

Iowa  
Comprehensive  
Annual  
Financial  
Report

for the fiscal  
year ended  
June 30, 2002



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# COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year  
Ended June 30, 2002

GOVERNOR:  
Thomas J. Vilsack

PREPARED BY:  
The Iowa Department of Revenue and Finance

## About the Cover



The American symbol of freedom is the Bald Eagle. These majestic birds, weighing 10 to 12 pounds, with wing spans of 70 to 90 inches, can be easily observed in Iowa. Eagles can be seen from the State Capitol Building, which is located close to the Des Moines River. The Eagle is found largely along river pathways, feeding mostly on fish that are abundant in Iowa lakes and rivers. The Bald Eagle was near extinction 20 years ago with only a couple known nesting pairs. Today the state has counted 140 nest in Iowa. In the next few years, Iowa expects the birds to be found in all Iowa counties.

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## **ACKNOWLEDGEMENTS**

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# INTRODUCTORY SECTION





# STATE OF IOWA

December 20, 2002

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

In accordance with Iowa Code Section 421.31(5), we are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the State of Iowa for the fiscal year ended June 30, 2002.

The report is presented in three sections as follows:

- The **Introductory Section** includes this transmittal letter, the Government Finance Officers Association (GFOA) Certificate of Achievement for the fiscal year 2001 CAFR, an organizational chart of State government, and a list of principal State officials.
- The **Financial Section** contains the independent auditor's report on the Basic Financial Statements, Management's Discussion and Analysis (MD&A), the Basic Financial Statements, and Notes to the Financial Statements. The Financial Section also contains Required Supplementary Information (RSI), other than the MD&A, and supplementary information in the form of combining financial statements and schedules. This transmittal letter is intended to be read in conjunction with the MD&A.
- The **Statistical Section** highlights selected financial and demographic information, generally presented on a multi-year basis.

The Department of Revenue and Finance is 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 which enable the reader to obtain an understanding of the State's financial activity.

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).

As a part of the statewide accounting system upgrade during fiscal year 2000, the implementation team performed a comprehensive review of the adequacy of internal controls and budgetary controls of the system. The team determined that internal controls continue to be in place to provide reasonable, but not absolute, assurance that assets are safeguarded against unauthorized use or disposition, and that 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's Office reviews internal control procedures as an integral part of departmental audits.

The Auditor of State is required by Chapter 11 of the Code of Iowa to audit annually all departments of the State. The accompanying basic financial statements of the State of Iowa have been audited by the Auditor of State in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. His report appears elsewhere herein.



In addition, the Auditor of State conducts a single audit under the requirements set forth in the Single Audit Act of 1984, the Single Audit Amendments of 1996, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. This report is issued separately.

## **PROFILE OF THE GOVERNMENT**

All activities that would generally be considered part of the State of Iowa are included in this report. These activities provide a range of services including education, health and human services, transportation, agriculture and natural resources, law enforcement, public safety, economic development, legislative, judicial, and administrative services.

This report includes all of the fund types, departments and agencies of the State, as well as boards, commissions, authorities, and universities for which the State's executive, legislative, and judicial branches are financially accountable. The criterion considered in establishing financial accountability, as set forth by the GASB include: appointing a voting majority of the organization's governing body, and either (1) the ability to impose its will on the organization or (2) the potential for the organization to provide specific financial benefits to, or impose financial burdens on the State. It also includes component units where the nature and significance of their relationship with the State are such that their exclusion would cause the financial statements to be misleading or incomplete. 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 State's budget is prepared by the Governor on an annual basis and is required to be submitted along with proposed appropriation bills to the General Assembly by the first of February prior to the new fiscal year. When both houses of the General Assembly pass an appropriation bill, the bill is enrolled and sent to the Governor. The Governor may sign it into law or veto it in whole or in part on a line item basis. Funds may be disbursed only after the Department of Management, subject to the review of the Governor, has allotted appropriations, with the exception of standing unlimiteds and certain receipts that the Departments are authorized to expend. Appropriations are allotted for expenditure on a quarterly basis.

Departments may request revisions to quarterly 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. General fund supplemental appropriations totaled \$27,243,378 for fiscal year 2002. Appropriations lapse at fiscal year-end and all unencumbered or unobligated balances revert to the state treasury, unless otherwise provided.

Budgetary controls are incorporated into the various 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.

The statewide accounting system performs various edits to assure appropriation authorizations are not exceeded. In addition to these centralized controls, each department director is required by statute to maintain expenditures within appropriated limits.

Extensive use is made of on-line tables and reports, updated on a daily basis, to provide detailed and management level reports to State departments, budget authorities, and the State Legislature. Departments also have the ability to extract selected information and prepare customized reports as needed. Detailed monthly reports are prepared to assure expenditures are being executed according to plan, deviations are identified and budget or spending modifications are made on a continuing basis.

## **ECONOMIC CONDITION AND OUTLOOK**

**Personal Income.** The University of Iowa Institute for Economic Research's latest outlook is for personal income in Iowa to grow by 3.0% in 2002, 5.4% in 2003, and 4.8% in 2004. Even as the economy in Iowa and the nation as a whole struggles with economic recovery, Iowa's personal income is rebounding better than the nation as a whole. In the last two quarters of the fiscal year, Iowa's personal income, on a seasonally adjusted basis, grew at a rate of 1.7% and 2.2% respectively; this was above the nation as a whole, which had personal income growth of 1.4% and 1.6%.

It has been generally accepted that the national recession first impacted the manufacturing sector, and as a consequence the Midwest region (and the State of Iowa) felt the effects earlier than other parts of the country. There is some indication that Iowa may be rebounding more quickly than other parts of the nation as well. During each of the last three quarters, manufacturing employment growth has performed better in Iowa than the nation as a whole, and the difference has been increasing, with Iowa performing between two and three times better than the nation.

Farm income continues to be a drag on Iowa's personal income growth. Excess world capacity of agricultural commodities and reduced demand has hampered Iowa grain farmers. Net farm income has declined from \$4.1 billion in 1996 and \$3.7 billion in 1997 to \$2.2 billion in 1998 and \$1.3 billion in 1999. While farm income rebounded to \$2.3 billion in 2000, it declined to \$1.9 billion in 2001 and \$1.0 billion 2002. The drop in farm income has been mitigated somewhat by federal assistance. In 2001, federal assistance added \$1.5 billion to net farm income.

**Farmland Values.** The most recent survey of area bankers indicates that farmland values are rising. The Federal Reserve Bank of Chicago surveys farm bankers in the area four times a year to determine their best estimates of farmland values. In their July 2002 survey, Iowa farmland values had risen 7% compared to the July 2001 survey. The July 2001 survey showed a 2% increase over 2000. The July 2000 survey estimated that Iowa farmland values increased 4% over 1999. The 1999 survey had shown a 3% decline in values compared to 1998.

**Employment.** Iowa continues to have one of the lowest average unemployment rates in the nation. Throughout most of the decade, Iowa's unemployment rate has been about two percentage points below the national average. The U.S. unemployment rate for September 2002 was 5.7%. The seasonally adjusted percent unemployed for the State in September 2002 increased to 3.9% from the revised August rate of 3.7%. The Iowa unemployment rate for 2001 was 3.3%. In September 2002, Iowa had the fourth lowest unemployment rate among the 50 states.

In September, there were 1,630,500 employed Iowans. This was a record level. By comparison, there were 1,600,000 Iowans employed in September 2001.

Iowa has a greater percentage of labor force employed compared to the nation as a whole and also has a larger percentage of its population actively participating in the labor force. While Iowa's personal income lags that of the nation, its high levels of employment help maintain median household income at levels at or exceeding the national average. In 2001, Iowa's median household income was \$42,895, slightly below the national average of \$43,195.

**Exports.** The rise in exporting industries has been an important factor in Iowa economic growth since the 1990's. Growth in exports of industrial machinery, instruments and measurement devices, electronics, specialized transportation equipment, chemicals and pharmaceuticals, and processed food products have helped diversify Iowa's economy. When combined with traditional farm commodities and livestock, total exports from Iowa increased by 22%, 11% and 13% in the years 1995 through 1997. A variety of factors led to declines of 3% and 16% in 1998 and 1999. A general weakness in the economies of the Pacific Rim nations significantly reduced trade opportunities. At the same time, strong harvests worldwide led to an oversupply of agricultural commodities. The strong U.S. dollar also made it more challenging for U.S. products to be competitive in international markets.

Iowa commodity exports had been growing throughout the period from 1999 through the second quarter of 2001; however, the worldwide slowdown led to declines in both the third and fourth quarters of 2001. Exports have rebounded in both the first and second quarters of 2002 and have now reached the levels of the first half of 2001.

Iowa exports in manufactured products have also been improving, in comparison to a year ago. In the second quarter of 2002, exports of manufactured products are up 8% compared to the same quarter in 2001. The major components of this group include industrial machinery, vehicles and vehicle parts, electrical equipment, and pharmaceutical products. Each of these categories posted gains when compared to the previous year.

**Gross State Product.** In 2000, Iowa's gross state product was \$89.6 billion, which reflected 5.2% growth over the previous year. The largest shares of the Iowa gross state product were manufacturing (22%), services (17%), and finance, insurance, and real estate (16%). Agriculture accounted for just 4% of Iowa's gross state product. The gross state product is the U.S. Commerce Department's measure of the value of all goods and services produced in the State each year. The nation's gross domestic product (\$9.8 trillion) grew by 5.9% between 1999 and 2000.

## **MAJOR INITIATIVES AND ISSUES**

**Class Size Reduction and Intervention.** During fiscal year 2002, \$30 million was appropriated to local school districts to reduce class sizes in kindergarten through the third grade, with the goal of achieving average class sizes of 17 students per teacher. This flexible initiative also allows school districts to use funding to support other proven methods to improve reading and other basic skills for elementary school students.

These and other educational efforts have allowed Iowa to reverse a decade-long decline in student test scores. Reading proficiency improved at the 4<sup>th</sup>, 8<sup>th</sup>, and 11<sup>th</sup> grade levels, and math proficiency improved at the 4<sup>th</sup> and 11<sup>th</sup> grade levels.

**Teachers Compensation.** During a previous legislative session, a bill was passed and signed by the Governor establishing the Student Achievement and Teacher Quality Program. This multi-year program includes statewide mentoring, a new career path compensation strategy, a pilot variable pay program, redesigned professional development and new Iowa Teaching Standards which begin to define good teaching for purposes of evaluation and professional development. \$40 million was appropriated for Fiscal Year 2002 to start this program. All school districts are required to become participating districts no later than July 1, 2003. Funds for districts that choose not to participate are held for the district until the district opts into the program or July 1, 2003, whichever is earlier.

**Local Early Childhood Initiatives.** Early learning is critical to success in school, and Iowa's community empowerment initiative allows local governments and service providers a flexible method to tailor local services to meet local needs. Originally funded in fiscal year 1998 at \$5.4 million, the level of funding has increased, and in fiscal year 2002, the funding totaled \$15.8 million. The additional funding is targeted at children from birth to age 5 and to parent education initiatives.

**Vision Iowa Fund.** To enhance local recreational, cultural, and entertainment opportunities, a Vision Iowa Fund was established. The Fund provides grants or loans to communities to assist with construction of new facilities. To capitalize the fund, on November 1, 2001, the State issued bonds backed by gaming receipts. A total of \$215 million was made available for allocation to projects from the sale. The bonds are being repaid from gaming receipts over a twenty year period. To date, 10 projects have received allocations from the bond proceeds.

**Tobacco Settlement Funding for Health Initiatives.** During a previous legislative session, the Tobacco Settlement Authority (TSA) was established to develop a financial plan based on the payments from the Master Settlement Agreement (MSA) between the states and the major tobacco companies. The TSA developed a financial plan in February 2001 to provide for a secure and stable source of revenue for the ongoing appropriations for health care, substance abuse treatment and prevention, tobacco use prevention and control, and other related purposes, made from the payments. In various bills passed during the 2001 legislative session and signed by the Governor, the financial plan was approved. In October 2001, over \$644.2 million in bonds backed by the payments from the MSA were sold to implement the financial plan. This sale allowed the establishment of an "Endowment for Iowa's Health Account" to provide for a source of revenue for the ongoing appropriations.

**Clean Water Initiative.** To help ensure safe drinking water and clean lakes, rivers and streams, \$5.7 million was appropriated from gaming receipts in fiscal year 2002. The initiative will restore and construct wetlands to reduce nutrient flow into rivers and streams, expand water quality monitoring, and encourage land owners to implement buffer strips.

**Community Attraction and Tourism Development Fund.** Iowa's quality of life is augmented by an abundance of natural resources, community attractions, and events. To help advance and sustain those opportunities, a \$12.5 million fund was established during the 1999 legislative session, and the fund was extended for an additional 5 years in the 2000 session. The fund assists local communities in the development and creation of multiple purpose attraction and tourism facilities. To date, 66 projects have received \$27.0 million in funding from the program.

**Accountable Government Act.** The Accountable Government Act was passed during a previous legislative session. The Act builds upon previous years' progress to achieve a sound governance system that is accountable to Iowans and taxpayers. The Act represents a new approach to governing using data-based decisions rather than decisions based primarily on anecdotes and politics. The key elements of this comprehensive and integrated system will include:

- Strategic and Operational Planning
- Planning-Budgeting Linkages
- Performance Measures and Audits
- Performance Reporting
- Performance-Based Service Contracts
- Return on Investment

The Act is being implemented over a 5-year period and will be reviewed for effectiveness at that time. To date, work teams have written and distributed an Accountable Government Act guidebook to help cover implementation topics, including enterprise and agency strategic planning, performance planning and performance measures, and service contracting.

**Venture Capital.** During the 2002 legislative session, two bills aiming to provide greater access to venture capital for Iowa-based firms were approved. The “Angel Investor” bill creates a tax credit for investments in qualifying businesses and community-based seed capital funds. This bill allows a tax credit of 20% of the amount of an investment made in the form of cash to purchase equity in a qualifying business or community-based seed capital fund. Tax credits may be used against personal and corporate income taxes, financial institutions franchise taxes, insurance premium taxes, or the credit union moneys and credits tax. An individual investor can claim up to \$250,000 in a single year (5 individual investments in 5 separate qualifying businesses). The maximum amount of tax credits authorized under the legislation is \$10 million.

The “Iowa Fund of Funds” bill creates the Iowa Capital Investment Board, in order to mobilize venture equity capital in Iowa. The Board will determine tax credit eligibility and develop a system for registration and authorization of the tax credits. The bill also creates the Iowa Capital Investment Corporation, which will conduct a national solicitation for investment plan proposals from qualified venture capital investment fund allocation managers. The focus will be on businesses that are within Iowa and who are committed to maintaining a physical presence in Iowa. The Iowa Fund of Funds will provide loan guarantees and other related credit enhancements on loans to rural and small business borrowers within the state of Iowa.

## FINANCIAL INFORMATION

**Cash Management.** The cash management function is the responsibility of the State Treasurer. Funds of State agencies, which are temporarily available for investment, are pooled together and invested in certificates of deposit, U.S. Treasury bills and notes, U.S. Government Agency and instrumentality obligations, repurchase agreements, and corporate debt instruments as allowed by law and the Treasurer’s investment policy. The three goals of the investment policy, in order of importance, are 1) safety of funds; 2) liquidity; and 3) return. A custodial bank is utilized to safekeep investments and to provide payment and collection services for investment transactions. All investment transactions occur on a payment versus delivery basis. It is the policy of the Treasurer’s Office that all deposits under its control are insured or collateralized in accordance with Chapter 12C of the Iowa Code.

Presented below is comparative data for the State’s investment pool for the last four fiscal years. Interest Earnings do not include any unrealized gains or losses on investments. The Annual Rates of Return shown are calculated by dividing Interest Earnings by the Pool Average Daily Investment Balance. The amounts below are expressed in thousands:

	FY02	FY01	FY00	FY99
Interest Earnings *	\$74,444	\$88,637	\$87,224	\$93,600
Average Daily Investment Balance	\$1,500,726	\$1,413,190	\$1,490,267	\$1,655,485
Annual Rate of Return	4.96%	6.27%	5.85%	5.65%

\* Safekeeping and banking expenses have been deducted from Interest Earnings

**Debt Administration.** The Constitution of the State of Iowa prohibits the State from exceeding a maximum of \$250 thousand in general obligation debt without voter approval. However, State law authorizes the issuance of Tax and Revenue Anticipation Notes (TRANS), provided that the total issuance does not exceed anticipated revenue receipts for the fiscal year and that the total issuance mature during the fiscal year. The State issued and repaid TRANS of \$500.0 million during fiscal year 2002.

Revenue bonds issued by various authorities of the State totaled \$2,328.0 million outstanding at fiscal year-end. This amount consisted of \$688.0 million of component unit – proprietary funds revenue bonds (housing and higher education), \$605.7 million in revenue bonds issued by the three State universities (for facilities), \$630.1 million in revenue bonds issued by the Tobacco Settlement Authority and \$404.2 million in various bonds issued by the State for the Vision Iowa Program, the School Infrastructure Loan Program, the Underground Storage Tank Program and the Department of Corrections. These bonds are backed by the revenues of the issuing program or authority.

Certificates of Participation (COPS), issued by the State and outstanding at fiscal year-end, amounted to \$60.7 million. COPS represent an ownership interest of the certificate holder in a lease purchase agreement. Other financing arrangements payable, excluding COPS, totaled \$7.8 million at June 30, 2002.

State agencies have also entered into capital leases and installment purchase agreements for various purposes. Total long-term capital leases and installment purchases outstanding on June 30, 2002, was \$77.0 million.

**Pension Trust Funds.** The latest actuarial valuations of the separately funded and independent pension plans disclose the following information: the Iowa Public Employees Retirement System (IPERS) has an Unfunded Actuarial Accrued Liability (UAAL) of \$1,255.4 million which represents a funding ratio of 92.56%; the Peace Officers' Accident and Disability System (PORS) has an UAAL of \$43.6 million which represents a funded ratio of 85.19%; and the Judicial Retirement System (JRS) has a UAAL of \$20.3 million which represents a funded ratio of 76.90%. Schedules of Funding Progress for PORS and JRS are presented in the Required Supplemental Information Section. The funding policies of the Pension Trust funds are discussed in detail in the Notes to the Financial Statements (NOTE 18 - PENSION PLANS).

**Risk Management.** It is the policy of the State not to purchase commercial insurance, with the exception of limited third-party coverage for specific potential losses, for the risks of losses to which it is exposed. Instead, the State's management believes that 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. The State is self-insured for risks related to property and casualty, workers' compensation, and general liability. For further information refer to the Notes to the Financial Statements (NOTE 22 – RISK MANAGEMENT).

## **OTHER INFORMATION**

**Certificate of Achievement** – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a "Certificate of Achievement for Excellence in Financial Reporting" to the State of Iowa for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This is the ninth consecutive year the State of Iowa has received this award. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA. We are committed to continue this effort, and we intend to maintain a highly qualified and professional staff to make this certification possible.

**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.

The report could not have been accomplished without the professionalism and dedication of the staff in the Department of Management, the Accounting Bureau within Revenue and Finance, the Auditor of State's Office, and the financial and management personnel throughout State government.

This report, issued for the fourteenth 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,

Donald R. Cooper, Interim Director  
Department of Revenue and Finance

Cynthia P. Eisenhower, Director  
Department of Management

# 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, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

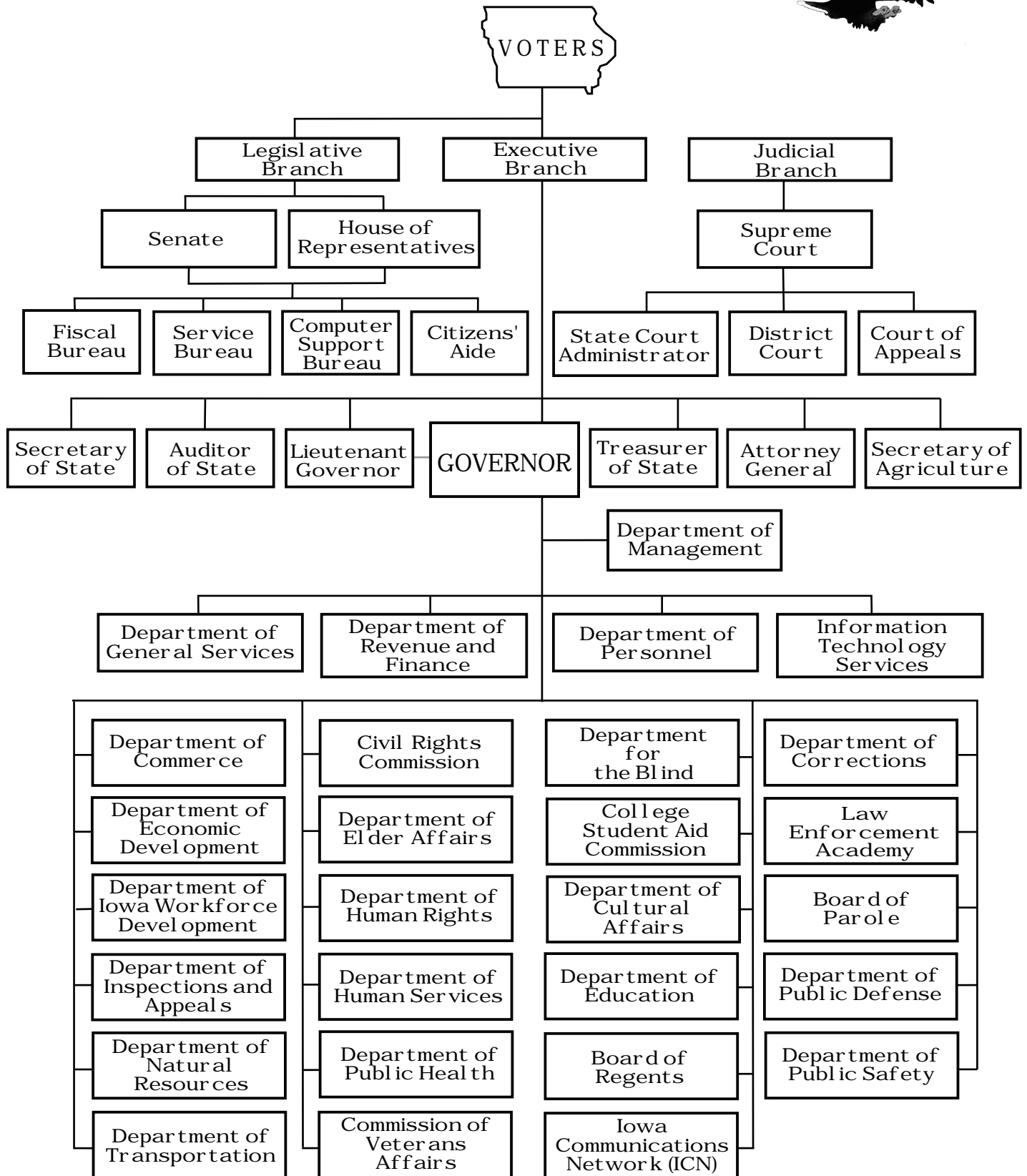


*William Patrick Vate*  
President

*Jeffrey L. Esser*  
Executive Director



# IOWA ORGANIZATION STRUCTURE



# PRINCIPAL OFFICIALS



## Elected Officials

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GOVERNOR - Thomas J. Vilsack  
LIEUTENANT GOVERNOR - Sally J. Pederson  
SECRETARY OF STATE - Chester J. Culver  
AUDITOR OF STATE - Richard D. Johnson  
TREASURER OF STATE - Michael L. Fitzgerald  
SECRETARY OF AGRICULTURE - Patty J. Judge  
ATTORNEY GENERAL - Thomas J. Miller

## Legislative Branch

---

PRESIDENT OF THE SENATE - Mary E. Kramer  
SPEAKER OF THE  
HOUSE OF REPRESENTATIVES - Brent Siegrist

## Judicial Branch

---

CHIEF JUSTICE OF  
THE SUPREME COURT - Louis A. Lavorato

# FINANCIAL SECTION





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

Richard D. Johnson, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**Independent Auditor's Report**

To the Governor and Members of the General Assembly:

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, 2002, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain discretely presented component units, which statements reflect 96% of assets and 90% of revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for these discretely presented component units is based on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Iowa Public Television Foundation and the Iowa Finance Authority, component units of the State of Iowa, were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of 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, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

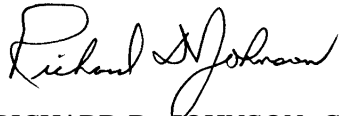
For the year ended June 30, 2002, appropriations of \$52,650,000 were made from the Rebuild Iowa Infrastructure Fund for items which are inconsistent with the fund's legislatively established purpose that it be used for public vertical infrastructure-related expenditures. These items included, but were not limited to, natural resources and conservation programs, support of various technology programs and routine maintenance of state buildings. Expenditures for these items during the year ended June 30, 2002 totaled \$58,206,979 of which \$6,546,127 was funded from previous years' appropriations from the Rebuild Iowa Infrastructure Fund. These items have been reported as expenditures in the General Fund in the basic financial statements.

As described in Note 20 to the financial statements, during the year ended June 30, 2002, the State of Iowa adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement Number 38, Certain Financial Statement Note Disclosures. The State of Iowa also changed the capital asset capitalization threshold as described in Note 20.

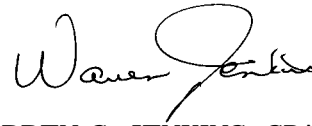
Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 68 through 76 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 combining and individual nonmajor fund financial statements, supplemental information and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplemental information have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, our report on the State of Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants will be issued under separate cover in the Single Audit Report.



RICHARD D. JOHNSON, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 20, 2002

## STATE OF IOWA

### 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, 2002. 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 part of the CAFR. Because fiscal year 2002 is the first year in which the State implemented the provisions of Governmental Accounting Standards Board (GASB) Statement Number 34, this discussion and analysis provides few comparisons with the previous year. In the future, when prior year information is available, a comparative analysis of government-wide data will be presented.

### FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

#### Government-wide Highlights

- The assets of the State of Iowa exceeded its liabilities at the close of fiscal year 2002 by \$9,651.3 million (net assets). Of this amount \$731.2 million (unrestricted net assets) is available to be used to meet the State's ongoing obligations to citizens and creditors.
- The State's net assets of governmental activities were \$6,915.4 million, and net assets of business-type activities were \$2,735.9 million at June 30, 2002.
- In the State's governmental activities, revenues were \$9,996.4 million while expenses were \$9,947.2 million.
- In the State's business-type activities, revenues were \$3,433.5 million while expenses were \$3,162.6 million.

#### Fund Highlights

- The General Fund reported a total fund balance of \$1,726.5 million and the Tobacco Tax-Exempt Bond Proceeds Fund, a major special revenue fund, reported a total fund balance of \$468.5 million at June 30, 2002.
- The General Fund unreserved fund balance was \$316.8 million at June 30, 2002.

#### Long-term Debt

- The State's total long-term debt was \$1,700.6 million at June 30, 2002.

### 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 ***other 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 intended to provide a broad view of the State's financial activity. These statements are prepared using the accrual basis of accounting and the economic resource measurement focus, in a manner similar to private-sector business.

- The Statement of Net Assets presents all of the State's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the State's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- The Statement of Activities presents information about the change in the State's net assets. This statement is formatted to report direct expenses, program revenues and the net revenue or expense, 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, Unemployment Insurance, and the Tobacco Settlement Authority, that charge fees to external customers, and function similarly to private business, are included here.
- *Component units*—These are operations that are legally separate from the State, but for which the State is financially accountable. The State's discretely presented component units are:
  - Iowa Finance Authority (Business-type)
  - Iowa Higher Education Loan Authority (Business-type)
  - Iowa Agricultural Development Authority (Business-type)
  - Iowa State Fair Authority (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 kinds 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 and the Tobacco Tax-Exempt Bond Proceeds fund are the State's major governmental funds. Nonmajor governmental funds are reported by fund type in the Combining Financial Statements – Non-major 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- 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 kind 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.
- **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 can not 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**

Fund Statements				
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	Entire State government (except fiduciary funds) and the State’s component units	The activities of the State that are not proprietary or fiduciary, such as Human Services and Transportation	Activities the State operates similar to private businesses: the universities and the Iowa Communications Network	Instances in which the State is the trustee or agent for someone else’s resources, such as the retirement plan for public employees
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the State’s funds do not currently contain capital assets, although they can
<b>Type of inflow/outflow information</b>	All revenues and expenses during 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 year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid



## Notes to the Financial Statements

The notes provide additional information that is essential to fully understanding 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 of major funds. The Budgetary Comparison Schedule is accompanied by a budget to GAAP Reconciliation and by Notes to RSI. Schedules of funding progress for the Iowa Judicial Retirement System and the Peace Officers' Retirement, Accident and Disability System are also presented.

### Other Supplementary Information

The Other 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 Assets

The State's combined net assets (government and business-type activities) totaled \$9,651.3 million at June 30, 2002, as indicated in Table 2.

<b>Table 2</b>			
<b>Net Assets</b>			
<b>(In Millions)</b>			
	Governmental Activities	Business-type Activities	Total
	2002	2002	2002
Current and other assets	\$ 3,180.1	\$ 2,803.0	\$ 5,983.1
Capital assets	5,225.1	1,993.9	7,219.0
Total assets	8,405.2	4,796.9	13,202.1
Long-term liabilities	580.6	1,540.6	2,121.2
Other liabilities	909.2	520.4	1,429.6
Total liabilities	1,489.8	2,061.0	3,550.8
Net assets			
Invested in capital assets, Net of related debt	5,127.8	1,324.4	6,452.2
Restricted	1,255.5	1,212.4	2,467.9
Unrestricted	532.1	199.1	731.2
Total net assets	\$ 6,915.4	\$ 2,735.9	\$ 9,651.3

The largest component (66.8%) of the State's net assets is invested in capital assets (e.g. land, buildings, equipment, infrastructure, and others), net of related outstanding debt that was used to acquire or construct the assets. Restricted net assets is the next largest component (25.6%). These represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets is the remaining portion (7.5%) and may be used at the State's discretion, but often have limitations on use based on State statutes.

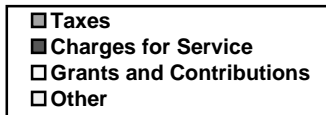
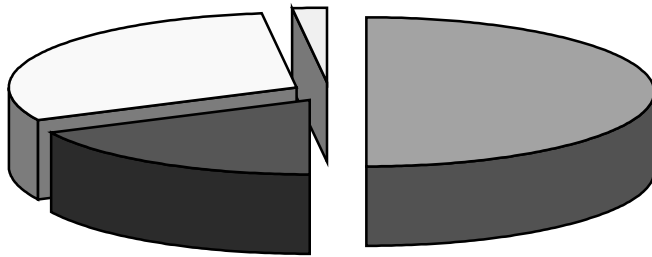
The net assets of business-type activities totaled \$2,735.9 million. The State generally can only use these net assets to finance the continuing operations of the universities, unemployment benefits Tobacco Settlement Authority, and other business-type activities.

## Changes in Net Assets

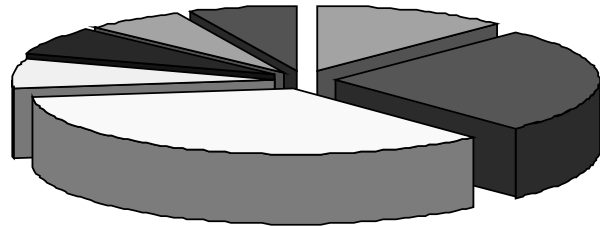
The State's total net assets increased by \$320.1 million during the year, as indicated in Table 3.

<b>Table 3</b>			
<b>Changes in Net Assets</b>			
(In Millions)			
	<b>Governmental Activities 2002</b>	<b>Business-type Activities 2002</b>	<b>Total Primary Government 2002</b>
Program Revenues:			
Charges for Service	\$ 1,768.0	\$ 1,992.5	\$ 3,760.5
Operating Grants and Contributions	3,046.0	472.0	3,518.0
Capital Grants and Contributions	8.9	30.7	39.6
General Revenues:			
Personal Income Tax	1,889.9	-	1,889.9
Corporate Income Tax	111.7	-	111.7
Sales & Use Tax	1,686.4	-	1,686.4
Other Taxes	598.2	8.8	607.0
Restricted for Transportation Purposes:			
Motor Fuel Tax	458.0	-	458.0
Road Use Tax	255.7	-	255.7
Unrestricted Investment Earnings	97.7	66.3	164.0
State Aid to Universities	-	675.1	675.1
Other	75.9	188.1	264.0
<b>Total Revenues</b>	<b>9,996.4</b>	<b>3,433.5</b>	<b>13,429.9</b>
Expenses			
Administration & Regulation	1,191.7	-	1,191.7
Education	2,594.3	-	2,594.3
State Aid to Universities	675.1	-	675.1
Health & Human Rights	283.1	-	283.1
Human Services	3,450.0	-	3,450.0
Justice & Public Defense	623.4	-	623.4
Economic Development	180.9	-	180.9
Transportation	758.9	-	758.9
Agriculture & Natural Resources	170.4	-	170.4
Interest Expense	19.4	-	19.4
Universities	-	2,459.1	2,459.1
Unemployment Insurance	-	392.4	392.4
Tobacco Settlement Authority	-	25.0	25.0
Other Business-type	-	286.1	286.1
<b>Total Expenses</b>	<b>9,947.2</b>	<b>3,162.6</b>	<b>13,109.8</b>
Increase in Net Assets Before Transfers	49.2	270.9	320.1
Transfers	666.8	(666.8)	-
<b>Increase (Decrease) in Net Assets</b>	<b>716.0</b>	<b>(395.9)</b>	<b>320.1</b>
<b>Net Assets July 1</b>	<b>6,199.4</b>	<b>3,131.8</b>	<b>9,331.2</b>
<b>Net Assets June 30</b>	<b>\$ 6,915.4</b>	<b>\$ 2,735.9</b>	<b>\$ 9,651.3</b>

**FY02 Revenues - Governmental Activities**



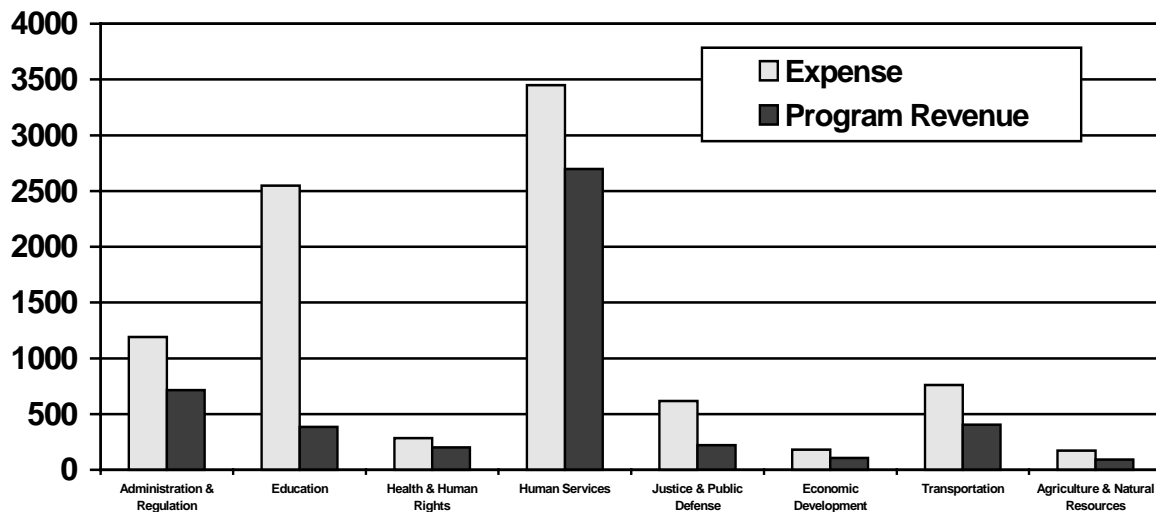
**FY02 Functional Expenses - Governmental Activities**



## Governmental Activities

Total net assets for governmental activities were \$6,915.4 million in 2002.

