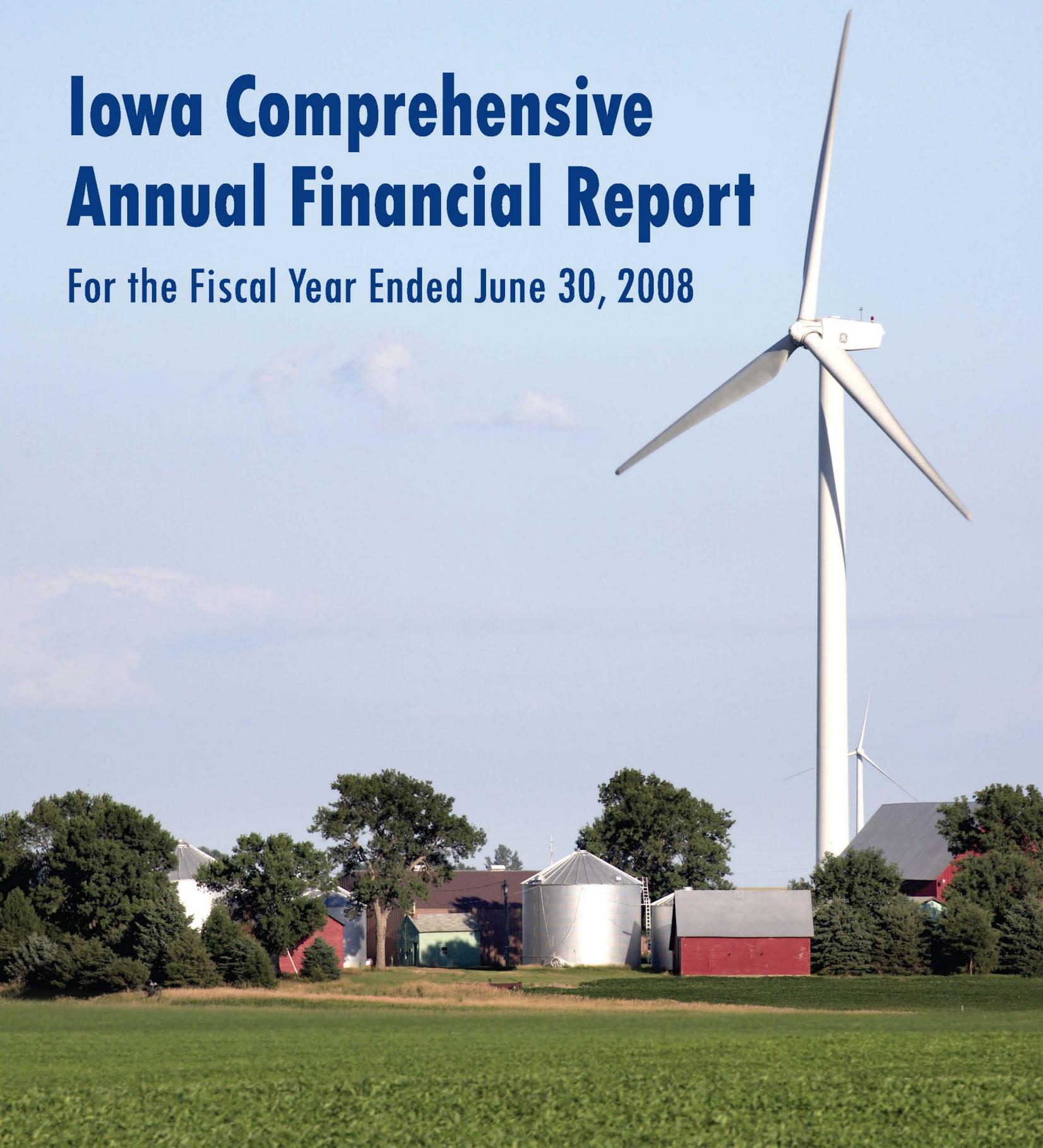


# Iowa Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**



For the Fiscal Year  
Ended June 30, 2008

GOVERNOR:  
Chester J. Culver

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

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## **ACKNOWLEDGEMENTS**

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



December 10, 2008

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

In accordance with Iowa Code Section 8A.502(8), we are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the State of Iowa for the fiscal year ended June 30, 2008. As required by State statute, this report has been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB).

The Department of Administrative Services and the Department of Management are responsible for both the accuracy of the presented data, and the completeness and fairness of the presentation. We believe the information presented is accurate in all material respects and the necessary disclosures have been made which enable the reader to obtain an understanding of the State's financial activity.

The State's system of internal controls over assets recorded in the accounting system have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded against unauthorized use or disposition, and that financial records from all appropriate sources are reliable for preparing financial statements and maintaining accountability. The concept of reasonable assurance recognizes the cost of internal controls should not exceed the benefits likely to be derived from their use. To monitor the adequacy of internal controls, the Auditor of State reviews internal control procedures as an integral part of departmental audits.

The Auditor of State is required by Chapter 11 of the Code of Iowa to audit annually all departments of the State. The accompanying basic financial statements of the State of Iowa have been audited by the Auditor of State in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. His report appears elsewhere herein. In addition, the Auditor of State conducts a single audit under the requirements set forth in the Single Audit Act of 1984, the Single Audit Amendments of 1996, and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". That report is issued separately.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A, and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

## **PROFILE OF THE GOVERNMENT**

The State of Iowa was admitted into the Union as the 29th state in 1846. Iowa is a midsize state with a mid-continent location. It covers 55,869 square miles, making it the 25th largest state in the United States. The Mississippi River carves out Iowa's eastern border, while the flow of the Missouri and Big Sioux Rivers form the western border. Iowa has a population of 3.0 million.

In Iowa, government power is distributed among three branches. The Legislative branch creates laws that establish policies and programs; the Executive branch carries out the policies and programs created in the laws; and the Judicial branch resolves any conflicts arising from interpretation or application of the laws. The Executive branch agencies are the Governor, Lieutenant Governor, Secretary of State, Treasurer of State, Secretary of Agriculture, Attorney General and Auditor of State, as well as 30 agencies lead by appointed State officials. The Legislative branch is comprised of two houses, a 50 member Senate and a 100 member House of Representatives. The Judicial branch is presided over by the Iowa Supreme Court, which is led by the Chief Justice of the Supreme Court.

The State provides a range of services such as education, health and human services, highway maintenance and construction, natural resources and agriculture management, law enforcement, public safety, and economic development programs.

This report includes all of the fund types, departments and agencies of the state, as well as the boards, commissions, authorities, and universities for which the State is financially accountable. Component units also included in the report are the Iowa Finance Authority, Iowa Higher Education Loan Authority, Iowa Agricultural Development Authority, Iowa State Fair Authority and Universities Foundations. The reader is directed to Note 1.B in the Notes to the Financial Statements for a more complete description of the factors used to define the reporting entity.

**State Budget and Budgetary Controls.** The annual budgetary process serves as the foundation for the state's financial planning and control. Each year state departments submit budget requests to the Governor's Office by October 1. The State's budget is prepared by the Governor on an annual basis and is required to be submitted, along with proposed appropriation bills, to the General Assembly by the first of February prior to the new fiscal year. The General Assembly approves appropriation bills which establish spending authority for the upcoming fiscal year. The Governor has the ability to approve, veto or item veto appropriation bills as they are presented to him.

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 fiscal year-end and all unencumbered or unobligated balances revert to the state treasury, unless otherwise provided.

All claims presented for payment must be approved by the appropriate department. The expenditure must be for a purpose intended by law and a sufficient existing and unexpended appropriation balance must be available. Budgetary controls are incorporated into State accounting systems. The annual budget of the State is established through separate appropriations to individual departments for specific purposes, special outlays and/or operating expenditures. Budgetary control is essentially maintained at the departmental level except for certain grant and aid programs where control is maintained at the program level.

## **ECONOMIC CONDITION AND OUTLOOK**

### **National Economic Outlook 2008-2009**

Recent issues in the credit market concerning sub-prime mortgage lending and the housing market problems have led people to believe the national economy is in recession. The Federal Reserve lowered the federal funds rate to 1.00 percent and the discount rate to 1.25 percent in October 2008.

Due to these events, the U.S. Bureau of Economic Analysis (BEA) released estimates that economic growth decreased 0.3 percent in the third quarter of 2008, after increasing 2.8 percent in the second quarter. According to the BEA, the decrease in the third-quarter real Gross Domestic Product (GDP) growth primarily reflected negative contributions from personal consumption expenditures, residential fixed investment, and equipment and software. However, imports have decreased which positively impacted the real GDP.

The outlook of the national economy, according to experts, is a sluggish pace for the near future. The widespread state GDP growth in almost all the states in 2006 has tapered off in 2007 and 2008, due to the mortgage credit crisis, the housing slump, and highly volatile world oil prices. Moody's Economy.com is expecting negative growth of 2.2 percent in the fourth quarter of 2008 and negative 1.0 percent the first quarter of 2009, with GDP staying even for the second quarter and increasing 2.2 percent in the third quarter of 2009. The unemployment rate is currently its highest rate since the 1990s at 6.5 percent. Core Consumer Price Index (CPI) inflation is expected to increase about 0.18 percent by the end of 2008. This would predict a 2.5% drop from 2007 to 2008 in CPI. Cars, apparel and transportation were the main contributors to the CPI decrease.

### **State and Local Economy**

Iowa's economy is supported by a diverse mixture of industry, agriculture, services and government employment. For example, eleven years ago (1997), the agricultural industry accounted for 6.5 percent of Iowa's gross domestic product by state, finance and insurance 8.0 percent, real estate, rental and leasing 8.5 percent, and professional and technical services 3.2 percent. By 2007, the shares of Iowa's gross domestic product had changed to 6.0 percent for the agricultural industry, 10.7 percent for finance and insurance, 8.3 percent for real estate, rental, and leasing, and 3.2 percent for professional and technical services.

The agricultural sector remained relatively stable during the last seven years. Approximately 93 percent of the land area in the state is in farms. The Iowa Department of Agriculture and Land Stewardship reported in 2006, Iowa led the nation in the production of pork, corn, soybeans and eggs. Iowa's total cash receipts for farm commodities in 2007 totaled \$19.7 billion. According to the National Agricultural Statistics Service (NASS), this is obtained through 47 percent livestock and 53 percent crops. The state ranks third in the country, behind California and Texas. Iowa produces more ethanol per year than any other state. Currently the 30 ethanol plants in Iowa produce well over 2 billion gallons annually. The Federal Reserve Bank of Chicago reports the value of farmland in Iowa increasing by 15.0 percent from July 1, 2007 to July 1, 2008. For the same period last year, the value of farm land increased by 18.0 percent.

**Farmland Values.** The most recent survey of area bankers indicates that farmland values continue to rise. In the August 2008 survey, Iowa farmland values had risen 3.0 percent from April to July 2008. This was tied for second for quarterly growth in land values in the Federal Reserve Bank of Chicago District behind Indiana which experienced a 6.0 percent growth rate. Iowa had an annual growth rate of 15.0 percent.

**Personal Income and Per-Capita Personal Income.** The University of Iowa Institute for Economic Research's latest outlook is for personal income in Iowa to grow by 5.3 percent in 2008 and 5.0 percent in 2009. According to the BEA, in the last three quarters of 2007-08 fiscal year, Iowa's personal income, seasonally adjusted, grew at a rate of 1.38 percent, 0.91 percent and 1.56 percent respectively, which was similar to the nation as a whole, with personal income growth of 1.19 percent, 0.79 percent and 1.79 percent, respectively. Iowa's average per-capita income has been trending upward since the mid 1980's. In 2007, Iowa's average per-capita income, as reported by BEA, was \$34,796. The average per-capita income in the nation was \$38,564.

**Employment.** Over the past 10 years, Iowa's unemployment rate has been between one and two percentage points below the national average. The seasonally adjusted unemployment rate for Iowa in September 2007 was 3.8 percent, and the rate for September 2008, was 4.2 percent. In September 2008, there were 1,685,300 employed Iowans, compared to 1,663,400 employed Iowans in September 2007. Iowa has a greater percentage of labor force employed compared to the nation as a whole and also has a larger percentage of its population actively participating in the labor force. While Iowa's personal income lags that of the nation, its high levels of employment help maintain median household income at levels only slightly below the national average. In the 2007 American Community Survey (ACS) data, Iowa's median household income was \$47,292, in 2007 inflation-adjusted dollars. The national median household income was reported at \$50,740, in 2007 inflation-adjusted dollars.

**Manufacturing.** Iowa's manufacturing employment averaged 229,500 for 2007, which was a slight drop from the sector's highest level of employment since the late 1990's achieved in 2006. Currently, durable goods products account for about 61.7 percent of manufacturing employment, and also account for most of the growth in the industry. Due to the nationwide slowdown in homebuilding, manufacturing employment is expected to decrease by about 500 in 2008, and another 1,000 in 2009.

**Exports.** The rise in exporting industries has been an important factor in Iowa's economic growth since the 1990's. Growth in exports of industrial machinery, instruments and measurement devices, electronics, specialized transportation equipment, chemicals and pharmaceuticals, and processed food products have helped diversify Iowa's economy. When combined with traditional farm commodities and livestock, total exports from Iowa have continued to increase. Specifically, the last ten years have seen steady and strong growth. From 2006 to 2007 Iowa exports increased 14.1 percent and accounts for about 0.8 percent of the total exports from the United States.

Mexico continues to be Iowa's second best trading partner and has replaced Japan and Germany as the second leading export country, partially due to the increase of value-added products shipped to Mexico. Canada continues to maintain the top spot. Iowa's record level of exports has been fueled by large percentage increases in corn, soybeans and flours.

**Gross Domestic Product.** The gross domestic product is the U.S. Commerce Department's measure of the value of all goods and services produced in Iowa each year. In 2007, Iowa's real gross domestic product by state was \$107.0 billion, which reflected a 1.7 percent-growth over the previous year. Contributing to this change were agriculture, forestry, fishing and hunting (10.15 percent increase), utilities (10.02 percent increase), information (6.52 percent increase), professional and technical services (5.67 percent increase), administrative and waste services (5.56 percent increase), and management of companies and enterprises (4.87 percent increase), among others. The nation's real gross domestic product (\$11.47 trillion) grew by 2.0 percent between 2006 and 2007.

**Nonagricultural Economy.** Over the past 15 years, significant changes have occurred in the mix of nonfarm wage and salary employment. While payroll jobs in Iowa grew by 0.4 percent, jobs in the business services sector decreased by 0.6 percent, and the financial services sector grew by 0.5 percent. Conversely, manufacturing jobs decreased by 1.0 percent.

### **Financial Policies**

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

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

### **MAJOR INITIATIVES AND ISSUES**

**Student Achievement/Teacher Quality.** During the 2008 session, the Legislature continued the commitment to Student Achievement and Teacher Quality by including an additional \$75 million appropriation toward this program in fiscal year 2009 on top of \$70 million appropriated in fiscal year 2008. This will provide additional funding to local schools to increase teacher salaries and move toward the goals of increasing student achievement.

**Preschool Initiatives.** During the 2008 session, Governor Culver and the Legislature continued work on preschool legislation. Included in these policies are an additional \$17.1 million to support preschool development on top of the \$15 million which was appropriated in fiscal year 2008. This will provide substantially greater resources for preschool to better prepare Iowa's youngest children to learn.

**Alternative Energy Initiatives.** Governor Culver recommended and the Legislature passed \$25 million for the second year of the \$100 million Iowa Power Fund to maintain leadership in the development and production of renewable energy and alternative fuels.

**Prison Construction.** In an effort to modernize the state's prison infrastructure, Governor Culver recommended and the Legislature approved funding in fiscal year 2009 of \$206.1 million from revenue bonding to rebuild the state's maximum security prison, rebuild and expand the state's prison for women and expand community based corrections facilities.

### **AWARDS AND ACKNOWLEDGEMENTS**

**Certificate of Achievement.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the fifteenth consecutive year the State of Iowa has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgment.** The preparation of this report on a timely basis requires the collective efforts of numerous finance personnel throughout the State and is made possible only with the cooperation and support of the Executive, Legislative, and Judicial branch agencies, universities, and component units of the State.

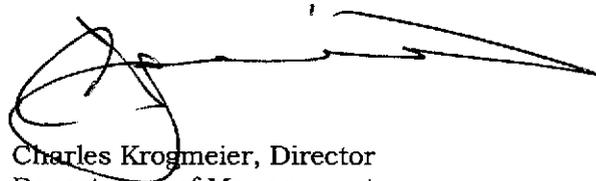
This report could not have been accomplished without the professionalism and dedication of the staff in the Department of Management, the State Accounting Enterprise within the Department of Administrative Services, the Auditor of State's Office, and the financial and management personnel throughout State government.

This report, issued for the twentieth consecutive year, continues our commitment to the citizens of the State of Iowa, the Governor, the Legislature, and the financial community, to maintain our financial statements in conformance with the highest standards of financial accountability.

Respectfully submitted,



Ray Walton, Interim Director  
Department of Administrative Services



Charles Krogmeier, Director  
Department of Management

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

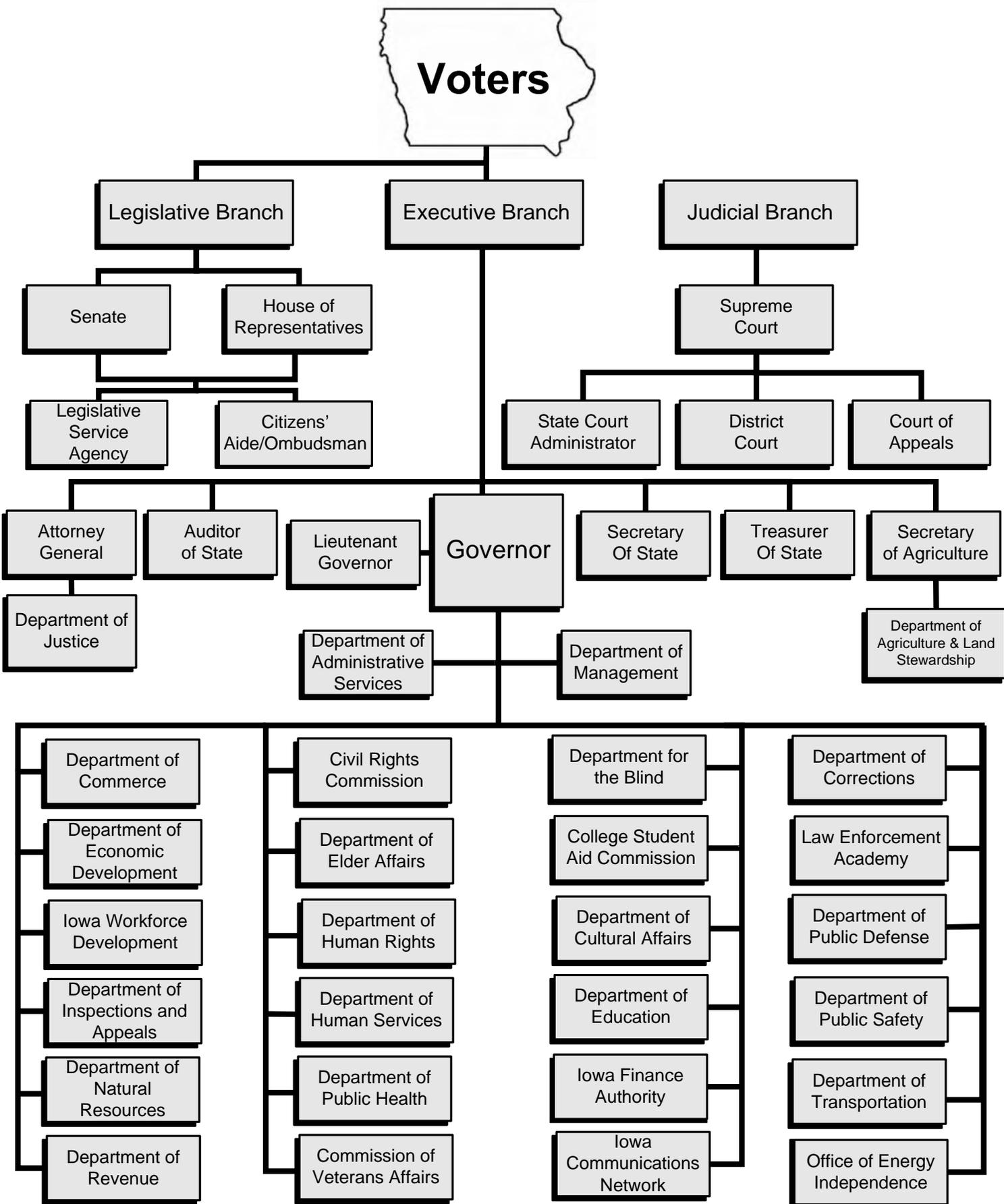
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# State of Iowa Organizational Chart



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

## **Elected Officials**

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GOVERNOR - **Chester J. Culver**  
LIEUTENANT GOVERNOR - **Patty J. Judge**  
SECRETARY OF STATE - **Michael A. Mauro**  
AUDITOR OF STATE - **David A. Vaudt**  
TREASURER OF STATE - **Michael L. Fitzgerald**  
SECRETARY OF AGRICULTURE - **William H. Northey**  
ATTORNEY GENERAL - **Thomas J. Miller**

## **Legislative Branch**

---

PRESIDENT OF THE SENATE - **John P. Kibbie**  
  
SPEAKER OF THE  
HOUSE OF REPRESENTATIVES - **Patrick J. Murphy**

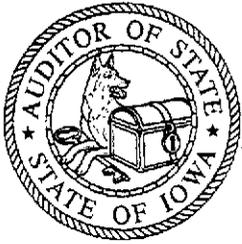
## **Judicial Branch**

---

CHIEF JUSTICE OF  
THE SUPREME COURT - **Marsha K. Ternus**



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



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Governor and Members of the General Assembly:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Iowa as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Tobacco Settlement Authority, a major governmental fund, and certain discretely presented and blended component units, which statements reflect 98% of assets and 93% of revenues of the discretely presented component units and 19% of assets and 7% of revenues of the nonmajor special revenue funds, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the major fund and these discretely presented and blended component units, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Iowa as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 25, the State's investments reported in the accompanying financial statements have incurred significant declines in value since June 30, 2008, due primarily to unprecedented volatility and selling pressure in the capital markets. The amount and extent of recovery, if any, the period over which recovery may occur and the amount of losses, if any, the State will recognize in future financial statements are indeterminable.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedules of Funding Progress on pages 4 through 14 and 84 through 91 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Iowa's basic financial statements. The supplementary information and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 10, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the State of Iowa's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the State's financial performance during the fiscal year that ended on June 30, 2008. Readers are encouraged to consider this information in conjunction with the letter of transmittal located at the front of the CAFR, and the State's financial statements, which follow this section of the CAFR.

### FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

#### Government-wide Highlights

- The assets of the State of Iowa exceeded its liabilities at the close of fiscal year 2008 by \$12,352.4 million (net assets). Of this amount \$1,564.1 million (unrestricted net assets) is available to be used to meet the State's ongoing obligations to citizens and creditors.
- Total net assets increased \$445.4 million in the fiscal year ended June 30, 2008. Net assets of governmental activities increased \$188.8 million, or 2.5 percent, while net assets of business-type activities increased \$256.6 million, or 6.0 percent.
- In the State's governmental activities, revenues increased 6.6 percent to \$12,148.5 million while expenses increased 8.1 percent to \$11,364.9 million.
- For business-type activities, revenues increased 3.3 percent to \$3,501.7 million while expenses increased 7.0 percent to \$3,902.4 million.

