

IOWA  
COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT

2004

For the Fiscal Year  
ended June 30, 2004



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**



For the Fiscal Year  
Ended June 30, 2004

GOVERNOR:  
Thomas J. Vilsack

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

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## **ACKNOWLEDGEMENTS**



# **I N T R O D U C T O R Y S E C T I O N**



December 17, 2004

**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, 2004.

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 2003 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 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 Administrative Services 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 2004, 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 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.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A), and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

## **PROFILE OF THE GOVERNMENT**

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.

Departments may request revisions to allotments, appropriations transfers, or supplemental appropriations. The Department of Management approves revised allotments within an appropriation, subject to the Governor's review. The Governor and the Department of Management approve all appropriation transfers. The General Assembly and the Governor act on supplemental appropriation bills in a manner similar to original appropriations. General fund supplemental appropriations totaled \$969,142 for fiscal year 2004. 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 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 2.1% in 2003, 5.5% in 2004, and 4.0% in 2005. While preliminary figures from the Bureau of Economic Analysis of the U.S. Department of Commerce indicated stronger growth in personal income for 2003, subsequent revisions reduced the yearly growth by 2.2%, the third largest negative revision of any state.

Personal income for calendar year 2003 totaled \$85.2 billion, up from 2002's level of \$82.6 billion. Iowa's per capita personal income also grew, to \$28,398 compared to 2002's level of \$27,905.

Finance and insurance was the major sector that showed the strongest personal income growth, increasing by 8.1% in 2003. Other sectors contributing to growth were manufacturing (5.2%), health care (4.9%), and construction (4.2%). By contrast, government grew by just 0.7%, and farm earnings declined by 12.9%.

**Employment.** Iowa continues to have an average unemployment rate below the rate of the nation as a whole. Throughout most of the decade, Iowa's unemployment rate has been between one and two percentage points below the national average. The U.S. unemployment rate for September 2004 was 5.4%, compared to 6.0% in September 2003. By contrast, the seasonally adjusted percent unemployed for the State in September 2004 was 4.7%, compared to 4.6% in September 2003. In September 2004, Iowa had the nineteenth lowest unemployment rate among the 50 states.

In September 2004, there were 1,553,500 employed Iowans, which is up 6,000 over the number from September 2003. The record level, 1,630,500 employed Iowans, was attained in September 2002.

**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 rebounded in the first and second quarters of 2002 but declined in the final two quarters. Strong growth in 2003, and the first two quarters of 2004, has pushed exports to record levels.

Through the second quarter of 2004, Iowa exports of all commodities totaled \$1,661,954,000, a 22.3% increase over 2003's level of \$1,358,471,000. Iowa's record level of exports has been fueled by significant increases in its three largest categories of exports – machinery (17.3%), vehicles (54.9%), and meat (22.7%). Other major categories displaying notable percentage increases include food waste and animal feed (60.5%), cereals (25.5%), and iron and steel (128.5%).

Iowa's largest trading partner is Canada, which purchases 35.9% of all Iowa exports. Exports to Canada increased by 17.7% through the second quarter of 2004 compared to the previous year. Iowa's next two largest trading partners are Mexico (12.5% of all exports) and Japan (10.8% of all exports). Trade with both these countries was also up, by 25.2% with Mexico and 15.1% with Japan.

**Gross State Product.** In 2001, Iowa's gross state product was \$90.9 billion, which reflected 1.4% growth over the previous year. The largest shares of the Iowa gross state product were manufacturing (22%), services (18%), 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 (\$10.1 trillion) grew by 2.5% between 2000 and 2001.

**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 2004 survey, Iowa farmland values had risen by 12% compared to the 2003 survey. Gains were registered in every region in the state, with the north central counties showing the biggest increase (14%), while the south central counties grew the least (8%). Every other region in the state had an increase of at least 11%.

In their July 2003 survey, Iowa farmland values had risen 7% compared to the 2002 survey. The 2002, 2001, 2000 surveys showed increases of 7%, 2%, and 4%, respectively, following a 3% decline in farmland values for 1999.

## **MAJOR INITIATIVES AND ISSUES**

**Grow Iowa Values Fund.** During the 2003 session, the Legislature adopted Governor Vilsack's recommendation that the State make a significant new investment in economic development. The Grow Iowa Values Fund was created to invest \$503 million in five key areas with the goal of creating 50,000 quality, good paying jobs in the next four years. These investments will be made in four key areas: business development and assistance, university research and development, workforce training, and quality of life.

The Legislature appropriated \$59 million in fiscal year 2004 and \$41 million in fiscal year 2005 to the Grow Iowa Values Fund. These were made from the entirety of the State of Iowa's allocation of federal flexible spending grant money appropriated by Congress in June, 2003. The Legislature also made contingent appropriations of \$5.0 million in FY 2004, \$23.0 Million in FY 2005, and \$75.0 million a year in FY 2006 through FY 2010. These appropriations are contingent on sales and use tax receipts growing by more than 2.0% in each of the respective fiscal years.

However, on June 16, 2004, the Iowa Supreme Court ruled that the legislation creating the Grow Iowa Values Fund was invalid. Because the state had already entered into contracts for several projects, the State Appeal Board on August 27, 2004 approved claims totaling \$10,749,754 to cover these contractual obligations.

On September 7, 2004, the general assembly met in special session and approved HF 2581 and SF 2311, which were signed by the Governor. Among other things, these bills created the Federal Economic Stimulus and Jobs Holding Fund and deposited the proceeds from the 2003 Federal Jobs and Growth Tax Relief Reconciliation Act into the Fund. SF 2311 also appropriated a total of \$100.0 million from the Fund to economic development programs previously funded by the Grow Iowa Values Fund.

The original Grow Iowa Values Fund appropriations were repealed by SF 2311. These appropriations totaled \$277.5 million over a four-year period from fiscal year 2004 to fiscal year 2007.

**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 originally made available for allocation to projects from the sale. The bonds are being repaid from gaming receipts over a twenty year period. To date, 11 projects have received allocations from the bond proceeds totaling \$223.3 million. These projects have leveraged over \$1 billion in other investment in the projects.

**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, 155 projects have received \$48.7 million in funding from the program.

**Class Size Reduction and Intervention.** During fiscal year 2004, \$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. In Fiscal Year 2003, \$16.1 million was appropriated from the general fund and \$23.9 million from other funds to continue this program. In Fiscal Year 2004, an additional \$55.6 million was appropriated to continue this program.

**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 2004, the funding from the general fund and other funds totaled \$25.9 million. The additional funding is targeted at children from birth to age 5 and to parent education initiatives.

**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.

**Accountable Government Act.** The Accountable Government Act was passed in 2001. The Act builds upon previous years' progress to achieve a sound governance system that is more 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, performance measures, service contracting, and performance reporting.

During fiscal year 2003, all agencies and departments worked together to create the State's first enterprise strategic plan. This plan includes leadership agenda goals and each agency and department's strategies to achieve the goals. As part of a redesign of the State budget system, a results-based budgeting component has been developed, and performance measures have been created for all budget items within the new budget system. It is expected that this will allow the budget process to be better driven by goals and performance rather than incremental change in funding levels. For fiscal year 2004, all agencies reported their results per their strategic and performance plan goals. Finally, the new Purchasing Results budgeting process for the fiscal year 2006 recommendations, also fulfills Accountable Government Act expectations for results-oriented resource decisions.

**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 (ICIB), 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 (ICIC), 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. In fiscal year 2003, the ICIB had received ten applications, with two from funds requesting certification as community-based seed funds and eight applicants seeking to be designated as a qualifying business. At their February 2003 meeting, the ICIB certified 2 funds and 7 businesses. Through fiscal year 2004, the ICIB has received applications from 5 funds and 17 businesses requesting certification as community-based seed funds and qualifying businesses, respectively.

## 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:

	FY04	FY03	FY02	FY01
Interest Earnings*	\$ 32,709	\$ 38,834	\$ 74,444	\$ 88,637
Average Daily Investment Balance	\$ 1,540,147	\$ 1,373,979	\$ 1,500,726	\$ 1,413,190
Annual Rate of Return	2.12%	2.83%	4.96%	6.27%

\* 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 matures during the fiscal year. The State issued and repaid Tax and Revenue Anticipation Notes of \$575.0 million and Primary Road Fund Revenue Anticipation Notes of \$73.4 million during fiscal year 2004.

Revenue bonds issued by various authorities of the State totaled \$2,511.5 million outstanding at fiscal year-end. This amount consisted of \$820.1 million of component unit – proprietary funds revenue bonds (housing and higher education), \$700.3 million in revenue bonds issued by the three State universities (for facilities), \$628.5 million in revenue bonds issued by the Tobacco Settlement Authority and \$362.6 million in various bonds issued by the Iowa Finance Authority 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 \$38.8 million. COPS represent an ownership interest of the certificate holder in a lease purchase agreement. Other financing arrangements payable, excluding COPS, totaled \$11.8 million at June 30, 2004.

The State has also entered into capital leases and installment purchase agreements for various purposes. Total long-term capital leases and installment purchases outstanding on June 30, 2004, was \$123.9 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 \$2,176.5 million which represents a funding ratio of 88.62%; the Peace Officers' Accident and Disability System (PORS) has an UAAL of \$94.6 million which represents a funded ratio of 72.07%; and the Judicial Retirement System (JRS) has a UAAL of \$21.1 million which represents a funded ratio of 78.71%. Schedules of Funding Progress for PORS and JRS are presented in the Required Supplementary 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 21 – 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, 2003. 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 eleventh 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 State Accounting Enterprise within Administrative Services, the Auditor of State’s Office, and the financial and management personnel throughout State government.

This report, issued for the sixteenth 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,

Mollie K. Anderson, Director  
Department of Administrative Services

Cynthia P. Eisenhauer, 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, 2003

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.



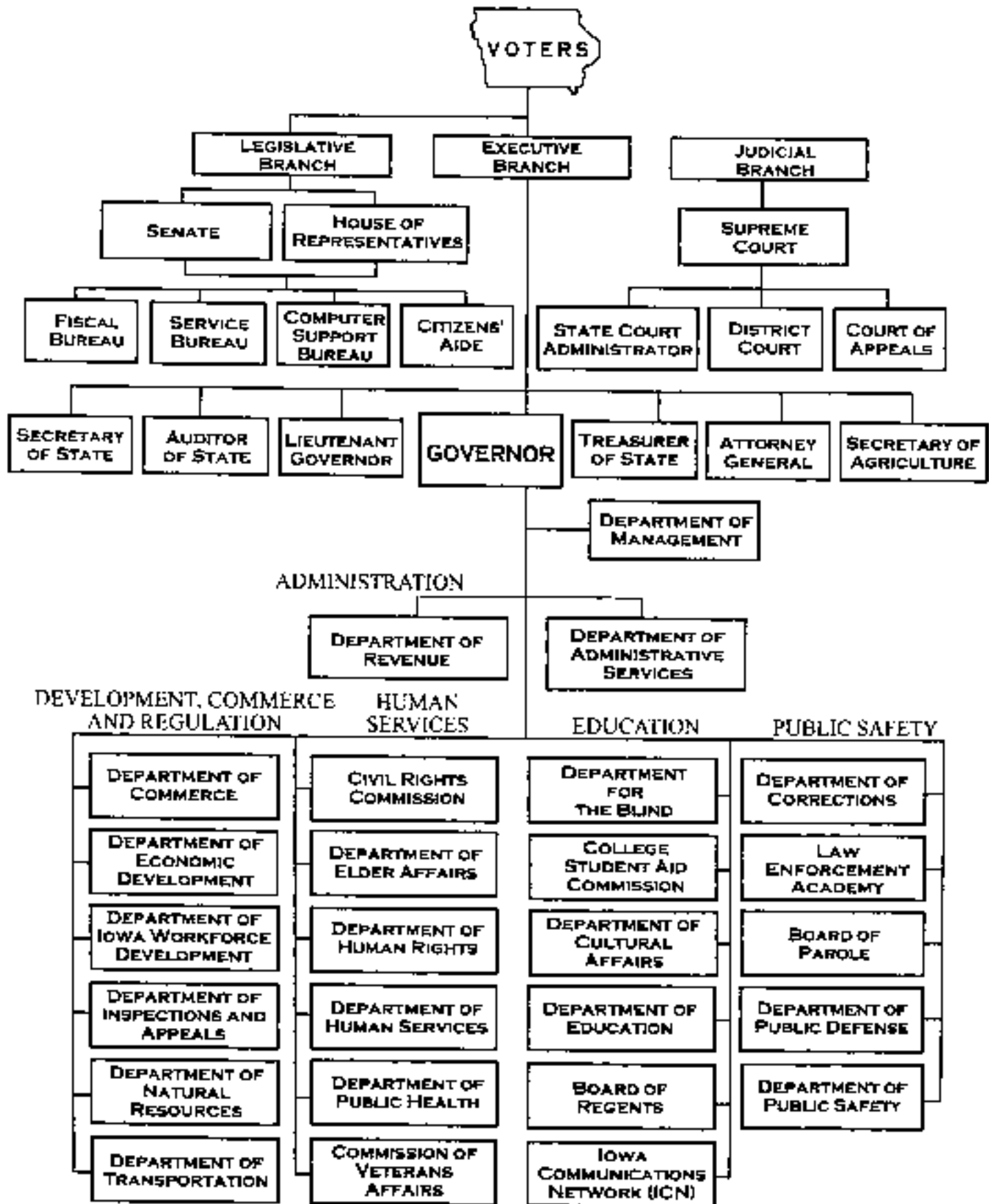
*Nancy L. Ziehl*

President

*Jeffrey R. Enos*

Executive Director

# IOWA ORGANIZATION STRUCTURE



**P R I N C I P A L O F F I C I A L S**

**Elected Officials**

---

GOVERNOR - **Thomas J. Vilsack**  
LIEUTENANT GOVERNOR - **Sally J. Pederson**  
SECRETARY OF STATE - **Chester J. Culver**  
AUDITOR OF STATE - **David A. Vaudt**  
TREASURER OF STATE - **Michael L. Fitzgerald**  
SECRETARY OF AGRICULTURE - **Patty J. Judge**  
ATTORNEY GENERAL - **Thomas J. Miller**

**Legislative Branch**

---

PRESIDENT OF THE SENATE - **Jeff M. Lamberti**  
SPEAKER OF THE  
HOUSE OF REPRESENTATIVES - **Christopher C. Rants**

**Judicial Branch**

---

CHIEF JUSTICE OF  
THE SUPREME COURT - **Louis A. Lavorato**



**F I N A N C I A L  
S E C T I O N**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

**Independent Auditor's Report**

To the Governor and Members of the General Assembly:

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, 2004, 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 98% of assets and 96% 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. 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 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, 2004, 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.

As described in note 19 to the financial statements, during the year ended June 30, 2004, the State of Iowa implemented Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations Are Component Units.

For the year ended June 30, 2004, appropriations of \$21,722,449 were made from the Rebuild Iowa Infrastructure Fund for items inconsistent with the fund's legislatively established purpose to be used for public vertical infrastructure-related expenditures. These items included, but were not limited to, transfers to the General Fund, support of various technology programs, routine maintenance of state buildings and the establishment of loan programs and a Housing Trust Fund. Expenditures for these items during the year ended June 30, 2004 totaled \$20,941,204 of which \$1,458,302 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.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedules of Funding Progress on pages 4 through 13 and 72 through 78 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 other supplementary information and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is 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 it

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. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 17, 2004

## 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, 2004. 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.

### FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

During the fiscal year 2004, the State reclassified the Tobacco Settlement Authority from a business type activity (enterprise fund) to a governmental activity (special revenue fund). In addition, the Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Issues*, was retroactively adopted. This resulted in restatements to beginning balances in both the governmental (\$539.8 million decrease) and business type (\$560.9 million increase) activities (see Note 19). To facilitate and enhance comparability in this discussion and analysis, fiscal year 2003 amounts have been revised to reflect the changes as if they had been made in the prior year.

#### Government-wide Highlights

- The assets of the State of Iowa exceeded its liabilities at the close of fiscal year 2004 by \$10,346.0 million (net assets). Of this amount \$696.0 million (unrestricted net assets) is available to be used to meet the State's ongoing obligations to citizens and creditors.
- Total net assets increased by \$400.9 million in the fiscal year ended June 30, 2004. Net assets of governmental activities increased by \$307.1 million or 4.7 percent, while net assets of business-type activities increased by \$93.8 million or 2.7 percent.
- In the State's governmental activities, revenues increased slightly to \$10,034.5 million while expenses decreased 0.4 percent to \$9,951.8 million.
- For business-type activities, revenues increased 4.5 percent to \$3,560.3 million while expenses increased 5.8 percent to \$3,344.4 million.

#### Fund Highlights

- The State's governmental funds reported a combined ending fund balance of \$2,354.8 million, a \$146.0 increase from the prior year. Of this amount, \$546.4 million represents unreserved fund balance and the remaining \$1,808.4 million is reserved for specific purposes.
- The General Fund total fund balance increased \$217.8 million to \$1,876.7 million and the unreserved fund balance increased \$264.8 million to \$445.6 million at June 30, 2004.
- Tobacco Tax-Exempt Bond Proceeds Fund did not meet the criteria for major fund reporting and is no longer reported as a major fund.
- The proprietary funds reported net assets at year-end of \$3,551.3 million, an increase of \$93.8 million.

#### Long-term Debt

- The State's total long-term debt increased by \$27.3 million to \$1,730.3 million during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of the CAFR consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements, required supplementary information*, and an optional section that presents *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 resources 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 and the Unemployment Insurance Fund that charge fees to external customers and function similarly to private business are included here.
- *Component units*—These are operations that are legally separate from the State, but for which the State is financially accountable. The State's discretely presented component units are:
  - Iowa Finance Authority (Business-type)
  - Iowa Higher Education Loan Authority (Business-type)
  - Iowa Agricultural Development Authority (Business-type)
  - Iowa State Fair Authority (Business-type)
  - Universities Foundations (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 is the State's major governmental fund. Nonmajor governmental funds are reported by fund type in the Combining Financial Statements – Nonmajor funds.
- *Proprietary funds*—Services for which the State charges customers a fee are generally reported in proprietary funds. Proprietary funds use the accrual basis of accounting and, like the government-wide statements, provide both long- 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**

<b>Major Features of the State’s Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	Entire State government (except fiduciary funds) and the State’s component units	The activities of the State that are not proprietary or fiduciary, such as Human Services and Transportation	Activities the State operates similar to private businesses: the universities and the Iowa Communications Network	Instances in which the State is the trustee or agent for someone else’s resources, such as the retirement plan for public employees
<b>Required financial statements</b>	<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 \$10,346.0 million at the end of 2004, compared to \$9,945.1 million at the end of the previous year, as indicated in Table 2.

<b>Table 2</b> <b>Net Assets</b> <b>(In Millions)</b>							
	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2004	2003	2004	2003	2004	2003	2003 - 2004
Current and other assets	\$ 3,407.1	\$ 3,153.9	\$ 2,798.2	\$ 2,756.5	\$ 6,205.3	\$ 5,910.4	5.0%
Capital assets	5,543.7	5,458.8	2,378.7	2,214.0	7,922.4	7,672.8	3.3%
Total assets	8,950.8	8,612.7	5,176.9	4,970.5	14,127.7	13,583.2	4.0%
Long-term liabilities	1,061.9	1,149.3	974.9	926.5	2,036.8	2,075.8	-1.9%
Other liabilities	1,094.2	975.7	650.7	586.5	1,744.9	1,562.2	11.7%
Total liabilities	2,156.1	2,125.0	1,625.6	1,513.0	3,781.7	3,638.0	3.9%
Net assets							
Invested in capital assets,							
Net of related debt	5,465.0	5,371.0	1,621.4	1,528.9	7,086.4	6,899.9	2.7%
Restricted	1,382.4	1,373.9	1,181.2	1,123.7	2,563.6	2,497.6	2.6%
Unrestricted	(52.7)	(257.3)	748.7	804.9	696.0	547.6	27.1%
Total net assets	\$ 6,794.7	\$ 6,487.6	\$ 3,551.3	\$ 3,457.5	\$ 10,346.0	\$ 9,945.1	4.0%

Net assets of the State's governmental activities increased 4.7 percent to \$6,794.7 million. The largest component (80.4%) 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 (20.3%). 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 (-0.7%) and may be used at the State's discretion, but often have limitations on use based on State statutes. The negative unrestricted net asset balance is primarily attributed to the State's issuance of debt for which the related offsetting assets are not the State's. The negative \$52.7 million unrestricted net asset balance is a increase of \$204.6 million or 79.5 percent from the prior year.

The net assets of business-type activities increased by 2.7 percent to \$3,551.3 million. The State generally can only use these net assets to finance the continuing operations of the universities, unemployment insurance and other business-type activities.

## Changes in Net Assets

The State's total net assets increased by \$400.9 million during the year, as indicated in Table 3. The \$102.3 million special item, resulting from the gambling tax liability settlement, contributed significantly to the increase in Net Assets of both Government Activities and the Total Primary Government.

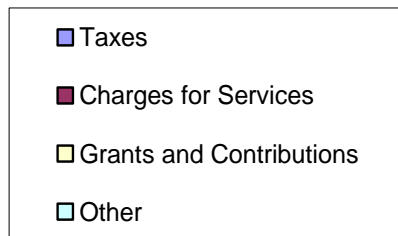
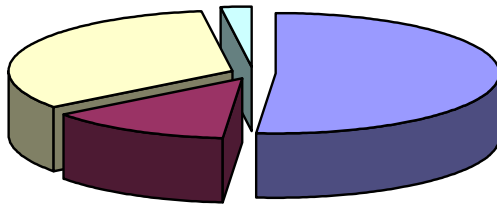
**Table 3**  
**Changes in Net Assets**

(In Millions)

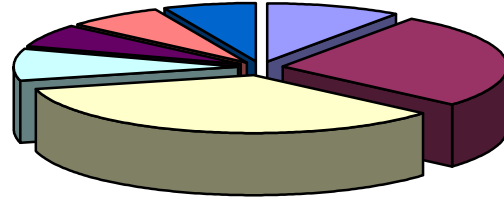
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Total Percentage Change</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2003 - 2004</b>
Program Revenues:							
Charges for Service	\$ 1,323.3	\$ 1,645.4	\$ 2,292.2	\$ 2,147.2	\$ 3,615.5	\$ 3,792.6	-4.7%
Operating Grants and Contributions	3,314.5	3,196.0	427.6	349.1	3,742.1	3,545.1	5.6%
Capital Grants and Contributions	4.3	6.5	58.0	57.8	62.3	64.3	-3.1%
General Revenues:							
Personal Income Tax	2,090.7	1,922.3	-	-	2,090.7	1,922.3	8.8%
Corporate Income Tax	97.8	148.2	-	-	97.8	148.2	-34.0%
Sales & Use Tax	1,688.9	1,635.6	-	-	1,688.9	1,635.6	3.3%
Other Taxes	598.2	563.8	-	10.2	598.2	574.0	4.2%
Restricted for Transportation Purposes:							
Motor Fuel Tax	435.4	464.1	-	-	435.4	464.1	-6.2%
Road Use Tax	252.3	246.2	-	-	252.3	246.2	2.5%
Unrestricted Investment Earnings	62.1	65.8	88.9	95.3	151.0	161.1	-6.3%
State Aid to Universities	-	-	635.5	681.3	635.5	681.3	-6.7%
Other	167.0	139.0	58.1	66.9	225.1	205.9	9.3%
<b>Total Revenues</b>	<b>10,034.5</b>	<b>10,032.9</b>	<b>3,560.3</b>	<b>3,407.8</b>	<b>13,594.8</b>	<b>13,440.7</b>	<b>1.1%</b>
Expenses							
Administration & Regulation	972.6	1,180.5	-	-	972.6	1,180.5	-17.6%
Education	2,650.6	2,628.7	-	-	2,650.6	2,628.7	0.8%
State Aid to Universities	635.5	681.3	-	-	635.5	681.3	-6.7%
Health & Human Rights	317.9	306.2	-	-	317.9	306.2	3.8%
Human Services	3,429.6	3,396.2	-	-	3,429.6	3,396.2	1.0%
Justice & Public Defense	663.1	631.2	-	-	663.1	631.2	5.1%
Economic Development	202.1	184.7	-	-	202.1	184.7	9.4%
Transportation	906.1	819.5	-	-	906.1	819.5	10.6%
Agriculture & Natural Resources	155.2	147.9	-	-	155.2	147.9	4.9%
Interest Expense	19.1	20.2	-	-	19.1	20.2	-5.4%
Universities	-	-	2,644.0	2,424.3	2,644.0	2,424.3	9.1%
Unemployment Insurance	-	-	389.9	445.1	389.9	445.1	-12.4%
Other Business-type	-	-	310.5	291.4	310.5	291.4	6.6%
<b>Total Expenses</b>	<b>9,951.8</b>	<b>9,996.4</b>	<b>3,344.4</b>	<b>3,160.8</b>	<b>13,296.2</b>	<b>13,157.2</b>	<b>1.1%</b>
Increase in Net Assets Before Transfers and Special Item	82.7	36.5	215.9	247.0	298.6	283.5	5.3%
Transfers	122.1	88.5	(122.1)	(88.5)	-	-	0.0%
Special Item	102.3	-	-	-	102.3	-	100.0%
<b>Increase (Decrease) in Net Assets</b>	<b>307.1</b>	<b>125.0</b>	<b>93.8</b>	<b>158.5</b>	<b>400.9</b>	<b>283.5</b>	<b>41.4%</b>
<b>Net Assets July 1 (Restated)</b>	<b>6,487.6</b>	<b>6,362.6</b>	<b>3,457.5</b>	<b>3,299.0</b>	<b>9,945.1</b>	<b>9,661.6</b>	<b>2.9%</b>
<b>Net Assets June 30</b>	<b>\$ 6,794.7</b>	<b>\$ 6,487.6</b>	<b>\$ 3,551.3</b>	<b>\$ 3,457.5</b>	<b>\$ 10,346.0</b>	<b>\$ 9,945.1</b>	<b>4.0%</b>

## Governmental Activities

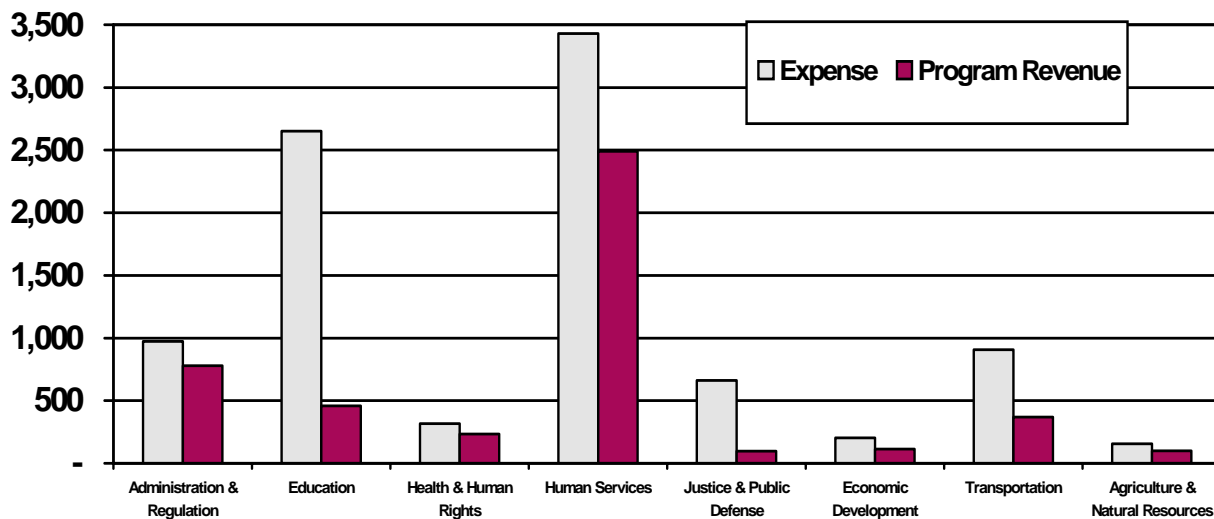
**FY 04 Revenues -  
Governmental Activities**



**FY 04 Functional Expenditures -  
Governmental Activities**



**Expenses and Program Revenues – Government Activities  
(In Millions)**



The cost of all governmental activities this year was \$9,951.8 million.

- However, the amount that taxpayers paid for these activities through State taxes was \$5,163.2 million. Some of the cost was paid by:
  - Those who directly benefited from the programs (\$1,323.3 million), or
  - Other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$3,318.8 million).

## **Business-type Activities**

- Universities had \$2,644.0 million in expenses and \$2,011.2 million in program revenues for net expenses of \$632.8 million.
- Unemployment Insurance had \$389.9 million in expenses and \$350.8 million in program revenues for net expenses of \$39.1 million.