### Expenses and Program Revenues - Government Activities (In Millions)



- The cost of all governmental activities this year was \$9,947.2 million.
- However, the amount that taxpayers paid for these activities through State taxes was \$4,999.9 million. Some of the cost was paid by:
  - Those who directly benefited from the programs (\$1,768.0 million), or
  - Other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$3,054.9million).

## **Business-type Activities**

- Universities had \$2,459.1 million in expenses and \$1,742.7 million in program revenues for net expenses for \$716.4 million.
- Unemployment Insurance had \$392.4 million in expense and \$338.2 million in program revenue for net expenses of \$54.2 million.
- Tobacco Settlement Authority had \$25.0 million in expenses and \$49.6 million in program revenues for net revenue of \$24.6 million.

In total, business-type activities had net expense of \$667.4 million with \$271.5 million in net general revenues and transfers for a negative change in net assets of \$395.9 million to end with net assets of \$2,735.9 million.

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

The governmental funds reported total fund balances of \$2,294.8 billion, with \$351.5 million of unreserved fund balance. Net revenues totaled \$9,632.6 million with expenditures of \$10,167.7 million.

### **General Fund**

The General Fund is the chief operating fund of the State. At the end of the year, the total fund balance was \$1,726.5 million and the unreserved fund balance was \$316.8 million. The unreserved fund balance included \$165.2 million of "rainy day" funds. The net change in fund balance was an increase of \$199.8 million. Expenditures exceeded revenues by \$216.3 million, while other financing sources exceeded uses by \$416.1 million.

### **Tobacco Tax-Exempt Bond Proceeds Fund**

Fund balance at June 30, 2002, totaled \$468.5 million, which is reserved for specific purposes. Revenues were \$14.4 million and expenditures were \$62.2 million.

### **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 - \$27,243,378
- Spending reductions - \$281,296,407 in appropriation reductions
- Adjustments to standing appropriations - \$6,145,043

The originally enacted General Fund budget of \$4,876,676,980 was predicated on 3.1% growth in General Fund revenues, as projected by the State's revenue estimating conference (REC) on March 14, 2001. These revenue estimates were subsequently reduced at later REC meetings. On October 11, 2001, the REC made adjustments to the estimate that reduced General Fund resources by \$157.4 million.

Citing the reduced REC estimates and continued concerns about the state and national economy after the September 11<sup>th</sup> terrorist attacks on Washington, D.C. and New York City, Governor Vilsack, in Executive Order 24, instituted across-the-board General Fund budget reductions totaling 4.3%. These reductions, which reduced appropriations by \$202,730,289, were coupled with an order requiring the legislature to meet in a special session to consider restoring some of the across-the-board budget reductions.

On November 8, 2001, the legislature met in special session. Among their actions, they reduced the legislature's budget by \$675,854 and the Court's budget by \$2,267,325 to mirror the 4.3% across-the-board budget reductions ordered by the Governor for the Executive Branch of State government. The legislature also appropriated \$27,243,378, mostly to restore appropriations that had been reduced because of Executive Order 24.

On February 21, 2002, the REC again lowered the estimate of General Fund revenues, by an additional \$120.7 million. On February 27<sup>th</sup>, the Legislature, in Senate File 2304, reduced General Fund appropriations by an additional \$69,236,184. The largest portion of this reduction, \$44,852,353, was to school foundation aid, but it was replaced by a transfer of a like amount from the Economic Emergency Fund. There were also transfers of \$49.4 million from various other funds to the General Fund.

During the income tax filing period, it became evident that Iowa (as well as the federal government and most states) was going to pay out significantly more in income tax refunds than had been projected. The REC, on May 7<sup>th</sup>, made changes to the estimate of General Fund revenues and refunds that reduced General Fund resources by an additional \$205.5 million. This final REC estimate for fiscal year 2002 was for negative revenue growth of 3.2%. When coupled with accruals and refunds, the decline in net receipts for the fiscal year would have been 5.4%.

Given the lateness in the fiscal year, it was determined that it would cause significant service disruptions to attempt to close the gap between appropriations and projected revenues with further General Fund appropriations reductions. Meeting in special session, the Legislature authorized and the Governor approved further transfers of other funds to the General Fund totaling \$218.9 million. These transfers covered the projected reduction in revenue as well as predicted increases in other budget areas, including Medical Assistance, Indigent Defense, and Appeal Board claims. The bulk of the transfer of other funds came from the state's reserve funds, with \$105.0 million being transferred from the Economic Emergency Fund and \$90.0 million from the Cash Reserve Fund.

Actual revenue collections for the fiscal year fared better than the final REC estimate. Actual revenue collections for the year represented a decline of 2.0%. Coupled with stronger than anticipated accruals, the State ended the fiscal year with a budgetary General Fund balance of \$89.1 million.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2002, the State had \$7,219.0 million invested in capital assets, net of accumulated depreciation of \$4,819.3 million. Depreciation charges totaled \$473.9 million in 2002. 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.

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Primary Government</b>
	<b>2002</b>	<b>2002</b>	<b>2002</b>
Land	\$576.3	24.2	600.5
Building and Improvements	352.8	1,052.2	1,405.0
Equipment	145.0	289.3	434.3
Land Improvements	2.8	22.9	25.7
Works of Art and Collections	0.9	214.3	215.2
Infrastructure	4,008.0	218.0	4,226.0
Construction in progress	139.3	173.0	312.3
<b>Total</b>	<b>\$5,225.1</b>	<b>\$1,993.9</b>	<b>\$7,219.0</b>

### **Long-term Debt**

At year-end the State had \$1,700.6 million in bonds and certificates of participation outstanding, as shown in Table 5. More detailed information about the State's long-term liabilities is presented in NOTE 8 to the financial statements.

During the fiscal year 2002, the State of Iowa issued \$196.4 million of Vision Iowa special fund bonds to provide grants or loans to communities to enhance local recreational, cultural and entertainment opportunities; \$48.6 million of School Infrastructure special fund bonds to assist local school districts with the construction and renovation of facilities. The Tobacco Settlement Authority issued \$644.2 million of asset-backed bonds to securitize payments due to the State pursuant to the Tobacco Master Settlement Agreement. Additional information is presented in NOTE 11.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
	<u>2002</u>	<u>2002</u>	<u>2002</u>
Revenue Bonds	\$ 404.1	1,235.8	1,639.9
Certificates of Participation	3.7	57.0	60.7
Total	<u>\$ 407.8</u>	<u>1,292.8</u>	<u>1,700.6</u>

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

The downturns in the U.S. economy that began in 2001 had similar impacts on the State of Iowa. The State's unemployment rate as of September 2001 was 3.2% versus 2.6% a year ago. In May of 2001 it became apparent that State revenues were declining and the fiscal year 2001 and fiscal year 2002 budgets were adjusted to reflect the softening revenues. The adjustments included targeted spending reductions of approximately \$121.0 million and a 4.3% across-the-board budget cut.

The fiscal year 2002 budget has had \$281.3 million of General Fund budget reductions approved, along with the implementation of an early retirement incentive program and layoffs to reduce the workforce employed by the State. In addition, the State has transferred \$149.9 million from the Economic Emergency Fund and \$90.0 million from the Cash Reserve Fund to help cushion the impact of a softening economy.

- Nonagricultural employment growth slowed during the second half of the period during 1998-2002. During the first three years of the period the State averaged gains of 1.7%, but the last two years have seen a decline averaging 0.5%.
- Unemployment as of September 2001 was 3.2% versus 2.6% a year ago. This compares favorably with the national rate of 4.9%.
- The State inflation rate was 2.3% compared to a national rate of 2.8%.

These indicators were taken into account when adopting the General Fund budget for 2003. Amounts available for appropriation in the General Fund budget are \$4,519.0 million, a decrease of 1.6% from the final 2002 budget of \$4,590.9 million. Budgeted expenditures are expected to decrease 2.9% to \$4,456.3 million. The State has added no major new programs or initiatives to the 2003 budget. If these estimates are realized, the State's budgetary General Fund balance is expected to increase modestly by the close of 2003.

## **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 the:

Iowa Department of Revenue and Finance  
Hoover State Office Building  
Des Moines, IA 50319

## BASIC FINANCIAL STATEMENTS

# STATE OF IOWA

## Statement of Net Assets

June 30, 2002  
(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Current Assets:				
Cash & Investments	\$ 1,818,087	\$ 1,799,981	\$ 3,618,068	\$ 245,271
Cash & Investments - Restricted	-	-	-	4,791
Deposits With Trustees	6,196	69,845	76,041	-
Accounts Receivable (Net)	1,073,036	319,928	1,392,964	443
Interest Receivable	10,670	7,500	18,170	8,832
Notes Receivable (Net)	4,617	-	4,617	-
Loans Receivable (Net)	8,454	7,050	15,504	43,754
Benefit Overpayment Receivable	-	5,488	5,488	-
Internal Balances	(2,682)	2,682	-	-
Inventory	19,053	53,056	72,109	158
Food Stamp Inventory	43,756	-	43,756	-
Prepaid Expenses	9,354	5,663	15,017	102
Other Assets	-	893	893	696
Investment In Prize Annuity	-	9,354	9,354	-
Total Current Assets	2,990,541	2,281,440	5,271,981	304,047
Noncurrent Assets:				
Cash & Investments	-	358,302	358,302	558,558
Cash & Investments - Restricted	-	-	-	18,153
Deposits With Trustees	-	1,000	1,000	-
Accounts Receivable (Net)	45,901	10,022	55,923	845
Interest Receivable	-	1,395	1,395	-
Notes Receivable (Net)	13,124	-	13,124	-
Loans Receivable (Net)	111,299	62,497	173,796	272,306
Benefit Overpayment Receivable	-	13,435	13,435	-
Capital Assets - nondepreciable	715,640	381,528	1,097,168	12,930
Capital Assets - depreciable (Net)	4,509,441	1,612,410	6,121,851	27,559
Prepaid Expenses	-	1,475	1,475	-
Deferred Charges	1,364	-	1,364	-
Other Assets	17,879	22,799	40,678	-
Investment In Prize Annuity	-	45,016	45,016	-
Prize Deposit	-	5,570	5,570	-
Total Noncurrent Assets	5,414,648	2,515,449	7,930,097	890,351
TOTAL ASSETS	8,405,189	4,796,889	13,202,078	1,194,398

The notes are an integral part of the financial statements.

(continued on next page)



# STATE OF IOWA

(continued)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
LIABILITIES				
Current Liabilities:				
Accounts Payable & Accruals	703,619	220,415	924,034	7,272
Interest Payable	-	20,325	20,325	16,187
Deferred Revenue	94,822	61,765	156,587	978
Compensated Absences	86,394	100,381	186,775	-
Capital Leases	1,772	5,457	7,229	-
Bonds Payable	21,785	47,278	69,063	56,687
Other Financing				
Arrangements Payable	803	11,137	11,940	-
Annuities Payable	-	9,524	9,524	-
Lottery Prizes Payable	-	3,561	3,561	-
Funds Held In Custody	-	40,517	40,517	-
Lease Obligations From				
Discontinued Operations	-	35	35	-
Total Current Liabilities	909,195	520,395	1,429,590	81,124
Noncurrent Liabilities:				
Accounts Payable & Accruals	145,511	39,347	184,858	-
Interest Payable	-	6,289	6,289	-
Deferred Revenue	159	457	616	5,594
Compensated Absences	42,147	19,308	61,455	81
Capital Leases	4,780	64,997	69,777	-
Bonds Payable	382,345	1,188,528	1,570,873	631,340
Other Financing				
Arrangements Payable	5,634	50,881	56,515	-
Refundable Advance on Student Loans	-	27,408	27,408	-
Annuities Payable	-	45,016	45,016	-
Lottery Prizes Payable	-	5,570	5,570	-
Funds Held In Custody	-	92,592	92,592	-
Other	-	183	183	10,816
Total Noncurrent Liabilities	580,576	1,540,576	2,121,152	647,831
TOTAL LIABILITIES	1,489,771	2,060,971	3,550,742	728,955
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	5,127,823	1,324,407	6,452,230	40,486
Restricted for:				
Transportation	463,154	-	463,154	-
Underground Storage Tank Program	145,473	-	145,473	-
Education	74,206	-	74,206	-
Health & Human Rights	234,185	-	234,185	-
Vision Iowa Program	231,215	-	231,215	-
Universities	-	365,001	365,001	-
Permanent Funds - Nonexpendable	9,016	-	9,016	-
Unemployment Benefits	-	847,367	847,367	-
Other	98,248	-	98,248	374,716
Unrestricted	532,098	199,143	731,241	50,241
TOTAL NET ASSETS	\$ 6,915,418	\$ 2,735,918	\$ 9,651,336	\$ 465,443

# STATE OF IOWA

## Statement of Activities

For the Year Ended June 30, 2002  
(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
Governmental Activities:				
Administration & Regulation	\$ 1,191,738	\$ 712,136	\$ 3,019	\$ -
Education	2,594,324	22,499	362,359	370
State Aid to Universities	675,077	-	-	-
Health & Human Rights	283,079	27,178	169,372	4,369
Human Services	3,449,997	795,466	1,902,281	-
Justice & Public Defense	623,406	147,153	74,399	-
Economic Development	180,950	4,462	101,302	-
Transportation	758,876	2,124	402,040	-
Agriculture & Natural Resources	170,388	57,002	31,228	4,169
Interest Expense	19,411	-	-	-
<b>Total Governmental Activities</b>	<b>9,947,246</b>	<b>1,768,020</b>	<b>3,046,000</b>	<b>8,908</b>
Business-type Activities:				
Universities	2,459,133	1,335,483	388,674	18,568
Unemployment Insurance	392,432	254,896	83,337	-
Tobacco Settlement Authority	25,044	49,633	-	-
Other	286,046	352,526	-	12,169
<b>Total Business-type Activities</b>	<b>3,162,655</b>	<b>1,992,538</b>	<b>472,011</b>	<b>30,737</b>
<b>Total Primary Government</b>	<b>\$ 13,109,901</b>	<b>\$ 3,760,558</b>	<b>\$ 3,518,011</b>	<b>\$ 39,645</b>
<b>Component Units:</b>				
Iowa Finance Authority	\$ 49,386	\$ 62,612	\$ 37,527	\$ -
Iowa Higher Education Loan Authority	1,446	1,108	-	-
Iowa Agriculture Development Authority	460	574	26	-
Iowa State Fair Authority	12,211	10,484	2,249	-
<b>Total Component Units</b>	<b>\$ 63,503</b>	<b>\$ 74,778</b>	<b>\$ 39,802</b>	<b>\$ -</b>
<b>General Revenues</b>				
Taxes:				
Personal Income				
Corporate Income				
Sales and Use				
Other				
Restricted for Transportation Purposes:				
Motor Fuel Tax				
Road Use Tax				
Unrestricted Investment Earnings				
Contribution to Permanent Fund Principal				
Gain (Loss) on Sale of Assets				
State Aid to Universities				
Other				
Transfers				
<b>Total General Revenues and Transfers</b>				
<b>Change in Net Assets</b>				
<b>Net Assets - July 1, Restated</b>				
<b>Net Assets - June 30</b>				

The notes are an integral part of the financial statements.

# STATE OF IOWA

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (476,583)	\$ -	\$ (476,583)	\$ -
(2,209,096)	-	(2,209,096)	-
(675,077)	-	(675,077)	-
(82,160)	-	(82,160)	-
(752,250)	-	(752,250)	-
(401,854)	-	(401,854)	-
(75,186)	-	(75,186)	-
(354,712)	-	(354,712)	-
(77,989)	-	(77,989)	-
(19,411)	-	(19,411)	-
<b>(5,124,318)</b>	<b>-</b>	<b>(5,124,318)</b>	<b>-</b>
-	(716,408)	(716,408)	-
-	(54,199)	(54,199)	-
-	24,589	24,589	-
-	78,649	78,649	-
-	<b>(667,369)</b>	<b>(667,369)</b>	<b>-</b>
<b>(5,124,318)</b>	<b>(667,369)</b>	<b>(5,791,687)</b>	<b>-</b>
			50,753
			(338)
			140
			522
			<b>51,077</b>
1,889,922	-	1,889,922	-
111,724	-	111,724	-
1,686,384	-	1,686,384	-
598,222	8,757	606,979	-
457,989	-	457,989	-
255,749	-	255,749	-
97,704	66,294	163,998	3,684
1,450	-	1,450	-
856	(7,491)	(6,635)	-
-	675,077	675,077	-
73,539	195,627	269,166	7,735
666,765	(666,765)	-	-
<b>5,840,304</b>	<b>271,499</b>	<b>6,111,803</b>	<b>11,419</b>
<b>715,986</b>	<b>(395,870)</b>	<b>320,116</b>	<b>62,496</b>
<b>6,199,432</b>	<b>3,131,788</b>	<b>9,331,220</b>	<b>402,947</b>
<b>\$ 6,915,418</b>	<b>\$ 2,735,918</b>	<b>\$ 9,651,336</b>	<b>\$ 465,443</b>

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## 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 Tax-Exempt Bond Proceeds Fund** - This fund accounts for the proceeds received from the Tobacco Settlement Authority to provide appropriations to various programs.

**Nonmajor Governmental Funds** are presented, by fund type, beginning on page 78.

# STATE OF IOWA

## Balance Sheet Governmental Funds

June 30, 2002  
(Expressed in Thousands)

	GENERAL FUND	TOBACCO TAX-EXEMPT BOND PROCEEDS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Current Assets:				
Cash & Investments	\$ 1,221,862	\$ 473,970	\$ 102,857	\$ 1,798,689
Deposits with Trustees	4,248	-	1,948	6,196
Accounts Receivable (Net)	1,068,845	732	3,014	1,072,591
Interest Receivable	-	10,670	-	10,670
Notes Receivable (Net)	4,617	-	-	4,617
Loans Receivable (Net)	8,454	-	-	8,454
Due From Other Funds	11,925	566	11,216	23,707
Inventory	10,834	-	193	11,027
Food Stamp Inventory	43,756	-	-	43,756
Prepaid Expenditures	8,668	-	29	8,697
Total Current Assets	<u>2,383,209</u>	<u>485,938</u>	<u>119,257</u>	<u>2,988,404</u>
Noncurrent Assets:				
Accounts Receivable (Net)	43,694	-	2,207	45,901
Notes Receivable (Net)	13,124	-	-	13,124
Loans Receivable (Net)	110,886	-	-	110,886
Total Noncurrent Assets	<u>167,704</u>	<u>-</u>	<u>2,207</u>	<u>169,911</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,550,913</u></b>	<b><u>\$ 485,938</u></b>	<b><u>\$ 121,464</u></b>	<b><u>\$ 3,158,315</u></b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable & Accruals	\$ 613,052	\$ 15,066	\$ 8,879	\$ 636,997
Due To Other Funds	47,634	2,337	8,860	58,831
Deferred Revenue	133,001	-	1,127	134,128
Total Current Liabilities	<u>793,687</u>	<u>17,403</u>	<u>18,866</u>	<u>829,956</u>
Noncurrent Liabilities:				
Accounts Payable & Accruals	-	-	2,842	2,842
Due To Other Funds/Advances From Other Funds	3,582	-	-	3,582
Deferred Revenue	27,182	-	-	27,182
Total Noncurrent Liabilities	<u>30,764</u>	<u>-</u>	<u>2,842</u>	<u>33,606</u>
<b>TOTAL LIABILITIES</b>	<b><u>824,451</u></b>	<b><u>17,403</u></b>	<b><u>21,708</u></b>	<b><u>863,562</u></b>
<b>FUND BALANCE</b>				
Reserved for:				
Encumbrances & Contracts	9,655	-	-	9,655
Inventory & Prepaid Expenditures	19,502	-	222	19,724
Noncurrent Receivables	167,704	-	2,207	169,911
Specific Purposes	1,212,834	468,535	62,642	1,744,011
Unreserved Fund Equity	316,767	-	-	316,767
Unreserved, reported in:				
Nonmajor special revenue funds	-	-	31,584	31,584
Nonmajor capital projects funds	-	-	3,101	3,101
<b>TOTAL FUND BALANCE</b>	<b><u>1,726,462</u></b>	<b><u>468,535</u></b>	<b><u>99,756</u></b>	<b><u>2,294,753</u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 2,550,913</u></b>	<b><u>\$ 485,938</u></b>	<b><u>\$ 121,464</u></b>	<b><u>\$ 3,158,315</u></b>

The notes are an integral part of the financial statements.

# STATE OF IOWA

## Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

June 30, 2002  
(Expressed in Thousands)

**Total Fund Balances-Governmental funds**

\$ 2,294,753

Amounts reported for governmental activities in the statement of net assets 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 is \$8,119,889,630 and the accumulated depreciation is (\$2,894,808,028).

5,225,081

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

20,944

Certain revenues are earned but not available and therefore deferred in the funds.

72,187

Certain pension trust funds have been funded in excess of the annual required contributions, creating a year-end asset. This asset is not a current available resource and is not reported in the funds.

17,879

Deferred issue costs are reported a current expenditures in the funds. However, deferred issue costs are amortized over the life of the bonds and are included as Deferred Charges in the governmental activities in the Statement of Net assets.

1,364

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

Bonds Payable	(404,130)
Accrued Interest Payable	(4,110)
Compensated Absences	(127,856)
Capital Leases	(6,092)
Other Financing Arrangements Payable	(6,437)
Other Post Retirement Liability	(27,140)
Gaming Tax Settlement Liability	(101,000)
Risk Management Liability	(11,500)
Tobacco Legal Fee Liability	(20,418)
Other Long-term Liabilities	(8,107)

Total Long-term liabilities

(716,790)

**Net assets of governmental activities**

\$ 6,915,418

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, 2002  
(Expressed in Thousands)

	GENERAL FUND	TOBACCO TAX-EXEMPT BOND PROCEEDS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>				
Taxes	\$ 5,567,742	\$ -	\$ 78,763	\$ 5,646,505
Receipts from Other Entities	3,228,777	500	28,408	3,257,685
Investment Income	80,099	13,908	3,047	97,054
Fees, Licenses & Permits	550,649	-	4,198	554,847
Refunds & Reimbursements	913,185	-	36,745	949,930
Sales, Rents & Services	21,300	35	6,048	27,383
Miscellaneous	132,622	-	8,869	141,491
Contributions	-	-	1,450	1,450
<b>GROSS REVENUES</b>	<b>10,494,374</b>	<b>14,443</b>	<b>167,528</b>	<b>10,676,345</b>
Less Revenue Refunds	742,154	-	1,623	743,777
<b>NET REVENUES</b>	<b>9,752,220</b>	<b>14,443</b>	<b>165,905</b>	<b>9,932,568</b>
<b>EXPENDITURES:</b>				
Current:				
Administration & Regulation	1,113,069	21,283	2,119	1,136,471
Education	2,521,252	1,355	87,901	2,610,508
State Aid to Universities	646,233	28,844	-	675,077
Health & Human Rights	281,549	322	363	282,234
Human Services	3,438,282	691	292	3,439,265
Justice & Public Defense	615,631	7,428	13,129	636,188
Economic Development	177,294	50	223	177,567
Transportation	1,012,308	578	-	1,012,886
Agriculture & Natural Resources	162,920	1,602	6,084	170,606
Capital Outlay:				
Health & Human Rights	-	-	6,296	6,296
Human Services	-	-	24	24
Justice & Public Defense	-	-	14,335	14,335
Transportation	-	-	2,150	2,150
Agriculture & Natural Resources	-	-	4,086	4,086
<b>TOTAL EXPENDITURES</b>	<b>9,968,538</b>	<b>62,153</b>	<b>137,002</b>	<b>10,167,693</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(216,318)</b>	<b>(47,710)</b>	<b>28,903</b>	<b>(235,125)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers:				
Transfers In	199,626	539,845	672,910	1,412,381
Transfers Out	(45,252)	(23,600)	(679,924)	(748,776)
Leases, Installment Purchases, & Other	1,555	-	-	1,555
Debt Issued	245,500	-	-	245,500
Premium on Bonds	17,510	-	-	17,510
Refunding Debt Issued	55,130	-	-	55,130
Payment to Refunding Escrow Agent	(57,969)	-	-	(57,969)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>416,100</b>	<b>516,245</b>	<b>(7,014)</b>	<b>925,331</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>199,782</b>	<b>468,535</b>	<b>21,889</b>	<b>690,206</b>
<b>FUND BALANCE JULY 1, RESTATED</b>	<b>1,526,680</b>	<b>-</b>	<b>77,867</b>	<b>1,604,547</b>
<b>FUND BALANCE JUNE 30</b>	<b>\$ 1,726,462</b>	<b>\$ 468,535</b>	<b>\$ 99,756</b>	<b>\$ 2,294,753</b>

The notes are an integral part of the financial statements.



# STATE OF IOWA

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

For the Year Ended June 30, 2002  
(Expressed in Thousands)

**Net change in fund balances-total governmental funds** \$ 690,206

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 period, these amounts are:

Capital outlay	\$ 614,522	
Depreciation expense	291,948	
Excess of capital outlay over depreciation expense		322,574

In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. 215

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 assets, the obligations are reported as liabilities. In the current year, these amounts consist of :

Bond proceeds and premium	(316,583)	
Capital leases	(818)	
Other financing arrangements payable	(2,167)	
Total		(319,568)

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 assets. In the current year, these amounts consist of:

Bond principal retirement	80,731	
Capital lease payments	3,009	
Other financing arrangements payments	1,583	
Total long-term debt repayment		85,323

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities. 7,693

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. 71,815

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. These activities consist of :

Compensated absences	(14,908)	
Tobacco legal fee liability	13,805	
Early retirement liability	(27,140)	
Gambling tax settlement liability	(101,000)	
Accrued interest	(7,726)	
Other	(5,303)	
Total additional expenditures		(142,272)

**Change in net assets of governmental activities** \$ 715,986

The notes are an integral part of the financial statements.

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## 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 federal funds and contributions from employers to provide benefits to eligible unemployed workers.

**Tobacco Settlement Authority Fund** - This fund accounts for bond proceeds securitized by payments due to the State pursuant to the Master Settlement Agreement between the State and the five largest tobacco manufacturers.

**Nonmajor Proprietary Funds** are presented, by fund type, beginning on page 100.

# STATE OF IOWA

## Statement of Net Assets Proprietary Funds

June 30, 2002  
(Expressed in Thousands)

	BUSINESS- TYPE ACTIVITIES -- ENTERPRISE FUNDS					GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS	TOBACCO SETTLEMENT AUTHORITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	
<b>ASSETS</b>						
Current Assets:						
Cash & Investments	\$ 930,617	\$ 766,663	\$ 78,405	\$ 23,058	\$ 1,798,743	\$ 20,636
Deposits With Trustees	45,393	-	-	24,452	69,845	-
Accounts Receivable (Net)	237,529	76,409	-	5,990	319,928	445
Interest Receivable	7,199	-	245	56	7,500	1
Loans Receivable (Net)	7,050	-	-	-	7,050	-
Benefit Overpayment Receivable	-	5,488	-	-	5,488	-
Due From Other Funds/Advances						
To Other Funds	-	552	-	2,949	3,501	35,354
Inventory	40,930	-	-	12,126	53,056	8,026
Prepaid Expenses	4,865	-	-	798	5,663	657
Other Assets	817	-	76	-	893	-
Investment In Prize Annuity	-	-	-	9,354	9,354	-
Total Current Assets	1,274,400	849,112	78,726	78,783	2,281,021	65,119
Noncurrent Assets:						
Cash & Investments	\$ 358,302	\$ -	\$ -	\$ -	\$ 358,302	\$ -
Deposits With Trustees	1,000	-	-	-	1,000	-
Accounts Receivable (Net)	9,377	645	-	-	10,022	-
Interest Receivable	1,395	-	-	-	1,395	-
Loans Receivable (Net)	62,497	-	-	-	62,497	414
Benefit Overpayment Receivable	-	13,435	-	-	13,435	-
Due From Other Funds/Advances						
To Other Funds	-	2,686	-	-	2,686	1,036
Capital Assets - nondepreciable	380,335	-	-	1,193	381,528	-
Capital Assets - depreciable, net	1,542,837	-	-	69,573	1,612,410	80,726
Prepaid Expenses	396	-	-	1,079	1,475	-
Other Assets	19,706	-	1,782	1,311	22,799	-
Investment In Prize Annuity	-	-	-	45,016	45,016	-
Prize Deposit	-	-	-	5,570	5,570	-
Total Noncurrent Assets	2,375,845	16,766	1,782	123,742	2,518,135	82,176
<b>TOTAL ASSETS</b>	<b>3,650,245</b>	<b>865,878</b>	<b>80,508</b>	<b>202,525</b>	<b>4,799,156</b>	<b>147,295</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable & Accruals	188,283	16,011	308	14,920	219,522	37,795
Due To Other Funds/Advances						
From Other Funds	-	401	-	3,153	3,554	177
Interest Payable	15,670	-	2,858	1,797	20,325	-
Deferred Revenue	59,339	2,099	-	327	61,765	5,857
Compensated Absences	99,488	-	-	893	100,381	685
Capital Leases	5,451	-	-	6	5,457	54
Bonds Payable	45,308	-	1,970	-	47,278	-
Other Financing						
Arrangements Payable	1,012	-	-	10,125	11,137	-
Annuities Payable	-	-	-	9,524	9,524	-
Lottery Prizes Payable	-	-	-	3,561	3,561	-
Funds Held In Custody	40,517	-	-	-	40,517	-
Lease Obligations From						
Discontinued Operations	-	-	-	35	35	-
Total Current Liabilities	455,068	18,511	5,136	44,341	523,056	44,568
Noncurrent Liabilities:						
Accounts Payable & Accruals	39,347	-	-	-	39,347	114
Due To Other Funds/Advances						
From Other Funds	-	-	-	-	-	140
Interest Payable	6,289	-	-	-	6,289	-
Deferred Revenue	457	-	-	-	457	-
Compensated Absences	18,888	-	-	420	19,308	-
Capital Leases	64,991	-	-	6	64,997	406
Bonds Payable	560,347	-	628,181	-	1,188,528	-
Other Financing						
Arrangements Payable	4,031	-	-	46,850	50,881	-
Refundable Advance on						
Student Loans	27,408	-	-	-	27,408	-
Annuities Payable	-	-	-	45,016	45,016	-
Lottery Prizes Payable	-	-	-	5,570	5,570	-
Funds Held In Custody	92,592	-	-	-	92,592	-
Other	-	-	-	185	185	-
Total Noncurrent Liabilities	814,350	-	628,181	98,047	1,540,578	660
<b>TOTAL LIABILITIES</b>	<b>1,269,418</b>	<b>18,511</b>	<b>633,317</b>	<b>142,388</b>	<b>2,063,634</b>	<b>45,228</b>
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	1,311,268	-	-	13,139	1,324,407	80,266
Restricted For:						
Expendable	363,989	-	-	-	363,989	-
Nonexpendable	616	-	-	-	616	-
Unemployment Benefits	-	847,367	-	-	847,367	-
Unrestricted	704,954	-	(552,809)	46,998	199,143	21,801
<b>TOTAL NET ASSETS</b>	<b>\$ 2,380,827</b>	<b>\$ 847,367</b>	<b>\$ (552,809)</b>	<b>\$ 60,137</b>	<b>2,735,522</b>	<b>\$ 102,067</b>

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

Net assets of business-type activities

396  
\$ 2,735,918

The notes are an integral part of the financial statements.

