

FINANCIAL
SECTION



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

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Independent Auditor's Report

To the Governor and Members of the General Assembly:

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related Notes to Financial Statements, which collectively comprise the State's basic financial statements listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying 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, 2022, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Tobacco Settlement Authority, which is a major fund and represents less than 1% of the assets, the net position and the revenues of the governmental activities. We did not audit the Iowa PBS Foundation and the Iowa Public Radio, Inc., which represent less than 1% of the assets, the net position and the revenues of the governmental activities and less than 1% of the assets, the net position and the revenues of the aggregate remaining funds. We also did not audit the financial statements of the Iowa Finance Authority, the University of Iowa Center for Advancement and Affiliate, the Iowa State University Foundation, the University of Northern Iowa Foundation and the University of Iowa Health System, which represent a total of 95%, 93% and 54%, respectively, of the assets, the net position and the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Tobacco Settlement Authority, the Iowa PBS Foundation, the Iowa Public Radio, Inc., the Iowa Finance Authority, the University of Iowa Center for Advancement and Affiliate, the Iowa State University Foundation, the University of Northern Iowa Foundation and the University of Iowa Health System, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the State of Iowa, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Iowa PBS Foundation, the University of Iowa Center for Advancement and Affiliate, the Iowa State University Foundation and the University of Northern Iowa Foundation were not audited in accordance with Government Auditing Standards.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the State of Iowa adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Iowa's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Iowa's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Iowa's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Proportionate Share of the Net Pension Liability, the Schedules of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions and the Schedule of Changes in Total OPEB Liability, Related Ratios and Notes on pages 17 through 30 and 142 through 163 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the auditors of the Tobacco Settlement Authority, the Iowa Public Radio, Inc., the Iowa Finance Authority and the University of Iowa Health System have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to the auditor's inquiries, the basic financial statements and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Iowa's basic financial statements. The supplementary information identified in the Table of Contents and the Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the procedures performed as described above, and the reports of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

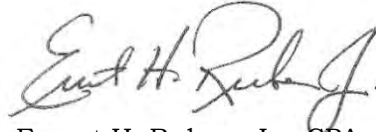
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, our report on the State of Iowa's internal control over financial reporting and other tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters will be issued under separate cover. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the State of Iowa's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

August 18, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the State of Iowa's Annual Comprehensive Financial Report (ACFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended on June 30, 2022. Readers are encouraged to consider this information in conjunction with the letter of transmittal located at the front of the Annual Comprehensive Financial Report and the State's financial statements, which follow this section of the Annual Comprehensive Financial Report.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights

- The assets and deferred outflows of resources of the State of Iowa exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2022 by \$26,066.0 million (net position). Of this amount, \$6,382.9 million (unrestricted net position) is available to be used to meet the State's ongoing obligations to citizens and creditors.
- Total net position increased \$3,590.6 million over the June 30, 2021 (not restated) balance. See NOTE 8 – RESTATEMENT OF PRIOR PERIODS. Net position of governmental activities increased \$3,036.7 million (restated), or 22.6%, while net position of business-type activities increased \$558.4 million (restated), or 6.2%.
- In the State's governmental activities, revenues increased 10.6% to \$24,315.4 million while expenses increased 6.8% to \$20,802.2 million.
- For business-type activities, revenues decreased 17.9% to \$6,714.5 million while expenses decreased 20.3% to \$6,632.6 million.

Fund Highlights

- The State's governmental funds reported a combined ending fund balance of \$5,941.2 million, a \$2,016.8 million increase over the prior year (not restated). Of this amount, \$124.7 million represents nonspendable fund balances, \$3,360.4 million represents spendable restricted fund balances, \$2,999.9 million represents spendable committed fund balances and a negative \$543.9 million represents unassigned fund balances.
- The General Fund total fund balance increased \$2,034.3 million to \$5,786.9 million.
- The proprietary funds reported net position at year-end of \$9,872.1 million, an increase of \$581.8 million over the June 30, 2021 net position (not restated).

Long-term Debt

- The State's total long-term debt increased \$182.8 million to \$3,482.3 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of the Annual Comprehensive Financial Report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information and an optional section that presents supplementary information.

Basic Financial Statements

The basic financial statements include the government-wide financial statements, the fund financial statements and the notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the State's financial activity. These statements are prepared using the accrual basis of accounting and the economic resources measurement focus, in a manner similar to a private-sector business.

- The *Statement of Net Position* presents financial information on all of the State's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating, respectively.

- The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. This statement is formatted to report direct expenses, program revenues and the net revenues or expenses for each of the State's governmental functions and business-type activities. This format identifies the extent to which each function is self-financed or is supported by the general revenues of the State.

The government-wide financial statements of the State are divided into three categories:

- *Governmental activities* – Most services generally associated with State government, such as administration & regulation, education, health & human rights, human services, justice & public defense, economic development, transportation and agriculture & natural resources, are included in this category.
- *Business-type activities* – State operations such as the Universities and the Unemployment Benefits Fund that charge fees to external customers and function similarly to private businesses are included here.
- *Component units* – These are operations that are legally separate from the State, but for which the State is financially accountable. The State's discretely presented component units are:
 - Iowa Finance Authority (Business-type)
 - Iowa Economic Development Authority (Business-type)
 - Iowa State Fair Authority (Business-type)
 - Iowa Lottery Authority (Business-type)
 - University of Iowa Center for Advancement & Affiliate (Business-type)
 - Iowa State University Foundation (Business-type)
 - University of Northern Iowa Foundation (Business-type)
 - University of Iowa Research Foundation (Business-type)
 - University of Iowa Health System (Business-type)

Additional information about the State's component units is presented in NOTE 1-B of the Notes to the Financial Statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds. The State has three types of funds:

- *Governmental funds* – Most of the basic services provided by the State are accounted for in governmental funds. Governmental funds use the modified accrual basis of accounting and the flow of current financial resources measurement focus. Modified accrual accounting is used to show the flow of financial assets of the funds and the balances available for spending at year-end. These statements provide a detailed *short-term* view that assists in determining whether there are adequate financial resources available to meet the current needs of the State. Because this information does not encompass the long-term focus of the government-wide statements, reconciliation schedules accompany the governmental funds statements. The General Fund, Tobacco Settlement Authority and Tobacco Collections Fund are the State's major governmental funds. Nonmajor governmental funds are reported by fund type in the Combining Financial Statements – Nonmajor Funds.
- *Proprietary funds* – Services for which the State charges customers a fee are generally reported in proprietary funds. Proprietary funds use the accrual basis of accounting and, like the government-wide statements, provide both long-term and short-term financial information.
 - The State's enterprise funds (one type of proprietary fund) are used to report activities, such as the universities, that are presented as business-type activities in the government-wide statements.
 - The State's internal service funds (the other type of proprietary fund) are used to account for activities that provide supplies and services for other State programs and activities – such as the Motor Pool Revolving Fund.

The University Funds and the Unemployment Benefits Fund are the State's major proprietary funds. Nonmajor proprietary funds are reported by fund type in the Combining Financial Statements – Nonmajor Funds.

- *Fiduciary funds* – These funds are used to report the resources of individuals or organizations, outside the State, which the State holds as trustee or similar arrangement, or controls without administrative

involvement, such as the Iowa Public Employees' Retirement System and the Iowa Educational Savings Plan Trust. Similar to proprietary funds, these funds use the accrual basis of accounting. Because the State cannot use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed above.

Table 1

Major Features of the State's Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary, such as Human Services and Transportation	Activities the State operated similar to private businesses; the Universities and the Iowa Communications Network	Instances in which the State or a component unit is the trustee or controls resources held for the benefit of others, such as the retirement plan for public employees
Required financial statements	Statement of net position	Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net position Statement of cash flows	Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, and capital assets
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the Financial Statements

The notes provide additional information that is essential to fully understand the government-wide and fund financial statements. The notes also explain some of the information contained in the financial statements and present more detail than is practical in the financial statements.

Required Supplementary Information

In addition to this Management's Discussion and Analysis, Required Supplementary Information (RSI) includes the Budgetary Comparison Schedule. This schedule presents both the original and final appropriated budget for major funds. The Budgetary Comparison Schedule is accompanied by a Budget to GAAP Reconciliation and by Notes to RSI. Schedules of Net Pension Liability and a Schedule of Contributions for each pension plan along with accompanying Notes to RSI and a Schedule of Changes in Total OPEB Liability and Related Ratios for each OPEB plan along with accompanying Notes to RSI are also presented.

Supplementary Information

The Supplementary Information includes combining financial statements for non-major governmental funds, non-major enterprise funds, internal service funds and fiduciary funds, which are added together and presented in single columns in the basic financial statements.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Position

The State's combined net position (governmental and business-type activities) totaled \$26,066.0 million at June 30, 2022, compared to \$22,475.4 million at June 30, 2021 (not restated), as indicated in Table 2.

The beginning total net position as of July 1, 2021, was restated by a \$0.4 million decrease in governmental activities, and by a \$4.1 million decrease in business-type activities, as a result of the implementation of GASB No. 87 *Leases*. GASB No. 87 required recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The fiscal year 2021 amounts were not restated. See Note 8 – RESTATEMENT OF PRIOR PERIODS.

Table 2

**Net Position
(In Millions)**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2021-2022
	Not Restated		Not Restated		Not Restated		
	2022	2021	2022	2021	2022	2021	
Current & other assets	\$ 9,608.3	\$ 6,506.7	\$8,648.2	\$ 7,738.1	\$18,256.5	\$ 14,244.8	28.2%
Capital assets	12,049.7	11,526.8	6,075.2	5,931.5	18,124.9	17,458.3	3.8%
Total assets	21,658.0	18,033.5	14,723.4	13,669.6	36,381.4	31,703.1	14.8%
Deferred outflows of resources	458.3	334.1	175.9	199.5	634.2	533.6	18.9%
Long-term liabilities	1,944.7	2,535.8	3,479.0	3,489.5	5,423.7	6,025.3	-10.0%
Current & other liabilities	2,787.8	2,117.6	1,477.7	1,180.9	4,265.5	3,298.5	29.3%
Total liabilities	4,732.5	4,653.4	4,956.7	4,670.4	9,689.2	9,323.8	3.9%
Deferred inflows of resources	939.0	305.7	321.4	131.8	1,260.4	437.5	188.1%
Net position:							
Net investment in capital assets	11,834.0	11,324.7	4,224.0	4,226.9	16,058.0	15,551.6	3.3%
Restricted	1,237.6	880.0	2,387.5	2,207.6	3,625.1	3,087.6	17.4%
Unrestricted	3,373.2	1,203.8	3,009.7	2,632.4	6,382.9	3,836.2	66.4%
Total net position	\$ 16,444.8	\$ 13,408.5	\$9,621.2	\$ 9,066.9	\$26,066.0	\$ 22,475.4	16.0%

Prior to restatement, the net position of the State's governmental activities increased 22.6% to \$16,444.8 million. The largest component of the State's net position is its investment in capital assets (e.g. land, buildings, equipment, and infrastructure), less any related outstanding debt that was used to acquire or construct the assets. Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position is the remaining portion and may be used at the State's discretion, but often has limitations on use based on State statutes.

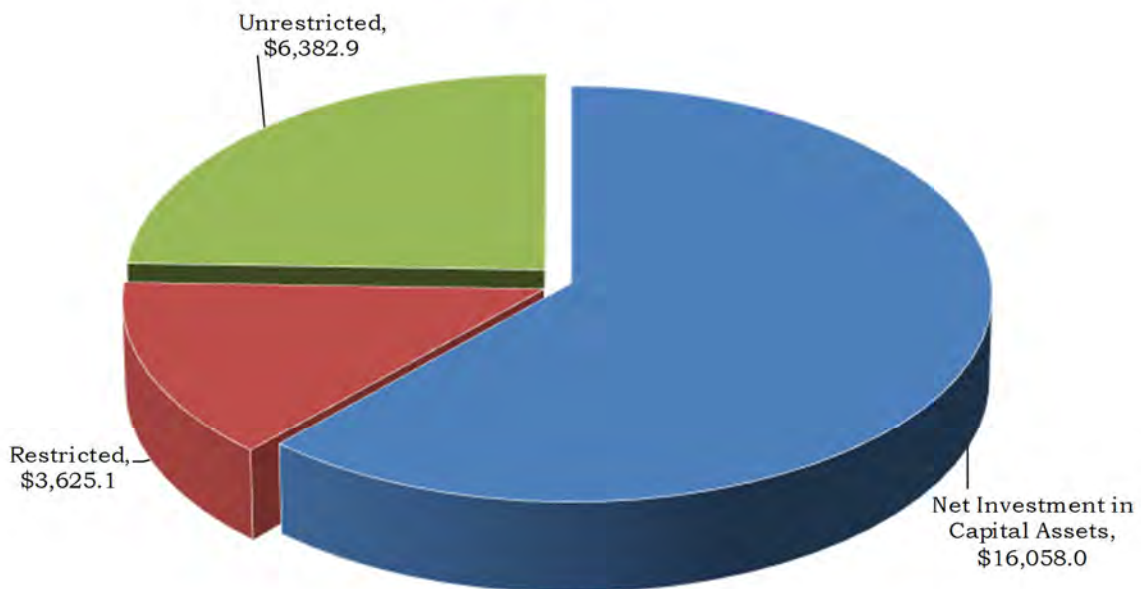
Prior to restatement, the net position of business-type activities increased 6.1% to \$9,621.2 million. Generally, the State can only use the net position to finance the continuing operations of the universities, unemployment insurance and other business-type activities.

Long-term liabilities decreased \$601.6 million, or 10.0%, to \$5,423.7 million due primarily to a decrease of \$789.4 million in net pension liability which was offset by a net increase in leases of \$124.8 million due to the implementation of GASB No. 87. Deferred outflows of resources increased \$100.6 million and deferred inflows of resources increased \$822.9 million, due largely to the recognition of amounts related to pensions and OPEB.

Current liabilities increased 29.3% to \$4,265.5 million. The \$967.0 million increase resulted mostly from increases of \$428.7 million in accounts payable & accruals, \$410.8 million in unearned revenue, and \$23.8 million in leases due to the implementation of GASB No. 87.

The chart presented below provides a visual representation of the three components of the State's total net position of \$26,066.0 million at June 30, 2022.

Total Net Position (In Millions)



(Continued on next page.)

Changes in Net Position

The State's total net position increased by \$3,595.1 million from June 30, 2021 to June 30, 2022 (restated), as indicated in Table 3.

Table 3
Changes in Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2021-2022
	Not restated		Not restated		Not restated		
	2022	2021	2022	2021	2022	2021	
Program revenues							
Charges for services	\$ 2,583.8	\$ 2,269.5	\$ 5,633.4	\$ 4,946.3	\$ 8,217.2	\$ 7,215.8	13.9%
Operating grants & contributions	9,453.4	8,491.4	1,101.0	2,563.1	10,554.4	11,054.5	-4.5%
Capital grants & contributions	596.9	520.3	40.1	33.2	637.0	553.5	15.1%
General revenues							
Personal income tax	4,956.1	4,224.6	-	-	4,956.1	4,224.6	17.3%
Corporate income tax	866.7	799.5	-	-	866.7	799.5	8.4%
Sales & use tax	3,722.2	3,510.0	-	-	3,722.2	3,510.0	6.0%
Other tax	966.6	902.7	8.1	11.0	974.7	913.7	6.7%
Restricted for transportation purposes:							
Motor fuel tax	701.2	673.7	-	-	701.2	673.7	4.1%
Road use tax	466.3	444.5	-	-	466.3	444.5	4.9%
Unrestricted investment earnings (loss)	(66.4)	14.6	(230.5)	473.8	(296.9)	488.4	-160.8%
Other	68.6	131.5	162.4	149.5	231.0	281.0	-17.8%
Total revenues	24,315.4	21,982.3	6,714.5	8,176.9	31,029.9	30,159.2	2.9%
Expenses							
Administration & regulation	2,554.4	2,500.6	-	-	2,554.4	2,500.6	2.2%
Education	5,135.8	4,839.7	-	-	5,135.8	4,839.7	6.1%
Health & human rights	632.4	565.0	-	-	632.4	565.0	11.9%
Human services	9,427.7	8,497.2	-	-	9,427.7	8,497.2	11.0%
Justice & public defense	1,227.9	1,207.7	-	-	1,227.9	1,207.7	1.7%
Economic development	172.2	173.5	-	-	172.2	173.5	-0.7%
Transportation	1,384.9	1,367.6	-	-	1,384.9	1,367.6	1.3%
Agriculture & natural resources	232.1	268.1	-	-	232.1	268.1	-13.4%
Interest expense	34.8	58.4	-	-	34.8	58.4	-40.4%
University Funds	-	-	5,942.0	5,600.8	5,942.0	5,600.8	6.1%
Unemployment Benefits Fund	-	-	305.0	2,353.8	305.0	2,353.8	-87.0%
Other	-	-	385.6	372.4	385.6	372.4	3.5%
Total expenses	20,802.2	19,477.8	6,632.6	8,327.0	27,434.8	27,804.8	-1.3%
Increase (decrease) in net position before transfers	3,513.2	2,504.5	81.9	(150.1)	3,595.1	2,354.4	52.7%
Transfers	(476.5)	(693.7)	476.5	693.7	-	-	0.0%
Increase in net position	3,036.7	1,810.8	558.4	543.6	3,595.1	2,354.4	52.7%
Net position - July 1, restated	13,408.1	11,597.7	9,062.8	8,523.3	22,470.9	20,121.0	11.7%
Net position - June 30	\$16,444.8	\$ 13,408.5	\$9,621.2	\$ 9,066.9	\$26,066.0	\$ 22,475.4	16.0%

Governmental Activities

Overall, total revenues for governmental activities increased 10.6% over the prior year (not restated). Program revenues increased \$1,352.9 million, or 12.0%, with most of the increase in operating grants & contributions. General revenues increased \$980.2 million, or 9.2%, with taxes comprising the largest change.

Operating grants & contributions increased \$962.0 million, or 11.3%. The largest contributors to this increase were: a \$849.7 million increase in human services revenues, largely due to a pandemic related increase in the federal participation rate for medical assistance as well an increase in education revenues associated with the receipt of pandemic funding for child nutrition programs.

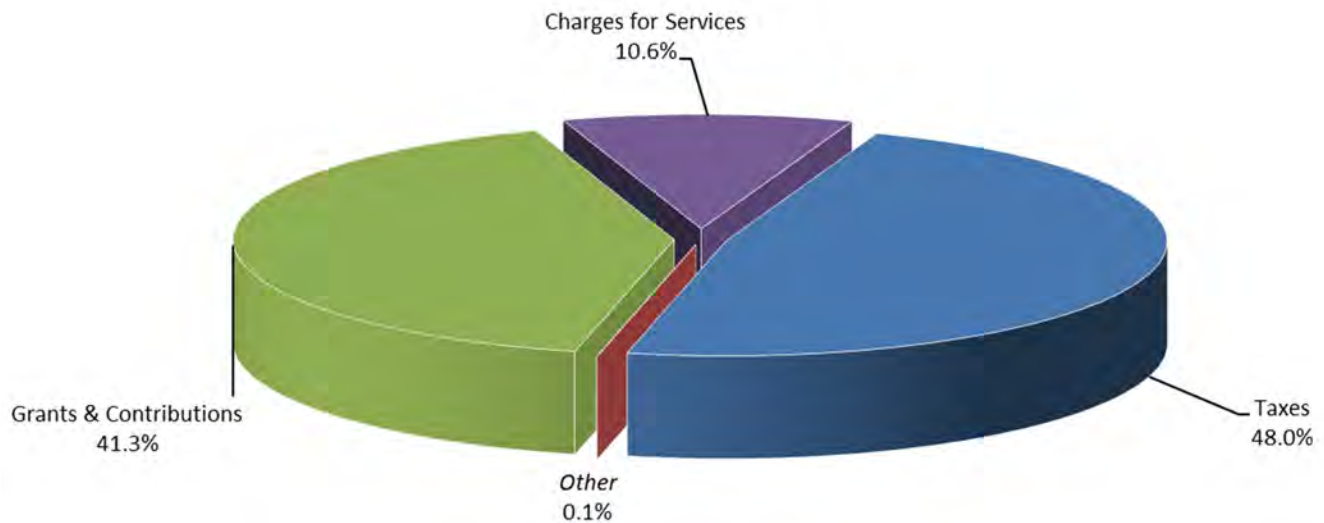
Charges for services increased \$314.3 million, or 13.8%. The largest fluctuations include an increase of \$277.2 million, or 24.5% in administration and regulation and an increase of \$91.4 million, or 12.8%, in human services.

Capital grants & contributions increased \$76.6 million, or 14.7%. This change is attributable to an increase in transportation resulting from annual fluctuations in the completion of projects and the receipt of the related federal funding and to minor increases that occurred in other functions.

General revenues experienced a net increase of \$980.2 million, or 9.2%, over fiscal year 2021. This is due in part to increases in sales & use tax of \$212.2 million, or 6.0%, in personal income tax of \$731.5 million, or 17.3%, in corporate income tax of \$67.2 million, or 8.4%, and in other taxes of \$63.9 million, or 7.1%. Investment income decreased by \$81.0 million, which was attributable to the unrealized pooled money investment loss related to bonds as a result of the rapid increase in interest rates in 2022. Specifically, bonds that were previously purchased at a lower interest rate had a declining market value resulting in an unrealized investment loss for FY2022.

A significant amount of the fluctuation in tax revenues during fiscal year 2022 was due to the continued rebounding from the pandemic, including increases in sales and use tax receipts, local transit guest tax receipts and motor fuel tax receipts.

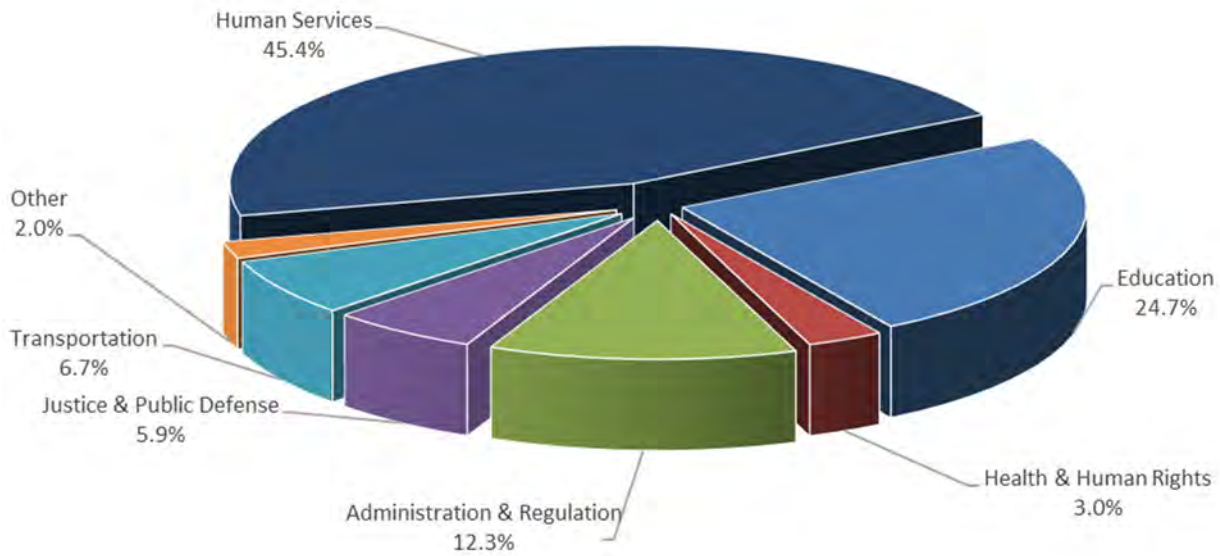
Revenues by Source



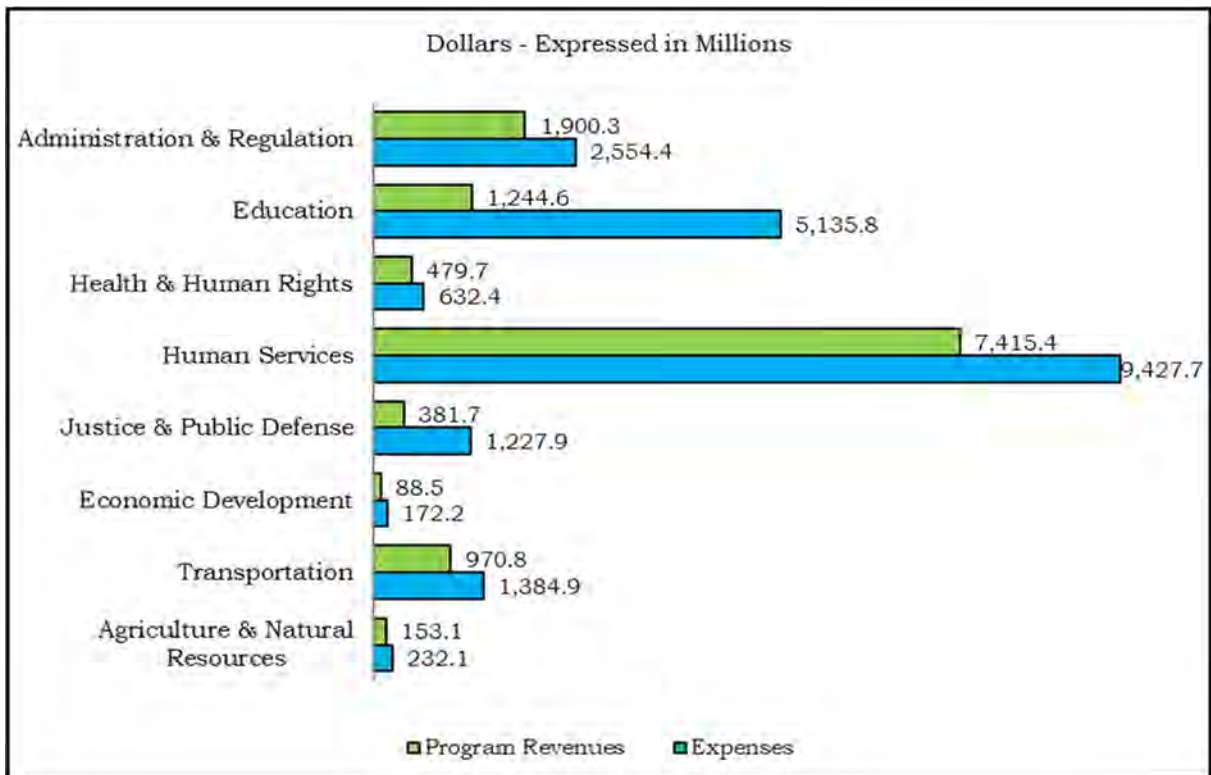
Overall, total expenses for governmental activities increased 6.8% over the prior year.

Expenses increased most significantly in human services, \$930.5 million, education, \$296.1 million, and health & human rights, \$67.4 million. The majority of the 11% increase in human services is related to the Medical Assistance Programs, and is primarily due to increases in the American Rescue Plan Act-Home and Community-Based Services expenses, increased buy-in costs due to a higher premium amount, and higher program enrollment numbers. The increase in education is primarily due to an increase in state aid to schools.

Expenses by Function



Program Revenues and Expenses



The cost of all governmental activities this fiscal year was \$20,802.2 million. However, the amount that taxpayers paid for these activities through State taxes was \$11,679.1 million. Part of the cost was paid by:

- Those who directly benefited from the programs (\$2,583.8 million) or
- Other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$10,050.3 million).

Business-type Activities

- University Funds had \$5,942.0 million in expenses and \$5,724.2 million in program revenues for net expenses of \$217.8 million. The largest change in revenues occurred in charges for services, which increased \$624.0 million, or 15.5%. The increase was mainly due to an increase in patient services at the University of Iowa Hospitals and Clinics (UIHC) as well as continued services to patients during COVID-19, while still recovering from the global pandemic. New program Medicaid State Directed Payments at UIHC was implemented in this year as well. Operating grants & contributions increased by \$158.9 million, or 18.1%, capital grants & contributions revenue increased \$6.9 million, or 20.7%, mainly because many research projects resumed as restrictions were eased due to pandemic controls being lifted, as well as increases in private gifts. Operating expenses increased \$348.4 million, or 6.3%. The increase is largely attributed to the provision of patient services at the UIHC during the COVID-19 pandemic, as well as increase in research during global pandemic. Investment income decreased \$700.4 million, or 155.6%, due to fluctuating market performance and growing inflation as we still recover from the global pandemic. Assets increased \$735.9 million to \$12,706.5 million due to an increase of \$297.4 million in noncurrent cash & investments. Liabilities increased \$217.5 million, deferred outflows of resources decreased \$22.5 million and deferred inflows of resources increased \$180.5 million, both primarily due to the recognition of amounts related to pensions and OPEB.
- The Unemployment Benefits Fund had \$305.0 million in expenses, \$519.6 million in program revenues with operating income of \$214.6 million. Employer contributions increased \$44.2 million, or 10.7%, as we are recovering from the COVID-19 pandemic and workforce is returning to work. Unemployment benefit payments decreased \$2,048.7 million, or 87.0%, due to the decrease in pandemic restrictions and people returning to work.
- Other business-type activities expenses increased \$13.2 million and program revenues increased \$19.0 million. The Liquor Control Act Fund which accounts for the revenues and expenses related to the sale of alcoholic beverages experienced a \$19.4 million increase in operating revenues and a \$17.0 million increase in operating expenses. In addition, the Iowa Prison Industries experienced a \$2.5 million decrease in operating expenses.
- In total, business-type activities had net expenses of \$141.8 million, negative \$59.9 million in net general revenues and \$476.5 million in net transfers, for a net increase of \$558.4 million, to end with a net position of \$9,621.2 million.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

The governmental funds reported total fund balances of \$5,941.2 million, an increase of 51.4% over the previous year. Net revenues totaled \$24,032.6 million with expenditures of \$21,587.8 million.

Fund balance classifications for governmental funds are reported in categories which describe the extent to which certain resources may be spent. Resources are categorized as spendable or nonspendable.

Nonspendable fund balances include inventory, prepaid items, noncurrent receivables and the principal of endowments. These resources cannot be spent because they are either not in spendable form or are legally required to remain intact. When the proceeds from noncurrent receivables are restricted, committed or assigned, the fund balances for those amounts will be reported in the appropriate spendable fund balance classification.

Spendable fund balances include resources that are in spendable form (e.g. cash) and are available for spending. Spendable fund balances are further classified as restricted, committed, assigned or unassigned. The following describes the different levels of constraint, if any, on spendable fund balance classifications for the total governmental funds:

- *Restricted* – \$3,360.4 million and \$838.1 million for FY2022 and FY2021, respectively, includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers (e.g. creditors, grantors and contributors) or enabling legislation.
- *Committed* – \$2,999.9 million and \$3,389.1 million for FY2022 and FY2021, respectively, includes amounts that can be used only for the specific purposes determined by a formal action of the State’s highest level of decision-making authority. The Iowa Legislature and Governor represent the State’s highest level of decision-making authority. Formal action consists of legislation passed by both the House and Senate and signed by the Governor and is required to establish, modify or rescind a limitation.
- *Assigned* – Includes amounts intended to be used by the State for a specific purpose but do not meet the criteria to be classified as restricted or committed. Currently, the State does not have a policy which authorizes the establishment of assigned fund balances.
- *Unassigned* – Negative \$543.9 million and negative \$441.8 million for FY2022 and FY2021, respectively, includes the residual amount of the General Fund not included in the categories above, which is available for any purpose, and any negative fund balances in the other governmental fund types.

The State’s modified accrual revenue recognition policy for governmental fund statements recognizes revenues if received within sixty days of year-end and deferred inflows of resources if received past sixty days. This creates a negative impact when the payables/expenditures related to the deferred inflows of resources are recognized in the statements. A portion of the negative unassigned fund balance is due to deferral of federal receivables/revenues while associated payables/expenditures have been recognized. In addition, a portion of the negative unassigned fund balance relates to the Tobacco Collections Fund deficit (See NOTE 21 – DEFICIT FUND BALANCE).

General Fund

The General Fund is the chief operating fund of the State. Total fund balance increased from \$3,752.7 million for fiscal year 2021 to \$5,787.0 million for fiscal year 2022. The fiscal year 2022 General Fund consists of the following fund balances: \$106.5 million nonspendable, a decrease of 12.9%, \$3,243.7 million restricted, an increase of 377.3%, \$2,978.0 million committed, a decrease of 11.1%, and negative \$541.3 million unassigned, an increase of 35.9%. For fiscal year 2022, the committed fund balance includes \$833.1 million in reserve (rainy day) funds, an increase of 4.7%.

Gross revenues of the General Fund increased \$2,018.6 million, or 8.5%, in fiscal year 2022. Receipts from other entities increased \$944.8 million, mainly due to federal pandemic aid. Fiscal year 2022 federal revenues included an additional \$93.0 million in Food Assistance – SNAP EBT due to increased costs associated with the pandemic, a net increase of \$483.5 million in Medical Assistance, \$133.0 million in child care initiatives associated with the pandemic and \$180.0 million for additional federal coronavirus fiscal recovery funds. Taxes increased \$1,011.4 million over fiscal year 2021, to \$12,325.6 million in fiscal year 2022. Major contributors to the increase in tax revenue include increases in sales and use tax, as a result of greater consumer spending and an increase in wagering tax. Investment income decreased \$68.6 million and fees, licenses & permits increased \$39.2 million. Net revenues were impacted as tax refunds decreased \$125.2 million, or 6.1% over 2021 refunds.

Total expenditures of the General Fund increased \$1,466.7 million in fiscal year 2022, primarily due to the pandemic related expenditures. Examples include an increase in Education expenditures of \$314.1 million due to increases for child nutrition programs. Human Services expenditures increased \$986.1 million for EBT and other COVID related services.

Capital outlays decreased \$32.7 million due primarily to fluctuations in Department of Transportation projects.

Tobacco Settlement Authority

The Tobacco Settlement Authority (Authority), a blended component unit of the State of Iowa classified as a special revenue fund, receives money from the Tobacco Collections Fund to pay operating expenditures and for repayment of debt. The Authority’s ending fund balance decreased \$41.5 million to \$33.6 million. The decrease was due to the combined effects of receipt of funds from the Tobacco Collections Fund which reduced the interfund advance (receivable). These funds were primarily used to pay principal and interest on bonds totaling \$25.7 million and \$14.6 million, respectively.

Tobacco Collections Fund

The Tobacco Collections Fund, a special revenue fund, accounts for the tobacco settlement moneys received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The ending fund balance in the Tobacco Collections Fund increased \$41.5 million to a deficit

balance of \$2.1 million. The increase is due to the reduction of the interfund advance (liability) for the tobacco settlement moneys remitted to the Tobacco Settlement Authority during the year.

Proprietary Funds

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

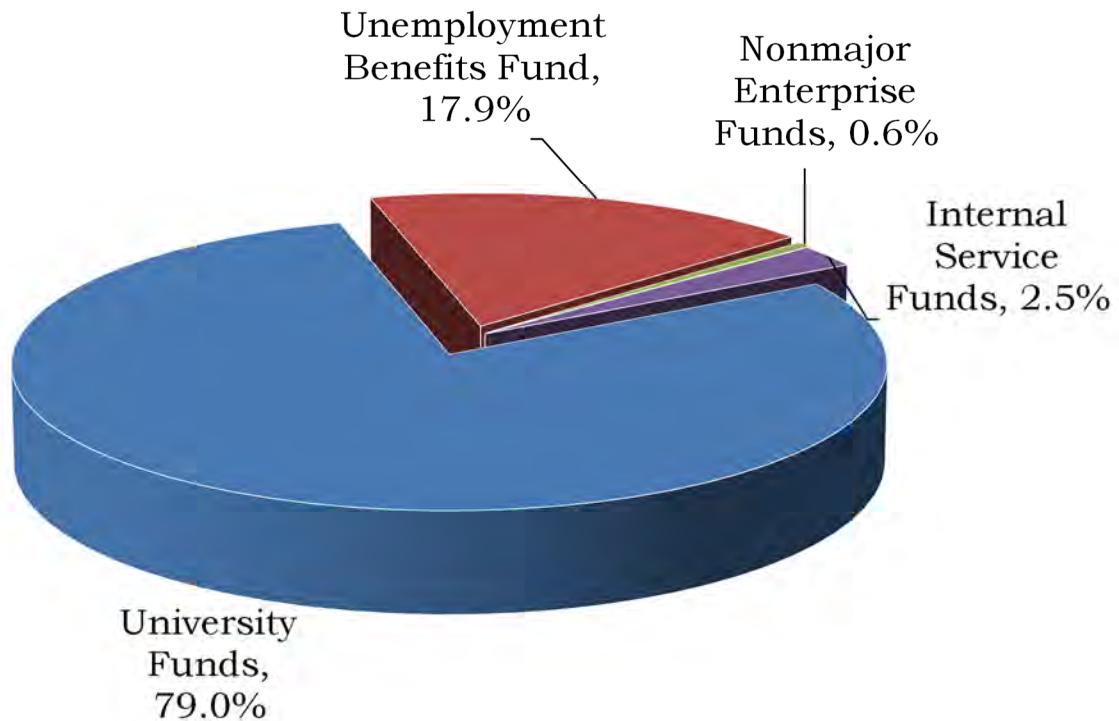
Total net position of the University Funds increased \$319.5 million to \$7,796.7 million, while unrestricted net position increased \$374.0 million to \$2,988.8 million.

The total net position of the Unemployment Benefits Fund, which is entirely restricted for unemployment benefits, increased \$235.0 million to end fiscal year 2022 at \$1,770.9 million.

The nonmajor enterprise funds total net position increased \$3.3 million, or 6.0%, to \$59.0 million. The Iowa Communications Network net position decreased \$2.8 million, or 26.3%, to \$7.9 million. The decrease in net position is primarily due to a decrease in outdated equipment that has been replaced by an upgraded network over the course of several prior years.

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

Total Net Position - Proprietary Funds



General Fund Budgetary Highlights

Over the course of the year, the State revised the budget several times. These budget amendments fall into two categories:

- Supplemental appropriations: \$75,000
- Adjustments to standing appropriations: \$18,075,381

The originally enacted General Fund budget for fiscal year 2022 of \$8,118.5 million was predicated on \$8,265.7 million, or 3.7% increase in General Fund revenues, as projected by the State's Revenue Estimating Conference (REC) on December 11, 2020. The December estimate reflected the expectation that revenues would increase from an estimated \$7,969.3 million for fiscal year 2021. Included in the enacted General Fund budget was negative \$97.1 million in revenue adjustments for state tax law and revenue changes.

At the March 19, 2021 meeting, the REC revised its fiscal year 2022 General Fund revenue estimate upward \$119.9 million for growth of 3.8%, considering the impact of growth seen in fiscal year 2021 as the pandemic started to wind down. At the October 15, 2021 meeting the REC revised its fiscal year 2022 estimate upward to \$9,074.7 million to a revised growth of 1.6%, based upon the finalized FY2021 base which grew an unanticipated 11.0%. On December 13, 2021, the REC increased the estimate to \$9,210.6 million, an increase of \$135.9 million. On March 10, 2022, the REC increased the revenue estimate to \$9,171.1 million, or 4.2 percent growth.

During the 2022 legislative session, the legislature passed and Governor Reynolds signed an appropriation bill which contained a supplemental appropriation from the General Fund for \$75,000 for fiscal year 2022, to support efforts relating to the U.S.S. Iowa.

The State of Iowa has various statutory standing appropriations where a fixed amount is not appropriated. These are either formula-driven (as in the case of the largest General Fund appropriation, for school foundation aid to local school districts), or for items such as paying claims against the State through the State Appeal Board. These are either increases or decreases to the estimates made at the beginning of the year. For fiscal year 2022, these standing appropriations were more than the original estimates by \$18.0 million. A variety of standing appropriations make up the changes to standing appropriations.

During April, May and June of 2022, and throughout the accrual period, actual General Fund revenue collections continued to run ahead of the revised projections. At the close of fiscal year 2022, revenue collections totaled \$9,803.4 million, which is 11.4 percent growth over fiscal year 2021.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the State had \$18,124.9 million invested in capital assets, net of accumulated depreciation of \$17,873.9 million. Depreciation charges totaled \$1,209.8 million in fiscal year 2022. The details of these assets are presented in Table 4. Additional information about the State's capital assets is presented in NOTE 6 of the financial statements.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2021-2022
	Restated		Restated		Restated		
	2022	2021	2022	2021	2022	2021	
Land	\$ 1,013.7	\$ 999.1	\$ 101.2	\$ 100.3	\$ 1,114.9	\$ 1,099.4	1.4%
Land improvements	81.1	80.2	52.0	54.2	133.1	134.4	-1.0%
Construction in progress	51.9	48.8	306.6	215.8	358.5	264.6	35.5%
Computer software in progress	113.2	77.4	19.0	8.5	132.2	85.9	53.9%
Infrastructure	9,126.4	8,756.8	500.1	480.6	9,626.5	9,237.4	4.2%
Buildings & improvements	1,096.4	1,069.3	4,003.7	4,107.4	5,100.1	5,176.7	-1.5%
Equipment	289.2	271.6	412.7	413.7	701.9	685.3	2.4%
Works of art & collections	1.1	1.1	478.2	472.7	479.3	473.8	1.2%
Computer software	235.9	220.8	52.3	62.2	288.2	283.0	1.8%
Other intangibles	-	-	0.6	0.8	0.6	0.8	-25.0%
Right-to-use leased land	1.9	1.9	4.7	5.0	6.6	6.9	-4.3%
Right-to-use leased building	29.0	30.7	129.7	140.8	158.7	171.5	-7.5%
Right-to-use leased equipment	9.9	9.9	14.4	14.0	24.3	23.9	1.7%
Total	\$ 12,049.7	\$ 11,567.6	\$ 6,075.2	\$ 6,076.0	\$ 18,124.9	\$ 17,643.6	2.7%

In the governmental activities, capital assets, net of accumulated depreciation, increased \$482.1 million, or 4.2%, to \$12,049.7 million. The largest changes were in infrastructure (an increase of \$369.6 million, or 4.2%), computer software in progress (an increase of \$35.8 million, or 46.3%), computer software (an increase of \$15.1 million, or 6.8%) and land (an increase of \$14.6 million, or 1.5%). Infrastructure increased due to the completion of \$1,008.5 million of highway and bridge construction projects by the Department of Transportation (DOT), offset by the recognition of depreciation expense of \$637.4 million for the year. Computer software in progress increased as a result of the increase in ongoing software projects at the Department of Human Services as well as the Department of Revenue. Computer software increased due to the completion of computer software projects for the Department of Revenue. Land increased primarily due to acquisitions for road construction at DOT.

Capital assets, net of accumulated depreciation, in the business-type activities decreased \$0.8 million to \$6,075.2 million. The largest changes were in construction in progress (an increase of \$90.8 million, or 42.1%) as well as buildings & improvements (a decrease of \$103.7 million, or 2.5%). These changes were primarily the result of construction projects at the University of Iowa, Iowa State University, and the University of Northern Iowa and offset by the recognition of depreciation expense of \$237.1 million for the year.

Outstanding commitments for future capital expenditures as of June 30, 2022 include \$825.0 million (net of \$664.1 million in anticipated federal funding) for highway and bridge construction, \$407.3 million for various projects at the three State universities, \$24.0 million for State facilities and buildings, \$23.5 million for State parks, recreational areas, fisheries and wetland projects, \$9.4 million for public defense improvements at various locations, and \$35.4 million for the modernization of the State's unemployment system.

Long-term Debt

At year-end, the State had \$3,482.3 million in revenue bonds and leases & other financing arrangements outstanding as shown in Table 5. More detailed information about the State's long-term liabilities is presented in NOTE 7 through NOTE 10 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2021-2022
	2022	Restated 2021	2022	Restated 2021	2022	Restated 2021	
	Revenue bonds	\$ 1,213.7	\$ 1,281.0	\$ 2,000.3	\$ 1,763.8	\$ 3,214.0	
Leases & other financing arrangements	56.9	56.6	211.4	198.1	268.3	254.7	5.3%
Total	\$ 1,270.6	\$ 1,337.6	\$ 2,211.7	\$ 1,961.9	\$ 3,482.3	\$ 3,299.5	5.5%

Revenue bonds issued by the Primary Government totaled \$3,214.0 million outstanding at fiscal year-end. This amount consisted of \$2,000.3 million in revenue bonds issued by the three State universities (for equipment and facilities), \$696.3 million in revenue bonds issued by the Tobacco Settlement Authority, \$5.7 million in revenue bonds issued by the State of Iowa for the Iowa Utilities Board, \$446.0 million in revenue bonds issued by the State of Iowa for the IJOBS program, and \$65.7 million in revenue bonds issued by the State of Iowa for Prison Infrastructure. These bonds are backed by the revenues of the issuing program.