In total, business-type activities had net expense of \$566.5 million with \$660.3 million in net general revenues and transfers, an increase of \$93.8 million, to end with net assets of \$3,551.3 million.

Expenses increased approximately \$183.6 million or 5.8 percent in fiscal year 2004. The Universities operating expenditures increased \$195.8 million or 8.2 percent due primarily to a \$174.5 million increase in personal services expenses.

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

The governmental funds reported total fund balances of 2,354.8 million, with \$546.4 million in unreserved fund balance. Net revenues totaled \$10,075.8 million with expenditures of \$10,053.9 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 \$1,876.7 million and the unreserved fund balance was \$445.6 million. The unreserved fund balance included \$175.5 million of "rainy day" funds. The net change in fund balance was an increase of \$217.8 million. Expenditures exceeded revenues by \$6.3 million, while other financing sources exceeded uses by \$224.2 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 - \$969,142
- Spending reductions - \$74,297,962 in appropriation reductions
- Adjustments to standing appropriations - \$22,928,692

The originally enacted General Fund budget of \$4,573.1 million was predicated on 0.1% growth in General Fund revenues, as projected by the State's revenue estimating conference (REC) on December 6, 2002. While general fund revenue growth had been negative in both of the previous two fiscal years, the estimate reflected the expectation that revenue growth would return with the end of the recession; the National Bureau of Economic Research determined that the national economy returned to economic expansion in November 2001.

However, at their October 10, 2003 meeting, the REC lowered their General Fund revenue estimate, to \$4,497.5 million. With concerns that revenue trends had turned and expenditure pressures were growing, on October 14, 2003, Governor Vilsack signed Executive Order Number Thirty-one, which ordered all state agencies to implement at 2.5% across the board budget reduction for fiscal year 2004. This reduced General Fund appropriations by \$82,553,189.

During the 2003 legislative session, as part of a government reinvention bill (HF 453), certain departments and agencies in state government were given the opportunity to apply to be "Charter Agencies." In return for their pledge to reduce their General Fund appropriations or increase General Fund revenue, they were granted, by law, certain exemptions from statutes, rules and other requirements. One of these was to be exempt from across the board budget General Fund budget reductions in both fiscal years 2004 and 2005. As a consequence, the Departments of Corrections, Human Services, Natural Resources, Revenue, the Iowa Veterans Home, and the Alcoholic Beverages Division of the Department of Commerce were not subject to the 2.5% across the board budget reduction.

During the 2004 legislative session, Governor Vilsack did not recommend any supplemental General Fund appropriations. During the legislative session, the General Assembly approved three General Fund supplemental appropriations. The Office of the Secretary of State received an appropriation of \$765,000 for the state match for the federal Help America Vote Act, the Birth Defects Registry in the Department of Public Health was appropriated \$67,367, and Child Abuse Prevention programs in the Department of Human Services received \$136,775. All of these were signed into law by Governor Vilsack.

At its March 19, 2004 meeting, the REC revised upward its fiscal year 2004 General Fund revenue estimate, to \$4,513.4 million. Revenue growth in both April and May was much stronger than the REC projections, with annual growth at the end of May of 4.2%, more than double the REC estimate of 1.8%. As a consequence, on June 26, 2004, Governor Vilsack signed Executive Order Number Thirty-six, which modified the across the board budget reduction to 2.25% from the 2.5% order in Executive Order Number Thirty-one. This restored General Fund appropriations in the amount of \$8,255,227.

The State of Iowa has various statutory standing appropriations where a fixed amount is not appropriated. These are either formula-driven (in the case of the largest General Fund appropriation, for school foundation aid to local school districts), or for items like paying claims against the State through the State Appeal Board. For fiscal year 2004, these standing appropriations exceeded the original estimates by \$22,928,692. The largest variance was for paying Appeal Board claims, which were \$19,843,816 over the estimate. Payment to local school districts through the school aid formula exceeded the estimate by \$3,652,912. The budget for the General Assembly exceeded its estimate by \$867,734. A variety of other appropriations made up the balance of the changes to standing appropriations.

On June 16, 2004, the Iowa Supreme Court ruled that the legislation creating the Grow Iowa Values Fund during the 2003 session was invalid, which also invalidated appropriations to that fund of \$59 million in fiscal year 2004 and \$41 million in fiscal year 2005. These were made from the entirety of the State of Iowa's allocation of federal flexible spending grant money appropriated by Congress in June, 2003. The Legislature also made contingent appropriations of \$5.0 million in FY 2004, \$23.0 million in FY 2005, and \$75.0 million a year in FY 2006 through FY 2010. These appropriations were contingent on sales and use tax receipts growing by more than 2.0% in each of the respective fiscal years.

Because the State had already entered into contracts for several projects, the State Appeal Board on August 27, 2004, approved claims totaling \$10,749,754 to cover these contractual obligations. This made up the majority of the variance between Appeal Board claims and the estimate for fiscal year 2004.

On September 7, 2004, the general assembly met in special session and approved HF 2581 and SF 2311, which were signed by the Governor. Among other things, these bills created the Federal Economic Stimulus and Jobs Holding Fund and deposited the proceeds from the 2003 Federal Jobs and Growth Tax Relief Reconciliation Act into the Fund. SF 2311 also appropriated a total of \$100.0 million from the Fund to economic development programs previously funded by the Grow Iowa Values Fund. The original Grow Iowa Values Fund appropriations were repealed by SF 2311. These appropriations totaled \$277.5 million over a four-year period from fiscal year 2004 to fiscal year 2007.

During June and throughout the accrual period, actual General Fund revenue collections continued to exceed the official REC projections. At the close of the fiscal year, revenue collections totaled \$5,257.9 million which was 4.2% growth. As a consequence, the General Fund ending balance for fiscal year 2004 totaled \$166.0 million.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the State had \$7,922.4 million invested in capital assets, net of accumulated depreciation of \$5,131.6 million. Depreciation charges totaled \$504.6 million in 2004. The details of these assets are presented in Table 4. Additional information about the State's capital assets is presented in NOTE 6 of the financial statements.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Total Percentage Change 2003 - 2004</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	
Land	\$565.1	\$595.3	\$27.3	\$26.7	\$592.4	\$622.0	-4.8%
Building and Improvements	466.6	431.0	1,319.7	1,162.9	1,786.3	1,593.9	12.1%
Equipment	140.9	140.1	296.6	321.1	437.5	461.2	-5.1%
Land Improvements	6.7	6.9	29.0	24.0	35.7	30.9	15.5%
Works of Art and Collections	0.9	0.9	238.5	227.3	239.4	228.2	4.9%
Infrastructure	4,286.4	4,203.2	222.4	221.8	4,508.8	4,425.0	1.9%
Construction in progress	77.1	81.4	245.2	230.2	322.3	311.6	3.4%
<b>Total</b>	<b>\$5,543.7</b>	<b>\$5,458.8</b>	<b>\$2,378.7</b>	<b>\$2,214.0</b>	<b>\$7,922.4</b>	<b>\$7,672.8</b>	<b>3.3%</b>

### Long-term Debt

At year-end the State had \$1,730.3 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.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Total Percentage Change 2003 - 2004</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	
Revenue Bonds*	\$ 991.2	\$ 1,012.4	\$ 700.3	\$ 640.5	\$ 1,691.5	\$ 1,652.9	2.3%
Certificates of Participation	2.5	3.2	36.3	46.9	38.8	50.1	-22.6%
<b>Total</b>	<b>\$ 993.7</b>	<b>\$ 1,015.6</b>	<b>\$ 736.6</b>	<b>\$ 687.4</b>	<b>\$1,730.3</b>	<b>\$1,703.0</b>	<b>1.6%</b>

\* - The revenue bonds have been restated to reflect the reclassification of the Tobacco Settlement Authority from a business-type activity to a governmental activity for FY 2004. See Note 19.

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

Along with most other states, Iowa enjoyed improved fiscal health in fiscal year 2004, with the second half of the fiscal year showing a strong rebound in revenue collections. Iowa's 4.2% General Fund revenue growth reversed a two year decline in General Fund revenue collections. This was the trend nationally as well, with revenue collections for all States increasing by 11.4% in the April-June 2004 quarter, the third straight quarter of positive revenue growth.

Given the negative revenue growth from the previous two fiscal years, it is understandable that the originally enacted General Fund appropriations for fiscal year 2004, \$4,562.5 million, were about the same level as the General Fund appropriations for the previous year. After the across the board budget reduction, the remaining General Fund appropriations were less than for fiscal year 2003.

The Governor and General Assembly continued to exhibit caution in fashioning the General Fund budget for 2005. Amounts available for appropriation in the General Fund budget was \$4,540.0 million. Budgeted expenditures totaled \$4,452.1 million, a reduction of \$65.3 million from the actual 2004 General Fund budget. There are no major new programs in the 2005 budget.

At REC meetings in August and October, the fiscal year 2005 revenue estimate was increased to \$5,374.7 million, largely as a result of adjusting the base to reflect actual revenue collections in fiscal year 2004. The revised estimate reflects projected revenue growth of 0.9% compared to actual revenues for the previous fiscal year. This revised revenue projection coupled with current General Fund appropriations would leave an ending balance of \$264.8 million at the close of fiscal year 2005.

While recent revenue performance is encouraging there are concerns that the national and state economies are slowing and may not match the performance of the end of fiscal year 2004. Iowa's unemployment rate grew to 4.8% in October 2004, which was the highest unemployment rate experienced during the calendar year. Iowa's unemployment rate is also trending closer to the national rate, which was 5.5%. Some of this may result from individuals returning to the workforce; total non-farm employment has grown for four straight months after a decline in June 2004, and is now 8,200 more than a year ago.

Nationally, actions to increase interest rates by the Federal Reserve Board have dampened the housing construction market and the economy in general. Growth in gross domestic product (GDP) has slowed to 3.9% and 3.3% in the second and third quarters of 2004, after growth of 4.5%, 4.2%, and 7.4% in the previous three quarters. Meanwhile, declines in the dollar and increases in commodity prices have heightened concerns about inflation, and global instability has had an impact on business and consumer confidence and spending. These factors will likely lead to continued caution on the State budget and revenue fronts.

## **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 Administrative Services  
Hoover State Office Building  
Des Moines, IA 50319



**BASIC  
FINANCIAL  
STATEMENTS**

# STATE OF IOWA

## Statement of Net Assets

June 30, 2004  
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash & Investments	\$ 1,933,536	\$ 1,686,394	\$ 3,619,930	\$ 1,018,184
Cash & Investments - Restricted	-	26,033	26,033	3,553
Deposits With Trustees	5,202	28,494	33,696	-
Accounts Receivable (Net)	1,238,208	420,704	1,658,912	34,503
Interest Receivable	-	3,369	3,369	8,309
Loans Receivable (Net)	15,977	6,519	22,496	24,645
Benefit Overpayment Receivable	-	11,675	11,675	-
Internal Balances	15,816	(15,816)	-	-
Inventory	18,833	49,593	68,426	164
Prepaid Expenses	13,846	9,107	22,953	762
Other Assets	67	1,111	1,178	1,215
Investment In Prize Annuity	-	9,354	9,354	-
Total Current Assets	3,241,485	2,236,537	5,478,022	1,091,335
Noncurrent Assets:				
Cash & Investments	-	402,540	402,540	781,237
Cash & Investments - Restricted	-	-	-	297,231
Deposits With Trustees	-	936	936	-
Accounts Receivable (Net)	25,338	33,067	58,405	101,714
Interest Receivable	-	813	813	-
Loans Receivable (Net)	126,430	64,883	191,313	377,065
Benefit Overpayment Receivable	-	557	557	-
Capital Assets - nondepreciable	642,237	477,431	1,119,668	4,837
Capital Assets - depreciable (Net)	4,901,483	1,901,279	6,802,762	68,226
Prepaid Expenses	-	680	680	-
Deferred Charges	2,639	-	2,639	-
Other Assets	11,242	21,562	32,804	7,327
Investment In Prize Annuity	-	32,381	32,381	-
Prize Deposit	-	4,235	4,235	-
Total Noncurrent Assets	5,709,369	2,940,364	8,649,733	1,637,637
TOTAL ASSETS	8,950,854	5,176,901	14,127,755	2,728,972

The notes are an integral part of the financial statements.

(continued on next page)

# STATE OF IOWA

(continued)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
LIABILITIES				
Current Liabilities:				
Accounts Payable & Accruals	866,330	266,080	1,132,410	11,663
Interest Payable	6,880	19,790	26,670	16,512
Deferred Revenue	72,806	64,702	137,508	684
Compensated Absences	125,969	69,090	195,059	-
Capital Leases	1,095	10,241	11,336	1,475
Bonds Payable	20,423	38,328	58,751	60,813
Other Financing				
Arrangements Payable	722	12,706	13,428	-
Annuities Payable	-	9,488	9,488	-
Lottery Prizes Payable	-	3,457	3,457	-
Funds Held In Custody	-	156,853	156,853	72,255
Other	-	-	-	2,234
Total Current Liabilities	1,094,225	650,735	1,744,960	165,636
Noncurrent Liabilities:				
Accounts Payable & Accruals	70,474	22,688	93,162	-
Interest Payable	-	4,732	4,732	-
Deferred Revenue	-	3,383	3,383	5,967
Compensated Absences	12,390	62,263	74,653	168
Capital Leases	3,403	98,404	101,807	9,315
Bonds Payable	970,733	661,929	1,632,662	759,303
Other Financing				
Arrangements Payable	4,918	32,235	37,153	-
Annuities Payable	-	32,381	32,381	-
Funds Held In Custody	-	52,629	52,629	5,222
Other	-	4,256	4,256	78,553
Total Noncurrent Liabilities	1,061,918	974,900	2,036,818	858,528
TOTAL LIABILITIES	2,156,143	1,625,635	3,781,778	1,024,164
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	5,465,035	1,621,420	7,086,455	58,569
Restricted for:				
Transportation	613,713	-	613,713	-
Underground Storage Tank Program	103,527	-	103,527	-
Education	62,697	-	62,697	-
Health & Human Rights	297,810	-	297,810	-
Debt Service	191,360	-	191,360	-
Universities	-	402,758	402,758	-
Permanent Funds - Nonexpendable	9,529	-	9,529	-
Unemployment Benefits	-	778,406	778,406	-
Other	103,781	-	103,781	1,191,981
Unrestricted	(52,741)	748,682	695,941	454,258
TOTAL NET ASSETS	\$ 6,794,711	\$ 3,551,266	\$ 10,345,977	\$ 1,704,808

# STATE OF IOWA

## Statement of Activities

For the Year Ended June 30, 2004  
(Expressed in Thousands)

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>		
		<b>Charges for Service</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
Administration & Regulation	\$ 972,615	\$ 749,752	\$ 27,975	\$ -
Education	2,650,631	26,038	433,347	735
State Aid to Universities	635,488	-	-	-
Health & Human Rights	317,842	32,242	201,838	292
Human Services	3,429,548	410,310	2,080,264	-
Justice & Public Defense	663,134	23,811	73,146	-
Economic Development	202,133	1,121	113,181	-
Transportation	906,054	19,279	349,636	-
Agriculture & Natural Resources	155,220	60,744	35,084	3,260
Interest Expense	19,123	-	-	-
<b>Total Governmental Activities</b>	<b>9,951,788</b>	<b>1,323,297</b>	<b>3,314,471</b>	<b>4,287</b>
Business-type Activities:				
Universities	2,643,969	1,583,183	381,204	46,830
Unemployment Insurance	389,858	304,396	46,412	-
Other	310,538	404,595	-	11,196
<b>Total Business-type Activities</b>	<b>3,344,365</b>	<b>2,292,174</b>	<b>427,616</b>	<b>58,026</b>
<b>Total Primary Government</b>	<b>\$ 13,296,153</b>	<b>\$ 3,615,471</b>	<b>\$ 3,742,087</b>	<b>\$ 62,313</b>
<b>Component Units:</b>				
Iowa Finance Authority	\$ 55,214	\$ 12,719	\$ 57,611	\$ -
Iowa Higher Education Loan Authority	995	1,211	-	-
Iowa Agricultural Development Authority	425	379	13	-
Iowa State Fair Authority	14,309	13,400	1,582	166
Universities Foundations	147,468	-	128,318	176
<b>Total Component Units</b>	<b>\$ 218,411</b>	<b>\$ 27,709</b>	<b>\$ 187,524</b>	<b>\$ 342</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 on Sale of Assets				
State Aid to Universities				
Other				
Transfers				
Special Item - Gambling Tax Liability Settlement				
<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**

Net (Expenses) Revenue and Changes in Net Assets				
Primary Government				Component Units
Governmental Activities	Business-type Activities	Total		
\$ (194,888)	\$ -	\$ (194,888)	\$ -	
(2,190,511)	-	(2,190,511)	-	
(635,488)	-	(635,488)	-	
(83,470)	-	(83,470)	-	
(938,974)	-	(938,974)	-	
(566,177)	-	(566,177)	-	
(87,831)	-	(87,831)	-	
(537,139)	-	(537,139)	-	
(56,132)	-	(56,132)	-	
(19,123)	-	(19,123)	-	
<b>(5,309,733)</b>	<b>-</b>	<b>(5,309,733)</b>	<b>-</b>	
-	(632,752)	(632,752)	-	
-	(39,050)	(39,050)	-	
-	105,253	105,253	-	
<b>-</b>	<b>(566,549)</b>	<b>(566,549)</b>	<b>-</b>	
<b>(5,309,733)</b>	<b>(566,549)</b>	<b>(5,876,282)</b>	<b>-</b>	
				15,116
				216
				(33)
				839
				(18,974)
				<b>(2,836)</b>
2,090,712	-	2,090,712	-	
97,769	-	97,769	-	
1,688,943	-	1,688,943	-	
598,165	-	598,165	-	
435,358	-	435,358	-	
252,269	-	252,269	-	
62,086	88,881	150,967	162,411	
12	-	12	-	
671	7	678	-	
-	635,488	635,488	-	
166,328	58,061	224,389	550	
122,096	(122,096)	-	-	
102,366	-	102,366	-	
<b>5,616,775</b>	<b>660,341</b>	<b>6,277,116</b>	<b>162,961</b>	
<b>307,042</b>	<b>93,792</b>	<b>400,834</b>	<b>160,125</b>	
<b>6,487,669</b>	<b>3,457,474</b>	<b>9,945,143</b>	<b>1,544,683</b>	
<b>\$ 6,794,711</b>	<b>\$ 3,551,266</b>	<b>\$ 10,345,977</b>	<b>\$ 1,704,808</b>	



## GOVERNMENTAL FUND FINANCIAL STATEMENTS

### **Major Funds**

**General Fund** – This is the state’s operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

**Nonmajor Governmental Funds** are presented, by fund type, beginning on page 80.

# STATE OF IOWA

## Balance Sheet Governmental Funds

June 30, 2004  
(Expressed in Thousands)

	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Current Assets:			
Cash & Investments	\$ 1,371,480	\$ 542,646	\$ 1,914,126
Deposits with Trustees	4,204	998	5,202
Accounts Receivable (Net)	1,207,941	29,561	1,237,502
Loans Receivable (Net)	15,977	-	15,977
Due From Other Funds	58,791	10,614	69,405
Inventory	10,456	75	10,531
Prepaid Expenditures	10,856	1,484	12,340
Total Current Assets	<u>2,679,705</u>	<u>585,378</u>	<u>3,265,083</u>
Noncurrent Assets:			
Accounts Receivable (Net)	21,209	4,129	25,338
Loans Receivable (Net)	126,340	-	126,340
Total Noncurrent Assets	<u>147,549</u>	<u>4,129</u>	<u>151,678</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,827,254</u></b>	<b><u>\$ 589,507</u></b>	<b><u>\$ 3,416,761</u></b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable & Accruals	\$ 782,250	\$ 42,137	\$ 824,387
Due To Other Funds	65,793	47,418	113,211
Deferred Revenue	89,912	21,829	111,741
Total Current Liabilities	<u>937,955</u>	<u>111,384</u>	<u>1,049,339</u>
Noncurrent Liabilities:			
Due To Other Funds/Advances From Other Funds	3,673	-	3,673
Deferred Revenue	8,912	-	8,912
Total Noncurrent Liabilities	<u>12,585</u>	<u>-</u>	<u>12,585</u>
<b>TOTAL LIABILITIES</b>	<b><u>950,540</u></b>	<b><u>111,384</u></b>	<b><u>1,061,924</u></b>
<b>FUND BALANCE</b>			
Reserved for:			
Encumbrances & Contracts	20,788	-	20,788
Inventory & Prepaid Expenditures	21,310	1,559	22,869
Noncurrent Receivables	147,549	4,129	151,678
Specific Purposes	1,241,440	371,629	1,613,069
Unreserved Fund Equity	445,627	-	445,627
Unreserved, reported in:			
Nonmajor special revenue funds	-	97,916	97,916
Nonmajor capital projects funds	-	2,890	2,890
<b>TOTAL FUND BALANCE</b>	<b><u>1,876,714</u></b>	<b><u>478,123</u></b>	<b><u>2,354,837</u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 2,827,254</u></b>	<b><u>\$ 589,507</u></b>	<b><u>\$ 3,416,761</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, 2004  
(Expressed in Thousands)

**Total Fund Balances-Governmental funds** \$ 2,354,837

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, excluding internal service funds, is \$8,409,148,000 and the accumulated depreciation is (\$2,946,040,000). 5,463,108

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. 109,147

Certain revenues are earned but not available and therefore deferred in the funds. 55,200

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. 11,242

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. 2,706

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	(991,156)	
Accrued Interest Payable	(6,880)	
Compensated Absences	(137,667)	
Capital Leases	(4,149)	
Other Financing Arrangements Payable	(5,640)	
Early Retirement Liability	(23,533)	
Risk Management Liability	(11,500)	
Other Long-term Liabilities	(21,004)	
	<hr/>	
Total Long-term liabilities		(1,201,529)

**Net assets of governmental activities** \$ 6,794,711

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, 2004  
(Expressed in Thousands)

	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>			
Taxes	\$ 5,870,686	\$ 68,900	\$ 5,939,586
Receipts from Other Entities	3,513,397	78,401	3,591,798
Investment Income	46,728	15,507	62,235
Fees, Licenses & Permits	610,929	4,755	615,684
Refunds & Reimbursements	358,855	76,525	435,380
Sales, Rents & Services	25,483	5,471	30,954
Miscellaneous	184,960	8,211	193,171
Contributions	-	12	12
<b>GROSS REVENUES</b>	<b>10,611,038</b>	<b>257,782</b>	<b>10,868,820</b>
Less Revenue Refunds	791,673	1,397	793,070
<b>NET REVENUES</b>	<b>9,819,365</b>	<b>256,385</b>	<b>10,075,750</b>
<b>EXPENDITURES:</b>			
Current:			
Administration & Regulation	917,077	57,547	974,624
Education	2,608,383	41,622	2,650,005
State Aid To Universities	592,617	42,871	635,488
Health & Human Rights	311,305	437	311,742
Human Services	3,417,274	217	3,417,491
Justice & Public Defense	613,856	15,390	629,246
Economic Development	195,699	1,218	196,917
Transportation	346,948	1,546	348,494
Agriculture & Natural Resources	134,074	6,507	140,581
Capital Outlay:			
Administration & Regulation	11,187	31,558	42,745
Education	3,058	1,166	4,224
Health & Human Rights	3,806	1,926	5,732
Human Services	6,120	5,483	11,603
Justice & Public Defense	29,640	12,082	41,722
Economic Development	3,815	309	4,124
Transportation	617,023	815	617,838
Agriculture & Natural Resources	13,821	7,537	21,358
<b>TOTAL EXPENDITURES</b>	<b>9,825,703</b>	<b>228,231</b>	<b>10,053,934</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(6,338)</b>	<b>28,154</b>	<b>21,816</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	249,559	39,450	289,009
Transfers Out	(26,401)	(139,417)	(165,818)
Leases, Installment Purchases, & Other	1,009	-	1,009
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>224,167</b>	<b>(99,967)</b>	<b>124,200</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>217,829</b>	<b>(71,813)</b>	<b>146,016</b>
<b>FUND BALANCE JULY 1, RESTATED</b>	<b>1,658,885</b>	<b>549,936</b>	<b>2,208,821</b>
<b>FUND BALANCE JUNE 30</b>	<b>\$ 1,876,714</b>	<b>\$ 478,123</b>	<b>\$ 2,354,837</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, 2004  
(Expressed in Thousands)

<b>Net change in fund balances-total governmental funds</b>		<b>\$ 146,016</b>
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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	473,099	
Depreciation expense	326,847	
	<hr/>	
Excess of capital outlay over depreciation expense		146,252

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.		(62,853)
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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 :

Capital leases	(842)	
Other financing arrangements payable	(167)	
	<hr/>	
Total		(1,009)

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	21,227	
Capital lease payments	1,348	
Other financing arrangements payments	1,079	
	<hr/>	
Total long-term debt repayment		23,654

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.		(1,324)
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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.		(35,546)
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Special Item - Settlement of gambling liability expensed in prior years		102,366
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of :

Compensated absences	(2,322)	
Tobacco legal fee liability	2,364	
Early retirement liability	(2,794)	
Pension Liability	(6,321)	
Other	(1,441)	
	<hr/>	
Total additional expenditures		(10,514)

<b>Change in net assets of governmental activities</b>		<b>\$ 307,042</b>
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The notes are an integral part of the financial statements.