# STATE OF IOWA

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

For the Year Ended June 30, 2002  
(Expressed in Thousands)

	BUSINESS- TYPE ACTIVITIES --					GOVERNMENTAL
	ENTERPRISE FUNDS					ACTIVITIES --
	UNIVERSITY	UNEMPLOYMENT	TOBACCO	NONMAJOR		INTERNAL
	FUNDS	BENEFITS	SETTLEMENT	ENTERPRISE		SERVICE
			AUTHORITY	FUNDS	TOTAL	FUNDS
OPERATING REVENUES:						
Employer Contributions	\$ -	\$ 220,295	\$ -	\$ -	\$ 220,295	\$ -
Receipts from Other Entities	341,179	117,938	-	60	459,177	49,323
Fees, Licenses & Permits	818,527	-	-	9,316	827,843	-
Refunds & Reimbursements	-	-	49,633	19	49,652	36,839
Sales, Rents & Services	295,501	-	-	339,161	634,662	1,271
Grants & Contracts	157,591	-	-	-	157,591	-
Independent /Auxiliary Operations	59,009	-	-	-	59,009	-
Miscellaneous	31,529	-	-	3,970	35,499	3,915
TOTAL OPERATING REVENUES	1,703,336	338,233	49,633	352,526	2,443,728	91,348
OPERATING EXPENSES:						
General & Administrative	83,309	-	101	17,845	101,255	-
Scholarship & Fellowship	29,895	-	-	-	29,895	-
Depreciation	155,290	-	-	16,452	171,742	10,251
Direct Expense	-	-	-	100,696	100,696	-
Prize Expense	-	-	-	99,996	99,996	-
Personal Services	1,411,747	-	-	8,581	1,420,328	7,080
Travel & Subsistence	46,193	-	-	315	46,508	10,138
Supplies & Materials	208,475	-	-	234	208,709	30,295
Contractual Services	116,849	-	-	33,867	150,716	8,743
Equipment & Repairs	315,496	-	-	331	315,827	6,610
Claims & Miscellaneous	28,382	-	-	828	29,210	14,883
Licenses, Permits & Refunds	3,563	45	-	465	4,073	43
State Aids & Credits	-	392,387	-	2,582	394,969	-
TOTAL OPERATING EXPENSES	2,399,199	392,432	101	282,192	3,073,924	88,043
OPERATING INCOME (LOSS)	(695,863)	(54,199)	49,532	70,334	(630,196)	3,305
NONOPERATING REVENUES						
(EXPENSES)						
State Aid to Universities	675,077	-	-	-	675,077	-
Gifts	24,950	-	-	-	24,950	-
Taxes	-	-	-	8,757	8,757	536
Investment Income	13,089	49,258	1,998	1,881	66,226	166
Interest Expense	(29,693)	-	(24,891)	(3,682)	(58,266)	(8)
Miscellaneous Nonoperating Revenue	189,721	-	-	1,182	190,903	-
Miscellaneous Nonoperating Expense	(30,235)	-	(52)	(219)	(30,506)	-
Gain on Sale of Fixed Assets	-	-	-	25	25	695
Loss on Sale of Fixed Assets	(7,436)	-	-	(80)	(7,516)	(54)
NET NONOPERATING						
REVENUES (EXPENSES)	835,473	49,258	(22,945)	7,864	869,650	1,335
INCOME (LOSS) BEFORE						
CONTRIBUTIONS AND TRANSFERS	139,610	(4,941)	26,587	78,198	239,454	4,640
Capital Contributions and Grants	18,568	-	-	12,169	30,737	-
Operating Transfers In	-	-	-	452	452	5,396
Operating Transfers Out	-	-	(579,396)	(87,821)	(667,217)	(2,236)
Additions to Endowments	595	-	-	-	595	-
CHANGE IN NET ASSETS	158,773	(4,941)	(552,809)	2,998	(395,979)	7,800
TOTAL NET ASSETS -						
JULY 1, RESTATED	2,222,054	852,308	-	57,139		94,267
TOTAL NET ASSETS - JUNE 30	\$ 2,380,827	\$ 847,367	\$ (552,809)	\$ 60,137		\$ 102,067

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds  
Change in net assets of business-type activities

109  
**\$ (395,870)**

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, 2002  
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS					GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS	TOBACCO SETTLEMENT AUTHORITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash Received From Customers/Students	\$ 1,050,954	\$ -	\$ -	\$ 341,935	\$ 1,392,889	\$ -
Cash Received From Employers	-	211,113	-	-	211,113	-
Cash Received From Other Entities	581,519	117,938	49,633	10,560	759,650	4,421
Cash Received From Reciprocal Interfund Activity	138,339	-	-	-	138,339	85,415
Cash Payments To Suppliers For Goods & Services	(717,049)	-	(101)	(147,822)	(864,972)	(61,252)
Cash Payments To Employees For Services	(1,422,714)	-	-	(15,095)	(1,437,809)	(17,039)
Cash Payments For Reciprocal Interfund Activity	(153,646)	-	-	(2,582)	(156,228)	-
Cash Payments For Prizes	-	-	-	(109,872)	(109,872)	-
Cash Payments For Unemployment Claims	-	(389,293)	-	-	(389,293)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	(522,597)	(60,242)	49,532	77,124	(456,183)	11,545
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Operating Transfers In From Other Funds	564,776	-	-	453	565,229	5,396
Operating Transfers Out To Other Funds	(11,484)	-	(579,396)	(88,829)	(679,709)	(2,287)
Receipts From Grants & Contributions	85,103	-	-	-	85,103	-
Receipts From Related Agencies	526,052	-	-	-	526,052	-
Payments To Related Agencies	(547,680)	-	-	-	(547,680)	-
Other Receipts	318,004	-	-	-	318,004	-
Other Payments	(215,673)	-	-	-	(215,673)	-
Proceeds From Non-Capital Gifts	83,820	-	-	-	83,820	-
Proceeds From Issuance Of Debt	-	-	629,642	-	629,642	-
Bond Issuance Costs	-	-	(1,601)	-	(1,601)	-
Interest Paid	-	-	(21,525)	-	(21,525)	(8)
Tax Receipts	-	-	-	8,757	8,757	536
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	802,918	-	27,120	(79,619)	750,419	3,637
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition & Construction of Capital Assets	(269,406)	-	-	(14,272)	(283,678)	(12,597)
Interest Paid	(29,734)	-	-	(3,878)	(33,612)	-
Debt Payments	(37,007)	-	-	(9,673)	(46,680)	-
Capital Grants & Contributions	47,913	-	-	13,580	61,493	-
Debt Proceeds	58,527	-	-	-	58,527	-
Proceeds From Sale Of Capital Assets	1,102	-	-	72	1,174	2,975
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(228,605)	-	-	(14,171)	(242,776)	(9,622)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest & Dividends On Investments	30,788	49,258	1,753	1,640	83,439	168
Proceeds From Sale & Maturities Of Investments	1,261,398	-	61,657	12,987	1,336,042	-
Purchase Of Investments	(1,263,254)	-	(139,601)	-	(1,402,855)	-
Other	-	-	-	1,182	1,182	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	28,932	49,258	(76,191)	15,809	17,808	168

(continued on next page)

# STATE OF IOWA

(continued)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS	
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS	TOBACCO SETTLEMENT AUTHORITY	NONMAJOR ENTERPRISE FUNDS	TOTAL	
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	80,648	(10,984)	461	(857)	69,268	5,728
<b>CASH &amp; CASH EQUIVALENTS JULY 1, RESTATED</b>	<u>283,331</u>	<u>777,647</u>	<u>-</u>	<u>48,367</u>	<u>1,109,345</u>	<u>14,908</u>
<b>CASH &amp; CASH EQUIVALENTS JUNE 30</b>	363,979	766,663	461	47,510	1,178,613	20,636
<b>INVESTMENTS</b>	924,940	-	77,944	-	1,002,884	-
<b>LESS DEPOSITS WITH TRUSTEES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,452</u>	<u>24,452</u>	<u>-</u>
<b>CASH &amp; INVESTMENTS PER BALANCE SHEET</b>	<u>\$ 1,288,919</u>	<u>\$ 766,663</u>	<u>\$ 78,405</u>	<u>\$ 23,058</u>	<u>\$ 2,157,045</u>	<u>\$ 20,636</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
<b>Operating Income (Loss)</b>	\$ (695,863)	\$ (54,199)	\$ 49,532	\$ 70,334	\$ (630,196)	\$ 3,305
<b>Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities</b>						
Depreciation	155,290	-	-	16,452	171,742	10,251
Increase (Decrease) In Accounts Receivable	7,631	(8,260)	-	835	206	54
Increase (Decrease) In Benefit Overpayment Receivable	-	(1,856)	-	-	(1,856)	-
(Increase) Decrease In Due From	-	(1,224)	-	117	(1,107)	(2,456)
(Increase) Decrease In Inventory	1,883	-	-	2,136	4,019	1,859
(Increase) Decrease In Prepaid	8,885	-	-	67	8,952	(123)
(Increase) Decrease In Loans Receivable	1,746	-	-	-	1,746	(414)
(Increase) Decrease In Other Assets	-	-	-	(729)	(729)	-
Increase (Decrease) In Accounts Payable	(7,520)	4,807	-	(1,838)	(4,551)	(594)
Increase (Decrease) In Due To	-	188	-	(496)	(308)	(39)
Increase (Decrease) In Deferred Revenue	(627)	302	-	148	(177)	(477)
Increase (Decrease) In Compensated Absences	5,312	-	-	(8)	5,304	179
Increase (Decrease) In Prizes Payable	-	-	-	(14)	(14)	-
Increase (Decrease) In Prize Annuity	-	-	-	(9,901)	(9,901)	-
Increase (Decrease) In Other Liability	666	-	-	21	687	-
<b>Net Cash Provided By Operating Activities</b>	<u>\$ (522,597)</u>	<u>\$ (60,242)</u>	<u>\$ 49,532</u>	<u>\$ 77,124</u>	<u>\$ (456,183)</u>	<u>\$ 11,545</u>

## Noncash capital financing activities:

Capital assets of \$674,257 were acquired through capital lease agreements by the enterprise funds and \$459,985 by governmental activities internal service funds.

The notes are an integral part of the financial statements.

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## FIDUCIARY FUND FINANCIAL STATEMENTS

**Individual fund** descriptions and financial statements begin on page 112.

# STATE OF IOWA

## Statement of Fiduciary Net Assets Fiduciary Funds

June 30, 2002  
(Expressed in Thousands)

	PENSION TRUST FUNDS	PRIVATE- PURPOSE TRUST FUNDS	AGENCY FUNDS
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 60,222	\$ 11,315	\$ 90,748
Receivables:			
Accounts (Net)	-	175	95,712
Contributions	37,103	-	-
Investment Sold	231,951	-	-
Foreign Exchange Contracts	82,341	-	-
Interest & Dividends	41,283	-	-
Miscellaneous	3,131	-	-
Total Receivables	395,809	175	95,712
Investments, at Fair Value:			
Fixed Income Securities	6,745,328	-	-
Equity Investments	6,943,699	260,448	-
Real Estate Partnerships	855,899	-	-
Investment in Private Equity/Debt	846,348	-	-
Securities Lending Collateral Pool	79,441	-	-
Securities on Loan with Brokers	77,623	-	-
Foreign Currency	3,247	-	-
Total Investments	15,551,585	260,448	-
Capital Assets:			
Land	500	-	-
Other Capital Assets (Net)	3,926	43	-
Total Capital Assets	4,426	43	-
Other Assets	-	32	2
<b>Total Assets</b>	<b>16,012,042</b>	<b>272,013</b>	<b>186,462</b>
<b>LIABILITIES</b>			
Accounts Payable & Accruals	27,307	270	186,462
Payable for Investments Purchased	743,937	-	-
Payable to Brokers For Rebate & Collateral	79,297	-	-
Capital Lease	-	33	-
Other Financing Arrangements Payable	-	413	-
<b>Total Liabilities</b>	<b>850,541</b>	<b>716</b>	<b>186,462</b>
<b>NET ASSETS</b>			
Held in Trust for:			
Employees' Pension Benefits	15,161,501	-	-
Individuals, Organizations, and Other Governments	-	271,297	-
<b>Total Net Assets</b>	<b>\$ 15,161,501</b>	<b>\$ 271,297</b>	<b>\$ -</b>

The notes are an integral part of the financial statements.

# STATE OF IOWA

## Statement of Changes in Fiduciary Net Assets Fiduciary Funds

For the Year Ended June 30, 2002  
(Expressed in Thousands)

	PENSION TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
<b>ADDITIONS</b>		
Contributions:		
Member/Participant Contributions	\$ 189,788	\$ 226,201
Employer Contributions	287,188	-
Buy-Back/Buy-In Contributions	4,983	-
Gifts, Bequests, & Endowments	-	162
Total Contributions	481,959	226,363
Investment Income:		
Net Increase (Decrease) in Fair Value of Investments	(1,239,307)	(15,508)
Interest	317,773	267
Dividends	85,546	-
Other	110,395	-
Investment Income (Loss)	(725,593)	(15,241)
Less Investment Expense	55,614	-
Net Investment Income (Loss)	(781,207)	(15,241)
Miscellaneous Non-Investment Income	68	-
Total Additions (Decrease)	(299,180)	211,122
<b>DEDUCTIONS:</b>		
Pension and Annuity Benefits	722,058	-
Distribution to Participants	-	2,081
Payments in Accordance with Agreements	-	1,847
Administrative Expense	7,655	-
Refunds	37,930	-
Other	-	965
Total Deductions	767,643	4,893
<b>Change in Net Assets held in Trust for:</b>		
Employees' Pension Benefits	(1,066,823)	-
Individuals, Organizations and Other Governments	-	206,229
<b>Net Assets - July 1, Restated</b>	<b>16,228,324</b>	<b>65,068</b>
<b>Net Assets - June 30</b>	<b>\$ 15,161,501</b>	<b>\$ 271,297</b>

The notes are an integral part of the financial statements.

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## 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 Higher Education Loan Authority** provides for the financing of educational loans for students attending private educational institutions in the state and financing for acquisition, construction, and renovation of educational facilities.

**Iowa Agricultural Development Authority** undertakes programs which assist beginning farmers in purchasing land, improvements and property, for agricultural purposes and provides financing for agricultural and soil conservation development, and other various agricultural development programs.

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

# STATE OF IOWA

## Statement of Net Assets Component Units

June 30, 2002  
(Expressed in Thousands)

	IOWA FINANCE AUTHORITY	IOWA HIGHER EDUCATION LOAN AUTHORITY	IOWA AGRICULTURAL DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	TOTAL COMPONENT UNITS
<b>ASSETS</b>					
Current Assets:					
Cash & Investments	\$ 240,951	\$ 986	\$ 312	\$ 3,022	\$ 245,271
Cash & Investments - Restricted	-	-	-	4,791	4,791
Accounts Receivable	-	-	14	429	443
Interest Receivable	8,610	129	72	21	8,832
Loans Receivable (Net)	15,944	27,584	226	-	43,754
Inventory	-	-	-	158	158
Prepaid Expenses	-	102	-	-	102
Other	696	-	-	-	696
Total Current Assets	266,201	28,801	624	8,421	304,047
Noncurrent Assets:					
Cash & Investments	558,197	-	361	-	558,558
Cash & Investments - Restricted	-	14,741	3,412	-	18,153
Accounts Receivable	-	-	-	845	845
Loans Receivable (Net)	270,840	-	1,466	-	272,306
Capital Assets - nondepreciable	-	-	-	12,930	12,930
Capital Assets - depreciable, net	623	3	21	26,912	27,559
Total Noncurrent Assets	829,660	14,744	5,260	40,687	890,351
<b>TOTAL ASSETS</b>	<b>1,095,861</b>	<b>43,545</b>	<b>5,884</b>	<b>49,108</b>	<b>1,194,398</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable & Accruals	5,932	35	58	1,247	7,272
Interest Payable	16,011	176	-	-	16,187
Deferred Revenue	598	380	-	-	978
Bonds Payable	54,402	2,285	-	-	56,687
Total Current Liabilities	76,943	2,876	58	1,247	81,124
Noncurrent Liabilities:					
Deferred Revenues	5,594	-	-	-	5,594
Compensated Absences	-	-	-	81	81
Bonds Payable	592,674	38,666	-	-	631,340
Other Liabilities	10,816	-	-	-	10,816
Total Noncurrent Liabilities	609,084	38,666	-	81	647,831
<b>TOTAL LIABILITIES</b>	<b>686,027</b>	<b>41,542</b>	<b>58</b>	<b>1,328</b>	<b>728,955</b>
<b>NET ASSETS</b>					
Invested in Capital Assets,					
Net of Related Debt	623	-	21	39,842	40,486
Restricted for Specific Purposes	363,749	2,003	5,150	3,814	374,716
Unrestricted	45,462	-	655	4,124	50,241
<b>TOTAL NET ASSETS</b>	<b>\$ 409,834</b>	<b>\$ 2,003</b>	<b>\$ 5,826</b>	<b>\$ 47,780</b>	<b>\$ 465,443</b>

The notes are an integral part of the financial statements

# STATE OF IOWA

## Statement of Activities Component Units

For the Year Ended June 30, 2002  
(Expressed in Thousands)

	<b>IOWA FINANCE AUTHORITY</b>	<b>IOWA HIGHER EDUCATION LOAN AUTHORITY</b>	<b>IOWA AGRICULTURAL DEVELOPMENT AUTHORITY</b>	<b>IOWA STATE FAIR AUTHORITY</b>	<b>TOTAL COMPONENT UNITS</b>
Expenses	\$ 49,386	\$ 1,446	\$ 460	\$ 12,211	\$ 63,503
Program Revenues:					
Charges for Service	62,612	1,108	574	10,484	74,778
Operating Grants and Contributions	37,527	-	26	2,249	39,802
Total Program Revenues	100,139	1,108	600	12,733	114,580
Net Program (Expense) Revenue	50,753	(338)	140	522	51,077
General Revenues (Expenses):					
Investment Income	3,003	482	31	168	3,684
Other	7,735	-	-	-	7,735
Total General Revenue	10,738	482	31	168	11,419
Change in Net Assets	61,491	144	171	690	62,496
<b>Net Assets - July 1, Restated</b>	<b>348,343</b>	<b>1,859</b>	<b>5,655</b>	<b>47,090</b>	<b>402,947</b>
<b>Net Assets - June 30</b>	<b>\$ 409,834</b>	<b>\$ 2,003</b>	<b>\$ 5,826</b>	<b>\$ 47,780</b>	<b>\$ 465,443</b>

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 can be obtained by contacting: Iowa Department of Revenue and Finance, Financial Management, 3<sup>rd</sup> Floor, Hoover State Office Bldg., Des Moines, IA 50319.

#### **Blended Component Units**

These component units are entities which are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State's primary government and are blended with the appropriate funds.

- Iowa Public Television Foundation (Special Revenue and Permanent funds) serves as a funding medium for Iowa Public Television. It solicits and manages gifts of money or property, for the exclusive purpose of granting gifts of money or property to Iowa Public Television. Iowa Public Television has sole discretion as to the use of the money or property. The State appoints a voting majority of the Foundation's board and has the ability to impose its will on the

organization, as it can make personnel decisions regarding the management of the Foundation.

- Tobacco Settlement Authority (Enterprise 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.

#### **Component Units**

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

- Iowa Finance Authority (Proprietary) issues bonds to assist in attainment of adequate housing for special needs individuals such as the low to moderate income and the disabled, and to provide limited types of financing to small businesses. The nine members of the Board of Directors are appointed by the Governor and confirmed by the Senate.
- Iowa Higher Education Loan Authority (Proprietary) provides for the financing of educational loans for students attending private educational institutions in the State and financing for the acquisition, construction, and renovation of educational facilities. 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 upon the Authority.
- Iowa Agricultural Development Authority (Proprietary) undertakes programs which assist beginning farmers in purchasing land, improvements and property for agricultural purposes, and provides financing for agricultural and soil conservation development, and other various agricultural development programs. The State appoints a voting majority of the organization and is able to impose its will on the Authority.



# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

- Iowa State Fair Authority (Proprietary) conducts the annual State Fair and Exposition and other interim events on the Iowa State Fairgrounds. The State must approve any bonds issued by the Authority (October 31 year end).

### **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
- Turkey Marketing Council
- Iowa Business Development Finance Corporation
- Community Health Management Information System

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

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

The Statement of Net Assets 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 Assets** presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* 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 assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding

categories. Unrestricted net assets often have 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 that are clearly identifiable within 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 instead reported as general revenue.

#### **Fund Financial Statements**

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

#### **D. Financial Statement Presentation**

The State reports the following major governmental funds:

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

*Tobacco Tax-Exempt Bond Proceeds Fund* accounts for proceeds received from the Tobacco Settlement Authority to provide appropriations for various programs.

The State reports the following major enterprise funds:

The *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 federal funds and contributions from employers to provide benefits to eligible unemployed workers.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

*Tobacco Settlement Authority* accounts for the bond proceeds securitized by payments due to the State pursuant to the Master Settlement Agreement between the State and the five largest tobacco manufacturers.

In addition, the State reports the following fund types:

### **Governmental Funds**

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

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

*Permanent Funds* account for resources that are 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 operations (a) that are financed and operated in a manner similar to private business enterprise – where the intent of the State is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the State has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*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.

### **Fiduciary Funds**

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

*Private Purpose Trust Funds* account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.

*Agency Funds* account for resources held by the State in a purely custodial capacity.

### **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 service, 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. Revenues that the State earns by incurring obligations are recognized in the same period as when the obligations are recognized. 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 30, of the fiscal year, and paid within sixty days.

Proprietary and fiduciary fund 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. Proprietary funds distinguish operating from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All other revenues and expenses are reported as nonoperating.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

In reporting the financial activity of its proprietary funds, the State applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

### ***Lottery Revenues and Prizes***

The Lottery uses an on-line instant verification system for the sale and validation of instant tickets. Instant ticket sales are recognized when a retailer settles a pack of tickets. Revenues for pull-tab games are recognized upon the sale of tickets to the retail sales agents. Revenues for Lotto games are recognized after the jackpot drawings are held. Deferred revenue represents lotto tickets sold for future prize drawings.

The prize liabilities for the Lotto games are determined by actual matches and are recognized after the jackpot drawings are held.

### **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. 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 associated with one fund that has been assigned to another fund totaled \$52,981,988 for fiscal year 2002.

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

The Treasurer of State 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; perfected repurchase agreements; money market mutual funds organized in trust form; and other investments as permitted by Section 12B.10 of the Code of Iowa.

Investments are valued at fair value in accordance with GASB Statement 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Fair value is calculated at market price at the close of business on June 30 by independent pricing services utilized by the Treasurer's custodian bank. However, certain cash equivalent investments such as commercial paper, bankers acceptances, certificates of deposit, guaranteed investment contracts, and discount notes issued by government agencies are valued using purchase price. (For Pension plans, See NOTE 18).

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

Cash and cash equivalents include currency on hand, demand deposits with banks or other financial institutions, investments readily convertible to known amounts of cash, and investments so near their maturity that 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.

The Iowa Public Employees Retirement System (IPERS) and the Iowa Peace Officers' Retirement, Accident, and Disability System (PORS) (together the "Systems") participate in a securities lending program with the State's custodian bank. The participation of IPERS is authorized by the Code of Iowa and the participation of PORS is authorized by its Board of Trustees. The custodian bank 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 custodian bank is permitted to accept collateral in the form of cash in U.S. dollars, U.S. government securities, or irrevocable letters of credit. A borrower is required to initially deliver collateral in an amount equal to 102 percent of the market value of any U.S. securities lent and 105 percent of the market 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. Securities lent at year-end for cash collateral are presented as unclassified in the schedule of custodial credit risk.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

At year-end IPERS and PORS had \$341,091 in credit risk exposure to borrowers because the amounts they owed the Systems exceeded the amounts the Systems owed them. Additional collateral was provided the next business day, eliminating this exposure. The contract with the custodian bank requires it to indemnify the System if a borrower fails to return the securities or fails to return all of the income attributable to securities on loan. As of June 30, 2002, the Systems had securities on loan, including accrued interest income, with a total value of \$77,622,990 against collateral with a total value of \$78,591,895.

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 custodian bank in accordance with investment guidelines established by the Systems. The investment guidelines do not require a matching of investment maturities with loan maturities, but do establish minimum levels of liquidity and other investment restrictions designed to minimize the interest rate risk associated with not matching the maturity of the investments with the loans. (See NOTE 2.)

### 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 revenue.

### H. Inventories

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

Food stamps are recorded as expenditures when disbursed. Amounts on hand at June 30 are reported at face value in the General Fund, offset by a like amount of deferred revenue.

### I. Capital Assets

Capital assets are reported in the government-wide financial statements and proprietary fund statements at historical cost. Infrastructure assets, such as roads and bridges, are reported for the first time in this statement. Donated capital assets are reported at their estimated fair market value at the time of acquisition. Capital assets utilized in governmental funds are reported as expenditures when purchased in the governmental fund financial statements. Reportable capital assets are defined by the State as assets above the following thresholds:

Infrastructure	\$ 1 million
Land, Building and Improvements	\$ 50,000
Equipment (non-Regent institutions)	\$ 5,000
Equipment (Regents)	\$ 2,000

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

Infrastructure	10-50 years
Buildings	20-50 years
Improvements Other Than Buildings	20-50 years
Equipment	2-20 years
Vehicles	3-10 years

### J. Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond discounts and issuance costs for propriety fund types are generally deferred and 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 discount and issuance costs are recognized in the current period, except for capital appreciation bonds which report discounts similar to proprietary fund types.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### K. Interfund Activity and Balances

#### Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are 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 Assets, except for the residual amounts due between governmental and business-type activities.

### L. Encumbrances

The State utilizes encumbrance accounting for budgetary control purposes. Obligation 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.

### M. Budgeting and Budgetary Control

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

## NOTE 2 - CASH, INVESTMENTS AND SECURITIES LENDING

### CASH

#### Primary Government and Fiduciary

The carrying amount of cash at June 30 is \$1,219,819,256 and the bank balance is \$1,244,718,408. The bank balance at June 30 is

insured or collateralized as follows: \$983,163,058 is covered by federal depository insurance or by collateral held by the State's agent in the State's name, \$1,664,832 is covered by collateral held in the pledging bank's trust department in the State's name, and \$259,890,518 is uninsured or uncollateralized.

### Component Units

The carrying amount of cash at June 30 is \$29,261,149 and the bank balance is \$29,261,149. The bank balance at June 30 is insured or collateralized as follows: \$29,216,279 is covered by federal depository insurance or by collateral held by the State's agent in the State's name and \$44,870 is uninsured or uncollateralized.

## INVESTMENTS

Investments at June 30, 2002, are categorized below by credit risk (expressed in thousands). The three types of credit risk are:

**Category 1** - Insured or registered securities or securities held by the State or its agent in the State's name.

**Category 2** - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.

**Category 3** - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name. (This includes the portion of the carrying amount of any repurchase agreement that exceeds the market value of the underlying securities.)

### Primary Government

	Category			Fair
	1	2	3	Value
U.S. Government				
Securities	\$592,647	\$606,796	\$ 434	\$ 1,199,877
Equity Securities	24,896	146,302	862	172,060
Fixed Income				
Securities	268,606	103,824	-	372,430
Asset Backed				
Securities	3,239	-	-	3,239
	<u>\$889,388</u>	<u>\$856,922</u>	<u>\$1,296</u>	1,747,606
Unclaimed Property				5,482
Money Market &				
Mutual Funds				754,983
Investment Agreements				563,408
Investment Pools				1,687
Other				<u>580</u>
Total Investments				<u>\$ 3,073,746</u>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### Fiduciary Funds

	Category 1	Fair Value
U.S. Government Securities	\$1,454,281	\$ 1,454,281
Domestic Equity Securities	1,922,701	1,922,701
Domestic Fixed Income Securities	2,053,522	2,053,522
International Securities	1,191,381	1,191,381
Foreign Currency	<u>3,247</u>	<u>3,247</u>
	<u>\$6,625,132</u>	6,625,132
Securities on Loan		77,623
Mutual and Commingled Funds		7,325,873
Short Term Investment Funds		1,717
Investment Pools		74
Real Estate Partnerships		855,905
Investment in Private Equity		846,348
Securities Lending Short-Term Collateral Investment Pool		<u>79,441</u>
Total Investments		<u>\$ 15,812,113</u>

### Cash & Investment Reconciliation

#### Investments Per Preceding Schedules:

Primary Government	\$ 3,073,746
Fiduciary Funds	<u>15,812,113</u>
Total	18,885,859
Cash	1,219,819
Outstanding Warrants	(131,430)
Other Reconciling Items	<u>(23,560)</u>
Total Cash & Investments	<u>\$19,950,688</u>

### Component Units

	Category 1	2	3	Fair Value
U.S. Government Securities	\$40,656	\$334,384	\$87	\$ 375,127
Repurchase Agreements	<u>-</u>	<u>200,128</u>	<u>-</u>	<u>200,128</u>
	<u>\$40,656</u>	<u>\$534,512</u>	<u>\$87</u>	575,255
Money Market & Mutual Funds				123,506
Investment Agreements				<u>98,751</u>
Total Investments				<u>\$797,512</u>

### Cash & Investment Reconciliation

Investments Per Above Schedule	\$ 797,512
Cash	<u>29,261</u>
Total Cash & Investments	<u>\$ 826,773</u>

### DEPOSITS WITH TRUSTEES

#### Primary Government

The carrying amount of cash at June 30 is \$61,928,039 and the bank balance is \$61,581,648. The bank balance at June 30 is insured or collateralized as follows: \$50,813,654 is covered by Federal depository insurance or by collateral held by the State's agent in the State's name, and \$10,767,994 is uninsured or uncollateralized.

The investments at June 30, 2002, for Deposit With Trustees are as follows (expressed in thousands):

	Category 1	2	Fair Value
U.S. Government Securities	\$ -	\$5,021	\$ 5,021
Repurchase Agreements	<u>1,492</u>	<u>-</u>	<u>1,492</u>
	<u>\$1,492</u>	<u>\$5,021</u>	6,513
Mutual Funds			4,118
Guaranteed Investment Contracts			3,101
Investment Agreements			<u>1,381</u>
Total Investments			<u>\$ 15,113</u>

### Cash & Investment Reconciliation

Investments Per Above Schedule	\$ 15,113
Cash	<u>61,928</u>
Deposits With Trustees	<u>\$ 77,041</u>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 3 – TRANSFERS

Interfund transfers for the year ended June 30, 2002, consisted of the following (expressed in thousands):

Transferred Out	Transferred In					Total
	General	Tobacco Tax-Exempt Bond Proceeds	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service	
General	\$ -	\$ -	\$ 39,404	\$ 452	\$ 5,396	\$ 45,252
Tobacco Tax-Exempt Bond Proceeds	17,296	-	6,304	-	-	23,600
Nonmajor Governmental Funds	92,273	-	587,651	-	-	679,924
Tobacco Settlement Authority	-	539,845	39,551	-	-	579,396
Nonmajor Enterprise Funds	87,821	-	-	-	-	87,821
Internal Service	2,236	-	-	-	-	2,236
Total	<u>\$ 199,626</u>	<u>\$ 539,845</u>	<u>\$ 672,910</u>	<u>\$ 452</u>	<u>\$ 5,396</u>	<u>\$ 1,418,229</u>

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, 3) Tobacco Settlement Authority bond proceeds to the State, and 4) profits from the Iowa Lottery Fund and Liquor Control Fund as required by law.

### NOTE 4 – RECEIVABLES

Receivables at June 30, 2002, consisted of the following (expressed in thousands):

	Accounts Receivable	Taxes Receivable	Interest Receivable	Notes Receivable	Loans Receivable	Benefit Over-payment	Subtotal	Less: allowance	Total Memo Only
Current:									
General	\$ 661,272	\$ 436,374	\$ -	\$ 4,617	\$ 8,469	\$ -	\$ 1,110,732	\$ 28,816	\$ 1,081,916
Tobacco Tax-Exempt Bond Proceeds	732	-	10,670	-	-	-	11,402	-	11,402
Nonmajor Governmental	3,014	-	-	-	-	-	3,014	-	3,014
University	352,030	-	7,199	-	7,402	-	366,631	114,853	251,778
Unemployment Benefits	78,422	-	-	-	-	8,352	86,774	4,877	81,897
Tobacco Settlement Authority	-	-	245	-	-	-	245	-	245
Nonmajor Enterprise Funds	6,239	-	56	-	-	-	6,295	249	6,046
Internal Service	445	-	1	-	-	-	446	-	446
Total Current	<u>1,102,154</u>	<u>436,374</u>	<u>18,171</u>	<u>4,617</u>	<u>15,871</u>	<u>8,352</u>	<u>1,585,539</u>	<u>148,795</u>	<u>1,436,744</u>
Noncurrent:									
General	229,551	29,007	-	30,818	128,447	-	417,823	250,119	167,704
Nonmajor Governmental	2,207	-	-	-	-	-	2,207	-	2,207
University	9,377	-	1,395	-	64,836	-	75,608	2,339	73,269
Unemployment Benefits	1,078	-	-	-	-	20,449	21,527	7,447	14,080
Internal Service	-	-	-	-	414	-	414	-	414
Total Noncurrent	<u>242,213</u>	<u>29,007</u>	<u>1,395</u>	<u>30,818</u>	<u>193,697</u>	<u>20,449</u>	<u>517,579</u>	<u>259,905</u>	<u>257,674</u>
Subtotal	<u>1,344,367</u>	<u>465,381</u>	<u>19,566</u>	<u>35,435</u>	<u>209,568</u>	<u>28,801</u>	<u>2,103,118</u>	<u>408,700</u>	<u>1,694,418</u>
Discrete Component Units	<u>1,288</u>	<u>-</u>	<u>8,832</u>	<u>-</u>	<u>318,606</u>	<u>-</u>	<u>328,726</u>	<u>2,546</u>	<u>326,180</u>
Total	<u>\$ 1,345,655</u>	<u>\$ 465,381</u>	<u>\$ 28,398</u>	<u>\$ 35,435</u>	<u>\$ 528,174</u>	<u>\$ 28,801</u>	<u>\$ 2,431,844</u>	<u>\$ 411,246</u>	<u>\$ 2,020,598</u>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5 – INTERFUND BALANCES

Interfund balances for the year ended June 30, 2002, consisted of the following (expressed in thousands):

Due To Other Funds	Due From Other Funds						Total
	General	Tobacco Tax-Exempt Bond Proceeds	Nonmajor Governmental Funds	Unemployment Benefits	Nonmajor Enterprise Funds	Internal Service	
General	\$ -	\$ 566	\$ 8,559	\$ 552	\$ 2,787	\$ 35,170	\$ 47,634
Tobacco Tax -Exempt Bond Proceeds	569	-	1,765	-	1	2	2,337
Nonmajor Governmental Funds	7,841	-	852	-	119	48	8,860
Unemployment Benefits	401	-	-	-	-	-	401
Nonmajor Enterprise Funds	3,076	-	40	-	29	8	3,153
Internal Service	38	-	-	-	13	126	177
Total	<u>\$ 11,925</u>	<u>\$ 566</u>	<u>\$ 11,216</u>	<u>\$ 552</u>	<u>\$ 2,949</u>	<u>\$ 35,354</u>	<u>\$ 62,562</u>

\$31.3 million is due from the General Fund to the Workers Compensation Fund (an Internal Service Fund) to fund the cost of claims incurred, and \$7.2 million to the Endowment for Iowa's Health Fund (a Nonmajor Special Revenue Fund) per law, to fund it's initiatives. \$7.7 million is due from Endowment for Iowa's Health Fund (a Nonmajor Special Revenue Fund) to the General fund per law, for the Healthy Iowan's Tobacco Trust incentives. \$2.9 million is due from the Iowa Lottery (an Enterprise Fund) to the General Fund to transfer lottery profits as required by law. Remaining interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, the transactions are recorded, and the payments are made.

Not included in the table above are the following interfund advances, which are not expected to be repaid within one year: \$1.0 million due from the General Fund and General Services-General Office (an Internal Service Fund) to the Innovation Fund (an Internal Service Fund) for amounts loaned for the purpose of stimulating and encouraging innovation in State government and \$2.7 million due from the General Fund to the Unemployment Benefits Fund (an Enterprise Fund) for amounts loaned for various projects per the Reed Act distribution under Section 903 of the Social Security Act.

### NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2002, was as follows (expressed in thousands):

#### Primary Government

Governmental Activities	Balances				Internal Service Fund	Balances June 30, 2002
	July 1, 2001, Restated	Reclassifications	Increases	Decreases		
Capital Assets, Not Being Depreciated:						
Land	\$ 535,630	\$ -	\$ 42,369	\$ 1,701	\$ -	\$ 576,298
Construction in Progress	103,944	(16,863)	52,261	-	-	139,342
Total Capital Assets, Not Being Depreciated	<u>639,574</u>	<u>(16,863)</u>	<u>94,630</u>	<u>1,701</u>	<u>-</u>	<u>715,640</u>
Capital Assets Being Depreciated:						
Infrastructure	5,857,823	2,647	475,358	-	-	6,335,828
Works of Art and Historical Treasures	928	-	-	-	-	928
Land Improvements	3,158	-	-	-	-	3,158
Building and Improvements	667,717	14,216	26,791	3,153	1,424	706,995
Machinery, Equipment and Vehicles	191,581	-	15,312	13,235	163,683	357,341
Total Capital Assets Being Depreciated	<u>6,721,207</u>	<u>16,863</u>	<u>517,461</u>	<u>16,388</u>	<u>165,107</u>	<u>7,404,250</u>
Less Accumulated Depreciation for:						
Infrastructure	2,074,985	-	252,819	-	-	2,327,804
Works of Art and Historical Treasures	46	-	9	-	-	55
Land Improvements	359	-	29	-	-	388
Buildings and Improvements	341,116	-	14,257	1,535	394	354,232
Machinery, Equipment and Vehicles	115,862	-	24,834	12,353	83,987	212,330
Total Accumulated Depreciation	<u>2,532,368</u>	<u>-</u>	<u>291,948</u>	<u>13,888</u>	<u>84,381</u>	<u>2,894,809</u>
Total Capital Assets Being Depreciated, Net	<u>4,188,839</u>	<u>16,863</u>	<u>225,513</u>	<u>2,500</u>	<u>80,726</u>	<u>4,509,441</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,828,413</u>	<u>\$ -</u>	<u>\$ 320,143</u>	<u>\$ 4,201</u>	<u>\$ 80,726</u>	<u>\$ 5,225,081</u>



# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

<b>Business-type Activities</b>	Balances July 1, 2001, Restated	Increases	Decreases	Balances June 30, 2002
Capital Assets, Not Being Depreciated:				
Land	\$ 23,355	\$ 819	\$ 2	\$ 24,172
Land Improvements	5,415	-	-	5,415
Construction in Progress	27,012	145,972	4	172,980
Works of Art	26,651	830	-	27,481
Library Collections	141,534	9,946	-	151,480
Total Capital Assets, Not Being Depreciated	<u>223,967</u>	<u>157,567</u>	<u>6</u>	<u>381,528</u>
Capital Assets Being Depreciated:				
Infrastructure	466,327	-	250	466,077
Library Collections	140,918	9,143	412	149,649
Land Improvements	35,250	539	450	35,339
Buildings and Improvements	2,042,828	1,425	823	2,043,430
Machinery, Equipment and Vehicles	809,126	89,499	56,189	842,436
Total Capital Assets Being Depreciated	<u>3,494,449</u>	<u>100,606</u>	<u>58,124</u>	<u>3,536,931</u>
Less Accumulated Depreciation for:				
Infrastructure	221,456	26,743	165	248,034
Library Collections	107,447	7,248	412	114,283
Land Improvements	16,241	1,817	175	17,883
Buildings and Improvements	930,104	61,121	47	991,178
Machinery, Equipment and Vehicles	526,017	74,813	47,687	553,143
Total Accumulated Depreciation	<u>1,801,265</u>	<u>171,742</u>	<u>48,486</u>	<u>1,924,521</u>
Total Capital Assets Being Depreciated, Net	<u>1,693,184</u>	<u>(71,136)</u>	<u>9,638</u>	<u>1,612,410</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,917,151</u>	<u>\$ 86,431</u>	<u>\$ 9,644</u>	<u>\$ 1,993,938</u>

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

Administration & Regulation	\$ 5,836
Education	2,486
Health & Human Rights	1,958
Human Services	5,218
Justice & Public Defense	17,558
Economic Development	689
Transportation	252,720
Agriculture & Natural Resources	5,483
Subtotal	<u>291,948</u>
Depreciation on Capital Assets held by the State's Internal Service Funds is allocated to the various functions based on their use of the assets	<u>10,251</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 302,199</u>
Business-type Activities:	
Enterprise	<u>\$ 171,742</u>
<b>Discrete Component Units</b>	
Land	\$ 3,104
Construction in Progress	9,826
Total Capital Assets, not being depreciated	<u>12,930</u>
Infrastructure	4,153
Buildings and Improvements	33,930
Machinery, Equipment and Vehicles	3,501
Total Capital Assets, being depreciated	41,584
Less Accumulated Depreciation	<u>(14,025)</u>
Total Capital Assets being depreciated, Net	<u>27,559</u>
Discretely Presented Component Units Capital Assets, Net	<u>\$ 40,489</u>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 7 – INVESTMENT IN PRIZE ANNUITIES AND ANNUITY PRIZES PAYABLE

Assets totaling \$54,555,467, which includes \$185,895 of cash, are held by the Iowa Lottery for the purpose of paying installment prizes which have already been won but will not be completely paid until 2018. Annuity Prizes Payable does not include an additional liability of \$15,395 to taxing authorities which is classified as accounts payable. The following is a schedule of future payments (expressed in thousands):

Year Ending June 30,	Current	Long-Term	Total Payments
2003	\$ 9,903	\$ –	\$ 9,903
2004	–	9,901	9,901
2005	–	9,901	9,901
2006	–	9,356	9,356
2007	–	8,152	8,152
2008-2018	<u>–</u>	<u>25,013</u>	<u>25,013</u>
Total Future Value	9,903	62,323	72,226
Less: Unamortized Discount	<u>(379)</u>	<u>(17,307)</u>	<u>(17,686)</u>
Present Value of Payments	<u>\$ 9,524</u>	<u>\$ 45,016</u>	<u>\$54,540</u>

### NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

Changes in Long-Term liabilities for the year ended June 30, 2002, are summarized as follows (expressed in thousands):

#### Governmental Activities

	Balances July 1, 2001	Additions	Deductions	Balances June 30, 2002
Compensated Absences	\$ 112,947	\$ 140,557	\$ 125,648	\$ 127,856
Capital Leases	8,325	818	3,051	6,092
Loans and Contracts	2,133	737	153	2,717
Certificates of Participation	3,720	1,430	1,430	3,720
Revenue Bonds	163,296	316,711	75,877	404,130
Other Post-Employment Benefits	–	29,333	2,193	27,140
Risk Management	11,500	6,108	6,108	11,500
Tobacco Legal Fee	34,223	–	13,805	20,418
Gaming Settlement Tax	–	101,000	–	101,000
Other Liabilities	<u>3,308</u>	<u>6,207</u>	<u>1,408</u>	<u>8,107</u>
Total	<u>339,452</u>	<u>602,901</u>	<u>229,673</u>	<u>712,680</u>

#### Allocation of Internal Service

##### Funds Liability:

Capital Leases	–	502	42	460
Compensated Absences	621	658	594	685
Other Post-Employment Benefits	<u>–</u>	<u>163</u>	<u>5</u>	<u>158</u>
Total	<u>621</u>	<u>1,323</u>	<u>641</u>	<u>1,303</u>
Total Primary Government - Governmental Activities	<u>\$ 340,073</u>	<u>\$ 604,224</u>	<u>\$ 230,314</u>	<u>\$ 713,983</u>

#### Business-type Activities

Revenue Bonds	\$ 569,927	\$ 722,661	\$ 56,782	\$ 1,235,806
Capital Leases	74,023	674	4,243	70,454
Loans and Contracts	6,058	–	1,015	5,043
Certificates of Participation	<u>66,561</u>	<u>–</u>	<u>9,586</u>	<u>56,975</u>
Total	<u>\$ 716,569</u>	<u>\$ 723,335</u>	<u>\$ 71,626</u>	<u>\$ 1,368,278</u>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 9 – CAPITAL LEASES

The State has entered into agreements to lease various equipment and property. The agreements have interest rates ranging from 2.50% to 14.38% and expire before June 30, 2022.

The State has also entered into a few installment purchase agreements. The agreements have interest rates ranging from 4.75% to 7.20%. 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
2003	\$ 1,772	\$ 371
2004	1,299	262
2005	970	191
2006	616	140
2007	506	105
2008-2012	1,170	206
2013-2017	<u>219</u>	<u>10</u>
Total	<u>\$ 6,552</u>	<u>\$ 1,285</u>

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

Buildings and Improvements	\$ 3,139
Equipment	<u>2,909</u>
Total	6,048
Accumulated Depreciation	<u>(1,858)</u>
Net	<u>\$ 4,190</u>

#### **Primary Government – 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
2003	\$ 5,457	\$ 3,719
2004	5,027	3,461
2005	7,696	3,215
2006	2,713	2,831
2007	2,836	2,687
2008-2012	16,452	11,003
2013-2017	19,082	5,943
2018-2022	<u>11,191</u>	<u>1,196</u>
Total	<u>\$ 70,454</u>	<u>\$ 34,055</u>

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

Construction in Progress	\$ 67,144
Buildings	32,945
Infrastructure	510
Equipment	<u>3,871</u>
Total	104,470
Accumulated Depreciation	<u>(20,832)</u>
Net	<u>\$ 83,638</u>

### NOTE 10 – OTHER FINANCING ARRANGEMENTS PAYABLE

#### **Loans and Contracts Payable**

##### **Primary Government – Governmental Activities**

The Iowa Department of Natural Resources has entered into agreements for facilities and land for a total of \$5,856,330. The agreements range from 4 to 25 years with interest rates ranging from 3.92% to 9.35%. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year ending June 30,	Principal	Interest
2003	\$ 213	\$ 141
2004	225	129
2005	239	115
2006	253	101
2007	268	85
2008-2012	1,050	228
2013-2017	411	57
2018-2022	<u>58</u>	<u>2</u>
Total	<u>\$2,717</u>	<u>\$ 858</u>

##### **Primary Government – Business-Type Activities**

Iowa State University and the University of Iowa have entered into agreements for buildings and equipment for a total of \$8,418,000. The agreements are for periods of 5 to 13 years with an interest rates ranging from 4.83% to 5.95%. The following is a schedule by year of future minimum payments required (expressed in thousands):

Year ending June 30,	Principal	Interest
2003	\$ 1,012	\$ 254
2004	955	203
2005	687	157
2006	512	126
2007	540	98
2008-2012	1,241	184
2013-2017	<u>96</u>	<u>3</u>
Total	<u>\$ 5,043</u>	<u>\$1,025</u>

#### **Certificates of Participation**

##### **Primary Government – Governmental Activities**

The First, Third, Fifth and Sixth Judicial Districts have sold certificates of participation for land and facilities for \$5,600,000. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over periods from 6 to 20 years with interest rates ranging from 3.0% to 5.73%.

In July of 2001, the Sixth Judicial District Department of Correctional Services issued \$1,430,000 in Refunding Certificates of Participation, Series 2001A with an average interest rate of 3.17% to refund in advance of maturity \$890,000 of outstanding Certificates of Participation, Series 1992 with an average interest rate

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

of 6.63%. In addition to the advance refunding, the District secured an additional \$540,000 for issuance cost and land acquisition. The refunding results in a decrease of future aggregate debt service payments of \$46,542 and obtained an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$42,193.

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

Year ending June 30,	Principal	Interest
2003	\$ 590	\$ 195
2004	635	138
2005	460	111
2006	475	92
2007	540	72
2008-2012	<u>1,020</u>	<u>108</u>
Total	<u>\$3,720</u>	<u>\$ 716</u>

### Primary Government – Business-Type Activities

The Department of General Services has sold certificates of participation (COPS) for the Iowa Communications Network of \$114,530,000. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over the next 5 years interest rates ranging from 3.65% to 6.25%. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year ending June 30,	Principal	Interest
2003	\$10,125	\$ 3,286
2004	10,745	2,642
2005	11,415	1,945
2006	12,135	1,201
2007	<u>12,900</u>	<u>409</u>
Total	57,320	<u>\$ 9,483</u>
Unamortized Discount	<u>(345)</u>	
Total COPS Payable	<u>\$56,975</u>	

## NOTE 11 – BONDS PAYABLE

Revenue bonds payable at June 30, 2002, are as follows (expressed in thousands):

	ISSUE DATES	ORIGINAL ISSUANCE	INTEREST RATE	MATURITY DATE RANGE	OUTSTANDING PRINCIPAL
<b>PRIMARY GOVERNMENT – Governmental Activities:</b>					
<b>Revenue Bonds</b>					
<i>Term Bonds</i>					
Underground Storage Tank	1991 & 1994	\$13,155	Variable	2010-2015	\$ 13,155
Department of Corrections	1994-1996	33,510	Variable	2014-2016	<u>1,515</u>
Total					<u>\$ 14,670</u>
<i>Serial Bonds</i>					
Underground Storage Tank	1991 & 1994	\$99,130	Variable	1991-2012	\$ 56,270
Department of Corrections	1994-1996	64,530	Variable	2014-2016	76,005
Vision Iowa	2002	196,375	2.25-5.50	2002-2020	188,415
School Infrastructure	2002	48,585	4.0-5.0	2002-2021	<u>44,460</u>
Total					<u>\$ 365,150</u>
<i>Capital Appreciation Bonds</i>					
Underground Storage Tank	1991	\$10,175	Variable	2001-2004	<u>7,705</u>
Unamortized Premium					17,150
Unamortized Discounts					<u>(545)</u>
Total Governmental Activities					<u>\$ 404,130</u>
<b>PRIMARY GOVERNMENT – Business Type Activities</b>					
<b>Revenue Bonds</b>					
University of Northern Iowa	1964-2002	\$ 134,461	1.80-8.25%	1966-2023	\$ 104,211
University of Iowa	1964-2002	440,670	2.50-9.00%	1967-2023	261,809
Iowa State University	1964-2002	324,950	1.75-6.85%	1967-2029	239,635
Tobacco Settlement Authority	2002	644,265	5.30-6.79%	2003-2027	<u>644,245</u>
Total					1,249,900
Unamortized Discount					<u>(14,094)</u>
Total Business type Activities					<u>\$ 1,235,806</u>
<b>COMPONENT UNITS:</b>					
<b>Revenue Bonds</b>					
Iowa Finance Authority	1977-2002	\$ 1,177,852	Variable	1999-2032	\$ 653,257
Iowa Higher Education Loan Authority	1984-1996	71,485	Variable	1999-2016	<u>40,970</u>
Total					694,227
Unamortized Issuance Costs and Discounts					<u>(6,200)</u>
Total Component Units					<u>\$ 688,027</u>
*Includes unamortized issuance costs and discounts of \$6,180,845 for the Iowa Finance Authority and \$19,375 for the Iowa Higher Education Loan Authority.					

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### **Bonds Payable**

#### ***Primary Government – Governmental Activities***

##### **Underground Storage Tank**

The Iowa Finance Authority has issued term bonds, serial bonds, and capital appreciation bonds to finance the Underground Storage Tank Financial Responsibility Program. The program provides payment for remediation claims of contamination of ground water sites due to leakage, spill or release of petroleum products by owner/operators. The bonds are payable solely from specific revenues and assets of the Underground Storage Tank Fund.

The obligations do not constitute a debt of the State of Iowa nor of the Iowa Finance Authority and neither is liable for any repayments.

In prior years, the Iowa Finance Authority defeased certain Iowa Underground Storage Tank Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 and 1991 Series terms bonds. As a result, the 1990 and 1991 Series Term bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets. As of June 30, 2002, bonds totaling \$39,685,000 were considered defeased.

##### **Iowa Department of Corrections**

The Iowa Finance Authority has issued term and serial bonds for the purpose of financing the construction or renovation of correctional facilities in the State. The Iowa Department of Corrections administers the State's correctional facilities and authorizes expenditures under the program. The bonds are payable solely from monies deposited in the Iowa Prison Infrastructure Fund maintained by the Treasurer of State, currently required by state law to be the first \$9,500,000 of monies remitted to the Treasurer of State each fiscal year from certain fees and fines collected from the clerks of district court in criminal cases, investment earnings on monies in the Iowa Prison Infrastructure Fund, and from other amounts pledged therefore under the bond indenture. These obligations do not constitute a debt of the State of Iowa, nor of the Iowa Finance Authority, and neither is liable for any repayments.

In January 2002, the Iowa Finance Authority issued \$54,240,000 Series 2002 Refunding bonds with an interest rate range of 4.00-5.375% to provide the funds necessary to refund the outstanding principal amount of the Series 1994 Bonds, Series 1994B Bonds, Series 1995A Bonds and Series 1996A Bonds maturing and scheduled to be redeemed after June 15, 2007. The net proceeds of \$57,079,105

(after payment of \$355,469 in underwriting fees, insurance and other issuance costs) were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, the bonds identified above are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

The Authority refunded the 1994, 1995 and 1996 Series Bonds to reduce its total debt service payments over the next 14 years by over \$1.8 million and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of almost \$1.7 million.

##### **Vision Iowa Fund**

During fiscal year 2002, the State of Iowa issued \$196,375,000 of Vision Iowa Special Fund bonds Series 2001 with an interest rate range of 2.25-5.50% to provide grants or loans to communities to enhance local recreational, cultural and entertainment opportunities.

The Bonds are issued by the State pursuant to a Master Indenture of Trust dated as of November 1, 2001 and a Series 2001 Supplemental Master Indenture of Trust between the State and the Trustee for the purpose of providing financing for the Vision Iowa Program, to fund a Bond Reserve Fund and to pay certain costs of issuance. The bonds are secured by certain amounts to be deposited in the Vision Iowa Fund, including a Standing Appropriation of \$15,000,000 annually from gaming revenues, certain earnings on the Vision Iowa Fund and the Bond Reserve Fund, and to the extent of any shortfall in gaming revenues, Lottery revenues. The bonds are also payable from the Bond Reserve Fund, including any amounts appropriated to replenish such fund to the Bond Reserve Fund Requirement (\$15,669,897) in accordance with the Reserve Fund replenishment procedure.

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. The bonds are payable solely and only from certain revenues deposited in the Vision Iowa Fund and from the Bond Reserve Fund.

##### **School Infrastructure Fund**

During fiscal year 2002, the State of Iowa issued \$48,585,000 of School Infrastructure Special Fund Bonds Series 2001 with an interest rate range of 4.0% – 5.0% to assist local schools districts with the construction and renovation of facilities. The fund will provide grants totaling \$50 million. Each grant is limited to \$1 million and requires a local match.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

The Bonds are issued by the State pursuant to a Master Indenture of Trust dated as of November 1, 2002 and a Series 2001 Supplemental Master Indenture of Trust between the State and the Trustee for the purpose of providing financing for the Iowa School Infrastructure Program and to pay certain costs of issuance. A Bond Reserve Fund will be funded with amounts currently in the School Infrastructure Fund. The bonds are secured by certain amounts to be deposited in the School Infrastructure Fund, including a Standing Appropriation of \$5,000,000 annually from gaming revenues, certain earnings on the Iowa School Infrastructure Fund and the Bond Reserve Fund, and, to the extent of any shortfall in gaming revenues, Lottery revenues. The bonds are also payable from the Bond Reserve Fund, including any amounts appropriated to replenish such fund to the Bond Reserve Fund Requirement (\$4,948,025) in accordance with the Reserve Fund replenishment procedure.

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. The bonds are payable solely and only from certain revenues deposited in the School Infrastructure Fund and from the Bond Reserve Fund.

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

Year ending June 30,	Principal	Interest
2003	\$ 19,815	\$ 18,634
2004	19,480	18,018
2005	19,775	17,217
2006	20,620	16,328
2007	21,585	15,421
2008-2012	118,325	61,557
2013-2017	99,225	32,950
2018-2022	<u>68,700</u>	<u>8,916</u>
Total	<u>\$387,525</u>	<u>\$189,041</u>

### **Primary Government – Business-Type Activities**

#### **Universities**

Iowa State University, the University of Northern Iowa and the University of Iowa have issued revenue bonds for the construction of buildings, facilities, utilities and equipment. The bonds are payable principally from tuition and user fee revenues.

During fiscal year 2002, the University of Iowa issued \$13,735,000 of Dormitory Revenue Bond Series 2001 with an interest rate range of 3.7-5.0% and \$15,000,000 of Utility Systems Revenue bonds Series 2002 with an interest rate range of 3.0-5.0% to defray the cost of constructing various residence halls and

pay the cost of constructing, equipping and furnishing the Utility facility.

During the current fiscal year, the University of Iowa issued \$4,835,000 Iowa Memorial Union Revenue Refunding Bonds, Series S.U.I. 2001, with an average interest rate of 3.165% to advance refund \$5,025,000 of outstanding Iowa Memorial Union Revenue bonds, Series S.U.I. 1986 with an average interest rate of 6.100%.

Net bond proceeds of \$4,805,390 were placed in an irrevocable escrow account with the University as trustee. \$848,800 from the IMU Revenue Bond Debt Service Reserve Fund and \$250,000 from the IMU Improvement and Extension Fund were used in addition to the bond proceeds upon the call of the Iowa Memorial Union Revenue Bonds, Series S.U.I. 1986 on January 1, 2002.

The advance refunding resulted in the recognition of an accounting gain of \$190,000 for the year ended June 30, 2002, a decrease in aggregate debt service of \$434,547 over the next eight years and an economic gain (difference between present value of the old and new debt service payments) of \$436,743.

During the current fiscal year, the University of Iowa issued \$14,580,000 Academic Building Revenue Refunding Bonds, Series S.U.I. 2002, with an average interest rate of 4.344% to advance refund \$14,490,000 of outstanding Academic Building Revenue Bonds, Series S.U.I. 1992 with an average interest rate of 5.961%.

Net bond proceeds of \$14,580,000 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 Academic Building Revenue Bonds, Series S.U.I. 1992 are scheduled to be called on July 1, 2002.

The advance refunding resulted in the recognition of an accounting loss of \$90,000 for the year ended June 30, 2002, a decrease in aggregate debt service of \$1,855,629 over the next fourteen years and an economic gain (difference between present values of the old and new debt service payments) of \$1,500,022.

As a result Bonds totaling \$16,475,000 are considered defeased and the liability has been excluded from the Statement of Net Assets.

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, 2002, bonds totaling \$16,475,000 for the University of Iowa were considered defeased.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

During fiscal year 2002, Iowa State University issued \$6,110,000 of Parking Revenue Bond Series 2002 with an interest rate range of 1.75-5.00% and \$14,980,000 of Dormitory System Revenue Bonds Series 2002 with an interest rate range of 4.35-5.75% to construct and improve the parking facilities system and construct and furnish the dormitory facilities system.

During fiscal year 2002, the University of Northern Iowa issued \$23,270,000 of Revenue Bonds Series 2002 with an interest rate range of 1.80-7.35% to defray the cost for construction of academic buildings (\$4,890,000), constructing and equipping the Field House (\$5,625,000) and constructing additions and improvements to J.W. Maucker Student Union (\$12,755,000).

### Tobacco Settlement Authority

The Tobacco Settlement Authority, during fiscal year 2002, issued \$40,000,000 of Tobacco Settlement Asset-Backed Bonds, Series A (Federally Taxable) and \$604,245,000 Tobacco Settlement Asset-Backed Bonds, Series B with interest rates of 5.30-6.79%.

The bonds are being issued by the Tobacco Settlement Authority (the "Authority"), a public instrumentality and agency of the State of Iowa (the "State"), separate and distinct from the State, exercising public and essential governmental functions, and created by the Tobacco Settlement Authority Act (the "Act"). Pursuant to a Sales Agreement, dated as of October 1, 2001 (the "Sales Agreement"), between the State and Authority, the State will sell to the Authority, on the Closing Date, all of its right, title and interest in certain 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 fund payments (the "TSRs"), to be made by the PMs under the MSA.

The bonds will be secured by and are payable solely from (i) 78% of the TSRs payable to the Authority in the future as of the effective date of the Sales Agreement (the "Pledged TSRs"), (ii), investment earnings on certain accounts pledged under the Indenture (which earnings, together with the Pledged TSRs, are referred to herein as the "Collections"), (iii) amounts held in the debt service reserve account (the "Debt Service Reserve Account") and the trapping account (the "Trapping Account") established under

the Indenture (the "Reserves"), (iv) amounts held in the other accounts established under the Indenture, and (v) certain rights of the Authority as specified in the Sales Agreement. Pledged TSRs represent a pro rata portion of every TSR dollar received by the Authority pursuant to the Sales Agreement.

The bonds are special revenue obligations of the Authority secured by, and payable solely and only out of, the moneys, assets or revenues pledged by the Authority pursuant to the indenture, 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.

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
2003	\$ 42,423	\$ 65,596
2004	41,216	65,300
2005	39,993	64,318
2006	37,411	62,931
2007	38,880	61,413
2008-2012	291,502	259,658
2013-2017	296,365	172,168
2018-2022	199,405	106,761
2023-2027	<u>262,705</u>	<u>48,259</u>
Total	<u>\$ 1,249,900</u>	<u>\$ 906,404</u>

### Component Units

#### Iowa Finance Authority

The Iowa Finance Authority is authorized and has issued bonds, the proceeds of which are used to provide authorized mortgage financing. The bonds are payable principally from repayments of such mortgage 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, monies, investments, loans, and other assets in the funds and accounts established by the respective bond resolutions. The line of credit under the Single Family Bond Program Funds is secured by investments held by a custodial financial institution in an amount equal to or exceeding 102% of the outstanding advances as required by the credit agreement. The line of credit under the Finance Authority's General Fund is secured by investments held by a custodial financial institution in an amount no less than \$2 million and is a general obligation of the Authority.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

The Single Family Mortgage Bond Resolutions, the Single Family Housing Bond Resolutions, and the Multi-Family Bond Resolution contain covenants which require the Authority to make payments of principal and interest from amounts available in the Finance Authority's General Fund should deficiencies occur in the funds established for such payments by the respective bond resolutions. The Single Family Mortgage Revenue Bond Resolution, the credit agreement under the Single Family Bond program Funds, the Multi-Family Housing Refunding Revenue Bond Resolution, and the bond resolutions for the Clean Water Program Funds and Drinking Water Program Funds do not contain these covenants.

On July 26, 2001, the Authority issued Single Family Mortgage Bonds, 2001 Series A, B, and C, in the par amount of \$38,835,000 with interest rates of 3.10% to 5.10% in part to refund and defease \$8,810,000 of Single Family Mortgage Bonds, 1991 Series A, A-1, B, and B-1, with interest rates of 5.20% to 7.45%. Proceeds of \$8,810,000 from the issuance of the 2001 Series A, B, and C bonds along with \$552,142 of 1991 Series A, A-1, B, and B-1 funds (consisting of loan prepayments and excess revenues) were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for the September 4, 2001 redemption of all remaining 1991 Series A, A-1, B, and B-1 bonds. The Authority, in effect, decreased its future aggregate debt service payments by approximately \$2,856,000 and obtained a present value savings (difference between the present value of the debt service payments on the old and new debt) of approximately \$2,011,000.

On December 20, 2001, the Authority issued Iowa State Revolving Fund Revenue Bonds, Series 2001, in the par amount of \$233,225,000 with interest rates of 4.0% to 5.50% in part to refund and defease \$23,350,000 of Iowa State Revolving Fund Revenue Bonds, Combined Series 1991; \$23,390,000 of Iowa State Revolving Fund Revenue Bonds, Combined Series 1992; \$30,005,000 of Iowa State Revolving Fund Revenue Bonds, Combined Series 1993; \$17,965,000 of Iowa State Revolving Fund Revenue Bonds, Combined Series 1994; \$17,000,000 of Iowa State Revolving Fund Revenue Bonds, Combined Series 1995; \$29,320,000 of Iowa State Revolving Fund Revenue Bonds, Combined Series 1996; \$9,430,000 of Iowa State Revolving Fund Revenue Bonds, Combined Series 1997; \$21,040,000 of Iowa State Revolving Fund Revenue Bonds, Combined Series 1998; \$3,700,000 of Clean Water State Revolving Revenue Subordinated Bond Anticipation Notes, Series 2001; \$31,595,000 of Drinking Water Program Revenue Bonds, Combined Series 1999; and \$5,565,000 of Drinking Water Program Revenue Bonds, 2000 Series A (collectively the "Refunded Bonds") with overall interest rates of 2.5% to 6.25%. Proceeds of \$168,073,343 from the issuance of the

Series 2001 bonds, along with \$53,028,590 of Refunded Bonds funds (consisting of Federal Capitalization Grants and revenues) were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for the redemption of all Refunded Bonds.

Although the refunding resulted in the recognition of an accounting loss of \$9,699,933 in the Clean Water Program Funds and \$1,197,724 in the Drinking Water Program Funds for the year ended June 30, 2002, the Authority in effect decreased its future debt service payments by approximately \$82,813,100 in the Clean Water Program Funds and \$14,924,200 in the Drinking Water Program Funds and obtained an aggregate present value savings (difference between the present value of the debt service payments on the old and new debt) of approximately \$7,732,000. The Iowa State Revolving Fund Revenue Bonds, Combined Series 1993-R under the Clean Water Program Funds were defeased in full and not refunded, resulting in a loss of redemption of \$1,095,000 but decreased its future aggregate debt service payments by approximately \$27,538,400.

On June 27, 2002, the Authority issued Single Family Mortgage Bonds, 2002 Series B, C, D, and E, in the par amount of \$61,230,000 with interest rates of 2.0% to 5.71% in part to refund and defease \$15,805,000 of Single Family Mortgage Bonds, 1992 Series A, B, and C, with interest rates of 4.875% to 6.90%. Proceeds of \$16,211,400 from the issuance of the 2002 Series B, C, D, and E bonds were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for the August 1, 2002 redemption of all remaining 1992 Series A, B, and C bonds. (On July 1, 2002, 1992 Series A, B, and C Bonds in the amount of \$165,000 matured and \$1,580,000 bonds were called for redemption with loan prepayments and excess revenues in the normal course.) The Authority, in effect, decreased its future aggregate debt service payments by approximately \$3,757,000 and obtained a present value savings (difference between the present value of the debt service payments on the old and new debt) of approximately \$2,915,000.

### **Iowa Higher Education Loan Authority**

The Iowa Higher Education Loan Authority is authorized and has issued bonds to provide educational loans to students and facility loans to private educational institutions in the State of Iowa. The bonds are payable primarily from interest and principal payments of the educational and facility loans.

The Iowa Higher Education Loan Authority has no taxing authority and bonds issued do not constitute a debt, liability, or obligation of the State of Iowa or any political subdivision thereof.



# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

Future bond debt service requirements are as follows (expressed in thousands):

Year ending June 30,	Principal	Interest
2003	\$ 56,724	\$ 34,338
2004	20,830	32,341
2005	23,350	31,335
2006	23,982	30,215
2007	24,797	29,060
2008-2012	133,953	125,378
2013-2017	148,767	90,431
2018-2022	82,670	65,177
2023-2027	<u>179,154</u>	<u>62,648</u>
Total	<u>\$694,227</u>	<u>\$500,923</u>

### NOTE 12 – COMPENSATED ABSENCES

#### Primary Government

Employees accrue vacation, sick and compensatory leave at rates specified in the Code of Iowa and/or collective bargaining agreements. Accumulated unused vacation leave is payable upon termination of employment. Accumulated unused sick leave is payable only upon retirement and only to limits specified in the Code of Iowa and/or collective bargaining agreements. Accumulated unused compensatory leave is payable at fiscal year end. Compensated absences liability is determined based on current rates of pay.

The following summarizes liabilities for compensated absences as of June 30 (expressed in thousands):

Governmental Activities	\$ 128,541
Business-Type Activities	<u>119,689</u>
Total	<u>\$ 248,230</u>

#### Component Units

Compensated absences liabilities of component units totaled \$81,340 and are primarily related to the State Fair Authority.

### NOTE 13 – LEASE OBLIGATIONS FROM DISCONTINUED OPERATIONS OF PRIOR YEARS

The aggregate amounts of required payments on noncancellable leases and receipts from the related subleases at June 30, 2002 are as follows (expressed in thousands)

#### Enterprise Funds

Year ending June 30,	Lease	Sublease	Net
2003	\$ 43	\$ 32	\$ 11
2004	43	32	11
2005	38	27	11
2006	23	18	5
2007	15	13	2
Thereafter	<u>1</u>	<u>-</u>	<u>1</u>
Total	\$ 163	\$ 122	\$ 41
Less Amount Representing Interest	<u>24</u>	<u>18</u>	<u>6</u>
Present Value of Lease Obligation	<u>\$ 139</u>	<u>\$ 104</u>	<u>\$ 35</u>

### NOTE 14 – DEFICIT RETAINED EARNINGS

Funds reporting a deficit fund position at June 30, 2002 are as follows (expressed in thousands):

Fund Type/Fund Name	Deficit Balances
Special Revenue:	
Iowa Improvement Fund	\$ 5
Capital Projects:	
Fish and Game Capitals	7
Enterprise:	
Tobacco Settlement Authority	552,809

The deficit in the Enterprise Fund, Tobacco Settlement Authority exists because U.S. generally accepted accounting principles preclude the Tobacco Settlement Authority from recognizing amounts to be received in the future from participating cigarette manufacturers under the Master Settlement Agreement.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 15 – FUND BALANCE – RESERVED FOR SPECIFIC PURPOSES

The Reserve for Specific Purposes Fund Balance in the Governmental Funds represents the portion of fund balance legally segregated for a specific future use. A summary of these reserves at June 30, 2002, follows (expressed in thousands):

#### Major Funds

##### General Fund:

Primary Road	\$ 221,735
Vision Iowa	231,215
Senior Living Trust	128,653
Medicaid Resolution Pending	99,190
Road Use Tax	78,760
Revitalize Iowa's Sound Economy	53,734
Farm to Market Road	43,809
Iowa Infrastructure	42,867
Unassigned Revenue	42,609
Underground Storage Remedial	41,334
Motor Vehicle Fuel Tax Unapportioned	35,007
UST Innocent Landowners	33,861
School Infrastructure and Reserve	31,574
Safety Improvement Program	14,512
Health Insurance Premium Operating	13,579
Terminal Liability Health Insurance	10,030
Underground Storage Tank Capital Reserves	9,637
Underground Storage Tank Revenue	8,911
UST Marketability	8,055
Resource Enhancement & Protection	5,720
Tobacco Settlement	4,617
Value Added Products	4,071
County Bridge Construction	3,900
DOT Clearing Account	3,598
Health Insurance Premium Reserve	3,579
Life Insurance Optional Premium Reserve	3,498
Hawk-I Trust	2,922
Life Insurance Basic Premium Operating	2,807
ICSAC-Default Reduction Act	2,588
Gifts, Bequests & Program Income	2,473
City Bridge Construction	2,250
Fish and Game	1,663
Dental Insurance Premium Operating	1,580
Life Insurance Basic Premium Reserve	1,276
EXXON Oil Overcharge Settlement	1,276
Iowa School for the Deaf	1,276
Dental Insurance Premium Reserve	1,121
Underground Storage Tank Loan Guarantee	1,067
Second Injury	1,060
Other	<u>11,420</u>

Total General Fund 1,212,834

Tobacco Tax-Exempt Bond Proceeds 468,535

##### Nonmajor Governmental Funds:

Endowment for Iowa's Health	\$ 27,750
College Aid Federal Reserve	20,078
Permanent School Principal	7,557
Iowa Public Television Foundation	3,651
Iowa Public Television Foundation Endowment	1,448
Other	<u>2,158</u>

Total Nonmajor Governmental Funds 62,642

Total \$ 1,744,011

### NOTE 16 – OPERATING LEASES

The State has leased office space and equipment. These leases have been classified as operating leases and expire before June 30, 2041. In most cases, management expects that the leases will be renewed or replaced by other leases. The future minimum lease payments for these leases are as follows (expressed in thousands):

#### Primary Government – Governmental Activities:

Year ending June 30,

2003	\$ 13,028
2004	10,888
2005	7,761
2006	4,822
2007	3,181
2008-2012	2,722
2013-2017	263
2018-2022	268
2023-2027	218
2028-2032	240
2033-2037	264
2038-2041	<u>226</u>

Total \$ 43,881

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

Rental expense for the year ended June 30, 2002 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$15,454,758.

#### Primary Government – Business-Type Activities:

A summary of operating lease commitments to maturity are as follows (expressed in thousands):

Year ending June 30,

2003	\$ 4,380
2004	3,229
2005	2,321
2006	1,167
2007	381
2008-2012	<u>990</u>

Total \$ 12,468

Rental expense for the year ended June 30, 2002 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$7,937,663.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### Component Units:

A summary of operating lease commitments to maturity are as follows (expressed in thousands):

Year ending June 30,

2003	\$ 145
2004	155
2005	145
2006	<u>11</u>
Total	<u>\$ 456</u>

Rental expense for the year ended June 30, 2002 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$294,204.

### NOTE 17 – LESSOR OPERATING LEASES

The Iowa Department of Natural Resources leases tracts of land valued at \$12,063,728 for agricultural purposes. Glenwood Resource Center leases building space valued at \$1,389,688. Iowa Public Television leases antenna and building space, no value has been assigned to the leased portions. The Iowa Department of Transportation leases land valued at \$1,108,519 for agricultural purposes. Iowa Public Employees Retirement System leases building space valued at \$1,119,400 (net of accumulated depreciation of \$76,270.) Iowa State University leases building space valued at \$172,159, equipment valued at \$254,739 and tracts of land that have been leased for agriculture purposes, no value has been assigned to the leased portion. The University of Northern Iowa leases buildings valued at \$720,853 and tracts of land valued at \$547,194 have been leased for agricultural purposes. The following is a schedule by year of minimum future rentals on operating leases as of June 30, 2002 (expressed in thousands):

Year ending June 30,

2003	\$ 1,565
2004	1,246
2005	830
2006	472
2007	269
2008-2012	735
2013-2017	258
2018-2022	165
2023-2027	<u>125</u>

Total \$ 5,665

### NOTE 18 – PENSION PLANS

#### Iowa Public Employees' Retirement System

##### Plan Description

The Iowa Public Employees' Retirement System (IPERS), within the Iowa Department of Personnel,

was created in 1953 by the Iowa Legislature, to replace Iowa Old Age and Survivors' Insurance System.

IPERS is a cost-sharing defined benefit multi-employer public employee retirement system. Participation in IPERS is mandatory for most state, county, and local public employees, employees of school districts, and for certain elected officials. Membership is optional for some individuals, including the members of the Iowa General Assembly. Excluded from membership are members of other retirement systems supported by Iowa public funds.