Governmental activities outstanding revenue bonds decreased \$67.3 million, due to the payment of principal during fiscal year 2022. Leases & other financing arrangements increased \$0.3 million due to the implementation of GASB No. 87 and the payment of principal as it came due in fiscal year 2022.

Business-type activities outstanding revenue bonds increased \$236.5 million, due to the issuance of \$543.0 million and \$26.4 million of new debt at the University of Iowa and Iowa State University, respectively; and the payment of principal by the three State universities. Leases & other financing arrangements increased \$13.3 million due to the implementation of GASB No. 87 and the payment of principal as it came due in fiscal year 2022.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Iowa saw improved growth in fiscal year 2022. Iowa's 11.4% growth in General Fund revenues was stronger than estimate. Personal income taxes grew 6.4%, sales and use taxes grew 9.7%, with corporate income taxes dropping 6.6 percent.

The Governor and General Assembly finished their work on May 24, 2022. Amounts available for appropriation in fiscal year 2023, based on the 99 percent budget limitation for the General Fund budget, were \$9,041.6 million. General Fund appropriations totaled \$8,209.1 million.

At the REC meeting in October 2022, the fiscal year 2023 revenue estimate was increased from \$9,156.3 million to \$9,534.1 million, largely as a reflection of actual revenue collections in fiscal year 2022, law changes passed during the 2022 Legislative Session, and current year to date revenue growth. The revised estimate reflects projected revenue growth of negative 2.7 percent compared to actual revenues for the previous fiscal year.

The unemployment rate nationally stands at 3.7 percent for the month of October 2022, up slightly from a revised 3.5 percent in September 2022. Nationally, GDP growth has been below the prior year with the first quarter of the calendar year 2021, growing at negative 1.60 percent and a negative 0.6 percent in the second quarter as the economy dealt with inflation growth and the federal reserve increases in interest rates, with the third quarter coming back at a growth of 2.6 percent. Moody's Analytics expects the fourth quarter to be negative 0.1 percent and 0.7 percent growth for 2023.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, legislators, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Iowa Department of Administrative Services
State Accounting Enterprise
Hoover State Office Building
Des Moines, IA 50319

BASIC
FINANCIAL
STATEMENTS

STATE OF IOWA

Statement of Net Position

June 30, 2022

(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Current assets:				
Cash & investments	\$ 6,244,885	\$ 2,500,878	\$ 8,745,763	\$ 1,873,569
Cash & investments - restricted	-	-	-	706
Deposits with trustees	60,820	-	60,820	-
Accounts receivable (net)	2,817,959	1,155,279	3,973,238	116,802
Interest receivable	-	1,860	1,860	7,120
Loans receivable (net)	4,839	2,611	7,450	166,735
Lease receivable	1,948	-	1,948	71
Internal balances	20,926	(20,926)	-	-
Inventory	56,744	100,153	156,897	4,062
Prepaid expenses	68,248	52,816	121,064	1,073
Other assets	-	-	-	26,746
Total current assets	9,276,369	3,792,671	13,069,040	2,196,884
Noncurrent assets:				
Cash & investments	-	4,766,696	4,766,696	3,950,126
Deposits with trustees	26,191	3,112	29,303	-
Accounts receivable (net)	156,768	17,102	173,870	405,483
Interest receivable	-	301	301	-
Loans receivable (net)	10,626	37,517	48,143	2,359,558
Lease receivable	12,401	-	12,401	2,463
Capital assets - nondepreciable	1,178,843	874,805	2,053,648	24,826
Capital assets - depreciable (net)	10,870,855	5,200,402	16,071,257	133,430
Prepaid expenses	-	11,255	11,255	-
Net pension asset	125,894	3,075	128,969	-
Other assets	-	16,499	16,499	50,040
Total noncurrent assets	12,381,578	10,930,764	23,312,342	6,925,926
TOTAL ASSETS	21,657,947	14,723,435	36,381,382	9,122,810
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	-	-	1,976
Debt refunding loss	35,816	14,711	50,527	8,012
Related to other postemployment benefits	68,084	94,576	162,660	946
Related to pensions	354,447	66,565	421,012	3,820
TOTAL DEFERRED OUTFLOWS OF RESOURCES	458,347	175,852	634,199	14,754

(continued on next page)

STATE OF IOWA

Statement of Net Position

June 30, 2022

(Expressed in Thousands)

(continued)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	2,030,033	790,981	2,821,014	86,833
Interest payable	2,874	25,238	28,112	38,887
Unearned revenue	527,668	220,369	748,037	193,423
Compensated absences	131,331	156,298	287,629	3,225
Lease liability	11,870	19,193	31,063	506
Bonds payable	67,669	242,830	310,499	80,620
Other financing arrangements payable	4,111	4,576	8,687	-
Other postemployment benefits liability	12,273	16,405	28,678	114
Refundable allowances on student loans	-	1,208	1,208	-
Funds held in custody	-	577	577	110,489
Total current liabilities	2,787,829	1,477,675	4,265,504	514,097
Noncurrent liabilities:				
Accounts payable & accruals	73,516	34,511	108,027	56,581
Unearned revenue	2,125	15,438	17,563	-
Compensated absences	192,577	111,157	303,734	2,567
Lease liability	28,796	131,761	160,557	1,961
Bonds payable	1,146,071	1,757,436	2,903,507	2,863,902
Other financing arrangements payable	12,083	55,909	67,992	-
Net pension liability	285,062	2,761	287,823	485
Other postemployment benefits liability	204,500	220,553	425,053	4,049
Advance From Concessionaire	-	1,109,775	1,109,775	-
Refundable allowances on student loans	-	39,670	39,670	-
Funds held in custody	-	-	-	9,903
Total noncurrent liabilities	1,944,730	3,478,971	5,423,701	2,939,448
TOTAL LIABILITIES	4,732,559	4,956,646	9,689,205	3,453,545
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in fair value of hedging derivatives	-	-	-	12,660
Debt refunding gain	4,667	1,793	6,460	-
Grants received in advance of meeting timing requirements	-	401	401	-
Reated to leases	13,805	10,606	24,411	2,570
Related to other postemployment benefits	68,322	126,815	195,137	970
Related to pensions	851,952	181,807	1,033,759	19,448
Unconditional remainder interest	216	-	216	-
TOTAL DEFERRED INFLOWS OF RESOURCES	938,962	321,422	1,260,384	35,648
NET POSITION				
Net investment in capital assets	11,834,025	4,224,005	16,058,030	155,815
Restricted for:				
Education	68,206	-	68,206	-
Human services	13,535	-	13,535	-
Justice & public defense	8,559	-	8,559	-
Transportation	803,417	-	803,417	-
Agriculture & natural resources	5,836	-	5,836	-
Underground Storage Tank Program	4,340	-	4,340	-
Capital projects	5,202	-	5,202	-
University Funds - expendable	-	525,096	525,096	-
University Funds - nonexpendable	-	91,507	91,507	-
Permanent Funds - nonexpendable	17,731	-	17,731	-
Unemployment Benefits Fund	-	1,770,921	1,770,921	-
Other	310,762	-	310,762	5,187,922
Unrestricted	3,373,160	3,009,690	6,382,850	304,634
TOTAL NET POSITION	\$ 16,444,773	\$ 9,621,219	\$ 26,065,992	\$ 5,648,371

The notes are an integral part of the financial statements.



STATE OF IOWA
Statement of Activities
For the Year Ended June 30, 2022
(Expressed in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES & CHANGES IN NET POSITION			
		CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNITS
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
PRIMARY GOVERNMENT:								
Governmental activities:								
Administration & regulation	\$ 2,554,450	\$ 1,409,055	\$ 491,204	\$ -	\$ (654,191)	\$	\$ (654,191)	
Education	5,135,794	22,421	1,222,186	-	(3,891,187)		(3,891,187)	
Health & human rights	632,371	44,581	431,551	3,482	(152,757)		(152,757)	
Human services	9,427,716	802,786	6,612,638	-	(2,012,292)		(2,012,292)	
Justice & public defense	1,227,878	92,661	285,629	3,374	(846,214)		(846,214)	
Economic development	172,216	13,065	75,387	-	(83,764)		(83,764)	
Transportation	1,384,872	104,714	283,360	582,760	(414,038)		(414,038)	
Agriculture & natural resources	232,102	94,419	51,456	7,246	(78,981)		(78,981)	
Interest expense	34,783	-	-	-	(34,783)		(34,783)	
Total governmental activities	<u>20,802,182</u>	<u>2,583,702</u>	<u>9,453,411</u>	<u>596,862</u>	<u>(8,168,207)</u>		<u>(8,168,207)</u>	
Business-type activities:								
University Funds	5,941,995	4,645,065	1,039,025	40,067		(217,838)	(217,838)	
Unemployment Benefits Fund	305,047	457,628	62,013	-		214,594	214,594	
Other	385,653	530,711	-	-		145,058	145,058	
Total business-type activities	<u>6,632,695</u>	<u>5,633,404</u>	<u>1,101,038</u>	<u>40,067</u>		<u>141,814</u>	<u>141,814</u>	
TOTAL PRIMARY GOVERNMENT	<u>\$ 27,434,877</u>	<u>\$ 8,217,106</u>	<u>\$ 10,554,449</u>	<u>\$ 636,929</u>	<u>(8,168,207)</u>		<u>(8,026,393)</u>	
COMPONENT UNITS:								
Iowa Finance Authority	\$ 272,633	\$ 34,175	\$ 220,083	\$ -				\$ (18,375)
Iowa Economic Development Authority	202,227	2,433	181,706	-				(18,088)
Iowa State Fair Authority	35,449	35,666	14,299	976				15,492
Iowa Lottery Authority	431,658	432,690	-	-				1,032
University of Iowa Center for Advancement & Affiliate	156,933	-	274,981	-				118,048
Iowa State University Foundation	140,681	-	208,124	-				67,443
University of Northern Iowa Foundation	23,061	-	30,102	-				7,041
University of Iowa Research Foundation	6,796	5,476	-	-				(1,320)
University of Iowa Health System	21,450	19,763	-	-				(1,687)
TOTAL COMPONENT UNITS	<u>\$ 1,290,888</u>	<u>\$ 530,203</u>	<u>\$ 929,295</u>	<u>\$ 976</u>				<u>169,586</u>
GENERAL REVENUES:								
Personal income tax					4,956,099	-	4,956,099	-
Corporate income tax					866,690	-	866,690	-
Sales & use tax					3,722,192	-	3,722,192	-
Other tax					966,620	8,112	974,732	-
Motor fuel tax restricted for transportation purposes					701,247	-	701,247	-
Road use tax restricted for transportation purposes					466,322	-	466,322	-
Unrestricted investment earnings (loss)					(66,456)	(230,455)	(296,911)	(73,953)
Other					67,256	162,381	229,637	16,561
Gain (loss) on sale of assets					1,368	99	1,467	-
Transfers					(476,480)	476,480	-	47
TOTAL GENERAL REVENUES & TRANSFERS					<u>11,204,858</u>	<u>416,617</u>	<u>11,621,475</u>	<u>(57,345)</u>
CHANGE IN NET POSITION					3,036,651	558,431	3,595,082	112,241
NET POSITION - JULY 1, RESTATED					<u>13,408,122</u>	<u>9,062,788</u>	<u>22,470,910</u>	<u>5,536,130</u>
NET POSITION - JUNE 30					<u>\$ 16,444,773</u>	<u>\$ 9,621,219</u>	<u>\$ 26,065,992</u>	<u>\$ 5,648,371</u>

The notes are an integral part of the financial statements.



GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Funds

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

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

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

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

STATE OF IOWA

**Balance Sheet
Governmental Funds**

June 30, 2022
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Current assets:					
Cash & investments	\$ 6,005,261	\$ 5,709	\$ -	\$ 149,937	\$ 6,160,907
Deposits with trustees	60,820	-	-	-	60,820
Accounts receivable (net)	2,761,095	6	23,114	30,713	2,814,928
Loans receivable (net)	4,744	-	-	95	4,839
Lease receivable	1,948	-	-	-	1,948
Due from other funds	51,063	2,057	-	4,782	57,902
Inventory	49,136	-	-	188	49,324
Prepaid expenditures	57,351	-	-	334	57,685
Total current assets	<u>8,991,418</u>	<u>7,772</u>	<u>23,114</u>	<u>186,049</u>	<u>9,208,353</u>
Noncurrent assets:					
Deposits with trustees	-	26,191	-	-	26,191
Accounts receivable (net)	156,686	-	-	82	156,768
Loans receivable (net)	10,626	-	-	-	10,626
Lease receivable	12,401	-	-	-	12,401
Total noncurrent assets	<u>179,713</u>	<u>26,191</u>	<u>-</u>	<u>82</u>	<u>205,986</u>
TOTAL ASSETS	<u>\$ 9,171,131</u>	<u>\$ 33,963</u>	<u>\$ 23,114</u>	<u>\$ 186,131</u>	<u>\$ 9,414,339</u>
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	\$ 1,948,152	\$ -	\$ -	\$ 9,038	\$ 1,957,190
Due to other funds/advances from other funds	101,934	360	2,057	42,837	147,188
Unearned revenue	467,382	-	-	2,873	470,255
Total current liabilities	<u>2,517,468</u>	<u>360</u>	<u>2,057</u>	<u>54,748</u>	<u>2,574,633</u>
Noncurrent liabilities:					
Accounts payable & accruals	37	-	-	359	396
Unearned revenue	2,125	-	-	-	2,125
Total noncurrent liabilities	<u>2,162</u>	<u>-</u>	<u>-</u>	<u>359</u>	<u>2,521</u>
TOTAL LIABILITIES	<u>2,519,630</u>	<u>360</u>	<u>2,057</u>	<u>55,107</u>	<u>2,577,154</u>
DEFERRED INFLOWS OF RESOURCES					
Leases	13,805	-	-	-	13,805
Deferred revenue	850,746	-	23,114	8,134	881,994
Unconditional remainder interest	-	-	-	216	216
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>864,551</u>	<u>-</u>	<u>23,114</u>	<u>8,350</u>	<u>896,015</u>
FUND BALANCES					
Nonspendable	106,487	-	-	18,253	124,740
Spendable:					
Restricted	3,243,677	33,603	-	83,110	3,360,390
Committed	2,978,044	-	-	21,871	2,999,915
Unassigned	(541,258)	-	(2,057)	(560)	(543,875)
TOTAL FUND BALANCES	<u>5,786,950</u>	<u>33,603</u>	<u>(2,057)</u>	<u>122,674</u>	<u>5,941,170</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u>\$ 9,171,131</u>	<u>\$ 33,963</u>	<u>\$ 23,114</u>	<u>\$ 186,131</u>	<u>\$ 9,414,339</u>

The notes are an integral part of the financial statements.

STATE OF IOWA

**Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position**

June 30, 2022
(Expressed in Thousands)

Total fund balances - governmental funds \$ 5,941,170

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets, excluding internal service funds, is \$23,592,607,000 and the accumulated depreciation/amortization is \$(11,750,505,000). 11,842,102

Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 250,886

Certain revenues are earned but not available and, therefore, are recognized as deferred inflows of resources in governmental funds. 881,994

Net pension assets are not available in the current period and therefore are not reported in the governmental funds. 125,894

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

Pension related deferred outflows of resources	\$ 350,833	
Pension related deferred inflows of resources	(835,049)	
Net pension related deferred		(484,216)
OPEB related deferred outflows of resources	66,971	
OPEB related deferred inflows of resources	(67,115)	
Net OPEB related deferred		(144)

Debt refunding losses/gains are reported as current expenditures/revenues in governmental funds. However, debt refunding losses/gains are amortized over the life of the bonds and are included as deferred outflows/inflows of resources in governmental activities in the Statement of Net Position. 31,149

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

Bonds payable	(1,213,740)	
Accrued interest payable	(2,874)	
Compensated absences	(317,819)	
Lease liability	(37,234)	
Other financing arrangements payable	(16,194)	
Pollution remediation	(4,732)	
Early retirement/termination benefits	(23,351)	
Risk management	(30,000)	
Net pension liability	(284,630)	
Other postemployment benefits liability	(212,983)	
Other long-term liabilities	(505)	
Total long-term liabilities		(2,144,062)

Net position of governmental activities \$ 16,444,773

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, 2022
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 12,325,647	\$ -	\$ -	\$ -	\$ 12,325,647
Receipts from other entities	10,794,603	-	-	9,546	10,804,149
Investment income (loss)	(65,193)	43	-	(2,979)	(68,129)
Fees, licenses & permits	1,626,228	-	-	74,033	1,700,261
Refunds & reimbursements	826,298	-	53,183	4,005	883,486
Sales, rents & services	29,498	-	-	6,251	35,749
Miscellaneous	261,548	-	-	37,254	298,802
GROSS REVENUES	25,798,629	43	53,183	128,110	25,979,965
Less revenue refunds	1,943,291	-	-	4,026	1,947,317
NET REVENUES	23,855,338	43	53,183	124,084	24,032,648
EXPENDITURES					
Current:					
Administration & regulation	2,556,941	1,191	-	22,151	2,580,283
Education	5,129,496	-	-	22,577	5,152,073
Health & human rights	634,294	-	-	524	634,818
Human services	9,481,954	-	-	271	9,482,225
Justice & public defense	1,234,418	-	-	1,575	1,235,993
Economic development	183,270	-	-	-	183,270
Transportation	565,618	-	-	751	566,369
Agriculture & natural resources	216,394	-	-	9,513	225,907
Capital outlay	1,387,006	-	-	29,564	1,416,570
Debt service:					
Principal	45,871	25,705	-	-	71,576
Interest & fiscal charges	24,074	14,610	-	-	38,684
TOTAL EXPENDITURES	21,459,336	41,506	-	86,926	21,587,768
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,396,002	(41,463)	53,183	37,158	2,444,880
OTHER FINANCING SOURCES (USES)					
Transfers in	249,669	-	-	30,967	280,636
Transfers out	(657,912)	-	(11,700)	(87,504)	(757,116)
Leases & other financing arrangements	46,534	-	-	1,836	48,370
TOTAL OTHER FINANCING SOURCES (USES)	(361,709)	-	(11,700)	(54,701)	(428,110)
NET CHANGE IN FUND BALANCES	2,034,293	(41,463)	41,483	(17,543)	2,016,770
FUND BALANCES - JULY 1	3,752,657	75,066	(43,540)	140,217	3,924,400
FUND BALANCES - JUNE 30	\$ 5,786,950	\$ 33,603	\$ (2,057)	\$ 122,674	\$ 5,941,170

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, 2022
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 2,016,770

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/amortization expense. In the current year, these amounts are:

Capital outlay	\$	1,229,236	
Depreciation/amortization expense		(764,811)	
Excess of capital outlay over depreciation/amortization expense			464,425

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas the proceeds from the sale increase financial resources in governmental funds. (990)

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

Leases		(10,902)	
Other financing arrangements		(239)	
Total			(11,141)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:

Bond principal retirement		61,149	
Lease payments		10,426	
Other financing arrangements payments		3,918	
Total long-term debt repayments			75,493

Internal service funds are used by management to charge the cost of certain activities to individual funds. A portion of the net revenue of the internal service funds is reported with governmental activities. 27,469

Because some revenues will not be collected for several months after the State's fiscal year-end, they are not considered available revenues and are deferred in the governmental funds as deferred inflows of resources. 274,352

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

Pension related deferred outflows of resources		74,274	
Pension related deferred inflows of resources		(551,214)	
Net pension related deferred			(476,940)
OPEB related deferred outflows of resources		54,079	
OPEB related deferred inflows of resources		(53,294)	
Net OPEB related deferred			785

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		4,459	
Early retirement/termination benefits		(2,659)	
Net pension liability (asset)		674,976	
Other postemployment benefits liability		(9,926)	
Other		(422)	
Total additional expenses			666,428

Change in net position of governmental activities \$ 3,036,651

The notes are an integral part of the financial statements.



PROPRIETARY FUND FINANCIAL STATEMENTS

Major Funds

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

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

Nonmajor Proprietary Funds are presented by fund in the Supplementary Information section.

STATE OF IOWA
Statement of Net Position
Proprietary Funds

June 30, 2022
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS		
ASSETS					
Current assets:					
Cash & investments	\$ 817,190	\$ 1,638,441	\$ 39,455	\$ 2,495,086	\$ 89,771
Accounts receivable (net)	851,267	283,027	20,968	1,155,262	3,048
Interest receivable	1,860	-	-	1,860	-
Loans receivable (net)	2,611	-	-	2,611	-
Due from other funds/advances to other funds	-	381	2,637	3,018	115,464
Inventory	92,513	-	7,640	100,153	7,420
Prepaid expenses	50,802	-	2,014	52,816	10,563
Total current assets	<u>1,816,243</u>	<u>1,921,849</u>	<u>72,714</u>	<u>3,810,806</u>	<u>226,266</u>
Noncurrent assets:					
Cash & investments	4,766,696	-	-	4,766,696	-
Deposits with trustees	3,112	-	-	3,112	-
Accounts receivable (net)	17,101	-	1	17,102	-
Interest receivable	301	-	-	301	-
Loans receivable (net)	37,517	-	-	37,517	-
Capital assets - nondepreciable	871,103	-	3,702	874,805	42,287
Capital assets - depreciable (net)	5,166,509	-	33,893	5,200,402	165,309
Prepaid expenses	11,255	-	-	11,255	-
Net pension asset	152	-	2,923	3,075	-
Other assets	16,499	-	-	16,499	-
Total noncurrent assets	<u>10,890,245</u>	<u>-</u>	<u>40,519</u>	<u>10,930,764</u>	<u>207,596</u>
TOTAL ASSETS	<u>12,706,488</u>	<u>1,921,849</u>	<u>113,233</u>	<u>14,741,570</u>	<u>433,862</u>
DEFERRED OUTFLOWS OF RESOURCES					
Debt refunding loss	14,711	-	-	14,711	-
Related to other postemployment benefits	93,593	-	983	94,576	1,113
Related to pensions	64,435	-	2,130	66,565	3,614
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>172,739</u>	<u>-</u>	<u>3,113</u>	<u>175,852</u>	<u>4,727</u>

(continued on next page)

STATE OF IOWA
Statement of Net Position
Proprietary Funds

June 30, 2022
(Expressed in Thousands)

(continued)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS		
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	687,800	84,599	18,582	790,981	44,584
Due to other funds/advances from other funds	-	97	13,459	13,556	15,640
Interest payable	25,238	-	-	25,238	-
Unearned revenue	152,124	66,232	1,253	219,609	58,173
Compensated absences	154,667	-	1,631	156,298	2,827
Lease liability	18,579	-	614	19,193	1,735
Bonds payable	242,830	-	-	242,830	-
Other financing arrangements payable	4,576	-	-	4,576	-
Other postemployment benefits liability	16,264	-	141	16,405	215
Refundable allowances on student loans	1,208	-	-	1,208	-
Funds held in custody	577	-	-	577	-
Total current liabilities	<u>1,303,863</u>	<u>150,928</u>	<u>35,680</u>	<u>1,490,471</u>	<u>123,174</u>
Noncurrent liabilities:					
Accounts payable & accruals	34,343	-	168	34,511	42,792
Unearned revenue	15,438	-	-	15,438	-
Compensated absences	109,100	-	2,057	111,157	3,262
Lease liability	127,508	-	4,253	131,761	1,697
Bonds payable	1,757,436	-	-	1,757,436	-
Other financing arrangements payable	55,909	-	-	55,909	-
Net pension liability	2,590	-	171	2,761	432
Other postemployment benefits liability	218,140	-	2,413	220,553	3,575
Advance From Concessionaire	1,109,775	-	-	1,109,775	-
Refundable allowances on student loans	39,670	-	-	39,670	-
Total noncurrent liabilities	<u>3,469,909</u>	<u>-</u>	<u>9,062</u>	<u>3,478,971</u>	<u>51,758</u>
TOTAL LIABILITIES	<u>4,773,772</u>	<u>150,928</u>	<u>44,742</u>	<u>4,969,442</u>	<u>174,932</u>
DEFERRED INFLOWS OF RESOURCES					
Debt refunding gain	1,793	-	-	1,793	-
Grants received in advance of meeting timing requirements	401	-	-	401	-
Related to leases	10,606	-	-	10,606	-
Related to other postemployment benefits	125,794	-	1,021	126,815	1,207
Related to pensions	170,201	-	11,606	181,807	16,903
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>308,795</u>	<u>-</u>	<u>12,627</u>	<u>321,422</u>	<u>18,110</u>
NET POSITION					
Net investment in capital assets	4,191,277	-	32,728	4,224,005	204,164
Restricted for:					
Expendable	525,096	-	-	525,096	-
Nonexpendable	91,507	-	-	91,507	-
Unemployment benefits	-	1,770,921	-	1,770,921	-
Unrestricted	2,988,780	-	26,249	3,015,029	41,383
TOTAL NET POSITION	<u>\$ 7,796,660</u>	<u>\$ 1,770,921</u>	<u>\$ 58,977</u>	<u>9,626,558</u>	<u>\$ 245,547</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(5,339)	
NET POSITION OF BUSINESS-TYPE ACTIVITIES				<u>\$ 9,621,219</u>	

The notes are an integral part of the financial statements.

STATE OF IOWA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

For the Year Ended June 30, 2022
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS		
OPERATING REVENUES					
Employer contributions	\$ -	\$ 457,623	\$ -	\$ 457,623	\$ -
Receipts from other entities	-	62,013	157	62,170	201,378
Fees, licenses & permits	3,880,472	-	27,253	3,907,725	-
Refunds & reimbursements	-	-	411	411	59,746
Sales, rents & services	453,314	-	495,381	948,695	4,047
Grants & contracts	810,698	-	-	810,698	-
Independent/auxiliary operations	311,279	-	-	311,279	-
Miscellaneous	56,080	5	7,509	63,594	6,437
TOTAL OPERATING REVENUES	5,511,843	519,641	530,711	6,562,195	271,608
OPERATING EXPENSES					
General & administrative	-	-	8,978	8,978	-
Scholarship & fellowship	84,606	-	-	84,606	-
Depreciation/amortization	417,940	-	4,831	422,771	22,196
Direct & other	-	-	36,857	36,857	-
Personal services	3,190,054	-	6,184	3,196,238	32,628
Travel & subsistence	29,290	-	521	29,811	8,084
Supplies & materials	1,079,782	-	369	1,080,151	43,545
Contractual services	140,089	-	15,408	155,497	54,587
Equipment & repairs	873,787	-	8,506	882,293	52,642
Claims & miscellaneous	65,783	-	298,731	364,514	29,637
Licenses, permits & refunds	7,169	-	1,282	8,451	6
State aid & credits	-	305,047	4,039	309,086	-
TOTAL OPERATING EXPENSES	5,888,500	305,047	385,706	6,579,253	243,325
OPERATING INCOME (LOSS)	(376,657)	214,594	145,005	(17,058)	28,283
NONOPERATING REVENUES (EXPENSES)					
Gifts	228,327	-	-	228,327	-
Taxes	-	-	8,112	8,112	-
Investment income (loss)	(250,210)	20,128	(110)	(230,192)	(442)
Interest expense	(51,168)	-	-	(51,168)	(43)
Miscellaneous revenue	106,301	-	-	106,301	-
Gain (loss) on sale of capital assets	(3,110)	-	99	(3,011)	245
NET NONOPERATING REVENUES (EXPENSES)	30,140	20,128	8,101	58,369	(240)
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	(346,517)	234,722	153,106	41,311	28,043
Capital contributions & grants	40,067	-	-	40,067	-
Transfers in	625,999	1,041	-	627,040	-
Transfers out	-	(786)	(149,774)	(150,560)	-
CHANGE IN NET POSITION	319,549	234,977	3,332	557,858	28,043
TOTAL NET POSITION - JULY 1 (Restated)	7,477,111	1,535,944	55,645		217,504
TOTAL NET POSITION - JUNE 30	\$ 7,796,660	\$ 1,770,921	\$ 58,977		\$ 245,547
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				574	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES				\$ 558,432	

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, 2022
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers/students	\$ 4,570,401	\$ -	\$ 516,165	\$ 5,086,566	\$ -
Cash received from miscellaneous	101,059	5	7,666	108,730	-
Cash received from employers	-	439,014	-	439,014	-
Cash received from other entities	611,512	62,013	-	673,525	22,513
Cash received from interfund transactions	-	237,459	-	237,459	238,534
Cash payments to suppliers for goods & services	(2,336,816)	-	(369,875)	(2,706,691)	(186,407)
Cash payments to employees/students for services	(3,168,023)	-	(17,274)	(3,185,297)	(37,036)
Cash payments for unemployment claims	-	(285,643)	-	(285,643)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(221,867)	452,848	136,682	367,663	37,604
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	580,500	-	-	580,500	-
Transfers out to other funds	-	(1,273)	(153,495)	(154,768)	-
Receipts from related agencies	319,987	-	-	319,987	-
Payments to related agencies	(318,750)	-	-	(318,750)	-
Other noncapital financing receipts	91,511	-	-	91,511	-
Other noncapital financing payments	(11,110)	-	-	(11,110)	-
Proceeds from noncapital gifts	244,142	-	-	244,142	-
Tax receipts	-	-	8,112	8,112	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	906,280	(1,273)	(145,383)	759,624	-
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Acquisition & construction of capital assets	(408,262)	-	(10,354)	(418,616)	(42,774)
Interest payments	(63,304)	-	-	(63,304)	(43)
Debt payments	(385,891)	-	4,867	(381,024)	-
Capital grants & contributions	75,070	-	-	75,070	-
Capital transfers in from other funds	57,498	-	-	57,498	-
Debt proceeds	472,693	-	-	472,693	-
Proceeds from sale of capital assets	1,491	-	133	1,624	-
Other capital & related financing activities	225,370	-	-	225,370	-
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	(25,335)	-	(5,354)	(30,689)	(42,817)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest & dividends on investments	61,518	20,128	(110)	81,536	(442)
Proceeds from sale & maturities of investments	1,154,686	-	-	1,154,686	-
Purchase of investments	(1,843,901)	-	-	(1,843,901)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(627,697)	20,128	(110)	(607,679)	(442)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	31,381	471,703	(14,165)	488,919	(5,655)
CASH & CASH EQUIVALENTS - JULY 1	425,996	1,166,738	53,620	1,646,354	95,426
CASH & CASH EQUIVALENTS - JUNE 30	457,377	1,638,441	39,455	2,135,273	89,771
INVESTMENTS	5,126,509	-	-	5,126,509	-
CASH & INVESTMENTS PER STATEMENT OF NET POSITION	\$ 5,583,886	\$ 1,638,441	\$ 39,455	\$ 7,261,782	\$ 89,771

(continued on next page)

STATE OF IOWA
Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2022
(Expressed in Thousands)

(continued)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (376,657)	\$ 214,594	\$ 145,005	\$ (17,058)	\$ 28,283
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation/amortization	417,940	-	4,831	422,771	22,196
(Increase) decrease in accounts receivable	(253,070)	(75,993)	(4,751)	(333,814)	265
(Increase) decrease in due from other funds/advances to other funds	-	237,459	(1,850)	235,609	(14,816)
(Increase) decrease in inventory	3,069	-	(1,037)	2,032	1,350
(Increase) decrease in prepaid expenses	4,373	-	(216)	4,157	1,121
(Increase) decrease in loans receivable	6,174	-	-	6,174	-
(Increase) decrease in other assets	(120)	-	-	(120)	-
(Increase) decrease in deferred outflows of resources	20,218	-	1,118	21,336	898
Increase (decrease) in accounts payable	27,400	40,044	(1,874)	65,570	(377)
Increase (decrease) in due to other funds/advances from other funds	-	-	(76)	(76)	(977)
Increase (decrease) in unearned revenue	10,541	36,744	(279)	47,006	4,967
Increase (decrease) in compensated absences	10,387	-	(175)	10,212	(417)
Increase (decrease) in other liabilities	(4,661)	-	-	(4,661)	-
Increase (decrease) in net pension liability	(209,172)	-	(13,508)	(222,680)	(20,664)
Increase (decrease) in other postemployment benefits liability	(25,299)	-	296	(25,003)	30
Increase (decrease) in Advance From Concessionaire	(23,268)	-	-	(23,268)	-
Increase (decrease) in deferred inflows of resources	170,278	-	9,198	179,476	15,745
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (221,867)	\$ 452,848	\$ 136,682	\$ 367,663	\$ 37,604
NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES					
Capital assets acquired	\$ 4,034	\$ -	\$ -	\$ 4,034	\$ -
Capital assets contributed	5,295	-	-	5,295	-
Unrealized loss on investments	(329,089)	-	-	(329,089)	-
TOTAL NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES	\$ (319,760)	\$ -	\$ -	\$ (319,760)	\$ -

The notes are an integral part of the financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

Fiduciary Funds are presented by fund in the Supplementary Information section.

STATE OF IOWA
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2022
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS	CUSTODIAL FUNDS
ASSETS			
Cash & cash equivalents	\$ 399,033	\$ 11,996	\$ 208,252
Receivables:			
Accounts	-	-	8,547
Contributions	83,686	-	-
Investments sold	640,691	-	-
Foreign exchange contracts	317,974	-	-
Taxes for other governments	-	-	274,223
Interest & dividends	90,821	-	1
Miscellaneous	-	-	-
Total receivables	<u>1,133,172</u>	<u>-</u>	<u>282,771</u>
Investments, at fair value:			
Fixed income securities	10,646,872	-	5,022
Equity investments	16,701,290	5,971,574	13,206
Real estate partnerships	90,085	-	-
Investment in private equity/debt	10,110,696	-	-
Real assets	3,559,952	-	-
Securities lending collateral pool	660,955	-	-
Total investments	<u>41,769,850</u>	<u>5,971,574</u>	<u>18,228</u>
Capital assets:			
Land	500	-	-
Other - depreciable (net)	11,348	-	101
Total capital assets	<u>11,848</u>	<u>-</u>	<u>101</u>
Other assets	<u>1,071</u>	<u>-</u>	<u>550</u>
TOTAL ASSETS	<u><u>43,314,974</u></u>	<u><u>5,983,570</u></u>	<u><u>509,902</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to other postemployment benefits	<u>321</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts payable & accruals	57,126	313	46,220
Accounts payable to other governments	-	-	405,894
Foreign exchange contracts payable	318,284	-	-
Payable for investments purchased	1,218,700	-	-
Payable to brokers for rebate & collateral	660,808	-	-
TOTAL LIABILITIES	<u>2,254,918</u>	<u>313</u>	<u>452,114</u>
DEFERRED INFLOWS OF RESOURCES			
Related to other postemployment benefits	<u>344</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted for:			
Pension/other postemployment benefits	41,060,033	-	-
Individuals, organizations & other entities	-	5,983,257	57,788
TOTAL NET POSITION	<u><u>\$ 41,060,033</u></u>	<u><u>\$ 5,983,257</u></u>	<u><u>\$ 57,788</u></u>

The notes are an integral part of the financial statements.

STATE OF IOWA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Year Ended June 30, 2022
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS	CUSTODIAL FUNDS
ADDITIONS			
Contributions:			
Member/participant contributions	\$ 585,059	\$ 497,978	\$ 455,371
Employer contributions	885,633	-	-
Buy-back/buy-in contributions	4,610	-	-
Other contributions	-	1,749	76,036
Gifts, bequests & endowments	-	-	3,965
Total contributions	<u>1,475,302</u>	<u>499,727</u>	<u>535,372</u>
Investment income:			
Net increase (decrease) in fair value of investments	(2,697,232)	(854,440)	(5,620)
Interest	410,832	14	2
Dividends	163,170	-	-
Real assets & private equity	367,259	-	-
Other	1,639	-	-
Total investment income (loss)	<u>(1,754,332)</u>	<u>(854,426)</u>	<u>(5,618)</u>
Less investment expense	74,382	-	-
Net investment income (loss)	<u>(1,828,714)</u>	<u>(854,426)</u>	<u>(5,618)</u>
Tax collections for other governments	-	-	1,384,535
Court revenue collections for others	-	-	312,149
Miscellaneous	-	-	46,932
TOTAL ADDITIONS	<u>(353,412)</u>	<u>(354,699)</u>	<u>2,273,370</u>
DEDUCTIONS			
Pension & annuity benefits	2,520,766	-	-
Distributions to participants	-	625,670	445,170
Payments in accordance with agreements	2,152	-	101,516
Administrative expense	13,935	-	37,437
Payments of tax collections to other entities	-	-	1,385,140
Payment of court collections to others	-	-	311,883
Refunds	64,517	-	-
Other	-	1,324	4,111
TOTAL DEDUCTIONS	<u>2,601,370</u>	<u>626,994</u>	<u>2,285,257</u>
CHANGE IN NET POSITION	(2,954,782)	(981,693)	(11,887)
NET POSITION - JULY 1	<u>44,014,815</u>	<u>6,964,950</u>	<u>69,675</u>
NET POSITION - JUNE 30	<u>\$ 41,060,033</u>	<u>\$ 5,983,257</u>	<u>\$ 57,788</u>

The notes are an integral part of the financial statements.



COMPONENT UNIT FINANCIAL STATEMENTS

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

Iowa Economic Development Authority undertakes programs to promote economic development including financing programs and the issuance of bonds.

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

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

The **University of Iowa Center for Advancement & Affiliate, Iowa State University Foundation** and **University of Northern Iowa Foundation** act primarily as fund-raising organizations to supplement the resources available to the State universities.

University of Iowa Research Foundation commercializes University of Iowa developed technologies and inventions through licensing and new venture formation.

University of Iowa Health System supports clinical, academic, and research programs of the University of Iowa College of Medicine and the University of Iowa Hospitals and Clinics.

STATE OF IOWA
Statement of Net Position
Component Units
June 30, 2022
(Expressed in Thousands)

	IOWA FINANCE AUTHORITY	IOWA ECONOMIC DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA CENTER FOR ADVANCEMENT & AFFILIATE
ASSETS					
Current assets:					
Cash & investments	\$ 1,158,685	\$ 161,791	\$ 40,429	\$ 25,780	\$ 120,794
Cash & investments - restricted	-	-	-	706	-
Accounts receivable (net)	-	20,979	678	7,054	51,131
Interest receivable	7,052	-	35	33	-
Loans receivable (net)	161,151	5,584	-	-	-
Lease receivable	-	-	71	-	-
Inventory	-	-	247	3,282	-
Prepaid expenses	-	295	53	237	-
Other assets	26,144	-	-	59	-
Total current assets	1,353,032	188,649	41,513	37,151	171,925
Noncurrent assets:					
Cash & investments	899,129	-	-	-	1,582,932
Accounts receivable (net)	-	-	900	-	215,112
Loans receivable (net)	2,295,165	64,141	-	-	-
Lease receivable	-	-	2,463	-	-
Capital assets - nondepreciable	886	-	20,606	1,592	-
Capital assets - depreciable (net)	13,126	-	93,854	7,915	15,827
Other assets	37,017	-	-	5,606	-
Total noncurrent assets	3,245,323	64,141	117,823	15,113	1,813,871
TOTAL ASSETS	4,598,355	252,790	159,336	52,264	1,985,796
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivatives	89	-	-	-	-
Debt refunding loss	8,012	-	-	-	-
Related to other postemployment benefits	158	324	70	394	-
Related to pensions	1,170	1,213	544	893	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,429	1,537	614	1,287	-
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	20,708	24,510	1,557	30,746	3,110
Interest payable	38,887	-	-	-	-
Unearned revenue	192,259	4	756	404	-
Compensated absences	-	841	381	1,020	-
Lease liability	-	-	33	473	-
Bonds payable	80,620	-	-	-	-
Other postemployment benefits liability	-	-	48	66	-
Funds held in custody	-	-	-	-	101,931
Total current liabilities	332,474	25,355	2,775	32,709	105,041
Noncurrent liabilities:					
Accounts payable & accruals	3,319	28	79	5,674	21,099
Compensated absences	-	951	682	934	-
Lease liability	-	-	49	1,912	-
Bonds payable	2,863,902	-	-	-	-
Net pension liability	127	143	84	131	-
Other postemployment benefits liability	1,017	1,096	790	1,146	-
Funds held in custody	-	-	-	-	-
Total noncurrent liabilities	2,868,365	2,218	1,684	9,797	21,099
TOTAL LIABILITIES	3,200,839	27,573	4,459	42,506	126,140
DEFERRED INFLOWS OF RESOURCES					
Accumulated increase in fair value of hedging derivatives	12,660	-	-	-	-
Related to leases	-	-	2,570	-	-
Related to other postemployment benefits	113	383	26	448	-
Related to pensions	5,177	5,489	3,753	5,029	-
TOTAL DEFERRED INFLOWS OF RESOURCES	17,950	5,872	6,349	5,477	-
NET POSITION					
Net investment in capital assets	14,012	-	114,460	7,121	15,827
Restricted for:					
Bond resolutions	1,072,817	-	-	-	-
Clean water and drinking water programs	179,166	-	-	-	-
Title guaranty program	74,627	-	-	-	-
Economic development	-	53,567	-	-	-
Other purposes	41,045	-	11,741	-	1,820,709
Nonexpendable - foundations	-	-	-	-	-
Expendable - foundations	-	-	-	-	-
Unrestricted	7,328	167,315	22,941	(1,553)	23,120
TOTAL NET POSITION	\$ 1,388,995	\$ 220,882	\$ 149,142	\$ 5,568	\$ 1,859,656

(continued on next page)

STATE OF IOWA
Statement of Net Position
Component Units
June 30, 2022
(Expressed in Thousands)

(continued)

	IOWA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF NORTHERN IOWA FOUNDATION	UNIVERSITY OF IOWA RESEARCH FOUNDATION	UNIVERSITY OF IOWA HEALTH SYSTEM	TOTAL COMPONENT UNITS
ASSETS					
Current assets:					
Cash & investments	\$ 328,707	\$ 27,562	\$ 730	\$ 9,091	\$ 1,873,569
Cash & investments - restricted	-	-	-	-	706
Accounts receivable (net)	30,202	2,498	1,851	2,409	116,802
Interest receivable	-	-	-	-	7,120
Loans receivable (net)	-	-	-	-	166,735
Lease receivable	-	-	-	-	71
Inventory	-	-	-	533	4,062
Prepaid expenses	-	-	65	423	1,073
Other assets	305	238	-	-	26,746
Total current assets	359,214	30,298	2,646	12,456	2,196,884
Noncurrent assets:					
Cash & investments	1,278,349	170,952	8,220	10,544	3,950,126
Accounts receivable (net)	166,372	22,896	203	-	405,483
Loans receivable (net)	252	-	-	-	2,359,558
Lease receivable	-	-	-	-	2,463
Capital assets - nondepreciable	960	-	-	782	24,826
Capital assets - depreciable (net)	2,409	56	-	243	133,430
Other assets	6,267	851	299	-	50,040
Total noncurrent assets	1,454,609	194,755	8,722	11,569	6,925,926
TOTAL ASSETS	1,813,823	225,053	11,368	24,025	9,122,810
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivatives	-	-	-	1,887	1,976
Debt refunding loss	-	-	-	-	8,012
Related to other postemployment benefits	-	-	-	-	946
Related to pensions	-	-	-	-	3,820
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	1,887	14,754
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	318	1,746	2,414	1,724	86,833
Interest payable	-	-	-	-	38,887
Unearned revenue	-	-	-	-	193,423
Compensated absences	983	-	-	-	3,225
Lease liability	-	-	-	-	506
Bonds payable	-	-	-	-	80,620
Other postemployment benefits liability	-	-	-	-	114
Funds held in custody	8,558	-	-	-	110,489
Total current liabilities	9,859	1,746	2,414	1,724	514,097
Noncurrent liabilities:					
Accounts payable & accruals	24,567	1,815	-	-	56,581
Compensated absences	-	-	-	-	2,567
Lease liability	-	-	-	-	1,961
Bonds payable	-	-	-	-	2,863,902
Net pension liability	-	-	-	-	485
Other postemployment benefits liability	-	-	-	-	4,049
Funds held in custody	9,903	-	-	-	9,903
Total noncurrent liabilities	34,470	1,815	-	-	2,939,448
TOTAL LIABILITIES	44,329	3,561	2,414	1,724	3,453,545
DEFERRED INFLOWS OF RESOURCES					
Accumulated increase in fair value of hedging derivatives	-	-	-	-	12,660
Related to leases	-	-	-	-	2,570
Related to other postemployment benefits	-	-	-	-	970
Related to pensions	-	-	-	-	19,448
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	35,648
NET POSITION					
Net investment in capital assets	3,370	-	-	1,025	155,815
Restricted for:					
Bond resolutions	-	-	-	-	1,072,817
Clean water and drinking water programs	-	-	-	-	179,166
Title guaranty program	-	-	-	-	74,627
Economic development	-	-	-	-	53,567
Other purposes	-	-	-	-	1,873,495
Nonexpendable - foundations	1,265,051	-	-	-	1,265,051
Expendable - foundations	459,158	210,041	-	-	669,199
Unrestricted	41,915	11,451	8,954	23,163	304,634
TOTAL NET POSITION	\$ 1,769,494	\$ 221,492	\$ 8,954	\$ 24,188	\$ 5,648,371

The notes are an integral part of the financial statements.