## PROPRIETARY FUND FINANCIAL STATEMENTS

### **Major Funds**

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

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

**Nonmajor Proprietary Funds** are presented, by fund type, beginning on page 102.

**STATE OF IOWA**  
**Statement of Net Assets**  
**Proprietary Funds**  
June 30, 2004s  
(Expressed in Thousands)

	BUSINESS- TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS	NONMAJOR ENTERPRISE FUNDS	TOTAL	
ASSETS					
Current Assets:					
Cash & Investments	\$ 955,239	\$ 672,724	\$ 57,649	\$ 1,685,612	\$ 20,192
Cash & Investments - Restricted	26,033	-	-	26,033	-
Deposits With Trustees	28,494	-	-	28,494	-
Accounts Receivable (Net)	308,641	102,311	9,750	420,702	709
Interest Receivable	3,300	-	69	3,369	-
Loans Receivable (Net)	6,519	-	-	6,519	-
Benefit Overpayment Receivable	-	11,675	-	11,675	-
Due From Other Funds/Advances					
To Other Funds	-	516	2,056	2,572	55,876
Inventory	40,101	-	9,492	49,593	8,304
Prepaid Expenses	8,781	-	326	9,107	1,506
Other Assets	1,111	-	-	1,111	-
Investment In Prize Annuity	-	-	9,354	9,354	-
Total Current Assets	1,378,219	787,226	88,696	2,254,141	86,587
Noncurrent Assets:					
Cash & Investments	402,540	-	-	402,540	-
Deposits With Trustees	936	-	-	936	-
Accounts Receivable	33,067	-	-	33,067	-
Interest Receivable	813	-	-	813	-
Loans Receivable (Net)	64,883	-	-	64,883	90
Benefit Overpayment Receivable (Net)	-	557	-	557	-
Due From Other Funds/Advances					
To Other Funds	-	3,366	-	3,366	307
Capital Assets - nondepreciable	475,177	-	2,254	477,431	-
Capital Assets - depreciable, net	1,842,972	-	58,307	1,901,279	80,611
Prepaid Expenses	6	-	674	680	-
Other Assets	21,125	-	437	21,562	-
Investment In Prize Annuity	-	-	32,381	32,381	-
Prize Deposit	-	-	4,235	4,235	-
Total Noncurrent Assets	2,841,519	3,923	98,288	2,943,730	81,008
TOTAL ASSETS	4,219,738	791,149	186,984	5,197,871	167,595
LIABILITIES					
Current Liabilities:					
Accounts Payable & Accruals	240,400	10,911	14,492	265,803	16,941
Due To Other Funds/Advances					
From Other Funds	-	58	14,255	14,313	329
Interest Payable	18,638	-	1,152	19,790	-
Deferred Revenue	62,489	1,774	439	64,702	7,352
Compensated Absences	68,016	-	1,074	69,090	692
Capital Leases	10,241	-	-	10,241	60
Bonds Payable	38,328	-	-	38,328	-
Other Financing					
Arrangements Payable	1,291	-	11,415	12,706	-
Annuities Payable	-	-	9,488	9,488	-
Lottery Prizes Payable	-	-	3,457	3,457	-
Funds Held In Custody	156,853	-	-	156,853	-
Total Current Liabilities	596,256	12,743	55,772	664,771	25,374
Noncurrent Liabilities:					
Accounts Payable & Accruals	22,688	-	-	22,688	39,717
Due To Other Funds/Advances					
From Other Funds	-	-	-	-	-
Interest Payable	4,732	-	-	4,732	-
Deferred Revenue	3,383	-	-	3,383	-
Compensated Absences	61,528	-	735	62,263	-
Capital Leases	98,404	-	-	98,404	289
Bonds Payable	661,929	-	-	661,929	-
Other Financing					
Arrangements Payable	7,373	-	24,862	32,235	-
Annuities Payable	-	-	32,381	32,381	-
Funds Held In Custody	52,629	-	-	52,629	-
Other	-	-	4,256	4,256	-
Total Noncurrent Liabilities	912,666	-	62,234	974,900	40,006
TOTAL LIABILITIES	1,508,922	12,743	118,006	1,639,671	65,380
NET ASSETS					
Invested in Capital Assets,					
Net of Related Debt	1,602,174	-	19,246	1,621,420	80,262
Restricted For:					
Expendable	337,214	-	-	337,214	-
Nonexpendable	65,544	-	-	65,544	-
Unemployment Benefits	-	778,406	-	778,406	-
Unrestricted	705,884	-	49,732	755,616	21,953
TOTAL NET ASSETS	\$ 2,710,816	\$ 778,406	\$ 68,978	3,558,200	\$ 102,215
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(6,934)	
Net assets of business-type activities				\$ 3,551,266	

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, 2004  
(Expressed in Thousands)

	BUSINESS- TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS	NONMAJOR ENTERPRISE FUNDS	TOTAL	
<b>OPERATING REVENUES:</b>					
Employer Contributions	\$ -	\$ 304,396	\$ -	\$ 304,396	\$ -
Receipts from Other Entities	12,723	46,412	49	59,184	49,934
Fees, Licenses & Permits	983,241	-	9,305	992,546	171
Refunds & Reimbursements	-	-	92	92	37,018
Sales, Rents & Services	220,961	-	392,462	613,423	1,370
Grants & Contracts	483,106	-	-	483,106	-
Independent /Auxiliary Operations	181,831	-	-	181,831	-
Miscellaneous	44,644	-	2,687	47,331	3,528
<b>TOTAL OPERATING REVENUES</b>	<b>1,926,506</b>	<b>350,808</b>	<b>404,595</b>	<b>2,681,909</b>	<b>92,021</b>
<b>OPERATING EXPENSES:</b>					
General & Administrative	-	-	722	722	-
Scholarship & Fellowship	28,672	-	-	28,672	-
Depreciation	156,079	-	10,970	167,049	10,737
Direct Expense	-	-	37,429	37,429	-
Prize Expense	-	-	143,348	143,348	-
Personal Services	1,641,318	-	16,624	1,657,942	6,853
Travel & Subsistence	26,938	-	463	27,401	11,544
Supplies & Materials	319,447	-	300	319,747	29,537
Contractual Services	72,399	-	7,206	79,605	5,292
Equipment & Repairs	316,449	-	245	316,694	11,426
Claims & Miscellaneous	15,745	-	87,585	103,330	15,085
Licenses, Permits & Refunds	2,008	-	484	2,492	28
State Aids & Credits	-	389,858	2,593	392,451	-
<b>TOTAL OPERATING EXPENSES</b>	<b>2,579,055</b>	<b>389,858</b>	<b>307,969</b>	<b>3,276,882</b>	<b>90,502</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(652,549)</b>	<b>(39,050)</b>	<b>96,626</b>	<b>(594,973)</b>	<b>1,519</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State Aid to Universities	635,488	-	-	635,488	-
Gifts	84,137	-	-	84,137	-
Taxes	-	-	9,704	9,704	186
Investment Income	46,999	40,511	1,371	88,881	40
Interest Expense	(33,970)	-	(2,391)	(36,361)	(2)
Miscellaneous Nonoperating Revenue	798	-	(219)	579	-
Miscellaneous Nonoperating Expense	(458)	-	-	(458)	-
Gain on Sale of Capital Assets	-	-	7	7	18
Loss on Sale of Capital Assets	(32,120)	-	(10)	(32,130)	(303)
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<b>700,874</b>	<b>40,511</b>	<b>8,462</b>	<b>749,847</b>	<b>(61)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>48,325</b>	<b>1,461</b>	<b>105,088</b>	<b>154,874</b>	<b>1,458</b>
Capital Contributions and Grants	46,830	-	11,196	58,026	-
Transfers In	-	-	399	399	227
Transfers Out	-	(7,790)	(114,705)	(122,495)	(1,322)
Additions to Endowments	1,303	-	-	1,303	-
<b>CHANGE IN NET ASSETS</b>	<b>96,458</b>	<b>(6,329)</b>	<b>1,978</b>	<b>92,107</b>	<b>363</b>
<b>TOTAL NET ASSETS - JULY 1, RESTATED</b>	<b>2,614,358</b>	<b>784,735</b>	<b>67,000</b>		<b>101,852</b>
<b>TOTAL NET ASSETS - JUNE 30</b>	<b>\$ 2,710,816</b>	<b>\$ 778,406</b>	<b>\$ 68,978</b>		<b>\$ 102,215</b>

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

Change in net assets of business-type activities

1,685  
\$ 93,792

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, 2004  
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS	NONMAJOR ENTERPRISE FUNDS	TOTAL	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Received From Customers/Students	\$ 1,395,245	\$ -	\$ 400,186	\$ 1,795,431	\$ -
Cash Received from Miscellaneous	172,351	3,175	2,292	177,818	-
Cash Received From Employers	-	296,559	-	296,559	-
Cash Received From Other Entities	500,545	46,280	-	546,825	7,799
Cash Received From Reciprocal Interfund Activity	-	-	-	-	85,273
Cash Payments To Suppliers For Goods & Services	(842,052)	-	(162,444)	(1,004,496)	(64,621)
Cash Payments To Employees/Students For Services	(1,640,178)	-	(16,448)	(1,656,626)	(18,416)
Cash Payments For Prizes	-	-	(126,001)	(126,001)	-
Cash Payments For Unemployment Claims	-	(390,127)	-	(390,127)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(414,089)</b>	<b>(44,113)</b>	<b>97,585</b>	<b>(360,617)</b>	<b>10,035</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Operating Transfers In From Other Funds	-	-	395	395	295
Transfers Out To Other Funds	-	(7,790)	(103,318)	(111,108)	(1,332)
Receipts From Grants & Contributions	602,352	-	-	602,352	-
Receipts From Related Agencies	603,561	-	-	603,561	-
Payments To Related Agencies	(582,979)	-	-	(582,979)	-
Other Receipts	378,512	-	-	378,512	-
Other Payments	(337,703)	-	-	(337,703)	-
Interest Payments	-	-	-	-	(2)
Tax Receipts	-	-	32,327	32,327	188
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>663,743</b>	<b>(7,790)</b>	<b>(70,596)</b>	<b>585,357</b>	<b>(851)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition & Construction of Capital Assets	(307,673)	-	(6,483)	(314,156)	(14,331)
Interest Payments	(29,506)	-	(2,642)	(32,148)	-
Debt Payments	(61,931)	-	(10,745)	(72,676)	-
Capital Grants & Contributions	49,232	-	434	49,666	-
Debt Proceeds	111,458	-	-	111,458	-
Proceeds From Sale of Capital Assets	1,742	-	27	1,769	1,737
Other	(3,152)	-	-	(3,152)	-
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(239,830)</b>	<b>-</b>	<b>(19,409)</b>	<b>(259,239)</b>	<b>(12,594)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest & Dividends On Investments	38,500	40,511	1,341	80,352	39
Proceeds From Sale & Maturities Of Investments	578,937	-	-	578,937	-
Purchase Of Investments	(615,589)	-	-	(615,589)	-
Other	-	-	9,903	9,903	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>1,848</b>	<b>40,511</b>	<b>11,244</b>	<b>53,603</b>	<b>39</b>

# STATE OF IOWA

(continued)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS	NONMAJOR ENTERPRISE FUNDS		
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	11,672	(11,392)	18,824	19,104	(3,371)
<b>CASH &amp; CASH EQUIVALENTS JULY 1, RESTATED</b>	<u>406,378</u>	<u>684,115</u>	<u>38,825</u>	<u>1,129,318</u>	<u>23,563</u>
<b>CASH &amp; CASH EQUIVALENTS JUNE 30</b>	418,050	672,723	57,649	1,148,422	20,192
<b>INVESTMENTS</b>	995,192	-	-	995,192	-
<b>LESS DEPOSITS WITH TRUSTEES</b>	<u>(29,430)</u>	<u>-</u>	<u>-</u>	<u>(29,430)</u>	<u>-</u>
<b>CASH &amp; INVESTMENTS PER STATEMENT OF NET ASSETS</b>	<u>\$ 1,383,812</u>	<u>\$ 672,723</u>	<u>\$ 57,649</u>	<u>\$ 2,114,184</u>	<u>\$ 20,192</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
<b>Operating Income (Loss)</b>	\$ (652,549)	\$ (39,050)	\$ 96,626	\$ (594,973)	\$ 1,519
<b>Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities:</b>					
Depreciation	156,079	-	10,970	167,049	10,737
Loss on Disposal of Assets	-	-	542	542	-
(Increase) Decrease In Accounts Receivable	22,605	(7,581)	(1,226)	13,798	(115)
(Increase) Decrease In Benefit Overpayment Receivable	-	8,054	-	8,054	-
(Increase) Decrease In Due From	(8,588)	4,387	(158)	(4,359)	(363)
(Increase) Decrease In Inventory	(337)	-	1,691	1,354	(263)
(Increase) Decrease In Prepaid Expenses	351	-	647	998	(506)
(Increase) Decrease In Loans Receivable	650	-	-	650	200
(Increase) Decrease In Other Assets	(66)	-	9,161	9,095	-
Increase (Decrease) In Accounts Payable	58,459	(8,323)	(1,366)	48,770	(2,484)
Increase (Decrease) In Due To	-	(1,468)	(8)	(1,476)	(224)
Increase (Decrease) In Deferred Revenue	(995)	(132)	(323)	(1,450)	1,536
Increase (Decrease) In Compensated Absences And Other Benefits	4,954	-	120	5,074	(2)
Increase (Decrease) In Prizes Payable	-	-	(1,644)	(1,644)	-
Increase (Decrease) In Prize Annuity	-	-	(9,903)	(9,903)	-
Increase (Decrease) In Other Liability	<u>5,348</u>	<u>-</u>	<u>(7,544)</u>	<u>(2,196)</u>	<u>-</u>
<b>Net Cash Provided By Operating Activities</b>	<u>\$ (414,089)</u>	<u>\$ (44,113)</u>	<u>\$ 97,585</u>	<u>\$ (360,617)</u>	<u>\$ 10,035</u>

## Noncash capital financing activities:

Capital assets acquired through capital lease agreements were \$12,756,747 and gifts of capital assets of \$6,213,554 were received by the enterprise funds.

The notes are an integral part of the financial statements.



## FIDUCIARY FUND FINANCIAL STATEMENTS

**Individual fund** descriptions and financial statements begin on page 114.

# STATE OF IOWA

## Statement of Fiduciary Net Assets Fiduciary Funds

June 30, 2004  
(Expressed in Thousands)

	<b>PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS</b>	<b>PRIVATE PURPOSE TRUST FUNDS</b>	<b>AGENCY FUNDS</b>
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 76,418	\$ 1,801	\$ 98,085
Receivables:			
Accounts (Net)	-	10	110,595
Contributions	33,777	-	-
Investments Sold	385,137	-	-
Foreign Exchange Contracts	22,746	-	-
Interest & Dividends	47,777	-	-
Miscellaneous	4,329	-	-
Total Receivables	493,766	10	110,595
Investments, at Fair Value:			
Fixed Income Securities	6,159,390	-	-
Equity Investments	8,270,487	829,041	-
Real Estate Partnerships	1,024,765	-	-
Investment in Private Equity/Debt	1,036,669	-	-
Securities Lending Collateral Pool	1,769,500	-	-
Securities on Loan with Brokers	1,730,841	-	-
Foreign Currency	(2,368)	-	-
Total Investments	19,989,284	829,041	-
Capital Assets:			
Land	500	-	-
Capital Assets (Net)	3,821	65	-
Total Capital Assets	4,321	65	-
Other Assets	-	21	-
<b>Total Assets</b>	<b>20,563,789</b>	<b>830,938</b>	<b>208,680</b>
<b>LIABILITIES</b>			
Accounts Payable & Accruals	28,402	129	208,680
Payable for Investments Purchased	1,193,229	-	-
Payable to Brokers For Rebate & Collateral	1,769,033	-	-
Capital Lease	-	15	-
Other Financing Arrangements Payable	-	204	-
<b>Total Liabilities</b>	<b>2,990,664</b>	<b>348</b>	<b>208,680</b>
<b>NET ASSETS</b>			
Held in Trust for:			
Employees' Benefits	17,573,125	-	-
Individuals, Organizations, and Other Governments	-	830,590	-
<b>Total Net Assets</b>	<b>\$ 17,573,125</b>	<b>\$ 830,590</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, 2004  
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
<b>ADDITIONS</b>		
Contributions:		
Member/Participant Contributions	\$ 198,039	\$ 244,409
Employer Contributions	306,466	-
Buy-Back/Buy-In Contributions	14,903	-
Gifts, Bequests, & Endowments	-	128
Total Contributions	519,408	244,537
Investment Income:		
Net Increase in Fair Value of Investments	1,816,903	98,172
Interest	256,916	46
Dividends	104,771	-
Other	89,284	-
Investment Income	2,267,874	98,218
Less Investment Expense	47,628	-
Net Investment Income	2,220,246	98,218
Miscellaneous Non-Investment Income	72	-
Total Additions	2,739,726	342,755
<b>DEDUCTIONS:</b>		
Pension and Annuity Benefits	812,489	-
Distributions to Participants	-	20,007
Payments in Accordance with Agreements	957	-
Administrative Expense	8,072	-
Refunds	36,437	-
Other	-	1,496
Total Deductions	857,955	21,503
<b>Change in Net Assets held in Trust for:</b>		
Employees' Benefits	1,881,771	-
Individuals, Organizations and Other Governments	-	321,252
<b>Net Assets - July 1</b>	<b>15,691,354</b>	<b>509,338</b>
<b>Net Assets - June 30</b>	<b>\$ 17,573,125</b>	<b>\$ 830,590</b>

The notes are an integral part of the financial statements.



## COMPONENT UNIT FINANCIAL STATEMENTS

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

**Iowa 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.

**Universities Foundations** acts primarily as fund-raising organizations to supplement the resources available to the state universities.

# STATE OF IOWA

## Statement of Net Assets Component Units

June 30, 2004  
(Expressed in Thousands)

	IOWA FINANCE AUTHORITY	IOWA HIGHER EDUCATION LOAN AUTHORITY	IOWA AGRICULTURAL DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	UNIVERSITIES FOUNDATIONS	TOTAL COMPONENT UNITS
<b>ASSETS</b>						
Current Assets:						
Cash & Investments	\$ 522,806	\$ 1,106	\$ 704	\$ 7,641	\$ 485,927	\$ 1,018,184
Cash & Investments - Restricted	-	3,553	-	-	-	3,553
Accounts Receivable	-	-	3	544	33,956	34,503
Interest Receivable Unrestricted	7,752	109	41	5	402	8,309
Loans Receivable (Net)	21,427	2,790	121	-	307	24,645
Inventory	-	-	-	164	-	164
Prepaid Expenses	-	98	-	-	664	762
Other	984	-	-	-	231	1,215
Total Current Assets	<u>552,969</u>	<u>7,656</u>	<u>869</u>	<u>8,354</u>	<u>521,487</u>	<u>1,091,335</u>
Noncurrent Assets:						
Cash & Investments	438,294	-	-	-	342,943	781,237
Cash & Investments - Restricted	-	17,123	3,521	-	276,587	297,231
Accounts Receivable	-	-	-	425	101,289	101,714
Loans Receivable (Net)	357,547	14,988	1,471	-	3,059	377,065
Capital Assets - nondepreciable	-	-	-	3,877	960	4,837
Capital Assets - depreciable, net	776	3	27	38,942	28,478	68,226
Other	-	-	-	-	7,327	7,327
Total Noncurrent Assets	<u>796,617</u>	<u>32,114</u>	<u>5,019</u>	<u>43,244</u>	<u>760,643</u>	<u>1,637,637</u>
<b>TOTAL ASSETS</b>	<b><u>1,349,586</u></b>	<b><u>39,770</u></b>	<b><u>5,888</u></b>	<b><u>51,598</u></b>	<b><u>1,282,130</u></b>	<b><u>2,728,972</u></b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable & Accruals	8,435	66	70	600	2,492	11,663
Interest Payable	16,257	87	-	-	168	16,512
Deferred Revenues	684	-	-	-	-	684
Capital Leases	-	-	-	-	1,475	1,475
Bonds Payable	59,552	1,155	-	-	106	60,813
Funds Held In Custody	-	-	-	-	72,255	72,255
Other Liabilities	-	-	-	-	2,234	2,234
Total Current Liabilities	<u>84,928</u>	<u>1,308</u>	<u>70</u>	<u>600</u>	<u>78,730</u>	<u>165,636</u>
Noncurrent Liabilities:						
Deferred Revenues	5,967	-	-	-	-	5,967
Compensated Absences	-	-	-	168	-	168
Capital Leases	-	-	-	-	9,315	9,315
Bonds Payable	719,796	35,909	-	-	3,598	759,303
Funds Held In Custody	-	-	-	-	5,222	5,222
Other Liabilities	7,384	140	-	37	70,992	78,553
Total Noncurrent Liabilities	<u>733,147</u>	<u>36,049</u>	<u>-</u>	<u>205</u>	<u>89,127</u>	<u>858,528</u>
<b>TOTAL LIABILITIES</b>	<b><u>818,075</u></b>	<b><u>37,357</u></b>	<b><u>70</u></b>	<b><u>805</u></b>	<b><u>167,857</u></b>	<b><u>1,024,164</u></b>
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	776	3	27	42,819	14,944	58,569
Restricted for Specific Purposes	490,532	1,303	5,111	1,477	693,558	1,191,981
Unrestricted	40,203	1,107	680	6,497	405,771	454,258
<b>TOTAL NET ASSETS</b>	<b><u>531,511</u></b>	<b><u>2,413</u></b>	<b><u>5,818</u></b>	<b><u>50,793</u></b>	<b><u>1,114,273</u></b>	<b><u>1,704,808</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 1,349,586</u></b>	<b><u>\$ 39,770</u></b>	<b><u>\$ 5,888</u></b>	<b><u>\$ 51,598</u></b>	<b><u>\$ 1,282,130</u></b>	<b><u>\$ 2,728,972</u></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, 2004  
(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>UNIVERSITIES FOUNDATIONS</b>	<b>TOTAL COMPONENT UNITS</b>
Expenses	\$ 55,214	\$ 995	\$ 425	\$ 14,309	\$ 147,468	\$ 218,411
Program Revenues:						
Charges for Service	12,719	1,211	379	13,400	-	27,709
Operating Grants and Contributions	57,611	-	13	1,582	128,318	187,524
Capital Grants Grants and Contributions	-	-	-	166	176	342
Total Program Revenues	70,330	1,211	392	15,148	128,494	215,575
Net Program (Expense) Revenue	15,116	216	(33)	839	(18,974)	(2,836)
General Revenues (Expenses):						
Investment Income	33,008	-	13	52	129,338	162,411
Other	50	-	-	500	-	550
Total General Revenue	33,058	-	13	552	129,338	162,961
Change in Net Assets	48,174	216	(20)	1,391	110,364	160,125
<b>Net Assets - July 1, Restated</b>	<b>483,337</b>	<b>2,197</b>	<b>5,838</b>	<b>49,402</b>	<b>1,003,909</b>	<b>1,544,683</b>
<b>Net Assets - June 30</b>	<b>\$ 531,511</b>	<b>\$ 2,413</b>	<b>\$ 5,818</b>	<b>\$ 50,793</b>	<b>\$ 1,114,273</b>	<b>\$ 1,704,808</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 Administrative Services, State Accounting Enterprise, 3<sup>rd</sup> Floor, Hoover State Office Bldg., Des Moines, IA 50319.

#### **Blended Component Units**

These component units are 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 (Special Revenue fund) was created to issue bonds to securitize payments due to the State pursuant to the Master Settlement Agreement between the State and the five largest tobacco manufacturers. The Authority's board consists of the Treasurer of State, Auditor of State and the Director of the Department of Management. The State has the ability to impose its will on the Authority and its sole purpose is to provide a secure and stable source of revenue from the tobacco settlement for the State.
- Iowa Lottery Authority (Enterprise fund) was created to operate the State Lottery. The five members of the board of directors are appointed by the governor and confirmed by the Senate. The State has the ability to impose its will on the Authority and its purpose is to produce the maximum amount of net revenues for the State in a dignified manner that maintains the general welfare of the people.

#### **Discrete 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 OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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

During the year ended June 30, 2004, the foundations distributed \$102,940,150 to the State Universities for academic and institutional support.

The foundations are private nonprofit organizations that report under FASB standards, including FASB Statement No. 117, (*Financial Reporting for Not-for-Profit Organizations*). As such, certain revenue recognition criteria and presentation

features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the foundations' financial information; however, the foundation's assets and liabilities and revenues and expenses were reformatted to correspond to the State's reporting format for the Statement of Net Assets and Statement of Activities.

### **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 State'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.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

*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 fund:

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

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.

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

*Internal Service Funds* account for the financing of goods or services provided by one department or agency to other departments or agencies of the State, or to other governmental units, on a cost reimbursement basis.

### **Fiduciary Funds**

*Pension and Other Employee Benefit Trust Funds* account for resources that are required to be held for the members and beneficiaries of the State's defined benefit pension plans and other post employment benefit 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.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### **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 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.

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 of \$15,263,555 associated with certain funds has been assigned to other funds for fiscal year 2004.

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.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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.

At year-end IPERS had \$135,212 in credit risk exposure to borrowers because the amounts they owed IPERS exceeded the amounts IPERS 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. At year-end PORS had no credit risk exposure. As of June 30, 2004, the Systems had securities on loan, including accrued interest income, with a total value of \$1,730,840,116 against collateral with a total value of \$1,767,843,237.

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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

reporting purposes, expenditures are adjusted at fiscal year end for material inventory amounts to correlate with the consumption method. Inventory asset amounts are not available for budgetary appropriation as they have been charged to expenditures when purchased rather than when used.

### I. Capital Assets

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

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

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

### M. Budgeting and Budgetary Control

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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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

#### CASH

##### *Primary Government and Fiduciary*

The carrying amount of cash at June 30 is \$1,158,558,710 and the bank balance is \$1,176,469,100. The bank balance at June 30 is insured or collateralized as follows: \$969,507,874 is covered by federal depository insurance or by collateral held by the State's agent in the State's name, \$1,620,362 is covered by collateral held in the pledging bank's trust department in the State's name, and \$205,340,864 is uninsured or uncollateralized.

##### *Component Units*

The carrying amount of cash at June 30 is \$29,160,424 and the bank balance is \$29,160,424. The bank balance at June 30 is insured or collateralized by federal depository insurance or by collateral held by the State's agent in the State's name.

#### INVESTMENTS

Investments at June 30, 2004, 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*

	1	Category 2	3	Fair Value
U.S. Government				
Securities	\$ 943,345	\$530,462	\$ 408	\$1,474,215
Equity Securities	26,911	65,500	858	93,269
Fixed Income				
Securities	<u>484,863</u>	<u>185,045</u>	<u>-</u>	<u>669,908</u>
	<u>\$1,455,119</u>	<u>\$781,007</u>	<u>\$1,266</u>	2,237,392
Unclaimed Property				22,598
Money Market &				
Mutual Funds				721,877
Investment Agreements				214,143
Investment Pools				1,335
Other				<u>5,575</u>
Total Investments				<u>\$ 3,202,920</u>

#### *Fiduciary Funds*

	Category 1	Fair Value
U.S. Government		
Securities	\$1,460,036	\$1,460,036
Domestic Equity		
Securities	1,327,997	1,327,997
Domestic Fixed Income		
Securities	1,076,724	1,076,724
International Securities	1,617,047	1,617,047
Foreign Currency	<u>(2,368)</u>	<u>(2,368)</u>
	<u>\$5,479,436</u>	5,479,436
Securities on Loan		1,730,841
Mutual and		
Commingled Funds		9,189,180
Short Term		
Investment Funds		587,940
Real Estate		
Partnerships		1,024,771
Investment in		
Private Equity		1,036,669
Securities Lending		
Short-Term Collateral		
Investment Pool		<u>1,769,500</u>
Total Investments		<u>\$20,818,337</u>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### Cash & Investment Reconciliation

Investments Per Preceding Schedules:

Primary Government	\$ 3,202,920
Fiduciary Funds	<u>20,818,337</u>
Total	24,021,257
Cash	1,158,559
Outstanding Warrants	(136,402)
Other Reconciling Items	<u>(282)</u>
Total Cash & Investments	<u>\$ 25,043,132</u>

### Component Units

	Category 1	Fair Value
U.S. Government Securities	<u>\$ 495,372</u>	<u>\$ 495,372</u>
	<u>\$ 495,372</u>	495,372
Money Market & Mutual Funds		144,882
Investment Agreements		324,523
Foundation Investments - Not subject to categorization		1,105,457
Other		<u>811</u>
Total Investments		<u>\$ 2,071,045</u>

### Cash & Investment Reconciliation

Investments Per Above Schedule	\$ 2,071,045
Cash	<u>29,160</u>
Total Cash & Investments	<u>\$ 2,100,205</u>

### DEPOSITS WITH TRUSTEES

#### Primary Government

The carrying amount of cash at June 30 is \$23,643,776 and the bank balance is \$26,643,776. The bank balance at June 30 is insured or collateralized as follows: \$1,127,550 is covered by federal depository insurance or by collateral held by the State's agent in the State's name, and \$22,516,226 is uninsured or uncollateralized.

The investments at June 30, 2004, for Deposit With Trustees are as follows (expressed in thousands):

	Category 1	Category 2	Fair Value
U.S. Government Securities	\$ -	\$5,833	\$ 5,833
Repurchase Agreements	<u>1,334</u>	<u>-</u>	<u>1,334</u>
	<u>\$ 1,334</u>	<u>\$5,833</u>	7,167
Mutual Funds			220
Investment Agreements			<u>3,601</u>
Total Investments			<u>\$ 10,988</u>

### Cash & Investment Reconciliation

Investments Per Above Schedule	\$ 10,988
Cash	<u>23,644</u>
Deposits With Trustees	<u>\$ 34,632</u>

## NOTE 3 - TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following (expressed in thousands):

Transferred Out	Transferred In				Total
	General	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service	
General	\$ -	\$ 25,861	\$ 399	\$ 141	\$ 26,401
Nonmajor Governmental Funds	125,828	13,589	-	-	139,417
Unemployment Benefits	7,790	-	-	-	7,790
Nonmajor Enterprise Funds	114,705	-	-	-	114,705
Internal Service	1,236	-	-	86	1,322
Total	<u>\$ 249,559</u>	<u>\$ 39,450</u>	<u>\$ 399</u>	<u>\$ 227</u>	<u>\$ 289,635</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.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 4 – RECEIVABLES

Receivables at June 30, 2004, consisted of the following (expressed in thousands):

	Accounts Receivable	Taxes Receivable	Pledges Receivable	Interest Receivable	Loans Receivable	Benefit Over- payment	Subtotal	Less: allowance	Total Memo Only
General	\$ 802,221	\$430,768	\$ -	\$ -	\$ 16,343	\$ -	\$ 1,249,332	\$ 25,414	\$1,223,918
Nonmajor Governmental	28,282	-	-	1,279	-	-	29,561	-	29,561
University	546,403	-	-	3,300	7,371	-	557,074	238,614	318,460
Unemployment Benefits	102,311	-	-	-	-	11,675	113,986	-	113,986
Nonmajor Enterprise Funds	9,750	-	-	69	-	-	9,819	-	9,819
Internal Service	709	-	-	-	-	-	709	-	709
<b>Total Current</b>	<b>1,489,676</b>	<b>430,768</b>	<b>-</b>	<b>4,648</b>	<b>23,714</b>	<b>11,675</b>	<b>1,960,481</b>	<b>264,028</b>	<b>1,696,453</b>
General	278,287	11,509	-	-	163,308	-	453,104	305,555	147,549
Nonmajor Governmental	4,129	-	-	-	-	-	4,129	-	4,129
University	33,067	-	-	813	67,272	-	101,152	2,389	98,763
Unemployment Benefits	-	-	-	-	-	557	557	-	557
Internal Service	-	-	-	-	90	-	90	-	90
<b>Total Noncurrent</b>	<b>315,483</b>	<b>11,509</b>	<b>-</b>	<b>813</b>	<b>230,670</b>	<b>557</b>	<b>559,032</b>	<b>307,944</b>	<b>251,088</b>
	1,805,159	442,277	-	5,461	254,384	12,232	2,519,513	571,972	1,947,541
Discrete Component Units	23,818	-	140,893	8,310	403,749	-	576,770	30,534	546,236
<b>Total</b>	<b>\$1,828,977</b>	<b>\$442,277</b>	<b>\$ 140,893</b>	<b>\$ 13,771</b>	<b>\$ 658,133</b>	<b>\$12,232</b>	<b>\$ 3,096,283</b>	<b>\$ 602,506</b>	<b>\$2,493,777</b>

### NOTE 5 – INTERFUND BALANCES

Interfund balances for the year ended June 30, 2004, consisted of the following (expressed in thousands):

Due To Other Funds	Due From Other Funds					Total
	General	Nonmajor Governmental Funds	Unemployment Benefits	Nonmajor Enterprise Funds	Internal Service	
General	\$ -	\$ 7,881	\$ 516	\$ 1,817	\$ 55,579	\$ 65,793
Nonmajor Governmental Funds	44,461	2,733	-	202	22	47,418
Unemployment Benefits	58	-	-	-	-	58
Nonmajor Enterprise Funds	14,157	-	-	33	65	14,255
Internal Service	115	-	-	4	210	329
<b>Total</b>	<b>\$ 58,791</b>	<b>\$ 10,614</b>	<b>\$ 516</b>	<b>\$ 2,056</b>	<b>\$ 55,876</b>	<b>\$ 127,853</b>

\$50.1 million is due from the General Fund to the Workers Compensation Fund (an Internal Service Fund) to fund the cost of claims incurred, \$13.7 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 resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made.