June 30, 2002

Employer members:

City	1,323
County	477
School	394
State	21
Other	<u>231</u>

Total 2,446

IPERS' vesting requirements are four years of service or age 55, whichever occurs first. Normal retirement age is 65, or when the member's age plus years of service equal or exceed 88. A member may also take early retirement between the ages of 55 and 65 with reduced benefits. At retirement, a member chooses one of six benefit options.

IPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to IPERS, 7401 Register Drive, P. O. Box 9117, Des Moines, IA 50306-9117 or by calling 515-281-0020.

#### Funding Policy

Member and employer contribution rates are established by statute. In general, IPERS' members contribute 3.70%, and employers contribute 5.75% of the covered wage base. The contributions are remitted by participating employers. Certain members and employers engaged in law enforcement, fire safety, and protection occupations contribute at slightly higher rates as shown in the table below. Wages are covered up to the federal limit of \$170,000 through December 31, 2001 and up to the new Federal limit of \$200,000 effective January 1, 2002.

	<u>Contribution Rates as of June 30, 2002</u>		
	Employee	Employer	Total
Regular	3.70%	5.75%	9.45%
Sheriffs/Deputy Sheriffs (County)/ Airport Firefighters	5.50%	8.25%	13.75%
Protection Occupations*	6.20%	9.29%	15.49%

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

\* Protection Occupations: City Marshals/Police or Fire Fighters in towns under 8,000 population, State Conservation Peace Officers, State Correctional Officers, Airport Safety Officers, DOT Peace Officers, Parole Officers III, Probation Officers III, and Fire Prevention Inspector Peace Officers.

A valuation of the liabilities and reserves of the IPERS Trust Fund is performed annually by IPERS' actuary in accordance with Iowa Code Section 97B.61. The Iowa statutes provide that most IPERS members shall contribute 3.70% of pay and employers shall contribute 5.75%, for a total of 9.45%. The valuation is performed to determine whether that rate will be sufficient to fund the future benefits expected to be paid by the System within the guidelines established in IPERS funding policy (maximum amortization period of 30 years). The statutory rate is first applied to fund the normal cost rate. The remaining contribution rate is used to amortize the unfunded actuarial liability as a level percentage of payroll, which in turn determines the amortization period. As a result, the remaining amortization period varies with each actuarial valuation.

The total amount of member and employer contributions made during the fiscal year ended June 30, 2002, was \$464,471,241. The amount of the actuarially determined contribution requirement was approximately \$448,267,972. This contribution amount represents the funding necessary to fund the normal cost of the plan.

For the fiscal year ended June 30, 2002, the actuarially determined contribution requirement for employers was \$272,755,644 or 5.75% of covered payroll. The actuarially determined contribution requirement for employees for the same time period was \$175,512,328 or 3.70% of covered payroll. The actual amount of contributions made by employers and employees during the fiscal year ended June 30, 2002, was \$278,682,745 and \$185,788,496, respectively.

The State of Iowa's contributions to IPERS for the years ended June 30, 2002, 2001, and 2000, were \$57,921,132, \$56,844,792, and \$54,743,107, respectively, equal to the 100% of the required contributions for each year.

Beginning with the June 30, 1996 actuarial valuation, the annual valuation of liabilities is calculated using the entry age normal cost method. The entry age normal cost method requires the calculation of an Unfunded Actuarial Accrued Liability, \$1,255,445,086 at June 30, 2002. Based on the current Unfunded Actuarial Accrued Liability amount and amortization payment, the amortization

period is infinite. Additional information is available in IPERS' separately issued report.

#### **Summary of Significant Accounting Policies**

IPERS' financial statements are prepared using the accrual basis of accounting. Revenues are recognized when they are earned and become measurable. Expenses are recognized when the liability is incurred. As such, plan members contributions are recognized in the period in which the contributions are due. Employers contributions are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

All investments are reported at fair value. The determination of fair value is generally based on published market prices and quotations from major investment brokers. Investments not having quoted market prices have been valued based on yields and maturities currently available on comparable securities of similar issue. Fair values for real estate, private equity partnerships, and direct real estate investments are based on periodic assessments or appraisals of the underlying investments. Futures contracts are valued daily with the resulting adjustment recorded as realized gains/losses arising from the daily settlement of variation margin.

The System has no investment in any specific stock or bond issues of any commercial or industrial organization, other than the U.S. government and its instrumentalities, whose market value exceeds five percent of the net assets available for benefits.

#### **Peace Officers' Retirement, Accident and Disability System**

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

The Peace Officers' Retirement, Accident and Disability System 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. The Peace Officers' Retirement, Accident and Disability System is the administrator of a single-employer defined benefit public employee retirement system.

A member may retire with a service allowance after completing 22 years credited service and attaining the minimum service retirement age of 55. Plan benefits include: service retirement benefits, ordinary disability retirement benefits, accidental disability benefit, ordinary death benefit, and accidental death benefits.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

The Peace Officers' Retirement, Accident and Disability System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Peace Officers' Retirement, Accident and Disability System, Iowa Department of Public Safety, Wallace State Office Building, Des Moines, IA 50319.

### Funding Policy

The contributions to the System are made pursuant to Chapter 97A of the Code of Iowa, and are not based upon actuarial determinations.

Member contribution rates are established by statute at 9.35%. However, the System shall increase the member's contribution rate as necessary to cover any increase in cost to the System resulting from statutory changes which are enacted by any session of the General Assembly meeting after January 1, 1991, if the increase cannot be absorbed within the contribution rates established, but subject to a maximum employee contribution rate of 11.30%. After the employee contribution reaches 11.30%, sixty percent of the additional cost of such statutory changes shall be paid by employers and forty percent of the additional cost shall be paid by employees. This is deducted from the member's salary and remitted by the employer.

The employer is obligated by statute to contribute an amount of 17.00% of the covered payroll. 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 \$3,006,461, representing 9.35% of the current year covered payroll. The State contribution required by statute was \$5,466,366 and the amount actually contributed was \$5,466,366. Costs of administering the plan are financed through employer contributions and investment income.

### Summary of Significant Accounting Policies

The Peace Officers' Retirement, Accident and Disability System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Pension benefits and annuities are recognized when due and payable in accordance with the terms of the plan.

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

The System has no investment in any specific stock or bond issues of any commercial or industrial organization, other than the U.S. government and its instrumentalities, whose market value exceeds five percent of the net assets held in trust for pension benefits.

### Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation to the Peace Officers' Retirement, Accident and Disability System for the current year were as follows:

Annual required contribution	\$5,332,844
Interest on net pension obligation	(1,386,201)
Adjustment to annual required contribution	<u>1,351,697</u>
Annual pension cost	5,298,340
Contributions made	<u>(5,466,366)</u>
Increase (decrease) in net pension obligation	(168,026)
(Assets in excess of) net pension obligation beginning of year	<u>(17,327,511)</u>
(Assets in excess of) net pension obligation end of year	<u><u>\$(17,495,537)</u></u>

For calculation of the net pension obligation, the actuary has set the transition date as July 1, 1995. The end of year net pension obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the System's actual contributions for fiscal years 1988 through 2002.

The annual required contribution for the current year was determined as part of the July 1, 2001, actuarial valuation using the aggregate actuarial cost method. This method does not identify or separately amortize unfunded actuarial liabilities. The actuarial assumptions included (a) 8.00% investment rate of return, (b) projected salary increases of 10% for the first year, 5% for each of the next 4 years and 5.5% thereafter, (c) an inflation rate of 4.00%, and (d) post retirement benefit increases are based on expected payroll growth and provision of the law. The actuarial value of assets was determined using the market value of investments prior to June 30, 2001 and at market related (actuarial) value thereafter. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2002 was 18 years.

### Three-year trend information:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	(Assets in Excess) of Net Pension Obligation
2000	922,655	432.50%	(16,235,725)
2001	4,199,585	126.00%	(17,327,511)
2002	5,298,340	103.17%	(17,495,537)

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### Judicial Retirement System

#### Plan Description

The Judicial Retirement System is the administrator of a single-employer defined benefit public employee retirement system.

The Judicial Retirement System was established to provide pension benefits to Judges serving on the Supreme Court, District Courts and the Court of Appeals.

Pursuant to Chapter 602 of the Code of Iowa, a member who has had a total of at least six years of service as a judge of one or more of the above courts and is at least sixty years of age or who has served twenty-five years of consecutive service as a judge of one or more of the above courts shall qualify for an annuity. A member who meets the definition of a senior judge under Chapter 602.9202 of the Code of Iowa, shall be paid an annuity equal to three percent of the current base salary of the office in which the senior judge last served prior to retirement multiplied by the judge's years of service prior to retirement, limited to sixty percent of the current base salary. Any member who has served as a judge for a total of six years or more and 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.

The Judicial Retirement System 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.

#### Funding Policy

The contributions to the Iowa Judicial Retirement System are made pursuant to Section 602.9104 of the Code of Iowa, and are not based upon actuarial determinations.

The member contribution required and contributed was \$993,664, representing 5.00% of the current year covered payroll. The State contribution required by statute and the amount contributed was \$3,039,198. The State share is to be based on 15.90% of the current year covered payroll. Costs of administering the plan are financed through State appropriation, member contributions and investment income.

#### Summary of Significant Accounting Policies

The Iowa Judicial Retirement System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions

are due. System contributions are recognized when due and the System has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

Investments in governmental bonds and treasury notes constitute approximately 1.60% of net assets held in trust for pension benefits. The System has no investments in the stocks or bonds of any commercial or industrial organization where market value exceeds 5.00% or more of the net assets held in trust for pension benefits.

#### Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation to the Iowa Judicial Retirement System for the current year were as follows:

Annual required contribution	\$ 3,738,659
Interest on net pension obligation	(30,631)
Adjustment to annual required contribution	<u>23,526</u>
Annual pension cost	3,731,554
Contributions made	<u>(3,039,198)</u>
Increase (decrease) in net pension obligation	692,536
(Assets in excess of) net pension obligation beginning of year	<u>(1,075,242)</u>
(Assets in excess of) net pension obligation end of year	<u>\$ (382,886)</u>

For calculation of the net pension obligation, the actuary has set the transition date as July 1, 1995. The net pension obligation was calculated by the actuary as the cumulative difference between the System's annual required contributions and the System's actual contributions for fiscal years 1988 through 2002.

The annual required contribution for the current year was determined as part of the June 30, 2002, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return and (b) projected salary and inflationary increases of 5.00% per year. The assumptions included post

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

retirement benefit increases, in accordance with the law. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized using a level dollar amortization method on an open basis. The remaining amortization period at June 30, 2002, was 30 years.

Three-year trend information:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	(Assets in Excess) of Net Pension Obligation
2000	2,694,008	156.00%	215,222
2001	3,208,886	140.22%	(1,075,242)
2002	3,731,554	81.45%	(382,886)

### Teachers Insurance and Annuity Association Retirement Program

The Universities, Board of Regents, the Iowa Braille and Sight Saving School, and the Iowa School for the Deaf contribute to the Teachers Insurance and Annuity Association (TIAA) retirement program. The above, by contributing to TIAA, participate in a defined contribution retirement plan.

A defined contribution retirement plan provides retirement benefits in return for services rendered,

provides individual annuities for each plan participant, and specifies how contributions to an individual's annuity are to be determined instead of specifying the amount of benefits the participant is to receive. Under a defined contribution retirement plan, the benefits a participant will receive depend solely on the amount contributed to the participant's annuity, and the returns earned on investments of those contributions. As required by the Iowa State Board of Regent's policy, all eligible employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract agreement with TIAA, 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 earnings above the \$4,800. Upon completion of five years of service, the participant contributes 5.00% and the employer 10.00% on all earnings. During fiscal year 2002, the employers' contributions amounted to \$103,013,865. Employees' contributions amounted to \$50,280,248.

No retirement plan provisions changed during the year that affected the Institutions' or employees' required contributions.

## NOTE 19 – RELATED ORGANIZATIONS

### Business-type activities – Universities

Iowa State University, the University of Iowa and the University of Northern Iowa have related organizations whose purpose is to receive donations and other funds for student grants and scholarships, support of intercollegiate athletics, and educational and general institution support. Detailed financial data is available in the related organizations' financial statements, available from the Universities. The following summarized financial data is for the year ended June 30, 2002 (expressed in thousands):

	Iowa State University	University of Iowa	University of Northern Iowa
Total Assets	\$411,359	\$ 712,979	\$68,302
Total Liabilities	56,338	104,252	4,098
Total Equity	355,021	608,727	64,204
Due From The Universities	25	42	–
Due To The Universities	7,754	24,099	216
Total Revenues	28,233	108,290	10,593
Total Expenditures	54,947	86,505	7,877
Revenues From The Universities	1,749	567	–
Revenues To The Universities	34,152	43,322	2,989

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 20 – BEGINNING FUND BALANCE ADJUSTMENTS

During fiscal year 2002, the State implemented several new accounting standards issued by the Government Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement Number 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities; Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis; Omnibus; and Statement Number 38, Certain Financial Statement Note Disclosures.

Statement Number 34, as amended by Statement Number 37, establishes new financial reporting standards for state and local governments. This statement's requirements significantly change the financial reporting model used by state governments, including statement formats and changes in fund types. In addition to fund financial statements, it requires governments to report government-wide financial statements using the accrual basis of accounting and the economic resources measurement focus. Statement Number 35 establishes accounting and financial reporting standards for public colleges and universities within the financial guidelines of Statement Number 34. Statement Number 38 requires certain note disclosures when Statement Number 34 is implemented.

In addition to the implementation of the above standards, the state also implemented new capitalization thresholds. The provisions of these standards and the changes in the capitalization policy have been incorporated into the financial statements and notes. The following table summarizes the changes to the fund equities and account group as previously reported on the combined Balance Sheet, (expressed in thousands):

	Governmental		Capital	Fiduciary		Agency	Private
	General	Special Revenue	Project	Expendable	Non Expendable		Purpose
June 30, 2001							
As Previously Reported							
Fund Balance/Deposits							
Held in Custody	\$ 1,511,101	\$ 9,996	\$ 10,296	\$ 949,531	\$ 7,571	\$ 75,734	\$ -
Adoption of GASB							
Statement No. 34 and 35	11,082	20,508	-	(949,054)	(7,571)	379	64,782
Reclassifications/ Corrections	4,497	37,338	(7,837)	-	-	(76,113)	286
Change in Capitalization Policy/Elimination	-	-	-	(251)	-	-	-
Transfer of Capital Assets of the Expendable Trust Fund	-	-	-	(226)	-	-	-
Restated Balances	<u>\$ 1,526,680</u>	<u>\$ 67,842</u>	<u>\$ 2,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,068</u>

	University Funds	Permanent	Proprietary Enterprise	Internal Service	Component Units	Account Group General Fixed Assets
June 30, 2001						
As Previously Reported						
Fund Balance/Deposits						
Held in Custody	\$ 4,040,802	\$ -	\$ 57,235	\$ 139,027	\$ 408,863	\$ 1,263,852
Adoption of GASB						
Statement No. 34 and 35	(3,921,154)	7,566	3,074,362	-	-	4,557,519
Adoption of GASB						
Statement No. 33 (State Fair Authority- Year End October 31, 2001)	-	-	-	-	1,253	-
Reclassifications/ Corrections	(97,553)	-	73	(29,383)	-	-
Change in Capitalization Policy/Elimination	(22,095)	-	(169)	(15,377)	(7,169)	1,539,410
Transfer of Capital Assets to Statement of Net Assets	-	-	-	-	-	(7,360,781)
Restated Balances	<u>\$ -</u>	<u>\$ 7,566</u>	<u>\$ 3,131,501</u>	<u>\$ 94,267</u>	<u>\$ 402,947</u>	<u>\$ -</u>



# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 21 – OTHER POST EMPLOYMENT BENEFITS

On November 8, 2001, the Legislature passed an Early Retirement Termination Program during the special legislative session. The program requires the sum of the number of years of credited service (service under the Iowa Public Employee's Retirement System or the Peace Officers' Retirement, Accident and Disability System) and age in years as of December 31, 2002, equals or exceed seventy-five. Employees were required to sign up on or before January 31, 2002 and leave State employment on or before February 1, 2002. Participants may not accept permanent part-time or permanent full-time employment with the State, other than as an elected official, after termination.

The Early Retirement Incentive is calculated as the total dollar value of accrued vacation and sick leave balances at the time of termination. However, the sick leave cannot exceed 2080 hours (the amount of annual salary). The vacation and sick leave will be paid out in five installments, with 10 percent paid with the last regular payroll warrant, 20 percent paid each August in 2002, 2003, and 2004, and the remaining 30 percent paid to the employee or their beneficiary in August 2005.

On May 28, 2002, the Legislature passed a Sick Leave and Vacation Incentive Program Extension during the special legislative session held on that day. The program requires that sum of the number of years of credited service (service under the Iowa Public Employee's Retirement System or the Peace Officers' Retirement, Accident and Disability System) and age in years as of December 31, 2003, to be equal to or exceed seventy-five. Eligible employees were required to sign up on or before August 14, 2002, and leave State employment between the dates of July 8, 2002 and August 15, 2002.

Participants may not accept permanent part-time or permanent full-time employment with the State, other than as an elected official after termination.

The Sick Leave and Vacation Incentive is calculated as the total dollar value of accrued vacation and sick leave balances at the time of termination. However, the sick leave cannot exceed 2080 hours (the amount of regular annual salary). The vacation and sick leave will be paid out in five installments, with 30 percent of the total cash value paid with the last regular payroll warrant in 2002, 20 percent paid each August in 2003, 2004, and 2005, and the remaining 10 percent paid to the employee or their beneficiary in August 2006.

All incentives are financed on a pay-as-you-go basis by the Department from which the employee retired. Early retirement costs for fiscal 2002 totaled \$2,702,323 for 596 participants.

The Board of Regents approved an Early Retirement Incentive Program (ERIP) in June 1986, with modifications July 1990 and July 1992; and in July

2001 the Board of Regents approved discontinuation of the program upon its expiration on June 30, 2002. The Board of Regents has authorized each institutional head to exercise discretion as to whether employees who are qualified at June 30, 2002 may have two years after expiration of the program to request participation.

To be eligible for ERIP, an employee must be 57 to 64 years of age with 15 or more years of service. The employee's participation must be approved by the employee's department head and the appropriate administrative officers.

All incentive payments are financed on a pay-as-you-go basis, except at the University of Northern Iowa. At the University of Northern Iowa, the policy requires departments to fully fund the ERIP liability upon signing new ERIP contracts, and the policy requires previously executed contracts be funded by June 30, 2002. The funded contributions during the fiscal year ended June 30, 2002 were \$1,722,446.

An employee approved for participation in the program will receive the following incentives until age 65, unless otherwise specified:

- 1) Health & Dental Insurance – The employer's contributions are made until the employee is eligible for Medicare coverage.
- 2) Group Life Insurance – The employer provides a paid-up life insurance policy which varies in amounts between \$2,000 and \$4,000.
- 3) TIAA/CREF Contributions – The employer's and employee's contributions are made for up to three (3) years; employer's contributions are made up to an additional two (2) years; and employer's contributions are payable for a maximum of five (5) years or until the employee is eligible for full Social Security benefits, whichever occurs first.
- 4) IPERS Contributions – The employer's and employee's contributions are made for up to three (3) years; employer's contributions may be made up to an additional two (2) years; and contributions are payable for a maximum of five (5) years or until the employee is eligible for full Social Security benefits, whichever occurs first.

The employee may elect, prior to approval of participation in the program, to accept the present value of all or part of the incentives as a lump sum payment on the beginning date of participation in the program. The rate of interest used to calculate the present value is established annually by the board. The rate used for this fiscal year was 3.70%.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

The Board of Regents Institutions' contributions for the fiscal year ended June 30, 2002, amounted to \$10,125,715 for 1,215 participants.

### NOTE 22 – RISK MANAGEMENT

#### INSURANCE/TRANSFER OF RISK

State employee benefits for health, dental, long-term disability and life insurance coverage are fully insured through commercial insurers. The State also insures with outside parties for certain liabilities. The State assumes liability for any deductibles and claims in excess of coverage limitations. Iowa State University assumes responsibility for aircraft liability claims in excess of \$10.0 million, and Workforce Development assumes fire liability on buildings and contents in excess of \$20.3 million.

The University of Northern Iowa assumes liability for damage to buildings and contents for the first \$2.0 million and in excess of \$507.2 million; liability for physical damage to the UNI-Dome buildings for the first \$150,000 and in excess of \$41.6 million; physical damage to boiler and machinery in excess of \$796.7 million; damage to residence system buildings and apartments in excess of \$209.7 million, business interruption in excess of \$11.4 million, damage to contents in excess of \$13.9 million; medical liability at the Laboratory School in excess of \$5 million; and damage to Mauker Union building and contents in excess of \$14.7 million.

The University of Iowa assumes liability for damage to buildings and contents for the first \$2.0 million and in excess of \$3,605.9 million, damage to utility property for the first \$250,000 and in excess of \$113.4 million, medical malpractice for the first \$1.5 million and in excess of \$20.0 million, clinical studies for the first \$10,000 and in excess of \$10.0 million, pharmacy products liability for the first \$10,000 and in excess of \$7.0 million, student interns professional liability in excess of \$3.0 million, losses at the Museum of Art in excess of \$100.0 million, and criminal fidelity liability for the first \$100,000 and in excess of \$10 million.

Iowa State University assumes liability for damage to buildings and contents in excess of \$2,057.0 million, damage to boilers and machinery in excess of \$230.8 million, damage to electronic data processing, telecommunications equipment in excess of \$32.0 million and business interruption in excess of \$16.9 million.

Glenwood Resource Center assumes liability for volunteers' automobile liability in excess of \$3.0 million. The Iowa Braille and Sight Saving School assumes liability for the first \$1.0 million and in excess of \$27.5 million for catastrophic losses.

The Second, Third, Fourth, Fifth, and Sixth Judicial Districts assume liability for physical damage to buildings and contents in excess of \$3.6 million, \$3.2 million, \$12.7 million and \$7.3 million, respectively. The Fifth Judicial District assumes

liability for boiler equipment breakdown in excess of \$4.5 million. The First Judicial District assumes liability in excess of \$3.5 million blanket coverage for boilers.

The State maintains an employee fidelity bond where the first \$100,000 in losses and any losses exceeding \$2.0 million becomes the responsibility of the State. Iowa State University maintains an additional policy and assumes liability in excess of \$4.0 million.

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

The Department of Public Safety cancelled its \$10.0 million aircraft liability insurance policy in fiscal year 2002, assuming all responsibility for aircraft liability claims.

#### SELF-INSURANCE/RETENTION OF RISK

It is the policy of the State not to purchase commercial insurance, except as detailed above, for the risks of losses to which it is exposed. Instead, State management believes that 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 claim 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 in fiscal years 2001 and 2002 were (expressed in thousands):

	Balances At Beginning Of Fiscal Year	Current Year Claims And Changes In Estimates	Claim Payments	Balances At End Of Fiscal Year
FY 01	\$ 28,736	\$ 14,523	\$ 10,762	\$ 32,497
FY 02	32,497	14,509	14,938	32,068

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 forty percent for IBNR claims. Changes in the balances for estimated claims liabilities in fiscal years 2001 and 2002 were (expressed in thousands):

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

	Balances At Beginning Of Fiscal Year	Current Year Claims And Changes In Estimates	Claim Payments	Balances At End Of Fiscal Year
FY 01	\$420	\$709	\$157	\$ 972
FY 02	972	331	236	1,067

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 in fiscal years 2001 and 2002 were (expressed in thousands):

	Balances At Beginning Of Fiscal Year	Current Year Claims And Changes In Estimates	Claim Payments	Balances At End Of Fiscal Year
FY 01	\$ 1,408	\$ 154	\$ 462	\$1,100
FY 02	1,100	350	582	868

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 five thousand dollars require the unanimous approval of all the 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 in fiscal years 2001 and 2002 were (expressed in thousands):

	Balances At Beginning Of Fiscal Year	Current Year Claims And Changes In Estimates	Claim Payments	Balances At End Of Fiscal Year
FY 01	\$ 11,500	\$ 4,548	\$ 4,548	\$11,500
FY 02	11,500	6,108	6,108	11,500

The Universities retain risk liability for medical faculty malpractice; medical, dental, unemployment, and workers' compensation coverage for some employees; and various property damage not covered as described above. 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 claim liability for various property damage is based on historical analysis. Changes in the balances for estimated claims liabilities in fiscal years 2001 and 2002 were (expressed in thousands):

	Balances At Beginning Of Fiscal Year	Current Year Claims And Changes In Estimates	Claim Payments	Balances At End Of Fiscal Year
FY 01	\$ 15,758	\$103,669	\$102,662	\$16,765
FY 02	16,765	109,595	107,852	18,508

### NOTE 23 – LITIGATION, CONTINGENCIES, AND COMMITMENTS

The *State Appeal Board* has the authority to approve or reject general claims under ten years covering the following: Outdated warrants; outdated sales and use tax refunds; license refunds; additional agricultural land tax credits; outdated invoices; fuel and gas tax refunds; outdated homestead and veterans' exemptions; outdated funeral service claims; tractor fees; registration permits; outdated bills for merchandise; services furnished to the state; claims by any county or county official relating to the personal property tax credit; and refunds of fees collected by the state. At June 30, 2002, there was \$1.1 million in such claims filed with the Appeal Board.

The *Iowa Department of Revenue and Finance* has pending litigation regarding income tax cases. The cases *could* possibly result in refunds estimated at \$1.3 million.

The *Iowa Department of Transportation* has estimated the State's share of contractual obligations for construction contracts as \$152.0 million at June 30, 2002. This represents total obligations of \$443.0 million less \$281.4 million in estimated federal aid and \$9.6 million in retainages.

The *University of Iowa* has outstanding construction contract commitments of \$69.8 million at June 30, 2002.

*Iowa State University* has outstanding construction contract commitments of \$42.4 million at June 30, 2002.

The *University of Northern Iowa* has outstanding construction contract commitments of \$31.9 million at June 30, 2002.

The *Judicial Department* has outstanding construction contract commitments of \$5.9 million at June 30, 2002.

The *Iowa Finance Authority* has signed loan agreements with municipalities totaling \$382.9 million of which \$326.9 million has been disbursed as of June 30, 2002. As of June 30, 2002, the Authority has commitments to various housing assistance projects totaling approximately \$2.0 million.

The State has pending litigation involving wage claims under the federal Fair Labor Standards Act for employees of the departments of *Transportation*, *Corrections* and *Natural Resources*. Although there is a reasonable possibility that a loss will be incurred, the amount of the loss can not be reasonably estimated.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 24 – TAX AND REVENUE ANTICIPATION NOTES

Pursuant to the Code of Iowa, Section 12.26, the State of Iowa issued Tax and Revenue Anticipation Notes (TRANS). The notes were necessary to allow the State to make timely payments to local school districts and issue tax refunds during March and April, prior to the collecting the sizeable amount of individual income tax that is received with the April 30 filing deadline. The TRANS were issued on November 11, 2001, with an interest rate of 3.0%, and the notes and related interest were repaid on June 27, 2002. The following is a schedule of TRANS activity for the year ended June 30, 2002 (expressed in thousands):

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax and Revenue Anticipation Notes	\$ -	\$ 500,000	\$500,000	\$ -

### NOTE 25 – SUBSEQUENT EVENT

On July 1, 2002, the Iowa Finance Authority redeemed prior to maturity \$1,580,000 of the Single Family Mortgage Bonds, 1992 Series A, B, and C; \$2,915,000 of the Single Family Mortgage Bonds, 1995 Series C, D, and E; \$1,830,000 of the Single Family Mortgage Bonds, 1997 Series A, B, and C; and \$1,890,000 of the Single Family Mortgage Bonds, 1997 Series F, G, and H; \$1,105,000 of the Single Family Mortgage Bonds, 2000 Series A, B, and C; \$4,230,000 of the Single Family Mortgage Bonds, 2000 Series D, E, and F; \$155,000 of the Single Family Mortgage Bonds, 2000 Series G and H; and \$1,355,000 of the Single Family Mortgage Bonds, 2001 Series A, B, and C.

On September 1, 2002, the Iowa Finance Authority redeemed prior to maturity \$582,887 of the Single Family Housing Bonds, 1984 Issue A.

On October 1, 2002, the Iowa Finance Authority redeemed prior to maturity \$1,245,000 of the Single Family Housing bonds, 1985 Issue A.

Subsequent to June 30, 2002, the Board of Regents, State of Iowa, authorized the sale of Academic Building Revenue Project Notes, Series I.S.U. 2002 for \$7,000,000 to be issued on August 1, 2002. These notes will bear interest at 2.0% and mature on February 1, 2004. The proceeds from the sale of these notes will be used to finance a portion of Phase II construction of the Engineering Teaching & Research Complex on the Iowa State University campus. The notes are payable only from proceeds to be received from the State of Iowa from appropriations duly made by the General Assembly or from the proceeds of Academic Building Revenue Bonds, in anticipation of which these notes are issued.

On July 1, 2002, the University of Iowa Facilities Corporation (UIFC), an Iowa nonprofit corporation separate from the University of Iowa, issued Medical Education and Biomedical Research Facility Project Revenue Bonds, Series 2002, for \$7,810,000. The proceeds of the bonds will be used to defray a portion of the costs associated with the on-going construction of the new College of Medicine Education and Biomedical Research Facility. The bonds will be paid solely from rental income payable to UIFC from the general operating revenues of the University of Iowa under the terms of a capital lease agreement.

On October 1, 2002, UIFC issued Roy J. and Lucille A. Carver Biomedical Research Building Project Revenue Bonds, Series 2002A, for \$17,000,000 and Roy J. and Lucille A. Carver Biomedical Research Building Project Taxable Revenue Bonds, Series 2002B, for \$8,000,000. The proceeds of the bonds will be used to cover the costs associated with the construction of a building to house the administrative and research functions of the Roy J. and Lucille A. Carver College of Medicine Education. The bonds will be paid solely from rental income payable to UIFC from the general operating revenues of the University of Iowa under the terms of a capital lease agreement.

On December 1, 2002, the University of Iowa Hospitals and Clinics (UIHC) issued Hospital Revenue Bonds, Services S.U.I. 2002 for \$25,000,000. The proceeds of the bonds will be used to cover costs associated with the construction, improvement, remodel, repair, furnishing and equipping of inpatient and outpatient facilities as well as patient care facilities for image-guided radiation therapy services and mechanical and other supporting facilities at UIHC.

In October, 2002 the Board of Regents, State of Iowa, on behalf of the University of Northern Iowa reissued Dormitory System Revenue Bonds, Series UNI 2002 in the amount of \$9,535,000 to refund, in advance of maturity Dormitory System Revenue Bonds, Series UNI 1964, Dormitory System Revenue Bonds, Series UNI 1967-C, and Dormitory System Revenue Bonds, Series UNI 1992.

In November 2002, the Board of Regents, State of Iowa, on behalf of the University of Northern Iowa, authorized the January, 2003 issuance of Dormitory Revenue Bonds, Series 2003 in an amount not to exceed \$9,500,000 to finance the renovation of the Towers Center, to fund a pre-funded debt reserve and to pay for issuance costs.

On October 10, 2002, the State of Iowa issued Primary Road Fund Revenue Anticipation Notes of \$99,380,000 at an interest rate of 2.50%, priced to yield 1.46%. The notes have a maturity date of June 30, 2003. The notes are being issued for the purpose of funding, in part, the anticipated cash flow deficits experienced by the Primary Road Fund, to be used for interim financing for the costs of certain highway projects.