STATE OF IOWA
Statement of Activities
Component Units

For the Year Ended June 30, 2022
(Expressed in Thousands)

	IOWA FINANCE AUTHORITY	IOWA ECONOMIC DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA CENTER FOR ADVANCEMENT & AFFILIATE
Expenses	\$ 272,633	\$ 202,227	\$ 35,449	\$ 431,658	\$ 156,933
Program revenues:					
Charges for services	34,175	2,433	35,666	432,690	-
Operating grants & contributions	220,083	181,706	14,299	-	274,981
Capital grants & contributions	-	-	976	-	-
Total program revenues	<u>254,258</u>	<u>184,139</u>	<u>50,941</u>	<u>432,690</u>	<u>274,981</u>
Net program (expenses) revenues	<u>(18,375)</u>	<u>(18,088)</u>	<u>15,492</u>	<u>1,032</u>	<u>118,048</u>
General revenues:					
Investment income (loss)	(26,137)	(1,168)	2,380	88	4,422
Other	-	9,587	-	-	-
Gain (loss) on sale of assets	-	-	-	47	-
Total general revenues	<u>(26,137)</u>	<u>8,419</u>	<u>2,380</u>	<u>135</u>	<u>4,422</u>
CHANGE IN NET POSITION	(44,512)	(9,669)	17,872	1,167	122,470
NET POSITION - JULY 1	<u>1,433,507</u>	<u>230,551</u>	<u>131,270</u>	<u>4,401</u>	<u>1,737,186</u>
NET POSITION - JUNE 30	<u>\$ 1,388,995</u>	<u>\$ 220,882</u>	<u>\$ 149,142</u>	<u>\$ 5,568</u>	<u>\$ 1,859,656</u>

(continued on next page)

STATE OF IOWA
Statement of Activities
Component Units

For the Year Ended June 30, 2022
(Expressed in Thousands)

(continued)

	IOWA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF NORTHERN IOWA FOUNDATION	UNIVERSITY OF IOWA RESEARCH FOUNDATION	UNIVERSITY OF IOWA HEALTH SYSTEM	TOTAL COMPONENT UNITS
Expenses	\$ 140,681	\$ 23,061	\$ 6,796	\$ 21,450	\$ 1,290,888
Program revenues:					
Charges for services	-	-	5,476	19,763	530,203
Operating grants & contributions	208,124	30,102	-	-	929,295
Capital grants & contributions	-	-	-	-	976
Total program revenues	<u>208,124</u>	<u>30,102</u>	<u>5,476</u>	<u>19,763</u>	<u>1,460,474</u>
Net program (expenses) revenues	<u>67,443</u>	<u>7,041</u>	<u>(1,320)</u>	<u>(1,687)</u>	<u>169,586</u>
General revenues:					
Investment income (loss)	(37,416)	(16,624)	202	300	(73,953)
Other	6,651	130	-	193	16,561
Gain (loss) on sale of assets	-	-	-	-	47
Total general revenues	<u>(30,765)</u>	<u>(16,494)</u>	<u>202</u>	<u>493</u>	<u>(57,345)</u>
CHANGE IN NET POSITION	36,678	(9,453)	(1,118)	(1,194)	112,241
NET POSITION - JULY 1	<u>1,732,816</u>	<u>230,945</u>	<u>10,072</u>	<u>25,382</u>	<u>5,536,130</u>
NET POSITION - JUNE 30	<u>\$ 1,769,494</u>	<u>\$ 221,492</u>	<u>\$ 8,954</u>	<u>\$ 24,188</u>	<u>\$ 5,648,371</u>

The notes are an integral part of the financial statements.



STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the State of Iowa have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

B. Financial Reporting Entity

For financial reporting purposes, the State of Iowa includes all funds, departments, agencies and universities of the State. The State has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

As required by GAAP, these financial statements present the State of Iowa (the primary government) and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State. The individual component unit financial statements, except for the Iowa Economic Development Authority (a single fund type) and the University of Iowa Strategic Fund (a blended component unit of the University of Iowa), which does not issue separate financial statements, can be obtained by contacting: Iowa Department of Administrative Services, State Accounting Enterprise, Hoover State Office Bldg., 3rd Floor, Des Moines, IA 50319.

Blended Component Units

These component units are legally separate organizations for which the State is financially accountable. The State appoints a voting majority of their boards and is able to impose its will on the organizations. In addition, these organizations provide specific financial benefits to, or impose specific financial burdens upon, the State. Each of the following component units are reported as part of the State's primary government and are blended with the appropriate funds as they provide services entirely to the State or exclusively benefit the State.

- 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 PBS Foundation, formerly Iowa Public Television Foundation, (Special Revenue and Permanent Funds) promotes and serves as a funding medium for Iowa PBS, a department of the State of Iowa. It solicits and manages gifts of money or property for the exclusive purpose of granting gifts of money or property to Iowa PBS which has sole discretion as to the use of the money or property. Iowa PBS provides support to the Foundation, including office space, website, legal services, television studio space and equipment, as well as, broadcast production staff. The State has the ability to control fundraising activities and operations as well as personnel decisions regarding the management of the Foundation. The Foundation exclusively benefits the State and provides services entirely to the State.
- Iowa Public Radio (Special Revenue Fund) manages the day-to-day operations of the State University radio stations and ensures compliance with Federal Communications Commission requirements on behalf of the Iowa Board of Regents (Regents). The Regents appoints the board of directors and has assumed the obligation to provide financial support to, and finance deficits of, Iowa Public Radio. It serves as the primary fundraising entity for the stations and exclusively benefits the State and provides services entirely to the State.
- The University of Iowa Strategic Fund (Enterprise Fund) is a non-profit corporation organized and operated exclusively for charitable, educational and scientific purposes for the benefit of the University of Iowa. It manages the funds under the long-term lease and concession agreement for the University of Iowa Utility System; selects and supervises the independent investment manager(s); grants money to the University of Iowa to support the concessionaire payments of the public-private partnership (P3) agreement; determines the annual payout of the endowment for the purpose of granting gifts of money to the University of Iowa for scientific research and educational activities; and reviews all grant requests received by the Budget Review Board to ensure that each grant advances the University of Iowa's strategic plans and to advance the cause of education and research.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Discretely Presented Component Units

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

- Iowa Finance Authority (Proprietary) issues bonds to assist in attainment of adequate housing for special needs individuals such as low to moderate income and the disabled, and to provide limited types of financing to small businesses. The nine members of the board of directors are appointed by the Governor and confirmed by the Senate. The State has the ability to impose its will upon the Authority.
- Iowa Economic Development Authority (Proprietary) undertakes programs to enhance economic development and to provide financing programs. The eleven members of the board of directors are appointed by the Governor and confirmed by the Senate. The State has the ability to impose its will on the Authority.
- Iowa State Fair Authority (Proprietary) conducts the annual State Fair and Exposition and other interim events on the Iowa State Fairgrounds. The State is financially accountable for the Authority through fiscal dependency and imposition of a financial burden. Bonds issued by the Authority must be approved by the State and there is a history of financial support. (October 31 year-end)
- Iowa Lottery Authority (Proprietary) was created to operate the State Lottery. The five members of the board of directors are appointed by the Governor and confirmed by the Senate. The State has the ability to impose its will on the Authority. The Authority's purpose is to produce the maximum amount of net revenues for the State in a dignified manner that maintains the general welfare of the people, while providing a financial benefit to the State.

During the year ended June 30, 2022, the Iowa Lottery Authority provided \$98.0 million to the State of Iowa.

- The University of Iowa Center for Advancement & Affiliate, Iowa State University Foundation and the University of Northern Iowa Foundation (Foundations) are private, nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, (*Financial Reporting for Not-for-Profit Organizations*). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the financial information; however, the assets, liabilities, revenues and expenses were reformatted to correspond to the State's reporting format for the Statement of Net Position and Statement of Activities. The University of Iowa Research Foundation and the University of Iowa Health System report under GASB standards.
 - The Foundations are legally separate, tax exempt entities. They act primarily as fundraising organizations to supplement the resources available to the State Universities (Universities) in support of their programs. Although the State does not control the timing or amount of receipts from the Foundations, the majority of resources they hold and invest, and income thereon, are restricted to the activities of the Universities by the donors. Because the majority of these restricted resources can only be used by, or for the benefit of, the Universities, they are considered a component unit of the State and are discretely presented in the financial statements.

During the year ended June 30, 2022, the Foundations distributed \$252.1 million to the Universities for academic and institutional support.

- University of Iowa Research Foundation (UIRF) (Proprietary) commercializes University of Iowa developed technologies and inventions through licensing and new venture formation and manages the subsequent revenue streams. The intention of the UIRF is to effectively manage University intellectual property to successful outcomes including: transferring University inventions to the marketplace for public benefit, generating significant income, operating as a self-sustaining operation, and supporting the research mission. Because the majority of these restricted resources can only be used by, or for the benefit of, the University of Iowa, they are considered a component unit of the State and are discretely presented in the financial statements.
- University of Iowa Health System (Proprietary) was formed to support clinical, academic, and research programs of the University of Iowa College of Medicine and the University of Iowa Hospitals and Clinics. Because the majority of these restricted resources can only be used by, or for the benefit of, the University

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

of Iowa, they are considered a component unit of the State and are discretely presented in the financial statements.

Related Organizations

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

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

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Fund Balance Reporting

The fund balance classifications for governmental funds are reported in categories which describe the extent to which certain resources may be spent. Resources are categorized as spendable or nonspendable.

Nonspendable fund balances include inventory, prepaid items, noncurrent receivables and principal of endowments. These resources cannot be spent because they are either not in spendable form or are legally required to remain intact. When the proceeds from noncurrent receivables are restricted, committed or assigned, the fund balances for those amounts will be reported in the appropriate spendable fund balance classification.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Spendable fund balances include resources that are in spendable form (e.g. cash) and are available for spending. Spendable fund balances are further classified as restricted, committed, assigned or unassigned. The following describes the different levels of constraint, if any, on spendable fund balance classifications:

Restricted – includes amounts that can be used only for the specific purposes stipulated by constitution, external resource providers (e.g. creditors, grantors and contributors) or enabling legislation.

Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the State’s highest level of decision-making authority. The Iowa Legislature and Governor represent the State’s highest level of decision-making authority. Formal action consists of legislation passed by both the House and Senate and signed by the Governor and is required to establish, modify or rescind a limitation.

Assigned – includes amounts intended to be used by the State for a specific purpose but do not meet the criteria to be classified as restricted or committed. Currently, the State does not have a policy which authorizes the establishment of assigned fund balances.

Unassigned – includes the residual amount of the General Fund not included in the categories above, which is available for any purpose, and any negative fund balances in the other governmental fund types.

When both restricted and unrestricted (committed, assigned, unassigned) resources are available for use, generally it is the State’s policy to use restricted resources first. Also, when committed and unassigned resources are available to be spent for the same purpose, the State’s policy is, in general, to spend committed resources first.

D. Financial Statement Presentation

The State reports the following major governmental funds:

General Fund

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

Special Revenue Funds

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

Tobacco Collections Fund – The Tobacco Collections Fund accounts for tobacco settlement moneys received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The funds are then distributed to the Tobacco Settlement Authority and the Endowment for Iowa’s Health Fund pursuant to the terms of a Sales Agreement (dated October 1, 2001, and amended November 1, 2005) between the State and the Tobacco Settlement Authority (a collateralized borrowing per GASB Statement No. 48). Per Code of Iowa Section 12E.12.1.b(3)(b), the State’s portion is then transferred to the Rebuild Iowa Infrastructure Fund.

The State reports the following major proprietary funds:

Enterprise Funds

University Funds account for the operations of the State’s public institutions of higher education. The State University of Iowa, Iowa State University and the University of Northern Iowa comprise this group.

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

In addition, the State reports the following fund types:

Governmental Funds

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Proprietary Funds

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

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

Fiduciary Funds

Pension and Other Employee Benefit Trust Funds account for fiduciary activities (1) for pension plans and other postemployment benefits (OPEB) plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet the criteria in paragraph 3 of GASB Statement No. 67 or paragraph 3 of GASB Statement No. 74, respectively, and (2) for other employee benefit plans when (a) resources are held in a trust where assets associated with the activity are administered through a trust in which the government is *not* a beneficiary, are dedicated to providing benefits to recipients in accordance with the benefit terms, and are legally protected from the creditors of the government and (b) contributions to the trust and earnings on those contributions are irrevocable. The pension plans included are the Iowa Public Employees' Retirement System (IPERS), Peace Officers' Retirement, Accident and Disability System (PORS) and the Judicial Retirement System (JRS).

Private Purpose Trust Funds account for all fiduciary activities that are (1) not required to be reported in pension (and other employee benefit) trust funds or investment trust funds and (2) assets associated with the activity are administered through a trust in which the government is *not* a beneficiary, are dedicated to providing benefits to recipients in accordance with the benefit terms, and are legally protected from the creditors of the government. Examples include Iowa Educational Savings Plan Trust and Iowa ABLE Savings Plan Trust.

Custodial Funds account for fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private purpose trust funds. These funds include local sales and services tax collections, offender/resident deposits, fines, fees and settlements.

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.

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

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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. Fiduciary fund liabilities are incurred when an event has happened that compels the government to disburse resources or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets.

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

In fiscal year 2022, the State of Iowa implemented the following GASB standards:

- GASB Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources for all leases, including those leases that were previously classified as operating leases.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement establishes requirements that interest cost incurred before the end of a construction period must be expensed, rather than capitalized as a part of the capital asset.
- GASB Statement No. 92, *Omnibus 2020*. This statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*. Implemented paragraphs 11b, 13 and 14 of this statement, addressing appropriate benchmark interest rates and lease modifications. All other paragraphs were implemented, as required, in fiscal year 2021.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, an amendment of GASB Statements No. 14 and No.84, and a supersession of GASB Statement No. 32*. Implemented paragraphs 6 through 9 of this statement that establishes accounting and financial reporting requirements of Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans. Paragraphs 4 and 5, regarding component unit criteria, were implemented, as required, in fiscal year 2020.
- GASB Statement No. 99, *Omnibus 2022*. Implemented paragraphs 26 through 32, addressing the replacement of LIBOR, recognition of SNAP benefit distributions, disclosure requirements of nonmonetary transactions, component units established to certain debt on government's behalf, government-wide financial statements, and updates for certain terminology changes. The additional requirements of this statement will be effective for fiscal years 2023 and 2024.

F. Cash, Investments and Securities Lending

Cash in most funds is held in the State treasury and is commingled in State bank accounts and investments. The moneys of most funds are pooled together and invested as an investment pool by the Treasurer of State (Treasurer). However, moneys of some funds may be invested separately from the investment pool where permitted by statute.

Investment earnings of the investment pool are allocated to the individual funds as provided by statute. Income of \$6.1 million associated with certain funds has been assigned to other funds for fiscal year 2022.

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

The Treasurer may invest in obligations of the United States government, its agencies and instrumentalities; certificates of deposit in Iowa financial institutions; prime bankers' acceptances, commercial paper or other short-

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

term corporate debt; repurchase agreements; investments authorized for the Iowa Public Employees' Retirement System in Section 97B.7A; money market mutual funds organized in trust form; obligations of the Iowa Finance Authority issued pursuant to Chapter 16 of the Code of Iowa and other investments as permitted by Section 12B.10 of the Code of Iowa.

Investments are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*. (See NOTE 2 – CASH, INVESTMENTS AND SECURITIES LENDING.) IPERS has derivatives that are reported on the Statement of Fiduciary Net Position at fair value. (See NOTE 15 – PENSION PLANS.)

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

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

IPERS, PORS and JRS (together the "Systems") participate in a securities lending program administered by the Treasurer of State with Deutsche Bank as the lending agent. The participation of IPERS is authorized by the Code of Iowa and the participation of PORS and JRS is authorized by their Boards of Trustees. The lending agent is responsible for operating the program and is permitted to lend any of the securities it holds in custody for the Systems to broker-dealers and other entities in exchange for collateral. The lending agent is permitted to accept collateral in the form of cash in U.S. dollars, U.S. government securities or irrevocable letters of credit. The types of securities on loan included equity investments and fixed income securities.

A borrower is required to initially deliver collateral in an amount equal to 102% of the fair value of any U.S. securities lent and 105% of the fair value of any non-U.S. securities lent. Borrowers are required to provide additional collateral any time the value of the collateral drops below 100% of the value of the security lent plus accrued interest income.

At year end, the systems had no credit risk exposure to borrowers because the amounts the borrowers owed the systems did not exceed the amount the systems owed the borrowers. The contracts with Deutsche Bank require it to indemnify the Systems if a borrower becomes insolvent, or if a loss is incurred from an investment of collateral in an overnight repurchase agreement. The securities lending contracts do not allow the Systems to pledge or sell collateral securities received unless the borrower defaults. As of June 30, 2022, the Systems had securities on loan, including accrued interest income, with a total value of \$631.7 million against collateral with a total value of \$660.8 million.

The majority of securities loans are open loans, i.e. one day maturity, where the rebate rate due to 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 account which is managed by Deutsche Bank in accordance with investment guidelines established by the Treasurer of State and reviewed by the Systems. The investment guidelines do not require a matching of investment maturities with loan maturities, but do establish minimum levels of liquidity and other investment restrictions designed to minimize the interest rate risk associated with not matching the maturity of the investments with the loans. PORS and JRS bear interest rate risk if the custodian bank invests in securities which decrease in value or default. (See NOTE 2.)

The effective duration of the cash collateral pool at June 30, 2022, for IPERS was 1.00. Credit quality and years to maturity statistics for the cash collateral pool at June 30, 2022, for the Systems are as follows (expressed in thousands):

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Securities Lending Collateral Pool

Investment Type	Fair Value *	Credit Risk: S&P Quality Rating			Investment Maturity (Years)	Redemption Frequency	Redemption Notice Period
		AAA	A-1	Not Rated			
Money market funds	\$ 198,052	\$ 198,052	\$ -	\$ -	Less than 1	N/A	on demand
Overnight repurchase agreements	277,911	-	3,506	274,405	Less than 1	Daily	on demand
	<u>\$ 475,963</u>	<u>\$ 198,052</u>	<u>\$ 3,506</u>	<u>\$ 274,405</u>			

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

G. Accounts Receivable

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

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

H. Inventories

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

I. Prepaid Items

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

J. Capital Assets

Capital assets are reported in the government-wide and proprietary fund financial statements at historical cost. Donated capital assets acquired before July 1, 2015, are reported at their estimated fair market value at the date of acquisition. Donated capital assets acquired after June 30, 2015, are reported at their acquisition value at the date of acquisition. Capital assets utilized in governmental funds are reported as expenditures when purchased in the governmental fund financial statements. Interest incurred during the construction phase of capital assets is recognized as an expense in the period incurred. Infrastructure (acquired after June 30, 1980) and intangible assets (acquired after June 30, 2009), as defined by the State's policy are reported. Reportable capital assets are defined by the State as assets above the following thresholds:

Infrastructure	\$ 1,000,000
Intangible assets	\$ 500,000
Land, buildings & improvements	\$ 50,000
Right-to-use leased assets	\$ 50,000
Equipment	\$ 5,000

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Infrastructure	10-50 years
Buildings and improvements other than buildings	20-50 years
Intangible assets	5-20 years
Equipment	2-20 years
Vehicles	3-10 years
Right-to-use leased assets	2-30 years

Each University sets its own capitalization threshold and useful life policies. See individual University financial reports.

K. Deferred Outflows of Resources

In addition to assets, the government-wide and fund financial statements may report a separate section of deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

L. Compensated Absences

Employees' compensated absences are accrued when earned. Accrued vacation is paid at 100% of the employee's hourly rate upon retirement, death or termination. With certain exceptions, accrued sick leave is paid at 100% of the employee's hourly rate to a maximum of \$2,000 upon retirement. Employees may elect to use a portion of accrued sick leave balances to pay the state share of group health insurance premiums upon retirement. The liability for accrued compensated absences as reported in the government-wide and proprietary fund financial statements is based on the current rate of pay.

M. Long-term Liabilities

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

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

N. Deferred Inflows of Resources

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

O. Interfund Activity and Balances

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

Interfund Balances

Interfund receivables and payables have been eliminated from the Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

P. Encumbrances

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

Q. Stabilization Arrangements (Reserve Funds)

The State maintains two reserve funds: The Cash Reserve Fund and the Iowa Economic Emergency Fund, created in Sections 8.56 and 8.55 of the Code of Iowa. These funds were established by formal action of the highest level of decision-making authority as they were created by legislation passed by both the House and Senate and signed by the Governor. The law restricts the use and purpose of each fund. Formal action is required to use resources in the funds, modify their purpose or change the balances of the funds. Fund balances for both funds are included in the committed spendable fund balance classification.

The *Cash Reserve Fund* is separate from the General Fund of the State and is not to be considered part of the General Fund of the State except in determining the cash position of the State. The moneys in the Cash Reserve Fund cannot be transferred, used, obligated, appropriated or otherwise encumbered except as provided under Iowa Code Section 8.56. Interest or earnings on moneys deposited in the Cash Reserve Fund are credited to the Rebuild Iowa Infrastructure Fund. Moneys in this fund may be used for cash flow purposes provided that moneys so allocated are returned to the Cash Reserve Fund by the end of each fiscal year. The maximum balance of the fund is equal to 7.5% of the adjusted revenue estimated for the General Fund for the current fiscal year. The moneys in this fund may only be appropriated by the General Assembly for nonrecurring emergency expenditures and shall not be appropriated for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded. The balance in the Cash Reserve Fund may be used in determining the cash position of the General Fund of the State for payment of State obligations. An appropriation shall not be made from the Cash Reserve Fund if the appropriation would cause the fund's balance to be less than 3.75% of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

The *Iowa Economic Emergency Fund* is separate from the General Fund of the State and the fund is not to be considered part of the balance of the General Fund of the State. The moneys in the fund do not revert to the General Fund. The maximum balance of the fund is equal to 2.5% of the adjusted revenue estimate for the General Fund for the current fiscal year. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund. Moneys in this fund may be used for cash flow purposes provided that moneys so allocated are returned to the Iowa Economic Emergency Fund by the end of each fiscal year. The balance may be used in determining the cash position of the General Fund of the State for payment of State obligations. Amounts in excess of the maximum balance are distributed as follows: (1) the difference between the actual net revenue for the General Fund of the State and the adjusted revenue estimate for the fiscal year is transferred to the Taxpayers Trust Fund, (2) the remainder of the excess, if any, shall be transferred to the General Fund of the State.

The General Assembly can only appropriate moneys in the fund for emergency expenditures. A maximum of 1% of the adjusted revenue estimate for the fiscal year may be used to prevent a deficit in the General Fund when *all* of the following have occurred: (1) the balance of the General Fund of the State at the end of the fiscal year prior to the appropriation made in this paragraph was negative; and (2) the Governor has issued an official proclamation and has notified the Legislative fiscal committee and the Legislative Services Agency that the balance of the General Fund is negative and that an appropriation made pursuant to Iowa Code section 8.55 brings the General Fund of the State into balance. Additionally, the Executive Council may receive an amount sufficient to pay expenses authorized in 7D.29 of the Code of Iowa.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

R. Minimum Fund Balance Requirements

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

S. Budgeting and Budgetary Control

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

(Notes continue on next page.)

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – CASH, INVESTMENTS AND SECURITIES LENDING

A. Primary Government and Fiduciary Funds

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles provide a hierarchy that prioritizes the inputs to fair value measurements based on the extent inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that would reflect the State's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements should maximize the use of observable inputs and minimize the use of unobservable inputs.

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

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

The categorization of fair value measurements by level of the hierarchy is based upon the lowest level input that is significant to the overall fair value measurement for a given asset or liability. The assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

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

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

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

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

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

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

The fair value measurements, categorized by level of the fair value hierarchy, for the investments of the primary government, at June 30, 2022 follow (expressed in thousands):

Investments Measured at Fair Value Primary Government

Investment Type	Total	Level 1	Level 2	Level 3	NAV
Fixed:					
U.S. government treasuries, bills, notes & bonds	\$ 1,460,822	\$ 383,936	\$ 1,076,886	\$ -	-
U.S. government agency	1,523,451	24,880	1,498,571	-	-
Government asset & mortgage-backed	321,325	-	321,325	-	-
Corporate bonds	216,725	5	216,720	-	-
Corporate asset backed	57,173	-	57,173	-	-
Private placements	1,274	-	1,274	-	-
Fixed income mutual funds	4,043,324	3,009,163	424	-	1,033,737
Commercial paper	35,447	-	35,447	-	-
Other fixed income	1,975,750	-	1,975,750	-	-
Total fixed	<u>9,635,291</u>	<u>3,417,984</u>	<u>5,183,570</u>	<u>-</u>	<u>1,033,737</u>
Equity:					
U.S. equity	41,465	40,986	479	-	-
Private equity	257,794	-	-	-	257,794
Non U.S. equity	1,772	1,772	-	-	-
Pooled & mutual funds	1,004,692	688,344	-	-	316,348
Real assets	367,321	-	-	-	367,321
Investment pools	2,083	326	131	27	1,599
Other	71,084	716	1,102	39	69,227
Total equity	<u>1,746,211</u>	<u>732,144</u>	<u>1,712</u>	<u>66</u>	<u>1,012,289</u>
Total	<u>11,381,502</u>	<u>\$ 4,150,128</u>	<u>\$ 5,185,282</u>	<u>\$ 66</u>	<u>\$ 2,046,026</u>
Other:					
Bank investments	59,075				
Money markets	622,607				
Total invested assets	<u>\$ 12,063,184</u>				

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

The following table summarizes investments measured at the net asset value per share, or equivalent, for the primary government, at June 30, 2022 (expressed in thousands):

Investments Measured at the Net Asset Value Primary Government

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed:				
Fixed income mutual funds	\$ 1,033,737	\$ -	daily - quarterly	5 - 60 days
Equity:				
Private equity	257,794	380,853	N/A	N/A
Non U.S. equity - redeemable	-	-	daily - monthly	1 - 30 days
Pooled & mutual funds	316,348	-	daily - monthly	2 - 30 days
Real assets - redeemable	315,341	-	quarterly	60 - 90 days
Real assets - nonredeemable	51,980	1,023	N/A	N/A
Investment Pool	1,599	-	N/A	N/A
Other	69,227	12,000	quarterly	60 - 90 days
Total equity	1,012,289	393,876		
Total	\$ 2,046,026	\$ 393,876		

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

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

The fair value measurements, categorized by level of the fair value hierarchy, for the investments of the fiduciary funds, at June 30, 2022 follow (expressed in thousands):

Investments Measured at Fair Value Fiduciary Funds					
Investment Type	Total	Level 1	Level 2	Level 3	NAV
Fixed:					
U.S. government treasuries, bills, notes & bonds	\$ 1,271,734	\$ 1,213,436	\$ 58,298	\$ -	\$ -
U.S. government agency	425,552	1,134	424,418	-	-
Government asset & mortgage-backed	1,668,884	-	1,668,884	-	-
Corporate bonds	2,397,098	-	2,251,092	146,006	-
Corporate asset backed	137,472	-	137,472	-	-
Private placements	2,173,724	-	2,173,277	447	-
Commingled bond funds	1,546,086	-	-	-	1,546,086
Fixed income mutual funds	923,945	3,161	-	8,930	911,854
Other fixed income	524,163	4,368	33,988	485,807	-
Total fixed	11,068,658	1,222,099	6,747,429	641,190	2,457,940
Equity:					
U.S. equity	4,298,114	4,070,736	224,303	3,075	-
Private equity	8,445,301	-	-	-	8,445,301
Real assets	5,320,510	-	-	3,650,037	1,670,473
Commingled & mutual funds	18,256,130	5,444,523	529,410	-	12,282,197
Other	72,289	(4,748)	77,037	-	-
Total equity	36,392,344	9,510,511	830,750	3,653,112	22,397,971
Total	47,461,002	\$ 10,732,610	\$ 7,578,179	\$ 4,294,302	\$ 24,855,911
Other:					
Bank investments	46				
Money markets	373				
Total invested assets	\$ 47,461,421				

The following table summarizes investments measured at the net asset value per share, or equivalent, for the fiduciary funds, at June 30, 2022 (expressed in thousands):

Investments Measured at the Net Asset Value Fiduciary Funds				
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed:				
Fixed income mutual funds	\$ 911,854	\$ -	daily - quarterly	5 - 60 days
Commingled bond funds	1,546,086	-	daily	2 days
Total fixed	2,457,940	-		
Equity:				
Private equity	8,445,301	2,464,241	N/A	N/A
Commingled & mutual funds	12,282,197	-	daily - monthly	2 - 30 days
Real assets - redeemable	241	-	quarterly	60 - 90 days
Real assets - nonredeemable	1,670,232	1,037,624	N/A	N/A
Total equity	22,397,971	3,501,865		
Total	\$ 24,855,911	\$ 3,501,865		

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

- Commingled bond funds and commingled & mutual funds – Consists of various collective trust funds where assets are commingled for investment purposes. Each are valued at the net asset value of the units held at the end of the period based upon the fair value of the underlying investments.
- Private equity – Consists of 133 active partnerships within the legacy program and a fund-of-one investment, which invests primarily in buyout funds, with some exposure to venture capital, special situations, and distressed debt funds. The fair values of these funds and the fund-of-one have been determined using net assets valued one quarter in arrears plus current quarter cash flows. These funds are not eligible for redemption. As underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years, distributions are received.
- Real assets – nonredeemable – Consists of 16 partnerships. Eight of the funds determine fair value by utilizing net asset values from one quarter in arrears plus current quarter cash flows. Three of the funds determine fair value by utilizing net asset values from the current quarter. Five funds have not yet been funded. None of the private credit funds are eligible for redemption. As underlying investments within the funds are liquidated, which on average can occur over the span of 3 to 7 years, distributions are received.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State's exposure to credit risk for the fixed income investments of the primary government and fiduciary funds at June 30, 2022, is summarized as follows (expressed in thousands):

Primary Government			Fiduciary Funds		
S & P Quality Ratings	Fair Value	Percentage	S & P Quality Ratings	Fair Value	Percentage
TSY	\$ 449,151	4.66%	TSY	\$ 1,897,849	17.15%
AGY	38,266	0.40%	AGY	229,275	2.07%
AAA	123,877	1.29%	AAA	721,807	6.52%
AA	5,478,797	56.86%	AA	1,115,854	10.08%
A	766,830	7.96%	A	1,271,247	11.49%
BBB	105,830	1.10%	BBB	1,957,384	17.68%
BB	173,144	1.80%	BB	957,755	8.65%
B	369,715	3.84%	B	600,461	5.42%
Below B	31,043	0.32%	Below B	141,157	1.28%
Not rated	2,098,638	21.77%	Not rated	2,175,869	19.66%
Total	\$ 9,635,291	100.00%	Total	\$ 11,068,658	100.00%

The Treasurer's investment policy (https://www.iowatreasurer.gov/media/cms/Investment_Policy_FY_2020_FINAL_276ABA86FD10C.pdf) sets objectives for the Pooled Money Fund. The policy authorizes the investment in U.S. Treasuries, agencies and instrumentalities; certificates of deposit and other evidences of deposit at federally insured depository institutions approved pursuant to Chapter 12C of the Code of Iowa.

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

There are no policy limitations for credit risk exposures within the investment portfolios of the Systems (IPERS, PORS and JRS). Each of the Systems' fixed-income portfolios are managed in accordance with an investment contract that is specific as to permissible credit quality ranges and the average credit quality of the overall portfolios. In circumstances where downgrades occurred after the purchase, investment managers are permitted to hold a downgraded security if the manager believes it is prudent to do so. Policies related to credit risk pertaining to

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IPERS', PORS' and JRS' securities lending programs are found under the securities lending disclosures found in NOTE 1 F of these notes.

Investments in debt securities of the U.S. government or obligations of U.S. government agencies that are explicitly guaranteed by the U.S. government are disclosed as TSY and AGY in the credit risk schedules.

Concentration of Credit Risk

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

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

IPERS' guidelines for each investment manager establish limits on investments in any corporate entity. IPERS has no separate account investment in any specific stock or bond issues of any commercial or industrial organization other than the U.S. government and its instrumentalities whose fair value exceeds 5% of IPERS' net position restricted for pensions. PORS' and JRS' investment policies state no investment manager shall be permitted to invest more than 5% of the accounts in any corporate issuer without written direction and approval of the Treasurer.

Custodial Credit Risk

Deposits: Custodial credit risk for deposits is the risk that in the event of a failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. Protection from custodial credit risk exists for the State's deposits in excess of FDIC insurance coverage. Banks in Iowa which accept public funds deposits are required to pledge collateral in an amount equal to, or in excess of, the total amount by which the public funds deposits in the bank exceeds the total capital of the bank. If the applicable deposit insurance, the liquidation of pledged collateral, or the funds received from drawing on any Letters of Credit, and the assets of the bank which are liquidated within 30 days of the closing of the bank are not sufficient to satisfy the loss to public units, then the Treasurer shall obtain the additional amount needed to satisfy all remaining claims from the state sinking fund for public deposits in banks to the extent funds in the sinking fund are sufficient to cover public funds depositors' claims. If the funds in the sinking fund for public deposits in banks are inadequate to cover the remaining loss, the Treasurer shall make assessments against all remaining banks whose public funds deposits exceed federal deposit insurance coverage to satisfy the remaining loss. The \$1,148.8 million of total combined bank deposits of the primary government and fiduciary funds at June 30, 2022, were exposed to custodial credit risk for \$394.8 million of uninsured and uncollateralized bank deposits, of which \$387.1 million was invested in money market funds as cash equivalents.

Investments: Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, a government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the government's name and are held by either the counterparty or the counterparty's trust department or agent but not in the government's name. The Treasurer's investment policy requires that all investments be held by a third-party custodian while the Universities and Systems have no formal policy for investment custodial credit risk. Of the \$59.5 billion of total combined investments of the primary government and fiduciary funds at June 30, 2022, \$2.1 million was exposed to custodial credit risk as uninsured and unregistered, with the securities held by the counterparty or by its trust department or agent but not in the State's name.

The State's Unemployment Benefits Fund had \$1,461.8 million on deposit with the U.S. Treasury. This amount is presented as cash and investments but is not included in the carrying amounts of deposits nor is it categorized according to risk because it is neither a deposit with a financial institution nor an investment.

Interest Rate Risk

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

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

Maturity Limitations: No investment shall be made in a U.S. Treasury note or bond, a U.S. government agency note or bond or a U.S. government instrumentality note or bond with a maturity that exceeds 61 months at the time of purchase. (The 61-month maturity limitation for government agency or instrumentality securities does not apply

STATE OF IOWA

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to such securities if accepted as collateral under a repurchase agreement.) No investment shall be made in an asset-backed security that has an expected average life greater than two years at the time of purchase and a final maturity greater than three years at the time of purchase. The maturities of commercial paper and bankers acceptances shall not exceed 270 days at the time of purchase. The maturities of all other investments shall not exceed 25 months at the time of purchase.

Maturity Diversification: The Investment Committee shall set permitted maximum dollar amounts that can be invested in specific maturity sectors that are consistent with the overall portfolio strategy and the investment policy.

Liquidity Reserve: The Investment Committee shall specify how much liquidity shall be reserved to ensure that adequate cash is available to meet any unexpected expenditures that may occur. The liquidity reserve should be continuously invested in money market mutual funds or money market accounts with Iowa financial institutions.

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

The Systems measure interest rate risk within the portfolios using the effective duration (or option-adjusted) methodology. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. There are no organization-wide policies for interest rate risk exposure within the overall fixed-income portfolios. IPERS' core-plus fixed-income investment contracts generally require the effective duration of the manager's portfolio to remain between 80% and 120% of the effective duration measure of a specific fixed-income index. However, all of IPERS' core-plus managers have authority under their contracts to reduce the interest rate sensitivity of their core-plus portfolios to less than 80% of the benchmark's effective duration (up to zero effective duration) if the managers forecast a period of rising interest rates. For high-yield bond portfolios, the effective duration must remain between 75% and 125% of the benchmark's effective duration.

The State's exposure to interest rate risk for the fixed income investments of the primary government and the fiduciary funds at June 30, 2022, is summarized using the effective duration method, as follows (expressed in thousands):

Primary Government			Fiduciary Funds		
Investment Type	Fair Value	Effective Duration (Years)	Investment Type	Fair Value	Effective Duration (Years)
U.S. government treasuries, bills, notes & bonds	\$ 1,460,822	0.83	U.S. government treasuries, bills, notes & bonds	\$ 1,271,734	9.14
U.S. government agency	1,528,873	2.22	U.S. government agency	425,552	7.54
Government asset & mortgage-backed	321,325	2.25	Government asset & mortgage-backed	1,670,843	5.35
Corporate bonds	211,303	3.73	Corporate bonds	2,397,098	5.87
Corporate asset backed	57,173	0.56	Corporate asset backed	135,513	1.35
Private placements	1,274	0.18	Private placements	2,173,724	4.05
Fixed income mutual funds	4,043,324	2.55	Fixed income mutual funds	923,945	0.11
Commercial paper	35,447	0.08	Commingled bond funds	1,546,086	6.26
Other fixed income	1,975,750	0.24	Other fixed income	524,163	5.83
Total	\$ 9,635,291	1.76	Total	\$ 11,068,658	5.47

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Foreign Currency Risk

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

IPERS' currency policy is to allow its investment managers the discretion to hedge their foreign currency exposures. PORS' external managers may or may not hedge the portfolio's foreign currency exposures with forward foreign exchange contracts, currency options, currency futures or options on currency futures depending upon their views on a specific foreign currency relative to the U.S. dollar. IPERS generally does not allow its investment managers to enter into currency positions greater than 100% or less than 0% of the underlying asset exposure in their respective portfolios. The only exceptions are (1) as it relates to specific cross-hedging activity, which may be permitted in certain investment manager contracts, and (2) in liquid absolute return strategies (LARS) where the managers are permitted to tactically allocate across several asset classes and strategies, including currency. IPERS' net foreign currency exposure of the LARS managers was less than 1% of IPERS' total foreign currency exposure on June 30, 2022.

Foreign currency risk by investment type for the fiduciary funds, at June 30, 2022, follows (expressed in thousands):

	Total	Cash	Derivatives	Equity	Fixed Income
Argentine peso	\$ 55	\$ -	\$ -	\$ -	\$ 55
Australian dollar	173,198	1,485	939	170,774	-
Brazilian real	51,008	706	-	49,855	447
British pound	284,864	(9,155)	(62)	282,400	11,681
Canadian dollar	50,709	481	(756)	50,776	208
Chilean peso	4,707	231	-	4,476	-
Chinese yuan renminbi	81,683	348	-	81,335	-
Chinese yuan	(21,754)	(21,754)	-	-	-
Colombian peso	354	(26)	-	380	-
Czech koruna	778	8	-	770	-
Danish krone	48,492	1,052	-	47,440	-
Egyptian pound	3,356	242	-	3,114	-
Euro	598,605	(53,821)	1,442	591,406	59,578
Hong Kong dollar	138,858	856	102	137,900	-
Hungarian forint	8,212	9	-	8,203	-
Indian rupee	93,016	4,421	-	88,595	-
Indonesian rupiah	34,358	1,929	-	17,035	15,394
Israeli shekel	21,700	21	-	21,679	-
Japanese yen	398,012	3,539	(471)	394,944	-
Kuwaiti dinar	2,335	(134)	-	2,469	-
Malaysian ringgit	11,917	(319)	131	12,105	-
Mexican peso	54,390	(6,527)	328	17,282	43,307
New Zealand dollar	10,512	23	-	10,489	-
Norwegian krone	17,805	80	(194)	17,919	-
Philippine peso	6,599	183	-	6,416	-
Polish zloty	16,337	443	-	15,894	-
Qatari riyal	3,492	(178)	-	3,670	-
Russian ruble	867	867	-	-	-
Saudi Arabian riyal	8,059	20	-	8,039	-
Singapore dollar	57,691	23	146	57,522	-
South African rand	32,482	57	140	32,285	-
South Korean won	74,274	477	252	73,545	-
Swedish krona	66,669	1,278	(92)	65,483	-
Swiss franc	141,849	3,767	(14)	138,096	-
Taiwanese dollar	80,331	5,246	-	75,085	-
Thai baht	26,343	(391)	(418)	27,152	-
Turkish lira	7,368	11	(28)	7,385	-
United Arab Emirates dirham	2,926	(157)	-	3,083	-
Total	\$ 2,592,457	\$ (64,659)	\$ 1,445	\$ 2,525,001	\$ 130,670

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NOTES TO THE FINANCIAL STATEMENTS

Deposits with Trustees

Deposits with trustees totaled \$90.1 million at June 30, 2022. \$1.9 million was invested in fixed U.S. government agency securities with an effective duration of 2.72 years and a credit quality rating of AAA, \$87 million was invested in equity securities not subject to credit quality ratings, and the remaining \$875 thousand was cash and cash equivalents. Additionally, \$367 thousand of deferred compensation funds are invested with a trustee in a mutual fund not subject to credit quality ratings.

University Endowments

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

The Universities' policies are to retain the realized and unrealized appreciation with the endowments pursuant to the spending rules of the Universities. Spending rules for the Universities are as follows:

- The University of Iowa's spending rule adjusts dollar payouts by the trailing calendar year Consumer Price Index (inflation rate). Total payout is banded at no less than 4% and no greater than 5% of calendar year-end market values.
- Iowa State University's spending rule is 5.5%, which includes a 1.25% administrative fee, of a three-year moving average market value.
- The University of Northern Iowa's spending rule is 5% of the three-year moving average of the fair value of the endowment.

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

	Amount	Net Position Classification
University of Iowa	\$ 24,582	Restricted nonexpendable net position
Iowa State University	4,982	Restricted expendable net position
University of Northern Iowa	952	Restricted expendable net position

B. Component Units

Fair Value Measurement

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

The Iowa Finance Authority (Authority) obtains its fair value pricing on fixed income investments from its third-party custodian. There are multiple pricing methodologies which are used to value the Authority's fixed income investments. These methods include, but are not limited to, gathering pricing from multiple market sources and vendor credit information, observed market movements, sector news into the pricing applications and models, or manual methods. Since none of the Authority's fixed income investments are actively traded on an exchange, yet rely on significant observable inputs for fair value pricing, these securities are classified as Level 2.

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

The Authority obtains its fair value pricing on interest rate swaps and cap derivative instruments from a third-party vendor. The fair value of the forward mortgage-backed securities (MBS) sales and MBS purchase commitments are estimated based on internal valuation models. See NOTE 2 C, for further description of the fair value methodology for derivative instruments.

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NOTES TO THE FINANCIAL STATEMENTS

The fair value measurements, categorized by level of the fair value hierarchy, for the investments of the component units, at June 30, 2022 follow (expressed in thousands):

Investments Measured at Fair Value

Investment Type	Total	Level 2	Level 3
Fixed:			
U.S. government treasuries, bills, notes & bonds	\$ 35,806	\$ 35,806	\$ -
U.S. government agency	30,403	30,403	-
Government asset & mortgage-backed	904,935	904,935	-
Corporate bonds	13,432	13,432	-
Certificates of deposit	1,415	1,415	-
Commercial paper	-	-	-
Total fixed	985,991	985,991	-
Equity:			
Other	893	-	893
Total	986,884	\$ 985,991	\$ 893
Other:			
Money markets	756,616		
State of Iowa Treasurer pooled money fund	75,431		
Healthcare joint ventures	10,592		
Total invested assets	\$ 1,829,523		

The University Foundations', discretely presented component units, cash and investments of \$3.5 billion are not subject to GASB disclosure requirements.