Not included in the table above are the following interfund advances, which are not expected to be repaid within one year: \$.3 million due from the General Fund to the Innovation Fund (an Internal Service Fund) for amounts loaned for the purpose of stimulating and encouraging innovation in State government and \$3.4 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.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004, was as follows (expressed in thousands):

<b>Governmental Activities</b>	Balances July 1, 2003,	Reclassifications	Increases	Decreases	Balances June 30, 2004
Capital Assets Not Being Depreciated:					
Land	\$ 595,292	\$ -	\$ 17,585	\$ 47,767	\$ 565,110
Construction in Progress	81,370	(37,809)	33,566	-	77,127
Total Capital Assets Not Being Depreciated	<u>676,662</u>	<u>(37,809)</u>	<u>51,151</u>	<u>47,767</u>	<u>642,237</u>
Capital Assets Being Depreciated:					
Infrastructure	6,802,372	-	383,667	493,352	6,692,687
Works of Art and Historical Treasures	928	-	-	-	928
Land Improvements	7,825	-	-	-	7,825
Building and Improvements	808,162	37,656	18,131	1,110	862,839
Machinery, Equipment and Vehicles	364,724	153	34,442	27,260	372,059
Total Capital Assets Being Depreciated	<u>7,984,011</u>	<u>37,809</u>	<u>436,240</u>	<u>521,722</u>	<u>7,936,338</u>
Less Accumulated Depreciation for:					
Infrastructure	2,599,140	-	287,522	480,427	2,406,235
Works of Art and Historical Treasures	64	-	9	-	73
Land Improvements	876	-	277	-	1,153
Buildings and Improvements	377,144	-	19,478	435	396,187
Machinery, Equipment and Vehicles	224,645	-	30,293	23,731	231,207
Total Accumulated Depreciation	<u>3,201,869</u>	<u>-</u>	<u>337,579</u>	<u>504,593</u>	<u>3,034,855</u>
Total Capital Assets Being Depreciated, Net	<u>4,782,142</u>	<u>37,809</u>	<u>98,661</u>	<u>17,129</u>	<u>4,901,483</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,458,804</u>	<u>\$ -</u>	<u>\$ 149,812</u>	<u>\$ 64,896</u>	<u>\$ 5,543,720</u>
<b>Business-type Activities</b>	Balances July 1, 2003	Reclassifications	Increases	Decreases	Balances June 30, 2004
Capital Assets Not Being Depreciated:					
Land	\$ 26,715	\$ -	\$ 561	\$ -	27,276
Land Improvements	5,459	-	-	-	5,459
Construction in Progress	230,183	(223,749)	238,808	-	245,242
Works of Art	27,818	-	141	-	27,959
Library Collections	160,978	-	11,187	670	171,495
Total Capital Assets Not Being Depreciated	<u>451,153</u>	<u>(223,749)</u>	<u>250,697</u>	<u>670</u>	<u>477,431</u>
Capital Assets Being Depreciated:					
Infrastructure	488,119	15,882	12,980	-	516,981
Library Collections	159,751	-	8,507	572	167,686
Land Improvements	37,751	3,077	4,494	-	45,322
Buildings and Improvements	2,202,616	204,790	34,980	6,218	2,436,168
Machinery, Equipment and Vehicles	882,752	-	84,665	135,589	831,828
Total Capital Assets Being Depreciated	<u>3,770,989</u>	<u>223,749</u>	<u>145,626</u>	<u>142,379</u>	<u>3,997,985</u>
Less Accumulated Depreciation for:					
Infrastructure	266,277	3,977	24,377	-	294,631
Library Collections	121,219	-	8,002	572	128,649
Land Improvements	19,247	611	1,881	-	21,739
Buildings and Improvements	1,039,671	7,034	69,732	-	1,116,437
Machinery, Equipment and Vehicles	561,691	(11,622)	63,057	77,876	535,250
Total Accumulated Depreciation	<u>2,008,105</u>	<u>-</u>	<u>167,049</u>	<u>78,448</u>	<u>2,096,706</u>
Total Capital Assets Being Depreciated, Net	<u>1,762,884</u>	<u>223,749</u>	<u>(21,423)</u>	<u>63,931</u>	<u>1,901,279</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,214,037</u>	<u>\$ -</u>	<u>\$ 229,274</u>	<u>\$ 64,601</u>	<u>\$ 2,378,710</u>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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

Administration & Regulation	\$	5,793
Education		2,865
Health & Human Rights		2,389
Human Services		3,765
Justice & Public Defense		16,584
Economic Development		447
Transportation		289,494
Agriculture & Natural Resources		5,511
Subtotal		<u>326,848</u>
Depreciation on Capital Assets held by the Internal Service Funds is allocated to the functions based on their use of the assets		<u>10,731</u>
Total Depreciation Expense-Governmental	\$	<u>337,579</u>
Business-type Activities:		
Enterprise	\$	<u>167,049</u>
<b>Discrete Component Units</b>		
Land	\$	4,347
Construction in Progress		<u>490</u>
Total Capital Assets Not Being Depreciated		<u>4,837</u>
Infrastructure		4,807
Buildings and Improvements		78,066
Land Improvements		27
Machinery, Equipment and Vehicles		<u>12,890</u>
Total Capital Assets Being Depreciated		95,790
Less Accumulated Depreciation		<u>27,564</u>
Total Capital Assets Being Depreciated, Net		<u>68,226</u>
Discretely Presented Component Units Capital	\$	<u>73,063</u>

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

Assets totaling \$41,896,704 which includes \$161,895 of cash, are held by the Iowa Lottery Authority 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 \$27,395 to taxing authorities. The following is a schedule of future payments (expressed in thousands):

Year Ending June 30,	Current	Noncurrent	Total Payments
2005	\$ 9,901	\$ -	\$ 9,901
2006	-	9,356	9,356
2007	-	8,152	8,152
2008	-	6,340	6,340
2009	-	4,377	4,377
2010-2014	-	9,528	9,528
2015-2018	-	4,768	4,768
Total Future Value	<u>9,901</u>	<u>42,521</u>	<u>52,422</u>
Less: Unamortized Discount	<u>(413)</u>	<u>(10,140)</u>	<u>(10,553)</u>
Present Value of Payments	<u>\$ 9,488</u>	<u>\$ 32,381</u>	<u>\$ 41,869</u>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows (expressed in thousands):

<b>Governmental Activities</b>	Restated Balances July 1, 2003	Additions	Deductions	Balances June 30, 2004	Amounts due within one year
Compensated Absences	\$ 135,346	\$ 118,001	\$ 115,680	\$ 137,667	\$125,277
Capital Leases	4,655	842	1,348	4,149	1,035
Other Financing Arrangements	6,552	167	1,079	5,640	722
Revenue Bonds	1,012,383	-	21,227	991,156	20,423
Early Retirement	20,739	8,720	5,926	23,533	8,541
Risk Management	11,500	24,243	24,243	11,500	4,225
Tobacco Legal Fee	2,364	-	2,364	-	-
Gaming Settlement Tax	102,366	-	102,366	-	-
Other Liabilities	21,859	7,114	8,243	20,730	12,485
<b>Total</b>	<b>1,317,764</b>	<b>159,087</b>	<b>282,476</b>	<b>1,194,375</b>	<b>172,708</b>
<b>Allocation of Internal Service</b>					
<b>Funds Liability:</b>					
Capital Leases	406	-	57	349	60
Compensated Absences	688	842	838	692	692
Early Retirement	114	37	33	118	44
<b>Total</b>	<b>1,208</b>	<b>879</b>	<b>928</b>	<b>1,159</b>	<b>796</b>
Total Primary Government - Governmental Activities	<u>\$ 1,318,972</u>	<u>\$ 159,966</u>	<u>\$ 283,404</u>	<u>\$ 1,195,534</u>	<u>\$ 173,504</u>
<b>Business-type Activities</b>					
Compensated Absences	\$ 126,331	\$ 73,468	\$ 68,446	\$ 131,353	\$ 69,090
Revenue Bonds	640,560	149,700	90,003	700,257	38,328
Capital Leases	101,424	13,945	6,724	108,645	10,241
Other Financing Arrangements	63,533	518	19,110	44,941	12,706
<b>Total</b>	<b>\$ 931,848</b>	<b>\$ 237,631</b>	<b>\$ 184,283</b>	<b>\$ 985,196</b>	<b>\$ 130,365</b>

### NOTE 9 – CAPITAL LEASES

The State has entered into agreements to lease various equipment and property. The agreements have interest rates ranging from 2.00% to 14.25% and expire before June 30, 2024.

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

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

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

Year ending June 30,	Principal	Interest
2005	\$ 1,095	\$ 211
2006	984	162
2007	808	116
2008	630	78
2009	210	51
2010-2014	<u>771</u>	<u>94</u>
<b>Total</b>	<b>\$ 4,498</b>	<b>\$ 712</b>

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	\$ 787
Equipment	<u>3,656</u>
<b>Total</b>	<b>4,443</b>
Accumulated Depreciation	<u>(1,747)</u>
<b>Net</b>	<b>\$ 2,696</b>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### **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
2005	\$ 10,241	\$ 5,296
2006	5,118	4,863
2007	4,242	4,671
2008	4,808	4,461
2009	4,377	4,243
2010-2014	35,523	15,567
2015-2019	25,621	8,546
2020-2024	<u>18,715</u>	<u>3,873</u>
Total	<u>\$ 108,645</u>	<u>\$ 51,520</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):

Land	\$ 455
Construction in Progress	30,370
Buildings	107,726
Equipment	<u>9,797</u>
Total	148,348
Accumulated Depreciation	<u>(26,864)</u>
Net	<u>\$ 121,484</u>

### **Component Units**

The State University of Iowa Foundation has entered into a lease agreement with the University for a leasehold interest in a building.

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

Year ending June 30,	Principal
2005	\$ 1,475
2006	510
2007	535
2008	560
2009	575
2010-2014	<u>7,135</u>
Total	<u>\$ 10,790</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 \$6,865,394 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
2005	\$ 262	\$ 148
2006	276	134
2007	291	119
2008	308	102
2009	179	85
2010-2014	864	308
2015-2019	677	146
2020-2024	<u>288</u>	<u>24</u>
Total	<u>\$3,145</u>	<u>\$1,066</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 \$13,818,737. The agreements are for periods of 5 to 13 years with interest rates ranging from 2.00% to 5.95%. The following is a schedule by year of future minimum payments required (expressed in thousands):

Year ending June 30,	Principal	Interest
2005	\$ 1,291	\$ 438
2006	5,114	266
2007	772	109
2008	720	73
2009	153	43
2010-2014	<u>614</u>	<u>75</u>
Total	<u>\$ 8,664</u>	<u>\$1,004</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 3.00% to 4.73%.

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

Year ending June 30,	Principal	Interest
2005	\$ 460	\$ 111
2006	475	92
2007	540	72
2008	440	49
2009	185	29
2010-2014	<u>395</u>	<u>30</u>
Total	<u>\$2,495</u>	<u>\$ 383</u>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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

The former Department of General Services (currently DAS) has sold certificates of participation (COPS) for the Iowa Communications Network of \$114,530,000. These represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over the next 3 years with 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
2005	\$ 11,415	1,945
2006	12,135	1,201
2007	<u>12,900</u>	<u>409</u>
Total	36,450	<u>\$ 3,555</u>
Unamortized Discount	<u>(173)</u>	
Total COPS Payable	<u>\$ 36,277</u>	

### **NOTE 11 – BONDS PAYABLE**

Revenue bonds payable at June 30, 2004, 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	1994-2002	33,510	Variable	2014-2016	1,515
Tobacco Settlement Authority	2002	582,935	5.30-6.79	2003-2027	<u>579,640</u>
Total					<u>\$ 594,310</u>
<i>Serial Bonds</i>					
Underground Storage Tank	1991 & 1994	\$99,130	Variable	1991-2012	\$ 51,105
Department of Corrections	1994-1996	64,530	Variable	2014-2016	67,385
Vision Iowa	2002	196,375	2.25-5.50	2002-2020	175,575
School Infrastructure	2002	48,585	4.0-5.0	2002-2021	39,495
Tobacco Settlement Authority	2002	61,310	5.50	2011-2014	<u>61,310</u>
Total					<u>\$ 394,870</u>
Unamortized Premium					\$ 14,379
Unamortized Discounts					<u>(12,403)</u>
Total Governmental Activities					<u>\$ 991,156</u>

### **PRIMARY GOVERNMENT – Business-Type Activities:**

#### **Revenue Bonds**

University of Northern Iowa	1964-2004	\$ 134,901	1.80-8.25	1993-2024	\$ 113,192
University of Iowa	1964-2004	468,630	2.00-9.00	1967-2029	315,594
Iowa State University	1964-2004	362,095	1.75-6.85	1975-2030	<u>271,695</u>
Total					700,481
Unamortized Discount					<u>(224)</u>
Total Business-type Activities					<u>\$ 700,257</u>

### **COMPONENT UNITS:**

#### **Revenue Bonds**

Iowa Finance Authority	1977-2003	\$ 1,221,870	Variable	1999-2032	\$ 783,671
Iowa Higher Education					
Loan Authority	1984-1996	50,630	Variable	1999-2016	37,065
Universities Foundations	2002	3,850	5.25	2003-2012	<u>3,704</u>
Total					824,440
Unamortized Issuance Costs and Discounts					<u>(4,324)</u>
Total Component Units					<u>\$ 820,116</u>

\* Includes unamortized issuance costs and discounts of \$4,323,000 for the Iowa Finance Authority and \$832 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 and serial 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. As a result, the assets and the liability for those bonds have been removed from the Statement of Net Assets. As of June 30, 2004, bonds totaling \$26,175,000 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 prior years, the Iowa Finance Authority defeased certain Corrections Bonds by placing the proceeds in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, the bonds are considered to be defeased and the asset and liability for those bonds have been removed from the Statement of Net Assets. As of June 30, 2004 bonds totaling \$41,000,000 were considered defeased.

### **Vision Iowa**

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

The 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 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**

The State of Iowa has issued School Infrastructure Special Fund Bonds Series 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.

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 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.

### **Tobacco Settlement Authority**

The Tobacco Settlement Authority has 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%.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

The bonds were 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 are 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 of the Primary Government – Governmental Activities are as follows (expressed in thousands):

Year ending June 30,	Principal	Interest
2005	\$ 21,265	\$ 52,968
2006	22,670	51,961
2007	24,870	50,874
2008	39,995	49,721
2009	44,695	47,567
2010-2014	255,325	199,969
2015-2019	225,795	131,091
2020-2024	199,900	74,490
2025-2029	<u>154,665</u>	<u>19,067</u>
Total	<u>\$989,180</u>	<u>\$677,708</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 the current fiscal year, the University of Iowa issued \$29,645,000 of Revenue Bonds, Series S.U.I. 2003, with an interest rate range of 2.00-4.65% and \$43,250,000 Series S.U.I. 2004 with an interest rate range of 2.00-5.00% to defray the cost of constructing various residence halls (\$25,000,000), constructing certain telecommunication facilities (\$4,645,000), to finance all or part of constructing and improving various parking facilities (\$18,250,000) and to provide funds for the construction and furnishings of the utility facilities (\$25,000,000).

During the current fiscal year, the University of Iowa issued \$9,415,000 of Telecommunications Facilities Revenue Refunding Bonds, Serious S.U.I. 2003, with an average interest rate of 2.0% to advance refund \$9,860,000 of outstanding Telecommunications Facilities Revenue bonds, Series S.U.I. 1995 with interest rates ranging between 4.55-5.10%.

Net bond proceeds of \$10,102,000 were placed in an irrevocable escrow account with the University as trustee.

The advance refunding resulted in the recognition of an accounting gain of \$445,000 for the year ended June 30, 2004, a decrease in aggregate debt service of \$683,000 over the next 8 years and an economic gain (difference between present value of the old and new debt service payments) of \$727,000.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

During the current fiscal year, the University of Iowa issued \$6,695,000 Academic Building Revenue Refunding Bonds, Series S.U.I. 2004, with an average interest rate of 3.88% to advance refund \$5,775,000 of outstanding Academic Building Revenue Bonds, Series S.U.I. 1993 and \$920,000 of Academic Building Revenue Refunding Bond Series S.U.I. 1994 with interest rates ranging between of 3.50-5.50%.

Net bond proceeds of \$6,749,000 were placed in an irrevocable escrow account with the University as trustee.

The advance refunding resulted in the recognition of an accounting loss of \$45,000 for the year ended June 30, 2004, a decrease in aggregate debt service of \$255,000 over the next twelve years and an economic gain (difference between present values of the old and new debt service payments) of \$258,000.

As a result bonds totaling \$16,555,000 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, 2004, bonds totaling \$8,185,000 for the University of Iowa were considered defeased.

During the current fiscal year, the University of Northern Iowa issued \$18,100,000 of Revenue Bonds Series 2004 with an interest rate range of 2.00-4.4% to defray the cost for construction of academic buildings (\$4,225,000), to pay the costs of constructing and equipping a Field House (\$10,000,000) and pay the cost of constructing, furnishing an addition to the Student Health System Building, including remodeling and repairing the existing Student Health Center Building, and construct and furnish the dormitory facilities system (\$3,875,000).

During the current fiscal year, Iowa State University issued \$27,820,000 of Revenue Bonds with an interest rate range of 2.00-4.75% to construct, furnish and equip a Regulated Materials Facility (\$6,750,000), to equip and enhance the Utilities Facility (\$13,280,000) and construct, furnish and equip Academic Facilities (\$7,790,000).

During the current fiscal year, Iowa State University issued \$8,565,000 (Series 2004A, \$5,430,000 and

2004 Series B, \$3,135,000) of Academic Building Revenue Refunding Bonds with an interest rate range of 3.25-4.6% to advance refund \$5,385,000 of Academic Building Revenue Bonds Series 1994 and \$3,095,000 of Academic Building Refunding Series 1994 with interest rates ranging between 4.10-6.00%.

Net bond proceeds were placed in an irrevocable escrow account with the University as trustee.

The advance refunding resulted in the recognition of an accounting loss of \$85,000 for the year ended June 30, 2004, a decrease in aggregate debt service of \$349,971 over the next 16 years and an economic gain (difference between present value of the old and new debt service payments) of \$547,459.

During the current year, Iowa State University issued \$6,210,000 of Recreation Facility Refunding Revenue Bonds, Series 2003 with an interest rate range from 3.25-3.75% to advance refund \$6,790,000 of Recreation Facility Refunding Revenue Bonds, Series 1994 with an interest range of 4.2-4.6%.

Net bond proceeds were placed in an irrevocable escrow account with the University as trustee.

The advance refunding resulted in the recognition of an accounting gain of \$580,000 for the year ended June 30, 2004, a decrease in aggregate debt service of \$898,916 over the next 6 years and an economic gain (difference between present value of the old and new debt service payments) of \$167,579.

As a result bonds totaling \$15,270,000 are considered defeased and the liability has been excluded from the Statement of Net Assets.

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
2005	\$ 38,328	\$ 34,784
2006	39,976	33,230
2007	41,920	31,805
2008	42,777	29,999
2009	41,603	28,559
2010-2014	204,964	97,649
2015-2019	136,438	55,366
2020-2024	106,800	23,490
2025-2029	46,240	5,008
2030-2034	<u>1,435</u>	<u>33</u>
Total	<u>\$ 700,481</u>	<u>\$ 339,923</u>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

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.

In prior years, the Authority defeased certain Iowa State Revenue bonds by placing the proceeds of new bonds along with certain Federal Capitalization Grants and revenues in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1995, 1996, 1997 and 1998 Series of Iowa Revolving Fund Revenue bonds; 2001 Series Clean Water State Revenue Subordinated Bond Anticipation Notes; and 1999 and 2000A Series of Drinking Water Program Revenue Bonds. As of June 30, 2004, bonds totaling \$99,360,000 are considered defeased.

#### 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.

#### Universities Foundations

The Foundation of Iowa State University in prior years issued \$3,850,000 of bonds to purchase and remodel the Foundation Advancement Center building. The bonds are collateralized with a mortgage on the building and other real estate owned by the Foundation.

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

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

Year ending June 30,	Principal	Interest
2005	\$ 60,974	\$ 36,034
2006	27,627	34,994
2007	29,099	33,738
2008	29,656	32,390
2009	30,954	30,979
2010-2014	160,699	136,338
2015-2019	146,033	97,684
2020-2024	114,165	73,655
2025-2029	103,840	43,661
2030-2034	<u>121,393</u>	<u>17,087</u>
Total	<u>\$ 824,440</u>	<u>\$ 536,560</u>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 12 – ACCOUNTS PAYABLE & ACCRUALS

Accounts Payable & Accruals at June 30, 2004, consisted of the following (expressed in thousands):

#### Primary Government

##### Government Activities

	Current	Noncurrent
Salaries and fringes	\$ 48,521	\$ -
Early retirement	8,541	14,992
General claims	1,101	-
Risk management	4,255	7,245
State aid	322,347	-
Trade and other payable	<u>481,565</u>	<u>48,237</u>
Total governmental activities	<u>\$ 866,330</u>	<u>\$70,474</u>

##### Business-type Activities

	Current	Noncurrent
Salaries and fringes	\$ 101,401	\$ -
Early retirement	11,457	19,878
General claims	23,994	-
Unemployment benefits	10,911	-
Trade and other payables	<u>118,317</u>	<u>2,810</u>
Total business-type activities	<u>\$ 266,080</u>	<u>\$22,688</u>

### NOTE 13 – SPECIAL ITEM - GAMING TAX LIABILITY SETTLEMENT

In June 2003, the United States Supreme Court upheld a state tax statute that had been challenged on federal equal protection grounds for imposing a higher tax rate for slot machine revenue from race track casinos than for slot machine revenue from riverboat casinos. The case was remanded to the Iowa Supreme Court for further proceedings. In February 2004, the Iowa Supreme Court struck the statute as violating the Iowa Constitution. As a result of the February Iowa Supreme Court decision, the State of Iowa owed the racetracks refunds of state taxes totaling approximately \$102 million. In April 2004, the parties agreed to a compromise and settlement under which the racetracks waived the state tax refunds and paid additional retroactive taxes in exchange for terms including lower tax rates on the revenue from slot machines and issuance of table game licenses by the State.

### NOTE 14 – DEFICIT RETAINED EARNINGS

Funds reporting a deficit fund position at June 30, 2004, are as follows (expressed in thousands):

Fund Type/Fund Name	Deficit Balances
Enterprise:	
Surplus Property	15
Internal Service:	
General Office Revolving	183
Centralized Printing	163

### 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, 2004, follows (expressed in thousands):

#### Major Funds

##### General Fund:

Primary Road	\$ 344,312
Senior Living Trust	281,738
Vision Iowa	112,907
Road Use Tax	74,829
Farm to Market Road Funds	68,351
Revitalize Iowa's Sound Economy	47,672
Iowa Infrastructure	38,529
Motor Vehicle Fuel Tax Unapportioned	37,342
UST Innocent Landowners	28,466
Unassigned Revenue	26,655
UST Remedial	19,049
Safety Improvement Program	18,620
Terminal Liability Health Insurance	16,288
Health Insurance Premium Operating	13,940
UST Capital Reserve	9,686
UST Marketability	9,631
Underground Storage Tank Revenue	8,931
School Infrastructure and Reserve	8,068
Hospital Trust Fund	7,608
Resource Enhancement & Protection	7,488
Value Added Products	3,929
Health Insurance Premium Reserve	3,897
Hawk I Trust	3,726
County Bridge Construction	3,142
Fish and Game Fund	2,876
ICSAC-Default Reduction Act	2,560
Healthy Iowans Tobacco Trust	2,318
DOT Clearing Account	2,178
Life Insurance Basic Premium Operating	2,163
Life Insurance Optional Premium Reserve	2,157
Gifts, Bequest, Program Income	2,025
Other	<u>30,359</u>
Total General Fund	<u>1,241,440</u>

##### Nonmajor Governmental Funds:

Tobacco Tax-Exempt Bond Proceeds	196,363
Tobacco Settlement Authority	77,726
Iowa Public Television Foundation	4,911
Permanent School Principal	7,595
Iowa Public Television	
Foundation Endowment	1,448
Other	<u>83,586</u>
Total Nonmajor Governmental Funds	<u>371,629</u>

Total \$ 1,613,069

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### 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,

2005	\$ 11,920
2006	9,367
2007	6,428
2008	4,423
2009	3,006
2010-2014	6,434
2015-2019	212
2020-2024	210
2025-2029	224
2030-2034	247
2035-2039	271
2040-2044	<u>127</u>
Total	<u>\$ 42,869</u>

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, 2004 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$14,562,192.

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

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

Year ending June 30,

2005	\$ 5,062
2006	2,684
2007	1,680
2008	1,167
2009	601
2010-2014	<u>654</u>
Total	<u>\$ 11,848</u>

Rental expense for the year ended June 30, 2004 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$9,275,557.

#### **Component Units:**

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

Year ending June 30,

2005	\$ 23
2006	<u>11</u>
Total	<u>\$ 34</u>

Rental expense for the year ended June 30, 2004 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$22,989.

### NOTE 17 – LESSOR OPERATING LEASES

The Iowa Department of Natural Resources leases tracts of land valued at \$13,531,338 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 \$998,774 (net of accumulated depreciation of \$137,362.) Iowa State University leases building space valued at \$172,159 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 \$199,311 (net of accumulated depreciation of \$35,688) and tracts of land valued at \$519,862 have been leased for agricultural purposes. The following is a schedule by year of minimum future rentals on operating leases as of June 30, 2004 (expressed in thousands):

Year ending June 30,

2005	\$ 2,195
2006	1,662
2007	910
2008	597
2009	431
2010-2014	1,353
2015-2019	503
2020-2024	312
2025-2029	161
2030-2034	114
2035-2039	100
2040-2044	100
2045-2049	100
2050-2053	<u>80</u>
Total	<u>\$ 8,618</u>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 18 – PENSION PLANS

#### Iowa Public Employees' Retirement System

##### Plan Description

The Iowa Public Employees' Retirement System (IPERS) was created in 1953 by the Iowa Legislature, to replace Iowa Old Age and Survivors' Insurance System. Effective July 1, 2003, Chapter 97B of the Iowa Code established IPERS as an independent agency within the Executive Branch of State government.

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 Legislature. Excluded from membership are members of other retirement systems supported by Iowa public funds.

June 30, 2004

Employer members:

City	1,291
County	458
School	389
State	22
Other	<u>228</u>
Total	<u>2,388</u>

IPERS' vesting requirements are four years of service or age 55. Effective July 1, 2005 members must be age 55 and terminate covered employment or have four years of service upon termination in order to be considered vested. 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 available at [info@ipers.org](mailto:info@ipers.org), 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 \$205,000.

	Contribution Rates as of June 30, 2004		
	Employee	Employer	Total
Regular	3.70%	5.75%	9.45%
Sheriffs/Deputy Sheriffs (County)/ Airport Firefighters	4.99%	7.48%	12.47%
Protection Occupations*	5.93%	8.90%	14.83%

\* Protection Occupations: City Marshals/Police or Fire Fighters in towns under 8,000 population, State and County Conservation Peace Officers, State Correctional Officers, State Airport Safety Officers, DOT Peace Officers, Airport Security Officers, 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.4(4)(d). 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 the statutory 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. 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 amount of actuarially determined contribution requirement was approximately \$540,768,366. The total amount of contributions made during the fiscal year ended June 30, 2004, was \$491,731,645 with \$298,923,667 coming from employers and \$192,807,978 from employees. This resulted in a 90.9% funding ratio. The difference between the actuarially required contribution and actual contributions made is due entirely to statutory contribution requirements that differ from the actuarially required contribution rate.

