age normal actuarial cost method.

- Inflation rate: 2.60%
- Long-term rate of return: 7.00%
- Projected salary increases: 3.25% – 16.25%

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

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are anticipated using Projection Scale AA. Different adjustments apply to pre-retirement, post-retirement, and 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, 2017 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, which changed from 7.50% to 7.00% effective June 30, 2017, is reviewed as part of regular experience studies, prepared every four years for IPERS. The Investment Board elected to accelerate the experience study of the economic assumptions by one year, performing the study in early 2017. The recent analysis of economic assumptions is outlined in a report dated March 24, 2017. 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, 2017, are shown in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core-plus fixed income	27.00%	2.25%
Domestic equity	24.00%	6.25%
International equity	16.00%	6.71%
Private equity/debt	11.00%	11.15%
Real estate	7.50%	4.18%
Credit opportunities	7.00%	3.27%
U.S. TIPS	3.50%	3.46%
Other real assets	3.00%	4.25%
Cash	1.00%	-0.31%
Total	100.00%	

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. 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 7.00% was applied to all periods 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 3.56%. The projected future benefit payments for all current plan members were projected through 2115.

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

	2018	2017
Total pension liability	\$ 38,642,834	\$ 37,440,382
Plan fiduciary net position	32,314,589	30,779,116
Employers' net pension liability	\$ 6,328,245	\$ 6,661,266
Plan fiduciary net position as a percentage of the total pension liability	83.62%	82.21%

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, 2018, the State reported a total of \$1,154.5 million for its proportionate share of the net pension liability, with \$1,129.8 million in the primary government and \$24.7 million in the discretely presented component units. The net pension liability was measured as of June 30, 2017, and the total pension liability as of June 30, 2017, used to calculate the net pension liability was determined based on the June 30, 2017 actuarial valuation for funding, dated November 6, 2017.

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, 2017, the State's total proportion was 17.331841% (16.960683% in the primary government and 0.371158% in the discretely presented component units). This was a decrease of 0.167745% from the State's total proportion (a decrease of 0.169369% in the primary government and an increase of 0.001624% in the discretely presented component units), measured as of June 30, 2016.

For the year ended June 30, 2018, the State recognized IPERS pension expense of \$160.5 million for the primary government and \$3.1 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	\$ 10,805	\$ 227
Changes in assumptions	216,890	4,296	221,186
Changes in proportion and differences between contributions and proportionate share of contributions	41,141	176	41,317
Contributions subsequent to the measurement date	126,868	2,189	129,057
Total	\$ 395,704	\$ 6,888	\$ 402,592

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NOTES TO THE FINANCIAL STATEMENTS

	<u>Deferred Inflows of Resources (expressed in thousands)</u>		
	<u>Primary</u>	<u>Discretely Presented</u>	<u>Total</u>
	<u>Government</u>	<u>Component Units</u>	
Differences between expected and actual experience	\$ 11,758	\$ 214	\$ 11,972
Changes in assumptions	24	-	24
Net difference between projected and actual earnings on pension plan investments	13,543	258	13,801
Changes in proportion and differences between contributions and proportionate share of contributions	64,509	734	65,243
Total	\$ 89,834	\$ 1,206	\$ 91,040

The primary government and discretely presented component units reported deferred outflows of resources relating to pensions of \$126.9 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, 2019. 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):

<u>Year Ending</u> <u>June 30,</u>	<u>Primary</u> <u>Government</u>	<u>Discretely Presented</u> <u>Component Units</u>	<u>Total</u>
2019	\$ 37,010	\$ 663	\$ 37,673
2020	39,278	744	40,022
2021	43,147	856	44,003
2022	44,957	927	45,884
2023	14,610	303	14,913
Total	\$ 179,002	\$ 3,493	\$ 182,495

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 7.00%, as well as a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) 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):

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
	State's proportionate share of the net pension liability:		
Primary government	\$ 1,952,014	\$ 1,129,772	\$ 439,072
Discretely presented component units	40,735	24,723	11,271
Total	\$ 1,992,749	\$ 1,154,495	\$ 450,343

Payables to the Pension Plan

At June 30, 2018, the State 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.

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NOTES TO THE FINANCIAL STATEMENTS

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

General Information about the Plan

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

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

Plan Membership. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	614
Inactive employees entitled to but not yet receiving benefits	46
Nonvested terminations	8
Active employees	<u>537</u>
Total	<u>1,205</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.

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

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

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

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

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

Contributions. Contributions to 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 37.0% for plan year 2018. In addition, the State contributed an additional \$5 million and will continue the supplemental contribution until the funded status of PORS attains 85%. Contribution provisions are established by State law and may be amended only by the State Legislature. The State of Iowa has historically followed a contribution policy of appropriating funds based upon a percentage of the current salaries for which funds are appropriated.

The member contribution required and contributed was \$5,124,000, representing 11.4% of the current year covered payroll. The State contribution required by statute and the amount actually contributed was \$21,498,000. \$5,000,000 of the State contribution was an annual appropriation, which was in addition to the required employer 37.0% 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 and Disability 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2018, 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, 2018 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: 11.4%; (2) employer contribution rate: the lessor of 37.00% of payroll and the actuarial rate, but not less than 17.00% of payroll; 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 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 3.89%. The projected future benefit payments for all current plan members were projected through 2117.

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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	\$ 221,534	\$ 129,705	\$ 54,616

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, 2017	\$ 636,059	\$ 468,301
Changes for the year:			
Service cost	12,109	-	12,109
Interest	46,564	-	46,564
Difference between expected and actual experience	(5,279)	-	(5,279)
Contributions - employer	-	21,498	(21,498)
Contributions - employee	-	5,124	(5,124)
Net investment income	-	65,058	(65,058)
Benefit payments including refunds of employee contributions	(30,966)	(30,966)	-
Administrative expense	-	(233)	233
Net changes	22,428	60,481	(38,053)
Balances at June 30, 2018	\$ 658,487	\$ 528,782	\$ 129,705

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

For the year ended June 30, 2018, the State recognized pension expense related to PORS of \$19.8 million. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pensions for PORS from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 11,142
Changes of assumptions	35,068	-
Net difference between projected and actual earnings on pension plan investments	-	32,767
Total	\$ 35,068	\$ 43,909

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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,	
2019	\$ 992
2020	(913)
2021	(7,879)
2022	(527)
2023	(514)
Total	<u>\$ (8,841)</u>

There are no non-employer contributing entities to PORS.

Payables to the Pension Plan

At June 30, 2018, the State reported payables of \$631,000 for legally required employer contributions and \$194,000 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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	214
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>194</u>
Total	<u>413</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 JRS 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. Effective January 1, 2018, a judge must be 62 years of age or older at the time a judge assumes senior status. Senior judges may only serve for a total of six years and shall cease holding office upon reaching age 78. These requirements do not apply to judges who have 20 years of service prior to January 1, 2018.
- The *specified percentages* to determine maximum annuity benefits 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 retired and received an

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annuity on or after July 1, 2001 but before July 1, 2006, and (5) 65% for judges who retired and received an annuity on or after July 1, 2006.

- *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 30.60% 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 \$2,598,000, representing 9.35% of the current year covered payroll. The State contribution required by statute and the amount contributed was \$8,503,000. The State share is to be based on 30.60% 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, 2018, 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, 2018, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

- Inflation: 2.60%
- Salary increases: 3.75%, including inflation
- Investment rate of return: 6.75% compounded annually, net of investment expense, and including inflation

Mortality rates were based on the RP-2014 White Collar Mortality Tables with a two-year age setback and generational improvements using MO-2017.

The actuarial assumptions used in the July 1, 2018 valuation are based on the results of the most recent actuarial experience study. The most recent analysis was performed and results provided on September 28, 2018.

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 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 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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap equity	25.00%	6.08%
Small/mid cap equity	15.00%	6.89%
International equity	18.75%	6.89%
Emerging international equity	6.25%	9.72%
Core bonds	22.75%	1.17%
High-yield bonds	2.25%	3.51%
Real estate (core)	10.00%	4.50%
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 6.75%. 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: 30.60% 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 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 3.89%. The projected future benefit payments for all current plan members were projected through 2117.

Sensitivity Analysis. The net pension liability was calculated using a discount rate of 6.75%, as well as a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate. The sensitivity of the net pension liability to changes in the discount rate is presented below (expressed in thousands):

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net pension liability	\$ 49,264	\$ 23,676	\$ 1,905

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued JRS financial report, as well as the fiduciary combining statements included in the supplementary information section of this report.

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Changes in the Net Pension Liability

	Increase (Decrease) Expressed in Thousands		
	Total	Plan Fiduciary	Net
	Pension Liability (a)	Net Position (b)	Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 198,233	\$ 186,971	\$ 11,262
Changes for the year:			
Service cost	6,230	-	6,230
Interest	14,396	-	14,396
Benefit changes	(1,208)	-	(1,208)
Difference between expected and actual experience	(3,222)	-	(3,222)
Assumption changes	33,526	-	33,526
Contributions - employer	-	8,503	(8,503)
Contributions - employee	-	2,598	(2,598)
Net investment income	-	26,227	(26,227)
Benefit payments including refunds of employee contributions	(12,812)	(12,812)	-
Administrative expense	-	(20)	20
Net changes	36,910	24,496	12,414
Balances at June 30, 2018	\$ 235,143	\$ 211,467	\$ 23,676

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

For the year ended June 30, 2018, the State recognized pension expense related to JRS of \$5.3 million. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pensions for JRS from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,198
Assumption changes	26,821	-
Net difference between projected and actual earnings on pension plan investments	-	11,737
Total	\$ 26,821	\$ 17,935

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,	
2019	\$ 2,389
2020	2,494
2021	426
2022	3,577
Total	\$ 8,886

There are no non-employer contributing entities to JRS.

Payables to the Pension Plan

At June 30, 2018, the State reported payables of \$325,000 for legally required employer contributions and \$99,000 for legally required employee contributions which had been withheld from employee wages but not yet remitted to JRS.

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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, the Iowa School for the Deaf and Iowa Public Radio 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 2018 and 2017, the employers' required and actual contributions amounted to \$174,311,000 and \$169,610,000, respectively. During fiscal years 2018 and 2017, the employees' required and actual contributions amounted to \$86,859,000 and \$84,975,000, respectively. As of June 30, 2018, the employers reported payables of \$13,900,000 for legally required employer contributions and \$6,867,000 for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA-CREF.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS

A. Other Postemployment Benefits Totals

At June 30, 2018, the State of Iowa recognized the following amounts related to other postemployment benefits (OPEB) in financial statements prepared using the economic resources measurement focus and accrual basis of accounting (expressed in thousands):

	Defined Benefit - Single-employer			
	State Plan Primary Government	State Plan Discretely Presented Component Units	University Plan Primary Government	Total
	Total OPEB liability	\$ 182,221	\$ 3,331	\$ 248,794
Deferred outflows of resources related to OPEB	2,862	173	63,118	66,153
Deferred inflows of resources related to OPEB	1,648	24	85,859	87,531
OPEB expense for the period associated with total OPEB liabilities	19,426	320	(404,466)	(384,720)

B. 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), 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

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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 of Iowa Postretirement Medical Plan operates as a single-employer retiree benefit plan which provides medical insurance benefits for retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4, of GASB 75. The State currently finances the retiree benefit plan on a pay-as-you-go basis.

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.

Plan Membership

There are 17,516 active and 2,412 retired participants in the plan.

Plan Benefits

The State currently offers three plans which are available to participants: Iowa Choice, National Choice and SPOC (Alliance Select). The contribution requirements of the plan participants are established and may be amended by the State Legislature.

Total OPEB Liability

The total OPEB liability of \$185,552,000 (\$182,221,000 in the primary government and \$3,331,000 in the discretely presented component units), was measured as of June 30, 2018, and was determined by an actuarial valuation as of January 1, 2018. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2018.

Actuarial Assumptions

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

- Inflation: 2.60%
- Salary increases: 3.25% to 14.25%, based on years of service
- Discount rate: 3.87%, as of June 30, 2018
- Healthcare cost trend rate – managed care plans: 6.40% initial, decreasing to 4.14%
- Healthcare cost trend rate – non-managed care plans: 6.60% initial, decreasing to 4.14%

The majority of State of Iowa employees are participants in the Iowa Public Employees' Retirement System (IPERS). For this reason, the individual salary increases, 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, 2017. The plan participation and coverage at retirement assumptions are based upon the recent experience of the State of Iowa Postretirement Medical Plan.

The discount rate is based on the municipal bond rate of 3.87% using the 20-year Bond Buyer GO Index as of June 30, 2018.

Initial medical cost trend rates start at 6.40% (managed care plans) or 6.60% (non-managed care plans) in 2018, based on survey data and client market expectations, and grade down to an ultimate rate of 5.00% beginning in the year 2037. The SOA-Getzen model was then used to determine the trend rates beginning in year 2022 and thereafter, based on reasonable macro-economic assumptions for the growth of health care expenditures during this period relative to the general economy.

Mortality rates for pre-retirement employees were based on 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. Mortality rates for post-retirement employees were based on the RP-2000 Healthy Annuitant Table with generational improvements using projection scale AA for males, and set back 1 year with a 5.00% increase above age 75 for females.

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Changes in the Total OPEB Liability

	Increase (Decrease) Expressed in Thousands		
	Primary	Discrete	Total
	Government	Component Units	
Balances at June 30, 2017, as restated	\$ 170,704	\$ 3,002	\$ 173,706
Changes for the year:			
Service cost	12,763	201	12,964
Interest	6,419	101	6,520
Difference between expected and actual experience	(1,048)	(18)	(1,066)
Change in assumptions	2,601	41	2,642
Change in proportion	(167)	144	(23)
Benefit payments - implicit subsidy	(9,051)	(140)	(9,191)
Net changes	11,517	329	11,846
Balances at June 30, 2018	<u>\$ 182,221</u>	<u>\$ 3,331</u>	<u>\$ 185,552</u>

The changes in assumptions reflect an increase in the discount rate from 3.58% to 3.87% and a decrease in the inflation rate from 3.00% to 2.60%.

Sensitivity Analysis – Changes to the Discount Rate. The total OPEB liability was calculated using a discount rate of 3.87%, as well as a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate. The sensitivity of the total OPEB liability to changes in the discount rate is presented below (expressed in thousands):

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability			
Primary government	\$ 194,195	\$ 182,221	\$ 169,762
Discretely presented component units	3,405	3,331	3,140
Total	<u>\$ 197,600</u>	<u>\$ 185,552</u>	<u>\$ 172,902</u>

Sensitivity Analysis – Changes to the Healthcare Cost Trend Rate. The total OPEB liability was calculated using a healthcare cost trend rate of 6.40%, as well as a healthcare cost trend rate that is 1-percentage-point lower (5.40%) or 1-percentage-point higher (7.40%) than the current rate. The sensitivity of the total OPEB liability to changes in the healthcare cost trend rate is presented below (expressed in thousands):

	1% Decrease (5.40%)	Current Healthcare Cost Trend Rate (6.40%)	1% Increase (7.40%)
Total OPEB liability			
Primary government	\$ 162,947	\$ 182,221	\$ 204,905
Discretely presented component units	3,030	3,331	3,686
Total	<u>\$ 165,977</u>	<u>\$ 185,552</u>	<u>\$ 208,591</u>

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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the State of Iowa recognized OPEB expense related to the Plan of \$19,746,000 (\$19,426,000 in the primary government and \$320,000 in the discretely presented component units). At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB for the Plan from the following sources (expressed in thousands):

	Deferred Outflows of Resources		
	Primary Government	Discretely Presented Component Units	Total
	Changes in assumptions	\$ 2,316	\$ 37
Changes in proportion and differences between contributions and proportionate share of contributions	546	136	682
Total	\$ 2,862	\$ 173	\$ 3,035

	Deferred Inflows of Resources		
	Primary Government	Discretely Presented Component Units	Total
	Differences between expected and actual experience	\$ 935	\$ 15
Changes in proportion and differences between contributions and proportionate share of contributions	713	9	722
Total	\$ 1,648	\$ 24	\$ 1,672

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

Year Ending June 30,	Primary Government	Discretely Presented Component Units	Total
2019	\$ 155	\$ 19	\$ 174
2020	155	19	174
2021	155	19	174
2022	155	19	174
2023	155	19	174
Thereafter	439	54	493
Total	\$ 1,214	\$ 149	\$ 1,363

C. University Plans

Plan Description

The University of Iowa (U of I), Iowa State University (ISU) and the University of Northern Iowa (UNI) operate single employer benefit plans which provide medical, dental and life insurance benefits for retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4, of GASB 75.

Plan Benefits

Detailed plan benefit 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.

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NOTES TO THE FINANCIAL STATEMENTS

Plan Membership

	2018		
	U of I	ISU	UNI
Inactive employees or beneficiaries currently receiving benefits	3,495	2,769	688
Active employees	17,143	6,248	1,851
Total	20,638	9,017	2,539

Total OPEB Liability

The total OPEB liability of \$248,794,000 is reported based on the following measurement dates, actuarial valuation dates, and actuarial assumptions:

	U of I	ISU	UNI
Measurement date	June 30, 2017	June 30, 2018	June 30, 2018
Actuarial valuation date	July 1, 2017	January 1, 2018	June 30, 2018
Actuarial cost method	Entry age normal	Entry age normal - level % of salary	Entry age normal - level % of salary
Amortization method	Level percentage of pay on an open basis	Linearly on a principal only salary	Linearly on a principal only salary
Amortization period	10.08 years (LDT 12.37 years)	7 years	7 years
Discount rate	3.58%	3.44%	3.87%
Medical trend rate	7.55% (9.17% for post age 65)	9.00%	9.00%
Ultimate medical trend rate	4.50%	5.00%	4.50%
Inflation rate	2.50%	3.25%	2.60%
Payroll growth rate	3.00%	0.00-13.00%	3.25%

Discount Rate. The U of I discount rate of 3.58% is based on the S&P Municipal Bond 20-Year High Grade Index as of June 30, 2017. The ISU discount rate of 3.44% is based on the Bond Buyer GO 20-Bond Municipal Bond Index as of January 1, 2018. The UNI discount rate of 3.87% is based on the Bond Buyer GO 20-Bond Municipal Bond Index as of June 30, 2018.

Mortality Rates. The U of I rates are from the RP-2014 Aggregate Mortality Table projected using Scale MP-2016. The ISU and UNI rates are from RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017.

Changes in the Total OPEB Liability

	Increase (Decrease) Expressed in Thousands		
	U of I	ISU	UNI
Balances at June 30, 2017, as restated	\$ 607,678	\$ 71,120	\$ 21,149
Changes for the year:			
Service cost	33,734	6,464	1,690
Interest	18,168	2,868	807
Difference between expected and actual experience	48,567	3,076	-
Change in assumptions	(95,303)	6,260	779
Change in benefit terms	(465,008)	-	-
Benefit payments	(8,001)	(4,654)	(600)
Net changes	(467,843)	14,014	2,676
Balances at June 30, 2018	\$ 139,835	\$ 85,134	\$ 23,825

A change in benefit terms that implemented a cap on the U of I's contribution for retiree health benefits at the current \$288 per month for current and future retirees is reflected in the change in the total OPEB liability.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

The following changes in assumptions are also reflected in the change in the total OPEB liability:

U of I

- Decreased the discount rate from 6.75% to 3.58%.
- Changed the withdrawal rates for staff to better anticipate future experience.
- Changed the mortality assumption from the RP-2014 Aggregate Mortality Table projected using Scale MP-2014 to the RP-2014 Aggregate Mortality Table projected using Scale MP-2016.
- Changed the healthcare trend rate for pre-65 participants to 7.55% in 2017 grading down to 4.50% in 2026 and for post-65 participants to 9.17% in 2017 grading down to 4.50% in 2026.
- Changed the marginal cost adjustment factors for pre-65 participants from 59.40% to 60.10% and for post-65 participants from 86.80% to 87.60%.
- Updated the impact of the excise tax on high cost plans based on current claims and medical trend assumptions.

ISU

- Decreased the discount rate from 3.78% to 3.44%.
- Reset medical trend rates to an initial rate of 9.00% decreasing by 0.50% to an ultimate rate of 5.00%.
- Updated the mortality assumption to RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017.
- Updated the excise tax threshold trend rate from 3.0% starting in 2020 to 3.50% in 2022 and 2.50% subsequently.

UNI

- Increased the discount rate from 3.58% to 3.87%.
- Increased the healthcare trend rate for pre-65 participants to an initial 9.00% grading down to 4.50% and reset the rate for post-65 participants to an initial 6.50% grading down to 4.50%.
- Updated the mortality assumption to RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017.
- Updated the healthcare coverage election rate for pre-65 retirees to 45.00% from 65.00%.

Sensitivity Analysis – Changes to the Discount Rate. The total OPEB liability was calculated using a discount rate of 3.58%, 3.44% and 3.87% for the University of Iowa, Iowa State University, and the University of Northern Iowa, respectively, as well as a discount rate that is 1.00 percentage point lower (2.58%, 2.44% and 2.87%) or 1.00 percentage point higher (4.58%, 4.44% and 4.87%) 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 <u>(2.58%, 2.44% & 2.87%)</u>	Current Discount Rate <u>(3.58%, 3.44% & 3.87%)</u>	1% Increase <u>(4.58%, 4.44% & 4.87%)</u>
Total OPEB liability			
U of I	\$ 147,481	\$ 139,835	\$ 125,883
ISU	91,447	85,134	79,383
UNI	27,402	23,825	20,955

Sensitivity Analysis – Changes to the Healthcare Cost Trend Rate. The total OPEB liability was calculated using a healthcare cost trend rate of 7.55%, 9.00% and 9.00% for the University of Iowa, Iowa State University, and the University of Northern Iowa, respectively, as well as a healthcare cost trend rate that is 1.00 percentage point lower (6.55%, 8.00% and 8.00%) or 1.00 percentage point higher (8.55%, 10.00% and 10.00%) than the current rate.