REQUIRED  
SUPPLEMENTARY INFORMATION

# STATE OF IOWA

## Budgetary Comparison Schedule Required Supplementary Information

June 30, 2002  
(Expressed in Thousands)

GENERAL FUND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
<b>APPROPRIATED REVENUE:</b>				
<b>SPECIAL TAXES:</b>				
Personal Income Tax	\$ 2,577,400	\$ 2,341,700	\$ 2,374,310	\$ 32,610
Sales Tax	1,507,500	1,450,700	1,464,460	13,760
Corporation Income Tax	266,500	234,400	236,577	2,177
Use Tax	313,200	194,900	234,199	39,299
Inheritance Tax	103,600	94,100	94,746	646
Insurance Premium Tax	130,400	136,800	135,582	(1,218)
Cigarette Tax	87,200	88,200	87,994	(206)
Tobacco Tax	7,200	7,200	7,095	(105)
Beer & Liquor Tax	14,100	13,600	13,767	167
Franchise Tax	31,900	28,500	31,378	2,878
Miscellaneous Tax	1,300	1,300	1,462	162
<b>TOTAL SPECIAL TAXES</b>	<b>5,040,300</b>	<b>4,591,400</b>	<b>4,681,570</b>	<b>90,170</b>
<b>REIMBURSEMENTS &amp; FEES:</b>				
Institutional Reimbursements	49,800	45,200	44,302	(898)
Liquor Transfers	46,000	48,000	47,500	(500)
Interest	44,500	32,300	31,224	(1,076)
Fees	72,700	72,600	74,315	1,715
Judicial Revenue	56,400	51,200	51,958	758
Miscellaneous Receipts	39,100	33,200	41,792	8,592
Racing & Gaming Receipts	60,000	60,000	60,000	-
<b>TOTAL RECEIPTS</b>	<b>5,408,800</b>	<b>4,933,900</b>	<b>5,032,661</b>	<b>98,761</b>
Transfers	55,100	310,200	310,291	91
<b>TOTAL APPROPRIATED REVENUE</b>	<b>5,463,900</b>	<b>5,244,100</b>	<b>5,342,952</b>	<b>98,852</b>
<b>RECEIPTS CREDITED TO APPROPRIATIONS:</b>				
Individual Income Tax-Prior Year	75	75	60	(15)
Sales Tax Monthly	3	3	3	-
Multi Suspense	10,254	10,302	9,656	(646)
Federal Support	1,826,301	1,801,394	2,021,321	219,927
Local Governments	101,341	101,398	105,449	4,051
Other States	2	4	2	(2)
Internal Service Transfers	318,948	378,841	422,201	43,360
Internal Service Reimbursements	16,860	17,523	17,188	(335)
Interest	-	-	-	-
Fees, Licenses, & Permits	5,519	5,204	5,441	237
Refunds & Reimbursements	97,104	98,055	523,788	425,733
Sale of Equipment & Salvage	12	12	1	(11)
Rents & Leases	2,550	2,548	2,451	(97)
Agricultural Sales	1	1	-	(1)
Other Sales & Services	1,865	2,029	2,549	520
Unearned Receipts	2,666	2,854	127	(2,727)
Other	59,772	60,335	58,572	(1,763)
<b>TOTAL APPROPRIATED RECEIPTS</b>	<b>2,443,273</b>	<b>2,480,578</b>	<b>3,168,809</b>	<b>688,231</b>
<b>TOTAL ALL REVENUE</b>	<b>7,907,173</b>	<b>7,724,678</b>	<b>8,511,761</b>	<b>787,083</b>
<b>REFUNDS OF TAXES COLLECTED</b>	<b>(565,015)</b>	<b>(643,000)</b>	<b>(663,070)</b>	<b>(20,070)</b>
<b>TOTAL REVENUES AVAILABLE</b>	<b>7,342,158</b>	<b>7,081,678</b>	<b>7,848,691</b>	<b>767,013</b>

**STATE OF IOWA**

**MAJOR SPECIAL REVENUE FUND**  
**TOBACCO TAX-EXEMPT BOND PROCEEDS**

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(continued on next page)

# STATE OF IOWA

## Budgetary Comparison Schedule Required Supplementary Information

June 30, 2002  
(Expressed in Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
<b>EXPENDITURES:</b>				
Administration & Regulation	\$ 485,463	466,398	463,456	2,942
Agriculture & Natural Resources	116,274	117,040	112,488	4,552
Economic Development	37,678	43,668	38,668	5,000
Education	3,020,528	2,909,141	2,909,467	(326)
Health & Human Rights	222,658	231,694	216,435	15,259
Human Services	2,863,514	2,781,484	3,487,019	(705,535)
Justice	531,174	523,325	510,814	12,511
Oversight	5,712	5,353	5,361	(8)
Transportation	20,548	19,031	30,665	(11,634)
<b>TOTAL EXPENDITURES</b>	<b>7,303,549</b>	<b>7,097,134</b>	<b>7,774,373</b>	<b>(677,239)</b>
Transfers	-	-	-	-
<b>TOTAL EXPENDITURES AND TRANSFERS</b>	<b>7,303,549</b>	<b>7,097,134</b>	<b>7,774,373</b>	<b>(677,239)</b>
<b>REVENUES AVAILABLE OVER (UNDER) EXPENDITURES AND TRANSFERS</b>	<b>38,609</b>	<b>(15,456)</b>	<b>74,318</b>	<b>89,774</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Balances Credited To Appropriations	14,069	18,469	23,836	5,367
Unexpended Appropriations	(2,370)	(2,474)	(9,099)	(6,625)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>11,699</b>	<b>15,995</b>	<b>14,737</b>	<b>(1,258)</b>
<b>REVENUES AVAILABLE OVER (UNDER) EXPENDITURES &amp; OTHER ITEMS</b>	<b>50,308</b>	<b>539</b>	<b>89,055</b>	<b>88,516</b>
<b>BEGINNING FUND BALANCE (BUDGETARY)</b>	<b>-</b>	<b>-</b>	<b>(66,119)</b>	<b>(66,119)</b>
Economic Emergency Fund Resources Used	-	-	66,119	66,119
<b>BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ENDING FUND BALANCE (BUDGETARY)</b>	<b>\$ 50,308</b>	<b>\$ 539</b>	<b>89,055</b>	<b>\$ 88,516</b>
<b>ENDING FUND BALANCE (BUDGETARY) AMOUNT STATUTORILY REQUIRED TO BE TRANSFERRED TO CASH RESERVE FUND</b>			89,055	
			<b>(89,055)</b>	
<b>ENDING FUND BALANCE AVAILABLE FOR APPROPRIATION</b>			<b>\$ -</b>	

(continued)



# STATE OF IOWA

## TOBACCO TAX-EXEMPT BOND PROCEEDS

ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
\$ 57,858	48,335	29,007	19,328
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>57,858</u>	<u>48,335</u>	<u>29,007</u>	<u>19,328</u>
<u>49,794</u>	<u>61,252</u>	<u>45,033</u>	<u>16,219</u>
<u>107,652</u>	<u>109,587</u>	<u>74,040</u>	<u>35,547</u>
 <u>452,060</u>	 <u>450,935</u>	 <u>477,721</u>	 <u>26,786</u>
-	-	-	-
-	-	-	-
-	-	-	-
 <u>452,060</u>	 <u>450,935</u>	 <u>477,721</u>	 <u>26,786</u>
-	-	-	-
-	-	-	-
-	-	-	-
 <u>452,060</u>	 <u>450,935</u>	 <u>477,721</u>	 <u>26,786</u>
<u>\$ 452,060</u>	<u>\$ 450,935</u>	<u>477,721</u>	<u>\$ 26,786</u>

# STATE OF IOWA

## **Budgetary Comparison Schedule - Budget to GAAP Reconciliation General Fund and Major Special Revenue Fund Required Supplementary Information June 30, 2002 (Expressed in Thousands)**

	<b>GENERAL FUND</b>	<b>MAJOR SPECIAL REVENUE FUND TOBACCO TAX-EXEMPT BOND PROCEEDS</b>
Fund Balance - Budgetary/Legal	\$ 89,055	\$ 477,721
Basis Of Accounting Differences:		
Balance Sheet Accounts:		
Accounts Receivable	99,684	2,027
Loans Receivable	7,720	-
Due From Other Funds	644	-
Food Stamp Inventory	43,756	-
Prepaid Expenditures	5,936	-
Accounts Payable & Accruals	(50,115)	(11,814)
Due To Other Funds	(45,194)	-
Deferred Revenue	(120,640)	-
Reserved Encumbrances	9,099	-
Timing Differences:		
Petty Cash & Inventory Expensed In Budgetary Accounting	22,738	601
Entity Differences	<u>1,663,779</u>	<u>-</u>
Total Fund Balance - GAAP Basis	1,726,462	468,535
Less: Reserved Fund Balance - GAAP Basis	<u>1,409,695</u>	<u>468,535</u>
Fund Balance Unreserved - GAAP Basis	<u><u>\$ 316,767</u></u>	<u><u>\$ -</u></u>

## **STATE OF IOWA**

### **Required Supplementary Information**

## **Notes to Required Supplementary Information – Budgetary Reporting**

### **Budgetary Expenditures in Excess of Appropriations**

Actual expenditures exceeded budgeted expenditures as a result of the receipt and legal expenditure of federal and other non-state funds which had been received for restricted purposes. In the General Fund this occurred in the Department of Human Services for Medical Assistance, and due to standing unlimited appropriations and increased federal funds for Public Transit Assistance within the Department of Transportation, and as a result of legal expenditure over allocated reversions within the Department of Education, Information Technology Department, and the Iowa Telecommunications and Technology Commission operating appropriations.

### **Budgetary Presentation**

The budget encompasses the General Fund of the State and some Special Revenue Funds, (Tobacco Tax-Exempt Bond Proceeds, Healthy Iowan's Trust Fund, Endowment For Iowa's Health Account, Hospital Trust Fund, Technology Program, Workforce Development Withholding, Local Housing Assistance, Reversion Incentive Program, Pooled Technology Program, Land Recycling Fund, Forestry Management Enhancement Fund, Environment First, Gambling Treatment Program, Inspection and Appeals Use Tax Clearing, Underground Storage Tank Unassigned Revenue, Resources Enhancement and Protection, Fish and Game Fund, Conservation Administration fund, Guaranteed Student Loan Administration, School Infrastructure Fund, Real Estate Education, Special Contingency Fund, Administrative Contribution Surcharge, Unclaimed Winnings, Water Quality Protection, and Primary Road Fund). The General Fund and the Major Special Revenue Fund, Tobacco Tax-Exempt Bond Proceeds are displayed in the Required Supplementary Information Budgetary Comparison Schedule. The Nonmajor Special Revenue Funds are displayed with the combining financial Statements and Schedules for nonmajor funds. Capital Project Funds are budgeted on a project-length basis. The budget is prepared on a modified accrual basis of accounting for both revenues and expenditures.

The State's budget is prepared by the Governor on an annual basis and is required to be submitted along with proposed appropriation bills to the General Assembly by the first of February prior to the new fiscal year. When an appropriation bill is passed by both houses of the General Assembly, the bill is enrolled and sent to the Governor. The Governor may sign it into law or veto it in whole or in part on a line item basis. Funds may be disbursed only after appropriations have been allotted by the Department of Management, subject to the review of the Governor, with the exception of standing unlimiteds and certain receipts that the Departments are authorized to expend. Appropriations are allotted for expenditure on a quarterly basis.

Departments may request revisions to quarterly 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 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 or 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

## STATE OF IOWA

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 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 ninety-nine percent of the adjusted revenue estimate. The adjusted revenue estimate is the appropriate 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 in 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 state 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 state Revenue Estimating Conference. The Department of Management shall obtain concurrence from the Revenue Estimating Conference on the eligibility of transfers to the General Fund of the state which are to be considered as new revenue in determining the state 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 that new revenue source, multiplied by ninety-five percent. If a new revenue source is established and implemented, the original state General Fund expenditure limitation amount shall be readjusted to include ninety-five percent of the estimated revenue from the new revenue source.

For fiscal years in which the Iowa Economic Emergency Fund transfers money to the General Fund, the original state General Fund expenditure limitation amount provided for shall be readjusted to include the moneys which are so transferred.

The scope of the expenditure limitation shall not encompass federal funds, donations, constitutionally dedicated moneys, and moneys in expenditures from state retirement system moneys. The Governor shall submit and the General Assembly shall pass a budget that does not exceed the state General Fund expenditure limitation. The Governor in submitting the budget and the General Assembly in passing a budget, shall not have recurring expenditures in excess of recurring revenues. 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 of the total of the appropriations included in the budget.

## STATE OF IOWA

### Required Supplementary Information

#### Reserve Funds

The ***Iowa Economic Emergency Fund*** was created in Iowa Code section 8.55. The fund is separate from the General Fund of the state and the balance in 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, unless and to the extent the fund exceeds the maximum balance. The maximum balance of the fund is the amount equal to five percent of the adjusted revenue estimate for the fiscal year. If the amount of moneys in the Iowa Economic Emergency Fund is equal to the maximum balance, moneys in excess of this amount shall be transferred to the General Fund. The moneys in this fund may be appropriated by the General Assembly only in the fiscal year for which the appropriation is made. The moneys shall only be appropriated by the General Assembly for emergency expenditures. However, except as provided in section 8.58, the balance in the Iowa Economic Emergency Fund may be used in determining the cash position of the General Fund of the state for the payment of state obligations. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund.

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

# STATE OF IOWA

For the Year Ended June 30, 2002  
(Expressed in Thousands)

## Iowa Judicial Retirement System

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
July 1, 2000	\$ 71,693	82,070	10,377	87.36%	19,295	53.78%
July 1, 2001	72,375	87,800	15,425	82.43%	19,896	77.53%
July 1, 2002	67,707	88,051	20,344	76.90%	19,878	102.34%

The increase in unfunded AAL for the July 1, 2002 valuation was primarily due to a lower than expected rate of return on investments. Also, the State's contribution to the system decreased from 23.7% for the year ended June 30, 2001 to 15.9% for the year ended June 30, 2002.

## Peace Officers' Retirement, Accident and Disability System

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS**	ACTUARIAL ACCRUED LIABILITY*	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
July 1, 2000	\$ 239,568	240,785	1,217	99.49%	30,304	4.02%
July 1, 2001	249,227	263,002	13,775	94.76%	30,925	44.54%
July 1, 2002	250,914	294,514	43,600	85.19%	32,154	135.60%

\* This amount is based on the Projected Unit Credit Method. The Aggregate Cost Method is used to determine the required contribution. This is provided for informational purposes only.

\*\* As permitted by the Code of Iowa, effective July 1, 2001 and beginning with the July 1, 2001 valuation, a smoothing method was adopted by the board of trustees to determine the actuarial (market related) value of assets. The smoothing method is designed to reduce changes in the normal contribution rate which could result from fluctuations in the market value of the assets of the system. Prior to this, market value was used.

Pension Trust funds are discussed in detail in the Notes to the Financial Statements (NOTE 18 - PENSION PLANS.)

## **SUPPLEMENTARY INFORMATION**

# STATE OF IOWA

## Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2002  
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Current Assets:				
Cash & Investments	\$ 91,575	\$ 2,267	\$ 9,015	\$ 102,857
Deposit with Trustees	-	1,948	-	1,948
Accounts Receivable (Net)	2,989	24	1	3,014
Due From Other Funds	9,105	2,111	-	11,216
Inventory	193	-	-	193
Prepaid Expenditures	29	-	-	29
Total Current Assets	103,891	6,350	9,016	119,257
Noncurrent Assets:				
Accounts Receivable (Net)	2,207	-	-	2,207
<b>TOTAL ASSETS</b>	<b>\$ 106,098</b>	<b>\$ 6,350</b>	<b>\$ 9,016</b>	<b>\$ 121,464</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable & Accruals	\$ 5,696	\$ 3,183	\$ -	\$ 8,879
Due To Other Funds	8,794	66	-	8,860
Deferred Revenue	1,127	-	-	1,127
Total Current Liabilities	15,617	3,249	-	18,866
Noncurrent Liabilities:				
Accounts Payable & Accruals	2,842	-	-	2,842
<b>TOTAL LIABILITIES</b>	<b>18,459</b>	<b>3,249</b>	<b>-</b>	<b>21,708</b>
<b>FUND BALANCE</b>				
Reserved for:				
Inventory & Prepaid Expenditures	222	-	-	222
Noncurrent Receivables	2,207	-	-	2,207
Specific Purposes	53,626	-	9,016	62,642
Unreserved Fund Equity	31,584	3,101	-	34,685
<b>TOTAL FUND BALANCE</b>	<b>87,639</b>	<b>3,101</b>	<b>9,016</b>	<b>99,756</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 106,098</b>	<b>\$ 6,350</b>	<b>\$ 9,016</b>	<b>\$ 121,464</b>



# STATE OF IOWA

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds

For the Year Ended June 30, 2002  
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES:</b>				
Taxes	\$ 78,763	\$ -	\$ -	\$ 78,763
Receipts from Other Entities	27,150	1,258	-	28,408
Investment Income	2,920	127	-	3,047
Fees, Licenses & Permits	4,198	-	-	4,198
Refunds & Reimbursements	36,593	152	-	36,745
Sales, Rents & Services	6,048	-	-	6,048
Miscellaneous	8,869	-	-	8,869
Contributions	-	-	1,450	1,450
	<hr/>	<hr/>	<hr/>	<hr/>
<b>GROSS REVENUES</b>	<b>164,541</b>	<b>1,537</b>	<b>1,450</b>	<b>167,528</b>
Less Revenue Refunds	1,623	-	-	1,623
	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET REVENUES</b>	<b>162,918</b>	<b>1,537</b>	<b>1,450</b>	<b>165,905</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES:</b>				
Current:				
Administration & Regulation	2,119	-	-	2,119
Education	87,901	-	-	87,901
Health & Human Rights	363	-	-	363
Human Services	292	-	-	292
Justice & Public Defense	4,426	8,703	-	13,129
Economic Development	223	-	-	223
Agriculture & Natural Resources	3,446	2,638	-	6,084
	<hr/>	<hr/>	<hr/>	<hr/>
Capital Outlay:				
Health & Human Rights	-	6,296	-	6,296
Human Services	-	24	-	24
Justice & Public Defense	-	14,335	-	14,335
Transportation	-	2,150	-	2,150
Agriculture & Natural Resources	-	4,086	-	4,086
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	<b>98,770</b>	<b>38,232</b>	<b>-</b>	<b>137,002</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>64,148</b>	<b>(36,695)</b>	<b>1,450</b>	<b>28,903</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers:				
Transfers In	635,326	37,584	-	672,910
Transfers Out	(679,677)	(247)	-	(679,924)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(44,351)</b>	<b>37,337</b>	<b>-</b>	<b>(7,014)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>19,797</b>	<b>642</b>	<b>1,450</b>	<b>21,889</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE JULY 1, RESTATED</b>	<b>67,842</b>	<b>2,459</b>	<b>7,566</b>	<b>77,867</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE JUNE 30</b>	<b>\$ 87,639</b>	<b>\$ 3,101</b>	<b>\$ 9,016</b>	<b>\$ 99,756</b>
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# 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.

**Endowment for Iowa's Health Fund** receives net proceeds of any taxable or tax-exempt bonds for the purposes specified in Iowa Code Section 12.65, the portion of the State's share which is not sold to the Tobacco Settlement Authority, any other appropriated moneys that shall be used for the purposes specified in Iowa Code Section 12.65.

**College Aid Federal Reserve Fund** receives guarantee fees, interest and overpayments and repurchases of claim payments to be used for payment of default claims to lenders and default aversion fees to the Guaranty Agency Operating fund.

**Guaranty Agency Operating Fund** receives interest, default aversion fees, account maintenance fees, and collections on defaulted student loans.

**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**, these 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, 2002  
(Expressed in Thousands)

	ENDOW- MENT FOR IOWA'S HEALTH	COLLEGE AID FEDERAL RESERVE	GUARANTY AGENCY OPERATING	IOWA PUBLIC TELEVISION FOUNDATION	OTHER	TOTAL NONMAJOR SPECIAL REVENUE
<b>ASSETS</b>						
Current Assets:						
Cash & Investments	\$ 28,127	\$ 25,480	\$ 11,211	\$ 4,039	\$ 22,718	\$ 91,575
Accounts Receivable (Net)	-	687	920	343	1,039	2,989
Due From Other Funds	7,506	486	560	53	500	9,105
Inventory	-	-	-	-	193	193
Prepaid Expenditures	-	-	9	15	5	29
Total Current Assets	35,633	26,653	12,700	4,450	24,455	103,891
Noncurrent Assets:						
Accounts Receivable (Net)	-	-	1,886	-	321	2,207
<b>TOTAL ASSETS</b>	<b>\$ 35,633</b>	<b>\$ 26,653</b>	<b>\$ 14,586</b>	<b>\$ 4,450</b>	<b>\$ 24,776</b>	<b>\$ 106,098</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable & Accruals	\$ 147	\$ 3,096	\$ 841	\$ 277	\$ 1,335	\$ 5,696
Due To Other Funds	7,736	458	208	166	226	8,794
Deferred Revenue	-	179	-	341	607	1,127
Total Current Liabilities	7,883	3,733	1,049	784	2,168	15,617
Noncurrent Liabilities:						
Accounts Payable	-	2,842	-	-	-	2,842
<b>TOTAL LIABILITIES</b>	<b>7,883</b>	<b>6,575</b>	<b>1,049</b>	<b>784</b>	<b>2,168</b>	<b>18,459</b>
<b>FUND BALANCE</b>						
Reserved for:						
Inventory & Prepaid Expenditures	-	-	9	15	198	222
Noncurrent Receivables	-	-	1,886	-	321	2,207
Specific Purposes	27,750	20,078	-	3,651	2,147	53,626
Unreserved Fund Equity	-	-	11,642	-	19,942	31,584
<b>TOTAL FUND BALANCE</b>	<b>27,750</b>	<b>20,078</b>	<b>13,537</b>	<b>3,666</b>	<b>22,608</b>	<b>87,639</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 35,633</b>	<b>\$ 26,653</b>	<b>\$ 14,586</b>	<b>\$ 4,450</b>	<b>\$ 24,776</b>	<b>\$ 106,098</b>

# STATE OF IOWA

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

For the Year Ended June 30, 2002  
(Expressed in Thousands)

	ENDOW- MENT FOR IOWA'S HEALTH	COLLEGE AID FEDERAL RESERVE	GUARANTY AGENCY OPERATING	IOWA PUBLIC TELEVISION FOUNDATION	OTHER	TOTAL NONMAJOR SPECIAL REVENUE
<b>REVENUES:</b>						
Taxes	\$ 78,763	\$ -	\$ -	\$ -	\$ -	\$ 78,763
Receipts from Other Entities	-	23,281	3,592	-	277	27,150
Investment Income	1,149	1,079	228	121	343	2,920
Fees, Licenses & Permits	1,237	1	83	-	2,877	4,198
Refunds & Reimbursements	13,998	18,639	3,042	-	914	36,593
Sales, Rents & Services	-	-	-	-	6,048	6,048
Miscellaneous	-	-	-	7,382	1,487	8,869
<b>GROSS REVENUES</b>	<b>95,147</b>	<b>43,000</b>	<b>6,945</b>	<b>7,503</b>	<b>11,946</b>	<b>164,541</b>
Less Revenue Refunds	-	272	166	-	1,185	1,623
<b>NET REVENUES</b>	<b>95,147</b>	<b>42,728</b>	<b>6,779</b>	<b>7,503</b>	<b>10,761</b>	<b>162,918</b>
<b>EXPENDITURES:</b>						
Current:						
Administration & Regulation	-	-	-	-	2,119	2,119
Education	34,274	41,752	8,418	3,036	421	87,901
Health & Human Rights	-	-	-	-	363	363
Human Services	-	-	-	-	292	292
Justice & Public Defense	-	-	-	-	4,426	4,426
Economic Development	-	-	-	-	223	223
Agriculture & Natural Resources	-	-	-	-	3,446	3,446
<b>TOTAL EXPENDITURES</b>	<b>34,274</b>	<b>41,752</b>	<b>8,418</b>	<b>3,036</b>	<b>11,290</b>	<b>98,770</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>60,873</b>	<b>976</b>	<b>(1,639)</b>	<b>4,467</b>	<b>(529)</b>	<b>64,148</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating Transfers:						
Transfers In	46,727	537	4,536	-	583,526	635,326
Transfers Out	(79,850)	(10,516)	(310)	(4,488)	(584,513)	(679,677)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(33,123)</b>	<b>(9,979)</b>	<b>4,226</b>	<b>(4,488)</b>	<b>(987)</b>	<b>(44,351)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>27,750</b>	<b>(9,003)</b>	<b>2,587</b>	<b>(21)</b>	<b>(1,516)</b>	<b>19,797</b>
<b>FUND BALANCE JULY 1, RESTATED</b>	<b>-</b>	<b>29,081</b>	<b>10,950</b>	<b>3,687</b>	<b>24,124</b>	<b>67,842</b>
<b>FUND BALANCE JUNE 30</b>	<b>\$ 27,750</b>	<b>\$ 20,078</b>	<b>\$ 13,537</b>	<b>\$ 3,666</b>	<b>\$ 22,608</b>	<b>\$ 87,639</b>

# STATE OF IOWA

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

For the Year Ended June 30, 2002  
(Expressed in Thousands)

	PRIMARY ROAD FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:				
Transfers	\$ 523,986	\$ 524,027	\$ 485,883	\$ (38,144)
TOTAL APPROPRIATED REVENUE	523,986	524,027	485,883	(38,144)
RECEIPTS CREDITED TO APPROPRIATIONS:				
Use Tax	-	-	-	-
Other Taxes	-	-	-	-
Wagering Tax Receipts	-	-	-	-
Individual Income Tax Quarterly	-	-	-	-
Sales Tax - DOT	5	5	14	9
Federal Support	243,488	243,488	275,228	31,740
Local Governments	4,600	4,600	3,422	(1,178)
Other States	75	75	1,862	1,787
Reimbursements From Other Agencies	161	161	295	134
Interest	5	5	-	(5)
Bonds & Loans	5	5	-	(5)
Fees, Licenses, & Permits	860	860	1,097	237
Refunds & Reimbursements	4,000	4,000	7,475	3,475
Sale of Real Estate	1,710	1,710	4,225	2,515
Sale of Equipment & Salvage	-	-	-	-
Rents & Leases	16	16	29	13
Agricultural Sales	-	-	-	-
Other Sales & Services	-	-	-	-
Unearned Receipts	-	-	-	-
Income Tax Checkoffs	-	-	-	-
Other	1,750	1,750	3,949	2,199
TOTAL APPROPRIATED RECEIPTS	256,675	256,675	297,596	40,921
TOTAL REVENUES AVAILABLE	780,661	780,702	783,479	2,777
EXPENDITURES:				
Administration & Regulation	-	-	-	-
Agriculture & Natural Resources	-	-	-	-
Economic Development	-	-	-	-
Education	-	-	-	-
Health & Human Rights	-	-	-	-
Human Services	-	-	-	-
Transportation	542,809	524,127	554,918	(30,791) *
Oversight	-	-	-	-
TOTAL EXPENDITURES	542,809	524,127	554,918	(30,791)
Transfers	240,983	230,677	220,037	10,640
TOTAL EXPENDITURES AND TRANSFERS	783,792	754,804	774,955	(20,151)
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES AND TRANSFERS	(3,131)	25,898	8,524	(17,374)
FUND BALANCE JULY 1 (BUDGETARY)	23,775	23,775	23,775	-
PRIOR PERIOD ADJUSTMENT	-	-	-	-
FUND BALANCE JULY 1 (BUDGETARY), RESTATED	23,775	23,775	23,775	-
FUND BALANCE JUNE 30 (BUDGETARY)	\$ 20,644	\$ 49,673	\$ 32,299	\$ (17,374)

# STATE OF IOWA

ENDOWMENT FOR IOWA'S HEALTH FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
\$ 51,198	\$ 51,198	\$ 46,727	\$ (4,471)
51,198	51,198	46,727	(4,471)
-	-	-	-
-	-	-	-
80,000	80,000	78,764	(1,236)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2	2	1,139	1,137
-	-	-	-
-	-	1,236	1,236
7,984	7,984	13,998	6,014
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
87,986	87,986	95,137	7,151
139,184	139,184	141,864	2,680
40,000	39,531	34,274	5,257
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
40,000	39,531	34,274	5,257
55,000	87,969	79,850	8,119
95,000	127,500	114,124	13,376
44,184	11,684	27,740	16,056
-	-	-	-
-	-	-	-
-	-	-	-
\$ 44,184	\$ 11,684	\$ 27,740	\$ 16,056

(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, 2002  
(Expressed in Thousands)

(continued)

	SCHOOL INFRASTRUCTURE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:				
Transfers	\$ -	\$ -	\$ -	\$ -
TOTAL APPROPRIATED REVENUE	-	-	-	-
RECEIPTS CREDITED TO APPROPRIATIONS:				
Use Tax	-	-	-	-
Other Taxes	-	-	-	-
Wagering Tax Receipts	5,000	5,000	4,932	(68)
Individual Income Tax Quarterly	-	-	-	-
Sales Tax - DOT	-	-	-	-
Federal Support	-	-	-	-
Local Governments	-	-	-	-
Other States	-	-	-	-
Reimbursements From Other Agencies	-	-	-	-
Interest	50	50	244	194
Bonds & Loans	20,000	20,000	49,198	29,198
Fees, Licenses, & Permits	-	-	68	68
Refunds & Reimbursements	-	-	-	-
Sale of Real Estate	-	-	-	-
Sale of Equipment & Salvage	-	-	-	-
Rents & Leases	-	-	-	-
Agricultural Sales	-	-	-	-
Other Sales & Services	-	-	-	-
Unearned Receipts	-	-	-	-
Income Tax Checkoffs	-	-	-	-
Other	-	-	-	-
TOTAL APPROPRIATED RECEIPTS	25,050	25,050	54,442	29,392
TOTAL REVENUES AVAILABLE	25,050	25,050	54,442	29,392
EXPENDITURES:				
Administration & Regulation	-	-	-	-
Agriculture & Natural Resources	-	-	-	-
Economic Development	-	-	-	-
Education	25,050	25,000	33,370	(8,370) *
Health & Human Rights	-	-	-	-
Human Services	-	-	-	-
Transportation	-	-	-	-
Oversight	-	-	-	-
TOTAL EXPENDITURES	25,050	25,000	33,370	(8,370)
Transfers	-	50	-	50
TOTAL EXPENDITURES AND TRANSFERS	25,050	25,050	33,370	(8,320)
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES AND TRANSFERS	-	-	21,072	21,072
FUND BALANCE JULY 1 (BUDGETARY)	5,000	5,000	5,000	-
PRIOR PERIOD ADJUSTMENT	-	-	-	-
FUND BALANCE JULY 1 (BUDGETARY), RESTATED	5,000	5,000	5,000	-
FUND BALANCE JUNE 30 (BUDGETARY)	\$ 5,000	\$ 5,000	\$ 26,072	\$ 21,072



# STATE OF IOWA

UNDERGROUND STORAGE TANK UNASSIGNED REVENUE FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
\$ 10,000	\$ 10,000	\$ 8,661	\$ (1,339)
10,000	10,000	8,661	(1,339)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
5,400	5,400	4,295	(1,105)
-	-	-	-
15	15	9	(6)
10	10	(4)	(14)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
10	10	6	(4)
5,435	5,435	4,306	(1,129)
15,435	15,435	12,967	(2,468)
2,876	2,877	2,683	194
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,876	2,877	2,683	194
34,075	34,075	18,077	15,998
36,951	36,952	20,760	16,192
(21,516)	(21,517)	(7,793)	13,724
49,552	49,552	49,552	-
-	-	-	-
49,552	49,552	49,552	-
\$ 28,036	\$ 28,035	\$ 41,759	\$ 13,724

(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, 2002

(Expressed in Thousands)

(continued)

	OTHER			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:				
Transfers	\$ 139,722	\$ 168,165	\$ 142,401	\$ (25,764)
TOTAL APPROPRIATED REVENUE	139,722	168,165	142,401	(25,764)
RECEIPTS CREDITED TO APPROPRIATIONS:				
Use Tax	881	881	1,198	317
Other Taxes	7,225	7,225	7,359	134
Wagering Tax Receipts	2,800	2,800	2,970	170
Individual Income Tax Quarterly	4,000	4,000	4,000	-
Sales Tax - DOT	-	-	-	-
Federal Support	14,266	12,765	13,739	974
Local Governments	75	148	74	(74)
Other States	-	-	-	-
Reimbursements From Other Agencies	2,600	2,400	1,510	(890)
Interest	1,846	4,246	2,584	(1,662)
Bonds & Loans	-	-	-	-
Fees, Licenses, & Permits	20,861	20,861	21,201	340
Refunds & Reimbursements	402	7,533	25,713	18,180
Sale of Real Estate	-	-	-	-
Sale of Equipment & Salvage	45	45	44	(1)
Rents & Leases	5	5	14	9
Agricultural Sales	60	60	-	(60)
Other Sales & Services	1,134	1,134	1,143	9
Unearned Receipts	211	211	265	54
Income Tax Checkoffs	125	125	148	23
Other	551	551	362	(189)
TOTAL APPROPRIATED RECEIPTS	57,087	64,990	82,324	17,334
TOTAL REVENUES AVAILABLE	196,809	233,155	224,725	(8,430)
EXPENDITURES:				
Administration & Regulation	59,170	51,752	25,488	26,264
Agriculture & Natural Resources	16,578	12,953	12,370	583
Economic Development	24,296	25,416	18,733	6,683
Education	10,795	10,845	9,375	1,470
Health & Human Rights	-	-	-	-
Human Services	-	-	-	-
Transportation	-	-	-	-
Oversight	2,361	4,863	3,188	1,675
TOTAL EXPENDITURES	113,200	105,829	69,154	36,675
Transfers	147,307	153,175	163,429	(10,254)
TOTAL EXPENDITURES AND TRANSFERS	260,507	259,004	232,583	26,421
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES AND TRANSFERS	(63,698)	(25,849)	(7,858)	17,991
FUND BALANCE JULY 1 (BUDGETARY)	111,769	111,769	111,769	-
PRIOR PERIOD ADJUSTMENT **	(60,892)	(60,892)	(60,892)	-
FUND BALANCE JULY 1 (BUDGETARY), RESTATED	50,877	50,877	50,877	-
FUND BALANCE JUNE 30 (BUDGETARY)	\$ (12,821)	\$ 25,028	\$ 43,019	\$ 17,991

\* Actual expenditures exceeded budgeted expenditures as a result of the receipt and legal expenditure of federal and other non-state funds which have been received for restricted purposes. In the Special Revenue Funds, this occurred in the School Infrastructure Fund in the Department of Education and in the Primary Road Fund in the Department of Transportation.

\*\* Prior year budget included funds that are no longer budgeted Special Revenue Funds.

# STATE OF IOWA

TOTAL			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
\$ 724,906	\$ 753,390	\$ 683,672	\$ (69,718)
<u>724,906</u>	<u>753,390</u>	<u>683,672</u>	<u>(69,718)</u>
881	881	1,198	317
7,225	7,225	7,359	134
87,800	87,800	86,666	(1,134)
4,000	4,000	4,000	-
5	5	14	9
257,754	256,253	288,967	32,714
4,675	4,748	3,496	(1,252)
75	75	1,862	1,787
2,761	2,561	1,805	(756)
7,303	9,703	8,262	(1,441)
20,005	20,005	49,198	29,193
21,736	21,736	23,611	1,875
12,396	19,527	47,182	27,655
1,710	1,710	4,225	2,515
45	45	44	(1)
21	21	43	22
60	60	-	(60)
1,134	1,134	1,143	9
211	211	265	54
125	125	148	23
<u>2,311</u>	<u>2,311</u>	<u>4,317</u>	<u>2,006</u>
<u>432,233</u>	<u>440,136</u>	<u>533,805</u>	<u>93,669</u>
<u>1,157,139</u>	<u>1,193,526</u>	<u>1,217,477</u>	<u>23,951</u>
102,046	94,160	62,445	31,715
16,578	12,953	12,370	583
24,296	25,416	18,733	6,683
35,845	35,845	42,745	(6,900) *
-	-	-	-
-	-	-	-
542,809	524,127	554,918	(30,791) *
<u>2,361</u>	<u>4,863</u>	<u>3,188</u>	<u>1,675</u>
<u>723,935</u>	<u>697,364</u>	<u>694,399</u>	<u>2,965</u>
<u>477,365</u>	<u>505,946</u>	<u>481,393</u>	<u>(24,553)</u>
<u>1,201,300</u>	<u>1,203,310</u>	<u>1,175,792</u>	<u>27,518</u>
<u>(44,161)</u>	<u>(9,784)</u>	<u>41,685</u>	<u>51,469</u>
190,096	190,096	190,096	-
<u>(60,892)</u>	<u>(60,892)</u>	<u>(60,892)</u>	<u>-</u>
<u>129,204</u>	<u>129,204</u>	<u>129,204</u>	<u>-</u>
<u>\$ 85,043</u>	<u>\$ 119,420</u>	<u>\$ 170,889</u>	<u>\$ 51,469</u>

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## 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** is used to account for various building projects.

**Recreational Trails Development Fund** is used to account for the acquisition and construction of recreational trails within the State.

**Motor Vehicle Fuel Tax Capitals Fund** is used to account for the acquisition of water access, development project, water safety stations, marinas, and any other project which improves water recreation.

**Fish and Game Capitals Fund** is used to account for land acquisition and capital projects related to fish and wildlife.

**Other Capital Projects Funds**, aggregated for reporting purposes, account for construction of various armories and prison expansion programs. specific purposes.