#### Fund Highlights

- The State's governmental funds reported a combined ending fund balance of \$2,673.4 million, a \$167.8 million increase from the prior year. Of this amount, \$567.5 million represents unreserved fund balance and the remaining \$2,105.9 million is reserved for specific purposes.
- The General Fund total fund balance increased \$243.3 million to \$2,296.7 million and the unreserved fund balance increased \$66.0 million to \$1,118.5 million at June 30, 2008.
- The proprietary funds reported net assets at year-end of \$4,689.5 million, an increase of \$257.9 million.

#### Long-term Debt

- The State's total long-term debt increased \$75.3 million, or 3.4 percent, to \$2,279.1 million during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Basic Financial Statements

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

#### Government-wide Financial Statements

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

- The Statement of Net Assets presents all of the State's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the State's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- The Statement of Activities presents information about the change in the State's net assets. This statement is formatted to report direct expenses, program revenues and the net revenue or expense for each of the State's governmental functions and business-type activities. This format identifies the extent to which each function is self-financed or is supported by the general revenues of the State.

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

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

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

### ***Fund Financial Statements***

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

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

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

- *Fiduciary Funds*—These funds are used to show assets held by the State as trustee or agent for others outside the State, such as the Iowa Public Employees' Retirement System and the Iowa Educational Savings Plan Trust. Similar to proprietary funds, these funds use the accrual basis of accounting. Because the State cannot use these assets to finance its operations, fiduciary funds are not included in the government-wide financial statements discussed above.

**Table 1**

<b>Major Features of the State's Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary, such as Human Services and Transportation	Activities the State operates similar to private businesses: the universities and the Iowa Communications Network	Instances in which the State is the trustee or agent for someone else's resources, such as the retirement plan for public employees
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses, and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the State's funds do not currently contain capital assets, although they can
<b>Type of inflow/outflow information</b>	All revenues and expenses during 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 of major funds. The Budgetary Comparison Schedule is accompanied by a budget to GAAP Reconciliation and by Notes to RSI. Schedules of funding progress for the Iowa Judicial Retirement System, the Peace Officers' Retirement, Accident and Disability System and Other Postemployment Benefits 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 Assets

The State's combined net assets (governmental and business-type activities) totaled \$12,352.4 million at June 30, 2008, compared to \$11,907.0 million at June 30, 2007 (restated), as indicated in Table 2.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2007 - 2008
	2008	Restated	2008	2007	2008	Restated	
		2007				2007	
Current and other assets	\$ 4,360.4	\$ 4,004.0	\$ 3,616.4	\$ 3,341.3	\$ 7,976.8	\$ 7,345.3	8.6%
Capital assets	6,258.6	6,133.6	3,054.5	2,916.5	9,313.1	9,050.1	2.9%
Total assets	10,619.0	10,137.6	6,670.9	6,257.8	17,289.9	16,395.4	5.5%
Long-term liabilities	1,321.7	1,278.7	1,350.2	1,179.0	2,671.9	2,457.7	8.7%
Other liabilities	1,506.5	1,256.9	759.1	773.8	2,265.6	2,030.7	11.6%
Total liabilities	2,828.2	2,535.6	2,109.3	1,952.8	4,937.5	4,488.4	10.0%
Net assets							
Invested in capital assets, net of related debt	6,203.7	6,071.5	1,997.1	1,962.4	8,200.8	8,033.9	2.1%
Restricted	1,096.7	954.6	1,490.8	1,377.6	2,587.5	2,332.2	10.9%
Unrestricted	490.4	575.9	1,073.7	965.0	1,564.1	1,540.9	1.5%
Total net assets	\$ 7,790.8	\$ 7,602.0	\$ 4,561.6	\$ 4,305.0	\$ 12,352.4	\$ 11,907.0	3.7%

Net assets of the State's governmental activities increased 2.5 percent to \$7,790.8 million. The largest component (79.6%) of the State's net assets is invested in capital assets (e.g. land, buildings, equipment, infrastructure, and others), net of related outstanding debt that was used to acquire or construct the assets. Restricted net assets is the next largest component (14.1%). These represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets is the remaining portion (6.3%) and may be used at the State's discretion, but often have limitations on use based on State statutes.

The net assets of business-type activities increased 6.0 percent to \$4,561.6 million. The State generally can only use these net assets to finance the continuing operations of the universities, unemployment insurance and other business-type activities.

Long-term liabilities increased 8.7 percent to \$2,671.9 million due to an increase in compensated absences and bonds payable. The accrual for compensated absences increased \$130.5 million primarily for current/active employees who may become eligible to use a portion of their accrued sick leave balances to pay the State share of group health insurance premiums upon retirement. The overall increase in bonds payable was \$84.7 million. This increase is the net result of new bond issuances by the State Universities totaling \$196.5 million which are primarily offset by bond repayments and defeasances (net of amortization) totaling \$120.7 million.

Other liabilities increased 11.6 percent to \$2,265.6 million due to increases in accounts payable and accruals and unearned revenues. Accounts payable and accruals increased \$97.8 million due to the timing of when Medicaid payments were made to providers and due to an increase in the Medicaid liability for incurred but not reported (IBNR) claims. Unearned revenue increased \$133.6 million primarily due to the drawing of federal funds in advance to cover Medicaid provider payments.

## Changes in Net Assets

The State's total net assets increased by \$445.4 million during the year, as indicated in Table 3.

**Table 3**  
Changes in Net Assets  
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2008	Restated 2007	2008	2007	2008	Restated 2007	2007 - 2008
<b>Program Revenues:</b>							
Charges for Service	\$ 1,631.5	\$ 1,480.1	\$ 2,676.1	\$ 2,521.4	\$ 4,307.6	\$ 4,001.5	7.6%
Operating Grants and Contributions	3,471.5	3,247.8	670.9	634.0	4,142.4	3,881.8	6.7%
Capital Grants and Contributions	230.6	283.8	35.2	30.9	265.8	314.7	-15.5%
<b>General Revenues:</b>							
Personal Income Tax	2,866.8	2,673.9	-	-	2,866.8	2,673.9	7.2%
Corporate Income Tax	347.8	322.3	-	-	347.8	322.3	7.9%
Sales & Use Tax	1,966.9	1,878.5	-	-	1,966.9	1,878.5	4.7%
Other Taxes	783.8	641.2	6.6	5.9	790.4	647.1	22.1%
<b>Restricted for Transportation Purposes:</b>							
Motor Fuel Tax	444.0	446.6	-	-	444.0	446.6	-0.6%
Road Use Tax	257.5	249.0	-	-	257.5	249.0	3.4%
<b>Unrestricted Investment Earnings</b>							
Other	115.0	146.7	69.4	159.3	184.4	306.0	-39.7%
Other	33.1	25.8	43.5	40.1	76.6	65.9	16.2%
<b>Total Revenues</b>	<b>12,148.5</b>	<b>11,395.7</b>	<b>3,501.7</b>	<b>3,391.6</b>	<b>15,650.2</b>	<b>14,787.3</b>	<b>5.8%</b>
<b>Expenses</b>							
Administration & Regulation	900.2	881.9	-	-	900.2	881.9	2.1%
Education	3,352.3	3,071.6	-	-	3,352.3	3,071.6	9.1%
Health & Human Rights	405.5	368.3	-	-	405.5	368.3	10.1%
Human Services	4,283.2	3,882.0	-	-	4,283.2	3,882.0	10.3%
Justice & Public Defense	945.4	854.1	-	-	945.4	854.1	10.7%
Economic Development	234.6	227.3	-	-	234.6	227.3	3.2%
Transportation	959.6	954.3	-	-	959.6	954.3	0.6%
Agriculture & Natural Resources	211.0	198.5	-	-	211.0	198.5	6.3%
Interest Expense	73.1	74.1	-	-	73.1	74.1	-1.3%
Universities	-	-	3,155.0	2,942.2	3,155.0	2,942.2	7.2%
Unemployment Insurance	-	-	356.3	342.5	356.3	342.5	4.0%
Other Business-type	-	-	391.1	363.5	391.1	363.5	7.6%
<b>Total Expenses</b>	<b>11,364.9</b>	<b>10,512.1</b>	<b>3,902.4</b>	<b>3,648.2</b>	<b>15,267.3</b>	<b>14,160.3</b>	<b>7.8%</b>
<b>Increase (Decrease) in Net Assets Before</b>							
Contributions, Extraordinary Item and Transfers	783.6	883.6	(400.7)	(256.6)	382.9	627.0	-38.9%
Contribution to Permanent Fund Principal	4.0	-	-	-	4.0	-	100.0%
Contribution to University Endowments	-	-	3.4	-	3.4	-	100.0%
Extraordinary Item - Gain on Impairment of Assets and Other	-	-	55.1	-	55.1	-	100.0%
Transfers	(598.8)	(549.2)	598.8	549.2	-	-	0.0%
<b>Increase in Net Assets</b>	<b>188.8</b>	<b>334.4</b>	<b>256.6</b>	<b>292.6</b>	<b>445.4</b>	<b>627.0</b>	<b>-29.0%</b>
<b>Net Assets July 1</b>	<b>7,602.0</b>	<b>7,267.6</b>	<b>4,305.0</b>	<b>4,012.4</b>	<b>11,907.0</b>	<b>11,280.0</b>	<b>5.6%</b>
<b>Net Assets June 30</b>	<b>\$ 7,790.8</b>	<b>\$ 7,602.0</b>	<b>\$ 4,561.6</b>	<b>\$ 4,305.0</b>	<b>\$ 12,352.4</b>	<b>\$ 11,907.0</b>	<b>3.7%</b>

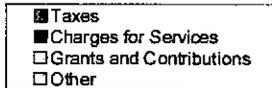
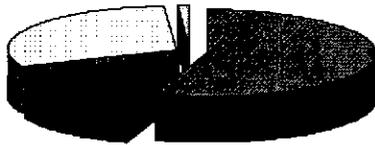
The largest revenue fluctuations occurred in general revenues from other taxes and unrestricted investment earnings. Other taxes in governmental activities increased due to increases in wagering and cigarette tax receipts. Cigarette tax receipts increased due to an increase in the cigarette tax rate in effect during fiscal year 2008. Unrestricted investment earnings decreased due to lower returns and market losses on investments attributed to the global financial crisis of capital markets.

The largest variation in program revenues was a decrease in capital grants and contributions. The decrease is due to the completion of the Interstate 235 project and a decline in construction projects receiving federal reimbursement.

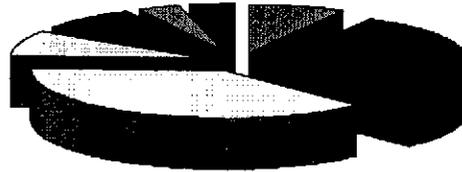
Overall, expenditures for governmental activities increased due to elevated levels of participation in various programs offered by the Department of Human Services, increases in compensated absences for current/active employees participating in various sick leave programs offered by the State, increases in state aid due to natural disasters (tornadoes and flooding) which occurred during the spring of 2008 and increases in personal services to staff the new correctional facility at the Iowa Medical and Classification Center in Oakdale.

## Governmental Activities

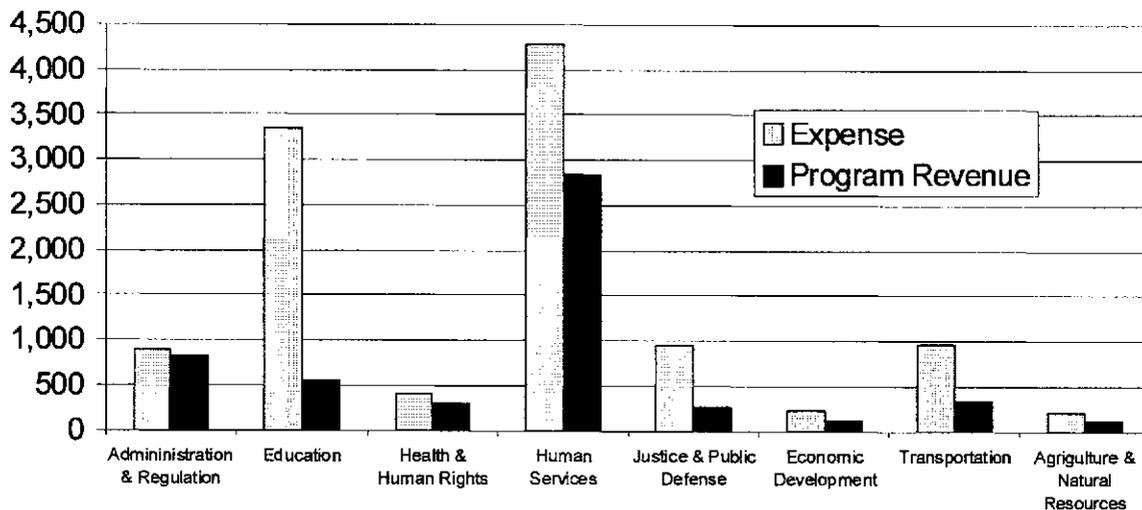
**FY08 Revenues -  
Governmental Activities**



**FY08 Functional Expenditures -  
Governmental Activities**



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



The cost of all governmental activities this fiscal year was \$11,364.9 million. However, the amount that taxpayers paid for these activities through State taxes was \$6,666.8 million. Part of the cost was paid by:

- Those who directly benefited from the programs (\$1,631.5 million), or
- Other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$3,702.1 million).

## **Business-type Activities**

- Universities had \$3,155.0 million in expenses and \$2,507.0 million in program revenues for net expenses of \$648.0 million. The most significant change in revenues and expenses occurred in nonoperating revenues where investment income decreased \$89.8 million due to lower returns and market losses. Assets increased \$363.5 million to \$5,536.6 million. This was due to increased cash of \$129.2 million due largely to cash margins at the University Hospitals, increased accounts receivables of \$76.7 million due mainly to the accruals of flood related insurance recoveries, and an increase in capital assets of \$118.5 related to construction. Liabilities increased \$171.4 million or 14.8 percent over the previous year mainly due to the three Universities issuing \$196.5 million in new bonds for construction and equipment for facilities.
- Unemployment Benefits had \$356.3 million in expenses and \$368.2 million in program revenues for an overall net increase in operating income of \$11.9 million. The State's unemployment rate increased during the current fiscal year, from 3.7 percent to 3.8 percent, and contributed to a 4.0 percent increase in unemployment benefits paid. Also, employers paid unemployment taxes on a slightly larger labor force in fiscal year 2008 than 2007 which led to a 4.6 percent increase in program revenues.

In total, business-type activities had net expenses of \$520.2 million with \$116.3 million in net general revenues and 598.8 million in transfers, for a net increase of \$256.6 million, to end with net assets of \$4,561.6 million.

Other business-type expenses increased \$27.6 million and revenues increased \$28.1 million. The Iowa Lottery Authority experienced an increase in prize expense and retailer compensation of \$12.8 million related to an increase in sales of \$14.1 million for online and pull-tab products. The Liquor Control Fund which accounts for the revenues and expenses related to the sale of alcoholic beverages experienced a \$13.7 million increase in sales revenue and a related increase in expenses.

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

### ***Governmental Funds***

The governmental funds reported total fund balances of \$2,673.4 million, with \$567.5 million in unreserved fund balance. Net revenues totaled \$12,203.6 million with expenditures of \$11,446.3 million.

### **General Fund**

The General Fund is the chief operating fund of the State. Total fund balance increased from \$2,053.4 million to \$2,296.7 million and the unreserved fund balance increased from \$1,052.5 million to \$1,118.5 million. The unreserved fund balance included \$592.4 million in "rainy day" funds, a \$57.2 million increase over the prior year. Loans receivable increased \$14.0 million in the Department of Transportation due to a new loan with the City of Des Moines.

Gross revenues of the General Fund increased \$1,211.6 million in fiscal year 2008, due to a \$588.3 million increase in tax revenues and a \$605.2 million increase in federal support. Individual income tax revenues increased \$256.7 million over the prior year. Iowa enacted higher cigarette and tobacco tax rates in March 2007. This first full year with the new rates resulted in a \$116.4 million increase in those tax revenues. Wagering taxes increased \$84.1 million over the prior year due to new legislation requiring all wagering taxes be deposited directly into the General Fund. Federal support increased in the Department of Human Services, Department of Education, and the Department of Transportation.

Expenditures increased \$763.6 million to \$11,227.0 million in fiscal year 2008. The Department of Human Services expenditures increased \$375.6 million and the Department of Education increased \$247.1 million due to expanded participation in programs, and debt service bond principal increased \$33.2 million due mainly to the early redemption / defeasance of the Underground Storage Tank Program bonds.

### **Tobacco Settlement Authority**

The Tobacco Settlement Authority (Authority), a blended component unit of the State of Iowa classified as a Special Revenue Fund, receives money from the Tobacco Collections Fund to pay operating expenses and for repayment of debt. Due to the implementation of GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*,

the Authority's beginning fund balance was restated from \$82.2 million to \$821.5 million to account for an interfund advance (receivable) for the amount of bond proceeds issued by the Authority and provided to the State. The Authority's ending fund balance decreased \$54.4 million to \$767.1 million. The decrease was due to receipt of funds from the Tobacco Collections Fund which reduced the interfund advance (receivable). These funds were primarily used to pay principal and interest on bonds totaling \$14.7 million and \$41.7 million, respectively.

### **Tobacco Collections Fund**

The Tobacco Collections Fund, a Special Revenue Fund, accounts for the tobacco settlement monies received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. Due to the implementation of GASB Statement No. 48, the Tobacco Collections Fund's beginning fund balance was restated to a deficit balance of \$739.3 million to account for an interfund advance (liability) for the bond proceeds issued by the Tobacco Settlement Authority and provided to the State. The ending fund balance in the Tobacco Collections Fund increased \$58.9 million to a deficit balance of \$680.4 million. The increase is due to the reduction of the interfund advance (liability) for the tobacco settlement monies 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.

Unrestricted net assets of University Funds at the end of the year amounted to \$1,066.9 million. Ending restricted net assets for Unemployment Benefits totaled \$986.1 million. Net assets in University Funds and Unemployment Benefits increased \$207.3 million and \$41.9 million, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the State of Iowa's business-type activities.

### **General Fund Budgetary Highlights**

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

- Supplemental appropriations - \$7,756,995
- Adjustments to standing appropriations - \$31,232,861

The originally enacted General Fund budget for fiscal year 2008 of \$5,859.4 million was predicated on 3.4 percent growth in General Fund revenues, as projected by the State's Revenue Estimating Conference (REC) on December 12, 2006. The December estimate reflected the expectation that revenue growth would continue at a moderate pace given the economic outlook.

At the April 6, 2007 meeting, the REC revised its fiscal year 2008 General Fund revenue estimate upward to \$5,885.7 million. This included the enacted increase in the cigarette and tobacco taxes that went into effect March 2007. The increased taxes were estimated to bring in an additional \$35.4 million in fiscal year 2007 and a total increase of \$135.3 million in fiscal year 2008. At the October 9, 2007 meeting, the REC revised its fiscal year 2008 revenue estimate upward to \$5,934.8 million. This was based upon the revised base of fiscal year 2007 growth of 4.9 percent and continued expectation that revenue growth would continue at a normal pattern. On December 11, 2007, the REC again increased the revenue estimate to \$5,983.4 million. The increase from the October 2007 meeting reflected an acknowledgement that year-to-date revenues were growing faster than expected. An additional revision was made at the April 6, 2008 meeting to increase the General Fund revenue estimate to \$6,062.2 million, again acknowledging that year-to-date revenues were growing faster than expected.

During the 2008 legislative session, the General Assembly approved a net increase of \$7.8 million in General Fund supplemental appropriations. The largest supplemental appropriation was \$14.8 million to the Medical Assistance Program (Medicaid) in the Department of Human Services coupled with a deappropriation of \$7.3 million from the Psychiatric Hospital at the University of Iowa as part of a shift of funding the Hospital under the Medicaid program. Most of the other supplemental appropriations were to help in general operations of various departments.

Also during this legislative session, the General Assembly approved the transfer of \$99.8 million of the ending General Fund balance to the Property Tax Credit Fund for fiscal year 2009 expenditures, prior to the transfer to the Cash Reserve Fund. This was signed into law by Governor Culver.

The State of Iowa has various statutory standing appropriations where a fixed amount is not appropriated. These are either formula-driven (in the case of the largest General Fund appropriation, for school foundation aid to local school districts), or for items 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 2008, these standing appropriations exceeded the original estimates by \$31.2 million. The largest variance was for claims with Appeal Board which were \$20.8 million over the estimate and Performance of Duty claims with the Executive Council which were \$8.1 million over the estimate. A variety of other appropriations made up the balance of the changes to standing appropriations.

During April, May and June of 2008, and throughout the accrual period, actual General Fund revenue collections continued to match the official REC projections. At the close of the fiscal year, revenue collections totaled \$6,084.5 million which was 7.8 percent growth. As a consequence, after the transfers to the Property Tax Credit Fund, and also taking into account the statutory transfer to the Senior Living Trust fund of \$48.3 million, the General Fund budgetary ending balance for fiscal year 2008, statutorily required to be transferred to the Cash Reserve Fund, totaled \$48.3 million.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the State had \$9,313.1 million invested in capital assets, net of accumulated depreciation of \$6,947.4 million. Depreciation charges totaled \$613.4 million in 2008. 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 Primary Government		Total Percentage Change 2007 - 2008
	2008	2007	2008	2007	2008	2007	
Land	\$ 628.1	\$ 606.6	\$ 38.4	\$ 36.1	\$ 666.5	\$ 642.7	3.7%
Building and Improvements	640.3	591.6	1,757.5	1,741.8	2,397.8	2,333.4	2.8%
Equipment	174.5	169.0	353.9	346.0	528.4	515.0	2.6%
Land Improvements	13.7	11.5	28.8	28.2	42.5	39.7	7.1%
Works of Art and Collections	1.3	0.8	294.0	280.6	295.3	281.4	4.9%
Infrastructure	4,746.7	4,691.0	250.7	246.2	4,997.4	4,937.2	1.2%
Construction in progress	54.0	63.2	331.2	237.5	385.2	300.7	28.1%
<b>Total</b>	<b>\$ 6,258.6</b>	<b>\$ 6,133.7</b>	<b>\$ 3,054.5</b>	<b>\$ 2,916.4</b>	<b>\$ 9,313.1</b>	<b>\$ 9,050.1</b>	<b>2.9%</b>

Outstanding commitments for future capital expenditures, as of June 30, 2008, include \$231.9 million for highway and bridge construction and \$207.2 million for construction at the three State universities.

## Long-term Debt

At year-end the State had \$2,279.1 million in bonds, certificates of participation, and leases and other financing arrangements outstanding, as shown in Table 5. More detailed information about the State's long-term liabilities is presented in NOTE 8 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2007 - 2008
	2008	2007	2008	2007	2008	2007	
	Revenue Bonds	\$ 1,049.6	\$ 1,110.6	\$ 1,069.2	\$ 921.9	\$ 2,118.8	
Certificates of Participation	0.6	1.0	-	-	0.6	1.0	-40.0%
Leases and Other Financing Arrangements	8.1	9.2	151.6	161.1	159.7	170.3	-6.2%
<b>Total</b>	<b>\$ 1,058.3</b>	<b>\$ 1,120.8</b>	<b>\$ 1,220.8</b>	<b>\$ 1,083.0</b>	<b>\$2,279.1</b>	<b>\$2,203.8</b>	<b>3.4%</b>

The Constitution of the State of Iowa prohibits the State from exceeding a maximum of \$250,000 in general obligation debt without voter approval. However, State law authorizes the issuance of Tax and Revenue Anticipation Notes (TRANS), provided that the total issuance does not exceed anticipated revenue receipts for the fiscal year and that the total issuance matures during the fiscal year. The State issued and repaid Tax and Revenue Anticipation Notes of \$500.0 million during fiscal year 2008.