Credit Risk

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

The exposure to credit risk for the component units fixed income investments at June 30, 2022, is summarized as follows (expressed in thousands):

S & P Quality Ratings	Fair Value	Percentage
AA	\$ 79,641	8.08%
Not rated	906,350	91.92%
Total	<u>\$ 985,991</u>	<u>100.00%</u>

Concentration of Credit Risk

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

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

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

Interest Rate Risk

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

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

The other component units do not have formal policies limiting investment maturities as a means of managing exposure to interest rate risk.

The component units' exposure to interest rate risk for the fixed income investments at June 30, 2022, is summarized using the weighted average maturity method, as follows (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. government treasuries, bills, notes & bonds	\$ 35,806	2.42
U.S. government agency	30,403	1.87
Government asset & mortgage-backed	904,935	23.19
Corporate bonds	13,432	2.73
Certificates of deposit	1,415	1.11
Total	<u>\$ 985,991</u>	<u>-</u>

C. Derivatives

Fiduciary Funds

GAAP requires the fair value of financial arrangements called "derivative instruments" to be reported in the financial statements of state and local governments. Further, derivative instruments are required to be categorized as either hedging derivative instruments or investment derivative instruments. All of IPERS' derivative instrument exposures at June 30, 2022, are categorized as investment derivative instruments and, therefore, hedge accounting provisions are not applicable.

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NOTES TO THE FINANCIAL STATEMENTS

Some of the IPERS' external investment managers may be permitted through their individual investment contracts to use derivative instruments, subject to IPERS' derivative instruments policy. Derivative instruments are contracts or securities whose returns are derived from the returns of other securities, indexes, or derivative instruments. While this definition includes the most common type of derivative instrument, collateralized mortgage obligations (which typically make up a portion of IPERS' fixed-income portfolio), it is also intended to include (but not be limited to) futures, forwards, options, options on futures, swaps, and swaptions. IPERS' managers are not permitted to utilize derivative instruments for speculative purposes, but may use them to efficiently access desired markets and to control and manage portfolio risk. Examples of appropriate applications of derivative instrument strategies include hedging interest rate and currency risk, maintaining exposure to a desired asset class while effecting asset allocation changes, managing duration risk, augmenting index fund performance through index arbitrage, and implementing portable alpha strategies, including liquid absolute return strategies.

The various derivative instruments utilized by IPERS' investment managers are described below. Although the notional values associated with these derivative instruments are not recorded in the financial statements, the fair value amounts of exposure (unrealized gains/losses) are reported in the Statement of Fiduciary Net Position. IPERS holds investments in limited partnerships and commingled investment funds, which may occasionally utilize derivative instruments for hedging purposes; however, any derivative instruments held by these types of investment vehicles are not included in this Note. IPERS could be exposed to risk if the counterparties to derivative instrument contracts are unable to meet the terms of the contracts. IPERS' investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, exposure monitoring procedures, and in some cases the collateralization of gains or losses. IPERS anticipates the counterparties will be able to satisfy their obligations under the contracts. Limited partnerships and commingled investment vehicles in which IPERS invests may also have exposure to counterparty risk from the use of derivative instruments for hedging purposes.

Futures and Options Contracts: IPERS had investments in various futures and options during the year. The Statement of Fiduciary Net Position reports these contracts at fair value.

Futures and options can potentially offer lower-cost, more efficient alternatives to buying the underlying securities or currency. They can also serve to minimize certain unwanted risks within the portfolio. The market, currency, and credit risk of the futures were the same as if IPERS had owned the underlying securities or currency.

Summaries of futures and options contracts by sector outstanding at June 30, 2022, follow (expressed in thousands):

Futures Exposure Summary

	Number of Contracts	Notional Value	Fair Value	% of Total Fund NAV
Long Futures:				
Agriculture	823	\$ 31,657	\$ (1,934)	(0.00482)
Currency	1,624	47,265	(279)	(0.00070)
Energy	1,511	88,786	(7,016)	(0.01748)
Index	828	30,751	(110)	(0.00027)
Interest	24,917	3,512,857	(9,557)	(0.02381)
Metal	426	34,281	(6,193)	(0.01543)
Total	30,129	\$ 3,745,597	\$ (25,089)	(0.06251)
Short Futures:				
Agriculture	(946)	\$ (29,460)	\$ 1,619	0.00403
Currency	(4,664)	(319,800)	5,709	0.01423
Energy	(846)	(48,144)	3,454	0.00861
Index	(3,720)	(258,114)	737	0.00184
Interest	(10,400)	(1,476,593)	1,740	0.00434
Metal	(786)	(63,456)	7,082	0.01765
Total	(21,362)	\$(2,195,567)	\$ 20,341	0.05068

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NOTES TO THE FINANCIAL STATEMENTS

Options Exposure Summary

	Fair Value	% of Total Fund NAV
Options purchased:		
Interest	\$ (6,669)	(0.01662)
Total	\$ (6,669)	(0.01662)
Options written:		
Interest	\$ 794	0.00198
Total	\$ 794	0.00198

Credit Default Swaps: IPERS had investments in credit default swaps during the year. The credit default swaps are derivative instruments used to hedge or to replicate investments in debt obligations of corporate bond issuers. The risk of the credit default swap is comparable to the credit risk of the reference security. At June 30, 2022, the net notional value of the credit default swaps held in IPERS' fixed-income portfolio was \$-47.4 million. The credit default swaps are reported at a fair value of \$8.0 million in the Statement of Fiduciary Net Position.

Interest Rate Swaps: Interest rate swaps are transactions between two parties in which interest payments from different indexes are swapped. Interest rate swaps are often used to alter the portfolios' exposure to interest rate fluctuations by swapping fixed-rate obligations for floating-rate obligations or vice versa. By utilizing interest rate swaps, IPERS' investment managers are able to alter their interest rate exposure and bring it in line with their strategic objectives for interest rate risk. At June 30, 2022, the net notional value of the interest rate swaps held in IPERS' fixed-income portfolio was \$8.8 billion. All interest rate swaps held by IPERS are reported at a fair value of \$22.1 million in the Statement of Fiduciary Net Position.

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

Component Units

Iowa Finance Authority (Authority) uses derivative instruments to manage and reduce exposure to adverse fluctuations in interest rates and to lower the overall cost of financing. All derivative instruments are recorded at fair value. Certain of the derivatives consist of interest rate swap and interest rate cap agreements entered into in connection with its issuance of variable rate mortgage revenue bonds. These derivative instruments are considered hedging derivative instruments and recorded as other assets or other liabilities in the Statement of Net Position.

The Authority's additional derivative instruments are commitments to purchase mortgage-backed securities (MBS). These derivative instruments consist of forward sales of MBS in the To-Be-Announced market, which hedge changes in the fair value of mortgage loan inventory and commitments. These contracts are considered investment derivative instruments and recorded as other assets or other liabilities in the Statement of Net Position.

The Authority reports hedging derivative instruments' accumulated change in fair value as either deferred inflows or outflows of resources in the Statement of Net Position, and investment derivative instruments' accumulated changes in fair value as part of the net increase/decrease in fair value of investments within the Statement of Revenues, Expenses and Changes in Net Position.

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NOTES TO THE FINANCIAL STATEMENTS

Aggregate debt service requirements of the Authority's hedged variable-rate debt and net receipts/payments on associated derivative instruments at June 30, 2022, follow (expressed in thousands):

Year Ending June 30,	Variable-rate Bonds Principal	Variable-rate Bonds Interest	Interest Rate Swaps, Net	Total
2023	\$ 1,558	\$ 2,289	\$ 1,890	\$ 5,737
2024	4,897	2,294	1,907	9,098
2025	1,738	2,239	1,817	5,794
2026	30,285	1,993	1,807	34,085
2027	1,845	1,836	1,789	5,470
2028-2032	19,625	8,790	7,897	36,312
2033-2037	46,568	7,260	5,155	58,983
2038-2042	49,671	5,071	3,228	57,970
2043-2047	59,293	2,578	1,284	63,155
2048-2052	29,559	470	63	30,092
Total	<u>\$ 245,039</u>	<u>\$ 34,820</u>	<u>\$ 26,837</u>	<u>\$ 306,696</u>

The amounts presented in the table above assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on hedging derivative instruments will vary. Not all variable rate debt is associated with a derivative instrument.

Hedging Derivatives – Swaps: Swap agreements allow the Authority to raise funds at variable rates and swap them into fixed rates that are lower than those available to the Authority if fixed-rate borrowings were made directly. These contracts involve the exchange of variable-rate for fixed-rate payments between the parties, without the exchange of the underlying debt, based on a common notional amount and maturity date. The terms of the authority's swap hedging derivative instruments outstanding at June 30, 2022, follow (expressed in thousands):

Bond Series	2022						S & P Global Rating
	Notional Amount	Effective Date	Termination Date	Pay	Receive	Terms	
SF 2015 B	\$ 2,105	09/01/06	01/01/36	3.766%	Enhanced LIBOR		A+
MF 2008 A	3,250	04/17/08	06/01/24	3.971%	SIFMA + 0.08%		A+
SF 2015 B	27,765	01/01/17	01/01/46	2.518%	67% of USD LIBOR		AA-
SF 2016 E	6,730	01/01/18	07/01/46	2.292%	67% of USD LIBOR		A+
SF 2017 D	13,125	01/01/18	01/01/47	2.126%	67% of USD LIBOR		A+
SF 2018 B	15,000	07/01/18	07/01/47	2.490%	70% of USD LIBOR		AA-
SF 2018 D	11,250	07/01/19	07/01/48	2.638%	70% of USD LIBOR		AA-
SF 2019 B	15,000	07/01/19	07/01/30	1.939%	SIFMA		A+
SF 2019 E	11,250	01/01/20	01/01/49	1.605%	SIFMA Swap Index until 1/1/2029; 67% of USD LIBOR thereafter		AA-
SF 2020 B	15,000	07/01/20	07/01/49	1.691%	SIFMA Swap Index until 7/1/2029; 67% of USD LIBOR thereafter		A+
SF 2020 E	11,250	07/01/21	07/01/35	1.051%	SIFMA		A+
SF 2016 B	15,000	07/01/21	01/01/28	0.870%	SIFMA		AA-
SF 2021 E	15,000	01/01/22	01/01/34	1.332%	SIFMA		AA-
SF 2022 B	15,000	03/01/22	01/01/31	1.522%	SIFMA		AA-
SF 2022 E	15,000	09/01/22	01/01/34	1.986%	70% of SOFR		AA-
	<u>\$ 191,725</u>						

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NOTES TO THE FINANCIAL STATEMENTS

Hedging Derivatives – Caps: Interest rate cap derivatives are when the Authority receives payments at the end of each period, based on a notional amount, when the interest rate exceeds the agreed-upon strike rate. Terms of the Authority’s cap derivative instruments outstanding at June 30, 2022, follow (expressed in thousands):

2022					
Bond Series	Notional Amount	Effective Date	Maturity Date	Strike Rate	S & P Global Rating
MF 2007 B	\$ 9,300	08/01/13	01/01/24	SIFMA = 5.5%	AA-
MF 2007 A	11,030	07/01/21	07/01/24	SIFMA = 3%	AA-
MF FHLB B-1	9,598	07/01/18	07/01/22	USD LIBOR = 6%	AA-
	\$ 29,928				

Investment Derivatives: The Authority’s investment derivative instruments had the following maturities as of June 30, 2022 (expressed in thousands):

Investment Type	Notional Value	Fair Value	Investment Maturities (in Years)	
			Less than 1	1 - 5
Investment derivative instruments:				
Swaps	\$ 6,060	\$ (94)	\$ -	\$ (94)
Forward MBS sales	4,465	(17)	(17)	-
MBS purchase commitments	94,633	(161)	(161)	-
Total	\$ 105,158	\$ (272)	\$ (178)	\$ (94)

Fair Values of Derivatives: The Authority’s fair value of derivative instruments outstanding at June 30, 2022, classified by type, and changes in the fair value of such derivative instruments as reported in the financial statements are as follows (expressed in thousands):

Bond Series	Type	Fair Value June 30, 2022	Change in Fair Value	Fair Value June 30, 2021
Hedging derivatives:				
SF 2015 B	Swap	\$ 59	\$ 201	\$ (142)
SF 2015 B	Swap	568	940	(372)
SF 2016 B	Swap	1,202	1,266	(64)
SF 2016 E	Swap	331	585	(254)
SF 2017 D	Swap	520	918	(398)
SF 2018 B	Swap	401	1,286	(885)
SF 2018 D	Swap	137	959	(822)
SF 2019 B	Swap	608	1,814	(1,206)
SF 2019 E	Swap	1,186	1,342	(156)
SF 2020 B	Swap	1,561	1,899	(338)
SF 2020 E	Swap	1,824	1,471	353
SF 2021 E	Swap	1,927	1,927	-
SF 2022 B	Swap	1,108	1,108	-
SF 2022 E	Swap	100	100	-
MF 2007 A	Cap	49	43	6
MF 2007 B	Cap	2	1	1
MF 2008 A	Swap	(89)	243	(332)
Total hedging derivatives		\$ 11,494	\$ 16,103	\$ (4,609)
Investment derivatives:				
NONE	Swap	\$ (93)	\$ 273	\$ (366)
NONE	Basis swap	(1)	(19)	18
Forward MBS sales	Forward	(17)	28	(45)
MBS purchase commitments	Commitment	(161)	(1,330)	1,169
Total investment derivatives		\$ (272)	\$ (1,048)	\$ 776

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NOTES TO THE FINANCIAL STATEMENTS

The fair values, categorized by level of the fair value hierarchy, for the hedging and investment derivative instruments of the Authority, at June 30, 2022 follow (expressed in thousands):

Derivative Type	Total	Level 2	Level 3
Hedging derivative instruments	\$ 11,494	\$ 11,494	\$ -
Investment derivative instruments	(272)	(111)	(161)

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

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

The fair value of the MBS purchase commitments is estimated using an internal valuation model, which includes grouping the commitments by interest rate and terms, applying an estimated closing ratio, and then multiplying by quoted investor prices determined to be reasonably applicable to the commitment groups based on interest rate, terms, and commitment expiration dates of the commitment group. The closing ratio calculation, which represents the percentage of commitments that management estimates it will ultimately fund, takes into consideration historical data and loan-level data. The weighted average closing ratio at June 30, 2022, was 81.6%.

Risks Associated with Derivative Transactions:

Credit risk: The Authority is exposed to credit risk on hedging derivative instruments that are in asset positions. The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2022 was \$11.6 million. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

Bank of New York Mellon, Goldman Sachs Bank USA, Royal Bank of Canada, and Wells Fargo Bank, N.A. are currently counterparties under the derivatives agreements with the Authority.

With respect to counterparty risk, the Authority will also manage the agreements and all transactions entered into with its counterparties to ensure that the Authority's exposure to any of its counterparties does not exceed a proper amount.

Interest rate risk: The Authority is exposed to interest rate risk on its derivatives. On its pay-fixed, receive-variable derivatives, as the SIFMA, SOFR or LIBOR swap index decreases, the Authority's net payment on the derivatives increases.

Basis risk: Basis risk refers to a mismatch between the interest rate received from the derivative counterparty and the interest rate actually owed on the Authority's bonds. Specifically, the Authority's basis risk is that the variable interest payment received from the counterparty will be less than the actual variable interest payments owed on the Authority's variable rate bonds. The mismatch between the Authority's actual bond rate and the derivative rate is the Authority's basis risk. As of June 30, 2022, the SIFMA swap index rate is 0.91%, daily SOFR is 1.5% and US 1-month LIBOR is 1.787%.

Termination risk: Termination risk is the risk that the swap could be terminated as a result of any of several events, which may include a ratings downgrade of the Authority's single-family mortgage bonds or of a derivative counterparty covenant violation, bankruptcy, swap payment default, and default events as defined in the

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NOTES TO THE FINANCIAL STATEMENTS

Authority's Single-Family Mortgage Bonds Resolution; however, the Authority believes that the likelihood of any such termination event is remote.

Rollover risk: Rollover risk is the risk that the term of a particular swap contract is not coterminous with the related bonds. If an issuer entered into a swap to hedge for a specified period of time and then decides at swap maturity it wishes to maintain the same or similar hedge position, it may incur additional costs at that time. The Authority minimizes this risk by matching the term of the swaps with the maturity of the related bonds.

(Notes continue on next page.)

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – TRANSFERS

Interfund transfers for the year ended June 30, 2022, consisted of the following (expressed in thousands):

Transferred Out	Transferred In				Total
	General Fund	Nonmajor Governmental Funds	University Funds	Unemployment Benefits Fund	
General Fund	\$ -	\$ 30,872	\$ 625,999	\$ 1,041	\$ 657,912
Tobacco Collections Fund	11,700	-	-	-	11,700
Nonmajor Governmental Funds	87,409	95	-	-	87,504
Unemployment Benefits Fund	786	-	-	-	786
Nonmajor Enterprise Funds	149,774	-	-	-	149,774
Total	\$ 249,669	\$ 30,967	\$ 625,999	\$ 1,041	\$ 907,676

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

NOTE 4 – RECEIVABLES

Receivables at June 30, 2022, consisted of the following (expressed in thousands):

	Governmental Funds	Proprietary Funds		
		Enterprise Funds	Internal Service Funds	Component Units
Accounts receivable:				
Taxes	\$ 768,750	\$ 996	\$ 137	\$ -
Pledges	2,332	-	-	455,496
Benefit overpayments	-	98,789	-	-
Employer contributions	-	149,901	-	-
Grants & contracts	1,786,206	1,581,692	324	-
Other	1,215,166	412,774	2,587	139,873
Less:				
Allowance for doubtful accounts	800,758	1,071,788	-	9,641
Discount to present value	-	-	-	63,443
Accounts receivable (net)	<u>\$ 2,971,696</u>	<u>\$ 1,172,364</u>	<u>\$ 3,048</u>	<u>\$ 522,285</u>
Current	\$ 2,814,928	\$ 1,155,262	\$ 3,048	\$ 116,802
Noncurrent	156,768	17,102	-	405,483
Total	<u>\$ 2,971,696</u>	<u>\$ 1,172,364</u>	<u>\$ 3,048</u>	<u>\$ 522,285</u>
Loans receivable:				
Loans receivable	\$ 24,104	\$ 41,740	\$ -	\$ 2,642,570
Less:				
Allowance for doubtful accounts	8,639	1,612	-	116,277
Loans receivable (net)	<u>\$ 15,465</u>	<u>\$ 40,128</u>	<u>\$ -</u>	<u>\$ 2,526,293</u>
Current	\$ 4,839	\$ 2,611	\$ -	\$ 166,735
Noncurrent	10,626	37,517	-	2,359,558
Total	<u>\$ 15,465</u>	<u>\$ 40,128</u>	<u>\$ -</u>	<u>\$ 2,526,293</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – INTERFUND BALANCES

Interfund balances for the year ended June 30, 2022, consisted of the following (expressed in thousands):

Due To Other Funds/ Advances From Other Funds	Due From Other Funds/Advances To Other Funds						Total
	General Fund	Tobacco Settlement Authority	Nonmajor Governmental Funds	Unemployment Benefits Fund	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ 3,270	\$ 381	\$ 166	\$ 98,117	\$ 101,934
Tobacco Settlement Authority	360	-	-	-	-	-	360
Tobacco Collections Fund	-	2,057	-	-	-	-	2,057
Nonmajor Governmental Funds	35,976	-	904	-	2,471	3,486	42,837
Unemployment Benefits Fund	97	-	-	-	-	-	97
Nonmajor Enterprise Funds	13,300	-	-	-	-	159	13,459
Internal Service Funds	1,330	-	608	-	-	13,702	15,640
Total	\$ 51,063	\$ 2,057	\$ 4,782	\$ 381	\$ 2,637	\$ 115,464	\$ 176,384

\$62.6 million is due from the General Fund to the Workers' Compensation Fund (an Internal Service Fund) to fund the cost of claims incurred. Remaining interfund balances result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

(Notes continue on next page.)

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows (expressed in thousands):

	Beginning Balance, Restated	Reclass- ifications	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated/amortized:					
Land	\$ 999,136	\$ -	\$ 14,981	\$ 394	\$ 1,013,723
Construction in progress	48,795	(28,340)	31,485	-	51,940
Computer software in progress	77,394	(28,839)	64,625	-	113,180
Total capital assets not being depreciated/amortized	<u>1,125,325</u>	<u>(57,179)</u>	<u>111,091</u>	<u>394</u>	<u>1,178,843</u>
Capital assets being depreciated/amortized:					
Infrastructure	18,354,698	1,189	1,008,514	106	19,364,295
Buildings & improvements	2,043,106	21,800	53,938	1,431	2,117,413
Machinery, equipment & vehicles	731,522	3,226	73,424	40,553	767,619
Land improvements	121,410	2,125	2,490	-	126,025
Works of art & historical treasures	1,426	-	-	-	1,426
Computer software	350,760	28,839	12,118	-	391,717
Right to use leased land	1,859	-	173	-	2,032
Right to use leased building	30,664	-	7,282	-	37,946
Right to use leased machinery, equipment & vehicles	9,856	-	3,550	-	13,406
Total capital assets being depreciated/amortized	<u>21,645,301</u>	<u>57,179</u>	<u>1,161,489</u>	<u>42,090</u>	<u>22,821,879</u>
Less accumulated depreciation/amortization for:					
Infrastructure	9,597,845	-	640,153	62	10,237,936
Buildings & improvements	973,761	-	48,672	1,419	1,021,014
Machinery, equipment & vehicles	459,886	-	55,992	37,500	478,378
Land improvements	41,248	-	3,674	-	44,922
Works of art & historical treasures	328	-	15	-	343
Computer software	129,930	-	25,868	-	155,798
Right to use leased land	-	-	135	-	135
Right to use leased building	-	-	8,976	-	8,976
Right to use leased machinery, equipment & vehicles	-	-	3,522	-	3,522
Total accumulated depreciation/amortization	<u>11,202,998</u>	<u>-</u>	<u>787,007</u>	<u>38,981</u>	<u>11,951,024</u>
Total capital assets being depreciated/amortized (net)	<u>10,442,303</u>	<u>57,179</u>	<u>374,482</u>	<u>3,109</u>	<u>10,870,855</u>
Governmental activities capital assets (net)	<u>\$ 11,567,628</u>	<u>\$ -</u>	<u>\$ 485,573</u>	<u>\$ 3,503</u>	<u>\$ 12,049,698</u>

(continued on next page)

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

(continued)	Beginning Balance, Restated	Reclass- ifications	Increases	Decreases	Ending Balance
Business-type activities					
Capital assets not being depreciated/amortized:					
Land	\$ 100,300	\$ -	\$ 930	\$ -	\$ 101,230
Land improvements	6,026	-	-	-	6,026
Library collections	401,513	-	13,760	2,335	412,938
Works of art	29,029	-	82	7	29,104
Construction in progress	215,772	(193,388)	284,440	262	306,562
Computer software in progress	8,472	(1,927)	12,400	-	18,945
Total capital assets not being depreciated/amortized	<u>761,112</u>	<u>(195,315)</u>	<u>311,612</u>	<u>2,604</u>	<u>874,805</u>
Capital assets being depreciated/amortized:					
Infrastructure	1,250,422	56,741	30	39,393	1,267,800
Buildings & improvements	7,631,634	133,010	1,210	96,598	7,669,256
Machinery, equipment & vehicles	1,393,764	499	102,896	80,484	1,416,675
Land improvements	116,008	3,138	1	976	118,171
Library collections	301,563	-	2,309	567	303,305
Computer software	172,395	1,927	1,082	538	174,866
Goodwill	2,302	-	-	-	2,302
Trademarks	204	-	-	-	204
Right to use leased land	5,217	-	-	-	5,217
Right to use leased building	144,088	-	4,788	2,563	146,313
Right to use leased machinery, equipment & vehicles	14,157	-	5,066	28	19,195
Total capital assets being depreciated/amortized	<u>11,031,754</u>	<u>195,315</u>	<u>117,382</u>	<u>221,147</u>	<u>11,123,304</u>
Less accumulated depreciation/amortization for:					
Infrastructure	769,861	-	37,224	39,393	767,692
Buildings & improvements	3,524,236	-	237,592	96,289	3,665,539
Machinery, equipment & vehicles	980,080	-	100,286	76,388	1,003,978
Land improvements	67,771	-	5,367	932	72,206
Library collections	259,434	-	8,274	567	267,141
Computer software	110,177	-	12,895	538	122,534
Goodwill	1,603	-	154	-	1,757
Trademarks	74	-	30	-	104
Right to use leased land	168	-	404	-	572
Right to use leased building	3,292	-	15,848	2,563	16,577
Right to use leased machinery, equipment & vehicles	133	-	4,697	28	4,802
Total accumulated depreciation/amortization	<u>5,716,829</u>	<u>-</u>	<u>422,771</u>	<u>216,698</u>	<u>5,922,902</u>
Total capital assets being depreciated/amortized (net)	<u>5,314,925</u>	<u>195,315</u>	<u>(305,389)</u>	<u>4,449</u>	<u>5,200,402</u>
Business-type activities capital assets (net)	<u>\$ 6,076,037</u>	<u>\$ -</u>	<u>\$ 6,223</u>	<u>\$ 7,053</u>	<u>\$ 6,075,207</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Governmental activities:	
Administration & regulation	\$ 13,733
Education	11,729
Health & human rights	10,158
Human services	25,093
Justice & public defense	46,315
Economic development	3,124
Transportation	642,540
Agriculture & natural resources	12,118
Subtotal	764,810
Depreciation/amortization on capital assets held by the State's internal service funds is allocated to the various functions based on their use of the assets	
	22,197
Total	\$ 787,007
Business-type activities:	
Enterprise	\$ 422,771

Discretely Presented Component Units (expressed in thousands)

Capital assets not being depreciated/amortized:	
Land	\$ 22,993
Construction in progress	1,338
Goodwill	495
Total capital assets not being depreciated/amortized	24,826
Capital assets being depreciated/amortized:	
Infrastructure	28,661
Buildings & improvements	179,353
Machinery, equipment & vehicles	700
Land improvements	17,734
Computer software	704
Right to use leased building	961
Right to use leased machinery, equipment & vehicles	1,965
Total capital assets being depreciated/amortized	230,078
Less accumulated depreciation/amortization	96,648
Total capital assets being depreciated/amortized (net)	133,430
Discretely presented component units capital assets (net)	\$ 158,256

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2022, are summarized as follows (expressed in thousands):

	Beginning Balance Restated	Additions	Deductions	Ending Balance	Amounts due within one year
Governmental activities					
Compensated absences	\$ 322,278	\$ 123,409	\$ 127,868	\$ 317,819	\$ 128,504
Leases	36,758	10,902	10,426	37,234	10,135
Bonds payable	1,281,000	-	67,260	1,213,740	67,669
Other financing arrangements payable	19,873	239	3,918	16,194	4,111
Net pension liability	833,712	371,002	920,084	284,630	-
Other postemployment benefits liability	203,057	9,926	-	212,983	12,058
Early retirement/termination benefits	20,692	13,978	11,319	23,351	9,412
Risk management	25,000	26,522	21,522	30,000	16,809
Pollution remediation	5,303	66	637	4,732	1,980
Other liabilities	566	-	61	505	61
Total *	<u>2,748,239</u>	<u>556,044</u>	<u>1,163,095</u>	<u>2,141,188</u>	<u>250,739</u>
Allocation of Internal Service					
Funds liabilities:					
Compensated absences	6,510	2,502	2,923	6,089	2,827
Leases	5,150	91	1,809	3,432	1,735
Net pension liability	21,096	-	20,664	432	-
Other postemployment benefits liability	3,760	30	-	3,790	215
Early retirement/termination benefits	363	156	151	368	147
Total	<u>36,879</u>	<u>2,779</u>	<u>25,547</u>	<u>14,111</u>	<u>4,924</u>
Total primary government - governmental activities	<u>\$ 2,785,118</u>	<u>\$ 558,823</u>	<u>\$ 1,188,642</u>	<u>\$ 2,155,299</u>	<u>\$ 255,663</u>
Business-type activities					
Compensated absences	\$ 258,325	\$ 143,485	\$ 134,355	\$ 267,455	\$ 156,298
Leases	164,592	6,035	19,673	150,954	19,193
Bonds payable	1,763,848	585,578	349,160	2,000,266	242,830
Other financing arrangements payable	33,529	28,902	1,946	60,485	4,576
Net pension liability	222,366	-	219,605	2,761	-
Other postemployment benefits liability	261,962	386	25,390	236,958	16,405
Early retirement/termination benefits	376	41	158	259	101
Total primary government - business-type activities	<u>\$ 2,704,998</u>	<u>\$ 764,427</u>	<u>\$ 750,287</u>	<u>\$ 2,719,138</u>	<u>\$ 439,403</u>

* The General Fund has typically been used to liquidate most long-term liabilities, except for \$646.1 million of bonds payable to be liquidated by the Tobacco Settlement Authority, a Special Revenue Fund.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – RESTATEMENT OF PRIOR PERIODS

The implementation of GASB No. 87, *Leases*, during FY22 required the restatement of prior periods. The impact of implementing GASB statement No. 87 and other adjustments is summarized as follows (expressed in thousands):

	Balances June 30, 2021 as previously reported	Cumulative effect of adjustments	Balances June 30, 2021 (restated)
Governmental Activities			
Capital assets	\$ 11,526,817	\$ 40,811	\$ 11,567,628
Current liabilities	2,117,648	41,225	2,158,873
Total net position	13,408,536	(414)	13,408,122
Business Type Activities			
Current assets	\$ 3,177,942	\$ 2,450	\$ 3,180,392
Capital assets	5,931,495	144,542	6,076,037
Other non-current assets	4,560,110	9,990	4,570,100
Total assets	<u>13,669,547</u>	<u>156,982</u>	<u>13,826,529</u>
Current liabilities	1,180,837	19,495	1,200,332
Non-current liabilities	<u>3,489,514</u>	<u>129,217</u>	<u>3,618,731</u>
Total liabilities	<u>4,670,351</u>	<u>148,712</u>	<u>4,819,063</u>
Total deferred inflows of resources	131,749	12,403	144,152
Total net position	9,066,921	(4,133)	9,062,788

NOTE 9 – OTHER FINANCING ARRANGEMENTS PAYABLE

Primary Government

Governmental Activities

The State has entered into financing agreements for various equipment and properties. The agreements have interest rates ranging from 0.00% to 2.00%. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2023	\$ 4,111	\$ 263
2024	4,089	198
2025	4,104	131
2026	3,890	64
Total	<u>\$ 16,194</u>	<u>\$ 656</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Business-type Activities

The Universities have entered into financing agreements for various equipment and properties. The agreements have interest rates ranging from 2.90% to 3.86%. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2023	\$ 4,576	\$ 3,160
2024	4,864	2,948
2025	5,244	2,734
2026	4,664	2,520
2027	4,666	2,311
2028-2032	15,862	8,897
2033-2037	10,764	5,259
Thereafter	9,845	1,829
Total	<u>\$ 60,485</u>	<u>\$ 29,658</u>

(Notes continue on next page.)

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – BONDS PAYABLE

Revenue bonds payable at June 30, 2022, are as follows (expressed in thousands):

	ISSUE DATES	ORIGINAL ISSUANCE	INTEREST RATES	MATURITY DATE RANGE	OUTSTANDING PRINCIPAL
PRIMARY GOVERNMENT					
Governmental activities					
Revenue bonds					
<i>Term bonds</i>					
Tobacco Settlement Authority	2021	\$ 308,255	.375-4.00	2030-2049	\$ 258,100
<i>Serial bonds</i>					
Refunding, Prison Infrastructure - 2016	2017	79,790	5.00	2021-2027	59,700
Refunding, IJOBS - 2016	2017	265,425	2.00-5.00	2017-2029	152,025
Refunding, IJOBS - 2019	2019	143,675	5.00	2029-2034	143,675
Refunding, Iowa Utilities Board - 2020	2020	7,230	1.88	2021-2029	5,731
Refunding, IJOBS - 2020	2021	90,825	5.00	2021-2034	84,020
Tobacco Settlement Authority	2021	106,610	.51-5.00	2021-2040	100,395
Total					<u>545,546</u>
<i>Capital appreciation bonds</i>					
Tobacco Settlement Authority (2)	2021	\$ 1,607,540	4.00-4.05	2049-2065	1,607,540
Total revenue bonds					<u>2,411,186</u>
Unamortized premium					122,454
Unamortized appreciation discount					(1,319,900)
Total governmental activities					<u>\$ 1,213,740</u>
Business-type activities					
Revenue bonds					
University of Iowa	2012-2022	\$ 1,565,800	0.20-5.00	2012-2062	\$ 1,353,750
Iowa State University	2009-2022	611,735	1.50-5.00	2011-2043	470,070
University of Northern Iowa	2012-2021	148,058	1.00-5.00	2012-2040	96,667
Total revenue bonds					<u>1,920,487</u>
Unamortized premium					80,446
Unamortized discount					(667)
Total business-type activities					<u>\$ 2,000,266</u>
COMPONENT UNITS					
Revenue bonds					
Iowa Finance Authority	2007-2022	\$ 3,329,758	variable (1)	2012-2052	\$ 2,656,665
Unamortized premium					<u>287,857</u>
Total component units					<u>\$ 2,944,522</u>

(1) Variable rates are as of June 30, 2022

(2) Accreted value at maturity

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

A. Primary Government – Governmental Activities

Tobacco Settlement Authority

The Tobacco Settlement Authority (Authority) has issued Tobacco Settlement Asset-Backed Bonds to advance refund outstanding tobacco settlement asset-backed bonds and to provide funding to the State for various capital projects.

Pursuant to a Sales Agreement between the State and the Authority, the State has pledged, as security for bonds issued by the Authority, 78% of the amounts payable to the State under the Master Settlement Agreement (the “MSA”) entered into by participating cigarette manufacturers (the “PMs”), 46 states (including the State) and six other U.S. jurisdictions in November 1998 in the settlement of certain smoking-related litigation, including the State’s right to receive future initial, annual and strategic contribution payments (the “TSRs”), to be made by the PMs under the MSA.

On April 13, 2021, the Authority issued Tobacco Settlement Asset-Backed, Series 2021 Senior Bonds to refund Tobacco Settlement Asset-Backed Series 2005 Bonds, in the par amount of \$2,022.4 million. The Authority has pledged, as the sole security for the bonds, 78% of the future TSRs payable under the terms of the Sales Agreement, investment earnings on certain accounts pledged under the bond indenture and amounts held in accounts established under the bond indenture (i.e. collection, debt service reserve, turbo redemption, etc.). As of June 30, 2022, total principal and interest remaining on the debt is \$2,113.2 million with annual requirements ranging from \$44.6 million in 2023 to \$1,607.5 million in the final year. For the current year, principal and interest paid by the Authority and the total TSRs recognized by the State were \$40.3 million and \$53.2 million, respectively.

The bonds are not a general obligation or general indebtedness of the Authority and do not constitute an obligation or indebtedness of the State or any political subdivision of the State. The State has no obligation or intention to satisfy any deficiency or default of any payment on the bonds.

Refunding, Prison Infrastructure – 2016

The State of Iowa has issued Special Obligation Refunding Bonds (Prison Infrastructure Fund), Series 2016 to advance refund a portion of the outstanding Special Obligation Bonds (Prison Infrastructure Fund), Series 2010 and to pay certain costs of issuance. The State has pledged all funds deposited in the Prison Infrastructure Fund from fines, fees, costs, and forfeited bail collected by the clerks of the district court in criminal cases, including those collected for both scheduled and nonscheduled violations, but excluding fines and fees attributable to commercial vehicle violation citations not reverting to the State’s General Fund at the end of each fiscal year, plus interest earnings on moneys in the Prison Infrastructure Fund to repay \$79.8 million in refunding bonds issued in July 2016. The bonds are payable from the Debt Service Reserve Fund and are payable through fiscal year 2027. Annual principal and interest payments on the bonds are expected to require less than 91.6% of total deposits into the Prison Infrastructure Fund. As of June 30, 2022, total principal and interest remaining to be paid on the debt is \$68.9 million. Principal and interest paid in the current year and total deposits into the Prison Infrastructure Fund were \$13.8 million and \$15.1 million, respectively.

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

Refunding, IJOBS – 2016

The State of Iowa has issued IJOBS Program Special Obligation Refunding Bonds, Series 2016A to refund the IJOBS Program Special Obligation Bonds, Series 2009A, fund a Bond Reserve Fund and pay costs of issuance. The State has pledged a portion of future revenues to repay \$265.4 million of bonds issued in July 2016. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund, including a standing appropriation of \$55.0 million annually from gaming revenues which would otherwise be deposited in the State’s General Fund and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2029. Annual principal and interest payments on the bonds are expected to require less than 52.8% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2022, total principal and interest remaining to be paid on the debt is \$179.4 million. Principal and interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were \$29.1 million and \$55.1 million, respectively.

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Refunding, IJOBS – 2019

The State of Iowa has issued IJOBS Program Special Obligation Refunding Bonds, Series 2019A to refund the IJOBS Program Special Obligation Bonds, Taxable Series 2009B, fund a Bond Reserve Fund and pay costs of issuance. The State has pledged a portion of future revenues to repay \$143.7 million of bonds issued in June 2019. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund, including a standing appropriation of \$55.0 million annually from gaming revenues which would otherwise be deposited in the State's General Fund and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2034. Annual principal and interest payments on the bonds are expected to require less than 13.1% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2022, total principal and interest remaining to be paid on the debt is \$213.8 million. Interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were \$7.2 million and \$55.1 million, respectively.

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

Refunding, Iowa Utilities Board and Consumer Advocate State Building – 2020

The State of Iowa has issued Iowa Utilities Board and Consumer Advocate State Building Special Obligation Refunding Bonds, Series 2020 to refund the Iowa Utilities Board and Consumer Advocate State Building Special Obligation Bonds, Series 2009, fund a Debt Service Reserve Fund, and pay certain costs of issuance. The Series 2020 bonds will be payable solely and only out of moneys, assets, or revenues of the Chargeable Expenses Fund (as defined in Iowa Code Section 12.91(1)(c)). In accordance with Iowa Code Section 12.91, the Treasurer shall deposit in the Chargeable Expenses Fund all amounts collected by the Iowa Utilities Board in accordance with Iowa Code Sections 476.10 and 476.10B as chargeable expenses in each fiscal year until the amount on deposit in the Chargeable Expenses Fund is equal to the amount of principal and interest on the Series 2020 bonds due in that fiscal year. The bonds are payable from the Bond Fund and are payable through fiscal year 2029. Annual principal and interest payments on the bonds are expected to require 100% of total deposits into the Bond Fund. As of June 30, 2022, total principal and interest remaining to be paid on the debt is \$6.2 million. Principal and interest paid for the current year and total deposits into the Bond Fund were \$0.9 million and \$0.9 million, respectively.

The bonds are not debts of the State or of any political subdivision of the State, and do not constitute a pledge of the faith and credit of the State or a charge against the general credit or General Fund of the State.

Refunding, IJOBS 2020

The State of Iowa has issued IJOBS Program Special Obligation Refunding Bonds, Series 2020A to refund the IJOBS program Special Obligation Bonds, Taxable Series 2010A, fund a Bond Reserve Fund and pay costs of issuance. The State has pledged a portion of future revenues to repay \$90.8 million of bonds issued in September 2020. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund, including a standing appropriation of \$55.0 million annually from gaming revenues which would otherwise be deposited in the State's General fund and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2034. Annual principal and interest payments on the bonds are expected to require less than 14.6% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2022, total principal and interest remaining to be paid on the debt is \$116.4 million. Principal and interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were \$8.1 million and \$55.1 million, respectively.

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

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Year Ending June 30,	Principal	Interest
2023	\$ 67,669	\$ 35,965
2024	69,983	33,050
2025	72,783	30,014
2026	75,783	26,829
2027	78,864	23,749
2028-2032	226,159	77,199
2033-2037	107,110	30,715
2038-2042	38,175	18,120
2043-2047	46,095	9,876
2048-2052	21,025	1,269
2053-2057	-	-
2058-2062	-	-
Thereafter	1,607,540	-
Total	\$ 2,411,186	\$ 286,786

B. Primary Government – Business-type Activities

Universities

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

- \$112.3 million of Hospital Revenue and Revenue Refunding Bonds, Series S.U.I 2021A, with an average interest rate of 2.49% and accrued interest of \$98,000 to current refund \$18.4 million of outstanding Hospital Revenue Bonds, Series S.U.I 2011, with interest rates ranging between 3.00% and 4.00% and \$10.9 million of outstanding Hospital Revenue Bonds, Series S.U.I. 2011A, with interest rates ranging between 4.00% and 4.13%. Net bond proceeds of \$29.8 were placed in an escrow account with the University as trustee. The escrow account was sufficient to fully service all remaining principal and interest due on the bonds. The Hospital Revenue Bonds, Series S.U.I 2011 and Hospital Revenue Refunding Bonds, Series S.U.I 2011A were called on September 1, 2011. The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of \$7.1 million; and reduced the aggregate debt service payments by \$8.1 million over the next 11 years.
- \$148.7 million of Hospital Revenue Refunding Bond Anticipation Note, Series S.U.I. 2021B, with an average interest rate of 0.20% and accrued interest of \$8,000 to advance refund \$152.1 million of outstanding Hospital Revenue Bonds, Series S.U.I. 2012, with interest rates of 4.00%. Net bond proceeds of \$160.8 million were placed in an irrevocable escrow account with a separate party as escrow agent. The escrow account was sufficient to fully service all remaining principal and interest due on the bonds. The Hospital Revenue Refunding Bonds, Series S.U.I 2012 will be called on September 1, 2022.

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, 2022, bonds totaling \$232.6 million for the University of Iowa were considered defeased.

During the current year, *Iowa State University* issued \$16.4 million of Athletic Facilities Revenue Refunding Bonds, Series I.S.U 2021 to refund \$18.4 million of Athletics Facilities Revenue Bonds, Series I.S.U. 2012. The current refunding of these bonds permitted the University to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$2.4 million and will reduce future aggregate debt service payments by \$2.4 million over the next 15 years.

During the current year, *Iowa State University* issued \$10 million of Memorial Union Revenue Bonds, Series I.S.U. 2021. The bond proceeds will be used to finance the cost of improving, remodeling, repairing, and constructing additions to the Memorial Union building and parking structure located on campus.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Year Ending June 30,	Principal	Interest
2023	\$ 242,830	\$ 58,136
2024	98,680	53,722
2025	101,571	50,132
2026	103,321	46,411
2027	104,756	42,587
2028-2032	481,758	157,782
2033-2037	369,275	86,275
2038-2042	170,446	45,195
2043-2047	77,740	28,811
2048-2052	69,890	19,638
2053-2057	46,360	11,639
Thereafter	53,860	4,137
Total	\$ 1,920,487	\$ 604,465

C. Component Units

Iowa Finance Authority

The Iowa Finance Authority (Authority) is authorized and has issued bonds to provide affordable mortgage financing and to meet the 20% State match required for federal capitalization grants which are used to provide loans for construction of wastewater and drinking water facilities. The bonds are payable principally from repayments of such loans. The obligations do not constitute a debt of the State of Iowa and the State is not liable for any repayments.

The bonds are secured, as described in the applicable bond resolution, by the revenues, moneys, investments, loans and other assets in the programs and accounts established by the respective bond resolutions.

Direct placement bonds have been issued to the U.S. Treasury and Federal Home Loan Bank. These bonds are secured with the mortgaged-backed securities or loans purchased with the bond proceeds and have both principal and interest receipts pledged to the bondholders.

The Single-Family Mortgage Bonds Resolution and the Multifamily Housing Bonds Master Trust Indenture contain covenants that require the Authority to make payments of principal and interest from amounts available in the Authority's General Account should deficiencies occur in the accounts established for such payments by the respective bond resolutions.

During the current fiscal year, the Authority issued six new bond series totaling \$548.0 million to purchase mortgage-backed securities (MBS) and State Revolving Fund (SRF) loans. The Authority made bond payments of \$215.4 million.