The State of Iowa's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$62,955,419, \$58,545,880, and \$57,921,132, respectively, equal to 100% of the statutorily required contributions for each year.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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, \$2,176,468,067 at June 30, 2004. 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/debt 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 benefits, ordinary death benefits, accidental death benefits, and line of duty death benefits.

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 \$3,026,103, representing 9.35% of the current year covered payroll. The State contribution required by statute was \$5,502,718 and the amount actually contributed was \$5,502,718. Costs of administering the plan are financed through employer contributions and investment income.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### 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, where 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	\$ 9,446,823
Interest on net pension obligation	(1,216,369)
Adjustment to annual required contribution	<u>1,234,931</u>
Annual pension cost	9,465,385
Contributions made	<u>5,502,718</u>
Increase in net pension obligation	3,962,667
(Assets in excess of) net pension obligation beginning of year	<u>(15,204,612)</u>
(Assets in excess of) net pension obligation end of year	<u><u>\$ (11,241,945)</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 2003.

The annual required contribution for the current year was determined as part of the July 1, 2003, 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 a smoothing method. 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, 2004 was 17 years.

Three-year trend information:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	(Assets in Excess) of Net Pension Obligation
2002	\$5,298,340	103.17%	\$(17,495,537)
2003	7,831,041	70.75%	(15,204,612)
2004	9,465,385	58.13%	(11,241,945)

### 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-five 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. The annual annuity of a judge under this system is an amount equal to three percent of the judge's average annual basic salary for the judge's highest three years as a judge multiplied by the judge's years of service, or, for a member who meets the definition of a senior judge under Chapter 602.9202 of the Code of Iowa, three percent of the basic senior judge salary, multiplied by the judge's years of service, limited to a specified percentage of the highest basic annual salary or basic

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

senior judge salary, as applicable, which the judge is receiving or had received as of the time of the judge became separated from service. The specified percentage is as follows: (1) fifty percent for judges who retired prior to July 1, 1998; (2) fifty-two percent for judges who retire and receive an annuity on or after July 1, 1998 but before July 1, 2000; (3) fifty-six percent for judges who retire and receive an annuity on or after July 1, 2000 but before July 1, 2001; and (4) sixty percent for judges who retire and receive an annuity on or after July 1, 2001. 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 \$1,043,672, representing 5.00% of the current year covered payroll. The State contribution required by statute and the amount contributed was \$2,039,664. The State share is to be based on 8.40% 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 5.87% 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 for the Iowa Judicial Retirement System for the current year were as follows:

Annual required contribution	\$4,401,516
Interest on net pension obligation	316,861
Adjustment to annual required contribution	<u>(320,467)</u>
Annual pension cost	4,397,910
Contributions made	<u>2,039,664</u>
Increase in net pension obligation	2,358,246
Net Pension obligation beginning of year	<u>1,602,515</u>
Net pension obligation end of year	<u>\$3,960,761</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 2004.

The annual required contribution for the current year was determined as part of the July 1, 2004, 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 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, 2004, was 30 years.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

Three-year trend information:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	(Assets in Excess) of Net Pension Obligation
2002	\$ 3,731,554	81.45%	\$ (382,886)
2003	4,025,065	50.67%	1,602,515
2004	4,397,910	46.38%	3,960,761

### 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 2004, the employers' contributions amounted to \$109,316,315. Employees' contributions amounted to \$54,900,687.

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

### NOTE 19 – BEGINNING BALANCE ADJUSTMENTS

During fiscal year 2004, the State reclassified the Tobacco Settlement Authority from a business-type activity – Enterprise Fund to a Governmental Fund – Special Revenue Fund. In addition, Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-1, Tobacco Settlement Recognition and Financial Reporting Entity Issues was issued April 2004 and was retroactively adopted. These changes resulted in adjustments to beginning Net Assets and Cash & Cash Equivalents as follows (expressed in thousands):

	Fund Statements		Statement of Net Assets		Statement of Cash Flows
	Proprietary Funds	Governmental Funds	Business-Type Activities	Governmental Activities	Proprietary Funds Cash & Cash Equivalents
July 1, 2004	\$2,905,228	\$ 2,139,379	\$ 2,896,609	\$7,027,450	\$ 1,150,406
Reclassification	560,865	(560,865)	560,865	(560,865)	(21,088)
Adjustment to convert to Modified Accrual Basis	-	630,307	-	-	-
Adoption of GASB Technical Bulletin No. 2004-1	-	-	-	21,084	-
Balances restated	<u>\$ 3,466,093</u>	<u>\$ 2,208,821</u>	<u>\$ 3,457,474</u>	<u>\$ 6,487,669</u>	<u>\$ 1,129,318</u>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

For fiscal year 2004, a Special Revenue Fund, Tobacco Tax-Exempt Bond Proceeds, did not meet the criteria for major fund reporting and was reclassified to a nonmajor fund. For financial reporting purposes, it is no longer displayed as a separate column for major funds and the beginning fund balance of \$325,986 (expressed in thousands) has been appropriately included within the nonmajor fund information. For budgetary reporting, the fund's information has been removed from the RSI schedule and the beginning budgetary fund balance of \$337,036 (expressed in thousands) has been included in the Supplementary Information budgetary schedule for nonmajor Special Revenue Funds.

During fiscal year 2004, the State implemented GASB Statement 39, Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement No. 14. Implementation of this statement resulted in the following change to the Component Units' Net Asset balances.

### Component Units

July 1, 2004	\$ 540,774
GASB 39 Adjustment	<u>1,003,909</u>
Balances restated	<u>\$ 1,544,683</u>

### NOTE 20 – 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 exceeds seventy-five. Employees were required to sign up before January 31, 2002 and leave State employment on or before February 1, 2002.

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 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, 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.

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.

On April 2, 2004, the Governor signed into law a sick leave and vacation incentive program for eligible executive branch employees. 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, 2004, equals or exceeds seventy-five. Employees were required to sign up by May 21, 2004 and to leave State employment no earlier than July 2, 2004, but no later than August 12, 2004.

The incentive is calculated as the total dollar of accrued vacation at the time of termination plus the lesser of 75 percent of the employee's accumulated and unused sick leave or 75 percent of the employee's annual salary. The vacation and sick leave will be paid out in five installments, with 30 percent paid with the employee's last regular payroll warrant, 20 percent paid August in 2005, 2006, 2007, and the remaining 10 percent in August 2008. In the event a program participant dies prior to receiving the total cash value of the incentive, the participant's designated beneficiary or beneficiaries shall receive the remaining payments on the schedule developed for such payments.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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

All incentives are financed on a pay-as-you-go basis by the department from which the employee terminated. Amounts due for all of the programs have been recorded as a liability in the government-wide financial statements. Early Out costs for fiscal year 2004 for 1,019 participants totaled \$5,925,076 for government funds and \$134,532 for other funds.

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, 2003 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, 2004. The funded contributions during the fiscal year ended June 30, 2004 were \$924,847.

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 1.90%.

The Board of Regents Institutions' contributions for the fiscal year ended June 30, 2004, amounted to \$10,349,663 for 1,264 participants.

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

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

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

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

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

For the year ended June 30, 2004, 199 SPOC retirees received benefits totaling \$723,905.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 21 – 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 \$16.7 million.

The University of Northern Iowa assumes liability in excess of \$250.0 million for the Residence System Buildings, Maucker Union, General Fund Buildings, Early Childhood Center and boiler and machinery per event. Each building has individual limits of coverage and a \$2.0 million deductible, Residence Halls \$202.8 million, Residence Apartments \$48.8 million, Maucker Union \$15.2 million, General Buildings \$250.0 million, and Early Childhood Center \$2.4 million. The University also assumes liability for physical damage to the UNI-Dome buildings for the first \$150,000 and in excess of \$43.5 million and medical liability at the Laboratory School in excess of \$5.0 million.

The University of Iowa assumes liability for damage to buildings and contents for the first \$2.0 million and in excess of \$750.0 million per event, 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 \$110.0 million, criminal fidelity liability for the first \$100,000 and in excess of \$10.0 million; and construction job site liability for the first \$250,000 and in excess of \$50.0 million.

Iowa State University assumes liability for damage to buildings and contents in excess of \$2,214.8 million, damage to boilers and machinery in excess of \$292.7 million, damage to electronic data processing, telecommunications equipment in excess of \$33.1 million and business interruption in excess of \$27.5 million.

Glenwood Resource Center assumes liability for volunteers' accident and personal liability of \$1.0 million per occurrence and \$3.0 million annually. The Iowa Braille and Sight Saving School assumes liability for the first \$1.0 million and in excess of \$29.4 million for catastrophic losses.

The First, Second, Third, Fourth, Fifth, Sixth, Seventh and Eighth Judicial Districts assume liability for physical damage to buildings and contents in excess of \$11.9 million, \$3.8 million, \$3.4 million,

\$3.2 million, \$13.9 million, \$9.2 million, \$2.3 million and \$2.0 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 \$6.0 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.

#### *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 2003 and 2004 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 03	\$32,068	36,645	15,483	\$53,230
FY 04	53,230	14,616	17,231	50,615

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 2003 and 2004 were (expressed in thousands):

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

	Current Year			
	Balances At	Claims	Balances At	
	Beginning	And Changes	Claim	End Of
	Of Fiscal Year	In Estimates	Payments	Fiscal Year
FY 03	\$1,067	(430)	128	\$ 509
FY 04	509	34	276	267

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 2003 and 2004 were (expressed in thousands):

	Current Year			
	Balances At	Claims	Balances At	
	Beginning	And Changes	Claim	End Of
	Of Fiscal Year	In Estimates	Payments	Fiscal Year
FY 03	\$ 868	858	781	\$ 945
FY 04	945	(262)	409	274

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 2003 and 2004 were (expressed in thousands):

	Current Year			
	Balances At	Claims	Balances At	
	Beginning	And Changes	Claim	End Of
	Of Fiscal Year	In Estimates	Payments	Fiscal Year
FY 03	\$ 11,500	6,868	6,868	\$11,500
FY 04	11,500	24,243	24,243	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 2003 and 2004 were (expressed in thousands):

	Current Year			
	Balances At	Claims	Balances At	
	Beginning	And Changes	Claim	End Of
	Of Fiscal Year	In Estimates	Payments	Fiscal Year
FY 03	\$ 18,508	102,928	101,664	\$19,772
FY 04	19,772	119,187	114,965	23,994

### NOTE 22 – 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, 2004, there was \$1.1 million in such claims filed with the Appeal Board.

The *Iowa Department of Revenue* has pending litigation regarding income tax cases. The cases *could* possibly result in refunds estimated at \$5.5 million.

The *Iowa Department of Transportation* has estimated the State's share of contractual obligations for construction contracts as \$201.6 million at June 30, 2004.

The *University of Iowa* has outstanding construction commitments of \$103.3 million at June 30, 2004.

*Iowa State University* has outstanding construction contract commitments of \$21.0 million at June 30, 2004.

The *Department of Natural Resources* has outstanding construction contract commitments of \$13.7 million at June 30, 2004.

The *University of Northern Iowa* has outstanding construction contract commitments of \$21.9 million at June 30, 2004.

The *Department of Administrative Services* has outstanding construction contract commitments of \$25.4 million at June 30, 2004.

The *Iowa Finance Authority* has signed loan agreements with municipalities and water systems totaling \$73.4 million as of June 30, 2004.

The *Iowa Department of Economic Development* has signed agreements for Iowa Values Fund projects totaling \$15.5 million at June 30, 2004.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 23 – REVENUE ANTICIPATION NOTES

Pursuant to the Code of Iowa, Section 12.26, the State of Iowa issued Primary Road Fund Revenue Anticipation Notes (RANS) and Tax and Revenue Anticipation Notes (TRANS).

The RANS were necessary to fund the anticipated cash flow deficits experienced by the Primary Road Fund and interim financing of certain highway projects. The RANS were issued on October 10, 2003, with an interest rate of 2.0%, and the notes and related interest were repaid on June 30, 2004.

The TRANS were issued for the purpose of meeting the State's cash flow requirements. They were issued on December 19, 2003, with an interest rate of 2.0% and were repaid on June 30, 2004.

The following is a schedule of RANS/TRANS activity for the year ended June 30, 2004 (expressed in thousands):

	Beginning Balance	Issued	Redeemed	Ending Balance
RANS	\$ -	\$ 73,430	\$ 73,430	\$ -
TRANS	\$ -	\$ 575,000	\$ 575,000	\$ -

#### NOTE 24 – SUBSEQUENT EVENTS

In July of 2004, the Board of Regents approved the sale of \$9,595,000 in Center for University Advancement Revenue Refunding Bonds. The proceeds of the bonds will be used to call on July 1, 2005, in advance of maturity, \$9,845,000 of existing revenue bonds for the University of Iowa.

In August of 2004, the Board of Regents approved the terms of a capital lease with the University of Iowa Facilities Corporation (UIFC) that matched the terms of a \$25,000,000 Taxable Revenue Bond issue by UFC. The proceeds of bond issue are to be used to defray a portion of the costs associated with the ongoing construction of a building to house the administration and research functions of the Roy J.

and Lucille A. Carver College of Medicine Education of the University of Iowa.

In October of 2004, the Board of Regents approved the issuance of \$25,000,000 in Academic Building Revenue Bonds to finance the cost of the chemistry building renovation, Phase II of the art building renovation, and fire safety projects on the campus of the University of Iowa.

Subsequent to June 30, 2004, the Board of Regents authorized the sale of Memorial Union Revenue Refunding Bonds, Series I.S.U. 2004 for \$24,625,000 to be issued on December 1, 2004. These bonds will bear interest at varying rates between 2.5% and 4.625% and will mature in varying amounts from July 1, 2006 through July 1, 2030. The proceeds of these bonds will be used to finance the cost of improving, remodeling, repairing, and constructing additions to the Memorial Union Building and the Memorial Union Building and the Memorial Union Parking Facility, refund the outstanding first mortgage notes, Series 2000, fund a debt service reserve, and pay for costs of issuance. These bonds will be payable solely and only out of the net Revenues of the Memorial Union.

On November 9, 2004, the State of Iowa issued Tax and Revenue Anticipation Notes (TRANS) of \$375,000,000 at an interest rate of 3.0%, priced to yield 1.83%. The notes have a maturity date of June 30, 2005.

In October 2004, the Iowa Lottery Authority issued \$8,800,000 of Lottery Revenue Bonds for the purchase, financing and installation of approximately 300 instant ticket vending machines and 1,000 pull-tab vending machines. The proceeds will also be used to purchase, finance and renovate real property for use as the Authority's Headquarters. The Iowa Lottery Authority has entered into purchase agreements for the instant pull-tab vending machines and a building to serve as Headquarters.



**R E Q U I R E D  
S U P P L E M E N T A R Y  
I N F O R M A T I O N**

# STATE OF IOWA

## Budgetary Comparison Schedule Required Supplementary Information

For the Year Ended June 30, 2004  
(Expressed in Thousands)

GENERAL FUND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
<b>APPROPRIATED REVENUE:</b>				
<b>SPECIAL TAXES:</b>				
Personal Income Tax	\$ 2,541,400	\$ 2,538,500	\$ 2,606,505	\$ 68,005
Sales Tax	1,467,200	1,438,600	1,475,984	37,384
Use Tax	246,000	268,000	268,476	476
Corporation Income Tax	242,000	194,300	239,568	45,268
Inheritance Tax	74,100	73,500	82,431	8,931
Insurance Premium Tax	159,100	132,700	139,275	6,575
Cigarette Tax	85,000	86,300	87,090	790
Tobacco Tax	7,000	7,700	7,995	295
Beer & Liquor Tax	14,300	14,000	14,097	97
Franchise Tax	34,000	40,100	36,292	(3,808)
Miscellaneous Tax	1,500	1,500	916	(584)
<b>TOTAL SPECIAL TAXES</b>	<b>4,871,600</b>	<b>4,795,200</b>	<b>4,958,629</b>	<b>163,429</b>
<b>REIMBURSEMENTS &amp; FEES:</b>				
Institutional Reimbursements	14,200	13,900	10,563	(3,337)
Liquor Transfers	49,000	54,000	58,000	4,000
Interest	18,200	9,800	7,757	(2,043)
Fees	68,900	66,400	78,646	12,246
Judicial Revenue	57,400	56,800	57,655	855
Miscellaneous Receipts	82,300	80,800	70,850	(9,950)
Racing & Gaming Receipts	60,000	60,000	60,000	-
<b>TOTAL RECEIPTS</b>	<b>5,221,600</b>	<b>5,136,900</b>	<b>5,302,100</b>	<b>165,200</b>
Transfers	81,500	102,000	96,300	(5,700)
<b>TOTAL APPROPRIATED REVENUE</b>	<b>5,303,100</b>	<b>5,238,900</b>	<b>5,398,400</b>	<b>159,500</b>
<b>RECEIPTS CREDITED TO APPROPRIATIONS:</b>				
Sales Tax Monthly	3	3	3	-
Multi Suspense	10,600	-	3,609	3,609
Federal Support	2,060,100	2,089,565	2,234,373	144,808
Local Governments	106,883	106,933	118,651	11,718
Other States	2	2	-	(2)
Internal Service Transfers	506,132	516,674	445,643	(71,031)
Internal Service Reimbursements	19,572	19,564	19,586	22
Interest	-	-	64	64
Fees, Licenses, & Permits	9,426	10,341	18,868	8,527
Refunds & Reimbursements	137,605	138,205	315,520	177,315
Sale of Equipment & Salvage	18	62	45	(17)
Rents & Leases	2,633	2,707	2,648	(59)
Agricultural Sales	3	3	7	4
Other Sales & Services	2,148	2,198	3,803	1,605
Unearned Receipts	2,640	2,646	155	(2,491)
Other	86,956	87,168	87,770	602
<b>TOTAL APPROPRIATED RECEIPTS</b>	<b>2,944,721</b>	<b>2,976,071</b>	<b>3,250,745</b>	<b>274,674</b>
<b>TOTAL ALL REVENUE</b>	<b>8,247,821</b>	<b>8,214,971</b>	<b>8,649,145</b>	<b>434,174</b>
<b>REFUNDS OF TAXES COLLECTED</b>	<b>(649,900)</b>	<b>(725,500)</b>	<b>(714,974)</b>	<b>10,526</b>
<b>TOTAL REVENUES AVAILABLE</b>	<b>7,597,921</b>	<b>7,489,471</b>	<b>7,934,171</b>	<b>444,700</b>

(continued on next page)

# STATE OF IOWA

(continued)

## GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
<b>EXPENDITURES:</b>				
Administration & Regulation	391,222	403,677	409,437	(5,760)
Agriculture & Natural Resources	119,783	119,704	114,016	5,688
Economic Development	30,163	31,621	38,136	(6,515)
Education	2,965,318	2,901,359	2,906,069	(4,710)
Health & Human Rights	256,004	262,033	248,219	13,814
Human Services	3,179,089	3,198,591	3,475,145	(276,554)
Justice	530,817	539,515	543,054	(3,539)
Oversight	500	489	487	2
Transportation	15,399	19,075	25,092	(6,017)
<b>TOTAL EXPENDITURES</b>	<b>7,488,295</b>	<b>7,476,064</b>	<b>7,759,655</b>	<b>(283,591)</b>
Transfers	13,535	-	-	-
<b>TOTAL EXPENDITURES AND TRANSFERS</b>	<b>7,501,830</b>	<b>7,476,064</b>	<b>7,759,655</b>	<b>(283,591)</b>
<b>REVENUES AVAILABLE OVER (UNDER) EXPENDITURES AND TRANSFERS</b>	<b>96,091</b>	<b>13,407</b>	<b>174,516</b>	<b>161,109</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Balances Credited To Appropriations	7,266	10,912	12,092	1,180
Unexpended Appropriations	(188)	(323)	(20,633)	(20,310)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>7,078</b>	<b>10,589</b>	<b>(8,541)</b>	<b>(19,130)</b>
<b>REVENUES AVAILABLE OVER (UNDER) EXPENDITURES &amp; OTHER ITEMS</b>	<b>103,169</b>	<b>23,996</b>	<b>165,975</b>	<b>141,979</b>
<b>BEGINNING FUND BALANCE (BUDGETARY)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ENDING FUND BALANCE (BUDGETARY)</b>	<b>\$ 103,169</b>	<b>\$ 23,996</b>	<b>\$ 165,975</b>	<b>\$ 141,979</b>
<b>ENDING FUND BALANCE (BUDGETARY)</b>			<b>\$ 165,975</b>	
<b>AMOUNT STATUTORILY REQUIRED TO BE TRANSFERRED TO CASH RESERVE FUND</b>			<b>(165,975)</b>	
<b>ENDING FUND BALANCE AVAILABLE FOR APPROPRIATION</b>			<b>\$ -</b>	

# STATE OF IOWA

## Budgetary Comparison Schedule - Budget to GAAP Reconciliation General Fund Required Supplementary Information

June 30, 2004  
(Expressed in Thousands)

	GENERAL FUND
Fund Balance - Budgetary/Legal	\$ 165,975
Basis Of Accounting Differences:	
Balance Sheet Accounts:	
Accounts Receivable	68,525
Loans Receivable	5,684
Due From Other Funds	8
Prepaid Expenditures	7,230
Accounts Payable & Accruals	(56,088)
Due To Other Funds	(63,516)
Deferred Revenue	(30,018)
Reserved Encumbrances	20,633
Timing Differences:	
Petty Cash & Inventory Expensed In Budgetary Accounting	37,190
Perspective Differences	<u>1,721,091</u>
Total Fund Balance - GAAP Basis	1,876,714
Less: Reserved Fund Balance - GAAP Basis	<u>1,431,087</u>
Fund Balance Unreserved - GAAP Basis	<u><u>\$ 445,627</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, for standing unlimited appropriations and increased federal funds for the Department of Public Defense, for Public Transit Assistance within the Department of Transportation, for increased interfund transfers within the Department of Economic Development, and as a result of legal expenditure over allocated reversions within the Department of Education.

##### **Budgetary Presentation**

The budget encompasses the General Fund of the State and some Special Revenue Funds, (Tobacco Tax-Exempt Bond Proceeds, Healthy Iowan's Tobacco Trust Fund, Endowment For Iowa's Health Account, Hospital Trust Fund, Technology Program, Workforce Development Withholding, Local Housing Assistance, 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). There is a perspective difference between budget and financial reporting due to the difference in fund structures. The budgetary presentation will vary from the financial presentation for funds displayed in the supplementary information due to this difference. The General Fund is displayed in the Required Supplementary Information (RSI) Budgetary Comparison Schedule. The Nonmajor Special Revenue Funds are displayed with the combining financial Statements and Schedules for nonmajor funds. The budgetary presentation for both RSI and supplementary information has been restated (see Note 19). In the current fiscal year, the Special Revenue Fund Tobacco Tax-Exempt Bond Proceeds did not meet the criteria to be reported as major fund. As such, it is no longer displayed in the budgetary schedule presented in the RSI section, but is reported with the nonmajor special revenue funds in the supplementary information section. 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.

## STATE OF IOWA

### Required Supplementary Information

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 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 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 Revenue Estimating Conference. "*New revenues*" also includes moneys received by the General Fund of the state due to new transfers over and above those moneys received by the General Fund of the state due to transfers which are in effect as of January 1 following the December Revenue Estimating Conference. The Department of Management shall obtain concurrence from the Revenue Estimating Conference on the eligibility of transfers to the General Fund which are to be considered as new revenue in determining the General Fund expenditure limitation.

This limitation shall be used by the Governor in the preparation of the budget and by the General Assembly in the budget process. If a source for new revenues is proposed, the budget revenue projection used for that new revenue source for the period beginning on the effective date of the new revenue source and ending in the fiscal year in which the source is included in the revenue base shall be an amount determined by subtracting estimated tax refunds payable from the projected revenue from that new revenue source, multiplied by ninety-five percent. If a new revenue source is established and implemented, the original 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 General Fund expenditure limitation amount provided for shall be readjusted to include the moneys which are so transferred.

## STATE OF IOWA

### Required Supplementary Information

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.

#### 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

## Schedules of Funding Progress Required Supplementary Information

For the Year Ended June 30, 2004  
(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, 2002	\$ 67,707	\$ 88,051	\$ 20,344	76.90%	\$ 19,878	102.34%
July 1, 2003	70,018	93,561	23,543	74.84%	20,712	113.67%
July 1, 2004	78,023	99,124	21,101	78.71%	20,894	100.99%

The decrease in unfunded AAL for the July 1, 2004 valuation was primarily due to a higher than expected rate of return on investments and gains from demographic experience, primarily due to lower than expected salary increases.

### 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, 2002	\$ 250,914	\$ 294,514	\$ 43,600	85.19%	\$ 32,154	135.60%
July 1, 2003	246,443	306,098	59,655	80.51%	33,019	180.67%
July 1, 2004	244,161	338,799	94,638	72.07%	32,520	291.01%

\* 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.

The increase in unfunded AAL for the July 1, 2004 valuation was primarily due to the lower than expected rate of return on investments.

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

**S U P P L E M E N T A R Y  
I N F O R M A T I O N**

# STATE OF IOWA

## Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2004  
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Current Assets:				
Cash & Investments	\$ 530,517	\$ 2,611	\$ 9,518	\$ 542,646
Deposit with Trustees	-	998	-	998
Accounts Receivable	29,406	143	12	29,561
Due From Other Funds	8,654	1,484	476	10,614
Inventory	75	-	-	75
Prepaid Expenditures	1,484	-	-	1,484
Total Current Assets	570,136	5,236	10,006	585,378
Noncurrent Assets:				
Accounts Receivable (net)	4,129	-	-	4,129
<b>TOTAL ASSETS</b>	<b>\$ 574,265</b>	<b>\$ 5,236</b>	<b>\$ 10,006</b>	<b>\$ 589,507</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable & Accruals	\$ 39,833	\$ 2,304	\$ -	\$ 42,137
Due To Other Funds	46,900	42	476	47,418
Deferred Revenue	21,829	-	-	21,829
<b>TOTAL LIABILITIES</b>	<b>108,562</b>	<b>2,346</b>	<b>476</b>	<b>111,384</b>
<b>FUND BALANCE</b>				
Reserved for:				
Inventory & Prepaid Expenditures	1,559	-	-	1,559
Noncurrent Receivables	4,129	-	-	4,129
Specific Purposes	362,099	-	9,530	371,629
Unreserved Fund Equity	97,916	2,890	-	100,806
<b>TOTAL FUND BALANCE</b>	<b>465,703</b>	<b>2,890</b>	<b>9,530</b>	<b>478,123</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 574,265</b>	<b>\$ 5,236</b>	<b>\$ 10,006</b>	<b>\$ 589,507</b>

# STATE OF IOWA

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

For the Year Ended June 30, 2004  
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES:</b>				
Taxes	\$ 68,900	\$ -	\$ -	\$ 68,900
Receipts from Other Entities	74,797	3,604	-	78,401
Investment Income	14,705	614	188	15,507
Fees, Licenses & Permits	4,755	-	-	4,755
Refunds & Reimbursements	76,384	141	-	76,525
Sales, Rents & Services	5,471	-	-	5,471
Miscellaneous	8,211	-	-	8,211
Contributions	-	-	12	12
<b>GROSS REVENUES</b>	<b>253,223</b>	<b>4,359</b>	<b>200</b>	<b>257,782</b>
Less Revenue Refunds	1,397	-	-	1,397
<b>NET REVENUES</b>	<b>251,826</b>	<b>4,359</b>	<b>200</b>	<b>256,385</b>
<b>EXPENDITURES:</b>				
Current:				
Administration & Regulation	57,547	-	-	57,547
Education	41,622	-	-	41,622
State Aid To Universities	42,871	-	-	42,871
Health & Human Rights	437	-	-	437
Human Services	217	-	-	217
Justice & Public Defense	4,172	11,218	-	15,390
Economic Development	1,218	-	-	1,218
Transportation	1,546	-	-	1,546
Agriculture & Natural Resources	2,739	3,768	-	6,507
Capital Outlay:				
Administrator & Regulation	31,556	2	-	31,558
Education	1,166	-	-	1,166
Health & Human Rights	1,217	709	-	1,926
Human Services	5,483	-	-	5,483
Justice & Public Defense	8,076	4,006	-	12,082
Economic Development	309	-	-	309
Transportation	-	815	-	815
Agriculture & Natural Resources	3,667	3,870	-	7,537
<b>TOTAL EXPENDITURES</b>	<b>203,843</b>	<b>24,388</b>	<b>-</b>	<b>228,231</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>47,983</b>	<b>(20,029)</b>	<b>200</b>	<b>28,154</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	16,878	22,096	476	39,450
Transfers Out	(138,889)	(340)	(188)	(139,417)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(122,011)</b>	<b>21,756</b>	<b>288</b>	<b>(99,967)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(74,028)</b>	<b>1,727</b>	<b>488</b>	<b>(71,813)</b>
<b>FUND BALANCE JULY 1, RESTATED</b>	<b>539,731</b>	<b>1,163</b>	<b>9,042</b>	<b>549,936</b>
<b>FUND BALANCE JUNE 30</b>	<b>\$ 465,703</b>	<b>\$ 2,890</b>	<b>\$ 9,530</b>	<b>\$ 478,123</b>



## COMBINING FINANCIAL STATEMENTS

### **Nonmajor Special Revenue Funds**

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

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

**Grow Iowa Fund/Federal Economic Stimulus and Jobs Holding Fund** receives federal receipts under the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 to be used as provided in the federal law.