Revenue bonds issued by the State and its various authorities totaled \$3,580.6 million outstanding at fiscal year-end. This amount consisted of \$1,461.8 million of component unit – proprietary funds revenue bonds (housing and higher education), \$1,069.2 million in revenue bonds issued by the three State universities and Iowa Lottery Authority (for equipment & facilities), \$779.0 million in revenue bonds issued by the Tobacco Settlement Authority, \$33.6 million in revenue bonds issued by the Honey Creek Authority, \$50.4 million in revenue bonds issued by the Iowa Finance Authority for the Department of Corrections, and \$186.6 million in revenue bonds issued by the State of Iowa for the Vision Iowa Program and the School Infrastructure Loan Program. These bonds are backed by the revenues of the issuing program or authority.

Certificates of Participation (COPS), issued by the State and outstanding at fiscal year-end, amounted to \$.6 million. COPS represent an ownership interest of the certificate holder in a lease purchase agreement

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

Iowa enjoyed continued good fiscal health in fiscal year 2008, with growth in revenue collections during the year. Iowa's 7.8 percent growth in General Fund revenue included the annualization of the cigarette and tobacco taxes enacted in March 2007 and continued the overall revenue growth the state has experienced over the past five years.

The Governor and General Assembly worked three days beyond the 100 day session in 2008, fashioning the General Fund budget for fiscal year 2009. Amounts available for appropriation based on the 99 percent budget limitation in the General Fund budget were \$6,140.6 million. General Fund appropriations totaled \$6,130.9 million, an increase of \$232.5 million from the actual 2008 General Fund budget.

Late May and June 2008, Iowa was hit hard by tornadoes, storms and flooding. The Governor declared 86 out of the 99 counties disaster counties and 85 out of the 86 counties were declared Presidential disaster counties. 18 people died during the storms and floods with 106 people injured and an estimated 38,000 people displaced. Billions of dollars have been estimated in damages, with \$800.5 million in federal and state assistance being approved as of November 8, 2008. Currently, the state has set aside \$7.6 million in fiscal year 2008 and \$28.1 million in fiscal year 2009 through the performance of duty appropriation to pay for the state's share of damages, either to state property directly or to cover the state's share of assistance.

At the REC meeting in October 2008, the fiscal year 2009 revenue estimate was decreased from \$6,189.1 million to \$6,151.5 million, largely as a reflection on current year to date revenue growth and an anticipated slowdown of tax revenues to that is reflective of the slowdown of the national and state economies. The revised estimate reflects projected revenue growth of 1.1 percent compared to actual revenues for the previous fiscal year.

Recent revenue performance has been sluggish, which is reflective of the slowdown of the national and state economies. Iowa's unemployment rate was at 4.2 percent in September 2008, down from a revised 4.5 percent in August 2008, showing Iowa has been able to withstand the national trends, with Iowa's labor market holding its own in spite of the turmoil nationally in the financial market and the housing slowdown. Iowa's seasonally adjusted employment was estimated at 1,614,200.

Nationally, the continued issues in the credit market concerning sub-prime mortgage lending and the housing market problems are leading to a severe slow down in the economy. Growth in the gross domestic product (GDP) for the third quarter of 2008 decreased at a rate of 0.3 percent, with Moody's Economy.com expecting continue negative growth of 2.2 percent in the fourth quarter of 2008 and negative 1.0 percent the first quarter of 2009, with GDP slowly coming back to 0.0 percent growth in the second quarter of 2009 to 2.2 percent in the third quarter and 3.4 percent in the fourth quarter of 2009.

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

**B A S I C  
F I N A N C I A L  
S T A T E M E N T S**

**STATE OF IOWA**

**Statement of Net Assets**

June 30, 2008  
(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>ASSETS</b>				
Current Assets:				
Cash & Investments	\$ 2,347,968	\$ 2,257,749	\$ 4,605,717	\$ 997,898
Cash & Investments - Restricted	-	89,464	89,464	51,619
Deposits With Trustees	7,672	55,073	62,745	-
Accounts Receivable (Net)	1,622,988	542,801	2,165,789	58,563
Interest Receivable	214	7,273	7,487	10,988
Loans Receivable (Net)	25,070	5,912	30,982	42,948
Internal Balances	41,353	(41,353)	-	-
Inventory	21,965	61,765	83,730	191
Prepaid Expenses	17,059	22,660	39,719	663
Deferred Charges	237	-	237	-
Other Assets	-	1,539	1,539	1,267
Investment In Prize Annuity	-	4,102	4,102	-
<b>Total Current Assets</b>	<b>4,084,526</b>	<b>3,006,985</b>	<b>7,091,511</b>	<b>1,164,137</b>
Noncurrent Assets:				
Cash & Investments	-	492,865	492,865	446,758
Cash & Investments - Restricted	82,418	-	82,418	1,543,695
Accounts Receivable (Net)	43,944	12,672	56,616	127,220
Interest Receivable	-	467	467	-
Loans Receivable (Net)	145,422	61,903	207,325	630,610
Capital Assets - nondepreciable	682,064	625,020	1,307,084	10,525
Capital Assets - depreciable, net	5,576,536	2,429,528	8,006,064	68,339
Prepaid Expenses	-	22	22	-
Deferred Charges	4,081	-	4,081	-
Other Assets	-	25,972	25,972	16,759
Investment In Prize Annuity	-	11,466	11,466	-
Prize Deposit	-	4,022	4,022	-
<b>Total Noncurrent Assets</b>	<b>6,534,465</b>	<b>3,663,937</b>	<b>10,198,402</b>	<b>2,843,906</b>
<b>TOTAL ASSETS</b>	<b>10,618,991</b>	<b>6,670,922</b>	<b>17,289,913</b>	<b>4,008,043</b>

The notes are an integral part of the financial statements.

(continued on next page)

**STATE OF IOWA**

(continued)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable & Accruals	1,074,886	322,938	1,397,824	34,755
Interest Payable	7,421	25,101	32,522	28,553
Unearned Revenue	234,626	98,546	333,172	830
Compensated Absences	133,016	61,526	194,542	1,675
Capital Leases	1,184	6,648	7,832	584
Bonds Payable	54,995	48,649	103,644	56,456
Other Financing				
Arrangements Payable	364	730	1,094	-
Annuities Payable	-	4,202	4,202	-
Lottery Prizes Payable	-	2,655	2,655	-
Funds Held In Custody	-	188,115	188,115	70,465
Total Current Liabilities	<u>1,506,492</u>	<u>759,110</u>	<u>2,265,602</u>	<u>193,318</u>
Noncurrent Liabilities:				
Accounts Payable & Accruals	136,353	17,972	154,325	65,213
Unearned Revenue	72	2,824	2,896	9,261
Compensated Absences	183,545	99,079	282,624	242
Capital Leases	4,219	142,414	146,633	6,908
Bonds Payable	994,541	1,020,590	2,015,131	1,405,376
Other Financing				
Arrangements Payable	2,921	1,840	4,761	-
Annuities Payable	-	11,466	11,466	-
Lottery Prizes Payable	-	4,022	4,022	-
Funds Held In Custody	-	50,081	50,081	4,506
Total Noncurrent Liabilities	<u>1,321,651</u>	<u>1,350,288</u>	<u>2,671,939</u>	<u>1,491,506</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,828,143</u></b>	<b><u>2,109,398</u></b>	<b><u>4,937,541</u></b>	<b><u>1,684,824</u></b>
<b>NET ASSETS</b>				
Invested in Capital Assets,				
Net of Related Debt	6,203,738	1,997,070	8,200,808	65,710
Restricted for:				
Education	69,503	-	69,503	-
Human Services	89,510	-	89,510	-
Economic Development	33,330	-	33,330	-
Transportation	651,093	-	651,093	-
Capital Projects	82,779	-	82,779	-
Universities - Expendable	-	429,697	429,697	-
Universities - Nonexpendable	-	74,969	74,969	-
Permanent Funds - Nonexpendable	18,561	-	18,561	-
Unemployment Benefits	-	986,100	986,100	-
Other	151,962	-	151,962	1,817,640
Unrestricted	490,372	1,073,688	1,564,060	439,869
<b>TOTAL NET ASSETS</b>	<b><u>\$ 7,790,848</u></b>	<b><u>\$ 4,561,524</u></b>	<b><u>\$ 12,352,372</u></b>	<b><u>\$ 2,323,219</u></b>

# STATE OF IOWA

## Statement of Activities

For the Year Ended June 30, 2008  
(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
Governmental Activities:				
Administration & Regulation	\$ 900,181	\$ 808,206	\$ 9,321	\$ -
Education	3,352,331	47,201	493,540	788
Health & Human Rights	405,459	83,700	217,622	-
Human Services	4,283,160	417,733	2,421,839	-
Justice & Public Defense	945,438	177,293	84,327	-
Economic Development	234,579	7,125	105,103	-
Transportation	959,598	17,695	97,234	222,610
Agriculture & Natural Resources	211,053	72,564	42,508	7,187
Interest Expense	73,065	-	-	-
<b>Total Governmental Activities</b>	<b>11,364,864</b>	<b>1,631,517</b>	<b>3,471,494</b>	<b>230,585</b>
Business-type Activities:				
Universities	3,155,027	1,800,897	670,859	35,225
Unemployment Insurance	356,261	368,202	-	-
Other	391,077	506,995	-	-
<b>Total Business-type Activities</b>	<b>3,902,365</b>	<b>2,676,094</b>	<b>670,859</b>	<b>35,225</b>
<b>Total Primary Government</b>	<b>\$ 15,267,229</b>	<b>\$ 4,307,611</b>	<b>\$ 4,142,353</b>	<b>\$ 265,810</b>
<b>Component Units:</b>				
Iowa Finance Authority	\$ 96,985	\$ 14,276	\$ 45,647	\$ -
Iowa Higher Education Loan Authority	1,721	1,678	-	-
Iowa Agricultural Development Authority	601	476	25	-
Iowa State Fair Authority	16,561	14,657	3,585	1,100
University of Iowa Foundation	85,105	-	90,262	-
Iowa State University Foundation	66,417	-	101,947	-
University of Northern Iowa Foundation	10,790	-	13,063	1,295
<b>Total Component Units</b>	<b>\$ 278,180</b>	<b>\$ 31,087</b>	<b>\$ 254,529</b>	<b>\$ 2,395</b>
<b>General Revenues</b>				
Taxes:				
Personal Income				
Corporate Income				
Sales and Use				
Other				
Restricted for Transportation Purposes:				
Motor Fuel				
Road Use				
Unrestricted Investment Earnings				
Other				
Gain on Sale of Assets				
Contribution to Permanent Fund Principal				
Contribution to University Endowments				
Extraordinary Item - Gain on Impairment of Assets and Other				
Transfers				
<b>Total General Revenues and Transfers</b>				
<b>Change in Net Assets</b>				
<b>Net Assets - July 1, Restated</b>				
<b>Net Assets - June 30</b>				

The notes are an integral part of the financial statements.

## STATE OF IOWA

### Net (Expenses) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (82,654)	\$ -	\$ (82,654)	\$ -
(2,810,802)	-	(2,810,802)	-
(104,137)	-	(104,137)	-
(1,443,588)	-	(1,443,588)	-
(683,818)	-	(683,818)	-
(122,351)	-	(122,351)	-
(622,059)	-	(622,059)	-
(88,794)	-	(88,794)	-
(73,065)	-	(73,065)	-
<b>(6,031,268)</b>	-	<b>(6,031,268)</b>	-
-	(648,046)	(648,046)	-
-	11,941	11,941	-
-	115,918	115,918	-
-	<b>(520,187)</b>	<b>(520,187)</b>	-
<b>(6,031,268)</b>	<b>(520,187)</b>	<b>(6,551,455)</b>	-
			(37,062)
			(43)
			(100)
			2,781
			5,157
			35,530
			3,568
			<b>9,831</b>
2,866,774	-	2,866,774	-
347,833	-	347,833	-
1,966,871	-	1,966,871	-
783,814	6,551	790,365	-
443,997	-	443,997	-
257,523	-	257,523	-
114,987	69,378	184,365	44,843
32,492	43,486	75,978	6,217
571	7	578	-
4,031	-	4,031	-
-	3,433	3,433	-
-	55,084	55,084	-
(598,789)	598,789	-	-
<b>6,220,104</b>	<b>776,728</b>	<b>6,996,832</b>	<b>51,060</b>
<b>188,836</b>	<b>256,541</b>	<b>445,377</b>	<b>60,891</b>
<b>7,602,012</b>	<b>4,304,983</b>	<b>11,906,995</b>	<b>2,262,328</b>
<b>\$ 7,790,848</b>	<b>\$ 4,561,524</b>	<b>\$ 12,352,372</b>	<b>\$ 2,323,219</b>



# GOVERNMENTAL FUND FINANCIAL STATEMENTS

## **Major Funds**

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

**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 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.

**Nonmajor Governmental Funds** are presented, by fund type, beginning on page 94.

**STATE OF IOWA**

**Balance Sheet  
Governmental Funds**

June 30, 2008  
(Expressed in Thousands)

	<b>GENERAL FUND</b>	<b>TOBACCO SETTLEMENT AUTHORITY</b>	<b>TOBACCO COLLECTIONS FUND</b>	<b>NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>					
Current Assets:					
Cash & Investments	\$ 2,047,214	\$ 86,936	\$ -	\$ 256,781	\$ 2,390,931
Deposits with Trustees	4,170	-	-	3,502	7,672
Accounts Receivable (Net)	1,573,474	214	36,466	11,832	1,621,986
Loans Receivable (Net)	24,619	-	-	451	25,070
Due From Other Funds	16,821	46,729	-	9,803	73,353
Inventory	11,789	-	-	70	11,859
Prepaid Expenditures	15,211	-	-	20	15,231
<b>Total Current Assets</b>	<b>3,693,298</b>	<b>133,879</b>	<b>36,466</b>	<b>282,459</b>	<b>4,146,102</b>
Noncurrent Assets:					
Accounts Receivable (Net)	43,810	-	-	133	43,943
Loans Receivable (Net)	141,763	-	-	3,659	145,422
Due From Other Funds/ Advanced To Other Funds	-	633,704	-	28,000	661,704
<b>Total Noncurrent Assets</b>	<b>185,573</b>	<b>633,704</b>	<b>-</b>	<b>31,792</b>	<b>851,069</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,878,871</b>	<b>\$ 767,583</b>	<b>\$ 36,466</b>	<b>\$ 314,251</b>	<b>\$ 4,997,171</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable & Accruals	\$ 958,946	\$ 126	\$ -	\$ 15,088	\$ 974,160
Due To Other Funds/ Advances From Other Funds	65,670	342	46,703	7,234	119,949
Deferred Revenue	510,269	-	36,466	1,913	548,648
<b>Total Current Liabilities</b>	<b>1,534,885</b>	<b>468</b>	<b>83,169</b>	<b>24,235</b>	<b>1,642,757</b>
Noncurrent Liabilities:					
Accounts Payable & Accruals	31	-	-	-	31
Due To Other Funds/ Advances From Other Funds	3,470	-	633,704	-	637,174
Deferred Revenue	43,810	-	-	-	43,810
<b>Total Noncurrent Liabilities</b>	<b>47,311</b>	<b>-</b>	<b>633,704</b>	<b>-</b>	<b>681,015</b>
<b>TOTAL LIABILITIES</b>	<b>1,582,196</b>	<b>468</b>	<b>716,873</b>	<b>24,235</b>	<b>2,323,772</b>
<b>FUND BALANCE</b>					
Reserved for:					
Encumbrances & Contracts	50,042	-	-	-	50,042
Inventory & Prepaid Expenditures	27,000	-	-	90	27,090
Noncurrent Receivables	141,763	633,704	-	31,792	807,259
Specific Purposes	959,373	133,411	-	128,735	1,221,519
Unreserved Fund Equity	1,118,497	-	(680,407)	-	438,090
Unreserved, reported in:					
Nonmajor special revenue funds	-	-	-	46,731	46,731
Nonmajor capital projects funds	-	-	-	82,668	82,668
<b>TOTAL FUND BALANCE</b>	<b>2,296,675</b>	<b>767,115</b>	<b>(680,407)</b>	<b>290,016</b>	<b>2,673,399</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 3,878,871</b>	<b>\$ 767,583</b>	<b>\$ 36,466</b>	<b>\$ 314,251</b>	<b>\$ 4,997,171</b>

The notes are an integral part of the financial statements.

**STATE OF IOWA**

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

June 30, 2008  
(Expressed in Thousands)

**Total Fund Balances-Governmental funds** \$ 2,673,399

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets, excluding internal service funds, is \$10,428,667 and the accumulated depreciation is (\$4,255,285). 6,173,382

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 Assets. 127,954

Certain revenues are earned but not available and therefore deferred in the funds. 366,680

Deferred issue costs are reported as current expenditures in the funds. However, deferred issue costs are amortized over the life of the bonds and are included as deferred charges in the governmental activities in the Statement of Net Assets. 4,318

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

Bonds Payable	(1,049,536)
Accrued Interest Payable	(7,421)
Compensated Absences	(310,573)
Capital Leases	(5,311)
Other Financing Arrangements Payable	(3,285)
Pollution Remediation	(56,571)
Early Retirement Liability / Termination Benefits	(11,127)
Risk Management Liability	(19,500)
Net Pension Liability	(29,933)
Other Postemployment Benefits	(12,991)
Other Long-term Liabilities	<u>(48,637)</u>
Total Long-term liabilities	<u>(1,554,885)</u>

**Net assets of governmental activities** \$ 7,790,848

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, 2008  
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Taxes	\$ 7,386,422	\$ -	\$ -	\$ -	\$ 7,386,422
Receipts from Other Entities	4,130,534	-	-	62,725	4,193,259
Investment Income	100,845	3,421	-	14,094	118,360
Fees, Licenses & Permits	686,892	-	-	3,319	690,211
Refunds & Reimbursements	328,246	-	75,488	27,769	431,503
Sales, Rents & Services	24,831	-	-	4,312	29,143
Miscellaneous	109,120	-	-	8,448	117,568
Contributions	-	-	-	48	48
<b>GROSS REVENUES</b>	<b>12,766,890</b>	<b>3,421</b>	<b>75,488</b>	<b>120,715</b>	<b>12,966,514</b>
Less Revenue Refunds	759,015	-	-	3,911	762,926
<b>NET REVENUES</b>	<b>12,007,875</b>	<b>3,421</b>	<b>75,488</b>	<b>116,804</b>	<b>12,203,588</b>
<b>EXPENDITURES:</b>					
Current:					
Administration & Regulation	885,498	1,253	-	2,694	889,445
Education	3,259,018	-	-	82,461	3,341,479
Health & Human Rights	378,357	-	-	10,852	389,209
Human Services	4,239,990	-	-	273	4,240,263
Justice & Public Defense	867,276	-	-	2,968	870,244
Economic Development	217,008	-	-	3,305	220,313
Transportation	413,467	-	-	2,921	416,388
Agriculture & Natural Resources	172,555	-	-	8,963	181,518
Capital Outlay	731,917	-	-	37,285	769,202
Debt Service:					
Bond Principal Retirement	49,245	14,700	-	5,630	69,575
Bond Interest & Fiscal Charges	12,691	41,656	-	4,274	58,621
<b>TOTAL EXPENDITURES</b>	<b>11,227,022</b>	<b>57,609</b>	<b>-</b>	<b>161,626</b>	<b>11,446,257</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>780,853</b>	<b>(54,188)</b>	<b>75,488</b>	<b>(44,822)</b>	<b>757,331</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	341,614	-	-	192,271	533,885
Transfers Out	(879,988)	(215)	(16,607)	(227,461)	(1,124,271)
Leases, Installment Purchases & Other	848	-	-	-	848
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(537,526)</b>	<b>(215)</b>	<b>(16,607)</b>	<b>(35,190)</b>	<b>(589,538)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>243,327</b>	<b>(54,403)</b>	<b>58,881</b>	<b>(80,012)</b>	<b>167,793</b>
<b>FUND BALANCE JULY 1, RESTATED</b>	<b>2,053,348</b>	<b>821,518</b>	<b>(739,288)</b>	<b>370,028</b>	<b>2,505,606</b>
<b>FUND BALANCE JUNE 30</b>	<b>\$ 2,296,675</b>	<b>\$ 767,115</b>	<b>\$ (680,407)</b>	<b>\$ 290,016</b>	<b>\$ 2,673,399</b>

The notes are an integral part of the financial statements.

**STATE OF IOWA**

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

For the Year Ended June 30, 2008  
(Expressed in Thousands)

**Net change in fund balances-total governmental funds** **\$ 167,793**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	515,226	
Depreciation expense	(382,630)	
Excess of capital outlay over depreciation expense		132,596

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. (5,517)

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

Capital leases	(707)	
Other financing arrangements payable	(137)	
Total		(844)

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

Bond principal retirement	69,576	
Capital lease payments	1,528	
Other financing arrangements payments	726	
Total long-term debt repayment		71,830

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. 1,351

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. (49,166)

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	(120,190)	
Early retirement liability/termination benefits	(984)	
Pension Liability	(8,609)	
Other	576	
Total additional expenditures		(129,207)

**Change in net assets of governmental activities** **\$ 188,836**

The notes are an integral part of the financial statements.