On January 26, 2022, the Authority placed cash into an irrevocable trust to provide funds for debt service payments on February 1, 2022. Cash for the irrevocable trust came from \$6.0 million of Single-Family Mortgage Bonds that were issued January 26, 2022, in addition to \$0.4 million contributed from accounts related to the defeased debt. The aggregate difference in debt service between the refunding debt and the refunded debt was negative \$0.1 million and the refunding resulted in an economic loss of \$0.1 million. The refunding was undertaken to consolidate MBS assets from the Single-Family Mortgage Revenue Bonds into the Single-Family Mortgage Bonds Indenture.

In prior years, the Authority defeased certain SRF revenue bonds by issuing bonds to provide resources to purchase investment securities that were placed into an irrevocable trust to provide funds for future debt service payments. The irrevocable trust account assets and the liabilities for the defeased bonds are not included in the Authority's financial statements. As of June 30, 2022, bonds totaling \$61.7 million were considered defeased.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Year Ending June 30,	Principal	Interest
2023	\$ 80,620	\$ 95,218
2024	104,899	95,719
2025	124,069	92,154
2026	113,361	88,228
2027	104,150	84,293
2028-2032	551,630	356,113
2033-2037	574,024	236,842
2038-2042	505,740	123,530
2043-2047	284,270	54,192
2048-2052	176,630	16,605
Thereafter	37,272	591
Total	<u>\$2,656,665</u>	<u>\$ 1,243,485</u>

(Notes continue on next page.)

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2022, consisted of the following (expressed in thousands):

	Current	Noncurrent
PRIMARY GOVERNMENT		
Governmental activities		
Salaries & fringes	\$ 35,132	\$ -
Early retirement/termination benefits	9,559	14,160
Risk management	16,809	13,191
Pollution remediation	1,980	2,752
State aid	976,949	-
Trade & other payables	989,604	43,413
Total governmental activities	\$ 2,030,033	\$ 73,516
Business-type activities		
Salaries & fringes	\$ 266,452	\$ -
Early retirement/termination benefits	101	158
General claims	98,362	-
Unemployment benefits	84,599	-
Trade & other payables	341,467	34,353
Total business-type activities	\$ 790,981	\$ 34,511
COMPONENT UNITS		
Annuity & life income obligations	\$ 269	\$ 22,610
Lotto prizes & annuity prizes payable	4,113	835
Other	82,451	33,136
Total component units	\$ 86,833	\$ 56,581

Pollution Remediation Obligations

An estimate for pollution remediation obligations is recorded when the State knows or reasonably believes a site is polluted and when any one of the following events occurs: (1) the State is compelled to take remediation action because pollution creates an imminent endangerment to public health/welfare or the environment, (2) the State is in violation of a pollution prevention-related permit or license, (3) the State is named, or will likely be named, by a regulator as a responsible party or potentially responsible party for remediation, (4) the State is named, or will likely be named, in a lawsuit to compel it to participate in remediation or (5) the State commences or legally obligates itself to commence cleanup activities or monitoring/maintenance of remediation efforts.

For the year ended June 30, 2022, pollution remediation obligations totaled \$4.7 million for the Iowa Petroleum Underground Storage Tank Program.

Leaking underground storage tanks meeting certain eligibility requirements are covered by the Iowa Petroleum Underground Storage Tank Program. Statutory authority for this program is found in Chapter 455G of the Code of Iowa. The program was established to expend funds for remedial action and underground storage tank improvements. Estimated remediation outlays for leaking underground storage tanks are developed by groundwater professionals. The estimations are based on a range of expected outlays, net of expected cost recoveries, if any, for the type and amount of pollution contamination detected. All estimates for pollution remediation obligations are reviewed and adjusted periodically for price changes, additional contamination and any other changes detected.

The pollution remediation obligation does not include outlays for certain site cleanup activities or operation/maintenance costs because those outlays were not reasonably estimable.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – NET POSITION/GOVERNMENTAL FUND BALANCES

A. Net Position Restricted By Enabling Legislation

The Governmental Activities Statement of Net Position reports \$1,237.6 million of Restricted Net Position, of which \$15.6 million is restricted by enabling legislation.

B. Governmental Fund Balances

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the State is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The *nonspendable* fund balance classification includes amounts that cannot be spent because they are either not in a spendable form or legally or contractually required to remain intact. *Restricted* fund balances are reported when constraints placed on the use of resources are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. *Committed* fund balance amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the State’s highest level of decision making authority. The Iowa Legislature and Governor represent the State’s highest level of decision-making authority. Formal action consists of legislation passed by both the House and Senate and signed by the Governor and is required to establish, modify or rescind a limitation. *Unassigned* fund balance is the residual classification for the General Fund. Other governmental funds may report a negative unassigned fund balance if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes.

The nonspendable and spendable fund balances for governmental funds at June 30, 2022, are as follows (expressed in thousands):

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
NONSPENDABLE					
Inventory & prepaid expenditures	\$ 106,487	\$ -	\$ -	\$ 522	\$ 107,009
Permanent fund principal	-	-	-	17,731	17,731
Total nonspendable	106,487	-	-	18,253	124,740
SPENDABLE					
Restricted:					
Administration & regulation	2,177,977	33,603	-	5,642	2,217,222
Education	54,617	-	-	67,848	122,465
Health & human rights	28,400	-	-	2,409	30,809
Human services	463,211	-	-	40	463,251
Justice & public defense	28,815	-	-	4,706	33,521
Economic development	8,724	-	-	-	8,724
Transportation	479,908	-	-	2,418	482,326
Agriculture & natural resources	2,025	-	-	47	2,072
Total restricted	3,243,677	33,603	-	83,110	3,360,390
Committed:					
Cash reserve	612,658	-	-	-	612,658
Economic emergency	220,427	-	-	-	220,427
Administration & regulation	1,688,821	-	-	6,737	1,695,558
Education	44,579	-	-	11	44,590
Health & human rights	55,587	-	-	9	55,596
Human services	37,109	-	-	702	37,811
Justice & public defense	100,801	-	-	3,569	104,370
Economic development	13,428	-	-	-	13,428
Transportation	49,948	-	-	2	49,950
Agriculture & natural resources	154,686	-	-	10,841	165,527
Total committed	2,978,044	-	-	21,871	2,999,915
Unassigned	(541,258)	-	(2,057)	(560)	(543,875)
TOTAL FUND BALANCES	\$ 5,786,950	\$ 33,603	\$ (2,057)	\$ 122,674	\$ 5,941,170

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

The State maintains two reserve funds: the Cash Reserve Fund and the Iowa Economic Emergency Fund. These funds were established by formal action of the highest level of decision making authority as they were created by legislation passed by both the House and Senate and signed by the Governor. The law restricts the use and purpose of each fund. Formal action is required to use resources in the funds, modify their purpose or change the balances of the funds. Fund balances for both funds are included in the committed spendable fund balance classification.

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

NOTE 13 – LEASES – LESSEES

The State has entered into leases, as the lessee, for various equipment, buildings, and land. Most leases are subject to annual appropriations to continue the lease obligations. If an appropriation is reasonably assured, leases are considered noncancelable for financial reporting purposes. Included are lease terms containing options to extend that are reasonably certain to be exercised.

Governmental Activities

As a lessee, the State has entered into multiple lease agreements related to governmental activities. The terms of the various lease agreements range from 2-28 years. As of June 30, 2022, the total lease liability is \$40.7 million. The value of the right to use asset was \$53.4 million and had accumulated amortization of \$12.6 million. The total amount of lease assets and related accumulated amortization by major asset class as of June 30, 2022, are as follows (*expressed in thousands*):

	Right to use- Equipment	Right to use- Building	Right to use- Land
Lease Asset	\$ 13,406	\$ 37,946	\$ 2,032
Accumulated Amortization	3,522	8,976	135
	\$ 9,884	\$ 28,970	\$ 1,897

The required future principal and interest payments for governmental activities are as follows (*expressed in thousands*):

Year Ending	Principal	Interest
June 30,		
2023	\$ 11,870	\$ 483
2024	8,254	295
2025	5,875	214
2026	4,318	155
2027	2,463	117
2028-2032	6,201	271
2033-2037	1,190	75
2038-2042	397	24
2043-2047	80	3
Thereafter	18	-
Total	\$ 40,666	\$ 1,637

Business-type Activities

As a lessee, the State has entered into multiple lease agreements related to business-type activities. The terms of the various lease agreements range from 2-34 years. As of June 30, 2022, the total lease liability is \$151.0 million. The value of the right to use asset was \$170.7 million and had accumulated amortization of \$22.0 million. The

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

total amount of lease assets and related accumulated amortization by major asset class as of June 30, 2022, are as follows (expressed in thousands):

	Right to use- Equipment	Right to use- Building	Right to use- Land
Lease Asset	\$ 19,195	\$ 146,313	\$ 5,217
Accumulated Amortization	4,802	16,577	572
	\$ 14,393	\$ 129,736	\$ 4,645

The required future principal and interest payments are as follows (expressed in thousands):

Year Ending June 30,	Principal	Interest
2023	\$ 19,193	\$ 3,451
2024	17,216	3,116
2025	14,735	2,771
2026	12,047	2,474
2027	11,241	2,190
2028-2032	44,424	7,124
2033-2037	18,685	3,291
2038-2042	9,532	1,400
2043-2047	3,233	248
2048-2052	328	110
Thereafter	320	30
Total	\$ 150,954	\$ 26,205

NOTE 14 - LEASES - LESSORS

Governmental Activities

The State has entered into leases, as the lessor, for various equipment, buildings, and land. The terms of leases range from 2-47 years. Lease and interest revenues, as well as lease receivable and deferred inflows of resources for fiscal year 2022, are as follows (expressed in thousands):

	Lease Revenue	Interest Revenue	Lease Receivable	Deferred Inflows of Resources
Land	\$ 91	\$ -	\$ 1,447	\$ 1,432
Buildings	1,409	123	12,262	11,739
Equipment	63	6	640	634
	\$ 1,563	\$ 129	\$ 14,349	\$ 13,805

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Future lease revenues related to governmental activities as of June, 30, 2022, are as follows (*expressed in thousands*):

Year Ending June 30,	Principal	Interest
2023	\$ 1,948	\$ 145
2024	2,035	124
2025	2,031	102
2026	1,362	82
2027	389	74
2028-2032	1,761	308
2033-2037	1,133	230
2038-2042	733	178
2043-2047	534	145
2048-2052	514	117
2053-2057	543	89
2058-2062	573	59
2063-2067	605	27
Thereafter	188	2
Total	<u>\$ 14,349</u>	<u>\$ 1,682</u>

Business-type Activities

The State has entered into leases, as the lessor, for various land and buildings. The terms of leases range from 2-22 years. In total, the State recognized \$2.5 million in lease revenues and \$280 thousand in interest revenues, as well as lease receivable and deferred inflows of resources of \$10.8 million and \$10.6 million, respectively. These amounts are related to the state universities and included in the universities' accounts receivable.

Future lease revenues related to business-type activities as of June, 30, 2022, are as follows (*expressed in thousands*):

Year Ending June 30,	Principal	Interest
2023	\$ 2,118	\$ 246
2024	1,538	210
2025	1,401	172
2026	1,333	133
2027	1,159	97
2028-2032	2,821	187
2033-2037	380	36
2038-2042	46	8
Thereafter	13	1
Total	<u>\$ 10,809</u>	<u>\$ 1,090</u>

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 – PENSION PLANS

A. Summary of Significant Accounting Policies & Pension Totals

Pensions

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

Deferred Outflows and Inflows of Resources Related to Pensions

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources related to pensions consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period, unamortized portion of the net difference between projected and actual earnings on pension plan investments. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources related to pensions consist of unrecognized items not yet credited to pension expense.

Investments

IPERS – All investments are reported at fair value.

IPERS has no investment in any specific stock or bond issues of any commercial or industrial organization, other than the U.S. government and its instrumentalities, whose fair value exceeds 5.00% of the plan net position available for benefits.

PORS and JRS – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value.

PORS’ and JRS’ investments in governmental bonds and treasury notes constitute approximately 5.97 % and 9.00%, respectively, of total assets. PORS and JRS are not permitted to invest more than 5.00% of their System accounts in any one corporate issuer without written direction and approval of the Treasurer of State of Iowa.

Pension Totals

At June 30, 2022, the State of Iowa recognized the following amounts related to pensions in financial statements prepared using the economic resources measurement focus and accrual basis of accounting (expressed in thousands):

	Defined Benefit				
	Cost-sharing, Multiple-employer	Single-employer		Total	Cost-sharing, Multiple-employer
	IPERS - Primary Government	PORS	JRS		IPERS - Discretely Presented Component Units
	\$	\$	\$	\$	\$
Net pension liability (asset)	(125,776)	259,252	25,378	158,854	485
Deferred outflows of resources related to pensions	231,414	154,862	34,736	421,012	3,820
Deferred inflows of resources related to pensions	1,023,834	4,665	5,260	1,033,759	19,448
Pension expense for the period associated with net pension liabilities	(99,946)	36,267	8,422	(55,257)	(1,995)

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

B. Pension Plans

Iowa Public Employees' Retirement System (IPERS)

General Information about the Plan

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

Participation in IPERS is mandatory for most state, county and local public employees, employees of school districts and certain elected officials. Membership is optional for some individuals, including the members of the Iowa Legislature. At June 30, 2022, IPERS had 1,943 public employers with 176,186 active members contributing to the system.

Plan Membership.

	Fiscal Years Ended June 30,	
	2022	2021
Inactive employees or beneficiaries currently receiving benefits	131,704	129,026
Inactive employees entitled to but not yet receiving benefits	84,835	79,710
Active employees	176,186	173,186
Total	392,725	381,922

IPERS has three membership classes: (1) Regular, (2) Sheriffs and Deputies, and (3) Protection Occupation. Each membership class has different retirement benefits and contribution rates. The regular membership accounts for approximately 95% of all members.

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

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

- **Regular members** are eligible for full benefits at normal retirement which occurs at: (1) age 65, (2) age 62 with 20 or more years of covered employment, or (3) when years of service plus age equal or exceed 88. This membership class cannot receive benefits before 55, and those who are 70 and still working for a covered employer may receive benefits while still employed. Monthly benefits are equal to a member's highest five-year average salary multiplied by a percentage based on years of service, up to a maximum of 65%. Members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary. If retirement occurs prior to normal retirement, an early-retirement reduction is permanently applied to benefits. For service earned prior to July 1, 2012, the reduction is 0.25% for each month benefits are received before the earliest *normal retirement*. For service earned on or after July 1, 2012, the reduction increases to 0.50% per month benefits are received before the member reaches age 65.
- **Special Service members** have different retirement eligibility requirements than regular members. Both special service member classes are eligible for monthly benefits equal to the average of the highest three years' salary multiplied by a percentage based on years of service, up to a maximum of 72%.
 - **Sheriffs and deputies** are eligible for retirement benefits at age 50, with 22 years of qualified service.
 - **Protection occupation members** are eligible for retirement benefits if vested, no longer working for an IPERS-covered employer, and reach age 55.

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

Death Benefits. If a member dies before retirement, their designated beneficiary may receive a lump-sum payment based on the greater of two formulas: (1) actuarial present value of the member's accrued benefit as of the date of death, or (2) actual years of service divided by either 30 years for a regular member/22 years for special service member multiplied by the member's highest annual covered wage plus the member's accumulated contributions. If the member's beneficiary is a sole individual, they will be offered either a lump sum or life time annuity. If a member dies after retirement, the beneficiary is paid according to the benefit option selected by the member at the time of retirement.

Contributions. A valuation of the liabilities and assets of the IPERS Trust Fund is performed annually by IPERS' actuary in accordance with Iowa Code Section 97B.4(4)(d). The actuary also calculates an actuarial contribution rate for each membership group, which is the contribution rate necessary to fully fund the benefits provided under Iowa Code Chapter 97B.

IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the entry age normal actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability contribution. The unfunded actuarial liability contribution is determined as a level percentage of payroll based on the actuarial amortization method adopted by the Investment Board.

Although the actuarial contribution rates are calculated each year for all three membership groups, the required contribution rates for the Regular membership were set in law through June 30, 2012. From fiscal year 2002 through fiscal year 2013, the rate required was less than the actuarial rate, in spite of rate increases passed by the Iowa Legislature in 2006 and 2010. Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and actuarial amortization method. Iowa statute limits the amount rates can vary to 1.0 percentage point each year for Regular members.

Iowa statute authorizes the required contribution rate for certain members and employers engaged in law enforcement, fire safety and protection occupations to be set to the Contribution Rate Funding Policy. Therefore, these groups have consistently paid the rate needed to fully fund their benefits.

In fiscal year 2022, the contribution rates for all members exceeded the actuarial rates.

	Fiscal Year 2022		
	Employee	Employer	Total
Regular members	6.29%	9.44%	15.73%
Sheriffs and deputies	9.01%	9.01%	18.02%
Protection occupation members	6.21%	9.31%	15.52%

Contributions are remitted by participating employers. Wages were covered up to the Internal Revenue Code Section 401(a)(17) compensation limit of \$290,000 for calendar year 2021 and \$305,000 for calendar year 2022. There are no non-employer contributing entities to IPERS.

The State's employer contributions to IPERS for the years ended June 30, 2022 and 2021 were \$149,496,000 and \$144,855,000, respectively.

Actuarial Methods and Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions and the entry age normal actuarial cost method.

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

Mortality rates were based on the PubG-2010 Generational Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

are anticipated using Projection Scale MP-2021. Different adjustments apply to pre-retirement, post-retirement, and post-disability mortality tables.

The actuarial assumptions used in the June 30, 2021 valuation are based on the results of the most recent actuarial experience study, which covered the four-year period ending June 30, 2021. That experience study report is dated June 16, 2022.

The long-term rate of return, 7.00% effective June 30, 2021, is reviewed as part of regular experience studies, prepared every four years for IPERS. The Investment Board elected to accelerate the experience study of the economic assumptions by one year, performing the study in early 2017. That recent analysis of economic assumptions is outlined in a report dated March 24, 2017. Several factors are considered in evaluating the long-term rate of return including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) along with estimates of variability and correlations for each asset class, were developed by the investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans, which cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Best estimates of arithmetic real rates of return for each major asset class included in IPERS' target asset allocation as of June 30, 2021, are shown in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core-plus fixed income	26.00%	0.29%
Domestic equity	22.00%	4.43%
International equity	17.50%	6.01%
Private equity	13.00%	9.51%
Private real assets	7.50%	4.63%
Public credit	4.00%	2.08%
Private credit	3.00%	2.87%
Global smart beta equity	6.00%	5.10%
Cash	1.00%	-0.25%
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed plan contributions from members and the State will be made according to the current Contribution Rate Funding Policy. That policy is currently: (1) employee contributions are 40% of the required contribution rate for regular and protection occupation members and 50% of the required contribution rate for sheriffs and deputies; and (2) employer contributions are 60% of the required contribution rate for regular and protection occupation members and 50% of the required contribution rate for sheriffs and deputies; and (3) administrative expense in the prior year were projected forward with inflation as an estimate for administrative expense in the current and future years. The portion of the expenses in future years allocated to the current members was based on the proportionate share of covered payroll in each year for the remainder of existing members to the total covered payroll for all members. Based on those assumptions, the pension fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability. The municipal bond rate was not used in determining the discount rate, but if it were required, the rate would have been 3.37%. The projected future benefit payments for all current plan members were projected through 2121.

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

	2022	2021
Total pension liability	\$ 43,969,714	\$ 42,544,649
Plan fiduciary net position	40,191,566	42,889,876
Employers' net pension liability (asset)	\$ 3,778,148	\$ (345,227)
Plan fiduciary net position as a percentage of the total pension liability (asset)	91.41%	100.81%

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

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

State of Iowa Proportionate Share of the Collective Net Pension Liability (Asset) Assumptions and Inputs

At June 30, 2022, the State reported a total of \$125.3 million for its proportionate share of the net pension assets, with a \$125.8 million asset in the primary government and \$0.5 million liability in the discretely presented component units. The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability as of June 30, 2021, used to calculate the net pension liability (asset) was determined based on the June 30, 2021 actuarial valuation for funding, dated November 4, 2021.

The State's proportion of the net pension liability (asset) was based on the State's share of contributions to the pension plan relative to the contributions of all participating employers, actuarially determined. At June 30, 2022, the State's total proportion was 36.288134% (36.428638% in the primary government and negative 0.140504% in the discretely presented component units). This was an increase of 19.375689% from the State's total proportion (an increase of 19.865092% in the primary government and a decrease of 0.489403% in the discretely presented component units), measured as of June 30, 2021.

For the year ended June 30, 2022, the State recognized IPERS pension expense of negative \$99.9 million for the primary government and negative \$2.0 million for the discretely presented component units. The State also reported deferred outflows of resources and deferred inflows of resources related to IPERS pensions from the following sources:

	Deferred Outflows of Resources (expressed in thousands)	
	Primary Government	Discretely Presented Component Units
	Differences between expected and actual experience	\$ 29,363
Changes in assumptions	16,760	317
Changes in proportion and differences between contributions and proportionate share of contributions	35,795	379
Contributions subsequent to the measurement date	149,496	2,755
Total	\$ 231,414	\$ 3,820

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

	Deferred Inflows of Resources (expressed in thousands)	
	Primary	Discretely Presented
	Government	Component Units
Differences between expected and actual experience	\$ 18,050	\$ 371
Changes in assumptions	166	-
Net difference between projected and actual earnings on pension plan investments	977,310	17,574
Changes in proportion and differences between contributions and proportionate share of contributions	28,308	1,503
Total	\$ 1,023,834	\$ 19,448

The primary government and discretely presented component units reported deferred outflows of resources relating to pensions of \$149.5 million and \$2.8 million, respectively, as a result of employer contributions subsequent to the measurement date which will be recognized as a reduction of net pension liability in the year ended June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ending June 30,	Primary Government	Discretely Presented Component Units
2023	\$ (240,399)	\$ (4,691)
2024	(236,976)	(4,656)
2025	(234,266)	(4,552)
2026	(233,847)	(4,460)
2027	3,572	(24)
Total	\$ (941,916)	\$ (18,383)

There are no non-employer contributing entities to IPERS.

Sensitivity Analysis. The State's proportionate share of the net pension liability (asset) was calculated using a discount rate of 7.00%, as well as a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate. The sensitivity of the State's proportionate share of the net pension liability to changes in the discount rate is presented below (expressed in thousands):

	1% Decrease	Current	1% Increase
	(6.00%)	Discount Rate (7.00%)	(8.00%)
State's proportionate share of the net pension liability (asset):			
Primary government	\$ 789,109	\$ (125,776)	\$ (892,332)
Discretely presented component units	17,168	485	(13,496)
Total	\$ 806,277	\$ (125,291)	\$ (905,828)

Payables to the Pension Plan

At June 30, 2022, the State had remitted to IPERS all legally required employer contributions and employee contributions which had been withheld from employee wages.

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

General Information about the Plan

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

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

Plan Membership. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	673
Inactive employees entitled to but not yet receiving benefits	42
Nonvested terminations	9
Active employees	555
Total	<u>1,279</u>

Benefits Provided. PORS provides service retirement benefits, ordinary disability retirement benefits, accidental disability benefits, ordinary death benefits, accidental death benefits and line of duty death benefits. Benefits vest after four years of credited service.

- *Service retirement benefits* are calculated as 60.5% of the member's average final compensation plus an additional 2.75% for each year of service over 22 years, not to exceed ten additional years, or a maximum of 88%. The member's average final compensation is the average earnable compensation of the member during the member's highest three years of service as a member of the Iowa Department of Public Safety. A member may retire with a service allowance after completing 22 years of creditable service and attaining the minimum service retirement age of 55.
- *Ordinary disability retirement benefits* are equal to 50% of the member's average final compensation, except if the member has not had five or more years of membership service. Then the member will receive a pension equal to 25% of the member's average final compensation. If the member has had 22 or more years of membership service, the member shall receive the greater of the benefit that would be payable under a service retirement if the member were 55 years of age or 50% of the member's average final compensation. A member may receive ordinary disability retirement benefits if the medical board, after a medical examination of the member, has certified the member is mentally or physically incapacitated for further performance of duty and such incapacity is likely to be permanent and the member should be retired.
- *Accidental disability benefit* is equal to 60% of the member's average final compensation. If the member has had 22 or more years of membership service, the member will receive the greater of the benefit payable under a service retirement if the member were 55 years of age or 60% of the member's average final compensation. A member who has become totally and permanently incapacitated for duty as the result of an injury, disease or exposure occurring while in the actual performance of duty will be retired, provided the medical board has certified such member is mentally or physically incapacitated for further performance of duty, such incapacity is likely to be permanent and the member should be retired.
- *Ordinary death benefit* is provided to the beneficiaries of a member with one or more years of service and no pension payable for accidental death benefits an amount equal to 50% of the final year of compensation. If the member was in service at the time of death, the beneficiary, if qualified, may elect to receive a pension equal to 40% of the average final compensation, but not less than an amount equal to 25% of the compensation paid to an active member having the rank of senior patrol officer of the Iowa highway safety patrol payable immediately upon the death of the member. If the member was not in service at the time of death, the pension will be reduced to a prorated service allowance payable commencing when the member would have attained the age of 55. In addition, each child of the member will be paid a monthly pension equal to 6% of the monthly earnable compensation payable to an active member having the rank of senior patrol officer.

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

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

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

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

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

Contributions. Contributions to PORS were made pursuant to Chapter 97A of the Code of Iowa and were not based upon actuarial determinations. Therefore, actual contributions differ from the annual required contribution. The member contribution rate is 11.4%. The employer contribution rate is the lesser of 37.0% of payroll and the actuarial rate, but not less than 17.0% of payroll. In addition, the State contributed an additional \$5 million and will continue the supplemental contribution until the funded status of PORS attains 85%. Contribution provisions are established by State law and may be amended only by the State Legislature. The State of Iowa has historically followed a contribution policy of appropriating funds based upon a percentage of the current salaries for which funds are appropriated.

The member contribution required and contributed was \$6,056,000, representing 11.4% of the current year covered payroll. The State contribution required by statute and the amount actually contributed was \$23,057,000. \$5,000,000 of the State contribution was an annual appropriation, which was in addition to the required employer 37.0% contribution rate. Costs of administering the plan are financed through employer contributions and investment income.

An actuarial valuation of PORS' assets and liabilities is required at least once every two years per Chapter 97A of the Code of Iowa.

PORS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Iowa Department of Public Safety, Peace Officers' Retirement and Disability System, Public Safety Building, 215 East 7th Street, Des Moines, IA 50319 or at info@aos.iowa.gov.

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NOTES TO THE FINANCIAL STATEMENTS

Net Pension Liability (Asset)

The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

- Inflation: 2.50%
- Salary increases: 4.00% to 8.50%, including inflation
- Investment rate of return: 6.50% compounded annually, net of investment expense, and including inflation

Pre-retirement mortality rates were based on the Pub-2010 Safety Employees Median Mortality Table, set-back 2 years for males and females, projected generationally using Scale MP-2021. Post-retirement mortality rates were based on the Pub-2010 Safety Employees Median Mortality Table, set-back 2 years for males and females, projected generationally using Scale MP-2021. Post-retirement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivors Mortality Table, set-back 2 years for males and females, projected generationally using Scale MP-2021. Disability mortality rates were based on the Pub-2010 Safety Disabled Retirees Mortality Table, set-back 2 years for males and females, projected generationally using Scale MP-2021.

The actuarial assumptions used in the July 1, 2022 valuation are based on the results of the most recent actuarial experience study, which covered the five-year period ending June 30, 2021. The experience study report is dated October 12, 2022.

The long-term expected rate of return on pension plan investments is reviewed as part of the experience study. Several factors are considered in evaluating the long-term rate of return assumption including the long-term historical data, estimates inherent in current market data and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by investment consultants are often intended for use over a 10-year investment horizon and are not always useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap equities	20.00%	4.71%
Small cap equities	15.00%	5.86%
International equity	18.75%	5.28%
Emerging markets	6.25%	9.40%
Private equity	5.00%	10.06%
U.S. Aggregate	17.75%	0.67%
High-yield corporate bonds	2.25%	3.39%
Private debt	5.00%	5.89%
Real estate - core	4.00%	3.97%
Real estate - noncore	6.00%	5.68%
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan contributions from members and the State will be made

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at the current contribution rates as set in State statute: (1) employee contribution rate: 11.4%; (2) employer contribution rate: the lesser of 37.0% of payroll and the actuarial rate, but not less than 17.0% of payroll; and (3) supplemental State contributions: \$5 million until PORS is 85% funded. Based on those assumptions, the pension fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on plan assets was applied to all periods of projected benefit payments to determine the total pension liability. The municipal bond rate was not used in determining the discount rate, but if it were required, the rate would have been 3.37%. The projected future benefit payments for all current plan members were projected through 2121.

Sensitivity Analysis. The net pension liability (asset) was calculated using a discount rate of 6.50%, as well as a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate. The sensitivity of the net pension liability to changes in the discount rate is presented below (expressed in thousands):

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net pension liability (asset)	\$ 390,184	\$ 259,252	\$ 153,191

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease) Expressed in Thousands		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
	Balances at June 30, 2021	\$ 780,150	\$ 807,594
Changes for the year:			
Service cost	14,906	-	14,906
Interest	53,322	-	53,322
Differences between expected and actual experience	1,028	-	1,028
Change in assumptions	72,349	-	72,349
Contributions - employer	-	23,057	(23,057)
Contributions - employee	-	6,056	(6,056)
Net investment income	-	(173,854)	173,854
Benefit payments, including refunds of employee contributions	(37,440)	(37,440)	-
Administrative expense	-	(350)	350
Net changes	104,165	(182,531)	286,696
Balances at June 30, 2022	\$ 884,315	\$ 625,063	\$ 259,252

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

For the year ended June 30, 2022, the State recognized pension expense related to PORS of \$36.3 million. At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to pensions for PORS from the following sources (expressed in thousands):

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 838	\$ 4,665
Changes in assumptions	78,578	-
Net difference between projected and actual earnings on pension plan investments	75,446	-
Total	\$ 154,862	\$ 4,665

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

Year Ending June 30,	2023	2024	2025	2026	2027
	\$ 29,990	26,003	29,224	59,419	5,561
Total	\$ 150,197				

There are no non-employer contributing entities to PORS.

Payables to the Pension Plan

At June 30, 2022, the State reported payables of \$708,000 for legally required employer contributions and \$218,000 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PORS.

Judicial Retirement System (JRS)

General Information about the Plan

Plan Description. JRS was created under Chapter 602 of the Code of Iowa to provide pension benefits to judges serving on the Supreme Court, District Courts and the Court of Appeals. JRS is the administrator of a single-employer defined benefit pension plan.

Plan Membership. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	240
Inactive employees entitled to but not yet receiving benefits	3
Active employees	213
Total	456

Benefits Provided. JRS provides retirement annuities to judges with at least four years of service as a judge of one or more of the above courts and is at least age 65 or has served 20 years of consecutive service as a judge of one or more of the above courts and is at least age 50.

The annual annuity benefits available under JRS are:

- *Judge* – 3.25% of the average annual basic salary for the highest three years as a judge multiplied by the judge’s years of service, not to exceed an amount equal to a *specified percentage* of the highest basic annual salary the judge received at the time the judge separated from service.

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- *Senior judge* – 3.00% (retirement prior to July 1, 2006) or 3.25% (retirement on or after July 1, 2006) of the basic senior judge salary multiplied by the judge's years of service, not to exceed an amount equal to a *specified percentage* of the basic senior judge salary as of the time the senior judge separated from service. The basic senior judge salary is equal to the highest salary the judge is receiving or received at the time the judge separated from full time service plus 75% of the difference between that salary and the basic current salary of the office the judge last served as a judge. Effective January 1, 2018, a judge must be 62 years of age or older at the time a judge assumes senior status. Senior judges may only serve for a total of six years and shall cease holding office upon reaching age 78. These requirements do not apply to judges who have 20 years of service prior to January 1, 2018.
- The *specified percentages* to determine maximum annuity benefits for judges and senior judges are: (1) 50% for judges who retired prior to July 1, 1998, (2) 52% for judges who retired and received an annuity on or after July 1, 1998 but before July 1, 2000, (3) 56% for judges who retired and received an annuity on or after July 1, 2000 but before July 1, 2001, (4) 60% for judges who retired and received an annuity on or after July 1, 2001 but before July 1, 2006, and (5) 65% for judges who retired and received an annuity on or after July 1, 2006.
- *Disability* – any member who has served as a judge for a total of four years or more and is deemed permanently incapacitated, mentally or physically, to perform his/her duties shall be entitled to an annuity that would be the same as computed under a retirement annuity.
- *Survivor* – annuity is equal to 50% of the amount the retired judge was receiving or would have received at the time of their death.

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

Judges contribute to JRS at the rate of 9.35% multiplied by the basic salary of the judge. The State contributes an amount equal to 30.60% of the basic salary of all covered judges until JRS attains fully funded status. JRS became fully funded with the July 1, 2021 actuarial valuation. Commencing with the July 1, 2022 actuarial valuation, the member contribution shall be 40% of the required contribution rate and the State contribution shall be 60% of the required contribution rate.

The member contribution required and contributed was \$2,965,000, representing 9.35% of the current year covered payroll. The State contribution required by statute and the amount contributed was \$9,373,000. The State share is to be based on 30.36% of actual salaries. Costs of administering the plan are financed through State appropriation, member contributions and investment income.

An actuarial valuation of JRS' assets and liabilities is required at least once every four years per Section 602.9116 of the Code of Iowa.

JRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Judicial Retirement System, Iowa Judicial Branch, 1111 East Court Avenue, Des Moines, IA 50319 or at info@aos.iowa.gov.

Net Pension Liability (Asset)

The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience study, which covered the five-year period ending June 30, 2018. The experience study report is dated September 28, 2018.

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The long-term expected rate of return on pension plan investments is reviewed as part of the experience study. Several factors are considered in evaluating the long-term rate of return assumption including the long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) along with estimates of variability and correlations were developed for each major asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by investment consultants are often intended for use over a 10-year investment horizon and are not always useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

Discount Rate. The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed plan contributions from members and the State will be made at the current contribution rates as set in State statute: (1) employee contribution rate: 40% of the actuarially required contribution rate; and (2) employer contribution rate: 60% of the actuarially required contribution rate. Based on those assumptions, the pension fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on plan assets was applied to all periods of projected benefit payments to determine the total pension liability. The municipal bond rate was not used in determining the discount rate, but if it were required, the rate would have been 3.37%. The projected future benefit payments for all current plan members were projected through 2121.

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ 53,324	\$ 25,378	\$ 1,589

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

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Changes in the Net Pension Liability (Asset)

	Increase (Decrease) Expressed in Thousands		
	Total	Plan Fiduciary	Net Pension
	Pension Liability (a)	Net Position (b)	Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 251,237	\$ 310,165	\$ (58,928)
Changes for the year:			
Service cost	7,928	-	7,928
Interest	16,434	-	16,434
Differences between expected and actual experience	980	-	980
Contributions - employer	-	9,373	(9,373)
Contributions - employee	-	2,965	(2,965)
Net investment income	-	(71,280)	71,280
Benefit payments, including refunds of employee contributions	(15,803)	(15,803)	-
Administrative expense	-	(22)	22
Net changes	9,539	(74,767)	84,306
Balances at June 30, 2022	\$ 260,776	\$ 235,398	\$ 25,378

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

For the year ended June 30, 2022, the State recognized pension expense related to JRS of \$8.4 million. At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to pensions for JRS from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 809	\$ 5,260
Net difference between projected and actual earnings on pension plan investments	33,927	-
Total	\$ 34,736	\$ 5,260

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

Year Ending June 30,	
2023	\$ 4,246
2024	2,910
2025	3,969
2026	18,228
2027	123
Total	\$ 29,476

There are no non-employer contributing entities to JRS.

Payables to the Pension Plan

At June 30, 2022, the State reported payables of \$376,000 for legally required employer contributions and \$115,000 for legally required employee contributions which had been withheld from employee wages but not yet remitted to JRS.

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

The Universities, Board of Regents, Iowa Braille and Sight Saving School, Iowa School for the Deaf and Iowa Public Radio contribute to the TIAA-CREF retirement program, which is a defined contribution plan. TIAA-CREF administers the retirement plan for the institutions listed above. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Board of Regents and the Code of Iowa, all eligible employees must participate in a retirement plan from the date they are employed.

Benefit terms, including contribution requirements, are established in accordance with the Board of Regents, State of Iowa policy and specified by the contract with TIAA-CREF. Contributions made by both employer and employee vest immediately, except at Iowa State University where employer contributions vest after three years. As specified by the contract agreement with TIAA-CREF, each employee through the fifth year of employment contributes 3.33% of the first \$4,800 of earnings and 5.00% on the balance of earnings. The employer through the fifth year of employment contributes 6.67% of the first \$4,800 of earnings and 10.00% on the balance of earnings. Upon completion of five years of service, the employee contributes 5.00% and the employer contributes 10.00% on all earnings.

During fiscal years 2022 and 2021, the employers' required and actual contributions amounted to \$181,658,000 and \$171,076,000, respectively. During fiscal years 2022 and 2021, the employees' required and actual contributions amounted to \$90,211,000 and \$88,926,000, respectively. As of June 30, 2022, the employers reported payables of \$14,517,000 for legally required employer contributions and \$7,249,000 for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA-CREF.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS

A. Other Postemployment Benefits Totals

At June 30, 2022, the State of Iowa recognized the following amounts related to other postemployment benefits (OPEB) in financial statements prepared using the economic resources measurement focus and accrual basis of accounting (expressed in thousands):

	Defined Benefit - Single-employer			
	State Plan	University Plan	Total	State Plan
	Primary	Primary	Primary	Discretely Presented
	Government	Government	Government	Component Units
Total OPEB liability	\$ 219,327	\$ 234,404	\$ 453,731	\$ 4,163
Deferred outflows of resources related to OPEB	69,067	93,593	162,660	946
Deferred inflows of resources related to OPEB	69,343	125,794	195,137	970
OPEB expense for the period associated with total OPEB liabilities	21,943	4,984	26,927	411

B. State Plan

Plan Description

The State of Iowa provides access to postretirement medical benefits to all retirees as required by Chapter 509A.13 of the Code of Iowa. Although the retirees generally must pay 100% of the premium rate, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75), requires that employers recognize the Implicit Rate Subsidy that exists in postretirement medical plans provided by governmental employers.

The Implicit Rate Subsidy refers to the concept that retirees under the age of 65 (i.e. not eligible for Medicare) generate higher claims on average than active participants. When a medical plan is self-insured or fully insured through a third-party administrator, a premium is usually determined by analyzing the claims of the entire population in the plan and adjusting for administrative costs. The resulting premium is called a blended premium because it blends the claims of active and retired participants. Since individuals generally have more and higher claims as they get older, the blended premium paid for retirees is lower than their expected claims. Another way of considering this is that if the retirees were removed from the plan, the premium for the active group would be lower;

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NOTES TO THE FINANCIAL STATEMENTS

therefore, the retirees' premiums are being subsidized by the active group. Since the employer generally pays a large portion or all of the premiums for the active group, this subsidy creates a liability for the employer. The difference between the expected claims for the retiree group and the blended premium is called the Implicit Rate Subsidy.

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

A copy of the plan's separately issued actuarial valuation may be obtained by writing to the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

Plan Membership

There are 2,045 active and 17,074 retired participants in the plan.

Plan Benefits

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

Total OPEB Liability

The total OPEB liability of \$223,490,000 (\$219,327,000 in the primary government and \$4,163,000 in the discretely presented component units), was measured as of June 30, 2022, and was determined by an actuarial valuation as of January 1, 2021. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2022.

Actuarial Assumptions

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

- Inflation: 2.60%
- Salary increases: 3.25% to 16.25%, based on years of service
- Discount rate: 3.54%, as of June 30, 2022
- Healthcare cost trend rate – non SPOC - Medical: 7.00% initial, decreasing to 4.50%
- Healthcare cost trend rate – non SPOC - Rx: 8.00% initial, decreasing to 4.50%
- Healthcare cost trend rate – SPOC- Medical & Rx: 7.21% initial, decreasing to 4.50%

The majority of State of Iowa employees are participants in the Iowa Public Employees' Retirement System (IPERS). For this reason, the individual salary increases, the mortality rates, withdrawal, retirement and age of spouse assumptions are based on the assumptions used for the IPERS Actuarial Valuation Report as of June 30, 2021. The plan participation and coverage at retirement assumptions are based upon the recent experience of the State of Iowa Postretirement Medical Plan.

The discount rate is based on the municipal bond rate of 3.54% using the 20-year Bond Buyer GO Index as of June 30, 2022.

Mortality rates for general population pre-retirement employees were based on the PubG-2010 Employee Headcount-weighted Table, set back 2 years for males and females, projected generationally using scale MP-2021. Mortality rates for postretirement employees were based on the PubG-2010 Healthy Annuitant Headcount-weighted Table, set forward 2 years for males and females, with an 8.0% increase below age 75 for males and a 20.0% increase below age 75 for females, projected generationally using scale MP-2021.

Mortality rates for the SPOC population pre-retirement employees were based on the PubG-2010 Employee Headcount-weighted Table, set back 4 years for males and 2 years for females, projected generationally using scale MP-2021. Mortality rates for postretirement employees were based on the PubS-2010 Healthy Annuitant Headcount-weighted Table, set forward 3 years for males and 2 years females, with an 4.0% decrease at all ages for females, projected generationally using scale MP-2021.

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Changes in the Total OPEB Liability

	Increase (Decrease)	
	Expressed in Thousands	
	Primary Government	Discrete Component Units
Balances at June 30, 2021	\$ 209,075	\$ 3,845
Changes for the year:		
Service cost	16,998	296
Interest	4,766	99
Difference between expected and actual experience	59,905	1,137
Change in assumptions	(58,961)	(1,119)
Benefit payments - implicit subsidy	(12,456)	(95)
Net changes	<u>10,252</u>	<u>318</u>
Balances at June 30, 2022	<u>\$ 219,327</u>	<u>\$ 4,163</u>

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

- Increased the discount rate from 2.16% to 3.54%.
- Updated medical claims costs to reflect recent experience.
- Updated annual medical trend rates to reflect recent experience and future expectations.

Sensitivity Analysis – Changes to the Discount Rate. The total OPEB liability was calculated using a discount rate of 3.54%, as well as a discount rate that is 1-percentage-point lower (2.54%) or 1-percentage-point higher (4.54%) than the current rate. The sensitivity of the total OPEB liability to changes in the discount rate is presented below (expressed in thousands):

	Current		
	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability			
Primary government	\$ 234,066	\$ 219,327	\$ 205,326
Discretely presented component units	<u>4,372</u>	<u>4,163</u>	<u>3,835</u>
Total	<u>\$ 238,438</u>	<u>\$ 223,490</u>	<u>\$ 209,161</u>

Sensitivity Analysis – Changes to the Healthcare Cost Trend Rate. The total OPEB liability was calculated using a healthcare cost trend rate of 7.00% for non SPOC - Medical, 8.00% for non SPOC – Rx and 7.21% SPOC Medical & Rx for as well as a healthcare cost trend rate that is 1-percentage-point lower (6.00%, 7.00%, and 6.21%) or 1-percentage-point higher (8.00%, 9.00% and 8.21%) than the current rate. The sensitivity of the total OPEB liability to changes in the healthcare cost trend rate is presented below (expressed in thousands):

	Current		
	1% Decrease (6.00%, 7.00% & 6.21%)	Healthcare Cost Trend Rate (7.00%, 8.00% & 7.21%)	1% Increase (8.00%, 9.00% & 8.21%)
Total OPEB liability			
Primary government	\$ 197,185	\$ 219,327	\$ 245,207
Discretely presented component units	<u>3,683</u>	<u>4,163</u>	<u>4,580</u>
Total	<u>\$ 200,868</u>	<u>\$ 223,490</u>	<u>\$ 249,787</u>

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

For the year ended June 30, 2022, the State of Iowa recognized OPEB expense related to the Plan of \$22,354,000 (\$21,943,000 in the primary government and \$411,000 in the discretely presented component units). At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB for the Plan from the following sources (expressed in thousands):

	Deferred Outflows of Resources	
	Primary Government	Discretely Presented Component Units
Differences between expected and actual experience	\$ 54,549	\$ 579
Changes in assumptions	10,591	221
Changes in proportion and differences between contributions and proportionate share of contributions	3,927	146
Total	\$ 69,067	\$ 946

	Deferred Inflows of Resources	
	Primary Government	Discretely Presented Component Units
Differences between expected and actual experience	\$ 9,504	\$ 213
Changes in assumptions	56,060	601
Changes in proportion and differences between contributions and proportionate share of contributions	3,779	156
Total	\$ 69,343	\$ 970

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

Year Ending June 30,	Primary Government	Discretely Presented Component Units
2023	\$ 143	\$ 12
2024	143	12
2025	143	12
2026	124	11
2027	(29)	(2)
Thereafter	(800)	(69)
Total	\$ (276)	\$ (24)

C. University Plans

Plan Description

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

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NOTES TO THE FINANCIAL STATEMENTS

Plan Benefits

Detailed plan benefit information is available in the Universities' separately issued financial reports. These reports may be obtained by writing to the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

Plan Membership

	2022		
	U of I	ISU	UNI
Inactive employees or beneficiaries currently receiving benefits	2,611	4,044	560
Active employees	19,173	6,465	1,604
Total	21,784	10,509	2,164

Total OPEB Liability

The total OPEB liability of \$234,404,000 is reported based on the following measurement dates, actuarial valuation dates, and actuarial assumptions:

	U of I	ISU	UNI
Measurement date	June 30, 2021	January 1, 2022	June 30, 2022
Actuarial valuation date	June 30, 2021	January 1, 2022	June 30, 2022
Actuarial cost method	Entry age normal	Entry age normal - level % of salary	Entry age normal - level % of salary
Amortization method	Level percentage of pay on an open basis	Linearly on a principal only basis	Linearly on a principal only basis
Amortization period	10.18 years (LDT 12.37 years)	7 years	7 years
Discount rate	2.16%	2.25%	4.09%
Medical trend rate	6.12% (6.57% for post age 65)	7.50%	7.50%
Ultimate medical trend rate	4.50%	4.50%	4.50%
Inflation rate	2.50%	2.60%	2.60%
Payroll growth rate	3.00%	3.25%	1.50%

Discount Rate. The U of I discount rate of 2.16% is based on the Bond Buyer 20 Year GO Municipal Bond Index as of June 30, 2021. The ISU discount rate of 2.25% is based on the Bond Buyer GO 20-Bond Municipal Bond Index as of January 1, 2022. The UNI discount rate of 4.09% is based on the S&P Municipal Bond 20-Year High Grade Index as of June 30, 2022.