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The sensitivity of the net pension liability to changes in the healthcare cost trend rate is presented below (expressed in thousands):

	1% Decrease (6.55%, 8.00% & 8.00%)	Current Healthcare Cost Trend Rate (7.55%, 9.00% & 9.00%)	1% Increase (8.55%, 10.00% & 10.00%)
Total OPEB liability			
U of I	\$ 135,815	\$ 139,835	\$ 142,540
ISU	78,185	85,134	93,176
UNI	20,456	23,825	28,212

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the U of I, ISU, and UNI recognized OPEB expense related to the Plans of \$(417.8) million, \$10.7 million, and \$2.6 million, respectively. At June 30, 2018, the U of I, ISU, and UNI reported deferred outflows of resources and deferred inflows of resources related to OPEB for the Plans from the following sources (expressed in thousands):

	Deferred Outflows of Resources		
	U of I	ISU	UNI
Differences between expected and actual experience	\$ 43,756	\$ 2,637	\$ -
Changes in assumptions	-	5,366	667
Contributions subsequent to the measurement date	10,692	-	-
Total	<u>\$ 54,448</u>	<u>\$ 8,003</u>	<u>\$ 667</u>

	Deferred Inflows of Resources		
	U of I	ISU	UNI
Changes in assumptions	<u>\$ 85,859</u>	<u>\$ -</u>	<u>\$ -</u>

Employer contributions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

Year Ending June 30,	U of I	ISU	UNI
2019	\$ (4,633)	\$ 1,334	\$ 111
2020	(4,633)	1,334	111
2021	(4,633)	1,334	111
2022	(4,633)	1,334	111
2023	(4,633)	1,334	111
Thereafter	(18,938)	1,333	112
Total	<u>\$ (42,103)</u>	<u>\$ 8,003</u>	<u>\$ 667</u>

NOTE 17 – OTHER TERMINATION BENEFITS

A. Board of Regents Retirement Incentive Options

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

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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. During the first three years, the University will pay both the employer and employee retirement plan contributions, and during the next two years will pay only the employer contribution.

The University's contributions for the fiscal year ended June 30, 2018, totaled \$2.0 million for 183 participants in the Retirement Incentive Program.

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, 2018, 278 SPOC retirees received benefits totaling \$1.6 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:

If the sick leave balance is:

Zero to 750 hours
Over 750 hours to 1,500 hours
Over 1,500 hours

The conversion rate is:

60% of the value
80% of the value
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, 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

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converted value of the sick leave can only be applied to the employer's share of health insurance premium payments. It has no cash value and it is not transferable to another use or to an heir.

If a retired employee who has utilized this benefit returns to permanent state employment, all remaining balances in the 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, 2018, 1,447 employees from the Executive and Legislative branches have retired and received benefits totaling \$10.8 million under SLIP. In addition, 197 employees from the Judicial branch and Community Based Corrections have retired and received benefits totaling \$2.2 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 2017 and 2018 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2017	\$ 64,974	29,760	25,818	\$ 68,916
FY 2018	68,916	26,630	27,010	68,536

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 2017 and 2018 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2017	\$ 1,053	1,797	960	\$ 1,890
FY 2018	1,890	1,368	1,027	2,231

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 2017 and 2018 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2017	\$ 717	241	297	\$ 661
FY 2018	661	1,023	396	1,288

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The State is self-insured for risks of loss related to property damage and torts. All claims must be filed with the State Appeal Board which has the authority to approve or reject claims. Claims allowed in an amount greater than \$5,000 require the unanimous approval of all members of the Board, the Attorney General and the District Court of the State of Iowa for Polk County. The liability for unpaid claims is estimated based on historical experience and analysis. Changes in the balances for estimated claims liabilities for fiscal years 2017 and 2018 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2017	\$ 20,000	4,713	4,713	\$ 20,000
FY 2018	20,000	12,497	7,497	25,000

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 2017 and 2018 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2017	\$ 38,071	296,413	302,541	\$ 31,943
FY 2018	31,943	369,674	355,778	45,839

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 University of Iowa and Iowa State University carry additional coverage of \$8.0 million and \$4.0 million, respectively.
- 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 \$211.6 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 \$49.7 million after a \$1.0 million deductible.
- The Iowa School for the Deaf is insured for catastrophic loss liabilities for \$77.3 million after a \$1.0 million deductible.
- The eight Judicial Districts individually insure buildings and contents with coverage ranging from \$4.3 million to \$28.8 million.
- Iowa Workforce Development is insured for \$24.5 million for buildings and contents.
- Iowa Public Television insures broadcasting trucks and contents for \$3.5 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.

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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, \$307.7 million to various real estate debt partnerships, and \$215.7 million to corporate debt partnerships at June 30, 2018.

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.

IPERS participates in federal securities class-actions as the lead plaintiff, co-lead plaintiff, a named plaintiff, or a member of the class action. During the fiscal year, IPERS made 37 recoveries in the amount of \$1.3 million that are reflected in the financial statements for the year ended June 30, 2018.

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 \$692.3 million (net of \$689.7 million in anticipated federal funding) at June 30, 2018.

The *University of Iowa* has outstanding construction contract commitments of \$249.7 million at June 30, 2018.

Iowa State University has outstanding construction contract commitments of \$72.7 million at June 30, 2018.

The *University of Northern Iowa* has outstanding construction contract commitments of \$5.2 million at June 30, 2018.

The *Iowa Department of Natural Resources* has outstanding construction contract commitments of \$17.7 million at June 30, 2018.

The *Iowa Department of Administrative Services* has outstanding construction contract commitments of \$8.0 million at June 30, 2018.

The *Iowa Department of Human Rights* has outstanding contractual obligations of \$16.5 million at June 30, 2018.

The *Iowa Department of Human Services* has outstanding contractual obligations of \$392.2 million at June 30, 2018.

The *Iowa Department of Public Defense* has outstanding contractual obligations for construction and other contracts of \$6.2 million at June 30, 2018.

The *Iowa Department of Homeland Security and Emergency Management* has outstanding contractual obligations of \$12.0 million at June 30, 2018.

The *Iowa Department of Public Safety* has outstanding construction contract commitments of \$30.4 million at June 30, 2018.

Iowa Workforce Development has outstanding contractual commitments of \$15.6 million at June 30, 2018.

The State of Iowa has encumbrances at June 30, 2018, totaling \$42.0 million, \$37.2 million in the General Fund and \$4.8 million in the nonmajor governmental funds.

The *Iowa Finance Authority* has signed loan agreements under the State Revolving Fund for which \$300.8 million had not been disbursed at June 30, 2018.

The *Iowa Economic Development Authority* has outstanding contractual commitments of \$213.7 million at June 30, 2018.

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

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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 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.

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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 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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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.

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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 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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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. The Custom Farming Contract Tax Credit was repealed effective January 1, 2018.

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.

Workforce Housing Tax Incentive Program

The Workforce Housing Tax Incentive Program, as described by Iowa Code sections 15.351 through 15.356, provides tax incentives to taxpayers who complete a housing project in Iowa. Eligible projects include four or more single-family dwelling units, one or more multiple dwelling unit buildings each containing three or more individual dwelling units, or two or more dwelling units located in the upper story of an existing multi-use building. The project consists of rehabilitation, repair, or redevelopment at a brownfield or grayfield site that results in new dwelling units, the rehabilitation, repair, or redevelopment of dilapidated dwelling units, the rehabilitation, repair, or redevelopment of dwelling units located in the upper story of an existing multi-use building, or the new construction, rehabilitation, repair, or redevelopment of dwelling units in a distressed workforce housing community as determined by IEDA based on application by the communities. Each fiscal year, \$5 million of the \$20 million allocation of incentives is reserved for projects in small cities, defined as a city located in any Iowa county but the 11 most populous.

Projects must be registered with IEDA in order to receive tax credits, and only work completed after registration is eligible. Qualifying new investment eligible for tax incentives includes costs directly related to the acquisition, repair, or redevelopment of a housing project, but is limited to \$200,000 per dwelling unit or \$250,000 per unit if the property is considered historic. A housing business is required to complete the housing project within three years from the date the housing project is registered by IEDA.

Sales tax refunds are allowed for sales and use taxes paid that are directly related to the housing project. Investment tax credits are available for up to 10 percent of the qualifying new investment in the housing project; for projects in a small city, the investment tax credits equal 20 percent of the qualifying new investment. For corporation income, individual income, and franchise tax, the increase in the basis of the property that would otherwise result from the investment made under this project must be reduced by the amount of tax credit received.

Credits are awarded based on application to IEDA. The Workforce Housing Investment Tax Credit applies to corporation income, individual income, franchise, insurance premium, and moneys and credits taxes. Sales tax refund applies to the sales and use tax.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

The following is a schedule by program of the amount of taxes abated during the year ended June 30, 2018, (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)	\$ 20,371	\$ 1,829	\$ 14,186	\$ -	\$ 3,219	\$ -	\$ 39,605
Historic Preservation and Cultural and Entertainment District Tax Credit	-	12,288	21,478	17,128	7,607	-	58,501
Iowa Industrial New Jobs Training Program	-	-	-	-	-	34,715	34,715
Renewable Energy Tax Credit *	40	1,407	722	706	667	-	3,542
Targeted Jobs Tax Credit from Withholding	-	-	-	-	-	4,549	4,549
Enterprise Zone Program	2,643	3,132	1,997	3,041	1,348	-	12,161
Accelerated Career Education Program	-	-	-	-	-	4,187	4,187
Beginning Farmer Tax Credit Program	-	4,913	132	-	-	-	5,045
Workforce Housing Tax Incentive Program	3,074	324	241	1,737	3,586	-	8,962
Total	<u>\$ 26,128</u>	<u>\$ 23,893</u>	<u>\$ 38,756</u>	<u>\$ 22,612</u>	<u>\$ 16,427</u>	<u>\$ 43,451</u>	<u>\$ 171,267</u>

* The schedule does not include \$32 thousand of Replacement Tax abated.

NOTE 21 – DEFICIT FUND BALANCE

The Tobacco Collections Fund, a major special revenue fund, had a deficit fund balance of \$162.0 million at June 30, 2018. 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 – BEGINNING BALANCE ADJUSTMENTS

GASB 75 Implementation

The State implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018. GASB 75 establishes new accounting and financial reporting requirements for state and local governments that provide OPEB to employees. This statement provides standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

The following prior period adjustments were made at July 1, 2017, as required by GASB 75 (expressed in millions):

	Governmental Activities	Business-type Activities	Discretely Presented Component Units
Net position at June 30, 2017, as previously reported	\$ 9,184.1	\$ 7,490.6	\$ 4,127.1
Total other postemployment benefits liability	<u>(47.0)</u>	<u>(480.2)</u>	<u>(1.1)</u>
Net position at July 1, 2017, as restated	<u>\$ 9,137.1</u>	<u>\$ 7,010.4</u>	<u>\$ 4,126.0</u>

Internal Service Funds accounted for \$0.7 million of the increase in the OPEB liability reported in Governmental Activities and Enterprise Funds accounted for \$480.2 million of the increase in the OPEB liability reported in Business-type Activities. The Internal Service Funds and Enterprise Funds net position at July 1, 2017, were restated accordingly.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23 – SUBSEQUENT EVENTS

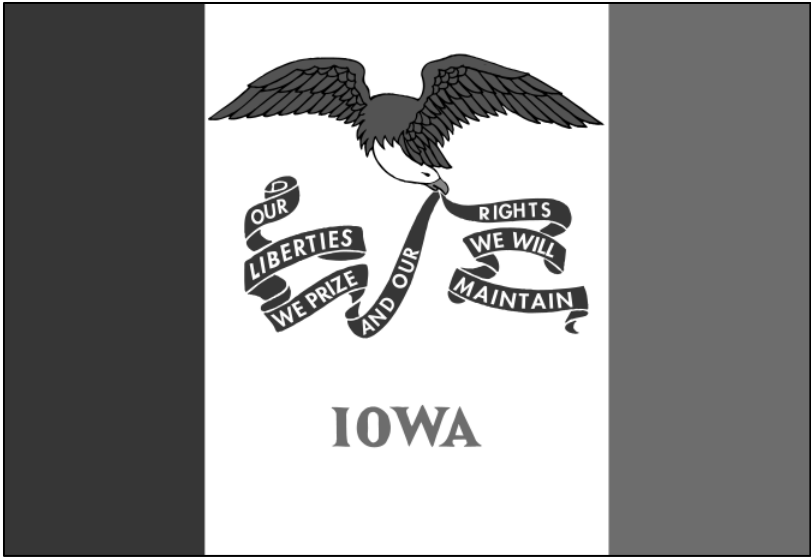
On July 19, 2018, three Department of Human Services offices incurred property damage when tornadoes hit the town of Marshalltown. The potential cost of damages has not yet been determined.

In October 2018, the Iowa Finance Authority (IFA) entered into agreements to issue \$58,995,000 of Single Family Mortgage Bonds, Series 2018 CDE. Proceeds will be used to purchase mortgage-backed securities under IFA's FirstHome and Homes for Iowans programs, finance down payment assistance, and pay certain costs of issuance. In conjunction with the issuance, IFA is expected to enter into an interest rate swap agreement with Royal Bank of Canada effective July 1, 2019.

In November 2018, the University of Iowa issued \$28,965,000 of Athletic Facilities Revenue Bonds, Series S.U.I. 2018A. The proceeds of the bonds will be used for improving, remodeling, repairing, furnishing, equipping and building additions to Kinnick Stadium; fund a reserve fund; and pay the cost of issuing the bonds. These bonds bear interest at varying rates between 3.00% and 5.00% and will mature in varying amounts from July 1, 2019 through July 1, 2038.

Subsequent to June 30, the Iowa Public Employees' Retirement System committed \$250.0 million to a corporate debt partnership, KKR Goldfinch.

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, 2018
(Expressed in Thousands)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE				
Special taxes:				
Personal income tax	\$ 4,752,500	\$ 4,729,900	\$ 4,762,704	\$ 32,804
Sales/use tax	2,986,800	2,939,600	2,949,537	9,937
Corporation income tax	532,700	565,100	581,734	16,634
Inheritance tax	94,400	85,000	85,245	245
Insurance premium tax	121,400	117,300	121,863	4,563
Beer & liquor tax	14,400	14,000	13,593	(407)
Franchise tax	53,900	55,300	48,581	(6,719)
Miscellaneous tax	1,300	1,400	1,633	233
Total special taxes	<u>8,557,400</u>	<u>8,507,600</u>	<u>8,564,890</u>	<u>57,290</u>
Reimbursements & fees:				
Institutional reimbursements	8,200	9,200	12,040	2,840
Liquor transfers	114,500	116,500	120,049	3,549
Interest	3,800	2,700	5,342	2,642
Fees	25,100	24,600	25,597	997
Judicial revenue	101,300	97,900	96,447	(1,453)
Miscellaneous receipts	43,800	58,100	54,531	(3,569)
Total receipts	<u>8,854,100</u>	<u>8,816,600</u>	<u>8,878,896</u>	<u>62,296</u>
Transfers	<u>101,900</u>	<u>120,700</u>	<u>120,971</u>	<u>271</u>
TOTAL APPROPRIATED REVENUE	<u>8,956,000</u>	<u>8,937,300</u>	<u>8,999,867</u>	<u>62,567</u>
RECEIPTS CREDITED TO APPROPRIATIONS				
Other taxes	1,100	1,100	1,152	52
Multi suspense	24,492	24,492	20,805	(3,687)
Federal support	3,638,514	3,640,171	3,893,568	253,397
Local governments	42,636	42,637	50,137	7,500
Other states	-	-	3	3
Internal service transfers	548,382	549,187	536,466	(12,721)
Reimbursements from other departments	4,621	4,699	4,914	215
Private gifts/grants/contracts	-	-	-	-
Government fund type transfers:				
Attorney General	18,539	18,539	17,861	(678)
Auditor of State	4,335	4,576	3,748	(828)
Other agencies	32,351	35,190	39,101	3,911
Interest	81	81	274	193
Fees, licenses & permits	49,077	49,938	45,344	(4,594)
Refunds & reimbursements	479,699	479,783	651,606	171,823
Sale of real estate	5	5	-	(5)
Sale of equipment & salvage	62	62	6	(56)
Rents & leases	2,489	2,489	2,478	(11)
Agricultural sales	1	1	3	2
Other sales & services	4,512	4,512	4,124	(388)
Unearned receipts	48,420	49,833	49,913	80
Other	10,080	10,070	11,027	957
TOTAL APPROPRIATED RECEIPTS	<u>4,909,396</u>	<u>4,917,365</u>	<u>5,332,530</u>	<u>415,165</u>
TOTAL ALL REVENUE	<u>13,865,396</u>	<u>13,854,665</u>	<u>14,332,397</u>	<u>477,732</u>
SCHOOL INFRASTRUCTURE TRANSFER	(1,091,300)	(1,177,400)	(480,800)	696,600
REFUNDS OF TAXES COLLECTED	(494,200)	(479,300)	(1,135,120)	(655,820)
TOTAL REVENUES AVAILABLE	<u>12,279,896</u>	<u>12,197,965</u>	<u>12,716,477</u>	<u>518,512</u>

(continued on next page)

STATE OF IOWA

**Required Supplementary Information
Budgetary Comparison Schedule - General Fund**

For the Year Ended June 30, 2018

(Expressed in Thousands)

(continued)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
EXPENDITURES				
Administration & regulation	693,366	707,489	702,956	4,533
Agriculture & natural resources	170,752	171,412	158,032	13,380
Economic development	50,323	50,438	46,714	3,724
Education	4,340,952	4,325,958	4,317,258	8,700
Health & human services	6,098,924	6,196,923	6,591,109	(394,186)
Justice	615,474	614,738	610,122	4,616
Judicial	182,154	180,483	180,554	(71)
Legislature	31,876	31,587	40,152	(8,565)
TOTAL EXPENDITURES	12,183,821	12,279,028	12,646,897	(367,869)
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	96,075	(81,063)	69,580	150,643
OTHER FINANCING SOURCES (USES)				
Balances credited to appropriations	8,965	115,234	115,234	-
Unexpended appropriations	(2,761)	(2,464)	(57,435)	(54,971)
TOTAL OTHER FINANCING SOURCES (USES)	6,204	112,770	57,799	(54,971)
REVENUES AVAILABLE OVER EXPENDITURES & OTHER ITEMS	102,279	31,707	127,379	95,672
BEGINNING FUND BALANCE (BUDGETARY)	-	-	-	-
REMAINING FUND BALANCE (BUDGETARY)	\$ 102,279	\$ 31,707	\$ 127,379	\$ 95,672
ENDING FUND BALANCE (BUDGETARY)	\$ 102,279	\$ 31,707	\$ 127,379	
AUTHORIZED TRANSFER TO THE:				
Cash Reserve Fund	(102,279)	(31,707)	(127,379)	
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, 2018
(Expressed in Thousands)

Fund balance - budgetary/legal	\$ 127,379
Basis of accounting differences:	
Balance sheet accounts:	
Accounts receivable	635,724
Due from other funds	681
Prepaid expenditures	32,628
Accounts payable & accruals	(620,381)
Due to other funds	(77,565)
Unearned revenue	(6,584)
Deferred revenue	(270,067)
Budgetary unexpended appropriations	57,435
Timing differences:	
Petty cash & inventory expensed in budgetary accounting	14,349
Perspective differences	<u>1,906,529</u>
Total fund balance - GAAP basis	<u><u>\$ 1,800,128</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, 2018, actual expenditures exceeded budgeted expenditures in the General Fund in the Health & Human Services, Judicial and Legislature functions. For the Health & Human Services function, the Department of Human Services received additional federal funds and other State funds for the Eldora Training School, Civil Commitment Unit for Sexual Offenders, Independence Mental Health Institute, Medical Assistance program, Children's Health Insurance program, Child Assistance program, Adoption Subsidy program, and Decategorization program over budget and expended those funds for allowable program expenditures. For the Judicial function, the Iowa Courts received additional Fees, Licenses, and Permits receipts over budget and expended those funds for allowable program expenditures. For the Legislature function, the Iowa Legislature received additional State funds over budget and expended those funds for allowable purposes.

BUDGETARY PRESENTATION

The budget encompasses the General Fund of the State and some Special Revenue Funds: Primary Road Fund, Fish and Game Trust Fund, Environment First Fund, Stafford Loan Program 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, Revenue Bonds Capital Fund, Health Care Trust, Underground Storage Tank Unassigned Revenue, Tobacco Tax Exempt Bond Proceeds Restricted Capital, Endowment for Iowa's Health Restricted Capitals Fund, Resources Enhancement and Protection Fund, Land Recycling Fund, Conservation Administration Fund, Forestry Management Enhancement Fund, Water Quality Protection, National Pollutant Discharge Elimination System Permit, Workforce Development Withholding, Wine and Beer Promotion Board Fund, Grow Iowa Values Fund, Renewable Fuel Infrastructure Fund, State Housing Trust Fund, Special Contingency Fund, School Infrastructure Fund, Nonparticipating Provider Reimbursement Fund, Pharmaceutical Settlement Fund, Hospital Health Care Access Trust 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 for the Nonparticipating Provider Reimbursement Fund and the Address Confidentiality Program Revolving Fund. These funds are classified as Special Revenue Funds 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, 2017 budgetary fund balances	\$ 461,810
Adjustment for:	
Nonparticipating Provider Reimbursement Fund	(104)
Address Confidentiality Program Revolving Fund	24
Budgetary fund balances restated	<u>\$ 461,730</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, 2017 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

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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

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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 State maintains two reserve funds: the Cash Reserve Fund and the Iowa Economic Emergency Fund, created in Sections 8.56 and 8.55 of the Code of Iowa. 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 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 current fiscal year. Interest or earnings on moneys deposited in the Iowa Economic Emergency 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 Iowa Economic Emergency Fund by the end of each fiscal year. The balance may be used in determining the cash position of the General Fund of the State for payment of State obligations. Amounts in excess of the maximum balance are distributed as follows: (1) the first \$60 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 is transferred to the Taxpayers Trust Fund, (2) the remainder of the excess, if any, shall be transferred to the General Fund of the State.