## PROPRIETARY FUND FINANCIAL STATEMENTS

### **Major Funds**

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

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

**Nonmajor Proprietary Funds** are presented by fund, beginning on page 116.

**STATE OF IOWA**  
**Statement of Net Assets**  
**Proprietary Funds**  
June 30, 2008  
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS	NONMAJOR ENTERPRISE FUNDS		
<b>ASSETS</b>					
Current Assets:					
Cash & Investments	\$ 1,333,115	\$ 870,802	\$ 51,719	\$ 2,255,636	\$ 41,566
Cash & Investments - Restricted	89,464	-	-	89,464	-
Deposits With Trustees	55,073	-	-	55,073	-
Accounts Receivable (Net)	397,134	130,041	15,626	542,801	1,217
Interest Receivable	7,039	-	234	7,273	-
Loans Receivable (Net)	5,912	-	-	5,912	-
Due From Other Funds/Advances					
To Other Funds	-	1,706	172	1,878	69,346
Inventory	49,585	-	12,180	61,765	10,103
Prepaid Expenses	21,860	-	800	22,660	1,828
Other Assets	1,539	-	-	1,539	-
Investment In Prize Annuity	-	-	4,102	4,102	-
<b>Total Current Assets</b>	<b>1,960,721</b>	<b>1,002,549</b>	<b>84,833</b>	<b>3,048,103</b>	<b>124,060</b>
Noncurrent Assets:					
Cash & Investments	492,865	-	-	492,865	-
Accounts Receivable	12,672	-	-	12,672	-
Interest Receivable	467	-	-	467	-
Loans Receivable (Net)	61,903	-	-	61,903	-
Due From Other Funds/Advances					
To Other Funds	-	3,096	-	3,096	774
Capital Assets - nondepreciable	591,793	-	33,227	625,020	-
Capital Assets - depreciable, net	2,390,193	-	39,335	2,429,528	85,220
Prepaid Expenses	22	-	-	22	-
Other Assets	25,972	-	-	25,972	-
Investment In Prize Annuity	-	-	11,466	11,466	-
Prize Deposit	-	-	4,022	4,022	-
<b>Total Noncurrent Assets</b>	<b>3,575,887</b>	<b>3,096</b>	<b>88,050</b>	<b>3,667,033</b>	<b>85,994</b>
<b>TOTAL ASSETS</b>	<b>5,536,608</b>	<b>1,005,645</b>	<b>172,883</b>	<b>6,715,136</b>	<b>210,054</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable & Accruals	285,830	15,473	20,948	322,251	28,630
Due To Other Funds/Advances					
From Other Funds	-	310	12,724	13,034	11,594
Interest Payable	25,097	-	4	25,101	-
Unearned Revenue	94,372	3,762	412	98,546	8,920
Compensated Absences	59,488	-	2,038	61,526	2,959
Capital Leases	6,648	-	-	6,648	73
Bonds Payable	48,549	-	100	48,649	-
Other Financing Arrangements Payable	730	-	-	730	-
Annuities Payable	-	-	4,202	4,202	-
Lottery Prizes Payable	-	-	2,655	2,655	-
Funds Held In Custody	188,115	-	-	188,115	-
<b>Total Current Liabilities</b>	<b>708,829</b>	<b>19,545</b>	<b>43,083</b>	<b>771,457</b>	<b>52,176</b>
Noncurrent Liabilities:					
Accounts Payable & Accruals	17,376	-	596	17,972	30,343
Due To Other Funds/Advances					
From Other Funds	-	-	28,000	28,000	400
Unearned Revenue	2,824	-	-	2,824	-
Compensated Absences	96,484	-	2,595	99,079	3,029
Capital Leases	142,414	-	-	142,414	19
Bonds Payable	1,019,190	-	1,400	1,020,590	-
Other Financing Arrangements Payable	1,840	-	-	1,840	-
Annuities Payable	-	-	11,466	11,466	-
Lottery Prizes Payable	-	-	4,022	4,022	-
Funds Held In Custody	50,081	-	-	50,081	-
<b>Total Noncurrent Liabilities</b>	<b>1,330,209</b>	<b>-</b>	<b>48,079</b>	<b>1,378,288</b>	<b>33,791</b>
<b>TOTAL LIABILITIES</b>	<b>2,039,038</b>	<b>19,545</b>	<b>91,162</b>	<b>2,149,745</b>	<b>85,967</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	1,926,008	-	71,062	1,997,070	85,128
Restricted For:					
Expendable	429,697	-	-	429,697	-
Nonexpendable	74,969	-	-	74,969	-
Unemployment Benefits	-	986,100	-	986,100	-
Unrestricted	1,066,896	-	10,659	1,077,555	38,959
<b>TOTAL NET ASSETS</b>	<b>\$ 3,497,570</b>	<b>\$ 986,100</b>	<b>\$ 81,721</b>	<b>4,565,391</b>	<b>\$ 124,087</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(3,867)	
Net assets of business-type activities				<u>\$ 4,561,524</u>	

The notes are an integral part of the financial statements.

**STATE OF IOWA**

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

For the Year Ended June 30, 2008  
(Expressed in Thousands)

	BUSINESS- TYPE ACTIVITIES -- ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS	NONMAJOR ENTERPRISE FUNDS		
<b>OPERATING REVENUES:</b>					
Employer Contributions	\$ -	\$ 363,610	\$ -	\$ 363,610	\$ -
Receipts from Other Entities	144	4,592	-	4,736	118,198
Fees, Licenses & Permits	1,319,042	-	12,874	1,331,916	9
Refunds & Reimbursements	-	-	195	195	59,256
Sales, Rents & Services	249,286	-	492,299	741,585	1,915
Grants & Contracts	558,518	-	-	558,518	-
Independent /Auxiliary Operations	232,569	-	-	232,569	-
Miscellaneous	42,936	-	1,627	44,563	5,234
<b>TOTAL OPERATING REVENUES</b>	<b>2,402,495</b>	<b>368,202</b>	<b>506,995</b>	<b>3,277,692</b>	<b>184,612</b>
<b>OPERATING EXPENSES:</b>					
General & Administrative	-	-	9,619	9,619	-
Scholarship & Fellowship	30,642	-	-	30,642	-
Depreciation	208,153	-	9,992	218,145	12,595
Direct Expense	-	-	38,850	38,850	-
Prize Expense	-	-	144,670	144,670	-
Personal Services	1,919,998	-	6,439	1,926,437	32,705
Travel & Subsistence	34,365	-	585	34,950	25,405
Supplies & Materials	389,083	-	3,171	392,254	44,755
Contractual Services	78,051	-	40,908	118,959	24,180
Equipment & Repairs	414,641	-	351	414,992	20,947
Claims & Miscellaneous	18,542	-	132,217	150,759	21,562
Licenses, Permits & Refunds	2,576	-	702	3,278	219
State Aids & Credits	-	356,261	3,461	359,722	-
<b>TOTAL OPERATING EXPENSES</b>	<b>3,096,051</b>	<b>356,261</b>	<b>390,965</b>	<b>3,843,277</b>	<b>182,368</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(693,556)</b>	<b>11,941</b>	<b>116,030</b>	<b>(565,585)</b>	<b>2,244</b>
<b>NONOPERATING REVENUES</b>					
<b>(EXPENSES):</b>					
Gifts	112,341	-	-	112,341	-
Taxes	-	-	6,551	6,551	-
Investment Income	26,048	41,222	2,108	69,378	567
Interest Expense	(51,419)	-	(109)	(51,528)	-
Miscellaneous Nonoperating Revenue	406	-	-	406	-
Miscellaneous Nonoperating Expense	(3,097)	-	-	(3,097)	-
Gain (Loss) on Sale of Capital Assets	(5,254)	-	7	(5,247)	(669)
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<b>79,025</b>	<b>41,222</b>	<b>8,557</b>	<b>128,804</b>	<b>(102)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS, EXTRAORDINARY ITEM AND TRANSFERS</b>	<b>(614,531)</b>	<b>53,163</b>	<b>124,587</b>	<b>(436,781)</b>	<b>2,142</b>
Capital Contributions and Grants	35,225	-	8,403	43,628	-
Additions to Endowments	3,433	-	-	3,433	-
Extraordinary Item - Gain on Impairment of Assets and Other	55,084	-	-	55,084	-
Transfers In	728,125	-	326	728,451	196
Transfers Out	-	(11,233)	(126,832)	(138,065)	(196)
<b>CHANGE IN NET ASSETS</b>	<b>207,336</b>	<b>41,930</b>	<b>6,484</b>	<b>255,750</b>	<b>2,142</b>
<b>TOTAL NET ASSETS - JULY 1</b>	<b>3,290,234</b>	<b>944,170</b>	<b>75,237</b>		<b>121,945</b>
<b>TOTAL NET ASSETS - JUNE 30</b>	<b>\$ 3,497,570</b>	<b>\$ 986,100</b>	<b>\$ 81,721</b>		<b>\$ 124,087</b>

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

791

Change in net assets of business-type activities

\$ 256,541

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, 2008  
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES --
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS	NONMAJOR ENTERPRISE FUNDS		INTERNAL SERVICE FUNDS
<b>CASH FLOWS FROM OPERATING</b>					
<b>ACTIVITIES:</b>					
Cash Received From Customers/Students	\$ 1,782,676	\$ -	\$ 505,356	\$ 2,288,032	\$ -
Cash Received from Miscellaneous	81,414	-	1,834	83,248	-
Cash Received From Employers	-	359,595	-	359,595	-
Cash Received From Other Entities	549,297	4,592	-	553,889	12,658
Cash Received From Reciprocal Interfund Activity	-	1,150	-	1,150	170,702
Cash Payments To Suppliers For Goods & Services	(1,020,074)	-	(215,673)	(1,235,747)	(111,838)
Cash Payments To Employees/Students For Services	(1,869,451)	-	(23,286)	(1,892,737)	(54,868)
Cash Payments For Prizes	-	-	(150,992)	(150,992)	-
Cash Payments For Unemployment Claims	-	(352,733)	-	(352,733)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(476,138)</b>	<b>12,604</b>	<b>117,239</b>	<b>(346,295)</b>	<b>16,654</b>
<b>CASH FLOWS FROM NONCAPITAL</b>					
<b>FINANCING ACTIVITIES:</b>					
Transfers In From Other Funds	706,952	-	179	707,131	196
Transfers Out To Other Funds	-	(11,251)	(129,899)	(141,150)	(196)
Receipts From Related Agencies	875,892	-	-	875,892	-
Payments To Related Agencies	(887,117)	-	-	(887,117)	-
Other Receipts	12,664	-	-	12,664	-
Other Payments	(15,488)	-	-	(15,488)	-
Proceeds From Noncapital Gifts	117,081	-	-	117,081	-
Tax Receipts	-	-	6,551	6,551	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>809,984</b>	<b>(11,251)</b>	<b>(123,169)</b>	<b>675,564</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND</b>					
<b>RELATED FINANCING ACTIVITIES:</b>					
Acquisition & Construction of Capital Assets	(343,373)	-	(19,092)	(362,465)	(11,124)
Interest Payments	(49,902)	-	(115)	(50,017)	-
Debt Payments	(58,969)	-	(2,000)	(60,969)	-
Capital Grants & Contributions	45,711	-	-	45,711	-
Debt Proceeds	206,374	-	-	206,374	-
Proceeds From Sale of Capital Assets	701	-	98	799	-
Other	6,855	-	-	6,855	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(192,603)</b>	<b>-</b>	<b>(21,109)</b>	<b>(213,712)</b>	<b>(11,124)</b>
<b>CASH FLOWS FROM INVESTING</b>					
<b>ACTIVITIES:</b>					
Interest & Dividends On Investments	47,573	41,222	2,420	91,215	568
Proceeds From Sale & Maturities Of Investments	747,869	-	-	747,869	-
Purchase Of Investments	(709,361)	-	-	(709,361)	-
Other	-	-	6,338	6,338	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>86,081</b>	<b>41,222</b>	<b>8,758</b>	<b>136,061</b>	<b>568</b>

(continued on next page)

# STATE OF IOWA

(continued)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS			TOTAL	GOVERNMENTAL ACTIVITIES --
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS	NONMAJOR ENTERPRISE FUNDS		INTERNAL SERVICE FUNDS
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	227,324	42,575	(18,281)	251,618	6,098
<b>CASH &amp; CASH EQUIVALENTS JULY 1</b>	451,821	828,227	70,000	1,350,048	35,468
<b>CASH &amp; CASH EQUIVALENTS JUNE 30</b>	679,145	870,802	51,719	1,601,666	41,566
<b>INVESTMENTS</b>	1,291,372	-	-	1,291,372	-
<b>LESS DEPOSITS WITH TRUSTEES</b>	(55,073)	-	-	(55,073)	-
<b>CASH &amp; INVESTMENTS PER STATEMENT OF NET ASSETS</b>	<u>\$ 1,915,444</u>	<u>\$ 870,802</u>	<u>\$ 51,719</u>	<u>\$ 2,837,965</u>	<u>\$ 41,566</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
<b>Operating Income (Loss)</b>	\$ (693,556)	\$ 11,941	\$ 116,030	\$ (565,585)	\$ 2,244
<b>Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities:</b>					
Depreciation	208,153	-	9,992	218,145	12,595
(Increase) Decrease In Accounts Receivable	1,313	(5,791)	(3,712)	(8,190)	(434)
(Increase) Decrease In Due From	-	1,150	3,663	4,813	2,898
(Increase) Decrease In Inventory	(899)	-	(1,093)	(1,992)	1,538
(Increase) Decrease In Prepaid Expenses	(2,129)	-	(14)	(2,143)	201
(Increase) Decrease In Loans Receivable	(84)	-	-	(84)	-
(Increase) Decrease In Other Assets	(588)	-	-	(588)	-
Increase (Decrease) In Accounts Payable	5,613	3,890	(3,426)	6,077	(1,846)
Increase (Decrease) In Due To	-	-	(384)	(384)	(3,976)
Increase (Decrease) In Unearned Revenue	(708)	1,414	155	861	261
Increase (Decrease) In Compensated Absences And Other Benefits	6,810	-	2,406	9,216	3,242
Increase (Decrease) In Prizes Payable	-	-	(40)	(40)	-
Increase (Decrease) In Prize Annuity	-	-	(6,338)	(6,338)	-
Increase (Decrease) In Other Liability	(63)	-	-	(63)	(69)
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>\$ (476,138)</u>	<u>\$ 12,604</u>	<u>\$ 117,239</u>	<u>\$ (346,295)</u>	<u>\$ 16,654</u>
<b>Noncash investing, capital and related financing activities:</b>					
Net change in fair value of investments not reported as cash equivalents	\$ 1,830	\$ -	\$ -	\$ 1,830	\$ -
Capital assets acquired through capital leases	196	-	-	196	-
Capital assets contributed	4,075	-	8,403	12,478	-
	<u>\$ 6,101</u>	<u>\$ -</u>	<u>\$ 8,403</u>	<u>\$ 14,504</u>	<u>\$ -</u>

The notes are an integral part of the financial statements.



## FIDUCIARY FUND FINANCIAL STATEMENTS

**Fiduciary Funds** are presented by fund, beginning on page 128.

# STATE OF IOWA

## Statement of Fiduciary Net Assets Fiduciary Funds

June 30, 2008  
(Expressed in Thousands)

	<b>PENSION AND OTHER EMPLOYEE BENEFIT FUNDS</b>	<b>PRIVATE PURPOSE TRUST FUNDS</b>	<b>AGENCY FUNDS</b>
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 193,824	\$ 2,554	\$ 187,166
Receivables:			
Accounts (Net)	-	2	166,028
Contributions	52,903	-	-
Investments Sold	1,435,564	-	-
Foreign Exchange Contracts	2,761	-	-
Interest & Dividends	75,775	-	-
Total Receivables	<u>1,567,003</u>	<u>2</u>	<u>166,028</u>
Investments, at Fair Value:			
Fixed Income Securities	9,084,437	-	-
Equity Investments	8,724,245	2,076,124	-
Real Estate Partnerships	2,097,180	-	-
Investment in Private Equity/Debt	2,504,526	-	-
Securities Lending Collateral Pool	1,229,992	-	-
Securities on Loan with Brokers	1,216,033	-	-
Total Investments	<u>24,856,413</u>	<u>2,076,124</u>	<u>-</u>
Capital Assets:			
Land	500	-	-
Capital Assets (Net)	11,974	13	-
Total Capital Assets	<u>12,474</u>	<u>13</u>	<u>-</u>
Other Assets	-	25	-
<b>Total Assets</b>	<b><u>26,629,714</u></b>	<b><u>2,078,718</u></b>	<b><u>353,194</u></b>
<b>LIABILITIES</b>			
Accounts Payable & Accruals	37,442	232	353,194
Payable for Investments Purchased	2,591,279	-	-
Payable to Brokers For Rebate & Collateral	1,249,772	-	-
<b>Total Liabilities</b>	<b><u>3,878,493</u></b>	<b><u>232</u></b>	<b><u>353,194</u></b>
<b>NET ASSETS</b>			
Held in Trust for:			
Employees' Benefits	22,751,221	-	-
Individuals, Organizations, and Other Governments	-	2,078,486	-
<b>Total Net Assets</b>	<b><u>\$ 22,751,221</u></b>	<b><u>\$ 2,078,486</u></b>	<b><u>\$ -</u></b>

The notes are an integral part of the financial statements.

**STATE OF IOWA**

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

For the Year Ended June 30, 2008  
(Expressed in Thousands)

	<b>PENSION AND OTHER EMPLOYEE BENEFIT FUNDS</b>	<b>PRIVATE PURPOSE TRUST FUNDS</b>
<b>ADDITIONS:</b>		
Contributions:		
Member/Participant Contributions	\$ 252,031	\$ 344,387
Employer Contributions	389,564	-
Buy-Back/Buy-In Contributions	10,875	-
Gifts, Bequests, & Endowments	-	165
	652,470	344,552
Contributions		
Investment Income:		
Net Decrease in Fair Value of Investments	(899,632)	(173,355)
Interest	428,484	76
Dividends	89,648	-
Other	126,194	-
	(255,306)	(173,279)
Investment Loss		
Less Investment Expense	103,559	-
	(358,865)	(173,279)
Net Investment Loss		
Total Additions	293,605	171,273
<b>DEDUCTIONS:</b>		
Pension and Annuity Benefits	1,121,488	-
Distributions to Participants	-	95,039
Payments in Accordance with Agreements	1,059	-
Administrative Expense	10,059	-
Refunds	36,212	-
Other	-	825
	1,168,818	95,864
Total Deductions		
<b>Change in Net Assets Held in Trust for:</b>		
Employees' Benefits	(875,213)	-
Individuals, Organizations and Other Governments	-	75,409
	23,626,434	2,003,077
<b>Net Assets - July 1</b>		
<b>Net Assets - June 30</b>	<b>\$ 22,751,221</b>	<b>\$ 2,078,486</b>

The notes are an integral part of the financial statements.



## COMPONENT UNIT FINANCIAL STATEMENTS

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

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

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

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

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

**STATE OF IOWA**

**Statement of Net Assets  
Component Units**

June 30, 2008  
(Expressed in Thousands)

	<b>IOWA FINANCE AUTHORITY</b>	<b>IOWA HIGHER EDUCATION LOAN AUTHORITY</b>	<b>IOWA AGRICULTURAL DEVELOPMENT AUTHORITY</b>	<b>IOWA STATE FAIR AUTHORITY</b>	<b>UNIVERSITY OF IOWA FOUNDATION</b>	<b>IOWA STATE UNIVERSITY FOUNDATION</b>	<b>UNIVERSITY OF NORTHERN IOWA FOUNDATION</b>	<b>TOTAL COMPONENT UNITS</b>
<b>ASSETS</b>								
Current Assets:								
Cash & Investments	\$ 431,972	\$ 1,328	\$ 853	\$ 14,895	\$ 412,111	\$ 112,613	\$ 24,126	\$ 997,898
Cash & Investments - Restricted	50,462	1,157	-	-	-	-	-	51,619
Accounts Receivable	-	3	8	1,328	30,679	23,170	3,375	58,563
Interest Receivable	10,742	121	65	19	-	-	41	10,988
Loans Receivable (Net)	39,774	1,420	228	-	-	1,526	-	42,948
Inventory	-	-	-	191	-	-	-	191
Prepaid Expenses	-	91	-	-	541	-	31	663
Other	1,267	-	-	-	-	-	-	1,267
<b>Total Current Assets</b>	<b>534,217</b>	<b>4,120</b>	<b>1,154</b>	<b>16,433</b>	<b>443,331</b>	<b>137,309</b>	<b>27,573</b>	<b>1,164,137</b>
Noncurrent Assets:								
Cash & Investments	-	-	-	-	-	430,988	15,770	446,758
Cash & Investments - Restricted	1,065,936	21,343	2,846	-	414,659	-	38,911	1,543,695
Accounts Receivable	-	-	-	2,236	52,614	68,749	3,621	127,220
Loans Receivable (Net)	618,642	8,851	2,173	-	-	944	-	630,610
Capital Assets - nondepreciable	716	-	-	8,849	-	960	-	10,525
Capital Assets - depreciable, net	2,952	2	18	39,750	21,951	2,396	1,270	68,339
Other	10,117	-	-	-	-	5,535	1,107	16,759
<b>Total Noncurrent Assets</b>	<b>1,698,363</b>	<b>30,196</b>	<b>5,037</b>	<b>50,835</b>	<b>489,224</b>	<b>509,572</b>	<b>60,679</b>	<b>2,843,906</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,232,580</b>	<b>\$ 34,316</b>	<b>\$ 6,191</b>	<b>\$ 67,268</b>	<b>\$ 932,555</b>	<b>\$ 646,881</b>	<b>\$ 88,252</b>	<b>\$ 4,008,043</b>
<b>LIABILITIES</b>								
Current Liabilities:								
Accounts Payable & Accruals	\$ 24,401	\$ 12	\$ 51	\$ 848	\$ 3,554	\$ 2,786	\$ 3,103	\$ 34,755
Interest Payable	28,416	137	-	-	-	-	-	28,553
Unearned Revenues	806	24	-	-	-	-	-	830
Compensated Absences	-	-	24	214	947	490	-	1,675
Capital Leases	-	-	-	9	575	-	-	584
Bonds Payable	56,381	-	-	-	-	75	-	56,456
Funds Held in Custody	-	-	-	-	68,134	2,331	-	70,465
<b>Total Current Liabilities</b>	<b>110,004</b>	<b>173</b>	<b>75</b>	<b>1,071</b>	<b>73,210</b>	<b>5,682</b>	<b>3,103</b>	<b>193,318</b>
Noncurrent Liabilities:								
Accounts Payable and Accruals	5,750	-	-	62	30,131	23,319	5,951	65,213
Unearned Revenues	9,187	74	-	-	-	-	-	9,261
Compensated Absences	-	-	37	205	-	-	-	242
Capital Leases	-	-	-	23	6,885	-	-	6,908
Bonds Payable	1,370,384	32,000	-	-	-	2,992	-	1,405,376
Funds Held In Custody	-	-	-	-	-	4,506	-	4,506
<b>Total Noncurrent Liabilities</b>	<b>1,385,321</b>	<b>32,074</b>	<b>37</b>	<b>290</b>	<b>37,016</b>	<b>30,817</b>	<b>5,951</b>	<b>1,491,506</b>
<b>TOTAL LIABILITIES</b>	<b>1,495,325</b>	<b>32,247</b>	<b>112</b>	<b>1,361</b>	<b>110,226</b>	<b>36,499</b>	<b>9,054</b>	<b>1,684,824</b>
<b>NET ASSETS</b>								
Invested in Capital Assets, Net of Related Debt	1,073	2	18	48,567	14,491	289	1,270	65,710
Restricted for Specific Purposes	721,900	735	5,268	6,849	414,659	595,190	73,039	1,817,640
Unrestricted	14,282	1,332	793	10,491	393,179	14,903	4,889	439,869
<b>TOTAL NET ASSETS</b>	<b>737,255</b>	<b>2,069</b>	<b>6,079</b>	<b>65,907</b>	<b>822,329</b>	<b>610,382</b>	<b>79,198</b>	<b>2,323,219</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 2,232,580</b>	<b>\$ 34,316</b>	<b>\$ 6,191</b>	<b>\$ 67,268</b>	<b>\$ 932,555</b>	<b>\$ 646,881</b>	<b>\$ 88,252</b>	<b>\$ 4,008,043</b>

The notes are an integral part of the financial statements

**STATE OF IOWA**

**Statement of Activities  
Component Units**

For the Year Ended June 30, 2008  
(Expressed in Thousands)

	<b>IOWA FINANCE AUTHORITY</b>	<b>IOWA HIGHER EDUCATION LOAN AUTHORITY</b>	<b>IOWA AGRICULTURAL DEVELOPMENT AUTHORITY</b>	<b>IOWA STATE FAIR AUTHORITY</b>	<b>UNIVERSITY OF IOWA FOUNDATION</b>	<b>IOWA STATE UNIVERSITY FOUNDATION</b>	<b>UNIVERSITY OF NORTHERN IOWA FOUNDATION</b>	<b>TOTAL COMPONENT UNITS</b>
Expenses	\$ 96,985	\$ 1,721	\$ 601	\$ 16,561	\$ 85,105	\$ 66,417	\$ 10,790	\$ 278,180
Program Revenues:								
Charges for Service	14,276	1,678	476	14,657	-	-	-	31,087
Operating Grants and Contributions	45,647	-	25	3,585	90,262	101,947	13,063	254,529
Capital Grants and Contributions	-	-	-	1,100	-	-	1,295	2,395
Total Program Revenues	59,923	1,678	501	19,342	90,262	101,947	14,358	288,011
Net Program (Expense) Revenue	(37,062)	(43)	(100)	2,781	5,157	35,530	3,568	9,831
General Revenues:								
Investment Income (Loss)	117,608	-	202	475	(57,124)	(13,844)	(2,474)	44,843
Other	69	-	-	3,000	-	2,860	288	6,217
Total General Revenue	117,677	-	202	3,475	(57,124)	(10,984)	(2,186)	51,060
Change in Net Assets	80,615	(43)	102	6,256	(51,967)	24,546	1,382	60,891
<b>NET ASSETS - JULY 1</b>	<b>656,640</b>	<b>2,112</b>	<b>5,977</b>	<b>59,651</b>	<b>874,296</b>	<b>585,836</b>	<b>77,816</b>	<b>2,262,328</b>
<b>NET ASSETS - JUNE 30</b>	<b>\$ 737,255</b>	<b>\$ 2,069</b>	<b>\$ 6,079</b>	<b>\$ 66,907</b>	<b>\$ 822,329</b>	<b>\$ 610,382</b>	<b>\$ 79,198</b>	<b>\$ 2,323,219</b>

The notes are an integral part of the financial statements.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Presentation

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

#### B. Financial Reporting Entity

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

As required by GAAP, these financial statements present the State of Iowa (the primary government) and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State. The individual component unit financial statements can be obtained by contacting: Iowa Department of Administrative Services, State Accounting Enterprise, 3<sup>rd</sup> Floor, Hoover State Office Bldg., Des Moines, IA 50319.