Mortality Rates. The U of I rates are from the Pub-2010 Aggregate Mortality Table projected using Scale MP-2020. The ISU rates are from the Pub-2010 General Headcount-weighted Mortality Table fully generational using Scale MP-2021. The UNI rates are from Pub-2010 General Headcount-weighted Mortality Table fully generational using Scale MP-2021.

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Changes in the Total OPEB Liability

	Increase (Decrease) Expressed in Thousands		
	U of I	ISU	UNI
Balances at June 30, 2021	\$ 204,841	\$ 42,473	\$ 12,390
Changes for the year:			
Service cost	9,115	3,881	487
Interest	4,593	943	277
Difference between expected and actual experience	(7,927)	2,124	(1,471)
Change in assumptions	(19,966)	781	(1,556)
Benefit payments	(12,324)	(3,796)	(461)
Net changes	(26,509)	3,933	(2,724)
Balances at June 30, 2022	\$ 178,332	\$ 46,406	\$ 9,666

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

U of I

- Decreased the discount rate from 2.21% to 2.16%.
- Updated rates to better reflect recent experience.
- Changed the mortality projection scale from MP-2018 to MP-2020.
- Decreased the healthcare trend rate from 6.19% to 6.12%.

ISU

- Increased the discount rate from 2.12% to 2.25%.
- Changed the mortality projection scale from MP-2019 to MP-2021.

UNI

- Increased the discount rate from 2.19% to 4.09%.
- Changed the mortality projection scale from MP-2019 to MP-2021.

Sensitivity Analysis – Changes to the Discount Rate. The total OPEB liability was calculated using a discount rate of 2.16%, 2.25% and 4.09% for the University of Iowa, Iowa State University, and the University of Northern Iowa, respectively, as well as a discount rate that is 1-percentage-point lower (1.16%, 1.25% and 3.09%) or 1-percentage-point higher (3.16%, 3.25% and 5.09%) than the current rate. The sensitivity of the total OPEB liability to changes in the discount rate is presented below (expressed in thousands):

	Current Discount Rate		
	1% Decrease (1.16%, 1.25% & 3.09%)	(2.16%, 2.25% & 4.09%)	1% Increase (3.16%, 3.25% & 5.09%)
Total OPEB liability			
U of I	\$ 193,818	\$ 178,332	\$ 164,217
ISU	49,442	46,406	43,605
UNI	10,579	9,666	8,846

Sensitivity Analysis – Changes to the Healthcare Cost Trend Rate. The total OPEB liability was calculated using a healthcare cost trend rate of 6.12%, 7.50% and 7.50% for the University of Iowa, Iowa State University, and the University of Northern Iowa, respectively, as well as a healthcare cost trend rate that is 1-percentage-point lower (5.12%, 6.50% and 6.50%) or 1-percentage-point higher (7.12%, 8.50% and 8.50%) than the current rate. The sensitivity of the total OPEB liability to changes in the healthcare cost trend rate is presented below (expressed in thousands):

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	1% Decrease (5.12%, 6.50% & 6.50%)	Current Healthcare Cost Trend Rate (6.12%, 7.50% & 7.50%)	1% Increase (7.12%, 8.50% & 8.50%)
Total OPEB liability			
U of I	\$ 196,476	\$ 178,332	\$ 165,509
ISU	42,976	46,406	50,396
UNI	8,781	9,666	10,700

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

For the year ended June 30, 2022, the U of I, ISU, and UNI recognized OPEB expense related to the Plans of \$10.6 million, \$(3.7) million, and \$(1.9) million, respectively. At June 30, 2022, the U of I, ISU, and UNI reported deferred outflows of resources and deferred inflows of resources related to OPEB for the Plans from the following sources (expressed in thousands):

	Deferred Outflows of Resources		
	U of I	ISU	UNI
Differences between expected and actual experience	\$ 29,773	\$ 2,472	\$ -
Changes in assumptions	42,295	5,121	690
Contributions subsequent to the measurement date	10,681	2,561	-
Total	<u>\$ 82,749</u>	<u>\$ 10,154</u>	<u>\$ 690</u>

	Deferred Inflows of Resources		
	U of I	ISU	UNI
Differences between expected and actual experience	\$ 9,420	\$ 26,433	\$ 8,866
Changes in assumptions	75,906	1,267	3,902
Total	<u>\$ 85,326</u>	<u>\$ 27,700</u>	<u>\$ 12,768</u>

Employer contributions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

Year Ending June 30,	U of I	ISU	UNI
2023	\$ (3,085)	\$ (8,536)	\$ (2,692)
2024	(3,085)	(8,536)	(2,692)
2025	(3,070)	(3,035)	(2,803)
2026	(2,957)	-	(2,483)
2027	(2,957)	-	(976)
Thereafter	1,896	-	(432)
Total	<u>\$ (13,258)</u>	<u>\$ (20,107)</u>	<u>\$ (12,078)</u>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 17 – OTHER TERMINATION BENEFITS

A. State Police Officers Council

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

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

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

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

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

For the year ended June 30, 2022, 326 SPOC retirees received benefits totaling \$2.1 million.

B. Other Voluntary Termination Benefit Programs

Voluntary termination benefit programs have been established through collective bargaining for Executive branch AFSCME and IUP employees, Judicial branch AFSCME and PPME employees and Community Based Corrections employees. The programs are also offered to Executive branch non-contract employees, Judicial branch non-contract employees, Legislative employees and Community Based Corrections non-contract employees, except for judicial officers. The programs allow employees who are eligible upon a bona fide retirement to use the value of their unused sick leave to pay the employer share of the monthly premium of the State's group health insurance plan after their retirement.

Upon retirement, employees shall first receive cash payment for accumulated, unused sick leave converted at the employee's current regular hourly rate of pay, up to \$2,000, payable with the final payroll warrant that includes the employee's retirement date. The value of the remaining balance of the accrued sick leave will be converted based upon the original balance (before the cash payment). The remainder of the sick leave value is calculated as follows, based on the number of sick hours the employee had before the cash payment:

<u>If the sick leave balance is:</u>	<u>The conversion rate is:</u>
Zero to 750 hours	60% of the value
Over 750 hours to 1,500 hours	80% of the value
Over 1,500 hours	100% of the value

The final calculated dollar value will be credited to the employee's Sick Leave Insurance Program (SLIP) account. Each month, the retiree's former employing department will pay 100% of the employer share of the selected state group health insurance premium from the retiree's SLIP account. The retiree is responsible for any additional premiums associated with the employee/retiree share.

The employer will continue to pay the employer's share of the health insurance premium each month until the converted value of the employee's sick leave balance is exhausted, the employee is eligible for Medicare, the employee waives the benefit or the employee dies, whichever comes first. The retired employees may stay with the same health insurance program as when employed or switch down at any time without underwriting. The converted value of the sick leave can only be applied to the employer's share of health insurance premium payments. It has no cash value and it is not transferable to another use or to an heir.

If a retired employee who has utilized this benefit returns to permanent State employment, all remaining balances in the SLIP account will be forfeited.

All program benefits are financed on a pay-as-you-go basis by the department from which the employee retired. Amounts due for this program have been recorded as a liability in the government-wide financial statements.

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For the year ended June 30, 2022, 1,129 employees from the Executive and Legislative branches have retired and received benefits totaling \$9.8 million under SLIP. In addition, 203 employees from the Judicial branch and Community Based Corrections have retired and received benefits totaling \$2.0 million under SLIP.

C. Board of Regents Retirement Incentive Options

The Board of Regents approved the Iowa State University 2021 Retirement Incentive Program in August 2020. Those eligible for participation in the 2021 program were faculty, professional and scientific employees, and merit employees that meet the rule of 70, combining age and continuous length of service, and are at least 60 years of age at the time of retirement. Employees agreed to fully retire by June 30, 2021. Participants chose from: a) two years of employer retirement contributions, as well as, the employer and employee portion health and dental coverage up to the self and spouse/partner level; b) three years of retirement contributions; c) three years of health and dental coverage, as explained above. Employees approved for this program may not be rehired at the University during the incentive period they chose. Any exception to this clause requires an employee to repay the value of incentives received.

The University's contributions for the fiscal year ended June 30, 2022, totaled \$4.9 million for 315 participants in the Retirement Incentive Program.

NOTE 18 – RISK MANAGEMENT

A. Self-Insurance/Retention of Risk

It is the policy of the State not to purchase commercial insurance, except as detailed below in section B, for the risks of losses to which it is exposed. Instead, State management believes it is more economical to manage its risks internally and set aside assets for claim settlement in its internal service funds or to pay claims from the General Fund.

Specific claim adjustment expenditures/expenses and estimated recoveries on unsettled claims are included in the determination of claims liability. Other allocated or unallocated claims adjustment expenditures/expenses are not included.

The State is self-insured for various risks of loss related to work injuries of its employees. The Workers' Compensation Fund, an internal service fund, services workers' compensation claims. The liability for unpaid claims is estimated based on the average cost per claim-type determined from an actuarial review. Changes in the balances for estimated claims liabilities for fiscal years 2021 and 2022 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2021	\$ 69,574	27,426	25,064	\$ 71,936
FY 2022	71,936	27,868	27,381	72,423

The State is self-insured for various risks of loss related to its motor vehicle fleet. The Vehicle Dispatcher Self-Insurance Fund, an internal service fund, services liability and property damage claims. The liability for unpaid claims is estimated based on historical experience and the application of an industry standard of 40% for IBNR claims. Changes in the balances for estimated claims liabilities for fiscal years 2021 and 2022 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2021	\$ 281	3,978	1,162	\$ 3,097
FY 2022	3,097	(686)	1,235	1,176

The State is self-insured for various risks of loss related to the operation of the Board of Regents Institutions' motor vehicle fleets. The Regent's Motor Vehicle Liability Self-Insurance Fund, an internal service fund, services liability and property damage claims. The liability for unpaid claims is estimated based on statistical techniques that reflect recent settlements, similar claim history and other economic and social factors. Changes in the balances for estimated claims liabilities for fiscal years 2021 and 2022 were (expressed in thousands):

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	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2021	\$ 861	465	290	\$ 1,036
FY 2022	1,036	437	713	760

The State is self-insured for risks of loss related to property damage and torts. All claims must be filed with the State Appeal Board which has the authority to approve or reject claims. Claims allowed in an amount greater than \$5,000 require the unanimous approval of all members of the Board, the Attorney General and the District Court of the State of Iowa for Polk County. The liability for unpaid claims is estimated based on historical experience and analysis. Changes in the balances for estimated claims liabilities for fiscal years 2021 and 2022 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2021	\$ 25,000	12,168	12,168	\$ 25,000
FY 2022	25,000	26,522	21,522	30,000

The Universities retain risk liability for medical faculty malpractice; medical, dental, unemployment and workers' compensation coverage for some employees; and for various property damage not covered as described below. The estimates of claim liabilities for faculty medical malpractice and employee medical, dental, unemployment and workers' compensation are based on actuarial analysis. The estimates of the claims liabilities for various property damages are based on historical analysis. Changes in the balances for estimated claims liabilities for fiscal years 2021 and 2022 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 2021	\$ 66,503	488,005	480,465	\$ 74,043
FY 2022	74,043	537,527	519,373	92,197

B. Insurance/Transfer of Risk

The State insures with commercial insurers for certain risks of loss assuming liability for any deductibles and claims in excess of coverage limitations.

- State employee benefits for health, dental, long-term disability and life insurance coverage are fully insured.
- The State maintains an employee fidelity bond for up to \$2.0 million.
- The University of Iowa is insured for \$2.0 billion for catastrophic property loss for general fund properties with a \$2.0 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises. The fine art collections are insured for \$205.8 million.
- Iowa State University is insured for \$2.8 billion for catastrophic property loss for general fund properties with various deductibles on general University buildings. Additional coverage is provided for auxiliary enterprises.
- The University of Northern Iowa is insured for \$1.2 billion for catastrophic property loss for general fund properties with a \$1.0 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises.
- The Iowa School for the Deaf is insured for catastrophic loss liabilities for \$81.8 million after a \$1.0 million deductible.
- The eight Judicial Districts individually insure buildings and contents with coverage ranging from \$4.3 million to \$31.1 million.
- Iowa Workforce Development is insured for \$25.2 million for buildings and contents.

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- Iowa PBS insures broadcasting trucks and contents for \$3.8 million.
- The Iowa Department of Administrative Services is insured for construction projects for up to \$2.0 million, with additional coverage for the value of individual projects in excess of \$2.0 million.
- The Iowa Lottery Authority is insured for \$13.2 million for buildings and contents. Additional coverage of \$10.0 million is provided for commercial umbrella liability.
- The Iowa Finance Authority is insured for \$17.5 million for buildings and contents.

There were no settlements in excess of coverage for the past three fiscal years, except for the University of Iowa 2020 COVID-19 claim settlement that exceeded the Communicable Disease sublimit of \$1 million on the property policy.

NOTE 19 – LITIGATION, CONTINGENCIES AND COMMITMENTS

The *Iowa Public Employees' Retirement System* (IPERS) has commitments to fund an additional \$2.5 billion to various private equity/debt partnerships, \$209.1 million to various real estate debt partnerships, \$255.6 million to corporate debt partnerships and \$572.9 million to opportunistic credit partnerships at June 30, 2022.

IPERS monitors, evaluates, and takes the necessary actions related to litigation for or against IPERS. This includes, but is not limited to, federal and state court actions and defending administrative appeals filed against IPERS.

IPERS participates in federal securities class-actions as the lead plaintiff, co-lead plaintiff, a named plaintiff, or a member of the class action. During the fiscal year, IPERS made 26 recoveries in the amount of \$0.4 million that are reflected in the financial statements for the year ended June 30, 2022.

IPERS successfully defended several appeals filed under the Iowa Administrative Procedures Act. No administrative appeal resulted in a loss to the Trust Fund.

The following commitments and obligations remain at June 30, 2022:

- *Iowa Department of Transportation* has contractual obligations for construction and other contracts of \$825.0 million (net of \$664.1 million in anticipated federal funding).
- *University of Iowa* has outstanding construction contract commitments of \$290.4 million.
- *Iowa State University* has outstanding construction contract commitments of \$75.7 million.
- *University of Northern Iowa* has outstanding construction contract commitments of \$41.2 million.
- *Iowa Department of Natural Resources* has outstanding construction contract commitments of \$23.5 million.
- *Iowa Department of Administrative Services* has outstanding construction contract commitments of \$24 million.
- *Iowa Workforce Development* has outstanding contractual obligations of \$35.4 million.
- *Iowa Department of Human Rights* has outstanding contractual obligations of \$39.5 million.
- *Iowa Department of Human Services* has outstanding contractual obligations of \$932.1 million.
- *Iowa Office of the Chief Information Officer* has outstanding contractual obligations of \$335.4 million.
- *Iowa Department of Public Defense* has outstanding contractual obligations for construction and other contracts of \$9.4 million.
- *Iowa Department of Homeland Security and Emergency Management* has outstanding contractual obligations of \$35.2 million.
- *Iowa Finance Authority* has signed loan agreements under the State Revolving Fund for which \$380.1 million had not been disbursed.
- *Iowa Economic Development Authority* has outstanding contractual commitments of \$297.9 million.

The State of Iowa has encumbrances at June 30, 2022 totaling \$59.4 million (\$42.2 million in the General Fund and \$17.2 million in the nonmajor governmental funds).

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NOTE 20 – TAX ABATEMENTS

High Quality Jobs Program (HQJP)

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

Historic Preservation and Cultural and Entertainment District Tax Credit

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

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

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

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

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

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

Iowa Industrial New Jobs Training Program

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

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

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

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

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

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Redevelopment Tax Credit

The Redevelopment Tax Credit, as described by Iowa Code sections 15.291, 15.293A, 15.293B, and 15.294, is available to taxpayers that invest in redeveloping a Brownfield or Grayfield site in Iowa. A Brownfield site is defined as an abandoned, idled, or underutilized industrial or commercial facility where expansion or redevelopment is complicated by real or perceived environmental contamination. A Grayfield site is defined as a property that has been developed and has infrastructure in place but the property's current use is outdated or prevents a better or more efficient use of the property. Such property includes vacant, blighted, obsolete, or otherwise underutilized property, including an abandoned public building.

A project must apply for the tax credit with the IEDA. Applications, reviewed by the Brownfield Redevelopment Advisory Council, are scored based on feasibility, quality, and financial need of the projects. Successful applications result in registration of the project and a preliminary determination as to the amount of the tax credit for which the applicant qualifies. After registering the project, IEDA shall issue a letter notifying the applicant of successful registration and the preliminary amount of the tax credit. The amount of the issued tax credit certificate is contingent upon the completion of the project and submission of a project audit performed by an independent certified public accountant licensed in Iowa. A registered project must be completed within 30 months of the project's approval unless IEDA provides additional time (not to exceed 12 months) to complete the project.

The amount of the tax credit shall equal, at most, one of the following: 12% of the qualifying costs in a Grayfield site, 15% of the qualifying costs in a Grayfield site if the redevelopment meets the green development standards, 24% of the qualifying costs in a Brownfield site, or 30% of the qualifying costs in a Brownfield site if the redevelopment meets the green development standards.

Credits are awarded based on application to the IEDA. The Redevelopment Tax Credit applies to corporation income, individual income, franchise, insurance premium, and moneys and credits taxes. The credits are nonrefundable and transferable; however, non-profit entities can be awarded a refundable tax credit.

Renewable Energy Tax Credit

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

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

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

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

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

Targeted Jobs Tax Credit from Withholding

The Targeted Jobs Tax Credit from Withholding program, as described by Iowa Code Section 403.19A, authorized four pilot project cities, each of which must contain three or more census tracts, and are approved by IEDA. One

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city must be in a county bordering South Dakota, one city in a county bordering Nebraska, and two cities must be in counties bordering a state other than South Dakota or Nebraska.

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

A pilot project city, in conjunction with IEDA, must enter into a withholding agreement with an employer. An agreement cannot be entered into with a business currently located in Iowa unless the business either creates or retains ten jobs, each paying a wage at least equal to the average county wage, or makes a qualifying investment of at least \$500,000 within the city. The withholding agreement may have a term of up to ten years. A copy of the withholding agreement must be provided to the IDR. A pilot project city cannot enter into a withholding agreement with an employer after June 30, 2024.

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

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

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

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

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

Enterprise Zone Program

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

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

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

- Supplemental New Jobs Credit from Withholding, which provides additional funding for training new employees. Credit applied to the withholding tax.
- Refund of State sales, service, or use taxes paid to contractors or subcontractors during construction. Refund applied to the sales and use tax.

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- Investment Tax Credit of up to 10% of the new investment in machinery and equipment, land, buildings, and improvements to existing buildings. Credit applied to corporation income, individual income, franchise, insurance premium, and moneys and credits taxes.
- Housing Investment Tax Credit of up to 10% of the new investment which is directly related to the building or rehabilitating of a minimum of four single-family homes or one multiple dwelling unit building containing three or more individual dwelling units located in that part of a city or county in which there is a designated EZ. Credit applied to corporation income, individual income, franchise, and insurance premium taxes.
- Supplemental Research Activities Tax Credit that could allow the participating company to as much as double their Research Activities Tax Credit for up to five years for awards made prior to July 1, 2010. Credit applied to corporation income and individual income taxes.

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

Accelerated Career Education Program

The Accelerated Career Education Program (ACE), as described in Iowa Code Chapter 206G, assists Iowa's community colleges to either establish or expand programs that train individuals in the occupations most needed by Iowa businesses. The ACE program allows participating companies to divert a portion of the company's current Iowa individual income withholding tax based on the number of seats in a training program sponsored by a business, up to an annual capped award amount. Businesses participating in the program divert taxes up to 10% of the hiring wage that a sponsoring business would pay to an individual that completes the program's requirements (with a minimum wage level of no less than 200% of the federal poverty guideline for a family of two). The diversion goes to the community college over the life of the agreement (usually 5 years). The business also provides cash or in-kind contributions equal to at least 20% of the program costs.

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

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

Beginning Farmer Tax Credit Program

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

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

The Custom Farming Contract Tax Credit is available for landowners who hire a beginning farmer to do custom work and allows the landowner to claim 7% of the value of the contract as a tax credit. If the beginning farmer is a veteran, the credit is 8% for the first year. The Custom Farming Contract Tax Credit was repealed effective January 1, 2018.

An eligible applicant for the Beginning Farmer Tax Credit Program is defined as a state resident aged 18 or older with a net worth of less than \$686,000 as of January 1, 2020. The allowed maximum net worth is indexed annually based on the October 1 annual change in the U.S. Department of Agriculture's Prices Paid by Farmers Index. The applicant must materially participate in the farm and have sufficient education, training, or experience in farming.

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

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Workforce Housing Tax Incentive Program

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

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

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

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

The following is a schedule by program of the amount of taxes abated during the year ended June 30, 2022, (expressed in thousands):

	Sales & Use Tax	Individual Income Tax	Corporate Income Tax	Franchise Tax	Insurance Premium Tax	Withholding Tax	Total
High Quality Jobs Program (HQJP)	\$ 8,127	\$ 2,730	\$ 11,324	\$ -	\$ 1,183	\$ -	\$ 23,364
Historic Preservation Tax Credit	-	7,288	27,248	-	-	-	34,536
Iowa Industrial New Jobs Training Program	-	-	-	-	-	27,974	27,974
Redevelopment Tax Credit	-	1,552	1,099	-	295	-	2,946
Renewable Energy Tax Credit*	37	1,058	605	1,446	1,005	-	4,151
Targeted Jobs Tax Credit from Withholding	-	-	-	-	-	3,096	3,096
Enterprise Zone Program	-	1,649	2,290	196	-	-	4,135
Accelerated Career Education Program	-	-	-	-	-	3,497	3,497
Beginning Farmer Tax Credit Program	-	4,763	101	-	-	-	4,864
Workforce Housing Tax Incentive Program	2,731	1,937	2,178	2,012	2,284	-	11,142
Total	\$ 10,895	\$ 20,977	\$ 44,845	\$ 3,654	\$ 4,767	\$ 34,567	\$ 119,705

* The table does not include \$30 thousand of Replacement Tax abated.

NOTE 21 – DEFICIT FUND BALANCE

The Tobacco Collections Fund, a major special revenue fund, had a deficit fund balance of \$2.1 million at June 30, 2022. In accordance with GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, in fiscal year 2008, an interfund advance was recorded in the

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Tobacco Collections Fund, causing a deficit fund balance. As future tobacco collections are received in the Tobacco Collections Fund and remitted to the Tobacco Settlement Authority for repayment of debt, the interfund advance will be reduced and the deficit eliminated.

General Services Capitals Fund, a Capital Projects Fund, had a deficit fund balance of \$436 thousand at June 30, 2022. The deficit resulted from the timing of revenues recognized and the recognition of building project liabilities.

NOTE 22 – UTILITY SYSTEM LEASE & CONCESSION AGREEMENT

On December 10, 2019, the University of Iowa entered into a 50-year agreement, a public-private-partnership (P3), to lease the university's utility system to the University of Iowa Energy Collaborative LLC (UIEC) and grant it the exclusive right to operate the utility system and provide utility services to the university campus. On March 10, 2020, the university received an upfront payment of \$1.2 billion. The upfront payment is reported as an Advance from Concessionaire and is being amortized as an increase to operating revenue on a straight-line basis over the term of the agreement. At June 30, 2022, the balance of the Advance from Concessionaire is \$1.1 billion.

Under the agreement, UIEC operates, maintains, and makes capital investments in the utility system and charges the university a utility fee, which includes fixed, variable and operating & maintenance (O&M) components. UIEC capital investments in the utility system are recognized as capital assets and a related long-term payable to the concessionaire. The fixed and O&M components of the utility fee are recognized as operating expense. The variable component of the utility fee will be recognized as a reduction in the long-term payable to the concessionaire and as interest expense.

The University recognized fixed and O&M utility fees totaling \$58.7 million for the year ended June 30, 2022. The fixed fee is set at \$35.0 million per year for the first five years. The fee will increase 1.5% to \$35.5 million on July 1, 2025 for the fiscal year ending June 30, 2026, and 1.5% at the start of each fiscal year thereafter. The carrying amounts of UIEC capital investments and related payable to concessionaire at June 30, 2022 was \$41.5 million.

NOTE 23 – SUBSEQUENT EVENTS

Subsequent to June 30, 2022, the State of Iowa, along with other States, settled claims that one drug company and three major pharmaceutical distributors engaged in fraudulent and misleading conduct related to the marketing and sale of opioids and/or failed to monitor for, detect and prevent diversion of the drugs. Due to the State's settlement of these claims, the State will receive payments from the Defendant companies over the next seventeen years. The State is required to use these funds for activities to remediate the opioid crisis and treat or mitigate opioid use disorder and related disorders through prevention, harm reduction, treatment and recovery services.

On September 6, 2022, the Iowa Finance Authority (IFA) executed a bond purchase agreement for a Direct Placement in the amount of \$36.0 million with Bank of America, N.A. The bonds are scheduled to close on June 28, 2023, and will refund the State Revolving Fund Series 2013 Bonds on August 1, 2023.

On September 15, 2022, IFA closed on a Direct Placement in the amount of \$43.5 million with Bank of America, N.A. These bonds will advance refund a portion of the State Revolving Fund Series 2015 bonds. On September 15, 2022, IFA issued Single-Family Mortgage Bonds in the par amount of \$97.3 million. Proceeds will be used to purchase mortgage-backed securities under IFA's FirstHome and Homes for Iowans program and finance closing costs and down payment assistance. In conjunction with the issuance, IFA entered into an interest rate swap agreement with Wells Fargo Bank, N.A.

The Iowa Department of Human Services (DHS) is subject to various federal audits and reviews performed each year. As the audits and reviews are finalized, the impact is reflected in the State's financial statements. Obligations related to audits and reviews not yet complete, if any, are undeterminable at this time.

Effective July 1, 2022, DHS is beginning the process of consolidating with the Iowa Department of Public Health. The new agency will be named the Iowa Department of Health and Human Services. The alignment process will span over FY2023 and FY2024.

Food & Nutrition Services (FNS) in the Mountain Plains Regional Office conducted a review of food assistance cases. For FY2019, FNS has determined that there is a 95% statistical probability that Iowa's payment error rate of 12.47% exceeds 105% of the national performance measure. FY2019 is the third consecutive year that Iowa has exceeded 105% of the national performance measure. Consequently, a liability amount of \$2,776,840 is being established for Iowa for FY2019. Iowa intends to settle with FNS by designating 50% of the liability amount for new investment in

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approved activities to improve administration of the Supplemental Nutritional Assistance Program (SNAP). According to the approved plan, the Federal FY2019 50% new investment should be completed by September 2022. The remaining liability was waived by FNS during FY2020 due to suspension of certain quality control regulatory requirements. For Federal FY2021, FNS did not issue a national error rate and hence liability amount was not assessed.

On December 5, 2022, a land patent was recorded in Tama County for the Toledo Juvenile Home to become the responsibility of the City of Toledo. As of that time, the State of Iowa no longer owns or operates the Toledo Juvenile Home.

In June 2022, the Iowa Homeland Security and Emergency Management Division entered into a contract with Zetron Inc., for the service period starting July 1, 2022. The purpose of this contract is to continue the implementation and maintenance of Public Safety Answering Point (PSAP) Shared Services. Per the Office of the Chief Information Officer (OCIO) Sole Source Procurement Justification form, the estimated total cost is \$236.1 million.

In July 2022, the University of Iowa issued Hospital Revenue Refunding Bonds, Series S.U.I. 2022C, in the amount of \$130,695,000 for the purpose of paying the principal and interest of the Hospital Refunding Bond Anticipation Note, Series S.U.I. 2021B maturing October 1, 2022, and paying costs of issuance. The 2022C bonds will bear interest at varying rates between 4% and 5% and will mature in varying amounts from September 1, 2023, through September 1, 2038.

In October 2022, the Iowa Board of Regents reached agreement with plaintiffs to settle the claims brought in the Myers, et al. v. Iowa Board of Regents. The settlement is subject to court approval. As a result of the tentative settlement with plaintiffs, the University of Iowa Hospital & Clinics recognized \$15 million within other current liabilities on the statement of net position as of June 30, 2022.

In May 2023, the University of Iowa issued Parking System Bond Anticipation Project Notes, Series S.U.I. 2023, in the amount of \$56,550,000. The proceeds of the Notes will be used to finance a portion of the cost of building, furnishing, and equipping a new parking facility on the campus of the University, to fund capitalized interest, and to pay the costs of issuing the Notes. The 2023 bonds will bear interest at 3.50% and will mature July 1, 2026. The notes are not secured by a debt reserve fund and will be refunded with a long-term bond issuance prior to the maturity date. The right is reserved by the Board of Regents to call and redeem the notes prior to the maturity on any date on or after July 1, 2024.

On December 29, 2021, Delaware North provided written notice to the Department of Natural Resources (DNR) that they were terminating the Concession Services Contract at Honey Creek Resort effective on April 14, 2023. On April 13, 2023, DNR signed a 28E agreement with the Department of Administrative Services (DAS). The agreement delegated the DNR's authority in operating the Resort to DAS. On March 31, 2023, DAS signed a Concessionaire Contract with Achieva Enterprises LLC to operate the resort for the period April 14, 2023 - April 13, 2029. On May 11, 2023 the 28E agreement between DAS and DNR was amended to include funds to pay for deferred maintenance that was identified in a fall 2022 condition assessment over the next three years, including \$800,000 from the FY23 State Parks Infrastructure appropriation and \$6 million from a FY 24 Honey Creek appropriation.

During State Fiscal year 2023, the Iowa Economic Development Authority provided funding to a wide variety of businesses, non-profits and housing developers to assist the state's economy with the continued recovery from the effects of COVID-19. This included funding both large and small manufacturers to assist them with upgrading their technology processes and automation; enabling non-profits to return to pre-pandemic level of services; development of downtown housing to assist with workforce attraction and the continued effort to jump-start Iowa's tourism industry via the spring advertising campaign. Total funding during this period was just over 19.5M.

During the 2023 legislative session, SF 514 and SF 513 were passed by the Legislature and signed by the Governor. Both bills dealt with alignment of state government, strategically aligning executive branch structure, operations, and personnel to elevate service, improve efficiency, and reduce the total number of cabinet-level departments from 37 to 16.

NOTE 24 – PROSPECTIVE ACCOUNTING CHANGE

Governmental Accounting Standards Board has issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement will be implemented for the fiscal year ending June 30, 2023. This statement addresses issues related to public-private and public-public partnership arrangements (PPPs).

STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

Governmental Accounting Standards Board has issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement will be implemented for the fiscal year ending June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs).

Governmental Accounting Standards Board has issued Statement No. 99, *Omnibus 2022*. Paragraphs 11-25 will be implemented for fiscal year ending June 30, 2023 and paragraphs 4-10 will be implemented for fiscal year ending June 30, 2024. This statement improves consistencies and enhances comparability in accounting and financial reporting.



REQUIRED
SUPPLEMENTARY
INFORMATION

STATE OF IOWA

Required Supplementary Information Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2022
(Expressed in Thousands)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE				
Special taxes:				
Personal income tax	\$ 5,106,000	\$ 5,515,400	\$ 5,793,622	\$ 278,222
Sales/use tax	3,405,600	3,804,300	3,798,728	(5,572)
Corporation income tax	707,100	916,900	955,746	38,846
Inheritance tax	77,200	91,300	94,231	2,931
Insurance premium tax	145,900	142,500	152,546	10,046
Cigarette tax	-	-	15	15
Beer & liquor tax	10,900	13,500	13,660	160
Franchise tax	67,600	65,100	72,340	7,240
Miscellaneous tax	22,800	19,100	34,396	15,296
Total special taxes	<u>9,543,100</u>	<u>10,568,100</u>	<u>10,915,284</u>	<u>347,184</u>
Reimbursements & fees:				
Institutional reimbursements	11,200	10,500	12,318	1,818
Liquor transfers	140,100	146,700	149,110	2,410
Interest	2,500	4,300	6,153	1,853
Fees	26,700	29,100	30,228	1,128
Judicial revenue	63,000	94,000	88,154	(5,846)
Miscellaneous receipts	48,900	50,400	70,003	19,603
Racing and gaming receipts	2,200	2,200	2,250	50
Total receipts	<u>9,837,700</u>	<u>10,905,300</u>	<u>11,273,500</u>	<u>368,200</u>
Transfers	114,000	125,000	130,028	5,028
Economic emergency fund surplus	202,000	233,633	233,633	-
TOTAL APPROPRIATED REVENUE	<u>10,153,700</u>	<u>11,263,933</u>	<u>11,637,161</u>	<u>373,228</u>
RECEIPTS CREDITED TO APPROPRIATIONS				
Other taxes	616	616	690	74
Multi suspense	31,172	31,797	31,418	(379)
Federal support	5,236,506	5,489,466	6,053,185	563,719
Local governments	41,897	41,897	38,079	(3,818)
Internal service transfers	555,597	559,105	584,984	25,879
Reimbursements from other departments	6,321	6,361	5,922	(439)
Government fund type transfers:				
Attorney General	21,069	21,167	21,461	294
Auditor of State	4,651	4,651	3,213	(1,438)
Other agencies	44,901	45,926	48,891	2,965
Interest	175	355	61	(294)
Fees, licenses & permits	60,711	62,603	45,478	(17,125)
Refunds & reimbursements	635,855	634,574	749,895	115,321
Sale of real estate	-	-	2	2
Sale of equipment & salvage	12	12	11	(1)
Rents & leases	1,321	1,321	1,299	(22)
Agricultural sales	-	-	1	1
Other sales & services	3,224	3,224	446	(2,778)
Unearned receipts	90,073	90,074	93,572	3,498
Other	11,524	11,618	10,739	(879)
Payroll deductions	-	-	10	10
Income Offsets	-	45,000	-	(45,000)
TOTAL APPROPRIATED RECEIPTS	<u>6,745,625</u>	<u>7,049,767</u>	<u>7,689,357</u>	<u>639,590</u>
TOTAL ALL REVENUE	<u>16,899,325</u>	<u>18,313,700</u>	<u>19,326,518</u>	<u>1,012,818</u>
SCHOOL INFRASTRUCTURE TRANSFER	(552,800)	(605,000)	(571,298)	33,702
REFUNDS OF TAXES COLLECTED	(1,110,400)	(1,254,200)	(1,028,794)	225,406
TOTAL REVENUES AVAILABLE	<u>15,236,125</u>	<u>16,454,500</u>	<u>17,726,426</u>	<u>1,271,926</u>

(continued on next page)

STATE OF IOWA

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

For the Year Ended June 30, 2022

(Expressed in Thousands)

(continued)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
EXPENDITURES				
Administration & regulation	886,915	931,447	884,731	46,716
Agriculture & natural resources	194,800	195,458	173,023	22,435
Economic development	66,455	67,094	62,466	4,628
Education	4,524,594	4,755,861	4,886,968	(131,107)
Health & human services	8,383,174	8,645,928	8,735,950	(90,022)
Justice	674,553	687,110	685,754	1,356
Judicial	196,680	196,683	193,512	3,171
Legislature	37,004	37,014	35,329	1,685
TOTAL EXPENDITURES	14,964,175	15,516,595	15,657,733	(141,138)
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	<u>271,950</u>	<u>937,905</u>	<u>2,068,693</u>	<u>1,130,788</u>
OTHER FINANCING SOURCES (USES)				
Balances credited to appropriations	345,805	357,619	357,619	-
Unexpended appropriations	(240,707)	(10,756)	(512,137)	(501,381)
TOTAL OTHER FINANCING SOURCES (USES)	<u>105,098</u>	<u>346,863</u>	<u>(154,518)</u>	<u>(501,381)</u>
REVENUES AVAILABLE OVER EXPENDITURES & OTHER ITEMS	377,048	1,284,768	1,914,175	629,407
BEGINNING FUND BALANCE (BUDGETARY)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REMAINING FUND BALANCE (BUDGETARY)	<u>\$ 377,048</u>	<u>\$ 1,284,768</u>	<u>\$ 1,914,175</u>	<u>\$ 629,407</u>
ENDING FUND BALANCE (BUDGETARY)	\$ 377,048	\$ 1,284,768	\$ 1,914,175	
AUTHORIZED TRANSFER TO THE:				
Cash Reserve Fund	(377,048)	(1,284,768)	(1,914,175)	
REMAINING FUND BALANCE (BUDGETARY)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	

STATE OF IOWA

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

June 30, 2022
(Expressed in Thousands)

Fund balance - budgetary/legal	\$ 1,914,175
Basis of accounting differences:	
Balance sheet accounts:	
Accounts receivable	663,401
Leases receivable	12,150
Due from other funds	3,705
Prepaid expenditures	45,599
Accounts payable & accruals	(613,020)
Due to other funds	(89,634)
Unearned revenue	(7,083)
Deferred revenue	(316,360)
Budgetary unexpended appropriations	512,137
Timing differences:	
Petty cash & inventory expensed in budgetary accounting	46,072
Perspective differences	<u>3,615,808</u>
Total fund balance - GAAP basis	<u><u>\$ 5,786,950</u></u>

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS

During the year ended June 30, 2022, actual expenditures exceeded budgeted expenditures in the General Fund, in the Education, and Health and Human Services functions. For the Education function, the Department of Education received additional federal and state funding for State Foundation School Aid and the School Food Service program over budget and expended those funds for allowable program expenditures. For the Health and Human Services function, the Department of Human Services received additional federal funding for the Medical Assistance program and expended those funds for allowable program expenditures.

BUDGETARY PRESENTATION

The budget encompasses the General Fund of the State and some Special Revenue Funds: Primary Road Fund, Fish and Game Trust Fund, Environment First Fund, Health Care Trust Fund and Other Funds. Other Funds include: IOWAccess Revolving Fund, Consumer Education Fund, Real Estate Education, Medicaid Fraud Fund, Unclaimed Winnings, Sports Wagering Receipts Fund, Technology Reinvestment Fund, Address Confidentiality Program Revolving Fund, Revenue Bonds Capital II Fund, Revenue Bonds Capital Fund, Underground Storage Tank Unassigned Revenue, Tobacco Tax Exempt Bond Proceeds Restricted Capital, Endowment for Iowa's Health Restricted Capitals Fund, Resources Enhancement and Protection Fund, Land Recycling Fund, Conservation Administration Fund, Forestry Management Enhancement Fund, Water Quality Protection, National Pollutant Discharge Elimination System Permit, Workforce Development Withholding, Wine and Beer Promotion Board Fund, Veterans License Plate Fund, Grow Iowa Values Fund, Renewable Fuel Infrastructure Fund, State Housing Trust Fund, Special Contingency Fund, Stafford Loan Program Fund, Pharmaceutical Settlement Fund, Hospital Health Care Access Trust Fund, Quality Assurance Fund, State Aviation Fund, and Court Technology and Modernization Fund. There is a perspective difference between budget and financial reporting due to the difference in fund structures. The budgetary presentation will vary from the financial presentation for funds displayed in the supplementary information due to this difference. The General Fund is displayed in the Required Supplementary Information (RSI) Budgetary Comparison Schedule. The major Special Revenue Funds, Tobacco Settlement Authority and Tobacco Collections Fund, do not have legally adopted budgets and, therefore, are not displayed. The nonmajor Special Revenue Funds are displayed with the combining financial statements and schedules for nonmajor funds in the Supplementary Information section.

The beginning budgetary fund balance for the nonmajor Special Revenue Funds was restated for the Veterans License Plate Fund and Federal Economic Stimulus and Jobs Holding Fund. The balance was also restated to correct an error in a prior year for the Revenue Bond Capital Fund. These funds are classified as Special Revenue Funds for budgetary purposes. The following summarizes the change to the beginning budgetary fund balance for nonmajor Special Revenue Funds (expressed in thousands):

	<u>Actual</u>
July 1, 2021 budgetary fund balances	\$ 350,235
Adjustment for:	
Veterans License Plate Fund	357
Federal Economic Stimulus & Jobs Holding Fund	(6)
Revenue Bond Capital Fund	<u>(2,284)</u>
Budgetary fund balances restated	<u>\$ 348,302</u>

The original budget and related estimated revenues and expenditures represent the spending authority enacted into law by the appropriations bills as of July 1, 2021 and includes estimated approved budgetary carry-forwards from the prior fiscal year.

The final appropriations budget represents original and supplemental appropriations, actual budgetary carry-forwards, approved transfers, executive order reductions and timing differences.

The State's budget is prepared annually by the Governor on a modified cash basis and is required to be submitted along with proposed appropriation bills to the General Assembly by the first of February prior to the new fiscal year. When an appropriation bill is passed by both houses of the General Assembly, the bill is enrolled and sent to the

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

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.

Departments may request revisions to allotments, appropriations transfers, or supplemental appropriations. The Department of Management approves revised allotments within an appropriation, subject to the Governor's review. The Governor and the Department of Management approve all appropriation transfers. The General Assembly and the Governor act on supplemental appropriation bills in a manner similar to original appropriations. Appropriations lapse at the fiscal year-end and all unencumbered or unobligated balances revert to the State treasury, unless otherwise provided.

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

Budgetary control is essentially maintained at the department fund level except for certain grant and aid programs where control is maintained at a program level. Revenues and expenditures are monitored on a continuing basis. State law authorizes the Governor to impose across-the-board pro rata reductions in allotments to ensure revenues and other available funds are sufficient to pay expenses of a given fiscal year.

Separate reports for the General Fund and budgeted Special Revenue Funds presenting detail of the legal level of control and actual expenditures are available from the Department of Management.

GENERAL FUND EXPENDITURE LIMITATION

The Code of Iowa, Section 8.54, establishes a State General Fund expenditure limitation of 99.0% of the adjusted revenue estimate. The adjusted revenue estimate is the appropriated revenue estimate for the General Fund for the following fiscal year as determined by the Revenue Estimating Conference, adjusted by subtracting estimated tax refunds payable from that estimated revenue and as determined by the Conference, adding any new revenues which may be considered to be eligible for deposit into the General Fund. "New revenues" means moneys which are received by the State due to increased tax rates and fees or newly created taxes and fees over and above those moneys which are received due to State taxes and fees which are in effect as of January 1 following the December Revenue Estimating Conference. "New revenues" also includes moneys received by the General Fund of the State due to new transfers over and above those moneys received by the General Fund of the State due to transfers which are in effect as of January 1 following the December Revenue Estimating Conference. The Department of Management shall obtain concurrence from the Revenue Estimating Conference on the eligibility of transfers to the General Fund which are to be considered as new revenue in determining the General Fund expenditure limitation.