At June 30, 2003, the Grow Iowa Fund was reported. However, the creation of this fund was retroactively repealed by an Iowa Supreme Court decision on June 16, 2004. Subsequently, the Iowa Legislature, retroactive to July 1, 2003, created the Federal Economic Stimulus and Jobs Holding Fund. Accordingly, the Grow Iowa Fund has been replaced by the Federal Economic Stimulus and Jobs Holding Fund with the beginning balance and financial activity for 2004 reported in the latter fund.

**Tobacco Settlement Authority 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.

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

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

# STATE OF IOWA

## Combining Balance Sheet Nonmajor Special Revenue Funds

June 30, 2004  
(Expressed in Thousands)

	TOBACCO TAX-EXEMPT BOND PROCEEDS FUND	FEDERAL ECONOMIC STIMULUS & JOBS HOLDING FUND	TOBACCO SETTLEMENT AUTHORITY	IOWA PUBLIC TELEVISION FOUNDATION	OTHER	TOTAL
<b>ASSETS</b>						
Current Assets:						
Cash & Investments	\$ 243,227	\$ 94,525	\$ 77,551	\$ 5,203	\$ 110,011	\$ 530,517
Accounts Receivable (Net)	4,566	-	17,170	587	7,083	29,406
Due From Other Funds	459	5,861	-	338	1,996	8,654
Inventory	-	-	-	-	75	75
Prepaid Expenditures	1,077	-	-	59	348	1,484
Total Current Assets	249,329	100,386	94,721	6,187	119,513	570,136
Noncurrent Assets:						
Accounts Receivable (Net)	-	-	-	-	4,129	4,129
<b>TOTAL ASSETS</b>	<b>\$ 249,329</b>	<b>\$ 100,386</b>	<b>\$ 94,721</b>	<b>\$ 6,187</b>	<b>\$ 123,642</b>	<b>\$ 574,265</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable & Accruals	\$ 37,641	\$ -	\$ 193	\$ 241	\$ 1,758	\$ 39,833
Due To Other Funds	14,248	10,749	-	749	21,154	46,900
Deferred Revenue	-	-	16,802	227	4,800	21,829
<b>TOTAL LIABILITIES</b>	<b>51,889</b>	<b>10,749</b>	<b>16,995</b>	<b>1,217</b>	<b>27,712</b>	<b>108,562</b>
<b>FUND BALANCE</b>						
Reserved for:						
Inventory & Prepaid Expenditures	1,077	-	-	59	423	1,559
Noncurrent Receivables	-	-	-	-	4,129	4,129
Specific Purposes	196,363	-	77,726	4,911	83,099	362,099
Unreserved Fund Equity	-	89,637	-	-	8,279	97,916
<b>TOTAL FUND BALANCE</b>	<b>197,440</b>	<b>89,637</b>	<b>77,726</b>	<b>4,970</b>	<b>95,930</b>	<b>465,703</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 249,329</b>	<b>\$ 100,386</b>	<b>\$ 94,721</b>	<b>\$ 6,187</b>	<b>\$ 123,642</b>	<b>\$ 574,265</b>

# STATE OF IOWA

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

For the Year Ended June 30, 2004  
(Expressed in Thousands)

	TOBACCO TAX-EXEMPT BOND PROCEEDS FUND	FEDERAL ECONOMIC STIMULUS & JOBS HOLDING FUND	TOBACCO SETTLEMENT AUTHORITY	IOWA PUBLIC TELEVISION FOUNDATION	OTHER	TOTAL
<b>REVENUES:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 68,900	\$ 68,900
Receipts from Other Entities	3,510	49,755	-	-	21,532	74,797
Investment Income	8,137	877	2,838	600	2,253	14,705
Fees, Licenses & Permits	-	-	-	-	4,755	4,755
Refunds & Reimbursements	707	-	42,924	-	32,753	76,384
Sales, Rents & Services	-	-	-	-	5,471	5,471
Miscellaneous	-	-	-	6,907	1,304	8,211
<b>GROSS REVENUES</b>	<b>12,354</b>	<b>50,632</b>	<b>45,762</b>	<b>7,507</b>	<b>136,968</b>	<b>253,223</b>
Less Revenue Refunds	-	-	-	-	1,397	1,397
<b>NET REVENUES</b>	<b>12,354</b>	<b>50,632</b>	<b>45,762</b>	<b>7,507</b>	<b>135,571</b>	<b>251,826</b>
<b>EXPENDITURES:</b>						
Current:						
Administration & Regulation	18,115	-	37,478	-	1,954	57,547
Education	109	-	-	2,859	38,654	41,622
State Aid To Universities	42,871	-	-	-	-	42,871
Health & Human Rights	-	-	-	-	437	437
Human Services	-	-	-	-	217	217
Justice & Public Defense	243	-	-	-	3,929	4,172
Economic Development	-	35	-	-	1,183	1,218
Transportation	1,546	-	-	-	-	1,546
Agriculture & Natural Resources	1,622	-	-	-	1,117	2,739
Capital Outlay:						
Administration & Regulation	31,556	-	-	-	-	31,556
Education	1,087	-	-	-	79	1,166
Health & Human Rights	1,217	-	-	-	-	1,217
Human Services	5,483	-	-	-	-	5,483
Justice & Public Defense	8,032	-	-	-	44	8,076
Economic Development	309	-	-	-	-	309
Agriculture & Natural Resources	3,667	-	-	-	-	3,667
<b>TOTAL EXPENDITURES</b>	<b>115,857</b>	<b>35</b>	<b>37,478</b>	<b>2,859</b>	<b>47,614</b>	<b>203,843</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(103,503)</b>	<b>50,597</b>	<b>8,284</b>	<b>4,648</b>	<b>87,957</b>	<b>47,983</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	1,817	4,912	-	-	10,149	16,878
Transfers Out	(26,860)	(15,627)	-	(3,798)	(92,604)	(138,889)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(25,043)</b>	<b>(10,715)</b>	<b>-</b>	<b>(3,798)</b>	<b>(82,455)</b>	<b>(122,011)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(128,546)</b>	<b>39,882</b>	<b>8,284</b>	<b>850</b>	<b>5,502</b>	<b>(74,028)</b>
<b>FUND BALANCE JULY 1, RESTATED</b>	<b>325,986</b>	<b>49,755</b>	<b>69,442</b>	<b>4,120</b>	<b>90,428</b>	<b>539,731</b>
<b>FUND BALANCE JUNE 30</b>	<b>\$ 197,440</b>	<b>\$ 89,637</b>	<b>\$ 77,726</b>	<b>\$ 4,970</b>	<b>\$ 95,930</b>	<b>\$ 465,703</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, 2004  
(Expressed in Thousands)

	<b>PRIMARY ROAD FUND</b>			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:				
Transfers	\$ 507,253	\$ 507,253	\$ 517,250	\$ 9,997
TOTAL APPROPRIATED REVENUE	507,253	507,253	517,250	9,997
RECEIPTS CREDITED TO APPROPRIATIONS:				
Use Tax	-	-	-	-
Other Taxes	-	-	-	-
Wagering Tax Receipts	-	-	-	-
Individual Income Tax Quarterly	-	-	-	-
Sales Tax - DOT	5	5	5	-
Federal Support	183,800	183,800	233,468	49,668
Local Governments	4,600	4,600	3,572	(1,028)
Other States	74	74	5,387	5,313
Reimbursements From Other Agencies	161	161	153	(8)
Interest	1	1	1	-
Bonds & Loans	1	1	1,055	1,054
Fees, Licenses, & Permits	860	860	962	102
Refunds & Reimbursements	4,009	4,009	3,698	(311)
Sale of Real Estate	1,710	1,710	4,353	2,643
Sale of Equipment & Salvage	-	-	-	-
Rents & Leases	16	16	28	12
Agricultural Sales	-	-	-	-
Other Sales & Services	-	-	-	-
Unearned Receipts	-	-	-	-
Income Tax Checkoffs	-	-	-	-
Other	1,750	1,750	3,958	2,208
TOTAL APPROPRIATED RECEIPTS	196,987	196,987	256,640	59,653
TOTAL REVENUES AVAILABLE	704,240	704,240	773,890	69,650
EXPENDITURES:				
Administration & Regulation	-	-	-	-
Agriculture & Natural Resources	-	-	-	-
Economic Development	-	-	-	-
Education	-	-	-	-
Transportation	472,428	477,398	460,179	17,219
TOTAL EXPENDITURES	472,428	477,398	460,179	17,219
Transfers	244,161	244,413	230,664	13,749
TOTAL EXPENDITURES AND TRANSFERS	716,589	721,811	690,843	30,968
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES AND TRANSFERS	(12,349)	(17,571)	83,047	100,618
FUND BALANCE JULY 1 (BUDGETARY), RESTATED	16,035	16,035	16,035	-
FUND BALANCE JUNE 30 (BUDGETARY)	\$ 3,686	\$ (1,536)	\$ 99,082	\$ 100,618

# STATE OF IOWA

ENDOWMENT FOR IOWA'S HEALTH FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
70,000	70,000	68,900	(1,100)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
483	483	715	232
-	-	-	-
-	1,300	1,100	(200)
21,477	21,477	12,541	(8,936)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
91,960	93,260	83,256	(10,004)
91,960	93,260	83,256	(10,004)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
96,262	96,262	83,575	12,687
96,262	96,262	83,575	12,687
(4,302)	(3,002)	(319)	2,683
21,488	27,506	27,506	-
\$ 17,186	\$ 24,504	\$ 27,187	\$ 2,683

(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, 2004  
(Expressed in Thousands)

(continued)

### TOBACCO TAX-EXEMPT BOND PROCEEDS

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:				
Transfers	\$ -	\$ 101	\$ 188	\$ 87
TOTAL APPROPRIATED REVENUE	-	101	188	87
RECEIPTS CREDITED TO APPROPRIATIONS:				
Use Tax	-	-	-	-
Other Taxes	-	-	-	-
Wagering Tax Receipts	-	-	-	-
Individual Income Tax Quarterly	-	-	-	-
Sales Tax - DOT	-	-	-	-
Federal Support	9,933	9,333	680	(8,653)
Local Governments	-	-	-	-
Other States	-	-	-	-
Reimbursements From Other Agencies	-	335	4,270	3,935
Interest	7,476	7,476	11,263	3,787
Bonds & Loans	-	-	-	-
Fees, Licenses, & Permits	-	-	-	-
Refunds & Reimbursements	-	612	897	285
Sale of Real Estate	-	-	-	-
Sale of Equipment & Salvage	-	1	-	(1)
Rents & Leases	-	-	-	-
Agricultural Sales	-	-	-	-
Other Sales & Services	-	-	-	-
Unearned Receipts	-	500	-	(500)
Income Tax Checkoffs	-	-	-	-
Other	-	-	-	-
TOTAL APPROPRIATED RECEIPTS	17,409	18,257	17,110	(1,147)
TOTAL REVENUES AVAILABLE	17,409	18,358	17,298	(1,060)
EXPENDITURES:				
Administration & Regulation	128,010	131,884	61,427	70,457
Agriculture & Natural Resources	-	-	-	-
Economic Development	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
TOTAL EXPENDITURES	128,010	131,884	61,427	70,457
Transfers	97,691	86,391	73,068	13,323
TOTAL EXPENDITURES AND TRANSFERS	225,701	218,275	134,495	83,780
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES AND TRANSFERS	(208,292)	(199,917)	(117,197)	82,720
FUND BALANCE JULY 1 (BUDGETARY), RESTATED	477,721	337,036	337,036	-
FUND BALANCE JUNE 30 (BUDGETARY)	\$ 269,429	\$ 137,119	\$ 219,839	\$ 82,720

# STATE OF IOWA

UNDERGROUND STORAGE TANK UNASSIGNED REVENUE			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
\$ 10,000	\$ 10,000	\$ 7,934	\$ (2,066)
10,000	10,000	7,934	(2,066)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
5,400	5,400	1,612	(3,788)
-	-	-	-
15	15	9	(6)
10	10	87	77
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
35	35	21	(14)
5,460	5,460	1,729	(3,731)
15,460	15,460	9,663	(5,797)
2,486	2,487	3,420	(933) *
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,486	2,487	3,420	(933)
16,200	16,200	200	16,000
18,686	18,687	3,620	15,067
(3,226)	(3,227)	6,043	9,270
19,614	19,614	19,614	-
\$ 16,388	\$ 16,387	\$ 25,657	\$ 9,270

(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, 2004  
(Expressed in Thousands)

(continued)

	OTHER			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:				
Transfers	\$ 129,432	\$ 141,498	\$ 126,914	\$ (14,584)
TOTAL APPROPRIATED REVENUE	129,432	141,498	126,914	(14,584)
RECEIPTS CREDITED TO APPROPRIATIONS:				
Use Tax	1,326	1,326	1,326	-
Other Taxes	7,225	6,775	7,558	783
Wagering Tax Receipts	7,900	7,900	8,177	277
Individual Income Tax Quarterly	4,000	4,000	4,000	-
Sales Tax - DOT	-	-	-	-
Federal Support	74,347	74,460	112,937	38,477
Local Governments	182	216	162	(54)
Other States	-	-	-	-
Reimbursements From Other Agencies	500	501	526	25
Interest	1,393	3,222	368	(2,854)
Bonds & Loans	-	-	-	-
Fees, Licenses, & Permits	24,012	24,112	25,849	1,737
Refunds & Reimbursements	24,923	25,364	35,894	10,530
Sale of Real Estate	-	-	-	-
Sale of Equipment & Salvage	45	45	-	(45)
Rents & Leases	5	5	10	5
Agricultural Sales	10	10	18	8
Other Sales & Services	1,111	1,087	874	(213)
Unearned Receipts	312	311	320	9
Income Tax Checkoffs	150	150	147	(3)
Other	901	1,122	962	(160)
TOTAL APPROPRIATED RECEIPTS	148,342	150,606	199,128	48,522
TOTAL REVENUES AVAILABLE	277,774	292,104	326,042	33,938
EXPENDITURES:				
Administration & Regulation	25,104	25,404	21,363	4,041
Agriculture & Natural Resources	15,422	15,421	9,865	5,556
Economic Development	25,832	22,129	17,399	4,730
Education	15,246	16,482	16,357	125
Transportation	-	1	-	1
TOTAL EXPENDITURES	81,604	79,437	64,984	14,453
Transfers	208,294	221,928	210,533	11,395
TOTAL EXPENDITURES AND TRANSFERS	289,898	301,365	275,517	25,848
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES AND TRANSFERS	(12,124)	(9,261)	50,525	59,786
FUND BALANCE JULY 1 (BUDGETARY), RESTATED	35,285	46,757	46,757	-
FUND BALANCE JUNE 30 (BUDGETARY)	\$ 23,161	\$ 37,496	\$ 97,282	\$ 59,786

\* Actual expenditures exceeded budgeted expenditures as a result of the receipt and legal expenditure of other non-state funds which have been received for restricted purposes. In the Special Revenue funds this occurred in the Underground Storage Tank Authority's Unassigned Revenue Program.

# STATE OF IOWA

<b>TOTAL</b>			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
\$ 646,685	\$ 658,852	\$ 652,286	\$ (6,566)
<u>646,685</u>	<u>658,852</u>	<u>652,286</u>	<u>(6,566)</u>
1,326	1,326	1,326	-
7,225	6,775	7,558	783
77,900	77,900	77,077	(823)
4,000	4,000	4,000	-
5	5	5	-
268,080	267,593	347,085	79,492
4,782	4,816	3,734	(1,082)
74	74	5,387	5,313
661	997	4,949	3,952
14,753	16,582	13,959	(2,623)
1	1	1,055	1,054
24,887	26,287	27,920	1,633
50,419	51,472	53,117	1,645
1,710	1,710	4,353	2,643
45	46	-	(46)
21	21	38	17
10	10	18	8
1,111	1,087	874	(213)
312	811	320	(491)
150	150	147	(3)
<u>2,686</u>	<u>2,907</u>	<u>4,941</u>	<u>2,034</u>
<u>460,158</u>	<u>464,570</u>	<u>557,863</u>	<u>93,293</u>
<u>1,106,843</u>	<u>1,123,422</u>	<u>1,210,149</u>	<u>86,727</u>
155,600	159,775	86,210	73,565
15,422	15,421	9,865	5,556
25,832	22,129	17,399	4,730
15,246	16,482	16,357	125
<u>472,428</u>	<u>477,399</u>	<u>460,179</u>	<u>17,220</u>
<u>684,528</u>	<u>691,206</u>	<u>590,010</u>	<u>101,196</u>
<u>662,608</u>	<u>665,194</u>	<u>598,040</u>	<u>67,154</u>
<u>1,347,136</u>	<u>1,356,400</u>	<u>1,188,050</u>	<u>168,350</u>
(240,293)	(232,978)	22,099	255,077
<u>570,143</u>	<u>446,948</u>	<u>446,948</u>	<u>-</u>
<u>\$ 329,850</u>	<u>\$ 213,970</u>	<u>\$ 469,047</u>	<u>\$ 255,077</u>



## COMBINING FINANCIAL STATEMENTS

### **Nonmajor Capital Projects Funds**

Capital Projects Funds are used to account for the construction of major capital facilities other than those financed by proprietary funds and trust funds.

**General Services Capitals Fund** is used to account for various building projects.

**Corrections Capital Fund** is used to account for the construction of correctional services facilities.

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

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

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

# STATE OF IOWA

## Combining Balance Sheet Nonmajor Capital Projects Funds

June 30, 2004  
(Expressed in Thousands)

	GENERAL SERVICES CAPITALS	CORRECTIONS CAPITALS	MOTOR VEHICLE FUEL TAX CAPITALS	FISH & GAME CAPITALS	OTHER	TOTAL
<b>ASSETS</b>						
Current Assets:						
Cash & Investments	\$ 708	\$ -	\$ 831	\$ 402	\$ 670	\$ 2,611
Deposits with Trustees	-	998	-	-	-	998
Accounts Receivable	-	-	143	-	-	143
Due From Other Funds	825	-	7	500	152	1,484
<b>TOTAL ASSETS</b>	<b>\$ 1,533</b>	<b>\$ 998</b>	<b>\$ 981</b>	<b>\$ 902</b>	<b>\$ 822</b>	<b>\$ 5,236</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable						
& Accruals	\$ 928	\$ -	\$ 623	\$ 642	\$ 111	\$ 2,304
Due To Other Funds	2	-	24	16	-	42
<b>TOTAL LIABILITIES</b>	<b>930</b>	<b>-</b>	<b>647</b>	<b>658</b>	<b>111</b>	<b>2,346</b>
<b>FUND BALANCE</b>						
Unreserved Fund Equity	603	998	334	244	711	2,890
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 1,533</b>	<b>\$ 998</b>	<b>\$ 981</b>	<b>\$ 902</b>	<b>\$ 822</b>	<b>\$ 5,236</b>

# STATE OF IOWA

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

For the Year Ended June 30, 2004  
(Expressed in Thousands)

	GENERAL SERVICES CAPITALS	CORRECTIONS CAPITALS	MOTOR VEHICLE FUEL TAX CAPITALS	FISH & GAME CAPITALS	OTHER	TOTAL
<b>REVENUES:</b>						
Receipts from Other Entities	\$ -	\$ -	\$ 559	\$ -	\$ 3,045	\$ 3,604
Investment Income	-	613	-	-	1	614
Refunds & Reimbursements	-	-	-	-	141	141
<b>TOTAL REVENUES</b>	<b>-</b>	<b>613</b>	<b>559</b>	<b>-</b>	<b>3,187</b>	<b>4,359</b>
<b>EXPENDITURES:</b>						
Current:						
Justice & Public Defense	-	8,181	-	-	3,037	11,218
Agriculture & Natural Resources	-	-	141	3,627	-	3,768
Capital Outlay:						
Administration & Regulation	2	-	-	-	-	2
Health & Human Rights	709	-	-	-	-	709
Justice & Public Defense	3,851	-	-	-	155	4,006
Transportation	-	-	-	-	815	815
Agriculture & Natural Resources	-	-	2,163	1,707	-	3,870
<b>TOTAL EXPENDITURES</b>	<b>4,562</b>	<b>8,181</b>	<b>2,304</b>	<b>5,334</b>	<b>4,007</b>	<b>24,388</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,562)</b>	<b>(7,568)</b>	<b>(1,745)</b>	<b>(5,334)</b>	<b>(820)</b>	<b>(20,029)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	4,896	8,132	1,757	6,000	1,311	22,096
Transfers Out	-	(3)	(268)	-	(69)	(340)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,896</b>	<b>8,129</b>	<b>1,489</b>	<b>6,000</b>	<b>1,242</b>	<b>21,756</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>334</b>	<b>561</b>	<b>(256)</b>	<b>666</b>	<b>422</b>	<b>1,727</b>
<b>FUND BALANCE JULY 1</b>	<b>269</b>	<b>437</b>	<b>590</b>	<b>(422)</b>	<b>289</b>	<b>1,163</b>
<b>FUND BALANCE JUNE 30</b>	<b>\$ 603</b>	<b>\$ 998</b>	<b>\$ 334</b>	<b>\$ 244</b>	<b>\$ 711</b>	<b>\$ 2,890</b>



## COMBINING FINANCIAL STATEMENTS

### **Nonmajor Permanent Funds**

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

**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 Cultural Trust Fund** accounts for assets held for the Iowa Cultural Trust. The principal is preserved and applicable interest is transferred to the Cultural Grant fund to be used for purposes consistent with the Trust.

**Iowa Public Television Foundation Endowment** is used to hold a restricted gift made to Iowa Public Television. While the corpus of the gift is not available to spend, the earnings of the gift are restricted for the acquisition and/or production of quality family programming. Earnings are transferred to the Iowa Public Television Foundation.

# STATE OF IOWA

## Combining Balance Sheet Nonmajor Permanent Funds

June 30, 2004  
(Expressed in Thousands)

	HENRY ALBERT TRUST	PERMANENT SCHOOL PRINCIPAL	PILOT GROVE TRUST	IOWA CULTURAL TRUST	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	TOTAL NONMAJOR PERMANENT FUNDS
<b>ASSETS</b>						
Current Assets:						
Cash & Investments	\$ 1	\$ 7,583	\$ 10	\$ 476	\$ 1,448	\$ 9,518
Accounts Receivable	-	12	-	-	-	12
Due From Other Funds	-	-	-	476	-	476
<b>TOTAL ASSETS</b>	<b>\$ 1</b>	<b>\$ 7,595</b>	<b>\$ 10</b>	<b>\$ 952</b>	<b>\$ 1,448</b>	<b>\$ 10,006</b>
<b>LIABILITIES</b>						
Due to Other Funds	\$ -	\$ -	\$ -	\$ 476	\$ -	\$ 476
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>476</b>	<b>-</b>	<b>476</b>
<b>FUND BALANCE</b>						
Reserved for:						
Specific Purposes	1	7,595	10	476	1,448	9,530
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 1</b>	<b>\$ 7,595</b>	<b>\$ 10</b>	<b>\$ 952</b>	<b>\$ 1,448</b>	<b>\$ 10,006</b>

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

For the Year Ended June 30, 2004  
(Expressed in Thousands)

	HENRY ALBERT TRUST	PERMANENT SCHOOL PRINCIPAL	PILOT GROVE TRUST	IOWA CULTURAL TRUST	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	TOTAL NONMAJOR PERMANENT FUNDS
<b>REVENUES:</b>						
Investment Income	\$ -	\$ -	\$ -	\$ -	\$ 188	\$ 188
Contributions	-	12	-	-	-	12
	<u>-</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>188</u>	<u>200</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	-	-	-	476	-	\$ 476
Transfers Out	-	-	-	-	(188)	(188)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>476</u>	<u>(188)</u>	<u>288</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	-	12	-	476	-	488
<b>FUND BALANCE JULY 1</b>	<u>1</u>	<u>7,583</u>	<u>10</u>	<u>-</u>	<u>1,448</u>	<u>9,042</u>
<b>FUND BALANCE JUNE 30</b>	<u>\$ 1</u>	<u>\$ 7,595</u>	<u>\$ 10</u>	<u>\$ 476</u>	<u>\$ 1,448</u>	<u>\$ 9,530</u>



## COMBINING FINANCIAL STATEMENTS

### **Nonmajor Enterprise Funds**

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

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

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

**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**, are 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, 2004  
(Expressed in Thousands)

	IOWA COMMUNI- ACTIONS NETWORK	IOWA LOTTERY AUTHORITY	IOWA STATE PRISON INDUSTRIES	LIQUOR CONTROL ACT	OTHER	TOTAL NONMAJOR ENTERPRISE FUNDS
<b>ASSETS</b>						
Current Assets:						
Cash & Investments	\$ 32,747	\$ 16,704	\$ 2,496	\$ 5,126	\$ 576	\$ 57,649
Accounts Receivable (Net)	1,512	3,121	1,683	3,405	29	9,750
Interest Receivable	3	66	-	-	-	69
Due From Other Funds	2,012	-	-	7	37	2,056
Inventory	1,339	1,101	5,602	943	507	9,492
Prepaid Expenses	-	109	45	57	115	326
Investment In Prize Annuity	-	9,354	-	-	-	9,354
Total Current Assets	<u>37,613</u>	<u>30,455</u>	<u>9,826</u>	<u>9,538</u>	<u>1,264</u>	<u>88,696</u>
Noncurrent Assets:						
Capital Assets - nondepreciable	1,507	-	107	210	430	2,254
Capital Assets - depreciable, net	52,269	291	4,931	-	816	58,307
Prepaid Expenses	674	-	-	-	-	674
Other Assets	437	-	-	-	-	437
Investment In Prize Annuity	-	32,381	-	-	-	32,381
Prize Deposit	-	4,235	-	-	-	4,235
Total Noncurrent Assets	<u>54,887</u>	<u>36,907</u>	<u>5,038</u>	<u>210</u>	<u>1,246</u>	<u>98,288</u>
<b>TOTAL ASSETS</b>	<b><u>92,500</u></b>	<b><u>67,362</u></b>	<b><u>14,864</u></b>	<b><u>9,748</u></b>	<b><u>2,510</u></b>	<b><u>186,984</u></b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable & Accruals	2,856	1,474	1,106	8,984	72	14,492
Due To Other Funds	87	14,063	-	96	9	14,255
Interest Payable	1,152	-	-	-	-	1,152
Deferred Revenue	255	126	-	1	57	439
Compensated Absences	538	471	-	4	61	1,074
Other Financing:						
Arrangements Payable	11,415	-	-	-	-	11,415
Annuities Payable	-	9,488	-	-	-	9,488
Lottery Prizes Payable	-	3,457	-	-	-	3,457
Total Current Liabilities	<u>16,303</u>	<u>29,079</u>	<u>1,106</u>	<u>9,085</u>	<u>199</u>	<u>55,772</u>
Noncurrent Liabilities:						
Compensated Absences	-	253	482	-	-	735
Other Financing:						
Arrangements Payable	24,862	-	-	-	-	24,862
Annuities Payable	-	32,381	-	-	-	32,381
Other	-	4,256	-	-	-	4,256
Total Noncurrent Liabilities	<u>24,862</u>	<u>36,890</u>	<u>482</u>	<u>-</u>	<u>-</u>	<u>62,234</u>
<b>TOTAL LIABILITIES</b>	<b><u>41,165</u></b>	<b><u>65,969</u></b>	<b><u>1,588</u></b>	<b><u>9,085</u></b>	<b><u>199</u></b>	<b><u>118,006</u></b>
<b>NET ASSETS</b>						
Invested in Capital Assets,						
Net of Related Debt	17,499	291	-	210	1,246	19,246
Unrestricted	33,836	1,102	13,276	453	1,065	49,732
<b>TOTAL NET ASSETS</b>	<b><u>\$ 51,335</u></b>	<b><u>\$ 1,393</u></b>	<b><u>\$ 13,276</u></b>	<b><u>\$ 663</u></b>	<b><u>\$ 2,311</u></b>	<b><u>\$ 68,978</u></b>

# STATE OF IOWA

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

For the Year Ended June 30, 2004  
(Expressed in Thousands)