The General Assembly can only appropriate moneys in the fund for emergency expenditures. A maximum of \$50 million may to be used to prevent a deficit in the General Fund when *all* of the following have occurred: (1) the Revenue Estimating Conference (REC) estimate of General Fund receipts made during the last quarter of the fiscal year was, or the actual fiscal year receipts and accruals were, at least one-half of one percent less than the comparable estimate made during the third quarter of the fiscal year; (2) the Governor has implemented the uniform reductions in appropriations required in section 8.31 as a result of the above item and such reduction was insufficient to prevent an overdraft on or deficit in the General Fund of the State, or the Governor did not implement uniform reductions in appropriations because of the lateness of the estimated or actual receipts and accruals under item (1); (3) the balance of the General Fund of the State at the end of the fiscal year prior to the appropriation made in this paragraph was negative; and (4) the Governor has issued an official proclamation and has notified the co-chairpersons of the fiscal committee of the Legislative Council and the Legislative Services Agency that the contingencies above have occurred and the reasons why the uniform reductions specified in item (2) were insufficient, or were not implemented to prevent an overdraft on or deficit in the General Fund of the State. Additionally, the Executive Council may receive an amount sufficient to pay expenses authorized in 7D.29 of the Code of Iowa.

STATE OF IOWA

Required Supplementary Information Schedule of the Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System (IPERS)

Last Four Fiscal Years as of June 30 *

(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
State's proportion of the net pension liability	16.960683%	17.130052%	16.899393%	17.009515%
State's proportionate share of the net pension liability	\$ 1,129,772	\$ 1,078,059	\$ 834,918	\$ 674,583
State's covered payroll	\$ 1,431,290	\$ 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	78.93%	77.67%	61.56%	50.24%
Plan fiduciary net position as a percentage of the total pension liability	82.21%	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 Five Fiscal Years as of June 30 *

(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 12,109	\$ 13,071	\$ 12,207	\$ 11,847	\$ 11,551
Interest	46,564	42,298	41,661	40,222	38,880
Changes in benefit terms	-	-	-	-	(164)
Differences between expected & actual experience	(5,279)	(1,886)	(5,613)	(6,609)	(7,444)
Changes in assumptions	-	33,549	23,791	-	-
Benefit payments, including refunds of employee contributions	(30,966)	(29,362)	(28,284)	(26,693)	(25,432)
Net change in total pension liability	<u>22,428</u>	<u>57,670</u>	<u>43,762</u>	<u>18,767</u>	<u>17,391</u>
Total pension liability - beginning	636,059	578,389	534,627	515,860	498,469
Total pension liability - ending (a)	<u>\$ 658,487</u>	<u>\$ 636,059</u>	<u>\$ 578,389</u>	<u>\$ 534,627</u>	<u>\$ 515,860</u>
Plan fiduciary net position					
Contributions - employer	\$ 21,498	\$ 17,274	\$ 20,519	\$ 18,601	\$ 17,715
Contributions - employee	5,124	5,053	5,080	4,991	4,755
Net investment income (loss)	65,058	72,488	(4,581)	21,722	65,436
Benefit payments, including refunds of employee contributions	(30,966)	(29,362)	(28,284)	(26,693)	(25,432)
Administrative expense	(233)	(237)	(248)	(217)	(199)
Net change in fiduciary net position	<u>60,481</u>	<u>65,216</u>	<u>(7,514)</u>	<u>18,404</u>	<u>62,275</u>
Plan fiduciary net position - beginning	468,301	403,085	410,599	392,195	329,920
Plan fiduciary net position - ending (b)	<u>\$ 528,782</u>	<u>\$ 468,301</u>	<u>\$ 403,085</u>	<u>\$ 410,599</u>	<u>\$ 392,195</u>
Net pension liability - ending (a) - (b)	<u>\$ 129,705</u>	<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	80.30%	73.63%	69.69%	76.80%	76.03%
Covered payroll	\$ 44,589	\$ 42,212	\$ 47,028	\$ 43,873	\$ 43,845
Net pension liability as a percentage of covered payroll	290.89%	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 Five Fiscal Years as of June 30 * (Expressed in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 6,230	\$ 6,235	\$ 6,231	\$ 6,438	\$ 6,503
Interest	14,396	13,880	13,548	13,392	13,022
Changes in benefit terms	(1,208)	-	-	-	-
Differences between expected & actual experience	(3,222)	(865)	(3,655)	(6,586)	(3,957)
Changes in assumptions	33,526	-	-	-	-
Benefit payments, including refunds of employee contributions	(12,812)	(11,950)	(11,460)	(10,891)	(10,377)
Net change in total pension liability	36,910	7,300	4,664	2,353	5,191
Total pension liability - beginning	198,233	190,933	186,269	183,916	178,725
Total pension liability - ending (a)	<u>\$ 235,143</u>	<u>\$ 198,233</u>	<u>\$ 190,933</u>	<u>\$ 186,269</u>	<u>\$ 183,916</u>
Plan fiduciary net position					
Contributions - employer	\$ 8,503	\$ 8,544	\$ 8,667	\$ 8,724	\$ 8,630
Contributions - employee	2,598	2,611	2,648	2,665	2,637
Net investment income (loss)	26,227	26,632	(2,673)	7,533	26,172
Benefit payments, including refunds of employee contributions	(12,812)	(11,950)	(11,460)	(10,891)	(10,377)
Administrative expense	(20)	(18)	(20)	(15)	(17)
Net change in fiduciary net position	24,496	25,819	(2,838)	8,016	27,045
Plan fiduciary net position - beginning	186,971	161,152	163,990	155,974	128,929
Plan fiduciary net position - ending (b)	<u>\$ 211,467</u>	<u>\$ 186,971</u>	<u>\$ 161,152</u>	<u>\$ 163,990</u>	<u>\$ 155,974</u>
Net pension liability - ending (a) - (b)	<u>\$ 23,676</u>	<u>\$ 11,262</u>	<u>\$ 29,781</u>	<u>\$ 22,279</u>	<u>\$ 27,942</u>
Plan fiduciary net position as a percentage of the total pension liability	89.93%	94.32%	84.40%	88.04%	84.81%
Covered payroll	\$ 27,788	\$ 27,922	\$ 28,322	\$ 28,510	\$ 28,203
Net pension liability as a percentage of covered payroll	85.20%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 126,868	\$ 128,532	\$ 124,718	\$ 122,279	\$ 121,161
Contributions in relation to statutorily required contributions	<u>126,868</u>	<u>128,532</u>	<u>124,718</u>	<u>122,279</u>	<u>121,161</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State's covered payroll	\$ 1,414,609	\$ 1,431,290	\$ 1,388,017	\$ 1,356,263	\$ 1,342,673
Contributions as a percentage of covered payroll	8.97%	8.98%	8.99%	9.02%	9.02%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutorily required contribution	\$ 116,630	\$ 110,123	\$ 91,340	\$ 88,637	\$ 86,045
Contributions in relation to statutorily required contributions	<u>116,630</u>	<u>110,123</u>	<u>91,340</u>	<u>88,637</u>	<u>86,045</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State's covered payroll	\$ 1,322,751	\$ 1,327,065	\$ 1,243,013	\$ 1,270,140	\$ 1,298,610
Contributions as a percentage of covered payroll	8.82%	8.30%	7.35%	6.98%	6.63%

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 20,306	\$ 17,746	\$ 17,081	\$ 16,957	\$ 18,187
Actual employer contribution	<u>21,498</u>	<u>17,274</u>	<u>20,519</u>	<u>18,601</u>	<u>17,715</u>
Contribution deficiency (excess)	<u>\$ (1,192)</u>	<u>\$ 472</u>	<u>\$ (3,438)</u>	<u>\$ (1,644)</u>	<u>\$ 472</u>
Covered payroll	\$ 44,589	\$ 42,212	\$ 47,028	\$ 43,873	\$ 43,845
Contributions as a percentage of covered payroll	48.21%	40.92%	43.63%	42.40%	40.40%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 18,665	\$ 16,623	\$ 14,967	\$ 14,237	\$ 13,356
Actual employer contribution	<u>11,778</u>	<u>10,741</u>	<u>9,554</u>	<u>8,499</u>	<u>7,898</u>
Contribution deficiency (excess)	<u>\$ 6,887</u>	<u>\$ 5,882</u>	<u>\$ 5,413</u>	<u>\$ 5,738</u>	<u>\$ 5,458</u>
Covered payroll	\$ 43,621	\$ 42,965	\$ 41,539	\$ 40,469	\$ 41,570
Contributions as a percentage of covered payroll	27.00%	25.00%	23.00%	21.00%	19.00%

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 5,688	\$ 6,201	\$ 6,667	\$ 7,709	\$ 8,376
Actual employer contribution	<u>8,503</u>	<u>8,544</u>	<u>8,667</u>	<u>8,724</u>	<u>8,630</u>
Contribution deficiency (excess)	<u>\$ (2,815)</u>	<u>\$ (2,343)</u>	<u>\$ (2,000)</u>	<u>\$ (1,015)</u>	<u>\$ (254)</u>
Covered payroll	\$ 27,788	\$ 27,922	\$ 28,322	\$ 28,510	\$ 28,203
Contributions as a percentage of covered payroll	30.60%	30.60%	30.60%	30.60%	30.60%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 8,445	\$ 8,364	\$ 8,308	\$ 7,857	\$ 8,539
Actual employer contribution	<u>8,232</u>	<u>8,216</u>	<u>8,102</u>	<u>7,806</u>	<u>7,720</u>
Contribution deficiency (excess)	<u>\$ 213</u>	<u>\$ 148</u>	<u>\$ 206</u>	<u>\$ 51</u>	<u>\$ 819</u>
Covered payroll	\$ 26,903	\$ 26,849	\$ 26,477	\$ 25,511	\$ 25,230
Contributions as a percentage of covered payroll	30.60%	30.60%	30.60%	30.60%	30.60%

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.

Changes in Assumptions

Valuation date: July 1, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the long-term rate of return assumption from 7.50% to 7.00%.
- Decreased the wage growth and payroll growth assumption from 4.00% to 3.25%.
- Decreased the salary increase assumption by 0.75%.

Valuation date: July 1, 2014:

- 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, 2018 (based on the July 1, 2017 actuarial valuation):

- *Actuarial cost method:* Entry age normal
- *Amortization method:* Level percentage of payroll, closed
- *Amortization period:* 21 years
- *Asset valuation method:* 5-year-smoothed market
- *Inflation:* 2.75%
- *Salary increase:* 4.00% to 8.50%, including inflation

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Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Contributions

- *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-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.

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%.
- 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.

STATE OF IOWA

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Notes to Required Supplementary Information – Schedules of Contributions

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%.

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, 2018 (based on the July 1, 2017 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%

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Contributions

- *Salary increase:* 4.25% including inflation
- *Investment rate of return:* 7.50% compounded annually, net of investment expense, including inflation
- *Mortality:* RP-2014 White Collar Mortality Tables with a two-year age setback and generational improvements using MP-2017.

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:

2018: Effective January 1, 2018, a judge must be 62 years of age or older at the time a judge assumes senior status. Senior judges may only serve for a total of six years and shall cease holding office upon reaching age 78. These requirements do not apply to judges who have 20 years of service prior to January 1, 2018.

Changes in Assumptions

July 1, 2018 valuation:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the long-term investment return assumption from 7.50% to 6.75%.
- Decreased the salary increase assumption from 4.25% to 3.75%.
- Decreased the Senior Judge benefit adjustment from 3.1875% to 3.00%.
- Adopted an explicit assumption of the annual administrative expense.
- Changed the mortality assumption to the RP-2014 White Collar Mortality Tables with a two-year age setback and generational improvements using MP-2017.

July 1, 2013 valuation:

- Decreased the salary increase assumption from 4.50% to 4.25%.
- Increased retirement rates to reflect earlier retirement ages.
- The assumption that retiring judges will elect Senior Judge Status was changed from an 80% election, with 50% relinquishing at age 74 to an 80% election, with 60% relinquishing after 6 years if before 78.
- The adjustment to Senior Judge's benefit was reduced to reflect the change in the salary increase assumption.

July 1, 2009 valuation:

- An asset smoothing method to develop the actuarial value of assets was implemented. The actuarial value of assets is equal to the expected value (using the assumed rate of return) plus 25% of the difference between actual market value and expected value.
- The amortization period was reset to a closed 25-year period commencing in 2009. Amortization bases established in subsequent valuations reflect any differences in the actual and expected experience, with that base amortized over a new 25-year period, starting on that valuation date.

STATE OF IOWA

Required Supplementary Information Schedule of Changes in Total OPEB Liability and Related Ratios

State Plan

Last Fiscal Year as of June 30 *
(Expressed in Thousands)

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 12,964
Interest	6,520
Differences between expected & actual experience	(1,066)
Changes in assumptions	2,642
Change in proportion	(23)
Benefit payments - implicit subsidy	<u>(9,191)</u>
Net change in total OPEB liability	11,846
Total OPEB liability - beginning	173,706
Total OPEB liability - ending	<u>\$ 185,552</u>
Covered payroll	\$ 1,254,711
Total OPEB liability as a percentage of covered payroll	14.79%

* GASB Statement No. 75 requires ten years of information to be presented in this schedule; however, until a full 10-year trend is compiled, the State will present information for those years for which information is available.

See Notes to Required Supplementary Information - Schedules of Changes in Total OPEB Liability and Related Ratios.

See accompanying independent auditor's report.

STATE OF IOWA

**Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios**

University Plans

Last Fiscal Year as of June 30 *
(Expressed in Thousands)

	2018		
	U of I	ISU	UNI
Total OPEB liability			
Service cost	\$ 33,734	\$ 6,464	\$ 1,690
Interest	18,168	2,868	807
Differences between expected & actual experience	48,567	3,076	-
Changes in assumptions	(95,303)	6,260	779
Changes in benefit terms	(465,008)	-	-
Benefit payments	(8,001)	(4,654)	(600)
Net change in total OPEB liability	<u>(467,843)</u>	<u>14,014</u>	<u>2,676</u>
Total OPEB liability - beginning	607,678	71,120	21,149
Total OPEB liability - ending	<u><u>\$ 139,835</u></u>	<u><u>\$ 85,134</u></u>	<u><u>\$ 23,825</u></u>
 Covered payroll	 \$ 1,291,758	 \$ 443,245	 \$ 169,533
 Total OPEB liability as a percentage of covered payroll	 10.83%	 19.21%	 14.05%

* GASB Statement No. 75 requires ten years of information to be presented in this schedule; however, until a full 10-year trend is compiled, the State will present information for those years for which information is available.

See Notes to Required Supplementary Information - Schedules of Changes in Total OPEB Liability and Related Ratios.

See accompanying independent auditor's report.

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Changes in Total OPEB Liability and Related Ratios

A. State Plan

No assets are accumulated in a trust that meets the criteria in paragraph 4, of GASB 75.

Changes in Assumptions

2018:

- Increased the discount rate from 3.58% to 3.87%.
- Decreased the inflation rate from 3.00% to 2.6%.

B. University Plans

No assets are accumulated in a trust that meets the criteria in paragraph 4, of GASB 75.

Changes of Benefit and Funding Terms

2018:

U of I:

- Implemented a cap on the University's contribution for retiree health at the current \$288 per month for current and future retirees.

Changes in Assumptions

2018:

U of I:

- Decreased the discount rate from 6.75% to 3.58%.
- Changed the withdrawal rates for staff to better anticipate future experience.
- Changed the mortality assumption from the RP-2014 Aggregate Mortality Table projected using Scale MP-2014 to the RP-2014 Aggregate Mortality Table projected using Scale MP-2016.
- Changed the healthcare trend rate for pre-65 participants to 7.55% in 2017 grading down to 4.50% in 2026 and for post-65 participants to 9.17% in 2017 grading down to 4.50% in 2026.
- Changed the marginal cost adjustment factors for pre-65 participants from 59.40% to 60.10% and for post-65 participants from 86.80% to 87.60%.
- Updated the impact of the excise tax on high cost plans based on current claims and medical trend assumptions.

ISU:

- Decreased the discount rate from 3.78% to 3.44%.
- Reset medical trend rates to an initial rate of 9.00% decreasing by 0.50% to an ultimate rate of 5.00%.
- Updated the mortality assumption to RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017.
- Updated the excise tax threshold trend rate from 3.0% starting in 2020 to 3.50% in 2022 and 2.50% subsequently.

UNI:

- Increased the discount rate from 3.58% to 3.87%.
- Increased the healthcare trend rate for pre-65 participants to an initial 9.00% grading down to 4.50% and reset the rate for post-65 participants to an initial 6.50% grading down to 4.50%.
- Updated the mortality assumption to RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017.
- Updated the healthcare coverage election rate for pre-65 retirees to 45.00% from 65.00%.

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, 2018
(Expressed in Thousands)

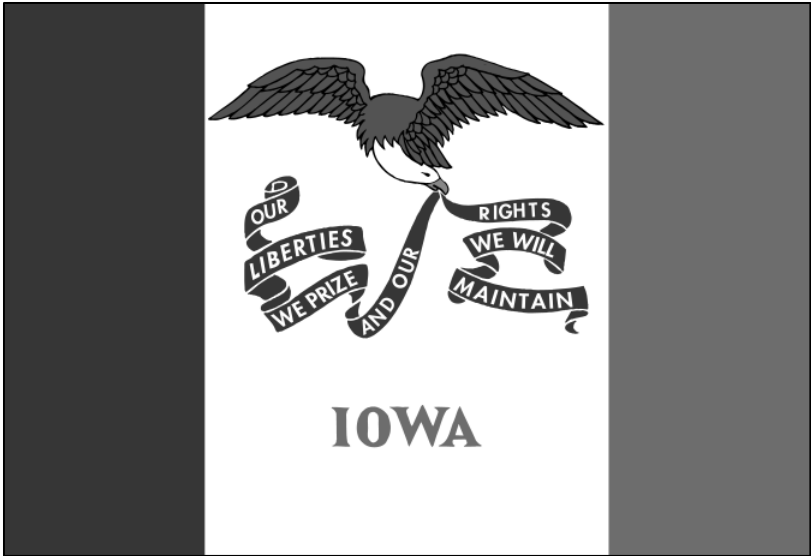
	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Current assets:				
Cash & investments	\$ 73,650	\$ 14,782	\$ 10,690	\$ 99,122
Accounts receivable (net)	16,990	131	10	17,131
Loans receivable (net)	125	-	-	125
Due from other funds	683	1,302	-	1,985
Inventory	129	-	-	129
Prepaid expenditures	286	-	-	286
Total current assets	<u>91,863</u>	<u>16,215</u>	<u>10,700</u>	<u>118,778</u>
Noncurrent assets:				
Accounts receivable (net)	6,231	-	-	6,231
Loans receivable (net)	445	-	-	445
Total noncurrent assets	<u>6,676</u>	<u>-</u>	<u>-</u>	<u>6,676</u>
TOTAL ASSETS	<u><u>\$ 98,539</u></u>	<u><u>\$ 16,215</u></u>	<u><u>\$ 10,700</u></u>	<u><u>\$ 125,454</u></u>
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	\$ 2,154	\$ 2,902	\$ -	\$ 5,056
Due to other funds	9,850	4,729	-	14,579
Unearned revenue	493	-	-	493
TOTAL LIABILITIES	<u>12,497</u>	<u>7,631</u>	<u>-</u>	<u>20,128</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	12,433	-	-	12,433
Unconditional remainder interest	97	-	-	97
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>12,530</u>	<u>-</u>	<u>-</u>	<u>12,530</u>
FUND BALANCES				
Nonspendable	415	-	10,700	11,115
Spendable:				
Restricted	59,796	1,186	-	60,982
Committed	13,334	7,398	-	20,732
Unassigned	(33)	-	-	(33)
TOTAL FUND BALANCES	<u>73,512</u>	<u>8,584</u>	<u>10,700</u>	<u>92,796</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u><u>\$ 98,539</u></u>	<u><u>\$ 16,215</u></u>	<u><u>\$ 10,700</u></u>	<u><u>\$ 125,454</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, 2018
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Receipts from other entities	\$ 5,054	\$ 4,272	\$ -	\$ 9,326
Investment income	2,157	15	-	2,172
Fees, licenses & permits	55,090	-	-	55,090
Refunds & reimbursements	5,563	10	-	5,573
Sales, rents & services	5,382	-	-	5,382
Miscellaneous	20,922	-	271	21,193
GROSS REVENUES	94,168	4,297	271	98,736
Less revenue refunds	3,004	28	-	3,032
NET REVENUES	91,164	4,269	271	95,704
EXPENDITURES				
Current:				
Administration & regulation	26,559	-	-	26,559
Education	22,418	-	-	22,418
Health & human rights	504	-	-	504
Human services	263	-	-	263
Justice & public defense	860	-	-	860
Transportation	103	-	-	103
Agriculture & natural resources	1,578	5,966	-	7,544
Capital outlay:				
Administration & regulation	42	3,683	-	3,725
Education	60	89	-	149
Health & human rights	17	8,773	-	8,790
Human services	-	232	-	232
Justice & public defense	230	33	-	263
Agriculture & natural resources	-	9,332	-	9,332
TOTAL EXPENDITURES	52,634	28,108	-	80,742
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	38,530	(23,839)	271	14,962
OTHER FINANCING SOURCES (USES)				
Transfers in	1,123	24,846	-	25,969
Transfers out	(43,848)	(962)	-	(44,810)
TOTAL OTHER FINANCING SOURCES (USES)	(42,725)	23,884	-	(18,841)
NET CHANGE IN FUND BALANCES	(4,195)	45	271	(3,879)
FUND BALANCES - JULY 1	77,707	8,539	10,429	96,675
FUND BALANCES - JUNE 30	\$ 73,512	\$ 8,584	\$ 10,700	\$ 92,796