#### *Blended Component Units*

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

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

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

#### *Discrete Component Units*

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

- Iowa Finance Authority (Proprietary) issues bonds to assist in attainment of adequate housing for special needs individuals such as the low to moderate income and the disabled, and to provide limited types of financing to small businesses. The nine members of the Board of Directors are appointed by the Governor and confirmed by the Senate.
- Iowa Higher Education Loan Authority (Proprietary) provides for the financing of educational loans for students attending private educational institutions in the State and for financing the acquisition,

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

construction, and renovation of educational facilities. The five members of the Board of Directors are appointed by the Governor and confirmed by the Senate. The State has the ability to impose its will upon the Authority.

- . Iowa Agricultural Development Authority (Proprietary) undertakes programs which assist beginning farmers in purchasing land, improvements and property for agricultural purposes, and provides financing for agricultural and soil conservation development, and other various agricultural development programs. The State appoints a voting majority of the organization and is able to impose its will on the Authority.
- . Iowa State Fair Authority (Proprietary) conducts the annual State Fair and Exposition and other interim events on the Iowa State Fairgrounds. The State must approve any bonds issued by the Authority (October 31 year end).
- . The University of Iowa Foundation, Iowa State University Foundation and University of Northern Iowa Foundation (foundations) are legally separate, tax-exempt entities. They act primarily as fund-raising organizations to supplement the resources available to the State Universities (universities) in support of their programs. Although the State does not control the timing or amount of receipts from the foundations, the majority of resources they hold and invest or income thereon is restricted to the activities of the universities by the donors. Because the majority of these restricted resources can only be used by, or for the benefit of the universities, they are considered a component unit of the State and are discretely presented in the financial statements.

During the year ended June 30, 2008, the foundations distributed \$123.4 million to the Universities for academic and institutional support.

The foundations are private nonprofit organizations that report under FASB standards, including FASB Statement No. 117, (*Financial Reporting for Not-for-Profit Organizations*). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the foundations' financial information; however, the foundation's assets and liabilities and revenues and expenses were reformatted to correspond to the State's reporting format for the

Statement of Net Assets and Statement of Activities.

### **Related Organizations**

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

- . Iowa Student Loan Liquidity Corporation
- . Iowa Comprehensive Health Association
- . Turkey Marketing Council
- . Iowa Business Development Finance Corporation
- . Community Health Management Information System

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

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

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

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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

### **Fund Financial Statements**

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

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

The State reports the following major governmental funds:

#### 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 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.

The State reports the following major enterprise funds:

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

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

In addition, the State reports the following fund types:

### **Governmental Funds**

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

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

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

### **Proprietary Funds**

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

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

### **Fiduciary Funds**

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

*Private Purpose Trust Funds* account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include Iowa Educational Savings Plan Trust, Veterans Affairs donations, Health Organization Insolvency fund, and Braille and Sight Savings School donations.

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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### E. Measurement Focus and Basis of Accounting

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

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The State has elected to follow subsequent private-sector guidance.

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

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

In fiscal year 2008, the State of Iowa implemented the following GASB standards:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* - This Statement establishes standards for the measurement, recognition and display of other postemployment benefits (OPEB) expenses and related liabilities (assets) and note disclosures. Liabilities and expenses have been appropriately recorded in the government-wide and proprietary fund financial statements.
- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* - This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. Interfund receivables and payables have been appropriately recorded in the governmental fund financial statements.
- GASB Statement No. 50, *Pension Disclosures* - This Statement more closely aligns financial reporting requirements for pensions with those for other OPEB and enhances information disclosed in the notes to the financial statements and required supplementary information for pension plans.

### Lottery Revenues and Prizes

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

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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### F. Cash, Investments, and Securities Lending

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

Investment earnings of the investment pool are allocated to the individual funds as provided by statute. Income of \$58,043,584 associated with certain funds has been assigned to other funds for fiscal year 2008.

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

The Treasurer of State may invest in obligations of the United States government, its agencies and instrumentalities; certificates of deposit in Iowa financial institutions; prime bankers acceptances, commercial paper or other short-term corporate debt; perfected repurchase agreements; money market mutual funds organized in trust form; and other investments as permitted by Section 12B.10 of the Code of Iowa.

Investments are valued at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value is calculated at market price at the close of business on June 30 by independent pricing services utilized by the Treasurer's custodian bank. However, certain cash equivalent investments such as commercial paper, bankers acceptances, certificates of deposit, guaranteed investment contracts, and discount notes issued by government agencies are valued using purchase price. The Iowa Public Employees Retirement System (IPERS) has derivatives that are reported on the Statement of Fiduciary Net Assets at fair value. (For Pension plans, See NOTE 16).

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

Cash and cash equivalents include currency on hand, demand deposits with banks or other financial institutions, investments readily convertible to known amounts of cash, and investments so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. In the statements of cash flows, investments with an

original maturity of three months or less are considered cash equivalents.

IPERS, the Iowa Peace Officers' Retirement, Accident, and Disability System (PORS), and the Judicial Retirement System (JRS) (together the "Systems") participate in a securities lending program with the State's custodian bank. The participation of IPERS is authorized by the Code of Iowa and the participation of PORS and JRS is authorized by their Boards of Trustees. The custodian bank is responsible for operating the program and is permitted to lend any of the securities it holds in custody for the Systems to broker-dealers and other entities in exchange for collateral. The custodian bank is permitted to accept collateral in the form of cash in U.S. dollars, U.S. government securities, or irrevocable letters of credit. 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 percent of the market value of any U.S. securities lent and 105 percent of the market value of any non-U.S. securities lent. Borrowers are required to provide additional collateral any time the value of the collateral drops below 100% of the value of the security lent plus accrued interest income. Securities received as collateral cannot be sold or pledged unless the borrower defaults.

At year-end IPERS had \$125,355 in credit risk exposure to borrowers because the amounts they owed IPERS exceeded the amounts IPERS owed them on 24 separate loans. Additional collateral was provided the next business day, eliminating this exposure. At year-end PORS and JRS had no credit risk exposure to borrowers because the amounts they owed PORS did not exceed the amount owed them. The contracts with the custodian bank requires it to indemnify the Systems if a borrower fails to return the securities or fails to return all of the income attributable to securities on loan. As of June 30, 2008, the Systems had securities on loan, including accrued interest income, with a total value of \$1,216,033,106 against collateral with a total value of \$1,249,771,671.

The majority of securities loans are open loans, i.e. one day maturity, where the rebate rate due the borrower is renegotiated daily. All securities loans can be terminated on demand by either the Systems or the borrower. Cash collateral received from borrowers is invested in a cash collateral investment pool which is managed by the custodian bank in accordance with investment guidelines established by the Systems. The investment guidelines do not require a matching of investment maturities with loan maturities, but do establish minimum levels of liquidity and other investment restrictions designed to minimize the interest rate risk associated with not matching the maturity of the investments with the loans. (See NOTE 2.)

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

The effective duration of the cash collateral pool at June 30, 2008 for IPERS was 24 days. Credit Quality and Years to Maturity statistics for the cash collateral pool at June 30, 2008 for IPERS are as follows (expressed in thousands):

Investment Type	Fair Value	Securities Lending Collateral Pool	
		Years to Maturity	
		Investment Maturities (years)	
		Less Than 1	1 to 5
Corporate Bonds	\$ 199,455	\$ 14,960	\$ 184,495
Corporate Asset Backed	281,071	246,608	34,463
Total Corporate	480,526	261,568	218,958
Certificate of Deposit	377,422	352,448	24,974
Bank Note	179,822	164,855	14,967
Mutual Funds	160,368	160,368	-
<b>Total</b>	<b>\$ 1,198,138</b>	<b>\$ 939,239</b>	<b>\$ 258,899</b>

Investment Type	Total	Securities Lending Collateral Pool				
		Credit Risk - S & P Quality Ratings				
		AAA	AA	BBB	BB	A-1
Corporate Bonds	\$ 199,455	\$ 65,455	\$ 119,040	\$ -	\$ -	\$ 14,960
Corporate Asset Backed	281,071	240,508	-	9,767	30,796	-
Total Corporate	480,526	305,963	119,040	9,767	30,796	14,960
Certificate of Deposit	377,422	-	24,974	-	-	352,448
Bank Note	179,822	-	14,967	-	-	164,855
Mutual Funds	160,368	160,368	-	-	-	-
<b>Total</b>	<b>\$ 1,198,138</b>	<b>\$ 466,331</b>	<b>\$ 158,981</b>	<b>\$ 9,767</b>	<b>\$ 30,796</b>	<b>\$ 532,263</b>

**G. Accounts Receivable**

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

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

**H. Inventories**

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

**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 reserved to indicate that it is not available for appropriation.

**J. Capital Assets**

Capital assets are reported in the government-wide financial statements and proprietary fund statements at historical cost. Donated capital assets are reported at their estimated fair market value at the time of acquisition. Capital assets utilized in governmental funds are reported as expenditures when purchased in the governmental fund financial statements. Infrastructure acquired after June 30, 1980 is reported. Reportable capital assets are defined by the State as assets above the following thresholds:

Infrastructure	\$1 million
Land, Buildings and Improvements	\$ 50,000
Equipment	\$ 5,000
Equipment (Regents - Hospital)	\$ 2,000

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

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

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

### **K. Compensated Absences**

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

### **L. Long-term Liabilities**

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

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

In governmental fund types, bond discount and issuance costs are recognized in the current period.

### **M. Interfund Activity and Balances**

#### ***Interfund Activity***

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

### ***Interfund Balances***

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

### **N. Encumbrances**

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

### **O. Budgeting and Budgetary Control**

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

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**Primary Government and Fiduciary Funds**

Investments of the primary government and fiduciary funds at June 30, 2008, are scheduled as follows (expressed in thousands):

**Primary Government**

**Fiduciary Funds**

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Type</b>	<b>Fair Value</b>
<b>Fixed:</b>		<b>Fixed:</b>	
U.S. Government Treasuries, Notes, Bonds	\$ 129,391	U.S. Government Treasuries, Notes, Bonds	\$ 458,253
U.S. Government Agency Government Asset and Mortgage-Backed	2,309,435	U.S. Government Agency Government Asset and Mortgage-Backed	498,546
Corporate Bonds	180,043	Corporate Bonds	2,565,048
Corporate Asset Backed	142,740	Corporate Asset Backed	2,349,912
Private Placements	282	Private Placements	1,178,766
Guaranteed Investment Contracts	44,486	Commingled Bond Funds	770,608
Municipals	79,817	Convertible Investments	2,749,516
Commingled Bond Funds	1,645	Other Fixed Income	1,326
Commercial Paper	253,039	Certificate of Deposit	11,036
Certificate of Deposit	53,148	<b>Total Fixed</b>	<u>10,599,023</u>
<b>Total Fixed</b>	<u>3,235,263</u>		
<b>Equity:</b>		<b>Equity:</b>	
U.S.	112,499	U.S.	3,084,788
Non-U.S.	1,450	Private Equity	2,504,526
Private Equity	5,880	Real Estate	2,079,696
Real Estate	26,109	Commingled Funds	5,479,753
Commingled Funds	253,710	Mutual Funds	2,076,125
Money Market Funds	614,178	Other	108,047
Mutual Funds	383,740	Investment Pools	<u>38</u>
Investment Pools	2,484	<b>Total Equity</b>	<u>15,332,973</u>
Other Investments	71		
<b>Total Equity</b>	<u>1,400,121</u>	<b>Total Invested Assets</b>	<u><b>\$ 25,931,996</b></u>
<b>Total Invested Assets</b>	<u><b>\$ 4,635,384</b></u>		

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### **Credit Risk**

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

State law limits the Treasurer's investment pool's investments in domestic commercial paper, maturing within 270 days from the date of purchase, to the highest rating of either Standard & Poor's or Moody's on the date of purchase, provided that no investment has a split rating. Investments in short term corporate debt, other than commercial paper, maturing within 270 days from the date of purchase, are limited to one of the two highest ratings of either Standard & Poor's or Moody's on the date of purchase, provided that at the time of purchase no more than 5% of amounts invested in short term corporate debt or commercial paper are rated in the second highest rating. Investments in obligations or guaranteed investment contracts of domestic corporations with maturities greater than 270 days from the date of purchase, are limited to long-term ratings of not less than A2 by Moody's and not less than A by Standard & Poor's. Investments in asset-backed securities are limited to those rated AAA by Standard & Poor's or Aaa by Moody's.

The State Board of Regents establishes policy and sets objectives for the Universities' investments. Credit quality limitations for investments of operating funds are: the weighted average credit quality of each institution's operating portfolio shall be AA or Aa as rated by Standard & Poor's or Moody's, respectively; up to 20 percent of each institution's operating portfolio may be invested in bonds rated A and BBB in order to enhance portfolio yield; commercial paper or other short-term corporate debt that matures within two hundred seventy days that is rated within the two highest classifications, as established by at least one of the standard rating services, provided that at the time of purchase no more than five percent of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification; corporate debt with a maturity of greater than 270 days that is rated investment grade by Standards & Poor's or Moody's (at least BBB- or Baa3, respectively), or by another Nationally Recognized Statistical Rating Organization (NRSRO), including Rule 144A Securities that are deemed to be of investment grade credit quality by the external or internal investment manager, at the time of purchase.

Credit quality limitations for the Universities endowment funds are: the weighted average credit quality of each institution's endowment fixed income portfolio shall be AA or Aa as rated by Standard & Poor's or Moody's respectively; up to 20 percent of each institution's operating portfolio may be invested in bonds rated A and BBB in order to enhance portfolio yield.

There are no policy limitations for credit risk exposures within the investment portfolios of the retirement systems. Each IPERS portfolio is managed in accordance with an investment contract that is specific as to permissible quality ranges and the average credit quality of the overall portfolios. Policies related to credit risk pertaining to IPERS', PORS', and JRS' securities lending program is found under the securities lending disclosures found in Note 1 F of these notes.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

The State's exposure to credit risk for the fixed income investments of the primary government and fiduciary funds at June 30, 2008, is summarized by credit quality ratings, as follows (expressed in thousands):

### Credit Risk - S&P Quality Ratings

#### Primary Government

Investment Type	TSY	AGY	AAA	AA	A	BBB	BB	B	A-1	NR
U.S. Government Treasuries, Notes, Bonds	\$ 129,207	\$ -	\$ 184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Agency	-	1,172,617	875,687	-	-	-	-	-	261,131	-
Government Asset and Mortgage-Backed	-	48	164,369	2,188	10,671	2,767	-	-	-	-
Corporate Bonds	-	-	28,723	41,603	40,970	28,177	32	197	-	3,938
Corporate Asset Backed	-	-	269	4	9	-	-	-	-	-
Private Placements	-	-	6,649	27,522	7,256	2,940	119	-	-	-
Guaranteed Investment Contracts	-	-	4,948	15,670	-	-	-	-	-	59,199
Municipals	-	-	-	1,645	-	-	-	-	-	-
Commingled Bond Funds	4,039	4,866	9,929	210,900	21,415	447	304	380	-	759
Commercial Paper	-	-	-	-	3,003	-	-	-	46,158	3,987
Certificate of Deposit	-	-	-	7,847	-	-	-	-	30,060	3,330
<b>Total</b>	<b>\$ 133,246</b>	<b>\$ 1,177,531</b>	<b>\$ 1,090,758</b>	<b>\$ 307,379</b>	<b>\$ 82,424</b>	<b>\$ 34,331</b>	<b>\$ 455</b>	<b>\$ 577</b>	<b>\$ 337,349</b>	<b>\$ 71,213</b>

#### Fiduciary

Investment Type	TSY	AGY	AAA	AA	A	BBB	BB	B	CCC & Below	NR
U.S. Government Treasuries, Notes, Bonds	\$ 320,138	\$ 34,873	\$ 32,898	\$ 15,150	\$ 21,521	\$ 14,246	\$ 17,964	\$ 548	\$ -	\$ 915
U.S. Government Agency	-	388,599	101,101	-	-	-	8,846	-	-	-
Government Asset and Mortgage-Backed	30,950	1,948,916	481,742	39,310	6,800	27,145	3,554	2,774	2,648	21,209
Corporate Bonds	-	-	114,496	177,323	324,268	452,169	468,637	678,165	87,827	47,027
Corporate Asset Backed	-	-	949,427	73,531	19,875	22,184	8,849	1,457	6,108	97,335
Private Placements	-	10	30,422	29,059	33,909	91,895	91,000	72,520	21,722	400,071
Commingled Funds - U.S. Fixed Income	-	-	2,168,268	150,124	227,660	203,464	-	-	-	-
Convertible Investments	-	-	-	-	-	-	-	1,326	-	-
Other Fixed Income	-	-	151	201	98	5,445	1,582	-	-	3,559
Certificate of Deposit	-	-	-	-	-	-	-	-	-	16,012
<b>Total</b>	<b>\$ 351,088</b>	<b>\$ 2,372,398</b>	<b>\$ 3,878,505</b>	<b>\$ 484,698</b>	<b>\$ 634,131</b>	<b>\$ 816,548</b>	<b>\$ 600,432</b>	<b>\$ 756,790</b>	<b>\$ 118,305</b>	<b>\$ 586,128</b>

### Interest Rate Risk

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

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

**Maturity Limitations:** No investment shall be made in a U.S. Treasury note or bond with a maturity that exceeds 10 years, a U.S. government agency note or bond, or a U.S. government instrumentality note or bond with a maturity that exceeds sixty-one months at the time of purchase. No investment shall be made in a U.S. government agency or instrumentality mortgage-backed security that has an expected average life greater than four years at the time of purchase. (The 61-month maturity limitation for U.S. Treasury, government agency or instrumentality securities does not apply to such securities if accepted as collateral under a repurchase agreement.) No investment shall be made in an asset-based security that has an expected average life greater than two 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 twenty-five 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 this 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 money market accounts with Iowa financial institutions or short-term money market accounts.

The Universities policy for the operating portfolio prohibits investment in securities that at the time of purchase have effective maturities exceeding sixty-three months and that the maximum duration of each portfolio shall not exceed the duration of the Merrill 1-3 Government/Corporate Index by more than 20%. There is no explicit limit on the average maturity of fixed income securities in the endowment portfolio.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

IPERS manages interest rate risk within the portfolio using the effective duration or option-adjusted methodology. It is widely used in the management of fixed income portfolios in that it quantifies to a much a greater degree the risk of interest rate changes. 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. All the system's fixed income portfolios are managed in accordance with investment contracts that require that the effective duration of the portfolio shall always remain between 80% and 120% of the effective duration measure of the Index.

The State's exposure to interest rate risk for the fixed income investments of the primary government and the fiduciary funds at June 30, 2008, is summarized using the effective duration method, as follows (expressed in thousands):

<i>Primary Government</i>			<i>Fiduciary Funds</i>		
<b>Investment Type</b>	<b>Fair Value</b>	<b>Effective Duration (Years)</b>	<b>Investment Type</b>	<b>Fair Value</b>	<b>Effective Duration (Years)</b>
U.S. Government Treasuries, Notes, Bonds	\$ 129,391	2.23	U.S. Government Treasuries, Notes, Bonds	\$ 458,253	5.24
U.S. Government Agency	2,309,435	0.77	U.S. Government Agency	498,546	3.30
Government Asset and Mortgage-Backed	180,043	1.95	Government Asset and Mortgage-Backed	2,565,048	3.82
Corporate Bonds	142,740	1.46	Corporate Bonds	2,349,912	4.79
Corporate Asset Backed	282	3.17	Corporate Asset Backed	1,178,766	3.68
Private Placements	44,486	2.57	Private Placements	770,608	5.29
Guaranteed Investment Contracts	79,817	31.35	Commingled Bond Funds	2,749,516	4.65
Municipals	1,645	1.89	Convertible Investments	1,326	1.83
Commingled Bond Funds	253,039	2.69	Other Fixed Income	11,036	5.97
Commercial Paper	53,148	0.09	Certificate of Deposit	16,012	0.02
Certificate of Deposit	41,237	0.20			
	<hr/>	<hr/>		<hr/>	<hr/>
<b>Total</b>	<b>\$ 3,235,263</b>	<b>1.84</b>	<b>Total</b>	<b>\$ 10,599,023</b>	<b>4.37</b>

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. From time to time, IPERS' external managers may or may not hedge the portfolio's foreign currency exposures with currency forward contracts depending upon their views on a specific foreign currency relative to the U.S. dollar. IPERS' currency policy is to manage the non-dollar portion of the global fixed income allocation against a 100 percent hedged benchmark and may allow its non-dollar equity managers to hedge on a selective basis for the protection of the asset values. IPERS will not manage currency as a separate asset class or enter into speculative currency positions (i.e., currency positions greater than 100 percent or less than 0 percent of the underlying asset exposure) in its portfolio, except as it related to specific cross-hedging activity, which may be permitted in certain investment guidelines. Foreign Currency Risk by Investment type for the pension system fiduciary funds, at June 30, 2008 follows (expressed in thousands):

	Total	Fixed Income	Equity	Alternative Investments	Cash
Argentine Peso	\$ 1	\$ -	\$ -	\$ -	\$ 1
Australian Dollar	109,446	964	121,669	(16,948)	3,761
Brazilian Real	11,108	-	11,815	-	(707)
British Pound Sterling	167,707	-	161,790	366	5,551
Canadian Dollar	(49,146)	2,313	-	(49,901)	(1,558)
Chilean Peso	1,048	-	1,045	-	3
Colombian Peso	1,817	-	1,806	-	11
Czech Koruna	732	-	732	-	-
Danish Krone	14,063	-	14,063	-	-
Euro Currency	963,028	20,691	868,446	74,077	(186)
Hong Kong Dollar	89,924	-	88,655	-	1,269
Hungarian Forint	579	-	579	-	-
Iceland Krona	721	721	-	-	-
Indonesian Rupiah	8,078	-	7,753	-	325
Israeli Shekel	3,865	-	3,865	-	-
Japanese Yen	418,802	6,080	381,461	9,597	21,664
Malaysian Ringgit	10,818	-	10,791	-	27
Mexican Nuevo Peso	12,363	1,665	10,698	-	-
New Taiwan Dollar	47,181	-	47,134	-	47
New Turkish Lira	3,809	-	3,809	-	-
New Zealand Dollar	20,787	-	966	19,816	5
Norwegian Krone	(27,793)	-	9,193	(36,986)	-
Philippine Peso	2,672	-	2,672	-	-
Polish Zloty	2,278	18,939	1,228	(17,889)	-
Renminbi Yuan	609	-	609	-	-
Singapore Dollar	18,138	1,120	16,486	-	532
South African Rand	20,392	-	20,392	-	-
South Korean Won	57,097	-	57,097	-	-
Swedish Krona	47,804	-	13,477	34,327	-
Swiss Franc	7,525	-	48,169	(40,833)	189
Thai Baht	10,074	-	10,077	-	(3)
<b>TOTAL</b>	<b>\$ 1,975,527</b>	<b>\$ 52,493</b>	<b>\$ 1,916,477</b>	<b>\$ (24,374)</b>	<b>\$ 30,931</b>

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### 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 issue. Policies of the Treasurer, Universities and pension systems limit investment in any single issuer or corporate entity to no more than 5% of the market value of the portfolio or account. The policy does not apply to investments in U.S. Treasuries, government agencies or instrumentalities.