# STATE OF IOWA

## Combining Balance Sheet Nonmajor Capital Projects Funds

June 30, 2002  
(Expressed in Thousands)

	GENERAL SERVICES CAPITALS	RECREAT- IONAL TRAILS DEVELOP- MENT	MOTOR VEHICLE FUEL TAX CAPITALS	FISH & GAME CAPITALS	OTHER	TOTAL NONMAJOR CAPITAL PROJECTS
<b>ASSETS</b>						
Current Assets:						
Cash & Investments	\$ 1,417	\$ 271	\$ 307	\$ 26	\$ 246	\$ 2,267
Deposit with Trustees	-	-	-	-	1,948	1,948
Accounts Receivable (Net)	2	-	5	1	16	24
Due From Other Funds	1,410	500	1	200	-	2,111
<b>TOTAL ASSETS</b>	<b>\$ 2,829</b>	<b>\$ 771</b>	<b>\$ 313</b>	<b>\$ 227</b>	<b>\$ 2,210</b>	<b>\$ 6,350</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable & Accruals	\$ 2,599	\$ 261	\$ 117	\$ 190	\$ 16	\$ 3,183
Due To Other Funds	6	-	16	44	-	66
<b>TOTAL LIABILITIES</b>	<b>2,605</b>	<b>261</b>	<b>133</b>	<b>234</b>	<b>16</b>	<b>3,249</b>
<b>FUND BALANCE</b>						
Unreserved Fund Equity	224	510	180	(7)	2,194	3,101
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 2,829</b>	<b>\$ 771</b>	<b>\$ 313</b>	<b>\$ 227</b>	<b>\$ 2,210</b>	<b>\$ 6,350</b>

# STATE OF IOWA

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

For the Year Ended June 30, 2002  
(Expressed in Thousands)

	GENERAL SERVICES CAPITALS	RECREAT- IONAL TRAILS DEVELOP- MENT	MOTOR VEHICLE FUEL TAX CAPITALS	FISH & GAME CAPITALS	OTHER	TOTAL NONMAJOR CAPITAL PROJECTS
<b>REVENUES:</b>						
Receipts from Other Entities	\$ 24	\$ -	\$ 242	\$ -	\$ 992	\$ 1,258
Investment Income	-	-	-	-	127	127
Refunds & Reimbursements	-	-	-	-	152	152
<b>TOTAL REVENUES</b>	<b>24</b>	<b>-</b>	<b>242</b>	<b>-</b>	<b>1,271</b>	<b>1,537</b>
<b>EXPENDITURES:</b>						
Current:						
Justice & Public Defense	-	-	-	-	8,703	8,703
Agriculture & Natural Resources	-	-	172	2,466	-	2,638
Capital Outlay:						
Health & Human Rights	6,296	-	-	-	-	6,296
Human Services	24	-	-	-	-	24
Justice & Public Defense	13,745	-	-	-	590	14,335
Transportation	-	2,150	-	-	-	2,150
Agriculture & Natural Resources	-	-	1,318	2,768	-	4,086
<b>TOTAL EXPENDITURES</b>	<b>20,065</b>	<b>2,150</b>	<b>1,490</b>	<b>5,234</b>	<b>9,293</b>	<b>38,232</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(20,041)</b>	<b>(2,150)</b>	<b>(1,248)</b>	<b>(5,234)</b>	<b>(8,022)</b>	<b>(36,695)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating Transfers:						
Transfers In	19,346	2,500	1,500	5,000	9,238	37,584
Transfers Out	-	-	(217)	(30)	-	(247)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>19,346</b>	<b>2,500</b>	<b>1,283</b>	<b>4,970</b>	<b>9,238</b>	<b>37,337</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(695)</b>	<b>350</b>	<b>35</b>	<b>(264)</b>	<b>1,216</b>	<b>642</b>
<b>FUND BALANCE JULY 1, RESTATED</b>	<b>919</b>	<b>160</b>	<b>145</b>	<b>257</b>	<b>978</b>	<b>2,459</b>
<b>FUND BALANCE JUNE 30</b>	<b>\$ 224</b>	<b>\$ 510</b>	<b>\$ 180</b>	<b>\$ (7)</b>	<b>\$ 2,194</b>	<b>\$ 3,101</b>

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## 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.

**Henry Albert Trust Fund** accounts for trust money for the Department of Public Health and transfers the applicable interest to the Department.

**Permanent School Principal Fund** accounts for the principal derived from the sale of specific land. The interest is to be used for educational purposes.

**Pilot Grove Trust Fund** accounts for a \$10,000 donation in support and maintenance of the Pilot Grove area.

**Iowa Public Television Foundation Endowment** is used to hold a restricted gift made to Iowa Public Television during the fiscal year ended June 30, 2002. 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 Fund.

# STATE OF IOWA

## Combining Balance Sheet Nonmajor Permanent Funds

June 30, 2002  
(Expressed in Thousands)

	HENRY ALBERT TRUST	PERMANENT SCHOOL PRINCIPAL	PILOT GROVE TRUST	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	TOTAL NONMAJOR PERMANENT FUNDS
<b>ASSETS</b>					
Current Assets:					
Cash & Investments	\$ 1	\$ 7,556	\$ 10	\$ 1,448	\$ 9,015
Accounts Receivable (Net)	-	1	-	-	1
<b>TOTAL ASSETS</b>	<b>\$ 1</b>	<b>\$ 7,557</b>	<b>\$ 10</b>	<b>\$ 1,448</b>	<b>\$ 9,016</b>
<b>FUND BALANCE</b>					
Reserved for:					
Specific Purposes	\$ 1	\$ 7,557	\$ 10	1,448	\$ 9,016
<b>TOTAL FUND BALANCE</b>	<b>\$ 1</b>	<b>\$ 7,557</b>	<b>\$ 10</b>	<b>\$ 1,448</b>	<b>\$ 9,016</b>

# STATE of IOWA

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

For the Year Ended June 30, 2002  
(Expressed in Thousands)

	<b>HENRY ALBERT TRUST</b>	<b>PERMANENT SCHOOL PRINCIPAL</b>	<b>PILOT GROVE TRUST</b>	<b>IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT</b>	<b>TOTAL NONMAJOR PERMANENT FUNDS</b>
<b>REVENUES:</b>					
Contributions	\$ -	\$ 2	\$ -	\$ 1,448	\$ 1,450
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	2	-	1,448	1,450
<b>FUND BALANCE JULY 1, RESTATED</b>	<u>1</u>	<u>7,555</u>	<u>10</u>	<u>-</u>	<u>7,566</u>
<b>FUND BALANCE JUNE 30</b>	<u><u>\$ 1</u></u>	<u><u>\$ 7,557</u></u>	<u><u>\$ 10</u></u>	<u><u>\$ 1,448</u></u>	<u><u>\$ 9,016</u></u>

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# COMBINING FINANCIAL STATEMENTS

## **Nonmajor Enterprise Funds**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the State is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the State has decided that a periodic determination of net income is appropriate for accountability purposes.

**Iowa Communications Network** accounts for a statewide telecommunications system and its related revenues and expenditures.

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

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

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

**Other Enterprise Funds**, aggregated for reporting purposes, account for other miscellaneous activities that meet the definition of Enterprise funds.

# STATE of IOWA

## Combining Statement of Net Assets Nonmajor Enterprise Funds

June 30, 2002  
(Expressed in Thousands)

	IOWA COMMUNI- ACTIONS NETWORK	IOWA LOTTERY	IOWA STATE PRISON INDUSTRIES	LIQUOR CONTROL ACT	OTHER	TOTAL NONMAJOR ENTERPRISE FUNDS
<b>ASSETS</b>						
Current Assets:						
Cash & Investments	\$ 5,289	\$ 7,733	\$ 2,077	\$ 6,746	\$ 1,213	\$ 23,058
Deposits With Trustees	24,452	-	-	-	-	24,452
Accounts Receivable (Net)	1,277	1,659	1,108	1,901	45	5,990
Interest Receivable	8	48	-	-	-	56
Due From Other Funds	2,940	5	-	-	4	2,949
Inventory	3,662	1,533	5,622	972	337	12,126
Prepaid Expenses	-	508	216	-	74	798
Investment In Prize Annuity	-	9,354	-	-	-	9,354
Total Current Assets	37,628	20,840	9,023	9,619	1,673	78,783
Noncurrent Assets:						
Capital Assets -nondepreciable	437	-	107	210	439	1,193
Capital Assets - depreciable, net	63,686	483	4,882	1	521	69,573
Prepaid Expenses	1,079	-	-	-	-	1,079
Other Assets	1,311	-	-	-	-	1,311
Investment In Prize Annuity	-	45,016	-	-	-	45,016
Prize Deposit	-	5,570	-	-	-	5,570
Total Noncurrent Assets	66,513	51,069	4,989	211	960	123,742
<b>TOTAL ASSETS</b>	<b>104,141</b>	<b>71,909</b>	<b>14,012</b>	<b>9,830</b>	<b>2,633</b>	<b>202,525</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable & Accruals	4,365	2,123	567	7,820	45	14,920
Due To Other Funds	88	3,063	-	1	1	3,153
Interest Payable	1,797	-	-	-	-	1,797
Deferred Revenue	126	140	3	1	57	327
Compensated Absences	-	413	418	-	62	893
Capital Leases	-	-	-	-	6	6
Other Financing						
Arrangements Payable	10,125	-	-	-	-	10,125
Annuities Payable	-	9,524	-	-	-	9,524
Lottery Prizes Payable	-	3,561	-	-	-	3,561
Lease Obligations From						
Discontinued Operations	-	-	-	35	-	35
Total Current Liabilities	16,501	18,824	988	7,857	171	44,341
Noncurrent Liabilities:						
Compensated Absences	420	-	-	-	-	420
Capital Leases	-	-	-	-	6	6
Other Financing						
Arrangements Payable	46,850	-	-	-	-	46,850
Annuities Payable	-	45,016	-	-	-	45,016
Lottery Prizes Payable	-	5,570	-	-	-	5,570
Other	-	185	-	-	-	185
Total Noncurrent Liabilities	47,270	50,771	-	-	6	98,047
<b>TOTAL LIABILITIES</b>	<b>63,771</b>	<b>69,595</b>	<b>988</b>	<b>7,857</b>	<b>177</b>	<b>142,388</b>
<b>NET ASSETS</b>						
Invested in Capital Assets,						
Net of Related Debt	7,149	483	4,989	1	517	13,139
Unrestricted	33,221	1,831	8,035	1,972	1,939	46,998
<b>TOTAL NET ASSETS</b>	<b>\$ 40,370</b>	<b>\$ 2,314</b>	<b>\$ 13,024</b>	<b>\$ 1,973</b>	<b>\$ 2,456</b>	<b>\$ 60,137</b>

# STATE of IOWA

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

For the Year Ended June 30, 2002  
(Expressed in Thousands)

	IOWA COMMUNI- CATIONS NETWORK	IOWA LOTTERY	IOWA PRISON INDUSTRIES	LIQUOR CONTROL ACT	OTHER	TOTAL NONMAJOR ENTERPRISE FUNDS
<b>OPERATING REVENUES:</b>						
Receipts from Other Entities	\$ -	\$ -	\$ -	\$ -	\$ 60	\$ 60
Fees, Licenses & Permits	-	21	-	9,295	-	9,316
Refunds & Reimbursements	-	-	-	19	-	19
Sales, Rents & Services	38,631	172,669	13,132	114,032	697	339,161
Miscellaneous	-	2,795	-	768	407	3,970
<b>TOTAL OPERATING REVENUES</b>	<b>38,631</b>	<b>175,485</b>	<b>13,132</b>	<b>124,114</b>	<b>1,164</b>	<b>352,526</b>
<b>OPERATING EXPENSES:</b>						
General & Administrative	17,556	-	32	-	257	17,845
Depreciation	15,393	328	612	7	112	16,452
Direct Expense	15,502	-	10,770	74,424	-	100,696
Prize Expense	-	99,996	-	-	-	99,996
Personal Services	-	6,042	1,615	426	498	8,581
Travel & Subsistence	-	299	6	2	8	315
Supplies & Materials	-	114	77	13	30	234
Contractual Services	-	30,101	1,138	2,434	194	33,867
Equipment & Repairs	-	308	22	-	1	331
Claims & Miscellaneous	-	667	41	1	119	828
Licenses, Permits & Refunds	-	-	-	464	1	465
State Aids & Credits	-	-	-	2,582	-	2,582
<b>TOTAL OPERATING EXPENSES</b>	<b>48,451</b>	<b>137,855</b>	<b>14,313</b>	<b>80,353</b>	<b>1,220</b>	<b>282,192</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(9,820)</b>	<b>37,630</b>	<b>(1,181)</b>	<b>43,761</b>	<b>(56)</b>	<b>70,334</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Taxes	4,513	-	-	4,244	-	8,757
Investment Income	848	926	87	-	20	1,881
Interest Expense	(3,682)	-	-	-	-	(3,682)
Miscellaneous Nonoperating Revenue	-	1,182	-	-	-	1,182
Miscellaneous Nonoperating Expense	(219)	-	-	-	-	(219)
Gain on Sale of Fixed Assets	-	-	-	8	17	25
Loss on Sale of Fixed Assets	-	-	(72)	-	(8)	(80)
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<b>1,460</b>	<b>2,108</b>	<b>15</b>	<b>4,252</b>	<b>29</b>	<b>7,864</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(8,360)</b>	<b>39,738</b>	<b>(1,166)</b>	<b>48,013</b>	<b>(27)</b>	<b>78,198</b>
Capital Contributions and Grants	12,169	-	-	-	-	12,169
Operating Transfers In	-	-	-	452	-	452
Operating Transfers Out	-	(39,528)	-	(48,293)	-	(87,821)
<b>CHANGE IN NET ASSETS</b>	<b>3,809</b>	<b>210</b>	<b>(1,166)</b>	<b>172</b>	<b>(27)</b>	<b>2,998</b>
<b>TOTAL NET ASSETS - JULY 1, RESTATED</b>	<b>36,561</b>	<b>2,104</b>	<b>14,190</b>	<b>1,801</b>	<b>2,483</b>	<b>57,139</b>
<b>TOTAL NET ASSETS - JUNE 30</b>	<b>\$ 40,370</b>	<b>\$ 2,314</b>	<b>\$ 13,024</b>	<b>\$ 1,973</b>	<b>\$ 2,456</b>	<b>\$ 60,137</b>

# STATE of IOWA

## Combining Statement of Cash Flows Nonmajor Enterprise Funds

For the Year Ended June 30, 2002  
(Expressed in Thousands)

	IOWA COMMUNI- CATIONS NETWORK	IOWA LOTTERY	IOWA STATE PRISON INDUSTRIES	LIQUOR CONTROL ACT	OTHER	TOTAL NONMAJOR ENTERPRISE FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash Received From Customers	\$ 31,542	\$ 172,579	\$ 13,719	\$ 123,299	\$ 796	\$ 341,935
Cash Received From Other Entities	7,000	2,792	-	323	445	10,560
Cash Payments To Suppliers For Goods & Services	(25,948)	(31,077)	(12,515)	(77,643)	(639)	(147,822)
Cash Payments To Employees for Services	(6,563)	(5,990)	(1,611)	(428)	(503)	(15,095)
Cash Payments For Reciprocal Interfund Activity	-	-	-	(2,582)	-	(2,582)
Cash Payments for Prizes	-	(109,872)	-	-	-	(109,872)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>6,031</u>	<u>28,432</u>	<u>(407)</u>	<u>42,969</u>	<u>99</u>	<u>77,124</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Operating Transfers In From Other Funds	-	-	-	453	-	453
Operating Transfers Out To Other Funds	-	(40,525)	-	(48,304)	-	(88,829)
Tax Receipts	4,513	-	-	4,244	-	8,757
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>4,513</u>	<u>(40,525)</u>	<u>-</u>	<u>(43,607)</u>	<u>-</u>	<u>(79,619)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition & Construction of Capital Assets	(13,205)	(257)	(605)	-	(205)	(14,272)
Interest Paid	(3,878)	-	-	-	-	(3,878)
Debt Payments	(9,673)	-	-	-	-	(9,673)
Capital Grant & Contributions	13,580	-	-	-	-	13,580
Proceeds From Sale of Capital Assets	-	44	-	11	17	72
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(13,176)</u>	<u>(213)</u>	<u>(605)</u>	<u>11</u>	<u>(188)</u>	<u>(14,171)</u>

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# STATE of IOWA

(continued)

	IOWA COMMUNI- CATIONS NETWORK	IOWA LOTTERY	IOWA STATE PRISON INDUSTRIES	LIQUOR CONTROL ACT	OTHER	TOTAL NONMAJOR ENTERPRISE FUNDS
<b>CASH FLOWS FROM INVESTING</b>						
<b>ACTIVITIES:</b>						
Interest & Dividends On Investments	594	940	87	-	19	1,640
Proceeds From Sale & Maturities Of Investments	3,086	9,901				12,987
Other	-	1,182	-	-	-	1,182
<b>NET CASH PROVIDED BY INVESTING</b>	<b>3,680</b>	<b>12,023</b>	<b>87</b>	<b>-</b>	<b>19</b>	<b>15,809</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>1,048</b>	<b>(283)</b>	<b>(925)</b>	<b>(627)</b>	<b>(70)</b>	<b>(857)</b>
<b>CASH &amp; CASH EQUIVALENTS JULY 1, RESTATED</b>	<b>28,693</b>	<b>8,016</b>	<b>3,002</b>	<b>7,373</b>	<b>1,283</b>	<b>48,367</b>
<b>CASH &amp; CASH EQUIVALENTS JUNE 30</b>	<b>29,741</b>	<b>7,733</b>	<b>2,077</b>	<b>6,746</b>	<b>1,213</b>	<b>47,510</b>
<b>LESS DEPOSITS WITH TRUSTEES</b>	<b>24,452</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,452</b>
<b>CASH &amp; INVESTMENTS PER BALANCE SHEET</b>	<b>\$ 5,289</b>	<b>\$ 7,733</b>	<b>\$ 2,077</b>	<b>\$ 6,746</b>	<b>\$ 1,213</b>	<b>\$ 23,058</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
<b>Operating Income (Loss)</b>	<b>\$ (9,820)</b>	<b>\$ 37,630</b>	<b>\$ (1,181)</b>	<b>\$ 43,761</b>	<b>\$ (56)</b>	<b>\$ 70,334</b>
<b>Adjustments To Reconcile Operating Income (Loss)</b>						
<b>To Net Cash Provided By Operating Activities</b>						
Depreciation	15,393	328	612	7	112	16,452
(Increase) Decrease In Accounts Receivable	62	282	503	(28)	16	835
(Increase) Decrease In Due From	-	(5)	83	1	38	117
(Increase) Decrease In Inventory	2,828	(324)	(457)	73	16	2,136
(Increase) Decrease In Prepaid	2	21	-	-	44	67
(Increase) Decrease In Other Assets	(258)	(471)	-	-	-	(729)
Increase (Decrease) In Accounts Payable	(1,790)	742	69	(792)	(67)	(1,838)
Increase (Decrease) In Due To	(441)	-	(47)	-	(8)	(496)
Increase (Decrease) In Deferred Revenue	-	140	1	-	7	148
Increase (Decrease) In Compensated Absences	(25)	4	10	-	3	(8)
Increase (Decrease) In Prizes Payable	-	(14)	-	-	-	(14)
Increase (Decrease) In Prize Annuity	-	(9,901)	-	-	-	(9,901)
Increase (Decrease) In Other Liability	80	-	-	(53)	(6)	21
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 6,031</b>	<b>\$ 28,432</b>	<b>\$ (407)</b>	<b>\$ 42,969</b>	<b>\$ 99</b>	<b>\$ 77,124</b>

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# 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 and Equipment Revolving Fund** accounts for the purchase, repair, maintenance, and replacement of equipment, machinery, and supplies used by the Department of Transportation.

**Depreciation Revolving** receives monthly depreciation payments from State departments owning vehicles. The money is used to purchase replacement vehicles for the departments.

**Innovations Fund** provides loans to state departments for the purpose of stimulating and encouraging innovation in state government.

**Other Internal Service Funds**, aggregated for reporting purposes, account for other miscellaneous activities that meet the definition of Internal Service Funds.

STATE of IOWA

**Combining Statement of Net Assets  
Internal Service Funds**

June 30, 2002  
(Expressed in Thousands)

	<b>WORKERS' COMPEN- SATION</b>	<b>MATERIALS &amp; EQUIPMENT REVOLVING</b>	<b>DEPRECIATION REVOLVING</b>	<b>INNOVATIONS</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Current Assets:						
Cash & Investments	\$ 1,149	\$ 10,424	\$ 3,844	\$ 1,848	\$ 3,371	\$ 20,636
Accounts Receivable (Net)	10	82	-	-	353	445
Interest Receivable	-	-	-	-	1	1
Due From Other Funds/Advances						
To Other Funds	31,310	1,912	203	12	1,917	35,354
Inventory	-	4,361	1,838	-	1,827	8,026
Prepaid Expenses	-	-	-	-	657	657
Total Current Assets	<u>32,469</u>	<u>16,779</u>	<u>5,885</u>	<u>1,860</u>	<u>8,126</u>	<u>65,119</u>
Noncurrent Assets:						
Loans Receivable	-	-	-	414	-	414
Due From Other Funds/Advances						
To Other Funds	-	-	-	1,036	-	1,036
Capital Assets (Net)	-	77,764	-	-	2,962	80,726
Total Noncurrent Assets	<u>-</u>	<u>77,764</u>	<u>-</u>	<u>1,450</u>	<u>2,962</u>	<u>82,176</u>
<b>TOTAL ASSETS</b>	<b><u>32,469</u></b>	<b><u>94,543</u></b>	<b><u>5,885</u></b>	<b><u>3,310</u></b>	<b><u>11,088</u></b>	<b><u>147,295</u></b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable & Accruals	32,469	1,479	-	-	3,847	37,795
Due To Other Funds/Advances						
From Other Funds	-	1	-	-	176	177
Deferred Revenue	-	-	5,857	-	-	5,857
Compensated Absences	-	423	-	-	262	685
Capital Leases	-	-	-	-	54	54
Total Current Liabilities	<u>32,469</u>	<u>1,903</u>	<u>5,857</u>	<u>-</u>	<u>4,339</u>	<u>44,568</u>
Noncurrent Liabilities:						
Accounts Payable & Accruals	-	76	-	-	38	114
Due To Other Funds/Advances						
From Other Funds	-	-	-	-	140	140
Capital Leases	-	-	-	-	406	406
Total Noncurrent Liabilities	<u>-</u>	<u>76</u>	<u>-</u>	<u>-</u>	<u>584</u>	<u>660</u>
<b>TOTAL LIABILITIES</b>	<b><u>32,469</u></b>	<b><u>1,979</u></b>	<b><u>5,857</u></b>	<b><u>-</u></b>	<b><u>4,923</u></b>	<b><u>45,228</u></b>
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	-	77,764	-	-	2,502	80,266
Unrestricted	-	14,800	28	3,310	3,663	21,801
<b>TOTAL NET ASSETS</b>	<b><u>\$ -</u></b>	<b><u>\$ 92,564</u></b>	<b><u>\$ 28</u></b>	<b><u>\$ 3,310</u></b>	<b><u>\$ 6,165</u></b>	<b><u>\$ 102,067</u></b>

# STATE of IOWA

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

For the Year Ended June 30, 2002  
(Expressed in Thousands)

	WORKERS' COMPEN- SATION	MATERIALS & EQUIPMENT REVOLVING	DEPRECIATION REVOLVING	INNOVATIONS	OTHER	TOTAL
<b>OPERATING REVENUES:</b>						
Receipts from Other Entities	\$ 15,913	\$ 1,152	\$ 6,266	\$ 5	\$ 25,987	\$ 49,323
Refunds & Reimbursements	165	36,443	-	-	231	36,839
Sales, Rents & Services	-	-	1,205	-	66	1,271
Miscellaneous	-	2,840	-	1,069	6	3,915
<b>TOTAL OPERATING REVENUES</b>	<b>16,078</b>	<b>40,435</b>	<b>7,471</b>	<b>1,074</b>	<b>26,290</b>	<b>91,348</b>
<b>OPERATING EXPENSES:</b>						
Depreciation	-	9,744	-	-	507	10,251
Personal Services	24	3,936	-	-	3,120	7,080
Travel & Subsistence	-	4,675	-	-	5,463	10,138
Supplies & Materials	-	12,766	1,046	-	16,483	30,295
Contractual Services	2,023	5,329	55	-	1,336	8,743
Equipment & Repairs	-	2,602	3,830	-	178	6,610
Claims & Miscellaneous	14,026	-	-	-	857	14,883
Licenses, Permits & Refunds	-	40	-	-	3	43
<b>TOTAL OPERATING EXPENSES</b>	<b>16,073</b>	<b>39,092</b>	<b>4,931</b>	<b>-</b>	<b>27,947</b>	<b>88,043</b>
<b>OPERATING INCOME (LOSS)</b>	<b>5</b>	<b>1,343</b>	<b>2,540</b>	<b>1,074</b>	<b>(1,657)</b>	<b>3,305</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Taxes	-	36	-	-	500	536
Investment Income	-	-	-	75	91	166
Interest Expense	-	-	-	-	(8)	(8)
Gain on Sale of Fixed Assets	-	695	-	-	-	695
Loss on Sale of Fixed Assets	-	-	-	-	(54)	(54)
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<b>-</b>	<b>731</b>	<b>-</b>	<b>75</b>	<b>529</b>	<b>1,335</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>5</b>	<b>2,074</b>	<b>2,540</b>	<b>1,149</b>	<b>(1,128)</b>	<b>4,640</b>
Operating Transfers In	-	5,340	-	-	56	5,396
Operating Transfers Out	-	-	(2,201)	-	(35)	(2,236)
<b>CHANGE IN NET ASSETS</b>	<b>5</b>	<b>7,414</b>	<b>339</b>	<b>1,149</b>	<b>(1,107)</b>	<b>7,800</b>
<b>TOTAL NET ASSETS - JULY 1, RESTATED</b>	<b>(5)</b>	<b>85,150</b>	<b>(311)</b>	<b>2,161</b>	<b>7,272</b>	<b>94,267</b>
<b>TOTAL NET ASSETS - JUNE 30</b>	<b>\$ -</b>	<b>\$ 92,564</b>	<b>\$ 28</b>	<b>\$ 3,310</b>	<b>\$ 6,165</b>	<b>\$ 102,067</b>

# STATE of IOWA

## Combining Statement of Cash Flows Internal Service Funds

For the Year Ended June 30, 2002  
(Expressed in Thousands)

	WORKERS' COMPEN- SATION	MATERIALS & EQUIPMENT REVOLVING	DEPRECIATION REVOLVING	INNOVATIONS	OTHER	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash Received From Other Entities	\$ 285	\$ 2,840	\$ 1,205	\$ 19	\$ 72	\$ 4,421
Cash Received From Reciprocal Interfund Activity	12,947	38,075	6,979	1,033	26,381	85,415
Cash Payments To Suppliers For Goods & Services	(16,538)	(20,883)	(5,043)	-	(18,788)	(61,252)
Cash Payments To Employees For Services	(24)	(8,474)	-	-	(8,541)	(17,039)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(3,330)</b>	<b>11,558</b>	<b>3,141</b>	<b>1,052</b>	<b>(876)</b>	<b>11,545</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Operating Transfers In From Other Funds	-	5,340	-	-	56	5,396
Operating Transfers Out To Other Funds	-	-	(2,235)	-	(52)	(2,287)
Interest Paid	-	-	-	-	(8)	(8)
Tax Receipts	-	36	-	-	500	536
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>-</b>	<b>5,376</b>	<b>(2,235)</b>	<b>-</b>	<b>496</b>	<b>3,637</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition & Construction of Capital Assets	-	(12,101)	-	-	(496)	(12,597)
Proceeds From Sale of Capital Assets	-	2,975	-	-	-	2,975
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>(9,126)</b>	<b>-</b>	<b>-</b>	<b>(496)</b>	<b>(9,622)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest & Dividends On Investments	-	-	-	75	93	168
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75</b>	<b>93</b>	<b>168</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(3,330)</b>	<b>7,808</b>	<b>906</b>	<b>1,127</b>	<b>(783)</b>	<b>5,728</b>
<b>CASH &amp; CASH EQUIVALENTS JULY 1, RESTATED</b>	<b>4,479</b>	<b>2,616</b>	<b>2,938</b>	<b>721</b>	<b>4,154</b>	<b>14,908</b>
<b>CASH &amp; CASH EQUIVALENTS JUNE 30</b>	<b>1,149</b>	<b>10,424</b>	<b>3,844</b>	<b>1,848</b>	<b>3,371</b>	<b>20,636</b>
<b>INVESTMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH &amp; INVESTMENTS PER STATEMENT OF NET ASSETS</b>	<b>\$ 1,149</b>	<b>\$ 10,424</b>	<b>\$ 3,844</b>	<b>\$ 1,848</b>	<b>\$ 3,371</b>	<b>\$ 20,636</b>

(continued on next page)

# STATE of IOWA

(continued)

## RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES

<b>Operating Income (Loss)</b>	\$	5	\$	1,343	\$	2,540	\$	1,074	\$	(1,657)	\$	3,305
<b>Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities</b>												
Depreciation		-		9,744		-		-		507		10,251
(Increase) Decrease In Accounts Receivable		121		149		30		13		(259)		54
(Increase) Decrease In Due From		(2,930)		295		117		379		(317)		(2,456)
(Increase) Decrease In Inventory		-		77		1,043		-		739		1,859
(Increase) Decrease In Prepaid		-		-		-		-		(123)		(123)
Increase (Decrease) In Loans Receivable						-		(414)				(414)
Increase (Decrease) In Accounts Payable		(489)		(185)		(112)		-		192		(594)
Increase (Decrease) In Due To		(37)		(2)		-		-		-		(39)
Increase (Decrease) In Deferred Revenue		-		-		(477)		-		-		(477)
Increase (Decrease) In Compensated Absences And Other Benefits		-		137		-		-		42		179
<b>Net Cash Provided By Operating Activities</b>	<b>\$</b>	<b>(3,330)</b>	<b>\$</b>	<b>11,558</b>	<b>\$</b>	<b>3,141</b>	<b>\$</b>	<b>1,052</b>	<b>\$</b>	<b>(876)</b>	<b>\$</b>	<b>11,545</b>

## Noncash capital financing activities:

Capital assets of \$459,985 were acquired through capital lease agreements.

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## COMBINING FINANCIAL STATEMENTS

### **Pension Trust Funds**

Pension Trust funds account for transactions, assets, liabilities, and net assets available for plan benefits of the various State employee retirement systems. See Note 18 - Pension Plans.

STATE of IOWA

**Combining Statement of Fiduciary Net Assets  
Pension Funds**

June 30, 2002  
(Expressed in Thousands)

	<b>IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM</b>	<b>PEACE OFFICERS' RETIREMENT SYSTEM</b>	<b>JUDICIAL RETIREMENT SYSTEM</b>	<b>TOTAL</b>
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 56,264	\$ 3,958	\$ -	\$ 60,222
Receivables:				
Contributions	36,714	328	61	37,103
Investment Sold	230,657	1,294	-	231,951
Foreign Exchange Contracts	82,341	-	-	82,341
Interest & Dividends	40,152	1,131	-	41,283
Miscellaneous	3,131	-	-	3,131
Total Receivables	392,995	2,753	61	395,809
Investments, at Fair Value:				
Fixed Income Securities	6,620,328	91,719	33,281	6,745,328
Equity Investments	6,788,829	119,159	35,711	6,943,699
Real Estate Partnership	855,899	-	-	855,899
Investment in Private Equity/Debt	846,348	-	-	846,348
Securities Lending Collateral Pool	75,992	3,449	-	79,441
Securities on Loan with Brokers	74,192	3,431	-	77,623
Foreign Currency	2,660	587	-	3,247
Total Investments	15,264,248	218,345	68,992	15,551,585
Capital Assets:				
Land	500	-	-	500
Other Capital Assets (Net)	3,926	-	-	3,926
Total Capital Assets	4,426	-	-	4,426
<b>Total Assets</b>	<b>15,717,933</b>	<b>225,056</b>	<b>69,053</b>	<b>16,012,042</b>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	26,782	399	126	27,307
Payable for Investments Purchased	740,884	1,834	1,219	743,937
Payable to Brokers For Rebate & Collateral	75,848	3,449	-	79,297
<b>Total Liabilities</b>	<b>843,514</b>	<b>5,682</b>	<b>1,345</b>	<b>850,541</b>
<b>NET ASSETS HELD IN TRUST FOR EMPLOYEES' PENSION BENEFITS</b>	<b>\$ 14,874,419</b>	<b>\$ 219,374</b>	<b>\$ 67,708</b>	<b>\$ 15,161,501</b>

# STATE of IOWA

## Combining Statement of Changes in Fiduciary Net Assets Pension Funds

For the Year Ended June 30, 2002  
(Expressed in Thousands)

	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	TOTAL
<b>ADDITIONS</b>				
Contributions:				
Member Contributions	\$ 185,788	\$ 3,006	\$ 994	\$ 189,788
Employer Contributions	278,683	5,466	3,039	287,188
Buy-Back/Buy-In Contributions	4,983	-	-	4,983
Total Contributions	469,454	8,472	4,033	481,959
Investment Income:				
Net Increase (Decrease) in Fair Value of Investments	(1,222,306)	(10,810)	(6,191)	(1,239,307)
Interest	309,351	6,531	1,891	317,773
Dividends	83,942	1,301	303	85,546
Other	110,395	-	-	110,395
Investment Income (Loss)	(718,618)	(2,978)	(3,997)	(725,593)
Less Investment Expense	53,768	1,548	298	55,614
Net Investment Income (Loss)	(772,386)	(4,526)	(4,295)	(781,207)
Miscellaneous Non-Investment Income	68	-	-	68
Total Additions (Decreases)	(302,864)	3,946	(262)	(299,180)
<b>DEDUCTIONS:</b>				
Pension and Annuity Benefits	705,768	11,889	4,401	722,058
Administrative Expense	7,581	70	4	7,655
Refunds	37,915	15	-	37,930
Total Deductions	751,264	11,974	4,405	767,643
<b>Change in Net Assets held in Trust for Employees' Pension Benefits</b>	(1,054,128)	(8,028)	(4,667)	(1,066,823)
<b>Fund Balance - Reserved for Employees' Pension Benefits July 1</b>	15,928,547	227,402	72,375	16,228,324
<b>Fund Balance - Reserved for Employees' Pension Benefits June 30</b>	<b>\$ 14,874,419</b>	<b>\$ 219,374</b>	<b>\$ 67,708</b>	<b>\$ 15,161,501</b>

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# 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.

**Insurance Trust 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 Trust Fund** receives converted sick leave dollars of Department of Natural Resources retirees under the Peace Officers contract to pay health and/or life benefits.

**Veterans Affairs Fund** receives donations, fund raising receipts to be spent for the benefit of the Veteran residents.

**Other Private Purpose Trust Funds** are aggregated for reporting purposes, account for other miscellaneous private purpose trust funds.

STATE of IOWA

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

June 30, 2002  
(Expressed in Thousands)

	<b>IOWA EDUCATIONAL SAVINGS PLAN TRUST</b>	<b>INSURANCE TRUST</b>	<b>SPOC INSURANCE TRUST</b>	<b>VETERANS AFFAIRS</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Cash	\$ 7,667	\$ 2,054	\$ 921	\$ 368	\$ 305	\$ 11,315
Investment	260,448	-	-	-	-	260,448
Accounts Receivable (Net)	90	83	-	2	-	175
Capital Assets (Net)	43	-	-	-	-	43
Prepaid Expense	2	-	12	-	-	14
Inventory	-	-	-	18	-	18
<b>Total Assets</b>	<u>268,250</u>	<u>2,137</u>	<u>933</u>	<u>388</u>	<u>305</u>	<u>272,013</u>
<b>LIABILITIES</b>						
Accounts Payable & Accruals	188	9	1	3	69	270
Capital Lease	33	-	-	-	-	33
Other Financing Arrangements Payable	413	-	-	-	-	413
<b>Total Liabilities</b>	<u>634</u>	<u>9</u>	<u>1</u>	<u>3</u>	<u>69</u>	<u>716</u>
<b>NET ASSETS</b>						
<b>Held for Individuals, Organizations and Other Governments</b>	<u><u>\$ 267,616</u></u>	<u><u>\$ 2,128</u></u>	<u><u>\$ 932</u></u>	<u><u>\$ 385</u></u>	<u><u>\$ 236</u></u>	<u><u>\$ 271,297</u></u>

# STATE OF IOWA

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

For the Year Ended June 30, 2002  
(Expressed in Thousands)

	IOWA EDUCATIONAL SAVINGS PLAN TRUST	INSURANCE TRUST	SPOC INSURANCE TRUST	VETERANS AFFAIRS	OTHER	TOTAL
<b>ADDITIONS</b>						
Contributions:						
Participant Contributions	\$ 224,861	\$ 142	\$ 1,103	\$ 95	\$ -	\$ 226,201
Gifts, Bequests, & Endowments	-	-	-	142	20	162
Total Contributions	224,861	142	1,103	237	20	226,363
Investment Income:						
Net Increase (Decrease) in Fair Value of Investments	(15,490)	(11)	-	-	(7)	(15,508)
Interest	144	113	-	12	(2)	267
Investment Income (Loss)	(15,346)	102	-	12	(9)	(15,241)
Total Additions	209,515	244	1,103	249	11	211,122
<b>DEDUCTIONS:</b>						
Distribution to Participants	2,081	-	-	-	-	2,081
Payments in Accordance with Agreements	-	1,676	171	-	-	1,847
Other	706	-	-	259	-	965
Total Deductions	2,787	1,676	171	259	-	4,893
<b>Change in Net Assets held in Trust for Individuals, Organizations and Other Governments</b>	206,728	(1,432)	932	(10)	11	206,229
<b>Net Assets - July 1</b>	60,888	3,560	-	395	225	65,068
<b>Net Assets - June 30</b>	<u>\$ 267,616</u>	<u>\$ 2,128</u>	<u>\$ 932</u>	<u>\$ 385</u>	<u>\$ 236</u>	<u>\$ 271,297</u>

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# 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** 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** 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**, aggregated for reporting purposes, represent amounts held for inmates and residents of State institutions, miscellaneous clearing accounts, and other deposits.