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, 2018
(Expressed in Thousands)

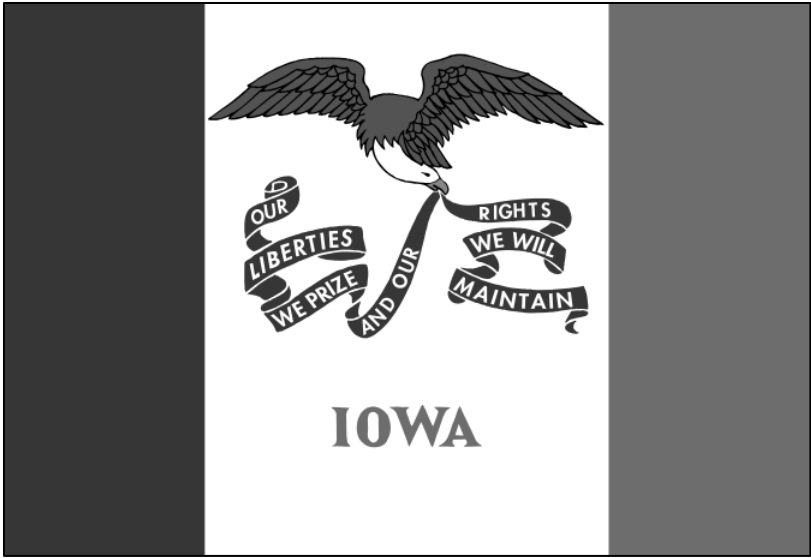
	GUARANTY AGENCY OPERATING	SECOND INJURY FUND	QUALITY ASSURANCE TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 25,613	\$ 2,378	\$ 271	\$ 12,757	\$ 32,631	\$ 73,650
Accounts receivable (net)	4,052	-	9,537	2,121	1,280	16,990
Loans receivable (net)	125	-	-	-	-	125
Due from other funds	233	16	10	-	424	683
Inventory	-	-	-	36	93	129
Prepaid expenditures	63	-	-	43	180	286
Total current assets	<u>30,086</u>	<u>2,394</u>	<u>9,818</u>	<u>14,957</u>	<u>34,608</u>	<u>91,863</u>
Noncurrent assets:						
Accounts receivable (net)	6,100	-	-	36	95	6,231
Loans receivable (net)	445	-	-	-	-	445
Total noncurrent assets	<u>6,545</u>	<u>-</u>	<u>-</u>	<u>36</u>	<u>95</u>	<u>6,676</u>
TOTAL ASSETS	<u>\$ 36,631</u>	<u>\$ 2,394</u>	<u>\$ 9,818</u>	<u>\$ 14,993</u>	<u>\$ 34,703</u>	<u>\$ 98,539</u>
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	\$ 682	\$ 382	\$ -	\$ 347	\$ 743	\$ 2,154
Due to other funds	38	-	8,726	824	262	9,850
Unearned revenue	-	-	-	345	148	493
TOTAL LIABILITIES	<u>720</u>	<u>382</u>	<u>8,726</u>	<u>1,516</u>	<u>1,153</u>	<u>12,497</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	9,500	-	1,088	1,714	131	12,433
Unconditional remainder interest	-	-	-	97	-	97
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>9,500</u>	<u>-</u>	<u>1,088</u>	<u>1,811</u>	<u>131</u>	<u>12,530</u>
FUND BALANCES						
Nonspendable	63	-	-	79	273	415
Spendable:						
Restricted	26,348	2,012	-	11,587	19,849	59,796
Committed	-	-	4	-	13,330	13,334
Unassigned	-	-	-	-	(33)	(33)
TOTAL FUND BALANCES	<u>26,411</u>	<u>2,012</u>	<u>4</u>	<u>11,666</u>	<u>33,419</u>	<u>73,512</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u>\$ 36,631</u>	<u>\$ 2,394</u>	<u>\$ 9,818</u>	<u>\$ 14,993</u>	<u>\$ 34,703</u>	<u>\$ 98,539</u>

STATE OF IOWA

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

For the Year Ended June 30, 2018
(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	\$ 4,489	\$ -	\$ -	\$ -	\$ 565	\$ 5,054
Investment income	231	66	66	647	1,147	2,157
Fees, licenses & permits	-	-	35,648	-	19,442	55,090
Refunds & reimbursements	5,108	-	-	-	455	5,563
Sales, rents & services	-	-	-	-	5,382	5,382
Miscellaneous	-	4,891	-	8,647	7,384	20,922
GROSS REVENUES	9,828	4,957	35,714	9,294	34,375	94,168
Less revenue refunds	-	12	-	-	2,992	3,004
NET REVENUES	9,828	4,945	35,714	9,294	31,383	91,164
EXPENDITURES						
Current:						
Administration & regulation	-	8,497	-	-	18,062	26,559
Education	12,186	-	-	3,738	6,494	22,418
Health & human rights	-	-	-	-	504	504
Human services	-	-	-	-	263	263
Justice & public defense	-	-	-	-	860	860
Transportation	-	-	-	-	103	103
Agriculture & natural resources	-	-	-	-	1,578	1,578
Capital outlay:						
Administration & regulation	-	-	-	-	42	42
Education	60	-	-	-	-	60
Health & human rights	-	-	-	-	17	17
Justice & public defense	-	-	-	-	230	230
TOTAL EXPENDITURES	12,246	8,497	-	3,738	28,153	52,634
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,418)	(3,552)	35,714	5,556	3,230	38,530
OTHER FINANCING SOURCES (USES)						
Transfers in	155	-	-	-	968	1,123
Transfers out	(43)	-	(35,701)	(5,340)	(2,764)	(43,848)
TOTAL OTHER FINANCING SOURCES (USES)	112	-	(35,701)	(5,340)	(1,796)	(42,725)
NET CHANGE IN FUND BALANCES	(2,306)	(3,552)	13	216	1,434	(4,195)
FUND BALANCES - JULY 1	28,717	5,564	(9)	11,450	31,985	77,707
FUND BALANCES - JUNE 30	\$ 26,411	\$ 2,012	\$ 4	\$ 11,666	\$ 33,419	\$ 73,512



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, 2018
(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	\$ 685,000	\$ 685,000	\$ 686,898	\$ 1,898	\$ 203	\$ 203	\$ 313	\$ 110
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	390,949	390,949	375,557	(15,392)	15,900	15,900	19,031	3,131
Local governments	7,500	7,500	18,413	10,913	-	-	-	-
Other states	9,400	9,400	64,183	54,783	-	-	-	-
Reimbursements from other agencies	160	160	-	(160)	-	-	-	-
Governmental fund type transfers from other agencies	123,500	123,500	146,682	23,182	25	25	1	(24)
Interest	1	1	-	(1)	150	150	275	125
Bonds & loans	150	150	526	376	-	-	-	-
Fees, licenses & permits	3,000	3,000	5,170	2,170	31,200	31,200	28,764	(2,436)
Refunds & reimbursements	10	10	-	(10)	400	400	637	237
Sale of real estate	4,910	4,910	2,084	(2,826)	-	-	5	5
Sale of equipment & salvage	-	-	-	-	2	2	2	-
Rents & leases	16	16	17	1	500	500	442	(58)
Agricultural sales	-	-	-	-	75	75	-	(75)
Other sales & services	-	-	-	-	800	800	799	(1)
Unearned receipts	-	-	-	-	265	265	280	15
Income tax checkoffs	-	-	-	-	150	150	148	(2)
Other	5,750	5,750	4,388	(1,362)	540	540	409	(131)
TOTAL APPROPRIATED RECEIPTS	545,351	545,351	617,020	71,669	50,007	50,007	50,793	786
TOTAL REVENUES AVAILABLE	1,230,351	1,230,351	1,303,918	73,567	50,210	50,210	51,106	896
EXPENDITURES:								
Administration & regulation	-	-	-	-	-	-	-	-
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Transportation	1,090,088	1,081,891	1,370,880	(288,989) *	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,090,088	1,081,891	1,370,880	(288,989)	-	-	-	-
TRANSFERS	10,767	20,967	13,562	7,405	54,269	54,269	50,755	3,514
TOTAL EXPENDITURES & TRANSFERS	1,100,855	1,102,858	1,384,442	(281,584)	54,269	54,269	50,755	3,514
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	129,496	127,493	(80,524)	(208,017)	(4,059)	(4,059)	351	4,410
FUND BALANCES - JULY 1 (BUDGETARY - RESTATED)	402,352	322,592	322,592	-	7,477	11,003	11,003	-
FUND BALANCES - JUNE 30 (BUDGETARY)	\$ 531,848	\$ 450,085	\$ 242,068	\$ (208,017)	\$ 3,418	\$ 6,944	\$ 11,354	\$ 4,410

(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, 2018
(Expressed in Thousands)
(continued)

	ENVIRONMENT FIRST FUND				STAFFORD LOAN PROGRAM FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	\$ 42,000	\$ 42,000	\$ 42,000	\$ -	\$ 4,761	\$ 4,761	\$ 219	\$ (4,542)
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	-	(100)	5,507	5,507	3,160	(2,347)
Local governments	-	-	-	-	-	-	-	-
Other states	-	-	-	-	-	-	-	-
Reimbursements from other agencies	-	-	-	-	2,080	2,080	1,222	(858)
Governmental fund type transfers from other agencies	-	-	71	71	-	-	-	-
Interest	-	-	-	-	100	100	320	220
Bonds & loans	-	-	-	-	-	-	-	-
Fees, licenses & permits	-	-	-	-	100	100	-	(100)
Refunds & reimbursements	300	300	1,456	1,156	3,933	3,933	5,197	1,264
Sale of real estate	-	-	-	-	-	-	-	-
Sale of equipment & salvage	-	-	-	-	-	-	-	-
Rents & leases	-	-	-	-	-	-	-	-
Agricultural sales	-	-	-	-	-	-	-	-
Other sales & services	-	-	-	-	-	-	-	-
Unearned receipts	-	-	-	-	-	-	-	-
Income tax checkoffs	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	3,000	-	(3,000)
TOTAL APPROPRIATED RECEIPTS	400	400	1,527	1,127	11,720	14,720	9,899	(4,821)
TOTAL REVENUES AVAILABLE	42,400	42,400	43,527	1,127	16,481	19,481	10,118	(9,363)
EXPENDITURES:								
Administration & regulation	13,183	13,257	13,732	(475) *	-	-	-	-
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	17,417	20,427	11,890	8,537
Health & human services	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	13,183	13,257	13,732	(475)	17,417	20,427	11,890	8,537
TRANSFERS	31,870	32,573	28,286	4,287	-	-	-	-
TOTAL EXPENDITURES & TRANSFERS	45,053	45,830	42,018	3,812	17,417	20,427	11,890	8,537
REVENUES AVAILABLE OVER (UNDER)								
EXPENDITURES & TRANSFERS	(2,653)	(3,430)	1,509	4,939	(936)	(946)	(1,772)	(826)
FUND BALANCES - JULY 1 (BUDGETARY - RESTATED)	7,209	11,187	11,187	-	23,060	27,751	27,751	-
FUND BALANCES - JUNE 30 (BUDGETARY)	\$ 4,556	\$ 7,757	\$ 12,696	\$ 4,939	\$ 22,124	\$ 26,805	\$ 25,979	\$ (826)

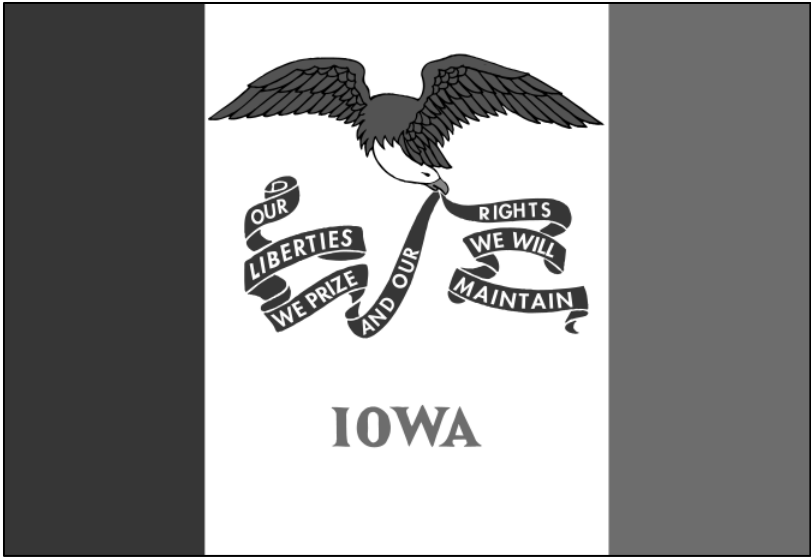
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STATE OF IOWA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Nonmajor Special Revenue Funds

For the Year Ended June 30, 2018
(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	\$ 34,196	\$ 44,492	\$ 27,584	\$ (16,908)	\$ 766,160	\$ 776,456	\$ 757,014	\$ (19,442)
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	90	90	130	40	90	90	130	40
Cigarette tax	196,270	196,270	182,378	(13,892)	196,270	196,270	182,378	(13,892)
Tobacco products tax	25,500	25,500	30,190	4,690	25,500	25,500	30,190	4,690
Liquor tax	250	250	290	40	250	250	290	40
Other taxes	5,860	5,860	4,530	(1,330)	5,860	5,860	4,530	(1,330)
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	26,105	23,238	24,049	811	438,561	435,694	421,797	(13,897)
Local governments	1,586	1,586	1,145	(441)	9,086	9,086	19,558	10,472
Other states	-	-	-	-	9,400	9,400	64,183	54,783
Reimbursements from other agencies	13,000	3,000	3,460	460	15,240	5,240	4,682	(558)
Governmental fund type transfers from other agencies	3,829	3,829	2,648	(1,181)	127,354	127,354	149,402	22,048
Interest	830	963	1,875	912	1,081	1,214	2,470	1,256
Bonds & loans	700	700	2,221	1,521	850	850	2,747	1,897
Fees, licenses & permits	80,692	80,692	80,926	234	114,992	114,992	114,860	(132)
Refunds & reimbursements	1,536	1,627	2,138	511	6,179	6,270	9,428	3,158
Sale of real estate	-	-	-	-	4,910	4,910	2,089	(2,821)
Sale of equipment & salvage	-	-	-	-	2	2	2	-
Rents & leases	-	-	(1)	(1)	516	516	458	(58)
Agricultural sales	-	-	-	-	75	75	-	(75)
Other sales & services	465	465	318	(147)	1,265	1,265	1,117	(148)
Unearned receipts	301	5	167	162	566	270	447	177
Income tax checkoffs	-	-	(1)	(1)	150	150	147	(3)
Other	111	76	389	313	6,401	9,366	5,186	(4,180)
TOTAL APPROPRIATED RECEIPTS	368,121	355,147	342,852	(12,295)	975,599	965,625	1,022,091	56,466
TOTAL REVENUES AVAILABLE	402,317	399,639	370,436	(29,203)	1,741,759	1,742,081	1,779,105	37,024
EXPENDITURES:								
Administration & regulation	42,193	49,481	42,135	7,346	55,376	62,738	55,867	6,871
Agriculture & natural resources	16,116	16,116	10,941	5,175	16,116	16,116	10,941	5,175
Economic development	50,972	42,476	14,873	27,603	50,972	42,476	14,873	27,603
Education	2,739	2,739	-	2,739	20,156	23,166	11,890	11,276
Health & human services	25	25	-	25	25	25	-	25
Transportation	2,004	2,003	3,101	(1,098) *	1,092,092	1,083,894	1,373,981	(290,087) *
Judicial	1,696	1,696	1,054	642	1,696	1,696	1,054	642
TOTAL EXPENDITURES	115,745	114,536	72,104	42,432	1,236,433	1,230,111	1,468,606	(238,495)
TRANSFERS	330,693	331,184	300,718	30,466	427,599	438,993	393,321	45,672
TOTAL EXPENDITURES & TRANSFERS	446,438	445,720	372,822	72,898	1,664,032	1,669,104	1,861,927	(192,823)
REVENUES AVAILABLE OVER (UNDER)								
EXPENDITURES & TRANSFERS	(44,121)	(46,081)	(2,386)	43,695	77,727	72,977	(82,822)	(155,799)
FUND BALANCES - JULY 1 (BUDGETARY - RESTATED)	80,842	90,571	89,197	(1,374)	520,940	463,104	461,730	(1,374)
FUND BALANCES - JUNE 30 (BUDGETARY)	\$ 36,721	\$ 44,490	\$ 86,811	\$ 42,321	\$ 598,667	\$ 536,081	\$ 378,908	\$ (157,173)

* 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 Environment First Fund and Revenue Capital II Fund in the Administration & Regulation function; and 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, 2018
(Expressed in Thousands)

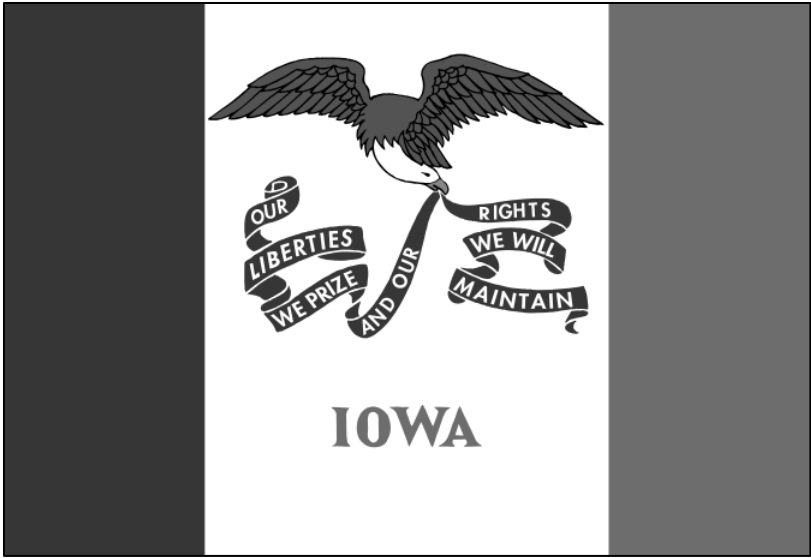
	GENERAL SERVICES CAPITALS FUND	ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	FISH & GAME CAPITALS FUND	FY2009 PRISON BONDING FUND	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 8,740	\$ 1,183	\$ 4,348	\$ 511	\$ -	\$ 14,782
Accounts receivable	-	3	117	11	-	131
Due from other funds	409	-	393	500	-	1,302
TOTAL ASSETS	<u>\$ 9,149</u>	<u>\$ 1,186</u>	<u>\$ 4,858</u>	<u>\$ 1,022</u>	<u>\$ -</u>	<u>\$ 16,215</u>
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	\$ 1,692	\$ -	\$ 259	\$ 951	\$ -	\$ 2,902
Due to other funds	4,476	-	253	-	-	4,729
TOTAL LIABILITIES	<u>6,168</u>	<u>-</u>	<u>512</u>	<u>951</u>	<u>-</u>	<u>7,631</u>
FUND BALANCES						
Spendable:						
Restricted	-	1,186	-	-	-	1,186
Committed	2,981	-	4,346	71	-	7,398
TOTAL FUND BALANCES	<u>2,981</u>	<u>1,186</u>	<u>4,346</u>	<u>71</u>	<u>-</u>	<u>8,584</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u>\$ 9,149</u>	<u>\$ 1,186</u>	<u>\$ 4,858</u>	<u>\$ 1,022</u>	<u>\$ -</u>	<u>\$ 16,215</u>

STATE OF IOWA

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

For the Year Ended June 30, 2018
(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	\$ 3,955	\$ -	\$ 317	\$ -	\$ -	\$ 4,272
Investment income	-	13	-	-	2	15
Refunds & reimbursements	-	-	10	-	-	10
GROSS REVENUES	3,955	13	327	-	2	4,297
Less revenue refunds	-	-	28	-	-	28
NET REVENUES	3,955	13	299	-	2	4,269
EXPENDITURES						
Current:						
Agriculture & natural resources	-	-	880	5,086	-	5,966
Capital outlay:						
Administration & regulation	3,683	-	-	-	-	3,683
Education	89	-	-	-	-	89
Health & human rights	8,768	5	-	-	-	8,773
Human services	232	-	-	-	-	232
Justice & public defense	33	-	-	-	-	33
Agriculture & natural resources	-	-	2,717	6,615	-	9,332
TOTAL EXPENDITURES	12,805	5	3,597	11,701	-	28,108
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,850)	8	(3,298)	(11,701)	2	(23,839)
OTHER FINANCING SOURCES (USES)						
Transfers in	9,176	-	4,483	11,187	-	24,846
Transfers out	-	-	(796)	-	(166)	(962)
TOTAL OTHER FINANCING SOURCES (USES)	9,176	-	3,687	11,187	(166)	23,884
NET CHANGE IN FUND BALANCES	326	8	389	(514)	(164)	45
FUND BALANCES - JULY 1	2,655	1,178	3,957	585	164	8,539
FUND BALANCES - JUNE 30	\$ 2,981	\$ 1,186	\$ 4,346	\$ 71	\$ -	\$ 8,584