	IOWA COMMUNI- CATIONS NETWORK	IOWA LOTTERY AUTHORITY	IOWA STATE PRISON INDUSTRIES	LIQUOR CONTROL ACT	OTHER	TOTAL NONMAJOR ENTERPRISE FUNDS
<b>OPERATING REVENUES:</b>						
Receipts from Other Entities	\$ -	\$ -	\$ -	\$ -	\$ 49	\$ 49
Fees, Licenses & Permits	-	18	-	9,287	-	9,305
Refunds & Reimbursements	-	-	-	92	-	92
Sales, Rents & Services	33,329	208,535	16,157	133,737	704	392,462
Miscellaneous	-	1,352	17	879	439	2,687
<b>TOTAL OPERATING REVENUES</b>	<b>33,329</b>	<b>209,905</b>	<b>16,174</b>	<b>143,995</b>	<b>1,192</b>	<b>404,595</b>
<b>OPERATING EXPENSES:</b>						
General & Administrative	377	315	30	-	-	722
Depreciation	10,111	116	616	-	127	10,970
Direct Expense	24,315	-	12,876	-	238	37,429
Prize Expense	-	143,348	-	-	-	143,348
Personal Services	7,200	7,332	1,180	398	514	16,624
Travel & Subsistence	127	321	9	-	6	463
Supplies & Materials	-	106	130	26	38	300
Contractual Services	141	3,392	550	2,981	142	7,206
Equipment & Repairs	-	134	19	87	5	245
Claims & Miscellaneous	-	-	505	86,889	191	87,585
Licenses, Permits & Refunds	-	-	-	484	-	484
State Aids & Credits	-	-	-	2,593	-	2,593
<b>TOTAL OPERATING EXPENSES</b>	<b>42,271</b>	<b>155,064</b>	<b>15,915</b>	<b>93,458</b>	<b>1,261</b>	<b>307,969</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(8,942)</b>	<b>54,841</b>	<b>259</b>	<b>50,537</b>	<b>(69)</b>	<b>96,626</b>
<b>NONOPERATING REVENUES</b>						
<b>(EXPENSES):</b>						
Taxes	4,775	-	-	4,929	-	9,704
Investment Income	722	568	80	-	1	1,371
Interest Expense	(2,391)	-	-	-	-	(2,391)
Miscellaneous Nonoperating Expense	(219)	-	-	-	-	(219)
Gain on Sale of Fixed Assets	-	-	-	-	7	7
Loss on Sale of Fixed Assets	-	-	(10)	-	-	(10)
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<b>2,887</b>	<b>568</b>	<b>70</b>	<b>4,929</b>	<b>8</b>	<b>8,462</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(6,055)</b>	<b>55,409</b>	<b>329</b>	<b>55,466</b>	<b>(61)</b>	<b>105,088</b>
Capital Contributions and Grants	11,196	-	-	-	-	11,196
Transfers In	-	-	-	399	-	399
Transfers Out	-	(55,792)	-	(58,881)	(32)	(114,705)
<b>CHANGE IN NET ASSETS</b>	<b>5,141</b>	<b>(383)</b>	<b>329</b>	<b>(3,016)</b>	<b>(93)</b>	<b>1,978</b>
<b>TOTAL NET ASSETS - JULY 1, RESTATED</b>	<b>46,194</b>	<b>1,776</b>	<b>12,947</b>	<b>3,679</b>	<b>2,404</b>	<b>67,000</b>
<b>TOTAL NET ASSETS - JUNE 30</b>	<b>\$ 51,335</b>	<b>\$ 1,393</b>	<b>\$ 13,276</b>	<b>\$ 663</b>	<b>\$ 2,311</b>	<b>\$ 68,978</b>

# STATE OF IOWA

## Combining Statement of Cash Flows Nonmajor Enterprise Funds

For the Year Ended June 30, 2004  
(Expressed in Thousands)

	IOWA COMMUNI- CATIONS NETWORK	IOWA LOTTERY AUTHORITY	IOWA STATE PRISON INDUSTRIES	LIQUOR CONTROL ACT	OTHER	TOTAL NONMAJOR ENTERPRISE FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash Received From Customers	\$ 32,756	\$ 208,086	\$ 15,851	\$ 142,303	\$ 1,190	\$ 400,186
Cash Received From Miscellaneous	-	1,364	-	879	49	2,292
Cash Payments To Suppliers For Goods & Services	(21,955)	(32,788)	(14,476)	(92,569)	(656)	(162,444)
Cash Payments To Employees for Services	(7,166)	(7,248)	(1,126)	(394)	(514)	(16,448)
Cash Payments for Prizes	-	(126,001)	-	-	-	(126,001)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>3,635</u>	<u>43,413</u>	<u>249</u>	<u>50,219</u>	<u>69</u>	<u>97,585</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Operating Transfers In From Other Funds	-	-	-	395	-	395
Operating Transfers Out To Other Funds	-	(44,455)	-	(58,863)	-	(103,318)
Tax Receipts	27,398	-	-	4,929	-	32,327
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>27,398</u>	<u>(44,455)</u>	<u>-</u>	<u>(53,539)</u>	<u>-</u>	<u>(70,596)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition & Construction of Capital Assets	(5,128)	(148)	(1,069)	-	(138)	(6,483)
Interest Payments	(2,642)	-	-	-	-	(2,642)
Debt Payments	(10,745)	-	-	-	-	(10,745)
Capital Grant & Contributions	434	-	-	-	-	434
Proceeds From Sale of Capital Assets	-	27	-	-	-	27
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(18,081)</u>	<u>(121)</u>	<u>(1,069)</u>	<u>-</u>	<u>(138)</u>	<u>(19,409)</u>

(continued on next page)

# STATE OF IOWA

(continued)

	COMMUNI- CATIONS NETWORK	IOWA LOTTERY AUTHORITY	STATE PRISON INDUSTRIES	LIQUOR CONTROL ACT	OTHER	NONMAJOR ENTERPRISE FUNDS
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest & Dividends On Investments	722	538	80	-	1	1,341
Other	-	9,903	-	-	-	9,903
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>722</b>	<b>10,441</b>	<b>80</b>	<b>-</b>	<b>1</b>	<b>11,244</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>13,674</b>	<b>9,278</b>	<b>(740)</b>	<b>(3,320)</b>	<b>(68)</b>	<b>18,824</b>
<b>CASH &amp; CASH EQUIVALENTS JULY 1</b>	<b>19,073</b>	<b>7,426</b>	<b>3,236</b>	<b>8,446</b>	<b>644</b>	<b>38,825</b>
<b>CASH &amp; CASH EQUIVALENTS JUNE 30</b>	<b>32,747</b>	<b>16,704</b>	<b>2,496</b>	<b>5,126</b>	<b>576</b>	<b>57,649</b>
<b>CASH &amp; INVESTMENTS PER STATEMENT OF NET ASSETS</b>	<b>\$ 32,747</b>	<b>\$ 16,704</b>	<b>\$ 2,496</b>	<b>\$ 5,126</b>	<b>\$ 576</b>	<b>\$ 57,649</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
<b>Operating Income (Loss)</b>	<b>\$ (8,942)</b>	<b>\$ 54,841</b>	<b>\$ 259</b>	<b>\$ 50,537</b>	<b>\$ (69)</b>	<b>\$ 96,626</b>
<b>Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities</b>						
Depreciation	10,111	116	616	-	127	10,970
Loss on Disposal Of Assets	542	-	-	-	-	542
(Increase) Decrease In Accounts Receivable	(358)	255	(316)	(814)	7	(1,226)
(Increase) Decrease In Due From	(198)	-	-	-	40	(158)
(Increase) Decrease In Inventory	2,044	429	(637)	(83)	(62)	1,691
(Increase) Decrease In Prepaid Expenses	216	412	75	(57)	1	647
(Increase) Decrease In Other Assets	-	9,161	-	-	-	9,161
Increase (Decrease) In Accounts Payable	221	(2,455)	201	658	9	(1,366)
Increase (Decrease) In Due To	(18)	-	-	-	10	(8)
Increase (Decrease) In Deferred Revenue	(16)	(306)	(8)	1	6	(323)
Increase (Decrease) In Compensated Absences	33	24	59	4	-	120
Increase (Decrease) In Prizes Payable	-	(1,644)	-	-	-	(1,644)
Increase (Decrease) In Prize Annuity	-	(9,903)	-	-	-	(9,903)
Increase (Decrease) In Other Liability	-	(7,517)	-	(27)	-	(7,544)
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 3,635</b>	<b>\$ 43,413</b>	<b>\$ 249</b>	<b>\$ 50,219</b>	<b>\$ 69</b>	<b>\$ 97,585</b>



## COMBINING FINANCIAL STATEMENTS

### **Internal Service Funds**

Internal Service funds account for State activities that provide goods and services to other State departments or agencies on a cost reimbursement basis.

**Workers' Compensation Fund** receives funds associated with the workers' compensation program to pay claims and administrative support costs.

**Materials 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**, are 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, 2004  
(Expressed in Thousands)

	WORKERS' COMPEN- SATION	MATERIALS & EQUIPMENT REVOLVING	DEPRECIATION REVOLVING	INNOVATIONS	OTHER	TOTAL
<b>ASSETS</b>						
Current Assets:						
Cash & Investments	\$ 905	\$ 8,020	\$ 4,353	\$ 4,180	\$ 2,734	\$ 20,192
Accounts Receivable (Net)	-	132	1	114	462	709
Due From Other Funds/Advances						
To Other Funds	50,134	1,283	1,630	67	2,762	55,876
Inventory	-	4,110	3,099	-	1,095	8,304
Prepaid Expenses	-	-	-	-	1,506	1,506
Total Current Assets	<u>51,039</u>	<u>13,545</u>	<u>9,083</u>	<u>4,361</u>	<u>8,559</u>	<u>86,587</u>
Noncurrent Assets:						
Loans Receivable	-	-	-	90	-	90
Due From Other Funds/Advances						
To Other Funds	-	-	-	307	-	307
Capital Assets - Depreciable (Net)	-	78,386	-	-	2,225	80,611
Total Noncurrent Assets	<u>-</u>	<u>78,386</u>	<u>-</u>	<u>397</u>	<u>2,225</u>	<u>81,008</u>
<b>TOTAL ASSETS</b>	<b><u>51,039</u></b>	<b><u>91,931</u></b>	<b><u>9,083</u></b>	<b><u>4,758</u></b>	<b><u>10,784</u></b>	<b><u>167,595</u></b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable & Accruals	11,517	1,575	606	-	3,243	16,941
Due To Other Funds/Advances						
From Other Funds	24	13	29	-	263	329
Deferred Revenue	-	-	7,352	-	-	7,352
Compensated Absences	-	435	-	-	257	692
Capital Leases	-	-	-	-	60	60
Total Current Liabilities	<u>11,541</u>	<u>2,023</u>	<u>7,987</u>	<u>-</u>	<u>3,823</u>	<u>25,374</u>
Noncurrent Liabilities:						
Accounts Payable & Accruals	39,498	-	-	-	219	39,717
Capital Leases	-	-	-	-	289	289
Total Noncurrent Liabilities	<u>39,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>508</u>	<u>40,006</u>
<b>TOTAL LIABILITIES</b>	<b><u>51,039</u></b>	<b><u>2,023</u></b>	<b><u>7,987</u></b>	<b><u>-</u></b>	<b><u>4,331</u></b>	<b><u>65,380</u></b>
<b>NET ASSETS</b>						
Invested in Capital Assets,						
Net of Related Debt	-	78,386	-	-	1,876	80,262
Unrestricted	-	11,522	1,096	4,758	4,577	21,953
<b>TOTAL NET ASSETS</b>	<b><u>\$ -</u></b>	<b><u>\$ 89,908</u></b>	<b><u>\$ 1,096</u></b>	<b><u>\$ 4,758</u></b>	<b><u>\$ 6,453</u></b>	<b><u>\$ 102,215</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, 2004  
(Expressed in Thousands)

	WORKERS' COMPEN- SATION	MATERIALS & EQUIPMENT REVOLVING	DEPRECIATION REVOLVING	INNOVATIONS	OTHER	TOTAL
<b>OPERATING REVENUES:</b>						
Receipts from Other Entities	\$ 17,107	\$ 1,316	\$ 5,881	\$ 832	\$ 24,798	\$ 49,934
Fees, Licenses & Permits	-	-	-	83	88	171
Refunds & Reimbursements	214	36,338	205	-	261	37,018
Sales, Rents & Services	-	-	1,328	-	42	1,370
Miscellaneous	-	3,485	-	32	11	3,528
<b>TOTAL OPERATING REVENUES</b>	<b>17,321</b>	<b>41,139</b>	<b>7,414</b>	<b>947</b>	<b>25,200</b>	<b>92,021</b>
<b>OPERATING EXPENSES:</b>						
Depreciation	-	10,145	-	-	592	10,737
Personal Services	-	4,056	-	-	2,797	6,853
Travel & Subsistence	-	5,983	-	-	5,561	11,544
Supplies & Materials	-	16,222	2	-	13,313	29,537
Contractual Services	2,098	1,970	47	-	1,177	5,292
Equipment & Repairs	-	4,828	6,502	-	96	11,426
Claims & Miscellaneous	15,072	13	-	-	-	15,085
Licenses, Permits & Refunds	-	15	2	-	11	28
<b>TOTAL OPERATING EXPENSES</b>	<b>17,170</b>	<b>43,232</b>	<b>6,553</b>	<b>-</b>	<b>23,547</b>	<b>90,502</b>
<b>OPERATING INCOME (LOSS)</b>	<b>151</b>	<b>(2,093)</b>	<b>861</b>	<b>947</b>	<b>1,653</b>	<b>1,519</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Taxes	-	15	-	-	171	186
Investment Income	-	-	-	38	2	40
Interest Expense	-	-	-	-	(2)	(2)
Gain on Sale of Capital Assets	-	-	-	-	18	18
Loss on Sale of Capital Assets	-	(303)	-	-	-	(303)
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<b>-</b>	<b>(288)</b>	<b>-</b>	<b>38</b>	<b>189</b>	<b>(61)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>151</b>	<b>(2,381)</b>	<b>861</b>	<b>985</b>	<b>1,842</b>	<b>1,458</b>
Transfers In	-	11	-	204	12	227
Transfers Out	(151)	-	(3)	-	(1,168)	(1,322)
<b>CHANGE IN NET ASSETS</b>	<b>-</b>	<b>(2,370)</b>	<b>858</b>	<b>1,189</b>	<b>686</b>	<b>363</b>
<b>TOTAL NET ASSETS - JULY 1</b>	<b>-</b>	<b>92,278</b>	<b>238</b>	<b>3,569</b>	<b>5,767</b>	<b>101,852</b>
<b>TOTAL NET ASSETS - JUNE 30</b>	<b>\$ -</b>	<b>\$ 89,908</b>	<b>\$ 1,096</b>	<b>\$ 4,758</b>	<b>\$ 6,453</b>	<b>\$ 102,215</b>

# STATE OF IOWA

## Combining Statement of Cash Flows Internal Service Funds

For the Year Ended June 30, 200  
(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	\$ 230	\$ 4,814	\$ 1,547	\$ 852	\$ 356	\$ 7,799
Cash Received From Reciprocal Interfund Activity	19,385	35,024	6,178	201	24,485	85,273
Cash Payments To Suppliers For Goods & Services	(19,402)	(22,478)	(7,683)	-	(15,058)	(64,621)
Cash Payments To Employees For Services	-	(10,037)	-	-	(8,379)	(18,416)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>213</u>	<u>7,323</u>	<u>42</u>	<u>1,053</u>	<u>1,404</u>	<u>10,035</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers In From Other Funds	-	11	-	272	12	295
Transfers Out To Other Funds	(127)	-	(3)	-	(1,202)	(1,332)
Interest Payments	-	-	-	-	(2)	(2)
Tax Receipts	-	16	-	-	172	188
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(127)</u>	<u>27</u>	<u>(3)</u>	<u>272</u>	<u>(1,020)</u>	<u>(851)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition & Construction of Capital Assets	-	(13,716)	-	-	(615)	(14,331)
Proceeds From Sale of Capital Assets	-	1,575	-	-	162	1,737
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>-</u>	<u>(12,141)</u>	<u>-</u>	<u>-</u>	<u>(453)</u>	<u>(12,594)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest & Dividends On Investments	-	-	-	38	1	39
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38</u>	<u>1</u>	<u>39</u>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	86	(4,791)	39	1,363	(68)	(3,371)
<b>CASH &amp; CASH EQUIVALENTS JULY 1</b>	<u>819</u>	<u>12,811</u>	<u>4,314</u>	<u>2,817</u>	<u>2,802</u>	<u>23,563</u>
<b>CASH &amp; CASH EQUIVALENTS JUNE 30</b>	<u>905</u>	<u>8,020</u>	<u>4,353</u>	<u>4,180</u>	<u>2,734</u>	<u>20,192</u>
<b>CASH &amp; INVESTMENTS PER STATEMENT OF NET ASSETS</b>	<u><b>\$ 905</b></u>	<u><b>\$ 8,020</b></u>	<u><b>\$ 4,353</b></u>	<u><b>\$ 4,180</b></u>	<u><b>\$ 2,734</b></u>	<u><b>\$ 20,192</b></u>

(continued on next page)

# STATE of IOWA

(continued)

	WORKERS' COMPEN- SATION	MATERIALS & EQUIPMENT REVOLVING	DEPRECIATION REVOLVING	INNOVATIONS	OTHER	TOTAL
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
<b>Operating Income (Loss)</b>	\$ 151	\$ (2,093)	\$ 861	\$ 947	\$ 1,653	\$ 1,519
<b>Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities</b>						
Depreciation	-	10,145	-	-	592	10,737
(Increase) Decrease In Accounts Receivable	16	16	14	(115)	(46)	(115)
(Increase) Decrease In Due From	2,278	(1,139)	(1,210)	21	(313)	(363)
(Increase) Decrease In Inventory	-	483	(1,329)	-	583	(263)
(Increase) Decrease In Prepaid Expenses	-	-	1	-	(507)	(506)
Increase (Decrease) in Loans Receivable	-	-	-	200	-	200
Increase (Decrease) In Accounts Payable	(2,232)	87	198	-	(537)	(2,484)
Increase (Decrease) In Due To	-	(174)	(50)	-	-	(224)
Increase (Decrease) In Deferred Revenue	-	-	1,557	-	(21)	1,536
Increase (Decrease) In Compensated Absences And Other Benefits	-	(2)	-	-	-	(2)
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 213</b>	<b>\$ 7,323</b>	<b>\$ 42</b>	<b>\$ 1,053</b>	<b>\$ 1,404</b>	<b>\$ 10,035</b>



## COMBINING FINANCIAL STATEMENTS

### **Pension and Other Employee Benefit 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.

**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.

# STATE OF IOWA

## Combining Statement of Fiduciary Net Assets Pension and Other Employee Benefit Trust Funds

June 30, 2004  
(Expressed in Thousands)

	<b>IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM</b>	<b>PEACE OFFICERS' RETIREMENT SYSTEM</b>	<b>JUDICIAL RETIREMENT SYSTEM</b>	<b>INSURANCE TRUST</b>	<b>SPOC INSURANCE TRUST</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Cash & Cash Equivalents	\$ 68,069	\$ 3,633	\$ 2,032	\$ 1,112	\$ 1,572	\$ 76,418
Receivables:						
Contributions	33,233	291	36	217	-	33,777
Investments Sold	377,145	3,060	4,932	-	-	385,137
Foreign Exchange Contracts	22,746	-	-	-	-	22,746
Interest & Dividends	46,708	1,063	-	6	-	47,777
Miscellaneous	4,329	-	-	-	-	4,329
Total Receivables	484,161	4,414	4,968	223	-	493,766
Investments, at Fair Value:						
Fixed Income Securities	6,061,919	72,784	24,687	-	-	6,159,390
Equity Investments	8,086,796	132,306	51,385	-	-	8,270,487
Real Estate Partnerships	1,024,765	-	-	-	-	1,024,765
Investment in Private Equity/Debt	1,036,669	-	-	-	-	1,036,669
Securities Lending Collateral Pool	1,736,911	32,589	-	-	-	1,769,500
Securities on Loan with Brokers	1,698,821	32,020	-	-	-	1,730,841
Foreign Currency	(2,368)	-	-	-	-	(2,368)
Total Investments	19,643,513	269,699	76,072	-	-	19,989,284
Capital Assets:						
Land	500	-	-	-	-	500
Other Capital Assets (Net)	3,821	-	-	-	-	3,821
Total Capital Assets	4,321	-	-	-	-	4,321
<b>Total Assets</b>	<b>20,200,064</b>	<b>277,746</b>	<b>83,072</b>	<b>1,335</b>	<b>1,572</b>	<b>20,563,789</b>
<b>LIABILITIES</b>						
Accounts Payable & Accruals	27,999	254	147	2	-	28,402
Payable for Investments Purchased	1,185,704	2,623	4,902	-	-	1,193,229
Payable to Brokers For Rebate & Collateral	1,736,444	32,589	-	-	-	1,769,033
<b>Total Liabilities</b>	<b>2,950,147</b>	<b>35,466</b>	<b>5,049</b>	<b>2</b>	<b>-</b>	<b>2,990,664</b>
<b>NET ASSETS HELD IN TRUST FOR EMPLOYEES' BENEFITS</b>	<b>\$ 17,249,917</b>	<b>\$ 242,280</b>	<b>\$ 78,023</b>	<b>\$ 1,333</b>	<b>\$ 1,572</b>	<b>\$ 17,573,125</b>

# STATE OF IOWA

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

For the Year Ended June 30, 2004  
(Expressed in Thousands)

	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE TRUST	SPOC INSURANCE TRUST	TOTAL
<b>ADDITIONS</b>						
Contributions:						
Member Contributions	\$ 192,808	\$ 3,026	\$ 1,044	\$ 233	\$ 928	\$ 198,039
Employer Contributions	298,924	5,503	2,039	-	-	306,466
Buy-Back/Buy-In Contributions	14,903	-	-	-	-	14,903
Total Contributions	506,635	8,529	3,083	233	928	519,408
Investment Income:						
Net Increase (Decrease) in Fair Value of Investments	1,780,903	27,492	8,516	(8)	-	1,816,903
Interest	249,802	5,743	1,343	28	-	256,916
Dividends	102,894	1,385	492	-	-	104,771
Other	89,284	-	-	-	-	89,284
Investment Income	2,222,883	34,620	10,351	20	-	2,267,874
Less Investment Expense	45,618	1,466	544	-	-	47,628
Net Investment Income	2,177,265	33,154	9,807	20	-	2,220,246
Miscellaneous Non-Investment Income	72	-	-	-	-	72
Total Additions	2,683,972	41,683	12,890	253	928	2,739,726
<b>DEDUCTIONS:</b>						
Pension and Annuity Benefits	792,867	14,742	4,880	-	-	812,489
Payments In Accordance with Agreements	-	-	-	713	244	957
Administrative Expense	7,959	108	5	-	-	8,072
Refunds	36,430	7	-	-	-	36,437
Total Deductions	837,256	14,857	4,885	713	244	857,955
<b>Change in Net Assets held in Trust for Employees' Pension Benefits</b>	1,846,716	26,826	8,005	(460)	684	1,881,771
<b>Fund Balance - Reserved for Employees' Benefits July 1</b>	15,403,201	215,454	70,018	1,793	888	15,691,354
<b>Fund Balance - Reserved for Employees' Benefits June 30</b>	<u>\$ 17,249,917</u>	<u>\$ 242,280</u>	<u>\$ 78,023</u>	<u>\$ 1,333</u>	<u>\$ 1,572</u>	<u>\$ 17,573,125</u>



## COMBINING FINANCIAL STATEMENTS

### **Private Purpose Trust Funds**

Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

**Iowa Educational Savings Plan Trust** receives contributions from participants for investment for future application towards payment of higher education costs for designated beneficiaries.

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

**Health Organization Insolvency** has received a \$10,000 remittance from each established HMO and LSO per law. This nonrefundable fund is invested to cover the cost of administration if an HMO or LSO declares bankruptcy.

**Wagner Award** received a bequest by Ruth Wagner to present an annual recognition to the outstanding soil district commissioner who is 40 years or younger to be presented each year at the annual state conference.

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

# STATE OF IOWA

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

June 30, 2004  
(Expressed in Thousands)

	IOWA EDUCATIONAL SAVINGS PLAN TRUST	VETERANS AFFAIRS	HEALTH ORGANIZATION INSOLVENCY	WAGNER AWARD	BRAILLE & SIGHT SAVING SCHOOL	TOTAL
<b>ASSETS</b>						
Cash	\$ 1,249	\$ 316	\$ 220	\$ 11	\$ 5	\$ 1,801
Investments	829,041	-	-	-	-	829,041
Accounts Receivable (Net)	9	1	-	-	-	10
Capital Assets (Net)	20	45	-	-	-	65
Prepaid Expense	2	1	-	-	-	3
Inventory	-	18	-	-	-	18
<b>Total Assets</b>	<u>830,321</u>	<u>381</u>	<u>220</u>	<u>11</u>	<u>5</u>	<u>830,938</u>
<b>LIABILITIES</b>						
Accounts Payable & Accruals	127	2	-	-	-	129
Capital Lease	15	-	-	-	-	15
Other Financing Arrangements Payable	204	-	-	-	-	204
<b>Total Liabilities</b>	<u>346</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>348</u>
<b>NET ASSETS</b>						
Held for Individuals, Organizations and Other Governments	<u>\$ 829,975</u>	<u>\$ 379</u>	<u>\$ 220</u>	<u>\$ 11</u>	<u>\$ 5</u>	<u>\$ 830,590</u>

# STATE OF IOWA

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

For the Year Ended June 30, 2004  
(Expressed in Thousands)

	IOWA EDUCATIONAL SAVINGS PLAN TRUST	VETERANS AFFAIRS	HEALTH ORGANIZATION INSOLVENCY	WAGNER AWARD	BRAILLE & SIGHT SAVING SCHOOL	TOTAL
<b>ADDITIONS</b>						
Contributions:						
Participant Contributions	\$ 244,307	\$ 102	\$ -	\$ -	\$ -	\$ 244,409
Gifts, Bequests, & Endowments	-	128	-	-	-	128
Total Contributions	244,307	230	-	-	-	244,537
Investment Income:						
Net Increase in Fair Value of Investments	98,169	-	-	-	3	98,172
Interest	34	5	-	-	7	46
Investment Income	98,203	5	-	-	10	98,218
Total Additions	342,510	235	-	-	10	342,755
<b>DEDUCTIONS:</b>						
Distributions to Participants	20,007	-	-	-	-	20,007
Other	1,182	304	-	-	10	1,496
Total Deductions	21,189	304	-	-	10	21,503
<b>Change in Net Assets held in Trust for Individuals, Organizations and Other Governments</b>	321,321	(69)	-	-	-	321,252
<b>Net Assets - Beginning</b>	508,654	448	220	11	5	509,338
<b>Net Assets - Ending</b>	<b>\$ 829,975</b>	<b>\$ 379</b>	<b>\$ 220</b>	<b>\$ 11</b>	<b>\$ 5</b>	<b>\$ 830,590</b>



# COMBINING FINANCIAL STATEMENTS

## **Agency Funds**

Agency funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or organizations.