This limitation shall be used by the Governor in the preparation of the budget and by the General Assembly in the budget process. If a source for new revenues is proposed, the budget revenue projection used for that new revenue source for the period beginning on the effective date of the new revenue source and ending in the fiscal year in which the source is included in the revenue base shall be an amount determined by subtracting estimated tax refunds payable from the projected revenue from the new revenue source, multiplied by 95.0%. If a new revenue source is established and implemented, the original General Fund expenditure limitation amount shall be readjusted to include 95.0% of the estimated revenue from the new source.

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

The scope of the expenditure limitation shall not encompass federal funds, donations, constitutionally dedicated moneys and moneys in expenditures from State retirement system moneys. The Governor shall submit and the

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

General Assembly shall pass a budget that does not exceed the State General Fund expenditure limitation. The Governor shall not submit and the General Assembly shall not pass a budget which in order to balance assumes reversion of a specific amount for the total of the appropriations included in the budget.

RESERVE FUNDS

The State maintains two reserve funds: the Cash Reserve Fund and the Iowa Economic Emergency Fund, created in Sections 8.56 and 8.55 of the Code of Iowa. These funds were established by formal action of the highest level of decision making authority as they were created by legislation passed by both the House and Senate and signed by the Governor. The law restricts the use and purpose of each fund. Formal action is required to use resources in the funds, modify their purpose or change the balances of the funds. Fund balances for both funds are included in the committed spendable fund balance classification.

The *Cash Reserve Fund* is separate from the General Fund of the State and is not to be considered part of the General Fund of the State except in determining the cash position of the State. The moneys in the Cash Reserve Fund cannot be transferred, used, obligated, appropriated or otherwise encumbered except as provided under Iowa Code Section 8.56. Interest or earnings on moneys deposited in the Cash Reserve Fund are credited to the Rebuild Iowa Infrastructure Fund. Moneys in this fund may be used for cash flow purposes provided that moneys so allocated are returned to the Cash Reserve Fund by the end of each fiscal year. The maximum balance of the fund is equal to 7.5% of the adjusted revenue estimated for the General Fund for the current fiscal year. The moneys in this fund may only be appropriated by the General Assembly for nonrecurring emergency expenditures and shall not be appropriated for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded. The balance in the Cash Reserve Fund may be used in determining the cash position of the General Fund of the State for payment of State obligations. An appropriation shall not be made from the Cash Reserve Fund if the appropriation would cause the fund's balance to be less than 3.75% of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

The *Iowa Economic Emergency Fund* is separate from the General Fund of the State and the fund is not to be considered part of the balance of the General Fund of the State. The moneys in the fund do not revert to the General Fund. The maximum balance of the fund is equal to 2.5% of the adjusted revenue estimate for the General Fund for the current fiscal year. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund. Moneys in this fund may be used for cash flow purposes provided that moneys so allocated are returned to the Iowa Economic Emergency Fund by the end of each fiscal year. The balance may be used in determining the cash position of the General Fund of the State for payment of State obligations. Amounts in excess of the maximum balance are distributed as follows: (1) the difference between the actual net revenue for the General Fund of the State and the adjusted revenue estimate for the fiscal year is transferred to the Taxpayers Trust Fund, (2) the remainder of the excess, if any, shall be transferred to the General Fund of the State.

The General Assembly can only appropriate moneys in the fund for emergency expenditures. A maximum of 1% of the adjusted revenue estimate for the fiscal year may be used to prevent a deficit in the General Fund when *all* of the following have occurred: (1) the balance of the General Fund of the State at the end of the fiscal year prior to the appropriation made in this paragraph was negative; and (2) the Governor has issued an official proclamation and has notified the Legislative Fiscal Committee and the Legislative Services Agency that the balance of the General Fund is negative and that an appropriation made pursuant to Iowa Code section 8.55 brings the General Fund of the State into balance. Additionally, the Executive Council may receive an amount sufficient to pay expenses authorized in 7D.29 of the Code of Iowa.

STATE OF IOWA

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

Iowa Public Employees' Retirement System (IPERS)

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
State's proportion of the net pension liability (asset)	36.428638% **	16.563546%	16.155224%	16.561596%	16.960683%
State's proportionate share of the net pension liability (asset)	\$ (125,776)	\$ 1,163,545	\$ 935,567	\$ 1,048,060	\$ 1,129,772
State's covered payroll	\$ 1,541,309	\$ 1,475,401	\$ 1,419,476	\$ 1,414,609	\$ 1,431,290
State's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-8.16%	78.86%	65.90%	74.09%	78.93%
Plan fiduciary net position as a percentage of the total pension liability	100.81%	82.90%	85.45%	83.62%	82.21%
	<u>2017</u>	<u>2016</u>	<u>2015</u>		
State's proportion of the net pension liability (asset)	17.130052%	16.899393%	17.009515%		
State's proportionate share of the net pension liability (asset)	\$ 1,078,059	\$ 834,918	\$ 674,583		
State's covered payroll	\$ 1,388,017	\$ 1,356,263	\$ 1,342,673		
State's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	77.67%	61.56%	50.24%		
Plan fiduciary net position as a percentage of the total pension liability	81.82%	85.19%	87.61%		

In accordance with GASB Statement No. 68, the amounts presented were determined as of June 30 of the preceding fiscal year.

* GASB Statement No. 68 requires ten years of information to be presented in this schedule; however, until a full 10-year trend is compiled, the State will present information for those years for which information is available.

** Overall plan net pension asset.

See accompanying independent auditor's report.

STATE OF IOWA

Required Supplementary Information Schedule of Changes in Net Pension Liability and Related Ratios

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

Last Nine Fiscal Years as of June 30 *

(Expressed in Thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability									
Service cost	\$ 14,906	\$ 14,707	\$ 12,692	\$ 12,194	\$ 12,109	\$ 13,071	\$ 12,207	\$ 11,847	\$ 11,551
Interest	53,322	51,368	50,117	48,185	46,564	42,298	41,661	40,222	38,880
Changes in benefit terms	-	-	-	-	-	-	-	-	(164)
Differences between expected & actual experience	1,028	(1,917)	(5,567)	(1,471)	(5,279)	(1,886)	(5,613)	(6,609)	(7,444)
Changes in assumptions	72,349	-	42,755	-	-	33,549	23,791	-	-
Benefit payments, including refunds of employee contributions	(37,440)	(35,085)	(33,672)	(32,643)	(30,966)	(29,362)	(28,284)	(26,693)	(25,432)
Net change in total pension liability	104,165	29,073	66,325	26,265	22,428	57,670	43,762	18,767	17,391
Total pension liability - beginning	780,150	751,077	684,752	658,487	636,059	578,389	534,627	515,860	498,469
Total pension liability - ending (a)	<u>\$ 884,315</u>	<u>\$ 780,150</u>	<u>\$ 751,077</u>	<u>\$ 684,752</u>	<u>\$ 658,487</u>	<u>\$ 636,059</u>	<u>\$ 578,389</u>	<u>\$ 534,627</u>	<u>\$ 515,860</u>
Plan fiduciary net position									
Contributions - employer	\$ 23,057	\$ 22,711	\$ 22,364	\$ 21,840	\$ 21,498	\$ 17,274	\$ 20,519	\$ 18,601	\$ 17,715
Contributions - employee	6,056	5,458	5,535	5,486	5,124	5,053	5,080	4,991	4,755
Net investment income (loss)	(173,854)	210,222	71,219	16,147	65,058	72,488	(4,581)	21,722	65,436
Benefit payments, including refunds of employee contributions	(37,440)	(35,085)	(33,672)	(32,643)	(30,966)	(29,362)	(28,284)	(26,693)	(25,432)
Administrative expense	(350)	(285)	(235)	(250)	(233)	(237)	(248)	(217)	(199)
Net change in fiduciary net position	(182,531)	203,021	65,211	10,580	60,481	65,216	(7,514)	18,404	62,275
Plan fiduciary net position - beginning	807,594	604,573	539,362	528,782	468,301	403,085	410,599	392,195	329,920
Plan fiduciary net position - ending (b)	<u>\$ 625,063</u>	<u>\$ 807,594</u>	<u>\$ 604,573</u>	<u>\$ 539,362</u>	<u>\$ 528,782</u>	<u>\$ 468,301</u>	<u>\$ 403,085</u>	<u>\$ 410,599</u>	<u>\$ 392,195</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 259,252</u>	<u>\$ (27,444)</u>	<u>\$ 146,504</u>	<u>\$ 145,390</u>	<u>\$ 129,705</u>	<u>\$ 167,758</u>	<u>\$ 175,304</u>	<u>\$ 124,028</u>	<u>\$ 123,665</u>
Plan fiduciary net position as a percentage of the total pension liability	70.68%	103.52%	80.49%	78.77%	80.30%	73.63%	69.69%	76.80%	76.03%
Covered payroll	\$ 48,803	\$ 47,869	\$ 46,931	\$ 45,514	\$ 44,589	\$ 42,212	\$ 47,028	\$ 43,873	\$ 43,845
Net pension liability (asset) as a percentage of covered payroll	531.22%	-57.33%	312.17%	319.44%	290.89%	397.42%	372.77%	282.70%	282.05%

* GASB Statement No. 68 requires ten years of information to be presented in this schedule; however, until a full 10-year trend is compiled, the State will present information for those years for which information is available.

See accompanying independent auditor's report.

STATE OF IOWA

Required Supplementary Information Schedule of Changes in Net Pension Liability and Related Ratios

Judicial Retirement System (JRS) Last Nine Fiscal Years as of June 30 * (Expressed in Thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability									
Service cost	\$ 7,928	\$ 7,823	\$ 7,666	\$ 7,124	\$ 6,230	\$ 6,235	\$ 6,231	\$ 6,438	\$ 6,503
Interest	16,434	16,048	15,957	15,417	14,396	13,880	13,548	13,392	13,022
Changes in benefit terms	-	-	-	-	(1,208)	-	-	-	-
Differences between expected & actual experience	980	(2,634)	(7,323)	(328)	(3,222)	(865)	(3,655)	(6,586)	(3,957)
Changes in assumptions	-	-	-	-	33,526	-	-	-	-
Benefit payments, including refunds of employee contributions	(15,803)	(15,233)	(14,699)	(13,724)	(12,812)	(11,950)	(11,460)	(10,891)	(10,377)
Net change in total pension liability	9,539	6,004	1,601	8,489	36,910	7,300	4,664	2,353	5,191
Total pension liability - beginning	251,237	245,233	243,632	235,143	198,233	190,933	186,269	183,916	178,725
Total pension liability - ending (a)	<u>\$ 260,776</u>	<u>\$ 251,237</u>	<u>\$ 245,233</u>	<u>\$ 243,632</u>	<u>\$ 235,143</u>	<u>\$ 198,233</u>	<u>\$ 190,933</u>	<u>\$ 186,269</u>	<u>\$ 183,916</u>
Plan fiduciary net position									
Contributions - employer	\$ 9,374	\$ 9,200	\$ 9,211	\$ 8,771	\$ 8,503	\$ 8,544	\$ 8,667	\$ 8,724	\$ 8,630
Contributions - employee	2,965	2,811	2,814	2,680	2,598	2,611	2,648	2,665	2,637
Net investment income (loss)	(71,280)	81,921	17,776	7,237	26,227	26,632	(2,673)	7,533	26,172
Benefit payments, including refunds of employee contributions	(15,803)	(15,233)	(14,699)	(13,724)	(12,812)	(11,950)	(11,460)	(10,891)	(10,377)
Administrative expense	(22)	(19)	(22)	(26)	(20)	(18)	(20)	(15)	(17)
Net change in fiduciary net position	(74,766)	78,680	15,080	4,938	24,496	25,819	(2,838)	8,016	27,045
Plan fiduciary net position - beginning	310,164	231,485	216,405	211,467	186,971	161,152	163,990	155,974	128,929
Plan fiduciary net position - ending (b)	<u>\$ 235,398</u>	<u>\$ 310,165</u>	<u>\$ 231,485</u>	<u>\$ 216,405</u>	<u>\$ 211,467</u>	<u>\$ 186,971</u>	<u>\$ 161,152</u>	<u>\$ 163,990</u>	<u>\$ 155,974</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 25,378</u>	<u>\$ (58,928)</u>	<u>\$ 13,748</u>	<u>\$ 27,227</u>	<u>\$ 23,676</u>	<u>\$ 11,262</u>	<u>\$ 29,781</u>	<u>\$ 22,279</u>	<u>\$ 27,942</u>
Plan fiduciary net position as a percentage of the total pension liability	90.27%	123.46%	94.39%	88.82%	89.93%	94.32%	84.40%	88.04%	84.81%
Covered payroll	\$ 30,633	\$ 30,065	\$ 30,100	\$ 28,664	\$ 27,788	\$ 27,922	\$ 28,322	\$ 28,510	\$ 28,203
Net pension liability(asset) as a percentage of covered payroll	82.85%	-196.00%	45.67%	94.99%	85.20%	40.33%	105.15%	78.14%	99.07%

* GASB Statement No. 68 requires ten years of information to be presented in this schedule; however, until a full 10-year trend is compiled, the State will present information for those years for which information is available.

See accompanying independent auditor's report.

STATE OF IOWA

**Required Supplementary Information
Schedule of Contributions**

Iowa Public Employees' Retirement System (IPERS)
Last Ten Fiscal Years as of June 30
(Expressed in Thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 149,496	\$ 144,855	\$ 139,227	\$ 134,356	\$ 126,868
Contributions in relation to statutorily required contributions	<u>149,496</u>	<u>144,855</u>	<u>139,227</u>	<u>134,356</u>	<u>126,868</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State's covered payroll	\$ 1,595,271	\$ 1,541,309	\$ 1,475,401	\$ 1,419,476	\$ 1,414,609
Contributions as a percentage of covered payroll	9.37%	9.40%	9.44%	9.47%	8.97%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 128,532	\$ 124,718	\$ 122,279	\$ 121,161	\$ 116,630
Contributions in relation to statutorily required contributions	<u>128,532</u>	<u>124,718</u>	<u>122,279</u>	<u>121,161</u>	<u>116,630</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State's covered payroll	\$ 1,431,290	\$ 1,388,017	\$ 1,356,263	\$ 1,342,673	\$ 1,322,751
Contributions as a percentage of covered payroll	8.98%	8.99%	9.02%	9.02%	8.82%

See Notes to Required Supplementary Information - Schedules of Contributions.

See accompanying independent auditor's report.

STATE OF IOWA

**Required Supplementary Information
Schedule of Contributions**

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

Last Ten Fiscal Years as of June 30

(Expressed in Thousands)

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 19,751	\$ 22,996	\$ 19,378	\$ 19,403	\$ 20,306
Actual employer contribution	23,057	22,711	22,364	21,840	21,498
Contribution deficiency (excess)	<u>\$ (3,306)</u>	<u>\$ 285</u>	<u>\$ (2,986)</u>	<u>\$ (2,437)</u>	<u>\$ (1,192)</u>
Covered payroll	\$ 48,803	\$ 47,869	\$ 46,931	\$ 45,514	\$ 44,589
Contributions as a percentage of covered payroll	47.25%	47.45%	47.65%	47.99%	48.21%
	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 17,746	\$ 17,081	\$ 16,957	\$ 18,187	\$ 18,665
Actual employer contribution	17,274	20,519	18,601	17,715	11,778
Contribution deficiency (excess)	<u>\$ 472</u>	<u>\$ (3,438)</u>	<u>\$ (1,644)</u>	<u>\$ 472</u>	<u>\$ 6,887</u>
Covered payroll	\$ 42,212	\$ 47,028	\$ 43,873	\$ 43,845	\$ 43,621
Contributions as a percentage of covered payroll	40.92%	43.63%	42.40%	40.40%	27.00%

See Notes to Required Supplementary Information - Schedules of Contributions.

See accompanying independent auditor's report.

STATE OF IOWA

**Required Supplementary Information
Schedule of Contributions**

Judicial Retirement System (JRS)

Last Ten Fiscal Years as of June 30

(Expressed in Thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 7,836	\$ 7,691	\$ 8,567	\$ 8,674	\$ 5,688
Actual employer contribution	9,373	9,200	9,211	8,771	8,503
Contribution deficiency (excess)	<u>\$ (1,537)</u>	<u>\$ (1,509)</u>	<u>\$ (644)</u>	<u>\$ (97)</u>	<u>\$ (2,815)</u>
Covered payroll	\$ 30,633	\$ 30,065	\$ 30,100	\$ 28,664	\$ 27,788
Contributions as a percentage of covered payroll	30.60%	30.60%	30.60%	30.60%	30.60%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 6,201	\$ 6,667	\$ 7,709	\$ 8,376	\$ 8,445
Actual employer contribution	8,544	8,667	8,724	8,630	8,232
Contribution deficiency (excess)	<u>\$ (2,343)</u>	<u>\$ (2,000)</u>	<u>\$ (1,015)</u>	<u>\$ (254)</u>	<u>\$ 213</u>
Covered payroll	\$ 27,922	\$ 28,322	\$ 28,510	\$ 28,203	\$ 26,903
Contributions as a percentage of covered payroll	30.60%	30.60%	30.60%	30.60%	30.60%

See Notes to Required Supplementary Information - Schedules of Contributions.

See accompanying independent auditor's report.

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Contributions

A. Iowa Public Employees' Retirement System (IPERS)

Changes of Benefit and Funding Terms

There are no significant changes in benefit terms.

Changes in Assumptions

Valuation date: July 1, 2021:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

Valuation date: July 1, 2018:

- Mortality assumption was changed to the family of RP-2014 Mortality Tables for all groups, with mortality improvements modeled using Scale MP-2017.
- Retirement rates for Regular members was lowered to better reflect actual experience. The Sheriffs and Deputies retirement assumption was modified to reflect lower retirement rates at younger ages. The Protection Occupation retirement rates were modified both higher and lower across age ranges.

Valuation date: July 1, 2017:

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

Valuation date: July 1, 2014:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

Valuation date: July 1, 2022

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

The following actuarial methods and assumptions were used to determine the actuarially determined employer contribution reported for the fiscal year ended June 30, 2022 (based on the July 1, 2021 actuarial valuation):

- *Actuarial cost method:* Entry age normal
- *Amortization method:* Level percentage of payroll, closed
- *Amortization period:* 20 years
- *Asset valuation method:* 5-year-smoothed market
- *Inflation:* 2.50%
- *Salary increase:* 4.00% to 8.50%, including inflation
- *Investment rate of return:* 6.50% compounded annually, net of investment expense, including inflation

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Contributions

- *Post-retirement adjustment:* Pensions are adjusted by a percentage, which varies by type of retirement, of the change in the compensation of active members of the same rank. In addition, a dollar adjustment is made which varies by a schedule based on the number of years since the member retired.
- *Mortality:* Pre-retirement mortality rates were based on the Pub-2010 Safety Employees Median Mortality Table, set-back 2 years for males and females, projected generationally using Scale MP-2021. Post-retirement mortality rates were based on the Pub-2010 Safety Employees Median Mortality Table, set-back 2 years for males and females, projected generationally using Scale MP-2021. Post-retirement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivors Mortality Table, set -back 2 years for males and females, projected generationally using Scale MP-2021. Disability mortality rates were based on the Pub-2010 Safety Disabled Retirees Mortality Table, set-back 2 years for males and females, projected generationally using Scale MP-2021.

Changes of Benefit and Funding Terms

The following changes to the plan provisions were made by the Iowa Legislature and are reflected in the valuation performed as of July 1 listed below:

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

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

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

2014: The 2014 Legislature passed House File 2450 which provided that cancer and infectious disease, as defined in the bill, will be presumed to have been contracted while the member was on active duty as a result of that duty. The presumption means that such members will be eligible for an accidental disability benefit rather than an ordinary disability benefit. The member contribution rate increased from 10.85% to 11.35% of payroll. The House File also increased the member contribution rate 0.05% to cover the cost of the benefit change so the total member contribution rate is 11.40%. The State's contribution rate increases from 29% to 31% of payroll, as scheduled by law.

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

Changes in Assumptions

July 1, 2022 valuation:

- The long-term investment return assumption was decreased from 7.00% to 6.50%.
- The mortality assumption was changed to the PUB-2010 Safety Mortality Table, set-back 2 years for males and females, with generationally mortality improvements using the MP-2021 scale.
- Retirement rates were changed to service-based rates.
- Accidental and Ordinary Disability rates were adjusted to better reflect actual experience.
- Termination rates were adjusted to better reflect actual experience.
- The merit salary increase assumption was adjusted to better reflect actual experience.

July 1, 2020 valuation:

- The price inflation assumption was decreased from 2.75% to 2.50%.
- The productivity assumption was increased from 0.75% to 1.00%.
- The payroll growth assumption was decreased from 3.00% to 2.75%.
- The long-term investment return assumption was decreased from 7.50% to 7.00%.

July 1, 2017 valuation:

- The mortality assumption was changed to the RP-2014 Mortality Table, with a one-year age setback for males. Generational mortality improvements are modeled using the MP-2016 scale.
- Retirement rates were modified for employees with less than 30 years of service.
- Accidental and Ordinary Disability rates were adjusted to better reflect actual experience.
- Termination rates were adjusted to better reflect actual experience.

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Contributions

- The salary increase assumption was adjusted to better reflect actual experience.
- The amortization of the UAAL was changed to a “layered” approach with new pieces of the UAAL amortized over a closed 20-year period, beginning with the July 1, 2018 valuation. The legacy UAAL (at July 1, 2017) continues to be amortized on its current schedule.
- The asset smoothing method was modified to recognize investment gains and losses over a five-year period rather than four.

July 1, 2016 valuation:

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

July 1, 2014 valuation:

- The disability assumption was modified to assume a higher portion of total disabilities will be payable as accidental disabilities as a result of a law passed which provides for a presumption of cancer and infectious diseases are contracted while on active duty.

C. Judicial Retirement System (JRS)

Valuation date: July 1, 2022

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

The following actuarial methods and assumptions were used to determine the actuarially determined employer contribution reported for the fiscal year ended June 30, 2022 (based on the July 1, 2021 actuarial valuation):

- *Actuarial cost method:* Entry age normal
- *Amortization method:* Level dollar, closed
- *Amortization period:* Initial base established July 1, 2009, over a closed 25-year period. A new base is established in each subsequent year equal to the difference in actual versus expected experience. The new base is amortized over a new, closed 25-year period commencing on the date it is established.
- *Asset valuation method:* 75% expected value plus 25% market value
- *Inflation:* 2.60%
- *Salary increase:* 3.75% including inflation
- *Investment rate of return:* 6.75% compounded annually
- *Mortality:* RP-2014 White Collar Mortality Tables with a two-year age setback and generational improvements using MP-2017.

Changes of Benefit and Funding Terms

The following changes to the plan provisions were made by the Iowa Legislature and are reflected in the valuation performed as of July 1 listed below:

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

Changes in Assumptions

July 1, 2018 valuation:

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

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Schedules of Contributions

July 1, 2013 valuation:

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

STATE OF IOWA

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

State Plan

Last Five Fiscal Years as of June 30 *

(Expressed in Thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB liability				
Service cost	\$ 17,294	\$ 17,256	\$ 13,491	\$ 12,374
Interest	4,865	4,929	7,244	7,448
Differences between expected & actual experience	61,042	(5,897)	(6,842)	-
Changes in assumptions	(60,080)	(3,067)	10,426	4,773
Change in proportion	-	-	-	-
Benefit payments - implicit subsidy	(12,551)	(12,356)	(11,338)	(11,073)
Net change in total OPEB liability	10,570	865	12,981	13,522
Total OPEB liability - beginning	212,920	212,055	199,074	185,552
Total OPEB liability - ending	<u>\$ 223,490</u>	<u>\$ 212,920</u>	<u>\$ 212,055</u>	<u>\$ 199,074</u>
Covered payroll	\$ 1,428,761	\$ 1,407,753	\$ 1,365,553	\$ 1,249,303
Total OPEB liability as a percentage of covered payroll	15.64%	15.12%	15.53%	15.93%
	<u>2018</u>			
Total OPEB liability				
Service cost	\$ 12,964			
Interest	6,520			
Differences between expected & actual experience	(1,066)			
Changes in assumptions	2,642			
Change in proportion	(23)			
Benefit payments - implicit subsidy	(9,191)			
Net change in total OPEB liability	11,846			
Total OPEB liability - beginning	173,706			
Total OPEB liability - ending	<u>\$ 185,552</u>			
Covered payroll	\$ 1,254,711			
Total OPEB liability as a percentage of covered payroll	14.79%			

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

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

See accompanying independent auditor's report.

STATE OF IOWA

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

University Plans

Last Five Fiscal Years as of June 30 *

(Expressed in Thousands)

	2022			2021			2020		
	U of I	ISU	UNI	U of I	ISU	UNI	U of I	ISU	UNI
Total OPEB liability									
Service cost	\$ 9,115	\$ 3,881	\$ 487	\$ 7,028	\$ 5,470	\$ 1,123	\$ 3,860	\$ 6,714	\$ 1,769
Interest	4,593	943	277	6,214	2,052	427	5,604	3,382	885
Differences between expected & actual experience	(7,927)	2,124	(1,471)	(181)	(22,902)	(267)	4,430	(24,818)	(10,479)
Changes in assumptions	(19,966)	781	(1,556)	27,290	3,243	(3,537)	26,867	2,251	(74)
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Benefit payments	(12,324)	(3,796)	(461)	(11,931)	(5,669)	(549)	(10,497)	(5,571)	(711)
Net change in total OPEB liability	(26,509)	3,933	(2,724)	28,420	(17,806)	(2,803)	30,264	(18,042)	(8,610)
Total OPEB liability - beginning	204,841	42,473	12,390	176,421	60,279	15,193	146,157	78,321	23,803
Total OPEB liability - ending	<u>\$ 178,332</u>	<u>\$ 46,406</u>	<u>\$ 9,666</u>	<u>\$ 204,841</u>	<u>\$ 42,473</u>	<u>\$ 12,390</u>	<u>\$ 176,421</u>	<u>\$ 60,279</u>	<u>\$ 15,193</u>
Covered payroll	\$ 1,482,214	\$ 476,625	\$ 163,404	\$ 1,384,343	\$ 462,527	\$ 162,977	\$ 1,384,343	\$ 465,055	\$ 171,815
Total OPEB liability as a percentage of covered payroll	12.03%	9.74%	5.92%	14.80%	9.18%	7.60%	12.74%	12.96%	8.84%
	2019			2018					
	U of I	ISU	UNI	U of I	ISU	UNI			
Total OPEB liability									
Service cost	\$ 4,193	\$ 7,335	\$ 1,767	\$ 33,734	\$ 6,464	\$ 1,690			
Interest	4,971	3,084	980	18,168	2,868	807			
Differences between expected & actual experience	1	(7,719)	(3,327)	48,567	3,076	-			
Changes in assumptions	(13,968)	(3,800)	1,091	(95,303)	6,260	779			
Changes in benefit terms	21,519	-	-	(465,008)	-	-			
Benefit payments	(10,394)	(5,713)	(533)	(8,001)	(4,654)	(600)			
Net change in total OPEB liability	6,322	(6,813)	(22)	(467,843)	14,014	2,676			
Total OPEB liability - beginning	139,835	85,134	23,825	607,678	71,120	21,149			
Total OPEB liability - ending	<u>\$ 146,157</u>	<u>\$ 78,321</u>	<u>\$ 23,803</u>	<u>\$ 139,835</u>	<u>\$ 85,134</u>	<u>\$ 23,825</u>			
Covered payroll	\$ 1,308,289	\$ 457,651	\$ 172,925	\$ 1,291,758	\$ 443,245	\$ 169,533			
Total OPEB liability as a percentage of covered payroll	11.17%	17.11%	13.76%	10.83%	19.21%	14.05%			

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

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

See accompanying independent auditor's report.

STATE OF IOWA

Required Supplementary Information

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

A. State Plan

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

Changes in Assumptions

2022:

- Increased the discount rate from 2.16% to 3.54%.
- Updated medical claims costs based on recent experience.
- Updated annual medical trend rates based on recent experience and future expectations.

2021:

- Decreased the discount rate from 2.21% to 2.16%.
- Updated medical claims costs based on recent experience.
- Updated annual medical trend rates based on recent experience and future expectations.

2020:

- Decreased the discount rate from 3.50% to 2.21%.
- Updated medical claims costs and premiums based on recent experience.
- Updated annual medical trend rates based on industry observations and the current SOA-Getzen model.
- Updated mortality assumptions and the salary scale to be consistent with the assumptions used in the June 30, 2019 IPERS actuarial valuation.

2019:

- Decreased the discount rate from 3.87% to 3.50%.

2018:

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

B. University Plans

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

Changes of Benefit and Funding Terms

2020:

ISU:

- An eligibility cut-off date for life insurance has been implemented such that only employees retiring prior to July 1, 2020, are eligible for life insurance coverage. The impact of this change is a decrease in liabilities.
- An eligibility cut-off date for long-term disability has been implemented such that only employees approved for LTD and participating in the subsidy program prior to July 1, 2020 are eligible for LTD coverage. The impact of this change is a decrease in liabilities.
- A new Retirement Incentive Option Program has been implemented for fiscal year 2020/21, which includes three options that provide retirees with a one-time, up-front payout of pension-related employer contributions, medical/dental coverage, or a combination of both. As part of this change, the retirement rates for FY 2020/21 only have been increased by 133% to reflect expected increased retirements in 2020/21. The impact of these changes is an increase in liabilities.
- The Affordable Care Act Excise Tax was repealed in December 2019, so this valuation no longer reflects any liabilities associated with the Tax. The impact of this change is a slight decrease in liabilities.

2018:

U of I:

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

STATE OF IOWA

Required Supplementary Information

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

Changes in Assumptions

2022:

U of I:

- Decreased the discount rate from 2.21% to 2.16%.
- Updated rates to better reflect recent experience.
- Changed the mortality projection scale from MP-2018 to MP-2020.
- Decreased the healthcare trend rate from 6.19% to 6.12%.

ISU:

- Increased the discount rate from 2.12% to 2.25%.
- Changed the mortality projection scale from MP-2019 to MP-2021.

UNI:

- Increased the discount rate from 2.19 to 4.09%.
- Changed the mortality projection scale from MP-2019 to MP-2021.

2021:

U of I:

- Decreased the discount rate from 3.50% to 2.21%.
- Removed the impact of the excise tax on high cost plans from future medical trend rate assumptions.

ISU:

- Decreased the discount rate from 3.26% to 2.12%.

UNI:

- Decreased the discount rate from 2.66 to 2.19%.

2020:

U of I:

- Decreased the discount rate from 3.58% to 3.50%.
- Changed the mortality assumption for healthy lives from the RP-2014 Aggregate Mortality Table projected using Scale MP-2016 to the Pub-2010 Aggregate Mortality Table projected using Scale MP-2018, and for disabled lives from the CIA 1988-94 LTD Table to the Pub-2010 Disabled Mortality Table projected using Scale MP-2018.
- Updated the healthcare trend rates to a schedule of rates beginning at 6.65% in 2019, grading down to 4.50% in 2028 and beyond for pre-65 participants and 7.61% in 2019 grading down to 4.50% in 2029 and beyond for post-65 participants.
- Changed the marginal cost adjustment factors for pre-65 participants from 60.10% to 62.90% and for post-65 participants from 87.60% to 89.50%.
- Updated the impact of the excise tax on high cost plans based on current claims and medical trend assumptions.

ISU:

- Decreased the discount rate from 4.11% to 3.26%.
- Changed the mortality assumption for actives and healthy retirees from the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 to Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019, for surviving spouses from the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 to Pub-2010 Contingent Survivor Headcount

STATE OF IOWA

Required Supplementary Information

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

Weighted Mortality Table fully generational using Scale PM-2019, and for disabled retirees from the RPH-2017 Disabled Retiree Mortality Table fully generational using Scale MP-2017 set forward 10 years to Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2019 .

- Medical trend rates have been set to an initial rate of 8.00% decreasing by 0.50% annually to an ultimate rate of 4.50%.

UNI:

- Decreased the discount rate from 3.51% to 2.66%.
- Changed the mortality assumption from the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 to Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019 for non-faculty employees and retirees, to Pub-2010 Teachers Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019 for faculty employees and retirees, and to Pub-2010 Contingent Survivor Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019 for surviving spouses.
- Updated the termination and retirement rates to follow the actuarial assumptions from the IPERS actuarial valuation as of June 30, 2019.
- Medical trend rates have been set to an initial rate of 8.00% decreasing by 0.50% annually to an ultimate rate of 4.50%.

2019:

U of I:

- Increased the discount rate from 3.58% to 3.87%.
- Changed the Merit employees demographic assumptions from State to University assumptions.

ISU:

- Increased the discount rate from 3.44% to 4.11%.

UNI:

- Decreased the discount rate from 3.87% to 3.51%.

2018:

U of I:

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

ISU:

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

UNI:

- Increased the discount rate from 3.58% to 3.87%.

STATE OF IOWA

Required Supplementary Information

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

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



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

STATE OF IOWA
Combining Balance Sheet
Nonmajor Governmental Funds - By Fund Type

June 30, 2022
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Current assets:				
Cash & investments	\$ 102,025	\$ 30,181	\$ 17,731	\$ 149,937
Accounts receivable (net)	30,157	556	-	30,713
Loans receivable (net)	95	-	-	95
Due from other funds	1,814	2,968	-	4,782
Inventory	188	-	-	188
Prepaid expenditures	334	-	-	334
Total current assets	<u>134,613</u>	<u>33,705</u>	<u>17,731</u>	<u>186,049</u>
Noncurrent assets:				
Accounts receivable (net)	<u>82</u>	<u>-</u>	<u>-</u>	<u>82</u>
TOTAL ASSETS	<u>\$ 134,695</u>	<u>\$ 33,705</u>	<u>\$ 17,731</u>	<u>\$ 186,131</u>
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	\$ 4,349	\$ 4,689	\$ -	\$ 9,038
Due to other funds	19,957	22,880	-	42,837
Unearned revenue	<u>1,939</u>	<u>934</u>	<u>-</u>	<u>2,873</u>
Total current liabilities	<u>26,245</u>	<u>28,503</u>	<u>-</u>	<u>54,748</u>
Noncurrent liabilities:				
Accounts payable & accruals	<u>359</u>	<u>-</u>	<u>-</u>	<u>359</u>
TOTAL LIABILITIES	<u>26,604</u>	<u>28,503</u>	<u>-</u>	<u>55,107</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	7,734	400	-	8,134
Unconditional remainder interest	<u>216</u>	<u>-</u>	<u>-</u>	<u>216</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,950</u>	<u>400</u>	<u>-</u>	<u>8,350</u>
FUND BALANCES				
Nonspendable	522	-	17,731	18,253
Spendable:				
Restricted	83,110	-	-	83,110
Committed	16,633	5,238	-	21,871
Unassigned	<u>(124)</u>	<u>(436)</u>	<u>-</u>	<u>(560)</u>
TOTAL FUND BALANCES	<u>100,141</u>	<u>4,802</u>	<u>17,731</u>	<u>122,674</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u>\$ 134,695</u>	<u>\$ 33,705</u>	<u>\$ 17,731</u>	<u>\$ 186,131</u>

STATE OF IOWA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds - By Fund Type

For the Year Ended June 30, 2022
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Receipts from other entities	\$ 4,695	\$ 4,851	\$ -	\$ 9,546
Investment income (loss)	(2,979)	-	-	(2,979)
Fees, licenses & permits	74,033	-	-	74,033
Refunds & reimbursements	3,764	241	-	4,005
Sales, rents & services	6,251	-	-	6,251
Miscellaneous	35,703	-	1,551	37,254
GROSS REVENUES	121,467	5,092	1,551	128,110
Less revenue refunds	4,019	7	-	4,026
NET REVENUES	117,448	5,085	1,551	124,084
EXPENDITURES				
Current:				
Administration & regulation	22,136	15	-	22,151
Education	22,577	-	-	22,577
Health & human rights	524	-	-	524
Human services	271	-	-	271
Justice & public defense	1,575	-	-	1,575
Transportation	751	-	-	751
Agriculture & natural resources	1,322	8,191	-	9,513
Capital outlay:				
Administration & regulation	2	4,083	-	4,085
Education	126	605	-	731
Health & human rights	62	5,344	-	5,406
Human services	-	1,253	-	1,253
Justice & public defense	666	1,165	-	1,831
Transportation	3,035	-	-	3,035
Agriculture & natural resources	1,109	12,114	-	13,223
TOTAL EXPENDITURES	54,156	32,770	-	86,926
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	63,292	(27,685)	1,551	37,158
OTHER FINANCING SOURCES (USES)				
Transfers in	2,487	28,480	-	30,967
Transfers out	(86,613)	(891)	-	(87,504)
Leases, installment purchases & other	1,836	-	-	1,836
TOTAL OTHER FINANCING SOURCES (USES)	(82,290)	27,589	-	(54,701)
NET CHANGE IN FUND BALANCES	(18,998)	(96)	1,551	(17,543)
FUND BALANCES - JULY 1	119,139	4,898	16,180	140,217
FUND BALANCES - JUNE 30	\$ 100,141	\$ 4,802	\$ 17,731	\$ 122,674



COMBINING FINANCIAL STATEMENTS

Nonmajor Special Revenue Funds

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

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

Hospital Health Care Access Trust Fund receives hospital health care access assessments imposed by Chapter 249M of the Code of Iowa. These funds are to be used to reimburse participating hospitals the medical assistance program upper payment limit for inpatient and outpatient hospital services. Following payment of such upper payment limit to participating hospitals, any remaining funds on an annual basis may be used for any of the following purposes: (a) to support medical assistance program utilization shortfalls, (b) to maintain the state's capacity to provide access to and delivery of services for vulnerable Iowans, (c) to fund the health care workforce support initiative, (d) to support access to health care services for uninsured Iowans, and (e) to support Iowa hospital programs and services which expand access to health care services for Iowans.