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, 2018
(Expressed in Thousands)

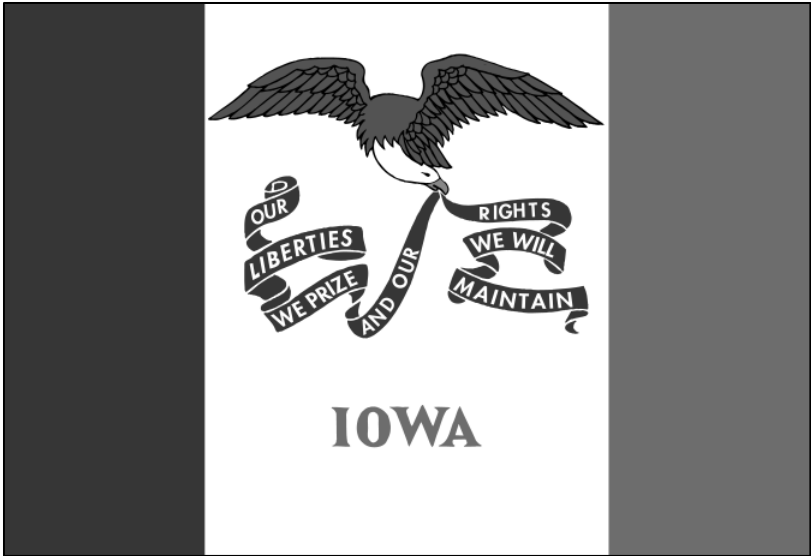
	PERMANENT SCHOOL PRINCIPAL FUND	IOWA CULTURAL TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	PILOT GROVE TRUST FUND	HENRY ALBERT TRUST FUND	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 8,038	\$ 1	\$ 2,640	\$ 10	\$ 1	\$ 10,690
Accounts receivable	-	-	10	-	-	10
TOTAL ASSETS	<u>\$ 8,038</u>	<u>\$ 1</u>	<u>\$ 2,650</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 10,700</u>
FUND BALANCES						
Nonspendable	\$ 8,038	\$ 1	\$ 2,650	\$ 10	\$ 1	\$ 10,700
TOTAL FUND BALANCES	<u>\$ 8,038</u>	<u>\$ 1</u>	<u>\$ 2,650</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 10,700</u>

STATE OF IOWA

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

For the Year Ended June 30, 2018
(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	\$ -	\$ -	\$ 271	\$ -	\$ -	\$ 271
NET CHANGE IN FUND BALANCES	-	-	271	-	-	271
FUND BALANCES - JULY 1	<u>8,038</u>	<u>1</u>	<u>2,379</u>	<u>10</u>	<u>1</u>	<u>10,429</u>
FUND BALANCES - JUNE 30	<u>\$ 8,038</u>	<u>\$ 1</u>	<u>\$ 2,650</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 10,700</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.

Iowa State Prison Industries accounts for the revenues and expenses related to the sale of products made by prison industries.

Liquor Control Act Fund is used to account for the revenues and expenses related to the sale of alcoholic beverages.

Elevator Safety Fund accounts for fees collected and pays the actual costs and expenses necessary to operate the elevator safety board and perform the duties of the labor commissioner as described in Chapter 89A of the Code of Iowa.

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, 2018
(Expressed in Thousands)

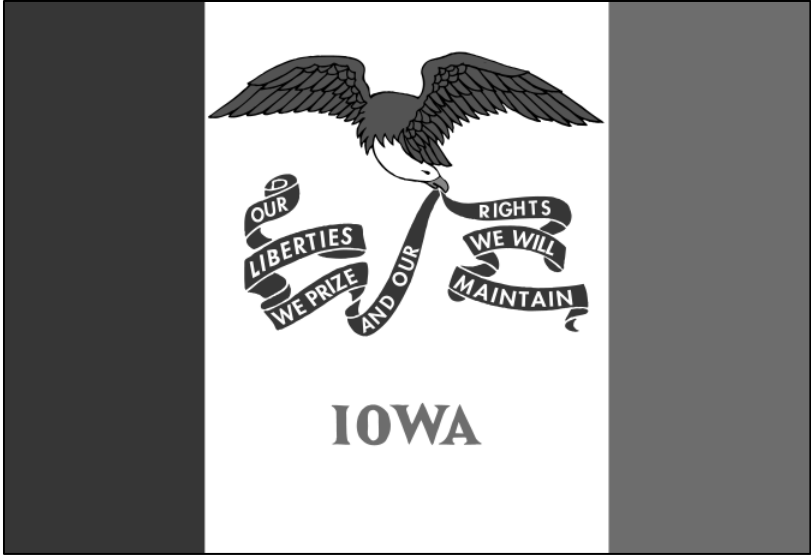
	IOWA COMMUNICATIONS NETWORK	IOWA STATE PRISON INDUSTRIES	LIQUOR CONTROL ACT FUND	ELEVATOR SAFETY FUND	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 9,308	\$ 9,377	\$ 16,149	\$ 2,320	\$ 4,893	\$ 42,047
Accounts receivable (net)	6,579	2,150	6,609	207	335	15,880
Due from other funds	-	18	1	27	38	84
Inventory	1,997	5,449	77	-	1,650	9,173
Prepaid expenses	1,060	45	101	174	235	1,615
Total current assets	<u>18,944</u>	<u>17,039</u>	<u>22,937</u>	<u>2,728</u>	<u>7,151</u>	<u>68,799</u>
Noncurrent assets:						
Accounts receivable (net)	-	-	-	-	205	205
Capital assets - nondepreciable	-	223	10,248	-	424	10,895
Capital assets - depreciable (net)	16,567	7,445	1,071	95	1,359	26,537
Total noncurrent assets	<u>16,567</u>	<u>7,668</u>	<u>11,319</u>	<u>95</u>	<u>1,988</u>	<u>37,637</u>
TOTAL ASSETS	<u>35,511</u>	<u>24,707</u>	<u>34,256</u>	<u>2,823</u>	<u>9,139</u>	<u>106,436</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to other postemployment benefits	54	9	28	38	2	131
Related to pensions	2,223	1,186	773	224	279	4,685
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,277</u>	<u>1,195</u>	<u>801</u>	<u>262</u>	<u>281</u>	<u>4,816</u>
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	3,960	1,433	10,135	85	156	15,769
Due to other funds/advances from other funds	-	-	12,124	22	125	12,271
Unearned revenue	2,312	40	-	-	-	2,352
Compensated absences	920	523	188	55	86	1,772
Other postemployment benefits liability	48	39	34	7	9	137
Total current liabilities	<u>7,240</u>	<u>2,035</u>	<u>22,481</u>	<u>169</u>	<u>376</u>	<u>32,301</u>
Noncurrent liabilities:						
Accounts payable & accruals	-	181	-	-	45	226
Compensated absences	832	718	94	91	121	1,856
Net pension liability	6,800	1,978	2,646	703	679	12,806
Other postemployment benefits liability	798	651	568	120	130	2,267
Total noncurrent liabilities	<u>8,430</u>	<u>3,528</u>	<u>3,308</u>	<u>914</u>	<u>975</u>	<u>17,155</u>
TOTAL LIABILITIES	<u>15,670</u>	<u>5,563</u>	<u>25,789</u>	<u>1,083</u>	<u>1,351</u>	<u>49,456</u>
DEFERRED INFLOWS OF RESOURCES						
Related to other postemployment benefits	4	19	-	-	-	23
Related to pensions	234	221	212	79	145	891
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>238</u>	<u>240</u>	<u>212</u>	<u>79</u>	<u>145</u>	<u>914</u>
NET POSITION						
Net investment in capital assets	16,567	7,668	11,319	95	1,783	37,432
Unrestricted	5,313	12,431	(2,263)	1,828	6,141	23,450
TOTAL NET POSITION	<u>\$ 21,880</u>	<u>\$ 20,099</u>	<u>\$ 9,056</u>	<u>\$ 1,923</u>	<u>\$ 7,924</u>	<u>\$ 60,882</u>

STATE OF IOWA

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

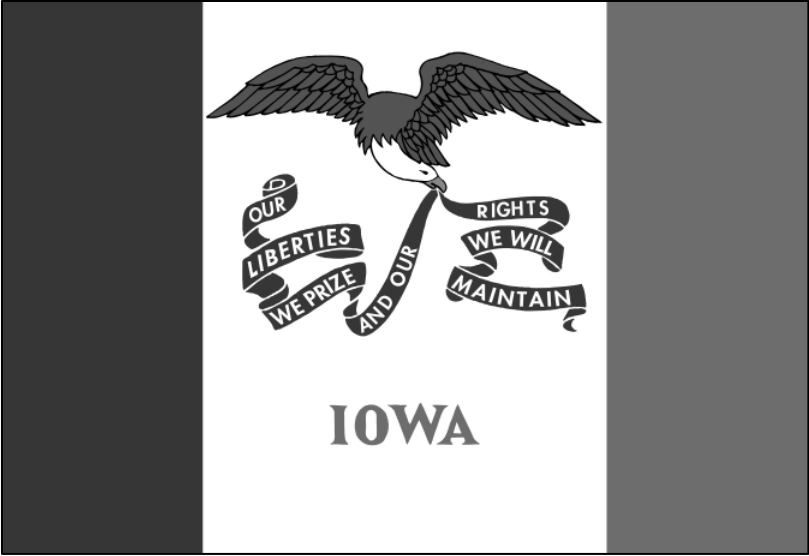
For the Year Ended June 30, 2018
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	IOWA STATE PRISON INDUSTRIES	LIQUOR CONTROL ACT FUND	ELEVATOR SAFETY FUND	OTHER FUNDS	TOTAL
OPERATING REVENUES						
Receipts from other entities	\$ -	\$ -	\$ 11	\$ -	\$ -	\$ 11
Fees, licenses & permits	-	-	18,189	2,316	2,652	23,157
Refunds & reimbursements	-	-	57	-	364	421
Sales, rents & services	30,905	23,464	320,157	2	1,230	375,758
Miscellaneous	-	199	3,056	-	500	3,755
TOTAL OPERATING REVENUES	30,905	23,663	341,470	2,318	4,746	403,102
OPERATING EXPENSES						
General & administrative	11,351	-	-	-	-	11,351
Depreciation	3,627	641	-	45	253	4,566
Direct & other	14,395	19,043	-	-	442	33,880
Personal services	-	1,536	2,534	1,263	1,749	7,082
Travel & subsistence	-	5	1,201	17	34	1,257
Supplies & materials	-	26	414	27	140	607
Contractual services	-	2,059	4,140	572	1,122	7,893
Equipment & repairs	-	37	20	98	116	271
Claims & miscellaneous	10,851	1,054	210,779	1	120	222,805
Licenses, permits & refunds	-	-	946	3	4	953
State aid & credits	-	-	3,776	-	-	3,776
TOTAL OPERATING EXPENSES	40,224	24,401	223,810	2,026	3,980	294,441
OPERATING INCOME (LOSS)	(9,319)	(738)	117,660	292	766	108,661
NONOPERATING REVENUES (EXPENSES)						
Taxes	-	-	8,167	-	-	8,167
Investment income	197	64	-	18	28	307
Gain (loss) on sale of capital assets	-	(33)	-	8	(130)	(155)
NET NONOPERATING REVENUES (EXPENSES)	197	31	8,167	26	(102)	8,319
INCOME (LOSS) BEFORE TRANSFERS	(9,122)	(707)	125,827	318	664	116,980
Transfers out	-	-	(121,860)	-	-	(121,860)
CHANGE IN NET POSITION	(9,122)	(707)	3,967	318	664	(4,880)
TOTAL NET POSITION - JULY 1, RESTATED	31,002	20,806	5,089	1,605	7,260	65,762
TOTAL NET POSITION - JUNE 30	\$ 21,880	\$ 20,099	\$ 9,056	\$ 1,923	\$ 7,924	\$ 60,882



STATE OF IOWA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2018
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	IOWA STATE PRISON INDUSTRIES	LIQUOR CONTROL ACT FUND	ELEVATOR SAFETY FUND	OTHER FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 33,857	\$ 25,086	\$ 339,573	\$ 2,219	\$ 3,837	\$ 404,572
Cash received from miscellaneous	-	199	3,067	-	500	3,766
Cash payments to suppliers for goods & services	(31,548)	(20,968)	(221,330)	(818)	(1,984)	(276,648)
Cash payments to employees for services	(10,169)	(1,878)	(2,424)	(1,216)	(1,702)	(17,389)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(7,860)</u>	<u>2,439</u>	<u>118,886</u>	<u>185</u>	<u>651</u>	<u>114,301</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers out to other funds	-	-	(120,118)	-	-	(120,118)
Tax receipts	-	-	8,167	-	-	8,167
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>(111,951)</u>	<u>-</u>	<u>-</u>	<u>(111,951)</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	(646)	(109)	(3,486)	(9)	(88)	(4,338)
Proceeds from sale of capital assets	-	-	-	8	-	8
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	<u>(646)</u>	<u>(109)</u>	<u>(3,486)</u>	<u>(1)</u>	<u>(88)</u>	<u>(4,330)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	197	64	-	18	28	307
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>197</u>	<u>64</u>	<u>-</u>	<u>18</u>	<u>28</u>	<u>307</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(8,309)	2,394	3,449	202	591	(1,673)
CASH & CASH EQUIVALENTS - JULY 1	17,617	6,983	12,700	2,118	4,302	43,720
CASH & CASH EQUIVALENTS - JUNE 30	<u>\$ 9,308</u>	<u>\$ 9,377</u>	<u>\$ 16,149</u>	<u>\$ 2,320</u>	<u>\$ 4,893</u>	<u>\$ 42,047</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (9,319)	\$ (738)	\$ 117,660	\$ 292	\$ 766	\$ 108,661
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	3,627	641	-	45	253	4,566
(Increase) decrease in accounts receivable	3,121	1,592	1,171	(78)	(392)	5,414
(Increase) decrease in due from	15	(10)	(1)	(21)	(17)	(34)
(Increase) decrease in inventory	118	1,503	(15)	-	(39)	1,567
(Increase) decrease in prepaid expenses	598	(43)	(5)	(79)	26	497
(Increase) decrease in deferred outflows of resources	(341)	530	(59)	(82)	(28)	20
Increase (decrease) in accounts payable	(6,088)	(204)	(34)	27	(1)	(6,300)
Increase (decrease) in due to	-	-	-	(48)	8	(40)
Increase (decrease) in unearned revenue	(184)	40	-	-	-	(144)
Increase (decrease) in compensated absences	(77)	(334)	11	27	9	(364)
Increase (decrease) in net pension liability	588	24	20	69	(8)	693
Increase (decrease) in other postemployment benefits liability	103	27	65	50	50	295
Increase (decrease) in deferred inflows of resources	(21)	(589)	73	(17)	24	(530)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (7,860)</u>	<u>\$ 2,439</u>	<u>\$ 118,886</u>	<u>\$ 185</u>	<u>\$ 651</u>	<u>\$ 114,301</u>



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, 2018

(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	\$ 5,778	\$ 20,462	\$ 28,860	\$ 6,058	\$ 21,412	\$ 82,570
Accounts receivable (net)	11	781	-	2,488	618	3,898
Due from other funds/advances to other funds	63,027	659	5,726	6,347	14,314	90,073
Inventory	-	6,508	-	25	1,588	8,121
Prepaid expenses	-	-	-	5,300	2,858	8,158
Total current assets	<u>68,816</u>	<u>28,410</u>	<u>34,586</u>	<u>20,218</u>	<u>40,790</u>	<u>192,820</u>
Noncurrent assets:						
Due from other funds/advances to other funds	-	-	15	-	-	15
Capital assets - nondepreciable	-	215	-	-	-	215
Capital assets - depreciable (net)	-	124,144	-	2,098	2,590	128,832
Total noncurrent assets	<u>-</u>	<u>124,359</u>	<u>15</u>	<u>2,098</u>	<u>2,590</u>	<u>129,062</u>
TOTAL ASSETS	<u>68,816</u>	<u>152,769</u>	<u>34,601</u>	<u>22,316</u>	<u>43,380</u>	<u>321,882</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to other postemployment benefits						
	-	8	-	15	113	136
Related to pensions	124	1,021	-	4,382	2,375	7,902
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>124</u>	<u>1,029</u>	<u>-</u>	<u>4,397</u>	<u>2,488</u>	<u>8,038</u>
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	19,818	4,963	-	6,884	5,574	37,239
Due to other funds/advances from other funds	87	475	32	1,250	12,181	14,025
Unearned revenue	-	-	28,692	2,616	79	31,387
Compensated absences	11	404	-	1,587	1,023	3,025
Other postemployment benefits liability	1	36	-	65	81	183
Total current liabilities	<u>19,917</u>	<u>5,878</u>	<u>28,724</u>	<u>12,402</u>	<u>18,938</u>	<u>85,859</u>
Noncurrent liabilities:						
Accounts payable & accruals	48,851	75	-	240	71	49,237
Due to other funds/advances from other funds	-	-	-	-	15	15
Compensated absences	1	646	-	1,348	763	2,758
Net pension liability	158	3,531	-	10,904	7,928	22,521
Other postemployment benefits liability	10	598	-	1,097	1,344	3,049
Total noncurrent liabilities	<u>49,020</u>	<u>4,850</u>	<u>-</u>	<u>13,589</u>	<u>10,121</u>	<u>77,580</u>
TOTAL LIABILITIES	<u>68,937</u>	<u>10,728</u>	<u>28,724</u>	<u>25,991</u>	<u>29,059</u>	<u>163,439</u>
DEFERRED INFLOWS OF RESOURCES						
Related to other postemployment benefits						
	-	30	-	45	41	116
Related to pensions	3	155	-	288	1,601	2,047
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3</u>	<u>185</u>	<u>-</u>	<u>333</u>	<u>1,642</u>	<u>2,163</u>
NET POSITION						
Net investment in capital assets	-	124,359	-	2,098	2,590	129,047
Unrestricted	-	18,526	5,877	(1,709)	12,577	35,271
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 142,885</u>	<u>\$ 5,877</u>	<u>\$ 389</u>	<u>\$ 15,167</u>	<u>\$ 164,318</u>

STATE OF IOWA

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

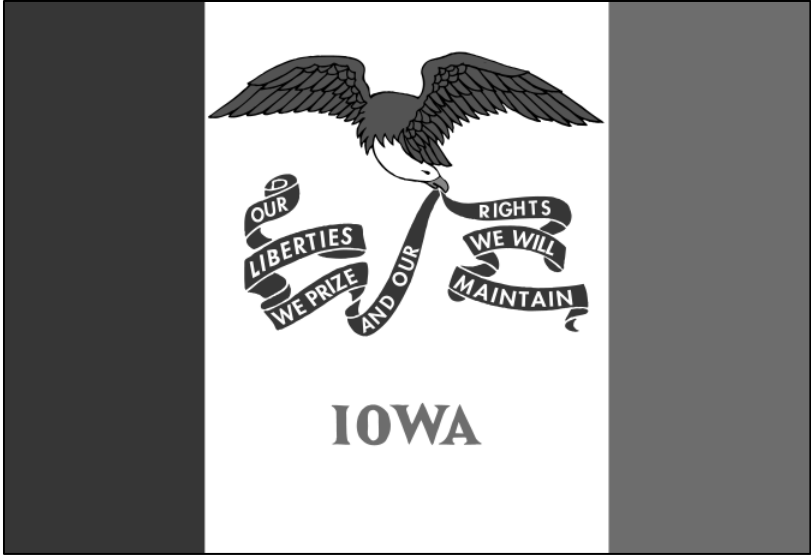
For the Year Ended June 30, 2018
(Expressed in Thousands)

	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	\$ 28,989	\$ 11,096	\$ 8,427	\$ 58,042	\$ 50,495	\$ 157,049
Fees, licenses & permits	-	-	-	549	-	549
Refunds & reimbursements	299	60,025	482	-	2,559	63,365
Sales, rents & services	-	-	1,136	-	89	1,225
Miscellaneous	-	4,316	-	-	101	4,417
TOTAL OPERATING REVENUES	29,288	75,437	10,045	58,591	53,244	226,605
OPERATING EXPENSES						
Depreciation	-	15,284	-	991	547	16,822
Personal services	276	5,413	-	14,757	14,612	35,058
Travel & subsistence	1	9,669	-	32	8,085	17,787
Supplies & materials	1	28,457	-	840	15,435	44,733
Contractual services	2,284	2,043	-	30,723	13,547	48,597
Equipment & repairs	-	923	6,868	12,344	980	21,115
Claims & miscellaneous	26,730	5	-	792	2,009	29,536
Licenses, permits & refunds	-	14	-	-	44	58
TOTAL OPERATING EXPENSES	29,292	61,808	6,868	60,479	55,259	213,706
OPERATING INCOME (LOSS)	(4)	13,629	3,177	(1,888)	(2,015)	12,899
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	-	-	73	129	202
Gain on sale of capital assets	-	301	-	-	20	321
Loss on sale of capital assets	-	-	-	(85)	(5)	(90)
NET NONOPERATING REVENUES (EXPENSES)	-	301	-	(12)	144	433
CHANGE IN NET POSITION	(4)	13,930	3,177	(1,900)	(1,871)	13,332
TOTAL NET POSITION - JULY 1, RESTATED	4	128,955	2,700	2,289	17,038	150,986
TOTAL NET POSITION - JUNE 30	\$ -	\$ 142,885	\$ 5,877	\$ 389	\$ 15,167	\$ 164,318