### Custodial Credit Risk

#### Deposits

Custodial credit risk is the risk that in the event of a bank failure, the State's deposit may not be returned to it. Protection from custodial credit risk exists for the State's deposits in excess of FDIC insurance coverage. Banks in Iowa which accept public fund 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 a bank fails, the Treasurer of State would liquidate any collateral that the bank had pledged and use the proceeds to repay public units. If the proceeds from the sale of the collateral were not sufficient to reimburse the public units, the Treasurer would use money from the sinking fund to make the public units whole. If there is not enough money in the sinking fund to cover the uninsured public deposits, the treasurer's office would assess a proportional share of the loss against all remaining banks whose public funds deposits exceeded FDIC insurance to satisfy the remaining loss. The Universities and the pension systems have no formal policy for custodial credit risk. The \$966,706,119 total combined bank deposits of the primary government and fiduciary funds at June 30, 2008, was exposed to custodial credit risk for \$300,041 of uninsured and uncollateralized bank deposits.

#### Investments

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the State will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The State Treasurer, the Universities and the pension systems have no formal policy for investment custodial credit risk. Of the \$30,567,380,237 total combined investments of the primary government and fiduciary funds at June 30, 2008, \$1,563,027 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.

### Component Units

Investments of the component units at June 30, 2008 are scheduled as follows (expressed in thousands):

Investment Type	Fair Value
<b>Fixed:</b>	
U.S. Government Treasuries, Notes, Bonds	\$ 5,625
U.S. Government TIPS	10,057
U.S. Government Agency	75,154
Government Asset and Mortgage-Backed	1,024,303
Corporate Bonds	1,259
Guaranteed Investment Contracts	250,820
Investment Agreements	21,343
Total Fixed	<u>1,388,561</u>
<b>Equity:</b>	
Money Market Funds - Commingled	<u>139,959</u>
<b>Total Invested Assets</b>	<u>\$ 1,528,520</u>

The Universities Foundations' Cash and Investments of \$1,449,178,000 are not subject to GASB disclosure requirements.

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

#### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the component units. The component units have no formal policy to manage credit risk. The exposure to credit risk for the component units fixed income investments at June 30, 2008, is summarized by credit quality ratings, as follows (expressed in thousands):

#### Credit Risk - S&P Quality Ratings

Investment Type	TSY	AGY	AAA	AA	A
<b>Fixed:</b>					
U.S. Government Treasuries, Notes, Bonds	\$ 5,625	\$ -	\$ -	\$ -	\$ -
U.S. Government TIPS	10,057	-	-	-	-
U.S. Government Agency	-	75,154	-	-	-
Government Asset and Mortgage-Backed	-	-	1,024,303	-	-
Corporate Bonds	-	-	1,259	-	-
Guaranteed Investment Contracts	-	-	33,023	192,292	25,505
Investment Agreements	-	-	21,343	-	-
<b>Total</b>	<b>\$ 15,682</b>	<b>\$ 75,154</b>	<b>\$ 1,079,928</b>	<b>\$ 192,292</b>	<b>\$ 25,505</b>

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The component units do not have formal policies that limit investment maturities as a means of managing exposure to credit risk. The component units exposure to interest rate risk for the fixed income investments at June 30, 2008 is summarized using the weighted average maturity method, as follows (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (Years)
<b>Fixed:</b>		
U.S. Government Treasuries, Notes, Bonds	\$ 5,625	9.20
U.S. Government TIPS	10,057	5.30
U.S. Government Agency	75,154	1.90
Government Asset and Mortgage-Backed	1,024,303	26.62
Corporate Bonds	1,259	4.60
Guaranteed Investment Contracts	250,820	0.50
Investment Agreements	21,343	7.58
<b>Total</b>	<b>\$ 1,388,561</b>	<b>20.02</b>

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**University Endowments**

For donor restricted endowments, Chapter 540A of the Code of Iowa permits Universities to spend endowment income and to appropriate, within certain limitations, an amount of realized and unrealized endowment appreciation as the Universities determine to be prudent considering their long-term and short-term needs, their present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

The Universities' policy is to retain the realized and unrealized appreciation with the endowment pursuant to the spending rules of the Universities. Spending rules for the three Universities are as follows:

- The University of Iowa's spending rule is that 5% of market value of the endowment, based on a twelve quarter rolling market average, will be calculated and distributed.
- Iowa State University's spending rule is that 5.5% of market value, based on a three-year rolling market average, will be calculated and distributed per the requirements of the endowment.
- The University of Northern Iowa's spending rule is that 5% of market value of the endowment, based on a rolling market average, will be calculated and distributed.

Net appreciation of endowment funds available to meet spending rate distributions are as follows:

	Amount	Net Asset Classification
University of Iowa	\$726,000	Restricted Nonexpendable Net Assets
Iowa State University	\$687,024	Restricted Nonexpendable Net Assets
University of Northern Iowa	\$767,945	Restricted Expendable Net Assets

**NOTE 3 – TRANSFERS**

Interfund transfers for the year ended June 30, 2008, consisted of the following (expressed in thousands):

Transferred Out	Transferred In					Total
	General	Nonmajor Governmental Funds	University Funds	Nonmajor Enterprise Funds	Internal Service	
General	\$ -	\$ 158,656	\$ 721,155	\$ 177	\$ -	\$ 879,988
Tobacco Settlement Authority	-	215	-	-	-	215
Tobacco Collections Fund	-	16,607	-	-	-	16,607
Nonmajor Governmental Funds	203,698	16,793	6,970	-	-	227,461
Unemployment Benefits	11,233	-	-	-	-	11,233
Nonmajor Enterprise Funds	126,683	-	-	149	-	126,832
Internal Service	-	-	-	-	196	196
<b>Total</b>	<b>\$ 341,614</b>	<b>\$ 192,271</b>	<b>\$ 728,125</b>	<b>\$ 326</b>	<b>\$ 196</b>	<b>\$ 1,262,532</b>

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 Iowa Lottery Fund and Liquor Control Fund as required by law.

Not included in the table above are transfers totaling \$8,403,136 for capital asset contributions from governmental activities to the business-type activities. These were appropriately recorded as expenditures and capital contributions in the governmental and business-type fund financial statements, respectively, and reclassified as transfers in the government-wide statement of activities.

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2008, consisted of the following (expressed in thousands):

	Governmental Funds	Proprietary Funds		Component Units
		Business Type Activities Enterprise Funds	Governmental Activities Internal Service Funds	
<b>Accounts Receivable</b>				
Taxes	\$ 406,122	\$ -	\$ -	\$ -
Pledges	1,322	-	-	191,600
Benefit Overpayment	-	34,000	-	-
Employer Contributions	-	118,958	-	-
Grants & Contracts	653,348	563,773	-	-
Other	1,003,042	64,130	1,217	22,889
Less Allowance For Doubtful Accounts	397,905	225,388	-	6,528
Less Discount To Present Value	-	-	-	22,178
Accounts Receivable Net	<u>\$ 1,665,929</u>	<u>\$ 555,473</u>	<u>\$ 1,217</u>	<u>\$ 185,783</u>
Current	\$ 1,621,986	\$ 542,801	\$ 1,217	\$ 58,563
Non-Current	43,943	12,672	-	127,220
Total	<u>\$ 1,665,929</u>	<u>\$ 555,473</u>	<u>\$ 1,217</u>	<u>\$ 185,783</u>
<b>Loans Receivable</b>				
Loans Receivable	\$ 240,070	\$ 71,055	\$ -	\$ 676,280
Less Allowance For Doubtful Accounts	69,578	3,240	-	2,722
Loans Receivable Net	<u>\$ 170,492</u>	<u>\$ 67,815</u>	<u>\$ -</u>	<u>\$ 673,558</u>
Current	\$ 25,070	\$ 5,912	\$ -	\$ 42,948
Non-Current	145,422	61,903	-	630,610
Total	<u>\$ 170,492</u>	<u>\$ 67,815</u>	<u>\$ -</u>	<u>\$ 673,558</u>

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 – INTERFUND BALANCES**

Interfund balances for the year ended June 30, 2008, 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	Tobacco Settlement Authority	Nonmajor Governmental Funds	Unemployment Benefits	Nonmajor Enterprise Funds	Internal Service	
General	\$ -	\$ 26	\$ 5,940	\$ 1,706	\$ 29	\$ 57,969	\$ 65,670
Tobacco Settlement Authority	127	-	215	-	-	-	342
Tobacco Collections Fund	-	46,703	-	-	-	-	46,703
Nonmajor Governmental Funds	3,421	-	3,648	-	-	165	7,234
Unemployment Benefits	310	-	-	-	-	-	310
Nonmajor Enterprise Funds	12,528	-	-	-	143	53	12,724
Internal Service	435	-	-	-	-	11,159	11,594
<b>Total</b>	<b>\$ 16,821</b>	<b>\$ 46,729</b>	<b>\$ 9,803</b>	<b>\$ 1,706</b>	<b>\$ 172</b>	<b>\$ 69,346</b>	<b>\$ 144,577</b>

\$47.1 million is due from the General Fund to the Workers Compensation Fund (an Internal Service Fund) to fund the cost of claims incurred, \$12.3 million is due from the Iowa Lottery Authority (an Enterprise Fund) to the General Fund to transfer lottery profits as required by law. Remaining interfund balances result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between funds are made.

Not included in the table above are the following interfund advances, which are not expected to be repaid within one year: \$0.4 million due from the General Fund and \$0.4 million from an internal service fund to the Innovation Fund (an Internal Service Fund) for amounts loaned for the purpose of stimulating and encouraging innovation in State government and \$3.1 million due from the General Fund to the Unemployment Benefits Fund (an Enterprise Fund) for amounts loaned for various projects per the Reed Act distribution under Section 903 of the Social Security Act.

Also, not included in the table above and not expected to be repaid within one year, are interfund advances of \$633.7 million due from the Tobacco Collections Fund (a Special Revenue Fund) to the Tobacco Settlement Authority (a blended component unit classified as a Special Revenue Fund) for repayment of bonds issued by the Authority, the proceeds of which were provided to the State; and \$28.0 million due from the Honey Creek Park (an Enterprise Fund) to the Honey Creek Authority (a blended component unit classified as a Special Revenue Fund) for repayment of funds provided for development of the destination park. The interfund advances will be reduced by pledged tobacco settlement monies received and the principal amount paid each year, respectively.

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2008, was as follows (expressed in thousands):

<b>Governmental Activities</b>	Balances June 30, 2007	Reclassifications	Increases	Decreases	Balances June 30, 2008
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 606,610	\$ -	\$ 24,077	\$ 2,583	\$ 628,104
Construction in Progress	63,210	(53,193)	43,943	-	53,960
<b>Total Capital Assets Not Being Depreciated</b>	<b>669,820</b>	<b>(53,193)</b>	<b>68,020</b>	<b>2,583</b>	<b>682,064</b>
<b>Capital Assets Being Depreciated:</b>					
Infrastructure	7,988,547	2,855	388,954	-	8,380,356
Works of Art and Historical Treasures	928	-	487	-	1,415
Land Improvements	17,401	147	2,809	-	20,357
Building and Improvements	1,048,597	47,678	26,062	1,808	1,120,529
Machinery, Equipment and Vehicles	412,085	2,513	41,392	33,118	422,872
<b>Total Capital Assets Being Depreciated</b>	<b>9,467,558</b>	<b>53,193</b>	<b>459,704</b>	<b>34,926</b>	<b>9,945,529</b>
<b>Less Accumulated Depreciation for:</b>					
Infrastructure	3,297,571	-	336,088	-	3,633,659
Works of Art and Historical Treasures	102	-	14	-	116
Land Improvements	5,905	147	565	-	6,617
Buildings and Improvements	457,019	(147)	24,001	670	480,203
Machinery, Equipment and Vehicles	243,119	-	34,557	29,278	248,398
<b>Total Accumulated Depreciation</b>	<b>4,003,716</b>	<b>-</b>	<b>395,225</b>	<b>29,948</b>	<b>4,368,993</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>5,463,842</b>	<b>53,193</b>	<b>64,479</b>	<b>4,978</b>	<b>5,576,536</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 6,133,662</b>	<b>\$ -</b>	<b>\$ 132,499</b>	<b>\$ 7,561</b>	<b>\$ 6,258,600</b>
<b>Business-type Activities</b>					
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 36,139	\$ -	\$ 3,061	\$ 803	\$ 38,397
Land Improvements	5,623	-	-	-	5,623
Construction in Progress	237,516	(173,862)	269,258	1,663	331,249
Works of Art	31,700	-	445	44	32,101
Library Collections	205,820	-	13,155	1,325	217,650
<b>Total Capital Assets Not Being Depreciated</b>	<b>516,798</b>	<b>(173,862)</b>	<b>285,919</b>	<b>3,835</b>	<b>625,020</b>
<b>Capital Assets Being Depreciated:</b>					
Infrastructure	609,166	32,845	32	8,269	633,774
Library Collections	195,625	-	10,392	971	205,046
Land Improvements	49,284	2,838	147	1,620	50,649
Buildings and Improvements	3,108,773	126,775	6,773	29,562	3,212,759
Machinery, Equipment and Vehicles	864,605	11,404	81,512	51,771	905,750
<b>Total Capital Assets Being Depreciated</b>	<b>4,827,453</b>	<b>173,862</b>	<b>98,856</b>	<b>92,193</b>	<b>5,007,978</b>
<b>Less Accumulated Depreciation for:</b>					
Infrastructure	362,979	-	24,511	4,372	383,118
Library Collections	152,559	-	9,177	971	160,765
Land Improvements	26,690	-	2,077	1,268	27,499
Buildings and Improvements	1,366,954	-	103,074	14,784	1,455,244
Machinery, Equipment and Vehicles	518,591	-	79,306	46,073	551,824
<b>Total Accumulated Depreciation</b>	<b>2,427,773</b>	<b>-</b>	<b>218,145</b>	<b>67,468</b>	<b>2,578,450</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>2,399,680</b>	<b>173,862</b>	<b>(119,289)</b>	<b>24,725</b>	<b>2,429,528</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 2,916,478</b>	<b>\$ -</b>	<b>\$ 166,630</b>	<b>\$ 28,560</b>	<b>\$ 3,054,548</b>

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

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

Administration & Regulation	\$ 6,297
Education	3,298
Health & Human Rights	3,271
Human Services	4,608
Justice & Public Defense	21,418
Economic Development	562
Transportation	336,721
Agriculture & Natural Resources	6,455
Subtotal	<u>382,630</u>
Depreciation on Capital Assets held by the State's Internal Service Funds is allocated to the various functions based on their use of the assets	<u>12,595</u>
<b>Total Depreciation Expense-Governmental Activities</b>	<b><u>\$ 395,225</u></b>
 Business-type Activities:	
Enterprise	<b><u>\$ 218,145</u></b>

#### Discrete Component Units

Land	\$ 6,291
Construction in Progress	<u>4,234</u>
<b>Total Capital Assets Not Being Depreciated</b>	<b><u>10,525</u></b>
Infrastructure	6,092
Buildings and Improvements	87,523
Land Improvements	45
Machinery, Equipment and Vehicles	<u>15,680</u>
<b>Total Capital Assets Being Depreciated</b>	<b>109,340</b>
Less Accumulated Depreciation	<u>41,001</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<b><u>68,339</u></b>
 Discretely Presented Component Units Capital Assets, Net	 <b><u>\$ 78,864</u></b>

#### Impairment of Capital Assets

A net impairment gain associated with 30 impaired buildings and infrastructure at the University of Iowa has been calculated as required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (expressed in thousands). See NOTE 24 – EXTRAORDINARY ITEM for additional information.

Historical Cost	\$ 449,478
Accumulated Depreciation	<u>234,913</u>
<b>Carrying Value, June 2008</b>	<b><u>\$ 214,565</u></b>
 Estimated Building Restoration Cost	 \$ 133,562
Replacement Cost	1,732,035
Restoration Cost Ratio	7.7%
<b>Carrying Value, June 30, 2008</b>	<b>214,565</b>
Impairment Loss	(20,326)
Realizable Insurance Recovery	<u>56,012</u>
<b>Net Impairment Gain</b>	<b><u>\$ 35,686</u></b>

The University of Iowa had idle assets at June 30, 2008, with a carrying value of \$99.5 million.

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

The gross impairment loss is calculated using the restoration cost approach by applying a ratio of the estimated restoration costs to replacement costs, multiplied by the carrying value of each impaired asset. As a result, assets fully depreciated prior to the flood would have an impairment loss of zero, regardless of damage. The expected cost to restore the impaired buildings (excluding building content) is \$133.56 million. Estimated replacement cost of all impaired buildings is \$1.73 billion. The restoration cost ratio is calculated separately for each impaired building and ratios range from 3% to 100%, with the weighted average ratio being 7.7%. The resulting gross impairment loss, based on each asset's net book value, is \$20.33 million. GASB 42 requires that impairment loss be reported net of insurance recoveries. The realizable insurance recovery associated with building impairment is estimated to be \$56.01 million, resulting in a net impairment gain of \$35.68 million.

The June 2008 flood is treated as an extraordinary event as it meets the criteria for being both unusual in nature and infrequent in occurrence. The GASB 42 net impairment gains are recorded as extraordinary items in the financial statements. The future costs which will be expended to restore impaired buildings will be recorded as separate transactions as restoration occurs.

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

Assets totaling \$15,703,847 which includes \$135,500 of cash are held by the Iowa Lottery Authority for the purpose of paying installment prizes which have already been won but will not be completely paid until 2018. Annuity Prizes Payable does not include an additional liability of \$35,500 to taxing authorities. The following is a schedule of future payments (expressed in thousands):

Year Ending June 30,	Current	Noncurrent	Total Payments
2009	\$ 4,377	\$ -	\$ 4,377
2010	-	2,895	2,895
2011	-	2,167	2,167
2012	-	1,488	1,488
2013	-	1,488	1,488
2014-2018	-	6,258	6,258
Total Future Value	4,377	14,296	18,673
Less: Unamortized Discount	175	2,830	3,005
Present Value of Payments	<u>\$ 4,202</u>	<u>\$ 11,466</u>	<u>\$ 15,668</u>

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

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

Changes in long-term liabilities for the year ended June 30, 2008, are summarized as follows (expressed in thousands):

	Balances June 30, 2007 Restated	Additions	Deductions	Balances June 30, 2008	Amounts due within one year
<b>Governmental Activities</b>					
Compensated Absences	\$ 190,383	\$ 249,203	\$ 129,013	\$ 310,573	\$ 130,057
Capital Leases	6,132	707	1,528	5,311	1,111
Other Financing Arrangements	3,874	137	726	3,285	364
Revenue Bonds	1,110,582	-	61,046	1,049,536	54,995
Early Retirement/Termination Benefits	10,143	6,787	5,803	11,127	4,686
Risk Management	17,900	26,869	25,269	19,500	15,300
Pollution Remediation	71,168	314	14,911	56,571	12,088
Other Liabilities	36,536	10,518	6,097	40,957	3,091
<b>Total</b>	<u>1,446,718</u>	<u>294,535</u>	<u>244,393</u>	<u>1,496,860</u>	<u>221,692</u>

The General Fund has been typically used to liquidate most long-term liabilities, except for \$779 million and \$33.6 million of Revenue Bonds to be liquidated by the Tobacco Settlement Authority and the Honey Creek Authority, respectively, both Special Revenue Funds.

**Allocation of Internal Service**

**Funds Liability:**

Compensated Absences	2,746	5,695	2,453	5,988	2,959
Capital Leases	161	-	69	92	73
Early Retirement/Termination Benefits	223	190	125	288	126
<b>Total</b>	<u>3,130</u>	<u>5,885</u>	<u>2,647</u>	<u>6,368</u>	<u>3,158</u>
Total Primary Government - Governmental Activities	<u>\$ 1,449,848</u>	<u>\$ 300,420</u>	<u>\$ 247,040</u>	<u>\$ 1,503,228</u>	<u>\$ 224,850</u>
<b>Business-type Activities</b>					
Compensated Absences	\$ 151,240	\$ 91,943	\$ 82,578	\$ 160,605	\$ 61,526
Capital Leases	157,665	229	8,832	149,062	6,648
Other Financing Arrangements	3,431	498	1,359	2,570	730
Revenue Bonds	921,938	206,960	59,659	1,069,239	48,649
<b>Total</b>	<u>\$ 1,234,274</u>	<u>\$ 299,630</u>	<u>\$ 152,428</u>	<u>\$ 1,381,476</u>	<u>\$ 117,553</u>

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9 – CAPITAL LEASES**

The State has entered into agreements to lease various equipment and property. The agreements have interest rates ranging from 0.00% to 9.38% and expire before June 30, 2031.

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

**Primary Government – Governmental Activities**

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

Year ending June 30,	Principal	Interest
2009	\$ 1,184	\$ 258
2010	1,121	199
2011	565	144
2012	585	115
2013	578	85
2014-2018	1,244	140
2019-2023	126	11
Total	<u>\$ 5,403</u>	<u>\$ 952</u>

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

Buildings and Improvements	\$ 3,898
Equipment	5,153
Total	<u>9,051</u>
Accumulated Depreciation	<u>(1,786)</u>
Net	<u>\$ 7,265</u>

**Primary Government – Business-Type Activities**

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

Year ending June 30,	Principal	Interest
2009	\$ 6,648	\$ 7,302
2010	18,167	6,996
2011	7,167	6,110
2012	7,345	5,770
2013	7,386	5,426
2014-2018	38,816	21,749
2019-2023	32,558	12,151
2024-2028	22,875	5,657
2029-2033	8,100	752
Total	<u>\$ 149,062</u>	<u>\$ 71,913</u>

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

Buildings	\$ 190,544
Equipment	6,366
Total	<u>196,910</u>
Accumulated Depreciation	<u>(27,917)</u>
Net	<u>\$ 168,993</u>

**Component Units**

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

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

Year ending June 30,	Principal
2009	\$ 584
2010	600
2011	620
2012	613
2013	645
2014-2018	4,430
Total	<u>\$ 7,492</u>

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10 – OTHER FINANCING  
ARRANGEMENTS PAYABLE**

**Loans and Contracts Payable**

***Primary Government – Governmental Activities***

The Iowa Department of Natural Resources has entered into agreements for facilities and land for a total of \$3,918,000 with interest rates ranging from 3.92% to 4.30%. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year ending June 30,	Principal	Interest
2009	\$ 179	\$ 112
2010	187	105
2011	194	97
2012	204	89
2013	212	81
2014-2018	1,193	265
2019-2023	536	51
	<hr/>	<hr/>
Total	\$ 2,705	\$ 800

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

Iowa State University, the University of Northern Iowa and the University of Iowa have entered into agreements for buildings and equipment for a total of \$4,648,177. The agreements are for periods of 7 to 23 years with interest rates ranging from 0.00% to 6.50%.