STATE of IOWA

**Combining Statement of Fiduciary Net Assets  
Agency Funds**

June 30, 2002  
(Expressed in Thousands)

	<b>LOCAL SALES &amp; SERVICE TAX</b>	<b>CENTRALIZED PAYROLL TRUSTEE</b>	<b>JUDICIAL - CLERKS OF DISTRICT COURT</b>	<b>SCHOOL DISTRICT SURTAX CLEARING</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Cash	\$ 603	\$ 17,033	\$ 14,337	\$ 37,746	\$ 21,029	\$ 90,748
Accounts Receivable (Net)	37,314	6,588	-	5,976	45,834	95,712
Other Assets	-	-	-	-	2	2
<b>Total Assets</b>	<b>\$ 37,917</b>	<b>\$ 23,621</b>	<b>\$ 14,337</b>	<b>\$ 43,722</b>	<b>\$ 66,865</b>	<b>\$ 186,462</b>
<b>LIABILITIES</b>						
Accounts Payable & Accruals	\$ 37,917	\$ 23,621	\$ 14,337	\$ 43,722	\$ 66,865	\$ 186,462
<b>Total Liabilities</b>	<b>\$ 37,917</b>	<b>\$ 23,621</b>	<b>\$ 14,337</b>	<b>\$ 43,722</b>	<b>\$ 66,865</b>	<b>\$ 186,462</b>

# STATE OF IOWA

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

For the Year Ended June 30, 2002  
(Expressed in Thousands)

	BALANCE JULY 1, 2001 RESTATED	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2002
<b><u>LOCAL SALES &amp; SERVICE TAX</u></b>				
<b>ASSETS</b>				
Cash	\$ 10	\$ 292,245	\$ 291,652	\$ 603
Accounts Receivable	32,391	37,314	32,391	37,314
<b>Total Assets</b>	<u>\$ 32,401</u>	<u>\$ 329,559</u>	<u>\$ 324,043</u>	<u>\$ 37,917</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 32,401	\$ 329,559	\$ 324,043	\$ 37,917
<b>Total Liabilities</b>	<u>\$ 32,401</u>	<u>\$ 329,559</u>	<u>\$ 324,043</u>	<u>\$ 37,917</u>
<b><u>CENTRALIZED PAYROLL TRUSTEE</u></b>				
<b>ASSETS</b>				
Cash	\$ 16,960	\$ 537,360	\$ 537,287	\$ 17,033
Accounts Receivable	6,672	6,588	6,672	6,588
<b>Total Assets</b>	<u>\$ 23,632</u>	<u>\$ 543,948</u>	<u>\$ 543,959</u>	<u>\$ 23,621</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 23,632	\$ 543,948	\$ 543,959	\$ 23,621
<b>Total Liabilities</b>	<u>\$ 23,632</u>	<u>\$ 543,948</u>	<u>\$ 543,959</u>	<u>\$ 23,621</u>
<b><u>JUDICIAL-CLERKS OF DISTRICT COURT</u></b>				
<b>ASSETS</b>				
Cash	\$ 14,914	\$ 270,107	\$ 270,684	\$ 14,337
<b>Total Assets</b>	<u>\$ 14,914</u>	<u>\$ 270,107</u>	<u>\$ 270,684</u>	<u>\$ 14,337</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 14,914	\$ 270,107	\$ 270,684	\$ 14,337
<b>Total Liabilities</b>	<u>\$ 14,914</u>	<u>\$ 270,107</u>	<u>\$ 270,684</u>	<u>\$ 14,337</u>
<b><u>SCHOOL DISTRICT SURTAX CLEARING</u></b>				
<b>ASSETS</b>				
Cash	\$ 35,077	\$ 48,369	\$ 45,700	\$ 37,746
Accounts Receivable	6,601	5,976	6,601	5,976
<b>Total Assets</b>	<u>\$ 41,678</u>	<u>\$ 54,345</u>	<u>\$ 52,301</u>	<u>\$ 43,722</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 41,678	\$ 54,345	\$ 52,301	\$ 43,722
<b>Total Liabilities</b>	<u>\$ 41,678</u>	<u>\$ 54,345</u>	<u>\$ 52,301</u>	<u>\$ 43,722</u>
<b><u>OTHER AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash	\$ 17,961	\$ 1,000,285	\$ 997,217	\$ 21,029
Accounts Receivable	39,565	45,790	39,521	45,834
Other Assets	3	-	1	2
<b>Total Assets</b>	<u>\$ 57,529</u>	<u>\$ 1,046,075</u>	<u>\$ 1,036,739</u>	<u>\$ 66,865</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 57,529	\$ 1,046,075	\$ 1,036,739	\$ 66,865
<b>Total Liabilities</b>	<u>\$ 57,529</u>	<u>\$ 1,046,075</u>	<u>\$ 1,036,739</u>	<u>\$ 66,865</u>
<b><u>TOTAL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash	\$ 84,922	\$ 2,148,366	\$ 2,142,540	\$ 90,748
Accounts Receivable	85,229	95,668	85,185	95,712
Other Assets	3	-	1	2
<b>Total Assets</b>	<u>\$ 170,154</u>	<u>\$ 2,244,034</u>	<u>\$ 2,227,726</u>	<u>\$ 186,462</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 170,154	\$ 2,244,034	\$ 2,227,726	\$ 186,462
<b>Total Liabilities</b>	<u>\$ 170,154</u>	<u>\$ 2,244,034</u>	<u>\$ 2,227,726</u>	<u>\$ 186,462</u>

STATE of IOWA

**Schedule of Expenditures by Function  
General Fund**

For the Year Ended June 30, 2002  
(Expressed in Thousands)

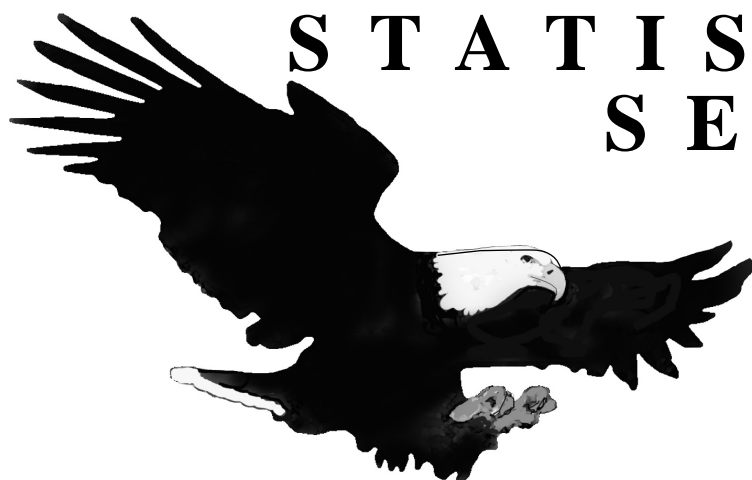
	<b>PERSONAL SERVICES</b>	<b>TRAVEL &amp; SUBSISTENCE</b>	<b>SUPPLIES</b>	<b>CONTRACTUAL SERVICES</b>
ADMINISTRATION & REGULATION	\$ 114,562	\$ 4,818	\$ 5,554	\$ 85,269
EDUCATION	59,899	1,434	6,587	26,155
STATE AID TO UNIVERSITIES	-	-	-	-
HEALTH & HUMAN RIGHTS	74,357	1,374	27,535	149,351
HUMAN SERVICES	264,071	2,751	16,932	100,886
JUSTICE & PUBLIC DEFENSE	420,274	6,691	29,025	96,775
ECONOMIC DEVELOPMENT	52,821	1,313	1,936	43,907
TRANSPORTATION	174,115	18,751	32,437	102,360
AGRICULTURE & NATURAL RESOURCES	73,715	3,506	5,499	34,016
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,233,814</b>	<b>\$ 40,638</b>	<b>\$ 125,505</b>	<b>\$ 638,719</b>

# STATE OF IOWA

<b>EQUIPMENT &amp; REPAIRS</b>	<b>CLAIMS &amp; MISCELLANEOUS</b>	<b>LICENSES PERMITS &amp; REFUNDS</b>	<b>STATE AID</b>	<b>PLANT IMPROVEMENTS</b>	<b>TOTAL</b>
\$ 12,023	\$ 203,472	\$ 243	\$ 667,910	\$ 19,218	\$ 1,113,069
2,021	13,713	-	2,408,410	3,033	2,521,252
-	-	-	646,233	-	646,233
2,209	253	95	25,735	640	281,549
2,294	8,147	312	3,040,285	2,604	3,438,282
11,924	6,026	427	23,036	21,453	615,631
2,931	10,751	9	63,616	10	177,294
11,433	2,119	162	22,557	648,374	1,012,308
8,663	604	4	23,425	13,488	162,920
<b>\$ 53,498</b>	<b>\$ 245,085</b>	<b>\$ 1,252</b>	<b>\$ 6,921,207</b>	<b>\$ 708,820</b>	<b>\$ 9,968,538</b>

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# STATISTICAL SECTION



# STATE of IOWA

## Revenues By Source All Governmental Fund Types

For the Last Ten Years  
(Expressed in Thousands)

	1993	1994	1995	1996
Taxes	\$ 3,930,086	\$ 4,189,067	\$ 4,517,309	\$4,825,953
Receipts From Other				
Entities	1,639,784	1,894,680	1,960,839	2,096,544
Investment Income	38,701	56,421	48,405	63,393
Fees, Licenses & Permits	372,433	380,085	424,648	458,710
Refunds & Reimbursements	123,395	140,927	141,790	171,742
Sales, Rents & Services	7,151	7,658	8,970	11,054
Miscellaneous	41,482	39,936	44,191	51,404
Contributions	-	-	-	-
<b>GROSS REVENUES</b>	6,153,032	6,708,774	7,146,152	7,678,800
Less Revenue Refunds	<u>344,799</u>	<u>427,842</u>	<u>370,777</u>	<u>431,673</u>
<b>TOTAL REVENUES</b>	<u>\$ 5,808,233</u>	<u>\$ 6,280,932</u>	<u>\$ 6,775,375</u>	<u>\$7,247,127</u>

## Expenditures By Function All Governmental Fund Types

For the Last Ten Years  
(Expressed in Thousands)

	1993	1994	1995	1996
Current:				
Administration & Regulation	\$ -	\$ -	\$ -	\$ -
General Government & Regulation	664,064	674,230	670,932	772,197
Education	1,693,681	1,774,344	1,841,394	1,929,444
State Aid to Universities	-	-	-	-
Health & Human Rights	-	-	-	-
Human Services	-	-	-	-
Health & Human Services	1,663,576	1,800,487	1,926,693	2,153,052
Justice & Public Defense	-	-	-	-
Law, Justice & Public Safety	333,560	421,695	406,957	425,073
Economic Development	124,726	189,888	163,865	150,263
Transportation	678,217	691,113	737,429	776,091
Agriculture & Natural				
Resources	86,584	94,973	99,578	101,912
Capital Outlay	<u>24,331</u>	<u>15,367</u>	<u>28,173</u>	<u>45,360</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 5,268,739</u>	<u>\$ 5,662,097</u>	<u>\$ 5,875,021</u>	<u>\$6,353,392</u>



# STATE OF IOWA

1997	1998	1999	2000	2001	2002
\$ 5,042,531	\$ 5,304,243	\$5,394,206	\$ 5,725,416	\$ 5,679,340	\$ 5,646,505
2,113,538	2,141,475	2,304,812	2,638,996	2,774,345	3,257,685
81,212	102,804	89,797	84,798	118,650	97,054
438,849	470,968	504,882	527,687	530,202	554,847
186,697	180,994	176,285	259,611	242,693	949,930
11,420	12,091	15,924	17,764	17,845	27,383
55,772	66,223	78,233	104,369	104,559	141,491
-	-	-	-	-	1,450
7,930,019	8,278,798	8,564,139	9,358,641	9,467,634	10,676,345
454,442	519,292	568,831	585,580	619,317	743,777
<u>\$ 7,475,577</u>	<u>\$ 7,759,506</u>	<u>\$ 7,995,308</u>	<u>\$ 8,773,061</u>	<u>\$ 8,848,317</u>	<u>\$ 9,932,568</u>

1997	1998	1999	2000	2001	2002
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,136,471
822,372	782,362	889,787	943,355	958,734	-
2,130,301	2,233,579	2,320,096	2,476,234	2,572,970	2,610,508
-	-	-	-	-	675,077
-	-	-	-	-	282,234
-	-	-	-	-	3,439,265
2,170,097	2,389,458	2,487,124	2,658,728	2,920,150	-
-	-	-	-	-	636,188
465,623	504,596	559,546	604,067	633,205	-
158,382	161,905	172,962	183,675	188,226	177,567
782,816	803,174	857,384	1,071,919	988,743	1,012,886
109,664	113,238	129,541	144,150	156,111	170,606
72,273	58,068	31,082	34,499	28,827	26,891
<u>\$ 6,711,528</u>	<u>\$ 7,046,380</u>	<u>\$ 7,447,522</u>	<u>\$ 8,116,627</u>	<u>\$ 8,446,966</u>	<u>\$10,167,693</u>

# STATE of IOWA

## PUBLIC EDUCATION

For the Last Ten Years

### Public School Enrollment

GRADES	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
K-8	335,306	333,373	332,838	331,949	330,088	326,621	326,051	324,566	321,854	321,553
9-12	138,705	142,402	147,945	152,491	154,912	155,528	155,834	155,506	155,073	153,856
Special Education	<u>21,331</u>	<u>21,234</u>	<u>19,809</u>	<u>20,065</u>	<u>20,523</u>	<u>22,981</u>	<u>20,649</u>	<u>18,484</u>	<u>17,364</u>	<u>14,114</u>
TOTAL	<u>495,342</u>	<u>497,009</u>	<u>500,592</u>	<u>504,505</u>	<u>505,523</u>	<u>505,130</u>	<u>502,534</u>	<u>498,556</u>	<u>494,291</u>	<u>489,523</u>

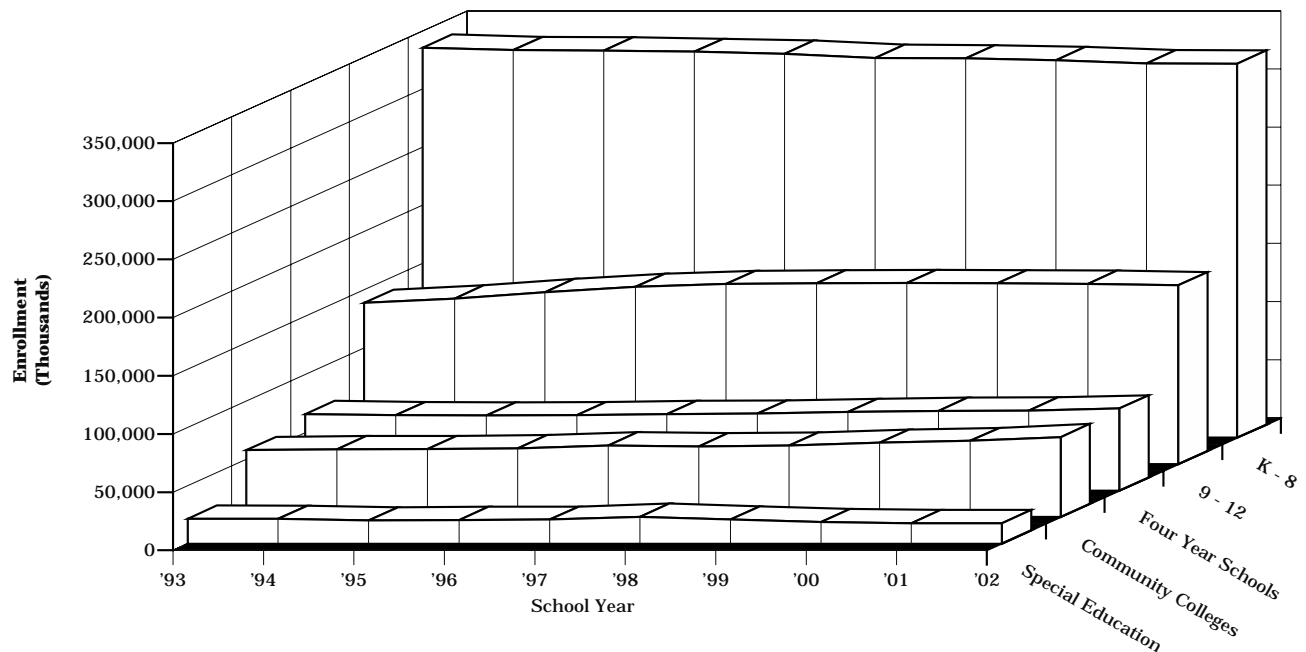
### Public Higher Education Enrollment

	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
Four Year Schools	65,771	64,880	64,599	64,830	65,777	66,363	67,619	68,509	68,709	70,661
Community Colleges	<u>57,652</u>	<u>58,173</u>	<u>58,514</u>	<u>59,111</u>	<u>61,642</u>	<u>60,692</u>	<u>61,479</u>	<u>63,809</u>	<u>65,473</u>	<u>68,790</u>
TOTAL	<u>123,423</u>	<u>123,053</u>	<u>123,113</u>	<u>123,941</u>	<u>127,419</u>	<u>127,055</u>	<u>129,098</u>	<u>132,318</u>	<u>134,182</u>	<u>139,451</u>

Notes: Public School enrollment is based on a headcount taken on the third Friday of September.  
Community College enrollment includes full-time and part-time students.

Sources: Iowa Department of Education.  
Board of Regents, State of Iowa.

Public Education Enrollment  
Ten-Year Comparison



# STATE OF IOWA

## EMPLOYMENT BY INDUSTRY

For the Last Ten Years  
(Expressed in Thousands)

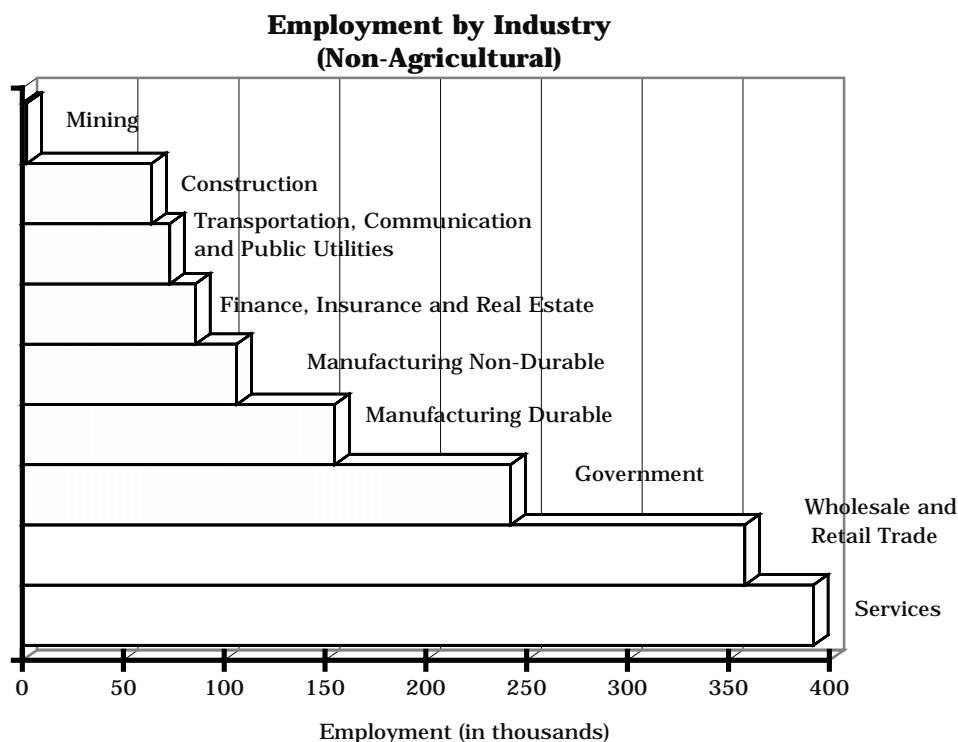
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Manufacturing Durable	126.8	130.2	136.7	141.5	141.5	148.4	154.0	153.1	154.8	147.8
Manufacturing Non-Durable	103.1	105.6	108.2	108.8	105.9	105.3	107.5	108.2	106.3	103.8
Mining	2.1	2.1	2.2	2.1	2.1	2.1	2.2	2.1	2.1	2.1
Construction	47.3	48.4	53.2	54.9	58.5	60.0	62.2	65.2	64.1	63.3
Transportation, Communication and Public Utilities	54.5	56.6	58.9	61.4	62.9	65.4	69.2	72.0	73.0	71.6
Wholesale and Retail Trade	317.5	319.9	330.5	340.5	341.1	345.3	353.9	355.9	358.2	351.4
Finance, Insurance and Real Estate	72.4	74.1	76.6	76.7	77.6	79.4	83.0	85.1	85.8	88.3
Services	306.1	317.4	326.7	341.1	359.1	365.2	378.6	385.7	392.1	394.8
Government	<u>221.6</u>	<u>222.8</u>	<u>226.2</u>	<u>230.1</u>	<u>231.6</u>	<u>234.4</u>	<u>235.7</u>	<u>239.4</u>	<u>242.1</u>	<u>245.6</u>

### TOTAL NON-AGRICULTURAL WAGE AND SALARY EMPLOYEES

1,251.4 1,277.1 1,319.2 1,357.1 1,380.3 1,405.5 1,446.3 1,466.7 1,478.5 1,468.7

Note: An employed individual is counted in the area where he/she works regardless of the area where he/she lives.

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



## **STATE of IOWA**

### **TEN LARGEST NONGOVERNMENTAL EMPLOYERS**

<b>RANK</b>	<b>EMPLOYER</b>	<b>TYPE OF BUSINESS</b>
1	Hy-Vee Food Stores, Inc.	Retail Food
2	Wal-Mart Stores, Inc.	Retail General Merchandise
3	Deere and Company	Machinery Manufacturer
4	Rockwell International	Machinery Manufacturer
5	Principal Financial Group	Insurance Carrier
6	Iowa Beef Processors, Inc.	Meat Packer
7	Pella Corporation	Window Products
8	APAC Teleservices, Inc.	Business Services
9	Central Iowa Health Systems	Hospital/Des Moines
10	Fareway Stores, Inc.	Retail Food

Note: Based on 2001 calendar year annual average employment.

Source: Iowa Workforce Development.

# STATE OF IOWA

## LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

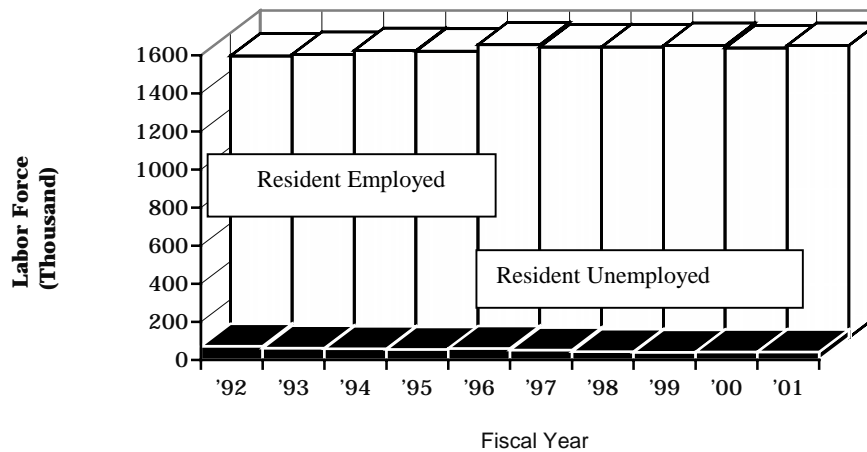
Annual Averages

For the Last Ten Years  
(Expressed in Thousands)

	<b>RESIDENT CIVILIAN LABOR FORCE</b>	<b>RESIDENT EMPLOYMENT</b>	<b>RESIDENT UNEMPLOYED</b>	<b>PERCENT UNEMPLOYED</b>
1992	1,551.0	1,479.0	72.0	4.6
1993	1,550.0	1,488.0	62.0	4.0
1994	1,565.0	1,508.0	58.0	3.7
1995	1,558.8	1,504.4	54.4	3.5
1996	1,599.0	1,539.0	60.0	3.8
1997	1,577.2	1,525.8	51.4	3.3
1998	1,569.8	1,526.3	43.5	2.8
1999	1,574.2	1,534.1	40.1	2.5
2000	1,563.0	1,522.1	40.9	2.6
2001	1,587.8	1,534.8	53.0	3.3

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

**Employment and Unemployment  
Ten-Year Comparison**



## STATE of IOWA

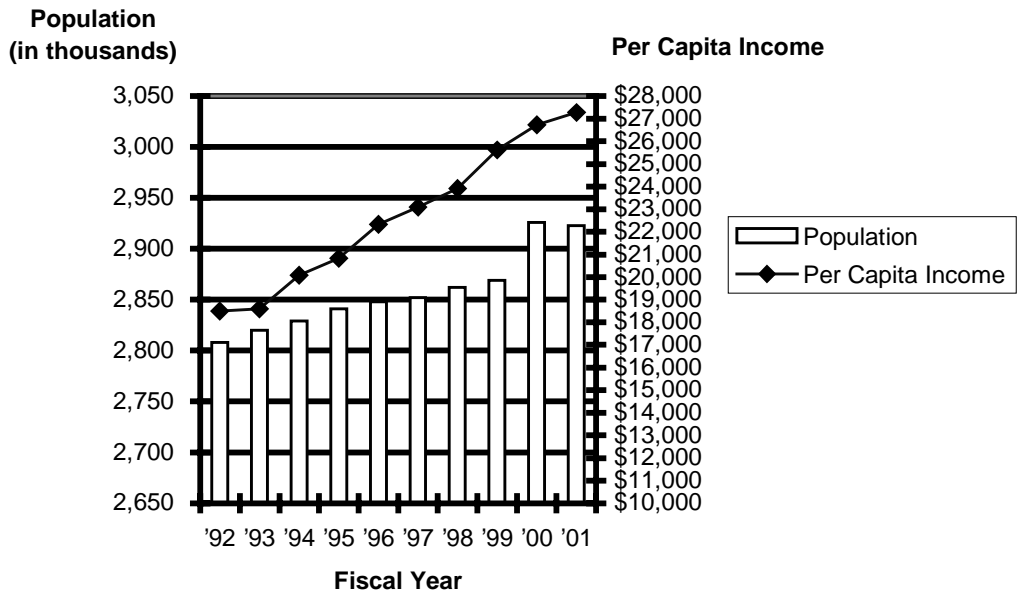
### POPULATION, TOTAL PERSONAL INCOME, AND PER CAPITA PERSONAL INCOME

For the Last Ten Years

	<b>POPULATION</b> (Expressed in Thousands)	<b>TOTAL PERSONAL INCOME</b> (Expressed in Millions)	<b>PER CAPITA PERSONAL INCOME</b> (Expressed in Dollars)
1992	2,808	\$ 51,973	\$ 18,508
1993	2,820	52,431	18,592
1994	2,829	56,802	20,077
1995	2,841	59,158	20,826
1996	2,848	63,597	22,330
1997	2,852	65,896	23,102
1998	2,862	68,473	23,925
1999	2,869	73,500	25,615
2000	2,926	78,200	26,723
2001	2,923	79,753	27,283

Source: U.S. Department of Commerce, Bureau of Economic Analysis

**Iowa Population and  
Per Capita Personal Income  
1992 to 2001**



# STATE OF IOWA

## AGRICULTURE

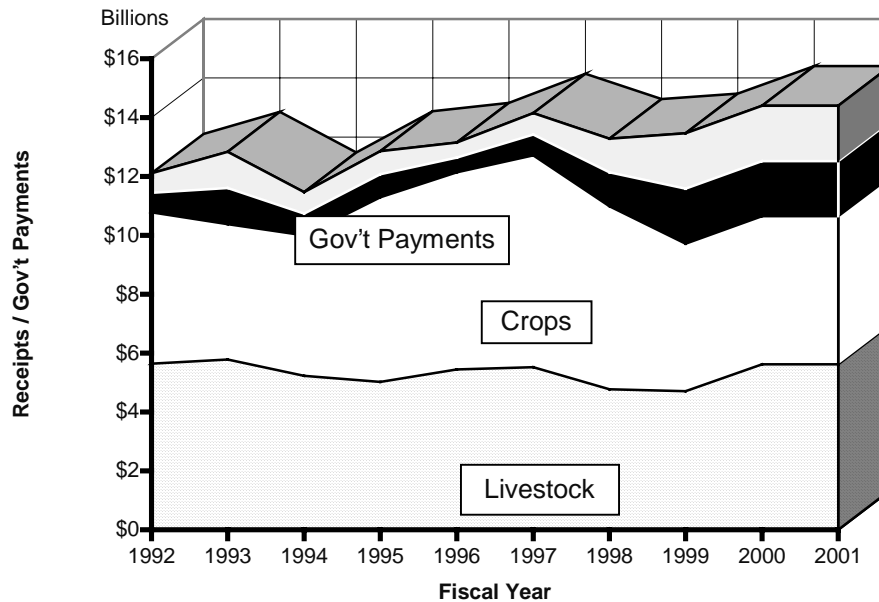
### Cash Receipts and Government Payments

For the Last Ten Years  
(Expressed in Millions)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Cattle	\$ 2,144.7	\$ 2,160.9	\$ 1,856.5	\$ 1,717.6	\$ 1,461.1	\$ 1,652.3	\$ 1,415.1	\$ 1,640.2	\$ 1,839.9	\$ 1,824.2
Hogs	2,732.2	2,820.0	2,571.6	2,480.2	3,004.0	2,957.2	2,413.7	2,204.7	3,071.2	3,131.7
Dairy Products	507.6	506.1	498.6	501.5	540.0	527.2	584.6	500.5	455.2	550.4
Other Livestock	260.7	294.2	304.2	323.0	445.6	393.0	364.2	366.9	380.8	429.3
<b>TOTAL LIVESTOCK</b>	<b>5,645.2</b>	<b>5,781.2</b>	<b>5,230.9</b>	<b>5,022.3</b>	<b>5,450.7</b>	<b>5,529.7</b>	<b>4,777.6</b>	<b>4,712.3</b>	<b>5,747.1</b>	<b>5,935.6</b>
Corn	2,913.2	2,643.8	2,509.5	3,649.4	3,874.7	3,722.3	3,167.8	2,703.6	2,656.4	2,950.9
Soybeans	2,026.9	1,784.6	2,055.4	2,425.0	2,603.4	3,229.3	2,837.3	2,096.6	2,165.5	2,128.0
Other Crops	200.2	177.3	208.5	202.0	219.7	241.3	211.5	204.0	205.3	255.3
<b>TOTAL CROPS</b>	<b>5,140.3</b>	<b>4,605.7</b>	<b>4,773.4</b>	<b>6,276.4</b>	<b>6,697.8</b>	<b>7,192.9</b>	<b>6,216.6</b>	<b>5,004.2</b>	<b>5,027.2</b>	<b>5,334.2</b>
<b>Total Cash Receipts from Crops and Livestock</b>	<b>10,785.5</b>	<b>10,386.9</b>	<b>10,004.3</b>	<b>11,298.7</b>	<b>12,148.5</b>	<b>12,722.6</b>	<b>10,994.2</b>	<b>9,716.5</b>	<b>10,774.3</b>	<b>11,269.8</b>
Government Payments	662.3	1,229.5	732.4	784.7	501.7	709.7	1,146.0	1,875.5	2,302.2	1,971.7
<b>Total Cash Receipts and Government Payments</b>	<b>\$11,447.8</b>	<b>\$11,616.4</b>	<b>\$10,736.7</b>	<b>\$12,083.4</b>	<b>\$12,650.2</b>	<b>\$13,432.3</b>	<b>\$12,140.2</b>	<b>\$11,592.0</b>	<b>\$13,076.5</b>	<b>\$13,241.5</b>

Source: U.S. Department of Agriculture, Economic Research Service.

### Agriculture Cash Receipts and Government Payments



# STATE of IOWA

## REVENUE BOND COVERAGE

For the Last Ten Years  
(Expressed in Thousands)

### IOWA FINANCE AUTHORITY

FISCAL YEAR ENDED JUNE 30	GROSS REVENUES	DIRECT OPERATING EXPENSES	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			
				PRINCIPAL	INTEREST	TOTAL	COVERAGE
1993	\$117,365.2	\$ 825.6	\$ 116,539.6	\$ 76,705.0	\$ 38,896.3	\$ 115,601.3	1.01
1994	111,330.9	816.6	110,514.3	70,574.8	32,987.7	103,562.5	1.07
1995	130,224.7	748.6	129,476.1	109,678.7	30,858.8	140,537.5	.92
1996	83,308.4	735.0	82,573.4	34,387.4	30,191.1	64,578.5	1.28
1997	125,170.3	745.2	124,425.1	92,274.5	29,480.6	121,755.1	1.02
1998	121,084.1	753.7	120,330.4	75,587.0	30,348.2	105,935.2	1.14
1999	99,952.2	1,044.7	98,907.5	49,668.1	29,039.1	78,707.2	1.26
2000	78,131.0	1,784.3	76,346.7	47,982.6	28,623.4	76,606.0	1.00
2001	81,956.8	1,644.2	80,312.6	34,783.6	30,618.7	65,402.3	1.23
2002	152,656.9	146.5	152,510.0	100,977.7	24,627.3	125,605.0	1.21

### IOWA HIGHER EDUCATION LOAN AUTHORITY

FISCAL YEAR ENDED JUNE 30 COVERAGE	DIRECT GROSS REVENUES	NET REVENUE OPERATING EXPENSES	AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			
				PRINCIPAL	INTEREST	TOTAL	
1993	\$ 3,531.9	\$ 128.5	\$ 3,403.4	\$ -	\$ 3,233.3	\$ 3,233.3	1.05
1994	3,672.1	135.7	3,536.4	2,065.0	3,274.4	5,339.4	.66
1995	3,752.3	132.8	3,619.5	2,590.0	3,569.7	6,159.7	.59
1996	3,579.3	146.0	3,433.3	2,605.0	3,333.5	5,938.5	.58
1997	3,391.0	169.7	3,221.3	2,270.0	3,416.4	5,686.4	.57
1998	2,859.3	128.3	2,731.0	1,715.0	2,614.8	4,329.8	.63
1999	2,680.0	114.4	2,565.6	2,010.0	2,406.0	4,416.0	.59
2000	2,504.2	126.9	2,377.3	1,985.0	2,246.2	4,231.2	.56
2001	2,359.5	100.6	2,258.9	2,025.0	2,176.2	4,201.2	.54
2002	1,590.5	110.1	1,480.4	2,145.0	1,335.8	3,480.8	.43

Notes: Gross Revenue and Principal amounts for the Iowa Finance Authority include unexpended bond proceeds used to redeem bonds. Loan principal received in one year is often used to pay bond principal in the following year.



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