STATE OF IOWA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018
(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	\$ 299	\$ 14,631	\$ 1,159	\$ (1,487)	\$ 2,773	\$ 17,375
Cash received from reciprocal interfund activity	30,253	61,694	9,389	60,741	51,535	213,612
Cash payments to suppliers for goods & services	(29,277)	(42,359)	(6,868)	(44,034)	(39,927)	(162,465)
Cash payments to employees for services	(256)	(5,387)	-	(14,071)	(14,794)	(34,508)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,019</u>	<u>28,579</u>	<u>3,680</u>	<u>1,149</u>	<u>(413)</u>	<u>34,014</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	-	(28,260)	-	(506)	(394)	(29,160)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(28,260)</u>	<u>-</u>	<u>(506)</u>	<u>(394)</u>	<u>(29,160)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	-	-	-	73	129	202
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>73</u>	<u>129</u>	<u>202</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	1,019	319	3,680	716	(678)	5,056
CASH & CASH EQUIVALENTS - JULY 1	4,759	20,143	25,180	5,342	22,090	77,514
CASH & CASH EQUIVALENTS - JUNE 30	<u>\$ 5,778</u>	<u>\$ 20,462</u>	<u>\$ 28,860</u>	<u>\$ 6,058</u>	<u>\$ 21,412</u>	<u>\$ 82,570</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (4)	\$ 13,629	\$ 3,177	\$ (1,888)	\$ (2,015)	\$ 12,899
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	15,284	-	991	547	16,822
(Increase) decrease in accounts receivable	25	(781)	23	(2,036)	24	(2,745)
(Increase) decrease in due from	1,217	1,531	(2,941)	1,325	520	1,652
(Increase) decrease in inventory	-	(423)	1,077	27	(24)	657
(Increase) decrease in prepaid expenses	-	-	-	(2,684)	(56)	(2,740)
(Increase) decrease in deferred outflows of resources	11	(75)	-	(1,051)	(262)	(1,377)
Increase (decrease) in accounts payable	(261)	(825)	(1,077)	3,354	253	1,444
Increase (decrease) in due to	22	138	30	(335)	510	365
Increase (decrease) in unearned revenue	-	-	3,391	1,709	10	5,110
Increase (decrease) in compensated absences	(9)	(132)	-	(195)	(125)	(461)
Increase (decrease) in net pension liability	16	216	-	1,820	163	2,215
Increase (decrease) in other postemployment benefits liability	1	10	-	30	160	201
Increase (decrease) in deferred inflows of resources	1	7	-	82	(118)	(28)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,019</u>	<u>\$ 28,579</u>	<u>\$ 3,680</u>	<u>\$ 1,149</u>	<u>\$ (413)</u>	<u>\$ 34,014</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, 2018

(Expressed in Thousands)

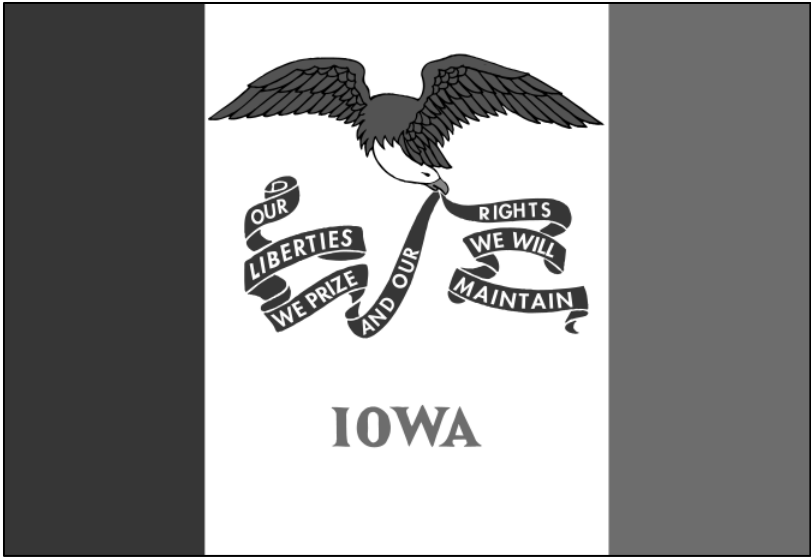
	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
ASSETS						
Cash & cash equivalents	\$ 331,397	\$ 6,582	\$ 4,746	\$ 277	\$ 2,858	\$ 345,860
Receivables:						
Contributions	76,880	909	467	1,095	-	79,351
Investments sold	486,465	4,464	98	-	-	491,027
Foreign exchange contracts	116,473	-	-	-	-	116,473
Interest & dividends	95,752	800	249	2	-	96,803
Miscellaneous	1,000	-	-	-	-	1,000
Total receivables	<u>776,570</u>	<u>6,173</u>	<u>814</u>	<u>1,097</u>	<u>-</u>	<u>784,654</u>
Investments, at fair value:						
Fixed income securities	10,551,173	111,591	42,985	-	-	10,705,749
Equity investments	13,052,907	357,873	144,534	-	-	13,555,314
Real estate partnerships	-	59,036	20,952	-	-	79,988
Investment in private equity/debt	4,413,644	-	-	-	-	4,413,644
Real assets	4,372,438	-	-	-	-	4,372,438
Securities lending collateral pool	526,397	15,762	2,599	-	-	544,758
Total investments	<u>32,916,559</u>	<u>544,262</u>	<u>211,070</u>	<u>-</u>	<u>-</u>	<u>33,671,891</u>
Capital assets:						
Land	500	-	-	-	-	500
Other - depreciable (net)	15,994	-	-	-	-	15,994
Total capital assets	<u>16,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,494</u>
Other assets	<u>1,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,357</u>
TOTAL ASSETS	<u><u>34,042,377</u></u>	<u><u>557,017</u></u>	<u><u>216,630</u></u>	<u><u>1,374</u></u>	<u><u>2,858</u></u>	<u><u>34,820,256</u></u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to other postemployment benefits	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30</u>
LIABILITIES						
Accounts payable & accruals	41,544	370	16	-	-	41,930
Foreign exchange contracts payable	113,052	-	-	-	-	113,052
Payable for investments purchased	1,047,006	12,103	2,548	-	-	1,061,657
Payable to brokers for rebate & collateral	526,212	15,762	2,599	-	-	544,573
TOTAL LIABILITIES	<u>1,727,814</u>	<u>28,235</u>	<u>5,163</u>	<u>-</u>	<u>-</u>	<u>1,761,212</u>
DEFERRED INFLOWS OF RESOURCES						
Related to other postemployment benefits	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
NET POSITION						
Restricted for pension/other postemployment benefits	<u><u>\$ 32,314,589</u></u>	<u><u>\$ 528,782</u></u>	<u><u>\$ 211,467</u></u>	<u><u>\$ 1,374</u></u>	<u><u>\$ 2,858</u></u>	<u><u>\$ 33,059,070</u></u>

STATE OF IOWA

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

For the Year Ended June 30, 2018
(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	\$ 481,406	\$ 5,124	\$ 2,598	\$ 1,475	\$ 565	\$ 491,168
Employer contributions	716,753	21,498	8,503	-	-	746,754
Buy-back/buy-in contributions	4,629	-	-	-	-	4,629
Total contributions	<u>1,202,788</u>	<u>26,622</u>	<u>11,101</u>	<u>1,475</u>	<u>565</u>	<u>1,242,551</u>
Investment income (loss):						
Net increase in fair value of investments	1,906,245	58,131	22,996	-	-	1,987,372
Interest	403,122	4,802	2,136	7	-	410,067
Dividends	144,519	4,824	1,551	-	-	150,894
Other	73,765	78	54	-	-	73,897
Total investment income (loss)	<u>2,527,651</u>	<u>67,835</u>	<u>26,737</u>	<u>7</u>	<u>-</u>	<u>2,622,230</u>
Less investment expense	68,682	2,777	510	-	-	71,969
Net investment income (loss)	<u>2,458,969</u>	<u>65,058</u>	<u>26,227</u>	<u>7</u>	<u>-</u>	<u>2,550,261</u>
TOTAL ADDITIONS	<u>3,661,757</u>	<u>91,680</u>	<u>37,328</u>	<u>1,482</u>	<u>565</u>	<u>3,792,812</u>
DEDUCTIONS						
Pension & annuity benefits	2,052,428	30,966	12,812	-	-	2,096,206
Payments in accordance with agreements	-	-	-	1,115	496	1,611
Administrative expense	14,754	233	20	-	-	15,007
Refunds	58,924	-	-	-	-	58,924
TOTAL DEDUCTIONS	<u>2,126,106</u>	<u>31,199</u>	<u>12,832</u>	<u>1,115</u>	<u>496</u>	<u>2,171,748</u>
CHANGE IN NET POSITION	1,535,651	60,481	24,496	367	69	1,621,064
NET POSITION - JULY 1, RESTATED	<u>30,778,938</u>	<u>468,301</u>	<u>186,971</u>	<u>1,007</u>	<u>2,789</u>	<u>31,438,006</u>
NET POSITION - JUNE 30	<u>\$ 32,314,589</u>	<u>\$ 528,782</u>	<u>\$ 211,467</u>	<u>\$ 1,374</u>	<u>\$ 2,858</u>	<u>\$ 33,059,070</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 ABLE Savings Plan Trust receives contributions to be invested for the future payment of disability-related costs of an individual.

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.

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 Braille & Sight Saving School Fund that receives donations and contributions to be spent for the benefit of the students.

STATE OF IOWA

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

June 30, 2018

(Expressed in Thousands)

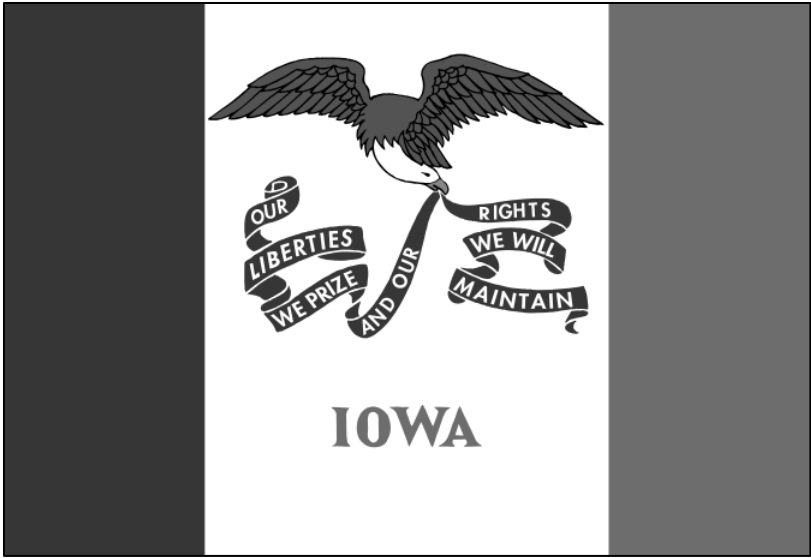
	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA ABLE SAVINGS PLAN TRUST	IOWA VETERANS TRUST FUND	GEAR-UP FUND	OTHER FUNDS	TOTAL
ASSETS						
Cash	\$ 2,145	\$ 1,144	\$ 28,328	\$ 9,914	\$ 1,593	\$ 43,124
Accounts receivable	-	-	124	-	1	125
Investments	5,316,841	859	-	-	-	5,317,700
Capital assets - depreciable (net)	-	-	-	-	116	116
Prepaid expenses	8	-	-	-	1	9
Inventory	-	-	-	-	11	11
TOTAL ASSETS	<u>5,318,994</u>	<u>2,003</u>	<u>28,452</u>	<u>9,914</u>	<u>1,722</u>	<u>5,361,085</u>
LIABILITIES						
Accounts payable & accruals	271	31	113	-	20	435
NET POSITION						
Restricted for individuals, organizations & other entities	<u>\$ 5,318,723</u>	<u>\$ 1,972</u>	<u>\$ 28,339</u>	<u>\$ 9,914</u>	<u>\$ 1,702</u>	<u>\$ 5,360,650</u>

STATE OF IOWA

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

For the Year Ended June 30, 2018
(Expressed in Thousands)

	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA ABLE SAVINGS PLAN TRUST	IOWA VETERANS TRUST FUND	GEAR-UP FUND	OTHER FUNDS	TOTAL
ADDITIONS						
Contributions:						
Participant contributions	\$ 417,966	\$ 1,408	\$ -	\$ -	\$ -	\$ 419,374
Other contributions	1,116	200	14	-	234	1,564
Gifts, bequests & endowments	-	-	2,537	6,191	65	8,793
Total contributions	<u>419,082</u>	<u>1,608</u>	<u>2,551</u>	<u>6,191</u>	<u>299</u>	<u>429,731</u>
Investment income (loss):						
Net increase (decrease) in fair value of investments	356,485	-	-	84	-	356,569
Interest	25	24	239	284	2	574
Total investment income (loss)	<u>356,510</u>	<u>24</u>	<u>239</u>	<u>368</u>	<u>2</u>	<u>357,143</u>
TOTAL ADDITIONS	<u>775,592</u>	<u>1,632</u>	<u>2,790</u>	<u>6,559</u>	<u>301</u>	<u>786,874</u>
DEDUCTIONS						
Distributions to participants	418,675	258	-	-	-	418,933
Other	1,154	48	669	2,685	274	4,830
TOTAL DEDUCTIONS	<u>419,829</u>	<u>306</u>	<u>669</u>	<u>2,685</u>	<u>274</u>	<u>423,763</u>
CHANGE IN NET POSITION	355,763	1,326	2,121	3,874	27	363,111
NET POSITION - JULY 1	<u>4,962,960</u>	<u>646</u>	<u>26,218</u>	<u>6,040</u>	<u>1,675</u>	<u>4,997,539</u>
NET POSITION - JUNE 30	<u>\$ 5,318,723</u>	<u>\$ 1,972</u>	<u>\$ 28,339</u>	<u>\$ 9,914</u>	<u>\$ 1,702</u>	<u>\$ 5,360,650</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, 2018

(Expressed in Thousands)

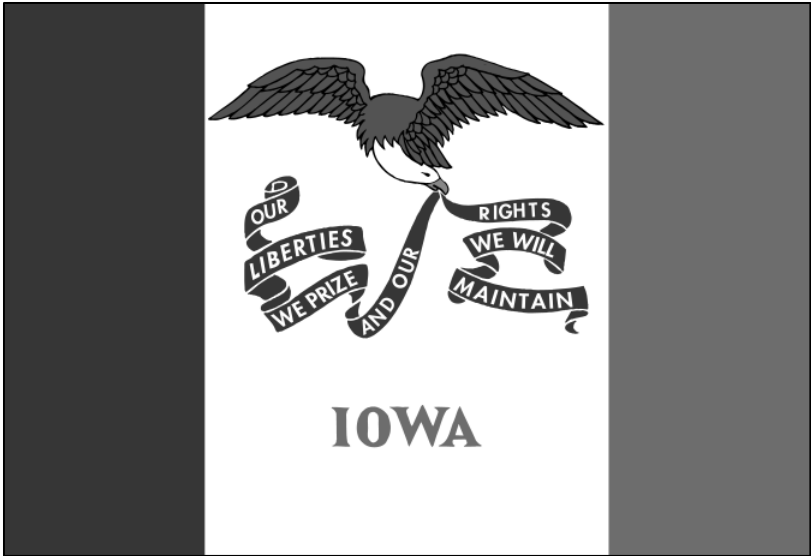
	LOCAL SALES & SERVICES TAX FUND	CENTRALIZED PAYROLL TRUSTEE FUND	JUDICIAL - CLERKS OF DISTRICT COURT	SCHOOL DISTRICT SURTAX CLEARING FUND	OTHER FUNDS	TOTAL
ASSETS						
Cash	\$ 33,278	\$ 263	\$ 32,403	\$ 97,075	\$ 75,944	\$ 238,963
Accounts receivable	126,512	43,294	-	3,132	73,884	246,822
TOTAL ASSETS	<u>\$ 159,790</u>	<u>\$ 43,557</u>	<u>\$ 32,403</u>	<u>\$ 100,207</u>	<u>\$ 149,828</u>	<u>\$ 485,785</u>
LIABILITIES						
Accounts payable & accruals	\$ 159,790	\$ 43,557	\$ 32,403	\$ 100,207	\$ 149,828	\$ 485,785
TOTAL LIABILITIES	<u>\$ 159,790</u>	<u>\$ 43,557</u>	<u>\$ 32,403</u>	<u>\$ 100,207</u>	<u>\$ 149,828</u>	<u>\$ 485,785</u>

STATE OF IOWA

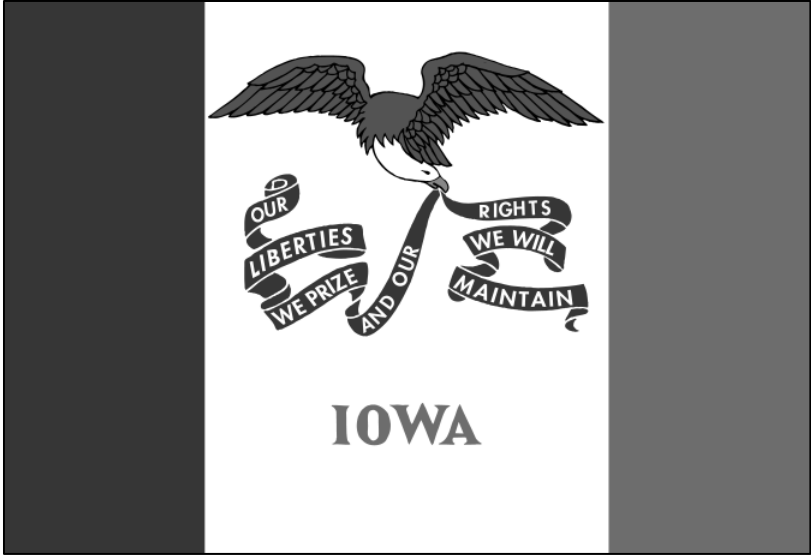
Combining Statement of Changes in Assets and Liabilities Agency Funds

For the Year Ended June 30, 2018
(Expressed in Thousands)

	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
LOCAL SALES & SERVICES TAX FUND				
ASSETS				
Cash	\$ 28,796	\$ 805,762	\$ 801,280	\$ 33,278
Accounts receivable	88,801	126,512	88,801	126,512
TOTAL ASSETS	<u>\$ 117,597</u>	<u>\$ 932,274</u>	<u>\$ 890,081</u>	<u>\$ 159,790</u>
LIABILITIES				
Accounts payable & accruals	\$ 117,597	\$ 932,274	\$ 890,081	\$ 159,790
CENTRALIZED PAYROLL TRUSTEE FUND				
ASSETS				
Cash	\$ 2,173	\$ 868,169	\$ 870,079	\$ 263
Accounts receivable	47,819	43,294	47,819	43,294
TOTAL ASSETS	<u>\$ 49,992</u>	<u>\$ 911,463</u>	<u>\$ 917,898</u>	<u>\$ 43,557</u>
LIABILITIES				
Accounts payable & accruals	\$ 49,992	\$ 911,463	\$ 917,898	\$ 43,557
JUDICIAL - CLERKS OF DISTRICT COURT				
ASSETS				
Cash	\$ 47,840	\$ 299,870	\$ 315,307	\$ 32,403
LIABILITIES				
Accounts payable & accruals	\$ 47,840	\$ 299,870	\$ 315,307	\$ 32,403
SCHOOL DISTRICT SURTAX CLEARING FUND				
ASSETS				
Cash	\$ 90,746	\$ 110,956	\$ 104,627	\$ 97,075
Accounts receivable	5,883	3,132	5,883	3,132
TOTAL ASSETS	<u>\$ 96,629</u>	<u>\$ 114,088</u>	<u>\$ 110,510</u>	<u>\$ 100,207</u>
LIABILITIES				
Accounts payable & accruals	\$ 96,629	\$ 114,088	\$ 110,510	\$ 100,207
OTHER FUNDS				
ASSETS				
Cash	\$ 86,744	\$ 1,506,525	\$ 1,517,325	\$ 75,944
Accounts receivable	80,368	74,232	80,716	73,884
TOTAL ASSETS	<u>\$ 167,112</u>	<u>\$ 1,580,757</u>	<u>\$ 1,598,041</u>	<u>\$ 149,828</u>
LIABILITIES				
Accounts payable & accruals	\$ 167,112	\$ 1,580,757	\$ 1,598,041	\$ 149,828
TOTAL				
ASSETS				
Cash	\$ 256,299	\$ 3,591,282	\$ 3,608,618	\$ 238,963
Accounts receivable	222,871	247,170	223,219	246,822
TOTAL ASSETS	<u>\$ 479,170</u>	<u>\$ 3,838,452</u>	<u>\$ 3,831,837</u>	<u>\$ 485,785</u>
LIABILITIES				
Accounts payable & accruals	\$ 479,170	\$ 3,838,452	\$ 3,831,837	\$ 485,785



STATISTICAL
SECTION

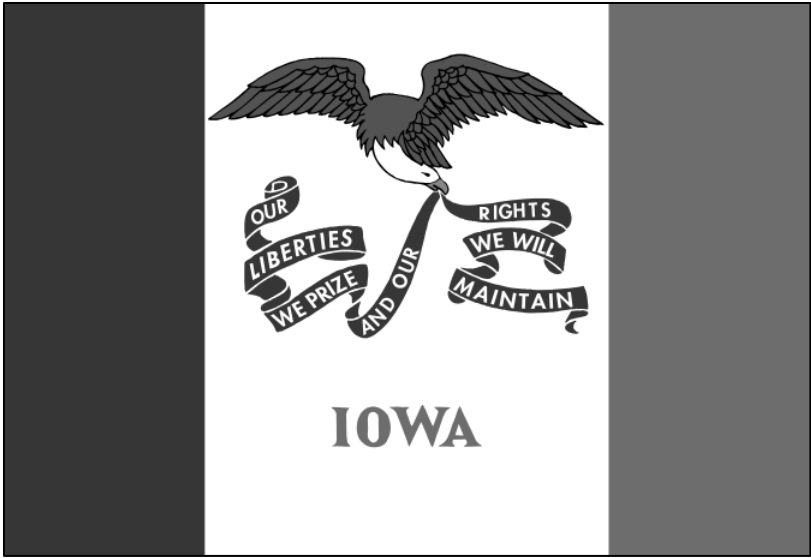


STATE OF IOWA
STATISTICAL SECTION
TABLE OF CONTENTS

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

Schedule 1

	Fiscal Year									
	2009 ⁽¹⁾	2010 ⁽²⁾	2011 ⁽³⁾	2012 ⁽⁴⁾	2013 ⁽⁵⁾	2014	2015 ⁽⁶⁾	2016	2017	2018 ⁽⁷⁾
Governmental activities										
Net investment in capital assets	\$ 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	\$ 9,741,057
Restricted	981,399	1,190,535	1,217,229	1,066,451	1,085,008	1,064,266	855,856	922,557	941,514	941,197
Unrestricted	145,222	(86,726)	(226,038)	90,401	525,989	413,880	(515,129)	(808,123)	(999,603)	(1,013,268)
Total governmental activities net position	<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>	<u>\$ 9,668,986</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 3,982,366
Restricted	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	1,894,868
Unrestricted	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	1,845,650
Total business-type activities net position	<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>	<u>\$ 7,722,884</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 13,723,423
Restricted	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	2,836,065
Unrestricted	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	832,382
Total primary government net position	<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>	<u>\$ 17,391,870</u>

(1) - 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.