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

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

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, 2022
(Expressed in Thousands)

	GUARANTY AGENCY OPERATING	HOSPITAL HEALTH CARE ACCESS FUND	QUALITY ASSURANCE TRUST FUND	IOWA PBS FOUNDATION	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 25,262	\$ 1,035	\$ 169	\$ 18,094	\$ 57,465	\$ 102,025
Accounts receivable (net)	2,312	5,021	16,533	2,165	4,126	30,157
Loans receivable (net)	95	-	-	-	-	95
Due from other funds	75	2	1	-	1,736	1,814
Inventory	-	-	-	56	132	188
Prepaid expenditures	92	-	-	28	214	334
Total current assets	<u>27,836</u>	<u>6,058</u>	<u>16,703</u>	<u>20,343</u>	<u>63,673</u>	<u>134,613</u>
Noncurrent assets:						
Accounts receivable (net)	-	-	-	-	82	82
TOTAL ASSETS	<u><u>\$ 27,836</u></u>	<u><u>\$ 6,058</u></u>	<u><u>\$ 16,703</u></u>	<u><u>\$ 20,343</u></u>	<u><u>\$ 63,755</u></u>	<u><u>\$ 134,695</u></u>
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	\$ 275	\$ -	\$ -	\$ 148	\$ 3,926	\$ 4,349
Due to other funds	50	6,058	12,038	1,067	744	19,957
Unearned revenue	458	-	-	-	1,481	1,939
Total current liabilities	<u>783</u>	<u>6,058</u>	<u>12,038</u>	<u>1,215</u>	<u>6,151</u>	<u>26,245</u>
Noncurrent liabilities:						
Accounts payable & accruals	-	-	-	337	22	359
TOTAL LIABILITIES	<u>783</u>	<u>6,058</u>	<u>12,038</u>	<u>1,552</u>	<u>6,173</u>	<u>26,604</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	1,200	-	4,665	1,558	311	7,734
Unconditional remainder interest	-	-	-	216	-	216
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,200</u>	<u>-</u>	<u>4,665</u>	<u>1,774</u>	<u>311</u>	<u>7,950</u>
FUND BALANCES						
Nonspendable	92	-	-	84	346	522
Spendable:						
Restricted	25,761	-	-	16,933	40,416	83,110
Committed	-	-	-	-	16,633	16,633
Unassigned	-	-	-	-	(124)	(124)
TOTAL FUND BALANCES	<u>25,853</u>	<u>-</u>	<u>-</u>	<u>17,017</u>	<u>57,271</u>	<u>100,141</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u><u>\$ 27,836</u></u>	<u><u>\$ 6,058</u></u>	<u><u>\$ 16,703</u></u>	<u><u>\$ 20,343</u></u>	<u><u>\$ 63,755</u></u>	<u><u>\$ 134,695</u></u>

STATE OF IOWA

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

For the Year Ended June 30, 2022
(Expressed in Thousands)

	GUARANTY AGENCY OPERATING	HOSPITAL HEALTH CARE ACCESS FUND	QUALITY ASSURANCE TRUST FUND	IOWA PBS FOUNDATION	OTHER FUNDS	TOTAL
REVENUES						
Receipts from other entities	\$ 4,028	\$ -	\$ -	\$ -	\$ 667	\$ 4,695
Investment income (loss)	(255)	7	7	(2,604)	(134)	(2,979)
Fees, licenses & permits	-	20,031	39,232	-	14,770	74,033
Refunds & reimbursements	3,530	-	-	-	234	3,764
Sales, rents & services	-	-	-	-	6,251	6,251
Miscellaneous	-	-	-	10,969	24,734	35,703
GROSS REVENUES	7,303	20,038	39,239	8,365	46,522	121,467
Less revenue refunds	-	-	-	-	4,019	4,019
NET REVENUES	7,303	20,038	39,239	8,365	42,503	117,448
EXPENDITURES						
Current:						
Administration & regulation	-	-	-	-	22,136	22,136
Education	7,796	-	-	4,126	10,655	22,577
Health & human rights	-	-	-	-	524	524
Human services	-	-	-	-	271	271
Justice & public defense	-	-	-	-	1,575	1,575
Transportation	-	-	-	-	751	751
Agriculture & natural resources	-	-	-	-	1,322	1,322
Capital outlay:						
Administration & regulation	-	-	-	-	2	2
Education	126	-	-	-	-	126
Health & human rights	-	-	-	-	62	62
Justice & public defense	-	-	-	-	666	666
Transportation	-	-	-	-	3,035	3,035
Agriculture & natural resources	-	-	-	-	1,109	1,109
TOTAL EXPENDITURES	7,922	-	-	4,126	42,108	54,156
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(619)	20,038	39,239	4,239	395	63,292
OTHER FINANCING SOURCES (USES)						
Transfers in	840	-	-	-	1,647	2,487
Transfers out	(254)	(29,358)	(49,538)	(6,217)	(1,246)	(86,613)
Leases, installment purchases & other	-	-	-	-	1,836	1,836
TOTAL OTHER FINANCING SOURCES (USES)	586	(29,358)	(49,538)	(6,217)	2,237	(82,290)
NET CHANGE IN FUND BALANCES	(33)	(9,320)	(10,299)	(1,978)	2,632	(18,998)
FUND BALANCES - JULY 1	25,886	9,320	10,299	18,995	54,639	119,139
FUND BALANCES - JUNE 30	\$ 25,853	\$ -	\$ -	\$ 17,017	\$ 57,271	\$ 100,141



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, 2022
(Expressed in Thousands)

	PRIMARY ROAD FUND				FISH AND GAME TRUST FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	\$ 748,998	\$ 748,998	\$ 782,203	\$ 33,205	\$ 203	\$ 203	\$ 404	\$ 201
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	-	-	-	-	-	-	-	-
Cigarette tax	-	-	-	-	-	-	-	-
Tobacco products tax	-	-	-	-	-	-	-	-
Liquor tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Wagering tax receipts	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Federal support	586,000	586,000	576,616	(9,384)	16,268	16,268	21,884	5,616
Local governments	11,058	11,058	1,768	(9,290)	-	-	-	-
Other states	79,704	79,704	29,393	(50,311)	-	-	-	-
Reimbursements from other agencies	-	-	-	-	25	25	3	(22)
Governmental fund type transfers from other agencies	150,872	150,872	145,837	(5,035)	500	500	85	(415)
Interest	-	-	-	-	50	50	52	2
Bonds & loans	12,411	12,411	-	(12,411)	-	-	-	-
Fees, licenses & permits	1,700	1,700	5,485	3,785	35,700	35,700	41,969	6,269
Refunds & reimbursements	-	-	21	21	400	400	900	500
Sale of real estate	2,415	2,415	701	(1,714)	250	250	-	(250)
Sale of equipment & salvage	-	-	-	-	2	2	-	(2)
Rents & leases	15	15	124	109	500	500	602	102
Agricultural sales	-	-	-	-	325	325	242	(83)
Other sales & services	-	-	-	-	750	750	491	(259)
Unearned receipts	-	-	(11)	(11)	465	465	211	(254)
Income tax checkoffs	-	-	-	-	150	150	251	101
Other	106,884	106,892	13,813	(93,079)	540	540	608	68
TOTAL APPROPRIATED RECEIPTS	951,059	951,067	773,747	(177,320)	55,925	55,925	67,298	11,373
TOTAL REVENUES AVAILABLE	1,700,057	1,700,065	1,555,950	(144,115)	56,128	56,128	67,702	11,574
EXPENDITURES:								
Administration & regulation	-	-	-	-	-	-	-	-
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Transportation	1,206,295	1,235,042	1,141,761	93,281	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,206,295	1,235,042	1,141,761	93,281	-	-	-	-
TRANSFERS	490,108	490,609	348,955	141,654	63,542	63,542	62,693	849
TOTAL EXPENDITURES & TRANSFERS	1,696,403	1,725,651	1,490,716	234,935	63,542	63,542	62,693	849
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	3,654	(25,586)	65,234	90,820	(7,414)	(7,414)	5,009	12,423
FUND BALANCES - JULY 1 (BUDGETARY)	235,120	175,133	175,133	-	12,320	18,761	18,761	-
FUND BALANCES - JUNE 30 (BUDGETARY)	\$ 238,774	\$ 149,547	\$ 240,367	\$ 90,820	\$ 4,906	\$ 11,347	\$ 23,770	\$ 12,423

(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, 2022
(Expressed in Thousands)
(continued)

	ENVIRONMENT FIRST FUND				HEALTH CARE TRUST FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	\$ 42,000	\$ 42,000	\$ 42,000	\$ -	\$ -	\$ -	\$ -	\$ -
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	-	-	-	-	-	-	-	-
Cigarette tax	-	-	-	-	174,260	174,260	159,777	(14,483)
Tobacco products tax	-	-	-	-	32,310	32,310	30,615	(1,695)
Liquor tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Wagering tax receipts	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Federal support	-	-	-	-	-	-	-	-
Local governments	-	-	-	-	-	-	-	-
Other states	-	-	-	-	-	-	-	-
Reimbursements from other agencies	-	-	-	-	-	-	-	-
Governmental fund type transfers from other agencies	-	-	-	-	-	-	-	-
Interest	-	-	-	-	130	130	62	(68)
Bonds & loans	-	-	-	-	-	-	-	-
Fees, licenses & permits	-	-	-	-	-	-	-	-
Refunds & reimbursements	130	130	552	422	-	-	-	-
Sale of real estate	-	-	-	-	-	-	-	-
Sale of equipment & salvage	-	-	-	-	-	-	-	-
Rents & leases	-	-	-	-	-	-	-	-
Agricultural sales	-	-	-	-	-	-	-	-
Other sales & services	-	-	-	-	-	-	-	-
Unearned receipts	-	-	-	-	-	-	-	-
Income tax checkoffs	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL APPROPRIATED RECEIPTS	130	130	552	422	206,700	206,700	190,454	(16,246)
TOTAL REVENUES AVAILABLE	42,130	42,130	42,552	422	206,700	206,700	190,454	(16,246)
EXPENDITURES:								
Administration & regulation	13,213	13,194	11,424	1,770	-	-	-	-
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	13,213	13,194	11,424	1,770	-	-	-	-
TRANSFERS	33,872	33,872	30,177	3,695	201,200	201,200	190,819	10,381
TOTAL EXPENDITURES & TRANSFERS	47,085	47,066	41,601	5,465	201,200	201,200	190,819	10,381
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	(4,955)	(4,936)	951	5,887	5,500	5,500	(365)	(5,865)
FUND BALANCES - JULY 1 (BUDGETARY)	5,485	13,667	13,667	-	1,206	3,384	3,384	-
FUND BALANCES - JUNE 30 (BUDGETARY)	\$ 530	\$ 8,731	\$ 14,618	\$ 5,887	\$ 6,706	\$ 8,884	\$ 3,019	\$ (5,865)

(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, 2022
(Expressed in Thousands)
(continued)

	OTHER FUNDS				TOTAL			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	\$ 54,879	\$ 55,704	\$ 42,674	\$ (13,030)	\$ 846,080	\$ 846,905	\$ 867,281	\$ 20,376
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	530	530	199	(331)	530	530	199	(331)
Cigarette tax	-	-	-	-	174,260	174,260	159,777	(14,483)
Tobacco products tax	-	-	-	-	32,310	32,310	30,615	(1,695)
Liquor tax	690	690	223	(467)	690	690	223	(467)
Other taxes	9,900	9,900	146	(9,754)	9,900	9,900	146	(9,754)
Wagering tax receipts	-	-	9,604	9,604	-	-	9,604	9,604
Individual income tax quarterly	7,750	7,750	7,750	-	7,750	7,750	7,750	-
Federal support	6,112	4,913	5,086	173	608,380	607,181	603,586	(3,595)
Local governments	7,140	7,139	7,001	(138)	18,198	18,197	8,769	(9,428)
Other states	1	1	-	(1)	79,705	79,705	29,393	(50,312)
Reimbursements from other agencies	4,096	4,096	7,079	2,983	4,121	4,121	7,082	2,961
Governmental fund type transfers from other agencies	3,276	3,276	14,008	10,732	154,648	154,648	159,930	5,282
Interest	634	634	478	(156)	814	814	592	(222)
Bonds & loans	51	1,051	1,240	189	12,462	13,462	1,240	(12,222)
Fees, licenses & permits	102,667	105,717	95,431	(10,286)	140,067	143,117	142,885	(232)
Refunds & reimbursements	3,218	3,218	6,231	3,013	3,748	3,748	7,704	3,956
Sale of real estate	-	-	-	-	2,665	2,665	701	(1,964)
Sale of equipment & salvage	50	50	26	(24)	52	52	26	(26)
Rents & leases	-	-	19	19	515	515	745	230
Agricultural sales	-	-	-	-	325	325	242	(83)
Other sales & services	423	423	439	16	1,173	1,173	930	(243)
Unearned receipts	122	122	298	176	587	587	498	(89)
Income tax checkoffs	-	-	-	-	150	150	251	101
Other	217	222	320	98	107,641	107,654	14,741	(92,913)
TOTAL APPROPRIATED RECEIPTS	146,877	149,732	155,578	5,846	1,360,691	1,363,554	1,187,629	(175,925)
TOTAL REVENUES AVAILABLE	201,756	205,436	198,252	(7,184)	2,206,771	2,210,459	2,054,910	(155,549)
EXPENDITURES:								
Administration & regulation	28,177	30,027	29,385	642	41,390	43,221	40,809	2,412
Agriculture & natural resources	17,214	17,214	16,531	683	17,214	17,214	16,531	683
Economic development	36,120	40,670	26,381	14,289	36,120	40,670	26,381	14,289
Education	10,439	10,385	8,112	2,273	10,439	10,385	8,112	2,273
Health & human services	55	130	84	46	55	130	84	46
Transportation	2,003	2,003	3,003	(1,000) *	1,208,298	1,237,045	1,144,764	92,281
Judicial	8,700	8,700	3,127	5,573	8,700	8,700	3,127	5,573
TOTAL EXPENDITURES	102,708	109,129	86,623	22,506	1,322,216	1,357,365	1,239,808	117,557
TRANSFERS	129,320	126,292	104,956	21,336	918,042	915,515	737,600	177,915
TOTAL EXPENDITURES & TRANSFERS	232,028	235,421	191,579	43,842	2,240,258	2,272,880	1,977,408	295,472
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	(30,272)	(29,985)	6,673	36,658	(33,487)	(62,421)	77,502	139,923
FUND BALANCES - JULY 1 (BUDGETARY)	117,875	137,357	137,357	-	372,006	348,302	348,302	-
FUND BALANCES - JUNE 30 (BUDGETARY)	\$ 87,603	\$ 107,372	\$ 144,030	\$ 36,658	\$ 338,519	\$ 285,881	\$ 425,804	\$ 139,923

* 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 State Aviation fund in the Transportation function.



COMBINING FINANCIAL STATEMENTS

Nonmajor Capital Projects Funds

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

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

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

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

STATE OF IOWA
Combining Balance Sheet
Nonmajor Capital Projects Funds

June 30, 2022
(Expressed in Thousands)

	GENERAL SERVICES CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	FISH & GAME CAPITALS FUND	TOTAL
ASSETS				
Current assets:				
Cash & investments	\$ 24,730	\$ 4,868	\$ 583	\$ 30,181
Accounts receivable	301	247	8	556
Due from other funds	659	659	1,650	2,968
TOTAL ASSETS	<u>\$ 25,690</u>	<u>\$ 5,774</u>	<u>\$ 2,241</u>	<u>\$ 33,705</u>
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	\$ 2,008	\$ 603	\$ 2,078	\$ 4,689
Due to other funds	22,784	67	29	22,880
Unearned revenue	934	-	-	934
TOTAL LIABILITIES	<u>25,726</u>	<u>670</u>	<u>2,107</u>	<u>28,503</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	<u>400</u>	<u>-</u>	<u>-</u>	<u>400</u>
FUND BALANCES				
Spendable:				
Committed	-	5,104	134	5,238
Unassigned	<u>(436)</u>	<u>-</u>	<u>-</u>	<u>(436)</u>
TOTAL FUND BALANCES	<u>(436)</u>	<u>5,104</u>	<u>134</u>	<u>4,802</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u>\$ 25,690</u>	<u>\$ 5,774</u>	<u>\$ 2,241</u>	<u>\$ 33,705</u>

STATE OF IOWA

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

For the Year Ended June 30, 2022
(Expressed in Thousands)

	GENERAL SERVICES CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	FISH & GAME CAPITALS FUND	TOTAL
REVENUES				
Receipts from other entities	\$ 4,477	\$ 374	\$ -	\$ 4,851
Refunds & reimbursements	161	80	-	241
GROSS REVENUES	4,638	454	-	5,092
Less revenue refunds	7	-	-	7
NET REVENUES	4,631	454	-	5,085
EXPENDITURES				
Current:				
Administration & regulation	15	-	-	15
Agriculture & natural resources	-	817	7,374	8,191
Capital outlay:				
Administration & regulation	4,083	-	-	4,083
Education	605	-	-	605
Health & human rights	5,344	-	-	5,344
Human services	1,253	-	-	1,253
Justice & public defense	1,165	-	-	1,165
Agriculture & natural resources	178	2,546	9,390	12,114
TOTAL EXPENDITURES	12,643	3,363	16,764	32,770
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,012)	(2,909)	(16,764)	(27,685)
OTHER FINANCING SOURCES (USES)				
Transfers in	7,611	4,419	16,450	28,480
Transfers out	-	(866)	(25)	(891)
TOTAL OTHER FINANCING SOURCES (USES)	7,611	3,553	16,425	27,589
NET CHANGE IN FUND BALANCES	(401)	644	(339)	(96)
FUND BALANCES - JULY 1	(35)	4,460	473	4,898
FUND BALANCES - JUNE 30	\$ (436)	\$ 5,104	\$ 134	\$ 4,802



COMBINING FINANCIAL STATEMENTS

Nonmajor Permanent Funds

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

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

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

Iowa PBS Foundation Endowment is used to hold a restricted gift made to Iowa PBS. 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 PBS Foundation.

Pilot Grove Trust Fund accounts for a \$10,000 donation in support and maintenance of the Pilot Grove area. Interest is credited to the Pilot Grove Maintenance Fund, a Special Revenue Fund.

Henry Albert Trust Fund accounts for a bequest to the State of Iowa. Interest is credited to the Department of Public Health.

STATE OF IOWA
Combining Balance Sheet
Nonmajor Permanent Funds

June 30, 2022
(Expressed in Thousands)

	PERMANENT SCHOOL PRINCIPAL FUND	IOWA CULTURAL TRUST FUND	IOWA PBS FOUNDATION ENDOWMENT	PILOT GROVE TRUST FUND	HENRY ALBERT TRUST FUND	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 8,038	\$ 1	\$ 9,681	\$ 10	\$ 1	\$ 17,731
TOTAL ASSETS	<u>\$ 8,038</u>	<u>\$ 1</u>	<u>\$ 9,681</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 17,731</u>
FUND BALANCES						
Nonspendable	\$ 8,038	\$ 1	\$ 9,681	\$ 10	\$ 1	\$ 17,731
TOTAL FUND BALANCES	<u>\$ 8,038</u>	<u>\$ 1</u>	<u>\$ 9,681</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 17,731</u>

STATE OF IOWA

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

For the Year Ended June 30, 2022
(Expressed in Thousands)

	PERMANENT SCHOOL PRINCIPAL FUND	IOWA CULTURAL TRUST FUND	IOWA PBS FOUNDATION ENDOWMENT	PILOT GROVE TRUST FUND	HENRY ALBERT TRUST FUND	TOTAL
REVENUES						
Miscellaneous	\$ -	\$ -	\$ 1,551	\$ -	\$ -	\$ 1,551
NET CHANGE IN FUND BALANCES	-	-	1,551	-	-	1,551
FUND BALANCES - JULY 1	8,038	1	8,130	10	1	16,180
FUND BALANCES - JUNE 30	<u>\$ 8,038</u>	<u>\$ 1</u>	<u>\$ 9,681</u>	<u>\$ 10</u>	<u>\$ 1</u>	<u>\$ 17,731</u>



COMBINING FINANCIAL STATEMENTS

Nonmajor Enterprise Funds

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

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

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

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

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

Other Enterprise Funds are aggregated for reporting purposes and account for other miscellaneous activities that meet the definition of Enterprise Funds.

STATE OF IOWA

Combining Statement of Net Position Nonmajor Enterprise Funds

June 30, 2022

(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	IOWA STATE PRISON INDUSTRIES	LIQUOR CONTROL ACT FUND	ELEVATOR SAFETY FUND	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 6,239	\$ 4,323	\$ 19,115	\$ 2,561	\$ 7,217	\$ 39,455
Accounts receivable (net)	3,471	7,550	9,597	208	142	20,968
Due from other funds	-	1	2,608	10	18	2,637
Inventory	1,090	5,065	20	-	1,465	7,640
Prepaid expenses	1,265	40	213	182	314	2,014
Total current assets	<u>12,065</u>	<u>16,979</u>	<u>31,553</u>	<u>2,961</u>	<u>9,156</u>	<u>72,714</u>
Noncurrent assets:						
Accounts receivable (net)	-	-	-	1	-	1
Capital assets - nondepreciable	-	223	3,060	-	419	3,702
Capital assets - depreciable (net)	11,605	8,622	12,833	100	733	33,893
Net pension asset	-	2,664	-	-	259	2,923
Total noncurrent assets	<u>11,605</u>	<u>11,509</u>	<u>15,893</u>	<u>101</u>	<u>1,411</u>	<u>40,519</u>
TOTAL ASSETS	<u>23,670</u>	<u>28,488</u>	<u>47,446</u>	<u>3,062</u>	<u>10,567</u>	<u>113,233</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to other postemployment benefits						
	300	466	125	32	60	983
Related to pensions	826	723	219	232	130	2,130
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,126</u>	<u>1,189</u>	<u>344</u>	<u>264</u>	<u>190</u>	<u>3,113</u>
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	2,745	935	14,766	62	74	18,582
Due to other funds/advances from other funds	-	-	13,273	32	154	13,459
Unearned revenue	1,242	11	-	-	-	1,253
Compensated absences	792	530	98	101	110	1,631
Lease liability	614	-	-	-	-	614
Other postemployment benefits liability	49	55	16	9	12	141
Total current liabilities	<u>5,442</u>	<u>1,531</u>	<u>28,153</u>	<u>204</u>	<u>350</u>	<u>35,680</u>
Noncurrent liabilities:						
Accounts payable & accruals	54	114	-	-	-	168
Compensated absences	906	685	172	114	180	2,057
Lease liability	4,253	-	-	-	-	4,253
Net pension liability	117	-	25	19	10	171
Other postemployment benefits liability	882	917	261	154	199	2,413
Total noncurrent liabilities	<u>6,212</u>	<u>1,716</u>	<u>458</u>	<u>287</u>	<u>389</u>	<u>9,062</u>
TOTAL LIABILITIES	<u>11,654</u>	<u>3,247</u>	<u>28,611</u>	<u>491</u>	<u>739</u>	<u>44,742</u>
DEFERRED INFLOWS OF RESOURCES						
Related to other postemployment benefits						
	358	321	289	9	44	1,021
Related to pensions	4,921	3,621	1,621	710	733	11,606
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,279</u>	<u>3,942</u>	<u>1,910</u>	<u>719</u>	<u>777</u>	<u>12,627</u>
NET POSITION						
Net investment in capital assets	6,738	8,845	15,893	100	1,152	32,728
Unrestricted	1,125	13,643	1,376	2,016	8,089	26,249
TOTAL NET POSITION	<u>\$ 7,863</u>	<u>\$ 22,488</u>	<u>\$ 17,269</u>	<u>\$ 2,116</u>	<u>\$ 9,241</u>	<u>\$ 58,977</u>

STATE OF IOWA

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

For the Year Ended June 30, 2022
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	IOWA STATE PRISON INDUSTRIES	LIQUOR CONTROL ACT FUND	ELEVATOR SAFETY FUND	OTHER FUNDS	TOTAL
OPERATING REVENUES						
Receipts from other entities	\$ -	\$ -	\$ 152	\$ -	\$ 5	\$ 157
Fees, licenses & permits	-	-	23,367	2,007	1,879	27,253
Refunds & reimbursements	-	-	69	-	342	411
Sales, rents & services	31,680	30,599	431,486	-	1,616	495,381
Miscellaneous	-	2,202	4,758	-	549	7,509
TOTAL OPERATING REVENUES	31,680	32,801	459,832	2,007	4,391	530,711
OPERATING EXPENSES						
General & administrative	8,978	-	-	-	-	8,978
Depreciation/amortization	3,124	831	629	46	201	4,831
Direct & other	10,413	25,927	-	-	517	36,857
Personal services	-	761	2,404	1,512	1,507	6,184
Travel & subsistence	-	27	382	58	54	521
Supplies & materials	-	26	177	23	143	369
Contractual services	-	2,102	11,820	610	876	15,408
Equipment & repairs	-	13	8,469	11	13	8,506
Claims & miscellaneous	11,996	1,238	285,370	5	122	298,731
Licenses, permits & refunds	-	-	1,265	8	9	1,282
State aid & credits	-	-	4,039	-	-	4,039
TOTAL OPERATING EXPENSES	34,511	30,925	314,555	2,273	3,442	385,706
OPERATING INCOME (LOSS)	(2,831)	1,876	145,277	(266)	949	145,005
NONOPERATING REVENUES (EXPENSES)						
Taxes	-	-	8,112	-	-	8,112
Investment income (loss)	20	(45)	-	(25)	(60)	(110)
Gain on sale of capital assets	-	96	-	6	31	133
Loss on sale of capital assets	-	(34)	-	-	-	(34)
NET NONOPERATING REVENUES (EXPENSES)	20	17	8,112	(19)	(29)	8,101
INCOME (LOSS) BEFORE TRANSFERS	(2,811)	1,893	153,389	(285)	920	153,106
Transfers out	-	-	(149,774)	-	-	(149,774)
CHANGE IN NET POSITION	(2,811)	1,893	3,615	(285)	920	3,332
TOTAL NET POSITION - JULY 1	10,674	20,595	13,654	2,401	8,321	55,645
TOTAL NET POSITION - JUNE 30	\$ 7,863	\$ 22,488	\$ 17,269	\$ 2,116	\$ 9,241	\$ 58,977



STATE OF IOWA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2022
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	IOWA STATE PRISON INDUSTRIES	LIQUOR CONTROL ACT FUND	ELEVATOR SAFETY FUND	OTHER FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 31,689	\$ 27,237	\$ 451,291	\$ 2,040	\$ 3,908	\$ 516,165
Cash received from miscellaneous	-	2,202	4,910	-	554	7,666
Cash payments to suppliers for goods & services	(23,593)	(30,741)	(313,054)	(661)	(1,826)	(369,875)
Cash payments to employees for services	(9,438)	(1,672)	(2,897)	(1,620)	(1,647)	(17,274)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(1,342)</u>	<u>(2,974)</u>	<u>140,250</u>	<u>(241)</u>	<u>989</u>	<u>136,682</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers out to other funds	-	-	(153,495)	-	-	(153,495)
Tax receipts	-	-	8,112	-	-	8,112
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>(145,383)</u>	<u>-</u>	<u>-</u>	<u>(145,383)</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	(5,730)	(1,674)	(2,828)	(17)	(105)	(10,354)
Debt payments	4,867	-	-	-	-	4,867
Proceeds from sale of capital assets	-	96	-	6	31	133
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	<u>(863)</u>	<u>(1,578)</u>	<u>(2,828)</u>	<u>(11)</u>	<u>(74)</u>	<u>(5,354)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	20	(45)	-	(25)	(60)	(110)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>20</u>	<u>(45)</u>	<u>-</u>	<u>(25)</u>	<u>(60)</u>	<u>(110)</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(2,185)	(4,597)	(7,961)	(277)	855	(14,165)
CASH & CASH EQUIVALENTS - JULY 1	8,424	8,920	27,076	2,838	6,362	53,620
CASH & CASH EQUIVALENTS - JUNE 30	<u>\$ 6,239</u>	<u>\$ 4,323</u>	<u>\$ 19,115</u>	<u>\$ 2,561</u>	<u>\$ 7,217</u>	<u>\$ 39,455</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (2,831)	\$ 1,876	\$ 145,277	\$ (266)	\$ 949	\$ 145,005
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation/amortization	3,124	831	629	46	201	4,831
(Increase) decrease in accounts receivable	299	(3,375)	(1,639)	(66)	30	(4,751)
(Increase) decrease in due from	-	2	(1,992)	99	41	(1,850)
(Increase) decrease in inventory	(30)	(1,115)	70	-	38	(1,037)
(Increase) decrease in prepaid expenses	(351)	114	68	(2)	(45)	(216)
(Increase) decrease in deferred outflows of resources	373	612	(34)	98	69	1,118
Increase (decrease) in accounts payable	156	(407)	(1,670)	34	13	(1,874)
Increase (decrease) in due to	-	-	-	22	(98)	(76)
Increase (decrease) in unearned revenue	(290)	11	-	-	-	(279)
Increase (decrease) in compensated absences	(279)	(12)	57	27	32	(175)
Increase (decrease) in net pension liability	(6,065)	(4,651)	(931)	(932)	(929)	(13,508)
Increase (decrease) in other postemployment benefits liability	55	234	13	7	(13)	296
Increase (decrease) in deferred inflows of resources	4,497	2,906	402	692	701	9,198
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1,342)</u>	<u>\$ (2,974)</u>	<u>\$ 140,250</u>	<u>\$ (241)</u>	<u>\$ 989</u>	<u>\$ 136,682</u>



COMBINING FINANCIAL STATEMENTS

Internal Service Funds

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

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

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

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

Office of Chief Information Officer Fund provides data processing services to other State departments and agencies.

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

STATE OF IOWA

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

June 30, 2022

(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	OFFICE OF CHIEF INFORMATION OFFICER FUND	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	\$ 8,158	\$ 9,529	\$ 40,827	\$ 13,506	\$ 17,751	\$ 89,771
Accounts receivable (net)	13	1,218	14	739	1,064	3,048
Due from other funds/advances to other funds	64,615	15,880	4,351	11,030	19,588	115,464
Inventory	-	5,094	-	-	2,326	7,420
Prepaid expenses	-	-	-	6,771	3,792	10,563
Total current assets	<u>72,786</u>	<u>31,721</u>	<u>45,192</u>	<u>32,046</u>	<u>44,521</u>	<u>226,266</u>
Noncurrent assets:						
Capital assets - nondepreciable	-	-	-	42,229	58	42,287
Capital assets - depreciable (net)	-	158,650	-	3,998	2,661	165,309
Total noncurrent assets	<u>-</u>	<u>158,650</u>	<u>-</u>	<u>46,227</u>	<u>2,719</u>	<u>207,596</u>
TOTAL ASSETS	<u>72,786</u>	<u>190,371</u>	<u>45,192</u>	<u>78,273</u>	<u>47,240</u>	<u>433,862</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to other postemployment benefits						
	4	281	-	330	498	1,113
Related to pensions	28	535	-	1,338	1,713	3,614
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>32</u>	<u>816</u>	<u>-</u>	<u>1,668</u>	<u>2,211</u>	<u>4,727</u>
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	29,963	5,304	-	6,412	2,905	44,584
Due to other funds/advances from other funds	114	99	20	1,301	14,106	15,640
Unearned revenue	-	-	41,213	14,847	2,113	58,173
Compensated absences	15	505	-	1,346	961	2,827
Lease liability	-	-	-	1,690	45	1,735
Other postemployment benefits liability	1	48	-	72	94	215
Total current liabilities	<u>30,093</u>	<u>5,956</u>	<u>41,233</u>	<u>25,668</u>	<u>20,224</u>	<u>123,174</u>
Noncurrent liabilities:						
Accounts payable & accruals	42,571	136	-	82	3	42,792
Compensated absences	5	467	-	1,410	1,380	3,262
Lease liability	-	-	-	1,697	-	1,697
Net pension liability	3	68	-	190	171	432
Other postemployment benefits liability	12	793	-	1,196	1,574	3,575
Total noncurrent liabilities	<u>42,591</u>	<u>1,464</u>	<u>-</u>	<u>4,575</u>	<u>3,128</u>	<u>51,758</u>
TOTAL LIABILITIES	<u>72,684</u>	<u>7,420</u>	<u>41,233</u>	<u>30,243</u>	<u>23,352</u>	<u>174,932</u>
DEFERRED INFLOWS OF RESOURCES						
Related to other postemployment benefits						
	4	260	-	418	525	1,207
Related to pensions	130	2,632	-	7,666	6,475	16,903
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>134</u>	<u>2,892</u>	<u>-</u>	<u>8,084</u>	<u>7,000</u>	<u>18,110</u>
NET POSITION						
Net investment in capital assets Unrestricted	-	158,650	-	42,840	2,674	204,164
	-	22,225	3,959	(1,226)	16,425	41,383
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 180,875</u>	<u>\$ 3,959</u>	<u>\$ 41,614</u>	<u>\$ 19,099</u>	<u>\$ 245,547</u>

STATE OF IOWA

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

For the Year Ended June 30, 2022
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	OFFICE OF CHIEF INFORMATION OFFICER FUND	OTHER FUNDS	TOTAL
OPERATING REVENUES						
Receipts from other entities	\$ 30,252	\$ 7,796	\$ 6,278	\$ 95,905	\$ 61,147	\$ 201,378
Refunds & reimbursements	400	55,384	390	1,872	1,700	59,746
Sales, rents & services	-	2,720	1,195	-	132	4,047
Miscellaneous	-	6,405	-	-	32	6,437
TOTAL OPERATING REVENUES	30,652	72,305	7,863	97,777	63,011	271,608
OPERATING EXPENSES						
Depreciation/amortization	-	19,485	-	2,200	511	22,196
Personal services	255	5,259	-	12,288	14,826	32,628
Travel & subsistence	-	224	-	24	7,836	8,084
Supplies & materials	1	28,026	-	308	15,210	43,545
Contractual services	2,408	1,701	-	32,325	18,153	54,587
Equipment & repairs	-	4,379	7,782	38,413	2,068	52,642
Claims & miscellaneous	27,988	26	-	293	1,330	29,637
Licenses, permits & refunds	-	-	-	-	6	6
TOTAL OPERATING EXPENSES	30,652	59,100	7,782	85,851	59,940	243,325
OPERATING INCOME (LOSS)	-	13,205	81	11,926	3,071	28,283
NONOPERATING REVENUES (EXPENSES)						
Investment income (loss)	-	-	-	(144)	(298)	(442)
Interest Expense	-	-	-	(42)	(1)	(43)
Gain on sale of capital assets	-	224	-	-	34	258
Loss on sale of capital assets	-	-	-	-	(13)	(13)
NET NONOPERATING REVENUES (EXPENSES)	-	224	-	(186)	(278)	(240)
CHANGE IN NET POSITION	-	13,429	81	11,740	2,793	28,043
TOTAL NET POSITION - JULY 1	-	167,446	3,878	29,874	16,306	217,504
TOTAL NET POSITION - JUNE 30	\$ -	\$ 180,875	\$ 3,959	\$ 41,614	\$ 19,099	\$ 245,547

STATE OF IOWA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2022
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	OFFICE OF CHIEF INFORMATION OFFICER FUND	OTHER FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from other entities	\$ 400	\$ 15,706	\$ 1,272	\$ 1,608	\$ 3,527	\$ 22,513
Cash received from reciprocal interfund activity	31,209	39,620	11,301	95,334	61,070	238,534
Cash payments to suppliers for goods & services	(29,909)	(32,187)	(7,782)	(68,889)	(47,640)	(186,407)
Cash payments to employees for services	(277)	(6,063)	-	(14,576)	(16,120)	(37,036)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,423</u>	<u>17,076</u>	<u>4,791</u>	<u>13,477</u>	<u>837</u>	<u>37,604</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	-	(23,668)	-	(18,012)	(1,094)	(42,774)
Interest payments	-	-	-	(42)	(1)	(43)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(23,668)</u>	<u>-</u>	<u>(18,054)</u>	<u>(1,095)</u>	<u>(42,817)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	-	-	-	(144)	(298)	(442)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>(144)</u>	<u>(298)</u>	<u>(442)</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	1,423	(6,592)	4,791	(4,721)	(556)	(5,655)
CASH & CASH EQUIVALENTS - JULY 1	6,735	16,121	36,036	18,227	18,307	95,426
CASH & CASH EQUIVALENTS - JUNE 30	<u>\$ 8,158</u>	<u>\$ 9,529</u>	<u>\$ 40,827</u>	<u>\$ 13,506</u>	<u>\$ 17,751</u>	<u>\$ 89,771</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ -	\$ 13,205	\$ 81	\$ 11,926	\$ 3,071	\$ 28,283
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation/amortization	-	19,485	-	2,200	511	22,196
(Increase) decrease in accounts receivable	4	(1,215)	77	(264)	1,663	265
(Increase) decrease in due from other funds/advances to other funds	952	(15,863)	(472)	1,457	(890)	(14,816)
(Increase) decrease in inventory	-	1,941	-	43	(634)	1,350
(Increase) decrease in prepaid expenses	1	-	-	1,938	(818)	1,121
(Increase) decrease in deferred outflows of resources	19	79	-	678	122	898
Increase (decrease) in accounts payable	487	228	-	493	(1,585)	(377)
Increase (decrease) in due to other funds/advances from other funds	1	99	20	(903)	(194)	(977)
Increase (decrease) in unearned revenue	-	-	5,085	(1,125)	1,007	4,967
Increase (decrease) in compensated absences	1	(203)	-	(555)	340	(417)
Increase (decrease) in net pension liability	(171)	(3,300)	-	(9,187)	(8,006)	(20,664)
Increase (decrease) in other postemployment benefits liability	1	3	-	47	(21)	30
Increase (decrease) in deferred inflows of resources	128	2,617	-	6,729	6,271	15,745
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,423</u>	<u>\$ 17,076</u>	<u>\$ 4,791</u>	<u>\$ 13,477</u>	<u>\$ 837</u>	<u>\$ 37,604</u>

COMBINING FINANCIAL STATEMENTS

Pension and Other Employee Benefit Funds

Pension Funds account for transactions, assets, liabilities and net position available for plan benefits of the various State employee retirement systems. See NOTE 15 - PENSION PLANS.

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

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

STATE OF IOWA

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

June 30, 2022

(Expressed in Thousands)

	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
ASSETS						
Cash & cash equivalents	\$ 385,144	\$ 4,770	\$ 3,552	\$ 3,304	\$ 2,263	\$ 399,033
Receivables:						
Contributions	78,765	1,834	648	2,439	-	83,686
Investments sold	636,929	552	3,210	-	-	640,691
Foreign exchange contracts	317,974	-	-	-	-	317,974
Interest & dividends	89,596	1,224	-	1	-	90,821
Total receivables	<u>1,123,264</u>	<u>3,610</u>	<u>3,858</u>	<u>2,440</u>	<u>-</u>	<u>1,133,172</u>
Investments, at fair value:						
Fixed income securities	10,484,039	114,623	48,210	-	-	10,646,872
Equity investments	16,101,365	413,538	186,387	-	-	16,701,290
Real estate partnerships	-	90,085	-	-	-	90,085
Investment in private equity/debt	10,110,696	-	-	-	-	10,110,696
Real assets	3,559,952	-	-	-	-	3,559,952
Securities lending collateral pool	642,490	16,541	1,924	-	-	660,955
Total investments	<u>40,898,542</u>	<u>634,787</u>	<u>236,521</u>	<u>-</u>	<u>-</u>	<u>41,769,850</u>
Capital assets:						
Land	500	-	-	-	-	500
Other - depreciable (net)	11,348	-	-	-	-	11,348
Total capital assets	<u>11,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,848</u>
Other assets	1,071	-	-	-	-	1,071
TOTAL ASSETS	<u>42,419,869</u>	<u>643,167</u>	<u>243,931</u>	<u>5,744</u>	<u>2,263</u>	<u>43,314,974</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to other postemployment benefits	321	-	-	-	-	321
LIABILITIES						
Accounts payable & accruals	56,590	438	97	-	1	57,126
Foreign exchange contracts payable	318,284	-	-	-	-	318,284
Payable for investments purchased	1,211,063	1,125	6,512	-	-	1,218,700
Payable to brokers for rebate & collateral	642,343	16,541	1,924	-	-	660,808
TOTAL LIABILITIES	<u>2,228,280</u>	<u>18,104</u>	<u>8,533</u>	<u>-</u>	<u>1</u>	<u>2,254,918</u>
DEFERRED INFLOWS OF RESOURCES						
Related to other postemployment benefits	344	-	-	-	-	344
NET POSITION						
Restricted for pension/other postemployment benefits	<u>\$ 40,191,566</u>	<u>\$ 625,063</u>	<u>\$ 235,398</u>	<u>\$ 5,744</u>	<u>\$ 2,262</u>	<u>\$ 41,060,033</u>

STATE OF IOWA

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

For the Year Ended June 30, 2022
(Expressed in Thousands)

	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
ADDITIONS						
Contributions:						
Member contributions	\$ 573,027	\$ 6,056	\$ 2,965	\$ 2,714	\$ 297	\$ 585,059
Employer contributions	853,202	23,057	9,374	-	-	885,633
Buy-back/buy-in contributions	4,610	-	-	-	-	4,610
Total contributions	<u>1,430,839</u>	<u>29,113</u>	<u>12,339</u>	<u>2,714</u>	<u>297</u>	<u>1,475,302</u>
Investment income:						
Net increase (decrease) in fair value of investments	(2,436,458)	(184,676)	(76,054)	(44)	-	(2,697,232)
Interest	405,051	4,765	1,006	10	-	410,832
Dividends	149,237	9,699	4,234	-	-	163,170
Real assets & private equity	367,259	-	-	-	-	367,259
Other	1,615	21	3	-	-	1,639
Total investment income (loss)	<u>(1,513,296)</u>	<u>(170,191)</u>	<u>(70,811)</u>	<u>(34)</u>	<u>-</u>	<u>(1,754,332)</u>
Less investment expense	70,250	3,663	469	-	-	74,382
Net investment income (loss)	<u>(1,583,546)</u>	<u>(173,854)</u>	<u>(71,280)</u>	<u>(34)</u>	<u>-</u>	<u>(1,828,714)</u>
TOTAL ADDITIONS	<u>(152,707)</u>	<u>(144,741)</u>	<u>(58,941)</u>	<u>2,680</u>	<u>297</u>	<u>(353,412)</u>
DEDUCTIONS						
Pension & annuity benefits	2,467,523	37,440	15,803	-	-	2,520,766
Payments in accordance with agreements	-	-	-	1,693	459	2,152
Administrative expense	13,563	350	22	-	-	13,935
Refunds	64,517	-	-	-	-	64,517
TOTAL DEDUCTIONS	<u>2,545,603</u>	<u>37,790</u>	<u>15,825</u>	<u>1,693</u>	<u>459</u>	<u>2,601,370</u>
CHANGE IN NET POSITION	(2,698,310)	(182,531)	(74,766)	987	(162)	(2,954,782)
NET POSITION - JULY 1	<u>42,889,876</u>	<u>807,594</u>	<u>310,164</u>	<u>4,757</u>	<u>2,424</u>	<u>44,014,815</u>
NET POSITION - JUNE 30	<u>\$ 40,191,566</u>	<u>\$ 625,063</u>	<u>\$ 235,398</u>	<u>\$ 5,744</u>	<u>\$ 2,262</u>	<u>\$ 41,060,033</u>



COMBINING FINANCIAL STATEMENTS

Private Purpose Trust Funds

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

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

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

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

Wagner Award Trust 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.

STATE OF IOWA

Combining Statement of Fiduciary Net Position Private Purpose Trust Funds

For the Year Ended June 30, 2022
(Expressed in Thousands)

	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA ABLE SAVINGS PLAN TRUST	IOWA BRAILE & SIGHT SAVING SCHOOL TRUST	WAGNER AWARD TRUST	TOTAL
ASSETS					
Cash	\$ 3,728	\$ 7,504	\$ 750	\$ 14	\$ 11,996
Investments	5,964,044	7,530	-	-	5,971,574
TOTAL ASSETS	5,967,772	15,034	750	14	5,983,570
LIABILITIES					
Accounts payable & accruals	293	20	-	-	313
NET POSITION					
Restricted for individuals, organizations & other entities	\$ 5,967,479	\$ 15,014	\$ 750	\$ 14	\$ 5,983,257

STATE OF IOWA

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

For the Year Ended June 30, 2022
(Expressed in Thousands)

	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA ABLE SAVINGS PLAN TRUST	IOWA BRAILE & SIGHT SAVING SCHOOL TRUST	WAGNER AWARD TRUST	TOTAL
ADDITIONS					
Contributions:					
Participant contributions	\$ 491,870	\$ 6,108	\$ -	\$ -	\$ 497,978
Other contributions	1,543	206	-	-	1,749
Total contributions	<u>493,413</u>	<u>6,314</u>	<u>-</u>	<u>-</u>	<u>499,727</u>
Investment income:					
Net increase (decrease) in fair value of investments	(853,369)	(1,102)	31	-	(854,440)
Interest	6	-	8	-	14
Total investment income (loss)	<u>(853,363)</u>	<u>(1,102)</u>	<u>39</u>	<u>-</u>	<u>(854,426)</u>
TOTAL ADDITIONS	<u>(359,950)</u>	<u>5,212</u>	<u>39</u>	<u>-</u>	<u>(354,699)</u>
DEDUCTIONS					
Distributions to participants	623,901	1,738	31	-	625,670
Other	1,220	104	-	-	1,324
TOTAL DEDUCTIONS	<u>625,121</u>	<u>1,842</u>	<u>31</u>	<u>-</u>	<u>626,994</u>
CHANGE IN NET POSITION	(985,071)	3,370	8	-	(981,693)
NET POSITION - JULY 1	<u>6,952,550</u>	<u>11,644</u>	<u>742</u>	<u>14</u>	<u>6,964,950</u>
NET POSITION - JUNE 30	<u>\$ 5,967,479</u>	<u>\$ 15,014</u>	<u>\$ 750</u>	<u>\$ 14</u>	<u>\$ 5,983,257</u>



COMBINING FINANCIAL STATEMENTS

Custodial Funds

Custodial Funds account for the receipt and distribution of various taxes, deposits, and property collected for individuals, organizations or other governments, which are not required to be reported in other fiduciary fund types.

Local Sales & Services Tax Fund is used to account for local option sales taxes collected by retailers and deposited with the State. The taxes are distributed to the counties which have jurisdictions imposing local option sales tax.

Child Support Collection & Refund Fund receives child support collections from employers, obligors, federal and state tax offsets, debtors offsets, and others. The child support collections are distributed to families in accordance with federal distribution laws.

Judicial - Clerks of District Court act as a collecting agency for many fees and taxes that are distributed to the proper local government or recipient.

School District Surtax Fund collects and distributes surtax to the school districts according to the surtax formula set by the districts.

Other Custodial Funds are aggregated for reporting purposes and represent amounts held at the Universities, offender and resident deposits held at the State institutions, and other deposits and taxes collected for others.

STATE OF IOWA

**Combining Statement of Fiduciary Net Position
Custodial Funds**

June 30, 2022

(Expressed in Thousands)

	LOCAL SALES & SERVICES TAX FUND	CHILD SUPPORT COLLECTION & REFUND FUND	JUDICIAL - CLERKS OF DISTRICT COURT	SCHOOL DISTRICT SURTAX FUND	OTHER FUNDS	TOTAL
ASSETS						
Cash	\$ 29,411	\$ 11,034	\$ 30,186	\$ 100,568	\$ 37,053	\$ 208,252
Receivables:						
Accounts	-	1,239	-	-	7,308	8,547
Taxes for other governments	244,894	-	-	8,391	20,938	274,223
Interest	-	-	-	-	1	1
Total receivables	<u>244,894</u>	<u>1,239</u>	<u>-</u>	<u>8,391</u>	<u>28,247</u>	<u>282,771</u>
Investments	-	-	-	-	18,228	18,228
Capital assets - depreciable (net)	-	-	-	-	101	101
Prepaid expenses	-	-	-	-	539	539
Inventory	-	-	-	-	11	11
TOTAL ASSETS	<u>274,305</u>	<u>12,273</u>	<u>30,186</u>	<u>108,959</u>	<u>84,179</u>	<u>509,902</u>
LIABILITIES						
Accounts payable & accruals	-	12,100	30,186	-	3,934	46,220
Accounts payable to other governments	<u>274,305</u>	<u>-</u>	<u>-</u>	<u>108,959</u>	<u>22,630</u>	<u>405,894</u>
TOTAL LIABILITIES	<u>274,305</u>	<u>12,100</u>	<u>30,186</u>	<u>108,959</u>	<u>26,564</u>	<u>452,114</u>
NET POSITION						
Restricted for individuals, organizations & other entities	<u>\$ -</u>	<u>\$ 173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,615</u>	<u>\$ 57,788</u>

STATE OF IOWA

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

For the Year Ended June 30, 2022
(Expressed in Thousands)

	LOCAL SALES & SERVICES TAX FUND	CHILD SUPPORT COLLECTION & REFUND FUND	JUDICIAL - CLERKS OF DISTRICT COURT	SCHOOL DISTRICT SURTAX FUND	OTHER FUNDS	TOTAL
ADDITIONS						
Contributions:						
Participant contributions	\$ -	\$ 366,359	\$ -	\$ -	\$ 89,012	\$ 455,371
Other contributions	-	-	-	-	76,036	76,036
Gifts, bequests & endowments	-	-	-	-	3,965	3,965
Total contributions	-	366,359	-	-	169,013	535,372
Investment income:						
Net increase (decrease) in fair value of investments	-	-	-	-	(5,620)	(5,620)
Interest	-	-	-	-	2	2
Total investment income (loss)	-	-	-	-	(5,618)	(5,618)
Tax collections for other governments	1,125,023	-	-	118,250	141,262	1,384,535
Court revenue collections for others	-	-	311,883	-	266	312,149
Miscellaneous	-	-	-	-	46,932	46,932
TOTAL ADDITIONS	1,125,023	366,359	311,883	118,250	351,855	2,273,370
DEDUCTIONS						
Distributions to participants	-	369,815	-	-	75,355	445,170
Payments in accordance with agreements	-	-	-	-	101,516	101,516
Administrative expense	-	-	-	-	37,437	37,437
Payments of tax collections to other entities	1,125,023	-	-	118,250	141,867	1,385,140
Payment of court collections to others	-	-	311,883	-	-	311,883
Other	-	-	-	-	4,111	4,111
TOTAL DEDUCTIONS	1,125,023	369,815	311,883	118,250	360,286	2,285,257
CHANGE IN NET POSITION	-	(3,456)	-	-	(8,431)	(11,887)
NET POSITION - JULY 1	-	3,629	-	-	66,046	69,675
NET POSITION - JUNE 30	\$ -	\$ 173	\$ -	\$ -	\$ 57,615	\$ 57,788