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

Year ending June 30,	Principal	Interest
2009	\$ 730	\$ 112
2010	568	71
2011	402	40
2012	334	19
2013	111	3
2014-2018	75	-
2019-2023	75	-
2024-2028	75	-
2029-2033	200	-
	<hr/>	<hr/>
Total	\$ 2,570	\$ 245

**Certificates of Participation**

***Primary Government – Governmental Activities***

The Third and Sixth Judicial Districts have sold certificates of participation for land and facilities for \$3,715,000. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over periods from 7 to 20 years with interest rates ranging from 3.00% to 4.87%.

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

Year ending June 30,	Principal	Interest
2009	\$ 185	\$ 29
2010	195	20
2011	200	10
	<hr/>	<hr/>
Total	\$ 580	\$ 59

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 11 – BONDS PAYABLE

Revenue bonds payable at June 30, 2008, are as follows (expressed in thousands):

	ISSUE DATES	ORIGINAL ISSUANCE	INTEREST RATE	MATURITY DATE RANGE	OUTSTANDING PRINCIPAL
<b>PRIMARY GOVERNMENT:</b>					
<b>Governmental Activities</b>					
<b>Revenue Bonds</b>					
<i>Term Bonds</i>					
Tobacco Settlement Authority	2006	\$ 635,635	5.38-6.50	2007-2041	\$ 611,625
Honey Creek Authority	2007	15,215	4.50	2029-2036	15,215
Total					<u>626,840</u>
<i>Serial Bonds</i>					
Vision Iowa	2002	\$ 196,375	2.25-5.50	2002-2020	146,520
School Infrastructure	2002	48,585	3.50-5.50	2002-2021	32,640
Honey Creek Authority	2007	18,155	3.95-5.00	2011-2028	18,155
Department of Corrections <sup>(1)</sup>	2002	54,240	4.00-5.38	2007-2016	48,555
Total					<u>245,870</u>
<i>Capital Appreciation Bonds</i>					
Tobacco Settlement Authority	2006	\$ 729,800	5.60-7.13	2007-2046	729,800
Unamortized Premium					9,492
Unamortized Discount					(562,466)
Total Governmental Activities					<u>\$ 1,049,536</u>
<b>Business-Type Activities</b>					
<b>Revenue Bonds</b>					
University of Iowa	1968-2008	\$ 735,595	2.00-8.38	1973-2035	\$ 606,655
Iowa State University	1988-2008	420,670	2.60-6.85	1994-2036	340,870
University of Northern Iowa	1994-2008	153,976	1.80-8.25	1995-2035	121,971
Iowa Lottery	2004	8,800	3.28	2005-2019	1,500
Total					1,070,996
Unamortized Discount					(1,757)
Total Business-type Activities					<u>\$ 1,069,239</u>
<b>COMPONENT UNITS:</b>					
<b>Revenue Bonds</b>					
Iowa Finance Authority	1977-2008	\$ 1,893,356	Variable <sup>(2)</sup>	2000-2041	\$ 1,423,832
Iowa Higher Education					
Loan Authority	1984	32,000	Variable <sup>(3)</sup>	2016	32,000
Iowa State University Foundation	2002	3,850	6.77	2003-2012	3,067
Total					1,458,899
Unamortized Premium					2,933
Total Component Units					<u>\$ 1,461,832</u>

(1) The Iowa Finance Authority (Finance Authority) has characterized the bonds as conduit debt obligations and omitted them from the Finance Authority's financial statements. Although these bonds have characteristics of conduit debt, GASB has stated such debt is not conduit debt when the issuer (Finance Authority) and the beneficiary (the State of Iowa) are within the same financial reporting entity. Since the bonds are not conduit debt, the Finance Authority should have included the liability for the bonds and the due from the State of Iowa in its financial statements and the State of Iowa's financial statements should have reported a due to Finance Authority rather than a liability for bonds payable. Because there is no significant effect on the net assets of the Finance Authority or the State of Iowa as a result of the Finance Authority's omission, the CAFR has been prepared to reflect the reporting method used by the Finance Authority in its annual financial statements for the year ended June 30, 2008.

(2) Variable rates are as of June 30, 2008.

(3) The interest rate on the bonds may be set at a variable rate for various time periods or at a fixed rate as established by the rate-setting agent. In accordance with the indenture of trust, the interest rate cannot exceed 15%, except on bonds not remarketed. For the year ended June 30, 2008, the interest rate has varied on a weekly basis. The interest rate was 7.55% on June 30, 2008.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### **Bonds Payable**

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

##### **Vision Iowa**

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

The State has pledged a portion of the future revenues to be deposited into the Vision Iowa Fund to repay \$196.4 million in bonds issued in November 2001. These revenues include a standing appropriation of \$15 million annually from gaming revenues, certain earnings on the Vision Iowa Fund and Bond Reserve Fund (including any amounts appropriated to replenish the Bond Reserve Fund to its required balance) and, to the extent of any shortfall in gaming revenues, Lottery revenues. The bonds are payable solely and only from certain revenues deposited into the Vision Iowa Fund and the Bond Reserve Fund and are payable through fiscal year 2021. Annual principal and interest payments on the bonds are expected to require less than 86 percent of total deposits into the Vision Iowa Fund. As of June 30, 2008, total principal and interest remaining to be paid on the debt is \$207,161,640. Principal and interest paid for the current year and total deposits into the Vision Iowa Fund were \$15,805,616 and \$17,777,830, respectively.

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

##### **School Infrastructure**

The State of Iowa has issued School Infrastructure Special Fund Bonds to assist local schools districts with the construction and renovation of facilities. The funds will provide grants limited to \$1,000,000 and require a local match.

The State has pledged a portion of the future revenues to be deposited into the School Infrastructure Fund to repay \$48.6 million in bonds issued in November 2001. These revenues include a standing appropriation of \$5 million annually from gaming revenues, certain earnings on the School Infrastructure Fund and Bond Reserve Fund (including any amounts appropriated to replenish the Bond Reserve Fund to its required balance) and, to the extent of any shortfall in gaming revenues, Lottery revenues. The bonds are payable solely and only from certain revenues deposited into the School Infrastructure Fund and the Bond Reserve Fund and are payable through fiscal year 2021. Annual principal and interest payments on the bonds are expected to require less than 69 percent of total deposits into the School Infrastructure Fund. As of June 30, 2008, total principal and interest

remaining to be paid on the debt is \$45,060,062. Principal and interest paid for the current year and total deposits into the School Infrastructure Fund were \$3,464,575 and \$5,636,867, respectively.

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

##### **Tobacco Settlement Authority**

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

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

The bonds, issued by the Authority in fiscal year 2006 in the par amount of \$1.4 billion are payable through fiscal year 2046. The Authority has pledged, as the sole security for the bonds, 78% of the future TSRs payable under the terms of the Sales Agreement, investment earnings on certain accounts pledged under the bond indenture and amounts held in accounts established under the bond indenture (i.e. collection, debt service reserve, turbo redemption, etc.). As of June 30, 2008, total principal and interest remaining on the debt is \$2,436,490,995 with annual requirements ranging from \$84.9 million in 2009 to \$734.9 million in the final year. TSRs received by the State have averaged \$54,036,434 per year over the last 10 years. For the current year, principal and interest paid by the Authority and the total TSRs recognized by the State were \$56,356,473 and \$75,488,464, 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 bonds.

In prior years, the Authority defeased certain revenue bonds by placing the proceeds of new bonds along with other resources in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Tobacco Settlement Assets-Backed Bonds, Series 2001 A and 2001 B. Accordingly trust account assets and the liability for

## STATE OF IOWA

### NOTES TO THE FINANCIAL STATEMENTS

the defeased bonds are not included in the State's financial statements. As of June 30, 2008, bonds totaling \$616,810,000 are considered defeased.

#### **Honey Creek Authority**

The Honey Creek Authority (Authority) has issued Destination Park Revenue Bonds to provide financing for the development by the State of the Honey Creek Park (the "Park").

Pursuant to an Indenture of Trust among the Authority, the Iowa Department of Natural Resources, the Treasurer of the State of Iowa and Bankers Trust Company, N.A. (the "Trustee"), the State has pledged, as security for the bonds issued by the Authority, amounts sufficient to cover the principal and interest requirements on the Authority's debt consisting of net revenues from Honey Creek Park, if any, and the Debt Service Reserve Account (including any amounts appropriated by the State for the replenishment of the Debt Service Reserve Account to its required balance). The bonds, issued by the Authority in fiscal year 2007 for \$33.4 million, are payable through fiscal year 2036. The Authority has pledged, as the sole security for the bonds, net revenues to be received under the Indenture, if any, and amounts in the Honey Creek Fund and the Debt Service Reserve Account and all other moneys and securities pledged or assigned to the Trustee under the Indenture. As of June 30, 2008, total principal and interest remaining on the debt is \$61,543,235 with annual requirements ranging from \$1.5 million in 2009 to \$2.3 million in the final year. Pledged (net) revenue information will be available beginning in fiscal year 2009 upon the opening of the Honey Creek Park. Interest paid by the Authority in the current year totaled \$1,507,485. The first principal payment on the bonds is due June 1, 2011.

The bonds are not an indebtedness of the State or a charge against the general credit or General Fund of the State and the State is not liable for the bonds except for amounts on deposit in the funds pledged to payment of the bonds. The bonds are not an obligation of the State or any political subdivision of the State.

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

The Iowa Finance Authority (Finance Authority) has issued serial bonds for financing the construction or renovation of correctional facilities in the State. The Iowa Department of Corrections administers the State's correctional facilities and authorizes expenditures under the program.

Pursuant to an Indenture of Trust among the Finance Authority, the Iowa Department of Corrections and U.S. Bank National Association (the "Trustee"), the State has pledged, as security for the bonds issued by the Finance Authority, amounts sufficient to cover the principal and interest

requirements on the Finance Authority's debt consisting of all funds deposited in the Iowa Prison Infrastructure Fund (not reverting to the State General Fund at year end), investment earnings on moneys in the Iowa Prison Infrastructure Fund and certain other moneys held by the Trustee under the Indenture. Current state law requires the first \$9,500,000 of moneys remitted to the Treasurer of State each fiscal year from certain fees and fines collected from the clerks of district court in criminal cases be deposited in the Iowa Prison Infrastructure Fund. The bonds, issued by the Finance Authority in fiscal year 2002 for \$54.2 million, are payable through fiscal year 2016. The Finance Authority has pledged, as the sole security for the bonds, all funds deposited in the Iowa Prison Infrastructure Fund (not reverting to the State General Fund at year end), investment earnings on moneys in the Iowa Prison Infrastructure Fund and certain other moneys held by the Trustee under the Indenture. Annual principal and interest payments on the bonds are expected to require less than 93 percent of total deposits into the Iowa Prison Infrastructure Fund. As of June 30, 2008, total principal and interest remaining to be paid on the debt is \$59,664,475. Principal and interest paid for the current year and total deposits into the Iowa Prison Infrastructure Fund were \$8,396,631 and \$9,019,016, respectively.

The bonds are limited special obligations of the Finance Authority and do not constitute a general obligation of the Finance Authority, the State of Iowa or any political subdivision thereof.

#### **Underground Storage Tank**

The Iowa Finance Authority (Finance Authority) has issued serial bonds to finance the Underground Storage Tank Financial Responsibility Program. The program provides payment for remediation claims of contamination of ground water sites due to leakage, spill or release of petroleum products by owner/operators.

During the current fiscal year, the Finance Authority redeemed Iowa Underground Storage Tank Fund Revenue Refunding Bonds, 1997 Series A. Using existing resources, a final payment of principal and interest totaling \$18,687,894 was made in June 2008 to payoff the bonds.

Also, during the current fiscal year, the Finance Authority defeased \$14,240,000 of Iowa Underground Storage Tank Fund Revenue Refunding Bonds, 2004 Series A, by depositing existing debt service reserve funds and other resources, totaling \$15,034,580, in an irrevocable escrow account with a Trustee. As a result, the 2004 Series A bonds are considered defeased and the trust account assets and the liability for those bonds have been removed from the financial statements.

# 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
2009	\$ 54,995	59,148
2010	42,070	55,832
2011	45,800	53,333
2012	49,505	50,622
2013	53,370	47,683
2014-2018	133,585	201,184
2019-2023	58,425	175,027
2024-2028	7,020	168,294
2029-2033	8,870	166,444
2034-2038	287,830	123,195
2039-2043	135,120	78,081
2044-2048	725,920	28,567
<b>Total</b>	<b>\$ 1,602,510</b>	<b>\$ 1,207,410</b>

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

The University of Iowa, Iowa State University and the University of Northern Iowa have issued revenue bonds for the construction of buildings, facilities, utilities and equipment. The bonds are payable principally from tuition and user fee revenues. The Universities are audited separately and issue publicly available financial reports which include financial statements and required supplementary information. Those reports may be obtained by writing to: University of Iowa, Controller's Office, Jessup Hall, Iowa City, Iowa 52242; Iowa State University, Controller's Department, 3607 Administrative Services Building, Ames, Iowa 50011-3607; University of Northern Iowa, Financial Accounting and Reporting Services, 122 Lang Hall, Cedar Falls, Iowa 50614-0009.

During the current fiscal year, the University of Iowa issued \$74,500,000 of Academic Building and Hospital Revenue Bonds, Series 2007, 2007A and 2008 with an interest rate range of 3.50-5.50% to defray the cost of constructing additions to the hospital, academic buildings, facilities and equipment.

During the current fiscal year, the University of Iowa issued \$26,000,000 of Recreation Facilities Revenue Bonds, Series 2007, with an interest rate range of 4.00-4.75%, to defray the cost of constructing a recreation building.

During the current fiscal year, the University of Iowa issued \$25,164,900 of Utility System and Telecommunications Facilities Revenue Bonds, Series 2007A and 2008, with an interest rate range of 4.00-4.75%, to provide funds to pay the cost of constructing, equipping and furnishing the telecommunications and utility facilities.

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, 2008, bonds totaling \$8,675,000 for the University of Iowa were considered defeased.

During the current fiscal year, Iowa State University issued \$25,000,000 of Academic Building Revenue Bonds, Series 2008, with an interest rate range of 3.50-4.375%, to provide funds to pay the cost of constructing, equipping and furnishing academic facilities.

During the current fiscal year, Iowa State University issued \$13,400,000 of Dormitory System Revenue Bonds, Series 2007, with an interest rate range of 4.00-4.50%, to provide funds to pay the cost of constructing and furnishing dormitory system facilities.

During the current fiscal year, Iowa State University issued \$10,500,000 of Dormitory System Revenue Refunding Bonds, Series 2008, with an interest rate range of 3.00-4.00% to advance refund \$10,445,000 of outstanding Dormitory System Revenue Bonds, Series 1998.

Net proceeds of \$10,445,000, consisting of bond proceeds of \$10,301,000 combined with other resources of \$144,000, were placed in an irrevocable trust account with a trustee. As a result, the Series 1998 bonds are considered defeased and the trust account assets and the liability for those bonds have been removed from the financial statements.

The advance refunding resulted in a \$782,213 over the next twelve years and an economic gain (difference between present value of the old and new debt service payments) of \$705,258.

During the current fiscal year, Iowa State University issued \$20,395,000 of Athletic Facilities Revenue Bonds, Series 2007 and 2007A, with an interest rate range of 4.10-6.10% to pay the cost of constructing improvements and equipping Jack Trice Stadium.

In prior years, Iowa State University defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2008, bonds totaling \$24,445,000 for Iowa State University were considered defeased.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

During the current fiscal year, the University of Northern Iowa issued \$12,000,000 of Academic Building Revenue Bonds, Series 2008, with an interest rate range of 4.00-5.00% to provide funds to defray the cost of academic buildings, facilities and equipment.

### **Iowa Lottery Authority**

The Iowa Lottery Authority has issued Iowa Lottery Authority Bonds to finance the purchase and installation of instant ticket and pull-tab vending machines and the purchase and renovation of a building to be used as the lottery headquarters.

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
2009	\$ 48,649	\$ 50,479
2010	51,192	45,585
2011	53,658	43,926
2012	56,367	39,334
2013	56,153	37,316
2014-2018	253,137	152,581
2019-2023	249,885	96,236
2024-2028	211,875	43,990
2029-2033	78,115	9,535
2034-2038	11,965	715
<b>Total</b>	<b><u>\$ 1,070,996</u></b>	<b><u>\$ 519,697</u></b>

### **Component Units**

#### **Iowa Finance Authority**

The Iowa Finance Authority (Finance 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, monies, investments, loans, and other assets in the funds and accounts established by the respective bond resolutions.

The Single Family Mortgage Bond Resolutions, the Single Family Housing Bond Resolutions, and the Multi-Family Bond Indenture contain covenants which require the Finance Authority to make payments of principal and interest from amounts available in the Finance Authority's General Fund should deficiencies occur in the funds established for such payments by the respective bond resolutions. The Draw Down Bond Indenture under the Single Family Bond Program and the bond resolutions for the Clean Water Program Funds and

Drinking Water Program Funds do not contain these covenants.

During the current fiscal year, the Finance Authority issued Single Family Mortgage Revenue Bonds, Series 2007 D, E, F and G in the par amount of \$83,625,000 with interest rates of 2.65% to 5.752%, Series 2007 H, I and J in the par amount of \$89,765,000 with interest rates of 3.65% to 5.77%, Series 2007 K, L, M and N in the par amount of \$52,845,000 with interest rates of 1.62% to 5.125% and Series 2008 A, B and C in the part amount of \$60,000,000 with interest rates of 1.60% to 4.90%. The Finance Authority issued Multi-Family Bonds, Series 2008 A in the par amount of \$3,750,000 with an interest rate of 1.60%. The Finance Authority also issued Clean Water Revenue Bonds, Series 2007, and Drinking Water Revenue Bonds, Series 2007, in the par amounts of \$35,360,000 and \$28,800,000, respectively, with interest rates of 4.00% to 5.00%.

In prior years, the Finance Authority defeased certain bonds by depositing funds or securities into an irrevocable trust with an escrow agent to provide for future interest and principal payments. Accordingly, the trust account assets and liabilities for these defeased bonds are not included in the Finance Authority's financial statements. As of June 30, 2008, bonds totaling \$26,185,000 are considered defeased.

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

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

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

#### **Universities Foundations**

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

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

**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
2009	\$ 56,456	\$ 61,371
2010	42,937	59,074
2011	44,826	57,101
2012	48,345	55,050
2013	46,142	52,930
2014-2018	230,656	229,112
2019-2023	219,492	178,168
2024-2028	235,625	129,049
2029-2033	275,835	78,370
2034-2038	250,530	22,616
2039-2043	8,055	124
<b>Total</b>	<b>\$ 1,458,899</b>	<b>\$ 922,965</b>

**NOTE 12 – ACCOUNTS PAYABLE AND ACCRUALS**

Accounts payable & accruals at June 30, 2008, consisted of the following (expressed in thousands):

<b>Primary Government</b>		
<b>Governmental Activities</b>		
	Current	Noncurrent
Salaries and Fringes	\$ 27,214	\$ -
Early Retirement/ Termination Benefits	4,812	6,603
Other Postemployment Benefits	-	12,991
Pension	-	29,933
Risk Management	15,300	4,200
Pollution Remediation	12,088	44,483
State Aid	380,470	-
Trade and Other Payables	635,002	38,143
<b>Total Governmental Activities</b>	<b>\$ 1,074,886</b>	<b>\$ 136,353</b>
<b>Business-type Activities</b>		
	Current	Noncurrent
Salaries and Fringes	\$ 125,917	\$ -
Early Retirement/ Termination Benefits	1,419	588
Other Postemployment Benefits	5,719	7,402
General Claims	29,718	-
Unemployment Benefits	15,473	-
Trade and Other Payables	144,692	9,982
<b>Total Business-type Activities</b>	<b>\$ 322,938</b>	<b>\$ 17,972</b>
<b>Component Units</b>		
	Current	Noncurrent
Annuity and Life Income Obligations	\$ -	\$ 54,750
Pledges Due to University	2,877	2,246
Other	31,878	8,217
<b>Total Component Units</b>	<b>\$ 34,755</b>	<b>\$ 65,213</b>

**Pollution Remediation Obligations**

An estimate for pollution remediation obligations is recorded when the State knows or reasonably believes that 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, 2008, pollution remediation obligations totaling \$56,570,879 were recorded for the removal of leaking underground storage tanks.

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 13 – NET ASSETS/FUND  
BALANCE – RESERVED FOR  
SPECIFIC PURPOSES**

**Net Assets Restricted By Enabling Legislation**

The government-wide Statement of Net Assets reports \$1,096,738,069 of Restricted Net Assets, of which \$16,895,050 is restricted by enabling legislation.

**Fund Balance – Reserved For Specific Purposes**

The Reserved for Specific Purposes Fund Balance in the Governmental Funds represents the portion of fund balance legally segregated for a specific future use. A summary of these reserves at June 30, 2008, follows (expressed in thousands):

**General Fund:**

Primary Road	\$ 227,300
Iowa Infrastructure	151,401
Road Use Tax	91,039
Senior Living Trust	79,831
Farm to Market Road	51,610
Vision Iowa	48,778
Vertical Infrastructure	48,101
Revitalize Iowa's Sound Economy	45,584
Motor Vehicle Fuel Tax Unapportioned	37,948
Safety Improvement Program	20,672
Terminal Liability Health Insurance	17,424
School Infrastructure and Reserve	16,284
Health Insurance Premium Operating	13,735
Resource Enhancement & Protection	10,617
UST Innocent Landowners	10,149
HAWK-I Trust	9,679
Unassigned Revenue	8,704
Health Insurance Premium Reserve	8,448
Value Added Agricultural Products	7,390
County Bridge Construction	5,884
Dental Insurance Premium Operating	5,700
UST Remedial	5,483
Other	37,612
<b>Total General Fund</b>	<b>959,373</b>

<b>Tobacco Settlement Authority</b>	<b>133,411</b>
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**Nonmajor Governmental Funds:**

Endowment for Iowa's Health	39,357
Federal Student Loan Reserve	22,680
Permanent School Principal	7,974
Iowa Veterans Trust	5,552
Iowa Cultural Trust	3,476
Other	49,696
<b>Total Nonmajor Governmental Funds</b>	<b>128,735</b>
<b>Total</b>	<b>\$ 1,221,519</b>

**NOTE 14 – OPERATING LEASES**

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

**Primary Government – Governmental Activities:**

Year ending June 30,	
2009	\$ 13,490
2010	11,500
2011	9,356
2012	5,910
2013	4,483
2014-2018	6,665
2019-2023	268
2024-2028	278
2029-2033	242
2034-2038	266
2039-2043	184
<b>Total</b>	<b>\$ 52,642</b>

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

Rental expense for the year ended June 30, 2008 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$17,136,116.