(2) - 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.

(3) - 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.

(4) - 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.

(5) - Fiscal Year 2013 amounts reported include prior period adjustments made in 2014 to reflect the effect of implementation of GASB No. 65.

(6) - 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.

(7) - Fiscal Year 2018 was the first year of implementation of GASB No. 75; therefore, reflecting the total other postemployment benefits 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									
	2009 ⁽¹⁾	2010 ⁽²⁾	2011 ⁽³⁾	2012 ⁽⁴⁾	2013 ⁽⁵⁾	2014	2015	2016	2017	2018 ⁽⁶⁾
Expenses										
Governmental activities:										
Administration & regulation	\$ 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	\$ 1,862,199
Education	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	4,185,133
Health & human rights	450,955	488,380	458,702	423,202	420,844	423,723	422,677	436,330	445,057	435,776
Human services	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	6,772,755
Justice & public defense	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	999,154
Economic development	329,936	351,635	273,377	254,902	186,948	159,964	158,632	144,472	157,288	133,810
Transportation	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	1,419,426
Agriculture & natural resources	210,984	212,590	217,783	214,526	219,948	219,159	223,916	227,612	233,883	224,382
Interest expense	62,387	91,432	101,867	101,849	99,311	95,312	92,011	90,105	79,424	78,773
Total governmental activities expenses	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	16,111,408
Business-type activities:										
University Funds	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	5,052,039
Unemployment Benefits Fund	872,030	1,258,041	928,379	718,611	554,883	439,937	396,842	416,582	430,068	384,371
Other	396,668	213,185	222,239	246,673	257,011	260,564	264,092	273,939	285,205	294,471
Total business-type activities expenses	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	5,730,881
Total primary government expenses	\$ 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	\$ 21,842,289
Program revenues										
Governmental activities:										
Charges for services:										
Administration & regulation	\$ 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	\$ 1,103,732
Education	45,794	54,219	61,920	52,686	21,787	18,057	20,656	17,374	17,714	26,308
Health & human rights	71,849	60,885	70,702	66,922	68,865	69,159	80,767	77,168	75,320	75,204
Human services	437,131	465,890	575,377	666,496	438,915	519,909	544,631	550,432	823,549	772,301
Justice & public defense	83,868	102,600	110,215	104,969	89,888	106,730	95,952	97,638	97,779	116,771
Economic development	5,012	3,423	13,795	3,672	3,864	3,374	1,749	2,049	1,739	1,662
Transportation	84,511	84,291	76,404	93,908	106,081	122,683	100,322	79,955	100,598	168,402
Agriculture & natural resources	78,697	86,086	74,295	84,912	78,476	79,777	72,634	86,807	72,052	76,734
Operating grants & contributions	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	5,251,400
Capital grants & contributions	385,478	590,926	420,006	494,715	426,350	472,885	501,378	440,783	503,121	509,091
Total governmental activities program revenues	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	8,101,605
Business-type activities:										
Charges for services:										
University Funds	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	3,639,063
Unemployment Benefits Fund	358,198	474,465	619,455	643,970	543,535	471,738	410,209	448,914	493,643	427,407
Other	521,913	284,931	297,750	325,699	342,596	355,988	366,129	378,533	391,346	403,102
Operating grants & contributions	987,715	1,333,041	1,200,118	1,044,159	848,672	783,036	746,633	777,368	801,120	798,834
Capital grants & contributions	45,432	8,801	36,197	61,339	61,948	90,263	173,150	101,682	57,588	15,131
Total business-type activities program revenues	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	5,283,537
Total primary government program revenues	\$ 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	\$ 13,385,142
Net expense										
Governmental activities	\$ (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)	\$ (8,009,803)
Business-type activities	(762,634)	(647,012)	(238,961)	(142,123)	(288,301)	(309,833)	(267,135)	(291,216)	(424,616)	(447,344)
Total primary government net expense	\$ (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)	\$ (8,457,147)

(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									
	2009 ⁽¹⁾	2010 ⁽²⁾	2011 ⁽³⁾	2012 ⁽⁴⁾	2013 ⁽⁵⁾	2014	2015	2016	2017	2018 ⁽⁶⁾
General revenues & other changes in net position										
Governmental activities:										
Personal income tax	\$ 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	\$ 3,862,624
Corporate income tax	258,115	196,723	254,761	430,395	428,991	387,232	464,121	374,559	432,056	443,698
Sales & use tax	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	2,850,789
Other tax	743,231	710,946	685,454	756,713	759,681	756,237	771,702	803,003	791,607	773,204
Motor fuel tax restricted for transportation purposes	436,732	436,567	445,580	438,953	438,009	446,449	524,569	677,999	674,603	671,936
Road use tax restricted for transportation purposes	256,554	254,016	281,998	303,368	307,821	322,470	346,901	360,993	371,361	374,701
Unrestricted investment earnings	66,159	25,729	30,696	21,155	6,240	21,406	19,175	22,156	16,257	29,730
Other	30,476	31,571	28,317	27,504	29,746	35,357	36,680	35,013	38,369	50,091
Gain on sale of assets	804	842	51	732	871	1,011	1,401	1,197	2,260	804
Loss on extinguishment of debt	-	-	-	-	-	(5,679)	-	-	-	-
Special items - disposal of operations	-	-	-	-	5,728	-	-	-	-	-
Extraordinary items - impairment of assets & other	-	-	(4,394)	-	-	-	-	-	-	-
Transfers	(612,520)	(612,563)	(503,494)	(456,940)	(500,210)	(575,626)	(534,103)	(538,347)	(478,019)	(515,933)
Total governmental activities	\$ 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	\$ 8,541,644
Business-type activities:										
Other tax	\$ 5,688	\$ 6,459	\$ 6,803	\$ 7,031	\$ 7,463	\$ 7,527	\$ 7,765	\$ 7,649	\$ 8,078	\$ 8,167
Unrestricted investment earnings	(25,411)	115,200	154,176	90,891	109,987	186,857	46,888	78,133	162,438	110,237
Other	94,068	50,678	47,610	76,091	67,096	68,072	57,303	68,961	60,590	59,863
Gain on sale of assets	75	101	16	688	78	27	20	4,000	69	658
Contribution to University Endowments	404	(250)	-	-	-	-	-	-	-	-
Special items - change in OPEB	-	-	-	-	-	-	-	-	-	465,008
Extraordinary items - impairment of assets & other	3,160	(15,785)	5,900	991	(2,580)	-	-	-	-	-
Transfers	612,520	612,563	503,494	456,940	500,210	575,626	534,103	538,347	478,019	515,933
Total business-type activities	\$ 690,504	\$ 768,966	\$ 717,999	\$ 632,632	\$ 682,254	\$ 838,109	\$ 646,079	\$ 697,090	\$ 709,194	\$ 1,159,866
Change in net position										
Governmental activities	\$ (164,336)	\$ 376,245	\$ 342,908	\$ 421,307	\$ 735,838	\$ 247,588	\$ 179,560	\$ 165,223	\$ 317,782	\$ 531,841
Business-type activities	(72,130)	121,954	479,038	490,509	393,953	528,276	378,944	405,874	284,578	712,522
Total primary government	\$ (236,466)	\$ 498,199	\$ 821,946	\$ 911,816	\$ 1,129,791	\$ 775,864	\$ 558,504	\$ 571,097	\$ 602,360	\$ 1,244,363

(1) - 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.

(2) - 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.

(3) - 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.

(4) - 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.

(5) - Fiscal Year 2013 amounts reported include prior period adjustments made in 2014 to reflect the effect of implementation of GASB No. 65.

(6) - Fiscal Year 2018 amounts reported include a special item due to benefit changes to an OPEB plan at the University of Iowa, unrelated to the implementation of GASB No. 75.

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									
	2009 ⁽²⁾	2010 ⁽³⁾	2011 ⁽⁴⁾	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 1,121,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	802,767	-	-	-	-	-	-	-	-	-
Nonspendable	-	31,950	31,364	41,382	43,138	41,248	44,528	44,917	46,445	52,577
Spendable:										
Restricted	-	1,219,215	1,236,111	1,062,771	1,017,927	1,045,227	861,583	835,913	883,016	807,570
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	1,335,606
Unassigned	-	(201,720)	(250,589)	(210,684)	(156,800)	(214,660)	(273,102)	(214,504)	(328,131)	(395,625)
Total General Fund	<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>	<u>\$ 1,800,128</u>
All other governmental funds										
Reserved	\$ 820,497 ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	(584,829) ⁽¹⁾	-	-	-	-	-	-	-	-	-
Capital projects funds	52,417	-	-	-	-	-	-	-	-	-
Nonspendable	-	14,857	15,692	16,192	16,376	16,327	16,451	16,846	10,813	11,115
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⁾	304,512 ⁽¹⁾
Committed	-	25,347	27,348	26,453	28,346	29,124	24,038	41,215	22,225	20,732
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⁾	(162,019) ⁽¹⁾
Total all other governmental funds	<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>	<u>\$ 174,340</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									
	2009	2010 ⁽¹⁾	2011 ⁽²⁾	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 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	\$ 9,846,473
Receipts from other entities	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	5,981,877
Investment income	66,294	26,431	29,931	21,766	6,244	21,370	19,141	22,093	16,228	29,604
Fees, licenses & permits	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	1,455,332
Refunds & reimbursements	474,081	465,278	539,796	537,219	527,456	576,484	601,812	711,301	849,553	805,250
Sales, rents & services	29,925	34,620	31,400	33,225	32,639	35,827	39,765	39,665	41,714	36,851
Miscellaneous	93,961	118,521	147,736	141,461	150,035	158,048	177,710	209,066	213,667	207,692
Contributions	1,008	-	-	-	-	-	-	-	-	-
Gross revenues	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	18,363,079
Less revenue refunds	883,633	954,852	918,313	918,524	909,631	1,039,704	1,066,067	1,155,612	1,215,155	1,269,478
Net revenues	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	17,093,601
Expenditures										
Administration & regulation	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	1,848,943
Education	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	4,177,218
Health & human rights	443,841	472,053	451,393	417,306	414,981	418,906	420,907	431,555	437,703	424,547
Human services	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	6,759,205
Justice & public defense	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	947,730
Economic development	335,429	343,857	270,192	255,299	184,877	159,626	158,282	145,436	156,032	136,717
Transportation	471,563	550,192	542,490	548,629	552,228	580,831	646,481	610,992	626,535	673,706
Agriculture & natural resources	199,639	189,349	198,876	201,838	200,439	201,194	207,823	210,453	213,091	204,893
Capital outlay	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	1,360,623
Debt service:										
Payment to escrow agent	-	-	-	-	-	73,940	-	-	3,246	-
Principal	36,335	29,090	40,495	72,555	49,815	69,215	45,625	53,050	58,295	46,960
Interest & fiscal charges	59,146	86,108	100,122	101,327	98,242	94,875	89,659	87,219	79,960	79,898
Total expenditures	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	16,660,440
Excess of revenues over expenditures	136,795	444,049	598,095	482,640	903,238	284,730	52,220	240,151	354,047	433,161
Other financing sources (uses)										
Transfers in	538,129	395,422	197,540	197,567	215,291	229,136	200,611	220,599	220,253	211,240
Transfers out	(1,136,203)	(1,004,206)	(696,832)	(651,385)	(713,290)	(804,762)	(734,713)	(758,946)	(743,522)	(727,173)
Leases, installment purchases & other	313	2,340	93	562	9	131	199	587	37,227	3,057
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)	(597,761)	34,293	(161,211)	(430,703)	(497,990)	(575,495)	(533,903)	(537,760)	(484,857)	(512,876)
Special items - disposal of operations	-	-	-	-	(24,604)	-	-	-	-	-
Net change in fund balances	\$ (460,966)	\$ 478,342	\$ 436,884	\$ 51,937	\$ 380,644	\$ (290,765)	\$ (481,683)	\$ (297,609)	\$ (130,810)	\$ (79,715)
Debt service as a percentage of noncapital expenditures	<1%	0.9%	1.1%	1.3%	1.1%	1.7%	0.9%	0.9%	0.9%	0.8%

(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									
	2009	2010	2011 ⁽¹⁾	2012	2013	2014	2015	2016	2017	2018
Individual income tax	\$ 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	\$ 4,754,464
Sales tax	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	2,390,342
Use tax	374,686	371,195	404,151	439,772	464,126	489,764	501,073	497,160	515,740	566,509
Fuel tax	487,265	482,417	496,486	490,377	481,120	493,999	575,844	746,601	768,810	751,064
Corporate tax	408,578	373,416	401,628	550,343	563,016	507,522	579,881	510,664	564,423	580,805
Inheritance tax	72,562	68,358	65,535	79,670	86,785	90,791	89,807	88,759	88,093	85,245
Insurance premium tax	90,035	88,571	97,098	101,406	104,885	105,532	109,634	119,675	114,809	121,863
Cigarette & tobacco tax	238,153	232,573	226,692	225,499	226,300	225,375	223,069	227,901	221,077	212,567
Wagering tax	282,545	272,361	269,842	287,680	283,168	275,659	280,706	290,004	291,980	295,333
Franchise tax	33,271	31,564	39,423	41,121	43,860	40,330	47,482	50,354	53,831	48,581
Beer tax	14,717	14,503	14,272	14,726	13,865	14,187	14,489	14,214	13,941	13,593
Other	8,835	8,011	9,272	11,839	10,960	15,232	19,619	21,467	22,779	26,107
Gross taxes	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	9,846,473
Less refunds	786,757	858,281	822,634	820,178	871,332	1,000,031	1,028,612	1,111,432	1,173,495	1,229,918
Net taxes	\$ 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	\$ 8,616,555

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 2008		Tax Year 2009		Tax Year 2010		Tax Year 2011		Tax Year 2012	
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	45,574	No AGI	51,620	No AGI	49,110	No AGI	52,101	No AGI	52,301
\$1 - 9,999	356,260	\$1 - 9,999	336,423	\$1 - 9,999	333,307	\$1 - 9,999	337,187	\$1 - 9,999	326,822
\$10,000 - 19,999	335,220	\$10,000 - 19,999	332,440	\$10,000 - 19,999	338,049	\$10,000 - 19,999	332,596	\$10,000 - 19,999	324,978
\$20,000 - 29,999	329,579	\$20,000 - 29,999	330,853	\$20,000 - 29,999	323,039	\$20,000 - 29,999	314,841	\$20,000 - 29,999	309,181
\$30,000 - 39,999	281,286	\$30,000 - 39,999	273,662	\$30,000 - 39,999	274,706	\$30,000 - 39,999	272,314	\$30,000 - 39,999	272,654
\$40,000 - 49,999	199,752	\$40,000 - 49,999	194,025	\$40,000 - 49,999	198,580	\$40,000 - 49,999	202,716	\$40,000 - 49,999	207,046
\$50,000 - 74,999	234,607	\$50,000 - 74,999	233,380	\$50,000 - 74,999	242,170	\$50,000 - 74,999	253,213	\$50,000 - 74,999	268,326
\$75,000 - 99,999	79,374	\$75,000 - 99,999	77,882	\$75,000 - 99,999	82,412	\$75,000 - 99,999	89,113	\$75,000 - 99,999	96,439
\$100,000 & above	105,736	\$100,000 & above	99,179	\$100,000 & above	107,941	\$100,000 & above	121,578	\$100,000 & above	138,830
	1,967,388		1,929,464		1,949,314		1,975,659		1,996,577

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 - 1,379	0.36%	\$0 - 1,407	0.36%	\$0 - 1,428	0.36%	\$0 - 1,439	0.36%	\$0 - 1,469	0.36%
\$1,379 - 2,758	0.72%	\$1,407 - 2,814	0.72%	\$1,428 - 2,856	0.72%	\$1,439 - 2,878	0.72%	\$1,469 - 2,938	0.72%
\$2,758 - 5,516	2.43%	\$2,814 - 5,628	2.43%	\$2,856 - 5,712	2.43%	\$2,878 - 5,756	2.43%	\$2,938 - 5,876	2.43%
\$5,516 - 12,411	4.50%	\$5,628 - 12,663	4.50%	\$5,712 - 12,852	4.50%	\$5,756 - 12,951	4.50%	\$5,876 - 13,221	4.50%
\$12,411 - 20,685	6.12%	\$12,663 - 21,105	6.12%	\$12,852 - 21,420	6.12%	\$12,951 - 21,585	6.12%	\$13,221 - 22,035	6.12%
\$20,685 - 27,580	6.48%	\$21,105 - 28,140	6.48%	\$21,420 - 28,560	6.48%	\$21,585 - 28,780	6.48%	\$22,035 - 29,380	6.48%
\$27,580 - 41,370	6.80%	\$28,140 - 42,210	6.80%	\$28,560 - 42,840	6.80%	\$28,780 - 43,170	6.80%	\$29,380 - 44,070	6.80%
\$41,370 - 62,055	7.92%	\$42,210 - 63,315	7.92%	\$42,840 - 64,260	7.92%	\$43,170 - 64,755	7.92%	\$44,070 - 66,105	7.92%
\$62,055 & above	8.98%	\$63,315 & above	8.98%	\$64,260 & above	8.98%	\$64,755 & above	8.98%	\$66,105 & above	8.98%

Tax Year 2013		Tax Year 2014		Tax Year 2015		Tax Year 2016		Tax Year 2017	
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	53,992	No AGI	58,373	No AGI	61,291	No AGI	48,908		
\$1 - 9,999	315,190	\$1 - 9,999	311,378	\$1 - 9,999	311,295	\$1 - 9,999	225,555		
\$10,000 - 19,999	320,585	\$10,000 - 19,999	315,860	\$10,000 - 19,999	310,750	\$10,000 - 19,999	210,605		
\$20,000 - 29,999	303,974	\$20,000 - 29,999	300,205	\$20,000 - 29,999	294,558	\$20,000 - 29,999	190,879		
\$30,000 - 39,999	273,340	\$30,000 - 39,999	273,584	\$30,000 - 39,999	274,223	\$30,000 - 39,999	167,467		
\$40,000 - 49,999	210,320	\$40,000 - 49,999	214,873	\$40,000 - 49,999	218,392	\$40,000 - 49,999	131,987		
\$50,000 - 74,999	278,264	\$50,000 - 74,999	294,842	\$50,000 - 74,999	308,245	\$50,000 - 74,999	222,665		
\$75,000 - 99,999	103,702	\$75,000 - 99,999	111,906	\$75,000 - 99,999	118,823	\$75,000 - 99,999	145,455		
\$100,000 & above	144,703	\$100,000 & above	156,687	\$100,000 & above	163,513	\$100,000 & above	259,266		
	2,004,070		2,037,708		2,061,090		1,602,787		