**Local Sales & Services Tax** 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**, are 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, 2004  
(Expressed in Thousands)

	LOCAL SALES & SERVICE TAX	CENTRALIZED PAYROLL TRUSTEE	JUDICIAL - CLERKS OF DISTRICT COURT	SCHOOL DISTRICT SURTAX CLEARING	OTHER	TOTAL
<b>ASSETS</b>						
Cash	\$ 39	\$ 5,602	\$ 16,143	\$ 52,624	\$ 23,677	\$ 98,085
Accounts Receivable (Net)	59,631	5	-	3,812	47,147	110,595
<b>Total Assets</b>	<b>\$ 59,670</b>	<b>\$ 5,607</b>	<b>\$ 16,143</b>	<b>\$ 56,436</b>	<b>\$ 70,824</b>	<b>\$ 208,680</b>
<b>LIABILITIES</b>						
Accounts Payable & Accruals	\$ 59,670	\$ 5,607	\$ 16,143	\$ 56,436	\$ 70,824	\$ 208,680
<b>Total Liabilities</b>	<b>\$ 59,670</b>	<b>\$ 5,607</b>	<b>\$ 16,143</b>	<b>\$ 56,436</b>	<b>\$ 70,824</b>	<b>\$ 208,680</b>

# STATE OF IOWA

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

For the Year Ended June 30, 2004  
(Expressed in Thousands)

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
<b><u>LOCAL SALES &amp; SERVICE TAX</u></b>				
<b>ASSETS</b>				
Cash	\$ 36	\$ 378,316	\$ 378,313	\$ 39
Accounts Receivable	48,130	59,631	48,130	59,631
<b>Total Assets</b>	<u>\$ 48,166</u>	<u>\$ 437,947</u>	<u>\$ 426,443</u>	<u>\$ 59,670</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 48,166	\$ 437,947	\$ 426,443	\$ 59,670
<b>Total Liabilities</b>	<u>\$ 48,166</u>	<u>\$ 437,947</u>	<u>\$ 426,443</u>	<u>\$ 59,670</u>
<b><u>CENTRALIZED PAYROLL TRUSTEE</u></b>				
<b>ASSETS</b>				
Cash	\$ 5,696	\$ 577,554	\$ 577,648	\$ 5,602
Accounts Receivable	6,754	5	6,754	5
<b>Total Assets</b>	<u>\$ 12,450</u>	<u>\$ 577,559</u>	<u>\$ 584,402</u>	<u>\$ 5,607</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 12,450	\$ 577,559	\$ 584,402	\$ 5,607
<b>Total Liabilities</b>	<u>\$ 12,450</u>	<u>\$ 577,559</u>	<u>\$ 584,402</u>	<u>\$ 5,607</u>
<b><u>JUDICIAL-CLERKS OF DISTRICT COURT</u></b>				
<b>ASSETS</b>				
Cash	\$ 16,582	\$ 289,537	\$ 289,976	\$ 16,143
Accounts Receivable	-	-	-	-
<b>Total Assets</b>	<u>\$ 16,582</u>	<u>\$ 289,537</u>	<u>\$ 289,976</u>	<u>\$ 16,143</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 16,582	\$ 289,537	\$ 289,976	\$ 16,143
<b>Total Liabilities</b>	<u>\$ 16,582</u>	<u>\$ 289,537</u>	<u>\$ 289,976</u>	<u>\$ 16,143</u>
<b><u>SCHOOL DISTRICT SURTAX CLEARING</u></b>				
<b>ASSETS</b>				
Cash	\$ 42,890	\$ 62,156	\$ 52,422	\$ 52,624
Accounts Receivable	6,572	3,812	6,572	3,812
<b>Total Assets</b>	<u>\$ 49,462</u>	<u>\$ 65,968</u>	<u>\$ 58,994</u>	<u>\$ 56,436</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 49,462	\$ 65,968	\$ 58,994	\$ 56,436
<b>Total Liabilities</b>	<u>\$ 49,462</u>	<u>\$ 65,968</u>	<u>\$ 58,994</u>	<u>\$ 56,436</u>
<b><u>OTHER AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash	\$ 21,154	\$ 1,075,167	\$ 1,072,644	\$ 23,677
Accounts Receivable	43,117	47,087	43,057	47,147
<b>Total Assets</b>	<u>\$ 64,271</u>	<u>\$ 1,122,254</u>	<u>\$ 1,115,701</u>	<u>\$ 70,824</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 64,271	\$ 1,122,254	\$ 1,115,701	\$ 70,824
<b>Total Liabilities</b>	<u>\$ 64,271</u>	<u>\$ 1,122,254</u>	<u>\$ 1,115,701</u>	<u>\$ 70,824</u>
<b><u>TOTAL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash	\$ 86,358	\$ 2,382,730	\$ 2,371,003	\$ 98,085
Accounts Receivable	104,573	110,535	104,513	110,595
<b>Total Assets</b>	<u>\$ 190,931</u>	<u>\$ 2,493,265</u>	<u>\$ 2,475,516</u>	<u>\$ 208,680</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 190,931	\$ 2,493,265	\$ 2,475,516	\$ 208,680
<b>Total Liabilities</b>	<u>\$ 190,931</u>	<u>\$ 2,493,265</u>	<u>\$ 2,475,516</u>	<u>\$ 208,680</u>

# STATE OF IOWA

## Schedule of Expenditures by Function General Fund

For the Year Ended June 30, 2004  
(Expressed in Thousands)

	<b>PERSONAL SERVICES</b>	<b>TRAVEL &amp; SUBSISTENCE</b>	<b>SUPPLIES</b>	<b>CONTRACTUAL SERVICES</b>
ADMINISTRATION & REGULATION	\$ 122,894	\$ 4,830	\$ 5,397	\$ 67,045
EDUCATION	68,441	1,396	5,975	24,017
STATE AID TO UNIVERSITIES	-	-	-	-
HEALTH & HUMAN RIGHTS	85,319	1,652	29,860	166,684
HUMAN SERVICES	284,292	2,623	15,941	101,774
JUSTICE & PUBLIC DEFENSE	461,557	7,181	30,973	88,816
ECONOMIC DEVELOPMENT	58,659	1,531	1,652	38,576
TRANSPORTATION	177,425	19,692	29,877	106,640
AGRICULTURE & NATURAL RESOURCES	82,637	3,445	5,548	28,157
TOTAL EXPENDITURES	<b>\$ 1,341,224</b>	<b>\$ 42,350</b>	<b>\$ 125,223</b>	<b>\$ 621,709</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>
\$ 8,570	\$ 49,318	\$ 46	\$ 668,455	\$ 1,709	\$ 928,264
2,315	5,108	-	2,503,508	681	2,611,441
-	-	-	592,617	-	592,617
3,806	303	71	27,359	57	315,111
6,120	7,211	569	3,004,696	168	3,423,394
17,814	6,017	275	19,028	11,835	643,496
3,768	6,900	3,666	84,689	73	199,514
11,364	2,211	205	30,034	586,523	963,971
8,231	744	6	13,536	5,591	147,895
<b>\$ 61,988</b>	<b>\$ 77,812</b>	<b>\$ 4,838</b>	<b>\$ 6,943,922</b>	<b>\$ 606,637</b>	<b>\$ 9,825,703</b>



**S T A T I S T I C A L  
S E C T I O N**

## STATE OF IOWA

### Revenues By Source All Governmental Fund Types

For the Last Ten Years  
(Expressed in Thousands)

	1995	1996	1997	1998
Taxes	\$ 4,517,309	\$ 4,825,953	\$ 5,042,531	\$ 5,304,243
Receipts From Other				
Entities	1,960,839	2,096,544	2,113,538	2,141,475
Investment Income	48,405	63,393	81,212	102,804
Fees, Licenses & Permits	424,648	458,710	438,849	470,968
Refunds & Reimbursements	141,790	171,742	186,697	180,994
Sales, Rents & Services	8,970	11,054	11,420	12,091
Miscellaneous	44,191	51,404	55,772	66,223
Contributions	-	-	-	-
<b>GROSS REVENUES</b>	7,146,152	7,678,800	7,930,019	8,278,798
Less Revenue Refunds	370,777	431,673	454,442	519,292
<b>TOTAL REVENUES</b>	<u>\$ 6,775,375</u>	<u>\$ 7,247,127</u>	<u>\$ 7,475,577</u>	<u>\$ 7,759,506</u>

### Expenditures By Function All Governmental Fund Types

For the Last Ten Years  
(Expressed in Thousands)

	1995	1996	1997	1998
Current:				
Administration & Regulation	\$ -	\$ -	\$ -	\$ -
General Government & Regulation	670,932	772,197	822,372	782,362
Education	1,841,394	1,929,444	2,130,301	2,233,579
State Aid to Universities	-	-	-	-
Health & Human Rights	-	-	-	-
Human Services	-	-	-	-
Health & Human Services	1,926,693	2,153,052	2,170,097	2,389,458
Justice & Public Defense	-	-	-	-
Law, Justice & Public Safety	406,957	425,073	465,623	504,596
Economic Development	163,865	150,263	158,382	161,905
Transportation	737,429	776,091	782,816	803,174
Agriculture & Natural Resources	99,578	101,912	109,664	113,238
Capital Outlay	28,173	45,360	72,273	58,068
<b>TOTAL EXPENDITURES</b>	<u>\$ 5,875,021</u>	<u>\$ 6,353,392</u>	<u>\$ 6,711,528</u>	<u>\$ 7,046,380</u>

# STATE OF IOWA

	1999	2000	2001	2002	2003	2004
\$	5,394,206	\$ 5,725,416	\$ 5,679,340	\$ 5,646,505	\$ 5,624,307	\$ 5,939,586
	2,304,812	2,638,996	2,774,345	3,257,685	3,461,978	3,591,798
	89,797	84,798	118,650	97,054	63,133	62,235
	504,882	527,687	530,202	554,847	575,901	615,684
	176,285	259,611	242,693	949,930	778,389	435,380
	15,924	17,764	17,845	27,383	26,093	30,954
	78,233	104,369	104,559	141,491	158,192	193,171
	-	-	-	1,450	26	12
	8,564,139	9,358,641	9,467,634	10,676,345	10,688,019	10,868,820
	568,831	585,580	619,317	743,777	726,338	793,070
\$	<u>7,995,308</u>	<u>\$ 8,773,061</u>	<u>\$ 8,848,317</u>	<u>\$ 9,932,568</u>	<u>\$ 9,961,681</u>	<u>\$ 10,075,750</u>

	1999	2000	2001	2002	2003	2004
\$	-	\$ -	\$ -	\$ 1,136,471	\$ 1,225,770	\$ 974,624
	889,787	943,355	958,731	-	-	-
	2,320,096	2,476,234	2,572,970	2,610,508	2,630,481	2,650,005
	-	-	-	675,077	681,287	635,488
	-	-	-	282,234	300,504	311,742
	-	-	-	3,439,265	3,383,339	3,417,491
	2,487,124	2,658,728	2,920,150	-	-	-
	-	-	-	636,188	639,298	629,246
	559,546	604,067	633,205	-	-	-
	172,962	183,675	188,226	177,567	184,017	196,917
	857,384	1,071,919	988,743	1,012,886	1,022,586	348,494
	129,541	144,150	156,111	170,606	149,625	140,581
	31,082	34,499	28,827	26,891	14,663	749,346
\$	<u>7,447,522</u>	<u>\$ 8,116,627</u>	<u>\$ 8,446,963</u>	<u>\$ 10,167,693</u>	<u>\$ 10,231,570</u>	<u>\$ 10,053,934</u>

# STATE OF IOWA

## PUBLIC EDUCATION

For the Last Ten Years

### Public School Enrollment

GRADES	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
K-8	332,838	331,949	330,088	326,621	326,051	324,566	321,854	321,553	315,776	318,124
9-12	147,945	152,491	154,912	155,528	155,834	155,506	155,073	153,856	152,147	152,565
Special Education	19,809	20,065	20,523	22,981	20,649	18,484	17,364	14,114	19,098	14,322
<b>TOTAL</b>	<b>500,592</b>	<b>504,505</b>	<b>505,523</b>	<b>505,130</b>	<b>502,534</b>	<b>498,556</b>	<b>494,291</b>	<b>489,523</b>	<b>487,021</b>	<b>485,011</b>

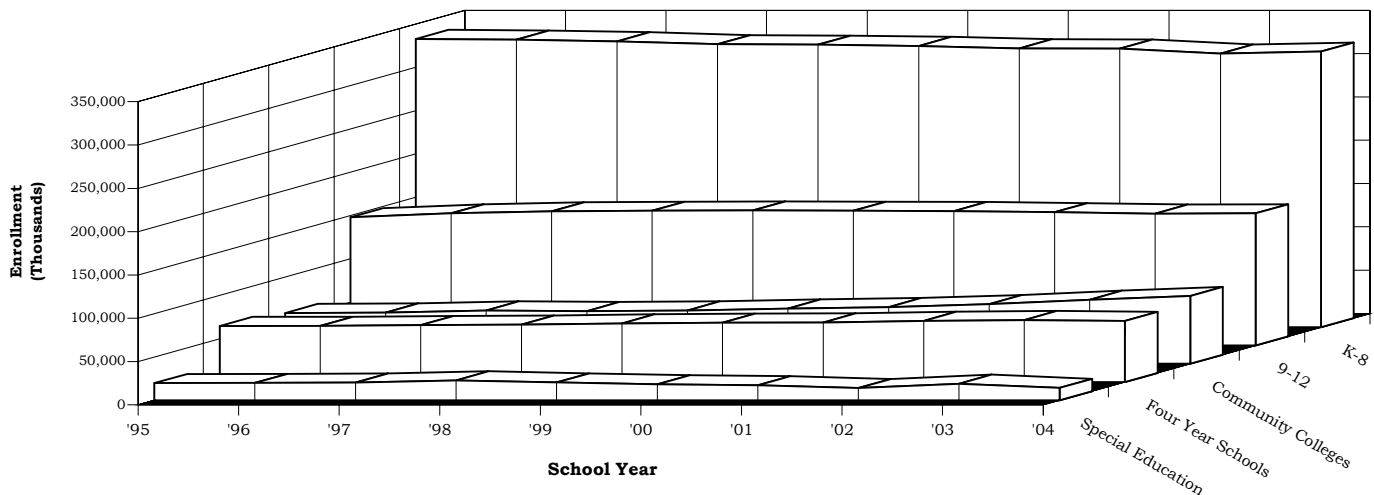
### Public Higher Education Enrollment

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Four Year Schools	64,599	64,830	65,777	66,363	67,619	68,509	68,709	70,661	71,521	70,566
Community Colleges	58,514	59,111	61,642	60,692	61,479	63,809	65,473	68,790	73,947	78,292
<b>TOTAL</b>	<b>123,113</b>	<b>123,941</b>	<b>127,419</b>	<b>127,055</b>	<b>129,098</b>	<b>132,318</b>	<b>134,182</b>	<b>139,451</b>	<b>145,468</b>	<b>148,858</b>

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

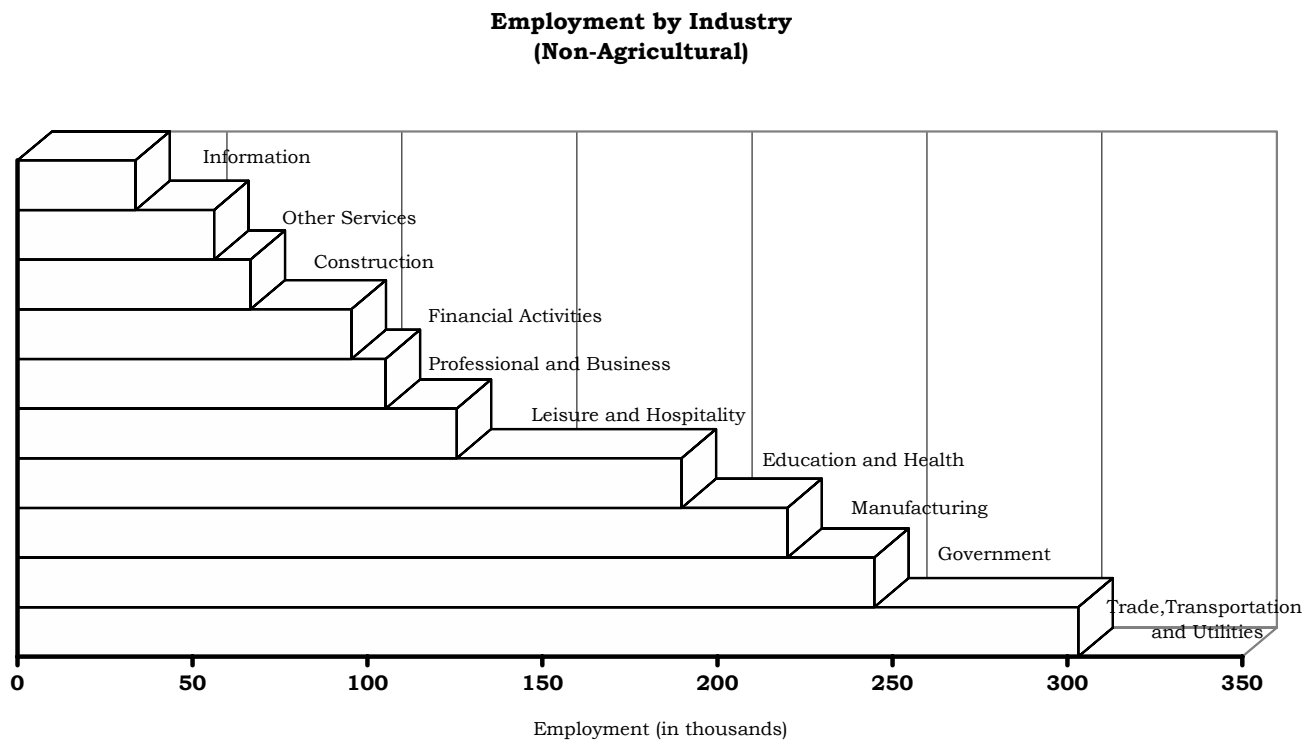
(Expressed in Thousands)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Construction	55.2	57.3	60.2	62.2	65.5	68.0	66.0	66.2	66.3	66.6
Manufacturing	229.9	236.5	234.8	239.1	250.9	252.8	251.5	240.2	227.5	220.0
Trade, Transportation and Utilities	287.3	294.8	299.2	303.4	308.6	313.6	315.8	311.3	304.9	303.1
Information	30.8	32.7	33.8	34.5	35.7	38.7	40.4	37.4	35.2	33.7
Financial Activities	76.6	77.8	80.0	81.5	86.3	89.0	89.7	92.0	94.0	95.4
Professional and Business	84.5	89.1	96.0	99.9	104.3	106.7	107.6	107.3	105.7	105.2
Education and Health	162.6	166.8	170.8	176.0	176.0	178.0	181.9	185.4	188.0	189.8
Leisure and Hospitality	109.3	116.0	120.6	121.5	124.1	126.0	125.5	124.1	124.5	125.5
Other Services	56.8	56.9	55.2	54.4	55.3	56.4	56.8	56.3	56.8	56.2
Government	226.9	230.3	232.9	234.6	236.2	239.5	243.3	245.2	244.2	244.8
<b>TOTAL NON-AGRICULTURAL WAGE AND SALARY EMPLOYEES</b>	<b>1,319.9</b>	<b>1,358.2</b>	<b>1,383.5</b>	<b>1,407.1</b>	<b>1,442.9</b>	<b>1,468.7</b>	<b>1,478.5</b>	<b>1,465.4</b>	<b>1,447.1</b>	<b>1,440.3</b>

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

Employment by Industry for calendar years 1994 through 2001 have been revised to conform to the new reporting categories.

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

RANK	EMPLOYER	TYPE OF BUSINESS
1	Hy-Vee Food Stores, Inc.	Retail Food
2	Wal-Mart Stores, Inc.	Retail General Merchandise
3	Deere and Company	Machinery Manufacturer
4	Principal Financial Group	Finance and Insurance
5	Tyson Fresh Meats Inc.	Manufacturing
6	Rockwell International	Machinery Manufacturer
7	Fareway Stores, Inc.	Retail Food
8	Pella Corporation	Window Products
9	Central Iowa Health Systems	Hospital/Des Moines
10	Maytag Corporation	Machinery Manufacturer

Note: Based on 2003 calendar year annual average employment.

Source: Iowa Workforce Development.

## STATE OF IOWA

### LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

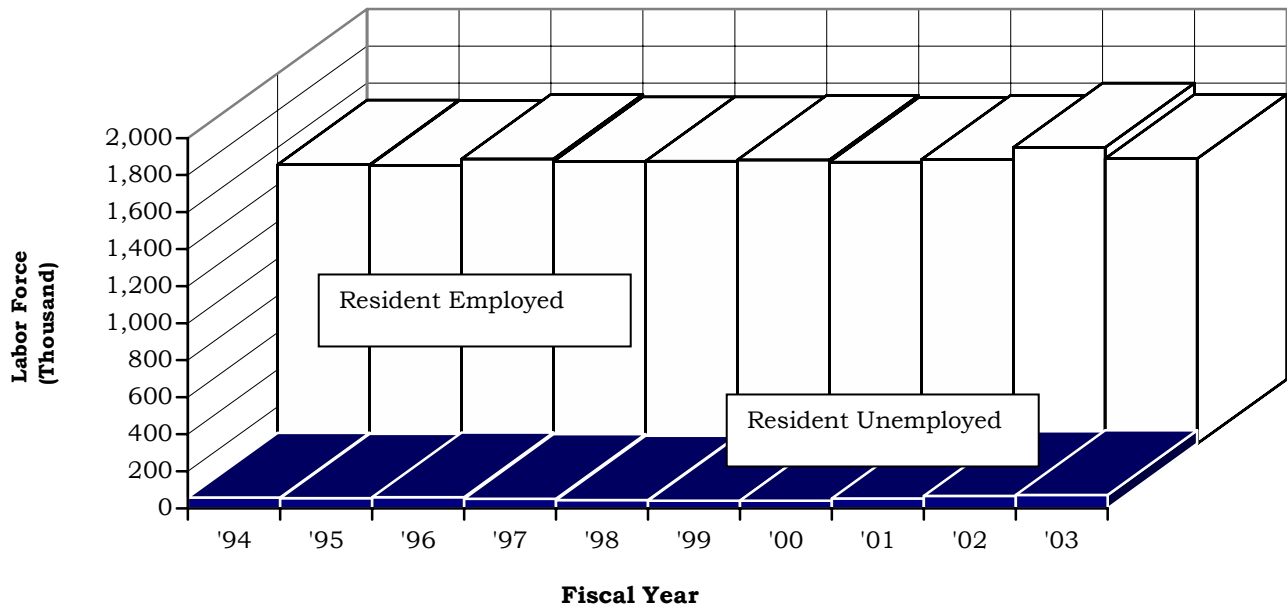
Annual Averages

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>
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	1,574.3	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
2002	1,667.5	1,600.7	66.8	4.0
2003	1,612.3	1,540.1	72.2	4.5

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

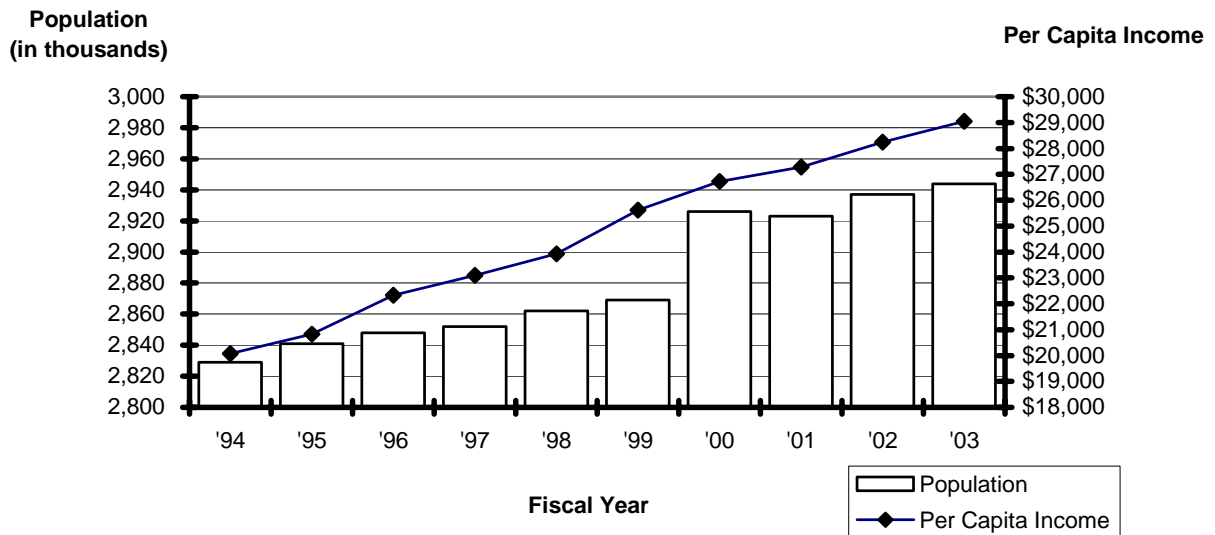
### POPULATION, TOTAL PERSONAL INCOME, AND PER CAPITA PERSONAL INCOME

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)
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
2002	2,937		83,051		28,240
2003	2,944		85,506		29,043

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

**Iowa Population and  
Per Capita Personal Income  
1994 to 2003**



# STATE OF IOWA

## AGRICULTURE

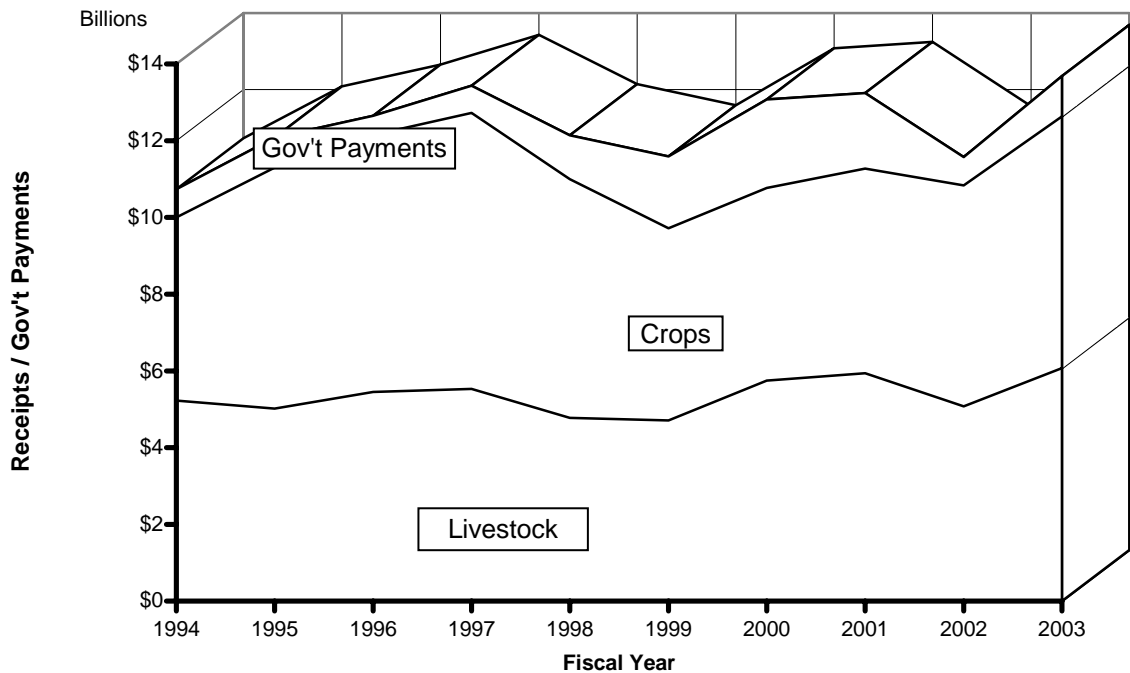
### Cash Receipts and Government Payments

For the Last Ten Years  
(Expressed in Millions)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Cattle	\$ 1,856.5	\$ 1,717.6	\$ 1,461.1	\$ 1,652.3	\$ 1,415.1	\$ 1,640.2	\$ 1,839.9	\$ 1,824.2	\$ 1,764.6	\$ 2,334.6
Hogs	2,571.6	2,480.2	3,004.0	2,957.2	2,413.7	2,204.7	3,071.2	3,131.7	2,424.6	2,602.2
Dairy Products	498.6	501.5	540.0	527.2	584.6	500.5	455.2	550.4	459.1	478.6
Other Livestock	304.2	323.0	445.6	393.0	364.2	366.9	380.8	429.3	426.5	657.6
<b>TOTAL LIVESTOCK</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>	<b>5,074.8</b>	<b>6,073.0</b>
Corn	2,509.5	3,649.4	3,874.7	3,722.3	3,167.8	2,703.6	2,656.4	2,950.9	3,259.2	3,708.6
Soybeans	2,055.4	2,425.0	2,603.4	3,229.3	2,837.3	2,096.6	2,165.5	2,128.0	2,260.3	2,600.4
Other Crops	208.5	202.0	219.7	241.3	211.5	204.0	205.3	255.3	239.6	251.4
<b>TOTAL CROPS</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>5,759.1</b>	<b>6,560.4</b>
<b>Total Cash Receipts from Crops and Livestock</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>	<b>10,833.9</b>	<b>12,633.4</b>
Government Payments	732.4	784.7	501.7	709.7	1,146.0	1,875.5	2,302.2	1,971.7	737.1	1,050.6
<b>Total Cash Receipts and Government Payments</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>	<b>\$ 11,571.0</b>	<b>\$ 13,684.0</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
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
2003	152,439.3	182.2	152,257.2	59,260.2	34,942.7	94,202.9	1.62
2004	143,704.2	309.0	143,395.2	114,977.5	35,847.4	150,824.9	.95

### IOWA HIGHER EDUCATION LOAN AUTHORITY

FISCAL YEAR ENDED JUNE 30 COVERAGE	DIRECT GROSS REVENUES	DIRECT OPERATING EXPENSES	AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			
				PRINCIPAL	INTEREST	TOTAL	
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
2003	1,415.0	154.4	1,260.6	2,285.0	1,607.2	3,892.2	.32
2004	1,211.3	153.5	1,057.8	1,620.0	908.0	2,528.0	.42

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.

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

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