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 - 1,494	0.36%	\$0 - 1,515	0.36%	\$0 - 1,539	0.36%	\$0 - 1,554	0.36%	\$0 - 1,573	0.36%
\$1,494 - 2,988	0.72%	\$1,515 - 3,030	0.72%	\$1,539 - 3,078	0.72%	\$1,554 - 3,108	0.72%	\$1,573 - 3,146	0.72%
\$2,988 - 5,976	2.43%	\$3,030 - 6,060	2.43%	\$3,078 - 6,156	2.43%	\$3,108 - 6,216	2.43%	\$3,146 - 6,292	2.43%
\$5,976 - 13,446	4.50%	\$6,060 - 13,635	4.50%	\$6,156 - 13,851	4.50%	\$6,216 - 13,986	4.50%	\$6,292 - 14,157	4.50%
\$13,446 - 22,410	6.12%	\$13,635 - 22,725	6.12%	\$13,851 - 23,085	6.12%	\$13,986 - 23,310	6.12%	\$14,157 - 23,595	6.12%
\$22,410 - 29,880	6.48%	\$22,725 - 30,300	6.48%	\$23,085 - 30,780	6.48%	\$23,310 - 31,080	6.48%	\$23,595 - 31,460	6.48%
\$29,880 - 44,820	6.80%	\$30,300 - 45,450	6.80%	\$30,780 - 46,170	6.80%	\$31,080 - 46,620	6.80%	\$31,460 - 47,190	6.80%
\$44,820 - 67,230	7.92%	\$45,450 - 68,175	7.92%	\$46,170 - 69,255	7.92%	\$46,620 - 69,930	7.92%	\$47,190 - 70,785	7.92%
\$67,230 & above	8.98%	\$68,175 & above	8.98%	\$69,255 & above	8.98%	\$69,930 & above	8.98%	\$70,785 & 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 2009 through 2018

Classification	2009		2010		2011		2012		2013	
	Number of Businesses	Taxable Sales	Number of Businesses	Taxable Sales	Number of Businesses	Taxable Sales	Number of Businesses	Taxable Sales	Number of Businesses	Taxable Sales
	<i>(in thousands)</i>		<i>(in thousands)</i>		<i>(in thousands)</i>		<i>(in thousands)</i>		<i>(in thousands)</i>	
Utilities & transportation	14,876	\$ 3,517,073	14,570	\$ 3,416,539	14,489	\$ 3,428,950	14,737	\$ 3,405,479	15,053	\$ 3,335,512
Building materials	6,981	2,561,077	6,821	2,437,841	6,636	2,507,236	6,530	2,704,879	6,504	2,712,261
General merchandise	6,666	5,428,309	6,478	5,366,827	6,296	5,408,118	6,211	5,530,952	6,151	5,475,235
Food dealers	6,817	1,634,570	6,770	1,713,971	6,766	1,732,752	6,776	1,772,985	6,729	1,782,829
Motor vehicles	15,177	1,926,927	14,210	1,852,142	13,867	1,967,946	13,723	2,108,205	13,612	2,124,416
Apparel	6,326	855,151	6,383	866,270	6,312	907,046	6,224	972,815	6,316	1,011,028
Home furnishings & appliances	7,960	1,456,128	7,914	1,202,096	7,615	1,195,401	7,474	1,205,592	7,398	1,202,792
Eating & drinking places	30,936	3,359,230	30,435	3,305,611	30,191	3,434,699	30,248	3,635,252	30,430	3,732,685
Specialty retail stores	61,037	2,510,639	60,568	2,496,150	59,166	2,615,424	58,914	2,759,729	59,103	2,909,350
Services	122,863	4,729,859	127,591	4,511,003	123,085	4,661,026	125,225	4,877,162	126,867	4,945,765
Wholesale goods	18,611	2,507,198	18,148	2,227,656	17,385	2,354,819	16,945	2,568,014	16,659	2,552,248
All other	54,838	3,218,496	50,982	2,547,487	50,573	2,690,600	50,937	2,996,903	50,965	3,016,466
Total	353,088	\$ 33,704,657	350,870	\$ 31,943,593	342,381	\$ 32,904,017	343,944	\$ 34,537,967	345,787	\$ 34,800,587

Classification	2014		2015		2016		2017		2018	
	Number of Businesses	Taxable Sales	Number of Businesses	Taxable Sales	Number of Businesses	Taxable Sales	Number of Businesses	Taxable Sales	Number of Businesses	Taxable Sales
	<i>(in thousands)</i>		<i>(in thousands)</i>		<i>(in thousands)</i>		<i>(in thousands)</i>		<i>(in thousands)</i>	
Utilities & transportation	14,701	\$ 3,483,048	14,357	\$ 3,632,047	14,134	\$ 3,669,812	13,029	\$ 3,929,813	12,973	\$ 3,889,513
Building materials	6,059	2,538,244	6,118	2,706,767	5,943	2,763,359	5,695	2,862,822	5,592	2,908,678
General merchandise	3,156	4,650,592	3,093	4,711,009	3,073	4,719,728	3,067	4,676,612	3,112	4,708,984
Food dealers	12,807	3,156,659	12,790	3,297,011	12,724	3,478,201	12,607	3,519,738	12,419	3,550,649
Motor vehicles	9,534	1,704,501	9,428	1,793,580	9,340	1,860,126	9,241	1,904,414	9,196	1,951,368
Apparel	6,256	1,044,542	6,221	1,063,320	6,225	1,067,251	6,215	1,025,902	6,252	977,631
Home furnishings & appliances	6,246	1,208,754	6,169	1,216,924	5,917	1,235,700	5,750	1,227,997	5,504	1,206,237
Eating & drinking places	30,035	3,827,209	29,889	4,056,025	30,362	4,228,185	30,720	4,306,324	30,988	4,394,774
Specialty retail stores	56,330	2,771,512	55,786	2,911,596	56,083	3,052,179	56,480	3,082,359	56,593	3,031,680
Services	125,773	4,889,626	126,249	5,188,730	126,900	5,324,603	127,633	5,409,162	127,468	5,544,380
Wholesale goods	18,059	3,772,090	17,698	3,929,422	17,346	3,937,460	17,139	3,889,348	16,712	3,950,029
All other	48,831	2,800,836	49,219	3,019,888	49,763	3,082,894	49,819	3,122,021	49,761	3,216,042
Total	337,787	\$ 35,847,613	337,017	\$ 37,526,319	337,810	\$ 38,419,498	337,395	\$ 38,956,512	336,570	\$ 39,329,965

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			
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
2018	1,535,957	29,665	2,783	-	1,984,189	25,604	33,118	3,611,316	2.50	1,148

(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
2018	16,099	-	16,099	-	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
2018	11,273	-	11,273	3,835	6,249	10,084	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
2018	32,537	-	32,537	17,155	11,951	29,106	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
2018	16,019	3	16,016	12,980	3,036	16,016	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
2018	1,064	-	1,064	590	474	1,064	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

				<u>Debt Service</u>			
	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
2018	10,696	4	10,692	9,445	1,247	10,692	1.00

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

Prison Infrastructure 2016

				<u>Debt Service</u>			
	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Total	Coverage
2017	\$ 3,513	\$ -	\$ 3,513	\$ -	\$ 3,513	\$ 3,513	1.00
2018	3,990	-	3,990	-	3,990	3,990	1.00

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

Governmental Activities - Special Revenue Funds
(Expressed in Thousands)

Tobacco Settlement Authority

				<u>Debt Service</u>			
	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Total	Coverage
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
2018	53,559 *	1,778	51,781	2,955	38,038	40,993	1.26

* Due to implementation of GASB Statement No. 48, the Tobacco Settlement Authority no longer reports tobacco settlement revenues. All tobacco settlement revenues are reported in the Tobacco Collections Fund and funds are then advanced to the Tobacco Settlement Authority for debt repayment. The amount shown represents the amount advanced and interest income.

(continued on next page)

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

Schedule 9

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
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
2018	227,522	163,152	64,370	25,689	10,715	36,404	1.77

Athletic/Multipurpose/Academic Facilities Revenue Bonds				Debt Service*			
		Less:	Net Available				
	Gross Revenues*	Operating Expenses*	Revenues	Principal	Interest	Total	Coverage
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
2018	115,210	21,011	94,199	11,615	7,412	19,027	4.95

Telecommunications Revenue Bonds				Debt Service*			
		Less:	Net Available				
	Gross Revenues	Operating Expenses	Revenues	Principal	Interest	Total	Coverage
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
2018	23,857	17,255	6,602	1,215	1,183	2,398	2.75

Student Health Facility Revenue Bonds				Debt Service*			
		Less:	Net Available				
	Gross Revenues	Operating Expenses*	Revenues	Principal	Interest	Total	Coverage
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
2018	3,998	3,725	273	215	33	248	1.10

(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	Principal	Interest	Total	Coverage
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
2018	139,436	93,268	46,168	13,590	7,514	21,104	2.19

<i>Parking System Revenue Bonds</i>				Debt Service*			
	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Total	Coverage
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
2018	26,884	14,487	12,397	3,310	1,656	4,966	2.50

<i>Recreational/Regulated Materials Facility Revenue Bonds</i>				Debt Service*			
	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Total	Coverage
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
2018	56,196	15,543	40,653	4,250	3,949	8,199	4.96

<i>Memorial/Maucker Union Revenue Bonds</i>				Debt Service*			
	Gross Revenues*	Less: Operating Expenses*	Net Available Revenues	Principal	Interest	Total	Coverage
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
2018	34,193	24,029	10,164	2,375	724	3,099	3.28

(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)

Hospital Revenue Bonds				Debt Service				
	Gross Revenues*	Less: Operating Expenses*	Net Available Revenues	Principal	Interest	Total	Coverage	
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	
2018	1,666,437	1,364,481	301,956	11,990	10,949	22,939	13.16	

Center For University Advancement Revenue Bonds				Debt Service*				
	Gross Revenues*	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Total	Coverage	
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	
2018	856	-	856	780	76	856	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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Population (in thousands)	3,003	3,008	3,046	3,062	3,074	3,090	3,107	3,124	3,135	3,146
Personal income (in millions)	\$ 110,135	\$ 110,541	\$ 116,616	\$ 123,933	\$ 129,503	\$ 139,422	\$ 140,177	\$ 140,501	\$ 146,685	\$ 144,691
Per capita personal income	\$ 36,680	\$ 36,751	\$ 38,281	\$ 40,470	\$ 42,126	\$ 45,114	\$ 45,115	\$ 44,971	\$ 46,794	\$ 45,996
Resident civilian labor force & employment (annual averages)										
Civilian labor force (in thousands)	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	1,678.5
Resident employment (in thousands)	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	1,626.0
Resident unemployed (in thousands)	69.0	99.7	102.6	98.0	85.7	77.6	74.0	62.5	62.4	52.5
Percent unemployed	4.1	6.0	6.1	5.9	5.2	4.6	4.3	3.7	3.7	3.1
Employment by industry, non-agricultural (in thousands)										
Construction	73.0	64.8	61.6	62.5	64.6	67.4	74.4	78.6	80.9	76.2
Manufacturing	227.8	203.7	200.1	207.4	210.4	214.5	216.8	216.1	213.3	216.3
Trade, transportation & utilities	309.2	302.0	300.0	301.9	306.8	311.4	312.9	316.0	316.2	314.8
Information	33.3	30.4	28.5	27.9	27.1	26.1	25.6	24.7	22.6	22.0
Financial activities	102.9	101.8	101.2	100.3	101.6	103.4	104.2	105.7	108.5	109.2
Professional & business	121.5	117.6	121.7	123.5	129.5	131.9	136.1	139.2	138.6	139.4
Education & health	206.7	211.0	213.5	215.9	220.6	223.2	223.2	225.0	228.6	231.6
Leisure & hospitality	135.3	132.4	129.7	130.6	134.2	136.7	137.9	139.7	142.6	143.5
Other services	57.7	57.6	57.0	56.5	57.7	60.2	61.3	62.4	61.7	59.9
Government	252.7	254.7	253.6	249.8	254.0	255.4	255.5	254.8	257.9	260.3
Total non-agricultural employment	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	1,573.2

Source: U.S. Department of Commerce, Bureau of Economic Analysis and Iowa Workforce Development, Labor Market Information Unit in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

STATE OF IOWA
Principal Non-governmental Employers
 Prior Calendar Year and Nine Years Ago

Schedule 11

CALENDAR YEAR 2017

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

CALENDAR YEAR 2008

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	Wells Fargo	Financial Activities
6	Principal Financial Group	Finance & Insurance
7	Tyson Fresh Meats	Food Manufacturing
8	Fareway Food Stores	Retail Food
9	Casey's General Store	Convenience Stores
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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
ADMINISTRATION & REGULATION										
<i>Department of Administrative Services</i>										
Land (acres)	133	138	138	138	138	138	138	138	138	150
Buildings & improvements (square footage)	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	2,468,257
Machinery & equipment	576	613	962	985	594	627	341	321	300	282
<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	181,966	181,966	181,966	181,966	181,966	181,966	181,996
EDUCATION										
<i>Iowa Public Television</i>										
Land (acres)	211	211	208	208	208	208	208	208	209	209
Buildings & improvements (square footage)	62,000	62,000	62,000	75,500	75,500	75,500	75,500	75,500	75,500	75,500
Machinery & equipment	983	977	908	927	876	873	801	797	786	780
<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	100,000	100,000	100,000	100,000	100,000	120,000	120,000
Machinery & equipment	264	262	200	199	198	194	182	177	176	166
<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	886,711	886,711	891,811	891,811	891,811	891,811	909,073
Machinery & equipment	250	262	266	298	373	509	561	629	640	720
<i>Department of Public Health</i>										
Machinery & equipment	336	422	417	466	471	478	504	593	502	553
HUMAN SERVICES										
<i>Department of Human Services & Institutions</i>										
Land (acres)	2,872	2,872	1,965	1,965	1,965	1,965	1,965	1,965	1,965	1,965
Buildings & improvements (square footage)	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	3,448,804
Machinery & equipment	1,734	1,754	1,793	1,807	1,900	1,946	1,930	1,823	1,738	1,728

(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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
JUSTICE & PUBLIC DEFENSE										
<i>Department of Corrections & Correctional Facilities</i>										
Land (acres)	612	622	636	484	476	476	238	238	238	238
Buildings & improvements (square footage)	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	5,304,224
Machinery & equipment	1,434	1,398	1,450	1,500	1,610	1,793	1,895	2,181	1,922	2,278
<i>Judicial Districts</i>										
Land (acres)	71	71	71	66	66	66	68	68	68	68
Buildings & improvements (square footage)	525,638	525,638	568,765	568,765	645,656	663,644	663,203	663,203	663,203	663,203
Machinery & equipment	297	283	292	310	305	320	334	336	338	354
<i>Department of Public Defense</i>										
Land (acres)	2,688	2,688	2,688	2,688	2,688	2,688	2,769	2,769	2,994	3,113
Buildings & improvements (square footage)	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	2,815,120
Machinery & equipment	330	391	417	401	466	486	490	490	496	493
<i>Department of Public Safety</i>										
Land (acres)	60	60	60	60	60	60	60	60	60	60
Buildings & improvements (square footage)	153,660	153,660	151,160	151,160	151,160	151,160	151,160	151,160	151,160	151,160
Machinery & equipment	1,495	1,477	1,623	1,806	1,904	1,929	1,950	2,122	2,098	2,112
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	125,042
Machinery & equipment	297	267	254	262	282	262	241	234	185	181
TRANSPORTATION										
<i>Department of Transportation</i>										
Land (acres)	7,199	7,404	7,071	7,069	7,138	6,943	5,245	4,580	4,233	3,984
Buildings & improvements (square footage)	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	2,604,705
Highway lane miles	235,999	236,426	236,428	237,115	237,394	237,391	237,588	237,637	238,364	236,814
Heavy equipment	5,550	5,803	5,779	6,101	6,238	6,416	6,463	6,695	6,779	7,102
Machinery & equipment	3,275	3,392	3,275	3,313	3,276	3,621	3,532	3,839	3,901	3,952
AGRICULTURE & NATURAL RESOURCES										
<i>Department of Natural Resources</i>										
Land (acres)	162,859	165,711	169,881	173,921	174,632	176,972	180,710	184,546	189,678	192,337
Buildings & improvements (square footage)	634,149	625,649	634,268	662,577	784,815	810,633	584,218	850,613	859,335	901,579
State parks	71	71	71	71	71	71	71	71	72	72
Wildlife management areas	20	20	20	16	16	16	16	16	16	16
Machinery & equipment	2,472	2,535	2,632	2,343	2,186	2,083	2,065	2,265	2,217	2,118

Source: Information provided by the Departments.

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

Schedule 13

	2009	2010	2011 ⁽¹⁾	2012	2013	2014	2015	2016	2017	2018
ADMINISTRATION & REGULATION										
<i>Department of Administrative Services</i>										
State employees covered by benefit plans	20,630	20,140	18,951	19,315	18,421	18,145	17,966	17,602	17,224	16,474
Number of State payroll warrants processed*	558,438	541,636	509,232	502,198	495,234	485,222	461,371	488,231	461,197	461,669
EDUCATION										
<i>Department of Education</i>										
Enrollment:										
Public schools	477,019	474,227	473,493	473,504	476,245	478,921	480,772	483,451	485,147	486,264
Universities	70,325	71,353	72,708	73,948	74,811	76,465	78,047	80,132	81,899	80,066
Community colleges	88,104	100,736	106,597	105,975	100,519	94,234	93,722	93,074	91,430	90,531
HEALTH & HUMAN RIGHTS										
<i>Department for the Blind</i>										
Number of clients served	8,239	8,093	7,197	6,971	6,617	9,158	7,024	6,150	6,835	7,284
HUMAN SERVICES										
<i>Department of Human Services</i>										
Average number of residents/patients	1,070	1,024	957	911	872	834	690	680	668	646
Average number of Medicaid recipients	330,286	361,385	380,749	393,664	401,129	405,704	406,155	416,285	424,916	423,924
JUSTICE & PUBLIC DEFENSE										
<i>Department of Corrections</i>										
Average number of inmates	8,712	8,384	10,301	10,022	9,635	9,622	9,731	9,742	9,865	9,902
ECONOMIC DEVELOPMENT										
<i>Department of Economic Development</i>										
Number of community development block grants/home projects funded	61	84	-	-	-	-	-	-	-	-
<i>Iowa Workforce Development</i>										
Number of unemployment claims accepted (calendar year)	165,030	125,564	107,937	99,107	94,474	93,158	92,606	88,566	79,125	INA
Unemployment insurance regular benefits paid (in millions, calendar year)	788.1	586.9	463.4	417.0	418.8	402.6	417.6	423.5	402.6	INA
TRANSPORTATION										
<i>Department of Transportation</i>										
Automobile driver licenses issued	1,153,422	1,016,493	919,844	810,494	1,052,641	1,122,199	981,512	873,457	793,156	1,000,189
Vehicles weighed (in thousands, federal fiscal year)	441	492	587	793	1,043	812	837	760	880	890
AGRICULTURE & NATURAL RESOURCES										
<i>Department of Natural Resources</i>										
Hunting & fishing licenses issued	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	1,431,008

* - 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

	2009	2010	2011 ⁽¹⁾	2012	2013	2014	2015	2016	2017	2018
Administration & regulation	2,254	2,227	2,142	2,073	1,993	1,936	1,910	1,925	1,928	1,924
Education	1,147	1,147	1,090	1,067	1,036	1,019	1,026	1,028	1,018	1,092
Health & human rights	1,976	1,959	1,801	1,710	1,746	1,755	1,743	1,767	1,801	1,620
Human services	6,224	6,079	5,631	5,441	5,395	5,170	4,986	4,838	4,689	4,450
Justice & public defense	8,247	8,024	7,614	6,415	6,371	6,327	6,339	6,195	6,059	5,769
Economic development	998	1,042	916	853	757	711	668	662	663	644
Transportation	3,311	3,328	3,135	2,908	2,899	2,996	2,883	2,992	2,913	2,833
Agriculture & natural resources	1,689	1,618	1,520	1,450	1,482	1,468	1,469	1,449	1,433	1,333
Universities	39,003	38,392	38,081	39,736	39,315	42,284	42,723	43,463	44,339	45,065
Other enterprise funds	310	294	173	178	174	172	169	171	174	174
Total primary government	65,159	64,110	62,103	61,831	61,168	63,838	63,916	64,490	65,017	64,904

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, 2018
(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	\$ 142,822	\$ 6,268	\$ 3,946	\$ 66,526	\$ 5,527	\$ 537,885	\$ 81	\$ 778,536	\$ 11,868	\$ 267,144	\$ 1,820,603
Education	80,810	1,693	4,684	29,803	2,113	3,295	25	4,006,436	-	25,941	4,154,800
Health & human rights	121,118	1,661	10,272	238,534	4,496	275	7	51,163	-	(3,483)	424,043
Human services	362,618	4,053	17,242	188,150	14,029	1,967	35	6,230,902	-	(60,054)	6,758,942
Justice & public defense	566,188	13,576	36,637	150,266	16,493	9,701	62	89,762	8,334	55,851	946,870
Economic development	64,304	1,338	1,922	51,918	3,545	6,509	7	11,701	-	(4,527)	136,717
Transportation	237,668	30,429	59,959	176,972	16,899	139,219	116	154,992	1,208,851	(1,351,502)	673,603
Agriculture & natural resources	111,552	5,696	6,416	51,151	3,198	1,571	1	22,689	17,815	(22,740)	197,349
Total primary government	\$ 1,687,080	\$ 64,714	\$ 141,078	\$ 953,320	\$ 66,300	\$ 700,422	\$ 334	\$ 11,346,181	\$ 1,246,868	\$ (1,093,370)	\$ 15,112,927

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.

A C K N O W L E D G M E N T S

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