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

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

Year ending June 30,	
2009	\$ 5,683
2010	5,079
2011	4,168
2012	1,028
2013	372
2014-2018	20
<b>Total</b>	<b>\$ 16,350</b>

Rental expense for the year ended June 30, 2008 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$6,526,171.

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**Component Units:**

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

Year ending June 30,		
2009	\$	21
2010		21
2011		10
		<hr/>
Total	\$	<u>52</u>

Rental expense for the year ended June 30, 2008 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$20,946.

**NOTE 15 – LESSOR OPERATING LEASES**

The Iowa Department of Natural Resources leases tracts of land for agricultural purposes, valued at \$10,481,281. Glenwood Resource Center leases building space valued at \$692,970. Iowa Public Television leases antenna and building space, no value has been assigned to the leased portions. The Iowa Department of Transportation leases land valued at \$2,831,887. Iowa State University leases building space valued at \$175,121 (net of accumulated depreciation of \$64,912), tower space valued at \$473,433 (net of accumulated depreciation of \$24,455), equipment with an original value of \$1,623,177, and tracts of land for agricultural purposes, valued at \$82,552. The University of Northern Iowa leases buildings valued at \$416,404 (net of accumulated depreciation of \$108,682), tower space, and tracts of land for agricultural purposes, valued at \$523,155. The following is a schedule by year of minimum future rentals on operating leases as of June 30, 2008 (expressed in thousands):

Year ending June 30,		
2009	\$	2,836
2010		2,095
2011		1,542
2012		844
2013		579
2014-2018		1,306
2019-2023		269
2024-2028		141
2029-2033		80
		<hr/>
Total	\$	<u>9,692</u>

**NOTE 16 – PENSION PLANS**

**Summary of Significant Accounting Policies**

*Basis of Accounting*

The financial statements for the Iowa Public Employees' Retirement System (IPERS), Peace Officers' Retirement, Accident and Disability System (PORS) and the Iowa Judicial Retirement System's (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.

*Method Used to Value Investments*

*IPERS* - All investments are reported at fair value. The determination of fair value is generally based on published market prices and quotations from major investment brokers. Investments not having quoted market prices have been valued based on yields and maturities currently available on comparable securities of similar issue. Fair values for real estate investments are based on periodic assessments or appraisals of the underlying investments. Futures contracts are valued daily with the resulting adjustment recorded as realized gains/losses arising from the daily settlement of the variation margin. Private equities are valued based on March 31 net asset values plus or minus purchases, sales, and cash flows from April 1 through June 30 of the reporting year.

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

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

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

PORS and JRS' investments in governmental bonds and treasury notes constitute approximately 6.40% and 1.68%, respectively, of net assets held in trust for pension benefits. The PORS and JRS Systems are not permitted to invest more than 4.90% and 5.00%, respectively, of its System account in any one corporate issuer without written direction and approval of the Treasurer of State of Iowa.

### Plan Descriptions, Contribution Information and Funding Policy

Membership of each plan consisted of the following at June 30, 2008:

	<u>IPERS</u>	<u>PORS</u>	<u>JRS</u>
Retirees and beneficiaries receiving benefits	87,490	532	158
Terminated members with deferred benefits	-	34	9
Active vested	123,068	610	163
Active nonvested	44,782	36	36
Inactive vested	31,246	-	-
Inactive nonvested	33,051	-	-
	<u>319,637</u>	<u>1,212</u>	<u>366</u>
Number of participating employers	<u>2,259</u>	<u>1</u>	<u>1</u>

### Iowa Public Employees' Retirement System

*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 a cost-sharing defined benefit multiple-employer 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. Excluded from membership are members of other retirement systems supported by Iowa public funds.

	<u>June 30, 2008</u>
Employer members:	
City	1,184
County	412
School	395
State	25
Other	243
Total	<u>2,259</u>

A member may retire at age 65 (or anytime after reaching age 62 with 20 or more years of covered employment) and receive monthly benefits without an early retirement adjustment. A member is also entitled to benefits without an early retirement adjustment if the member's age plus years of service equals or exceeds 88. A member may take early

retirement with reduced benefits. At retirement, a member chooses one of six benefit options.

A member who leaves covered employment after completing at least 4 years of covered service or has attained the age of 55 while making contributions to the plan has vested right to IPERS benefits.

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, or available at [info@ipers.org](mailto:info@ipers.org), or by calling 515-281-0020.

*Contributions and Funding Policy.* Member and employer contribution rates are established by statute for the regular membership. The contributions are remitted by participating employers. Certain members and employers engaged in law enforcement, fire safety, and protection occupations contribute at actuarially determined rates as shown in the following table. Wages are covered up to the federal limit of \$230,000 for calendar year 2008.

	<u>Contribution Rates</u> as of June 30, 2008		
	<u>Employee</u>	<u>Employer</u>	<u>Total</u>
Regular	3.90%	6.05%	9.95%
Special Services			
Group #1 *	7.70%	7.70%	15.40%
Special Services			
Group #2 **	5.64%	8.47%	14.11%

\* Includes sheriffs and deputies.

\*\* Includes all other protection occupation members.

A valuation of the liabilities and reserves of the IPERS Trust Fund is performed annually by IPERS' actuary in accordance with Iowa Code Section 97B.4(4)(d), in order to determine the amount of contributions required. The Iowa statutes provide that most IPERS members shall contribute 3.90% of pay and employers shall contribute 6.05%, for a total rate of 9.95% for fiscal year 2008. The annual actuarial valuation is performed to determine whether the statutory rate will be sufficient to fund the future benefits expected to be paid by the System within the guidelines established in IPERS funding policy (maximum amortization period of 30 years). The statutory rate is first applied to fund the normal cost. The remaining contribution rate is used to amortize the unfunded actuarial liability as a level percentage of payroll, which in turn determines the amortization period. As a result, the remaining amortization period varies with each actuarial valuation. Based on the current year's actuarial valuation, the amortization period is infinite.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

In 2006, to address IPERS' long-term funding needs, the Iowa Legislature passed and the Governor signed a bill increasing the contribution rate for regular members, the first rate increase since 1979. Regular members make up about 95 percent of IPERS' active membership. The increase of two percentage points is phased in over four years beginning July 1, 2007. The increase does not affect members in protection occupation positions, who contribute at an actuarially required rate that may change every year.

The amount of the actuarially determined employer contribution requirement was \$432,828,217. The total amount of employer contributions made during the fiscal year ended June 30, 2008 was \$377,416,750 resulting in an 87.2% funding ratio. The difference between the actuarially required employer contributions and actual employer contributions made is due entirely to statutory contribution requirements that differ from the actuarially required contribution rate.

The following table provides a schedule of the actuarially required employer contributions and the percentage actually contributed to IPERS for the last three fiscal years:

Year Ended June 30,	Actuarially Required Contributions	Percentage Contributed
2006	\$387,542,419	83.8%
2007	411,879,590	83.3%
2008	432,828,217	87.2%

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

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

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

A member leaving covered employment before attaining retirement age but after completing at least four years of covered service is entitled to receive a service retirement allowance upon attaining the minimum service retirement age provided his or her accumulated contributions have not been withdrawn.

PORS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Iowa Department of Public

Safety Peace Officers' Retirement System, Public Safety Building, Des Moines, IA 50319.

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

Member contribution rates are established by statute at 9.35% of covered payroll. However, the System shall increase the member's contribution rate as necessary to cover any increase in cost to the System resulting from statutory changes which are enacted by any session of the General Assembly meeting after January 1, 1995, if the increase cannot be absorbed within the contribution rates established, but subject to a maximum employee contribution rate of 11.30%. After the employee contribution reaches 11.30%, sixty percent of the additional cost of such statutory changes shall be paid by employer and forty percent of the additional cost shall be paid by employees. This is deducted from the member's salary and remitted by the employer.

The employer is obligated by statute to contribute 17% of covered payroll. Contribution provisions are established by State law and may be amended only by the State legislature. The State has historically followed a contribution policy of appropriating funds based upon a percentage of the current salaries for which funds are appropriated.

The member contribution required and contributed was \$3,701,009, representing 9.35% of the current year covered payroll. The State contribution required by statute was \$6,696,538 and the amount actually contributed was \$6,696,538. Costs of administering the plan are financed through employer contributions and investment income.

### **Judicial Retirement System**

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

The JRS was established to provide pension benefits to judges serving on the Supreme Court, District Courts and the Court of Appeals.

Pursuant to Chapter 602 of the Code of Iowa, a member who has a total of at least four years of service as a judge of one or more of the above courts and is at least sixty-five years of age or who has served twenty years of consecutive service as a judge of one or more of the above courts and has attained the age of fifty years shall qualify for an annuity. The annual annuity of a judge under this System is an amount equal to three and one-fourth percent of the judge's average annual basic salary for the judge's highest three years as a judge multiplied by the judge's years of service, or, for a member who meets the definition of a senior judge under Chapter 602.9202 of the Code of Iowa, three and one-fourth percent of the basic senior judge salary multiplied by the judge's years of service, limited to a

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

specified percentage of the highest basic annual salary or basic senior judge salary, as applicable, which the judge is receiving or had received as of the time the judge or senior judge became separated from service. The specified percentage is as follows: (1) fifty percent for judges who retired prior to July 1, 1998; (2) fifty-two percent for judges who retired and received an annuity on or after July 1, 1998 but before July 1, 2000; (3) fifty-six percent for judges who retired and received an annuity on or after July 1, 2000 but before July 1, 2001; (4) sixty percent for judges who retire and receive an annuity on or after July 1, 2001 but before July 1, 2006; and (5) sixty-five percent for judges who retire and received an annuity on or after July 1, 2006. Any member who has served as a judge for a total of four years or more and deemed permanently incapacitated, mentally or physically, to perform his/her duties shall be entitled to an annuity that would be the same as computed under a retirement annuity.

Beginning July 1, 2006, judges contribute to the System at the rate of 6% multiplied by a fraction equal to the percentage of the State's actual contribution to the retirement fund divided by the statutory mandated State contribution of 23.7%. The State contributes annually at rates established by statute until the System attains fully funded status, at which time the State shall contribute at a rate necessary to maintain fully funded status. For the year ended June 30, 2008, the State contributed an amount equal to at least 22.52% of the basic salary of all covered judges.

The 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.

*Contributions and Funding Policy.* The contributions to the System are made pursuant to Section 602.9104 of the Code of Iowa, and are not based upon actuarial determinations.

The member contribution required and contributed was \$1,424,099 representing 5.7% of the current year covered payroll. The State contribution required by statute and the amount contributed was \$5,450,963. The State share is to be based on 22.52% of the current year covered payroll. Costs of administering the plan are financed through State appropriation, member contributions and investment income.

*Annual Pension Cost and Net Pension Obligation.* The State's annual pension cost and net pension obligation to PORS and JRS for the current year were as follows:

	PORS	JRS
Annual required contribution	\$ 13,599,115	\$ 7,552,722
Interest on net pension obligation	570,297	1,195,212
Adjustment to annual required contribution	(604,863)	(1,555,920)
Annual pension cost	13,564,549	7,192,014
Contributions made	6,696,538	5,450,963
Increase in net pension obligation	6,868,011	1,741,051
Net pension obligation beginning of year	7,128,715	14,195,111
Net pension obligation end of year	<u>\$ 13,996,726</u>	<u>\$ 15,936,162</u>

### Three-year trend information:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i>Peace Officers' Retirement, Accident and Disability System</i>			
2006	\$11,920,811	48.80%	\$1,008,924
2007	12,382,742	50.58%	7,128,715
2008	13,564,549	49.37%	13,996,726
<i>Iowa Judicial Retirement System</i>			
2006	\$4,600,654	43.76%	\$8,867,574
2007	7,367,201	27.69%	14,195,111
2008	7,192,014	75.80%	15,936,162

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**NOTES TO THE FINANCIAL STATEMENTS**

**Funded Status and Funding Progress**

The funded status of each plan as of June 30, 2008, is as follows:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)*	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Iowa Public Employees' Retirement System	\$21,857,423,183	\$24,522,216,589	\$2,664,793,406	89.13%	\$6,131,445,367	43.46%
Peace Officers' Retirement, Accident and Disability System	\$307,291,608	\$417,176,049	\$109,884,441	73.66	\$40,829,801	269.13
Iowa Judicial Retirement System	\$88,197,551	\$141,364,072	\$53,166,521	63.10	\$26,662,800	199.40

\* For purposes of this schedule, the AAL for each plan is determined using the entry age actuarial cost method.

The PORS uses the aggregate actuarial cost method to calculate their annual required contribution (ARC). However, the current year funded status information was calculated using the entry age actuarial cost method because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The entry age actuarial cost information for PORS is intended to serve as a surrogate for the funded status and funding progress of the plan.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions**

Additional information as of the latest actuarial valuation follows:

	<u>IPERS</u>	<u>PORS</u>	<u>JRS</u>
Actuarial valuation date	June 30, 2008	July 1, 2008	July 1, 2008
Actuarial cost method	Entry age normal	Aggregate	Entry age normal
Method used to determine actuarial value of assets	Smoothing method - expected value at the valuation date plus 25% of the difference between the market value and expected value. The actuarial value must fall within a corridor of 80% - 120% of market value.	Smoothing method - spreads the difference between the actual return and expected return over four years	Market value
Amortization method	Open period, level percent of pay	No specific amortization method since the aggregate cost method is used	Level dollar, closed basis
Amortization period	30 years* (open method)	No specific amortization period since the aggregate cost method is used	18 years
Rate of investment return	7.50%	8.00%	7.50%
Projected salary increases	4.00% - 12.00% depending upon years of service	6.75% for the first five years, 6.50% for year six, 6.00% for year seven, 5.25% for years eight through twenty-four and 4.75% thereafter	4.50%
Inflation rate	3.25% for prices, 4.00% for wages	4.00% payroll growth	3.25%

\* GASB Statement No. 25 states that, beginning in fiscal year 2006, the maximum acceptable amortization period for the total unfunded actuarial liability is 30 years. IPERS' funding policy also provides for a maximum amortization period of 30 years.

For JRS, the projection of benefits for financial accounting purposes does not explicitly incorporate the potential effects of the 23.7% limitation on the State's contribution rate.

# STATE OF IOWA

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### Teachers Insurance and Annuity Association Retirement Program

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

A defined contribution retirement plan provides retirement benefits in return for services rendered, provides individual annuities for each plan participant, and specifies how contributions to an individual's annuity are to be determined instead of specifying the amount of benefits the participant is to receive. Under a defined contribution retirement plan, the benefits a participant will receive depend solely on the amount contributed to the participant's annuity, and the returns earned on investments of those contributions. As required by the Iowa State Board of Regent's policy, all eligible employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract agreement with TIAA, each employee through the fifth year of employment contributes 3.33% of the first \$4,800 of earnings and 5.00% on the balance of earnings. The employer through the fifth year of employment, contributes 6.67% of the first \$4,800 of earnings and 10.00% on earnings above the \$4,800. Upon completion of five years of service, the participant contributes 5.00% and the employer 10.00% on all earnings. During fiscal year 2008, the employers' contributions amounted to \$131,525,731. Employees' contributions amounted to \$65,876,150.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

### NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS

#### State Plan

The State of Iowa implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45) during the year ended June 30, 2008.

*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 45 requires that employers recognize the Implicit Rate Subsidy that exists in postretirement medical plans provided by governmental employers.

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

The State operates a single-employer retiree benefit plan which provides medical insurance benefits for retirees. There are 28,720 active and 1,555 retired participants in the plan. The State currently offers eleven self-insured plans, which are available to participants: BCBS Deductible 3 Plus, BCBS Program 3 Plus, Iowa Select, IUP Select, Wellmark, United Healthcare, Coventry – Open Access, Coventry PCP, John Deere – Choice, John Deere – Select, and SPOC (Alliance Select).

*Funding Policy.* The contribution requirements of the plan participants are established and may be amended by the State legislature. The State currently finances the retiree benefit plan on a pay-as-you-go basis.

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## NOTES TO THE FINANCIAL STATEMENTS

*Annual OPEB Cost and Net OPEB Obligation.* The State's annual OPEB cost is calculated based on the annual required contribution of the State (ARC), an amount actuarially determined in accordance with GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the State's annual OPEB cost for June 30, 2008, the amount actually contributed to the plan and changes in the State's net OPEB obligation:

Annual required contribution	\$ 23,480,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>23,480,000</u>
Contributions made	<u>(7,267,000)</u>
Increase in net OPEB obligation	16,213,000
 Net OPEB obligation beginning of year	 <u>-</u>
 Net OPEB obligation end of year	 <u>\$ 16,213,000</u>

The State's plan includes AFSCME employees of the universities. The portion of the FY08 net OPEB obligation related to those employees is \$2.8 million.

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2008.

For the fiscal year 2008, the State contributed \$7,267,000 to the medical plan. The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2008 are summarized as follows:

Year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
June 30, 2008	\$ 23,480,000	30.95%	\$ 16,213,000

*Funded Status and Funding Progress.* As of July 1, 2008, the most recent actuarial valuation, for the period July 1, 2007 through June 30, 2008, the actuarial accrued liability was \$219.6 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$219.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1,152.0 million, and the ratio of the UAAL to the covered payroll was 19.06%. As of June 30, 2008, there were no trust fund assets.

*Actuarial Methods and Assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate based on the estimated long-term investment yield on the general assets of the State. The projected annual medical trend rate is 8.0% for managed care and 8.2% for non managed care plans. The medical trend rate is based on a general GDP growth assumption of 5.0% and capping the medical component of GDP at approximately 20% of GDP.

Mortality rates are from the RP-2000 Healthy Combined Mortality Table for Males and Females set forward one year for males and set back two years for females. General improvements are assumed using projection scale AA. The majority of State of Iowa employees are participants in the Iowa Public Employees' Retirement System. For this reason, the withdrawal, retirement, and age of spouse assumptions are based on the assumptions used for the Iowa Public Employees' Retirement System Actuarial Valuation Report as of June 30, 2006. The plan participation assumption is based upon the recent experience of the State of Iowa Postretirement Medical Plan.

The UAAL is being amortized on a level dollar open basis over 30 years.

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

**University Funds**

*Plan Description.* The University of Iowa, Iowa State University, and the University of Northern Iowa, (the universities) operate single employer benefit plans which provide medical, dental and life insurance benefits for retirees and their spouses. Detailed plan description information is available in the universities' separately issued financial reports.

*Funding Policy.* The contribution requirements of the plan participants are established and may be amended by the universities. The universities currently finance the retiree benefit plans on a pay-as-you-go basis. For fiscal year 2008, the universities contributed \$9.3 million to the plan and members receiving benefits contributed \$9.2 million of the premium cost.

*Annual OPEB Cost and Net OPEB Obligation.* The following table shows the components of the universities' annual OPEB cost for June 30, 2008, the amount actually contributed to the plans and changes in the universities' net OPEB obligation:

Annual required contribution	\$ 19,511,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>19,511,000</u>
Contributions made	<u>(9,346,000)</u>
Increase in net OPEB obligation	10,165,000
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u><u>\$ 10,165,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuaries as the cumulative difference between the actuarially determined funding requirements and the plans' actual contributions for the year ended June 30, 2008.

The universities' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2008 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2008	\$ 19,511,000	47.90%	\$ 10,165,000

*Funded Status and Funding Progress.* As of the most recent actuarial valuation, for the period July 1, 2007 through June 30, 2008, the actuarial accrued liability was \$184.7 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$184.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1,160.4 million, and the ratio of the UAAL to the covered payroll was 15.92%. As of June 30, 2008, there were no trust fund assets.

Information from the universities' latest actuarial valuations follows:

	University of Iowa	Iowa State University	University of Northern Iowa
Actuarial valuation date	July 1, 2008	July 1, 2008	July 1, 2008
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percentage of projected payroll	Level dollar	Level percentage of projected payroll
Amortization period	Open basis over 30 years	Open basis over 30 years	Open basis over 30 years
Rate of investment return	6.95%	4.00%	5.00%
Medical trend rate	9.00% to age 65 and 10.00% after age 65	8.50%	11.00%
Ultimate medical trend rate	5.00%	Reduced 0.50% each year after 3 years until reaching 5.00%	Reduced 0.50% each year until reaching 6.00%
Payroll growth rate	3.50%	n/a	4.00%

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 18 – OTHER TERMINATION BENEFITS

On April 2, 2004, the Governor signed into law a sick leave and vacation incentive program for eligible executive branch employees. The program requires the sum of the number of years of credited service (service under the Iowa Public Employees' Retirement System or the Peace Officers' Retirement, Accident and Disability System) and age in years as of December 31, 2004, equals or exceeds seventy-five. Employees were required to sign up by May 21, 2004 and to leave State employment no earlier than July 2, 2004, but no later than August 12, 2004.

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

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

The incentive is financed on a pay-as-you-go basis by the department from which the employee terminated. Amounts due for the program have been recorded as a liability in the government-wide financial statements. Early Out costs for fiscal year 2008 for 272 participants totaled \$1,740,627 for governmental funds and \$17,280 for other funds.

The Board of Regents approved an Early Retirement Incentive Program (ERIP) in June 1986, with modifications in July 1990 and July 1992; and in July 2001 the Board of Regents approved discontinuation of the program upon its expiration on June 30, 2002. The Board of Regents has authorized each institutional head to exercise discretion as to whether employees who are qualified at June 30, 2002 may have two years after expiration of the program to request participation. This program expired June 30, 2004.

Those eligible for participation were faculty, professional-scientific employees, institutional officials, staff of the Board Office, and all merit system employees employed by the Board of Regents for a period of at least fifteen years and who have attained the age of 57 by June 30, 2002. The employee's department head and the appropriate administrative officers approved the employee's participation.

All incentive payments are financed on a pay-as-you-go basis, except at the University of Northern Iowa. At the University of Northern Iowa, the policy requires departments to fully fund the ERIP liability upon signing new ERIP contracts. No contracts were signed or funded during the fiscal year ended June 30, 2008. Current contracts will be fulfilled during the fiscal year ended 2010.

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

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

The employee may elect, prior to approval of participation in the program, to accept the present value of all or part of the incentives as a lump sum payment on the beginning date of participation in the program. The rate of interest used to calculate the present value is established annually by the board. The rate approved for fiscal year 2004 was 1.00%. There are no future rates since the program ended June 30, 2004.

The Board of Regents Institutions' contributions for the fiscal year ended June 30, 2008, amounted to \$3,061,482 for 304 participants.

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

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

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

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

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

For the year ended June 30, 2008, 193 SPOC retirees received benefits totaling \$1,058,896.

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:

<b>If the sick leave balance is:</b>	<b>The conversion rate is:</b>
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). Each month, the retiree's former employing department will pay 100% of the employer share of the selected state group health insurance premium from the retiree's SLIP account. The retiree is responsible for any additional premiums associated with the employee/retiree share.

The employer will continue to pay the employer's share of the health insurance premium each month until the converted value of the employee's sick leave balance is exhausted, until the employee is eligible for Medicare, the employee waives the benefit, or until 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 sick leave insurance program will be forfeited.

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

For the year ended June 30, 2008, 781 employees from the Executive and Legislative Branches of Government have retired and received benefits totaling \$4,176,126 under SLIP. In addition, 113 employees from the Judicial Branch and Community-Based Corrections have retired and received benefits totaling \$681,116 under the SLIP program.

### NOTE 19 - RISK MANAGEMENT

#### INSURANCE/TRANSFER OF RISK

State employee benefits for health, dental, long-term disability and life insurance coverage are fully insured through commercial insurers. The State also insures with outside parties for certain liabilities. The State assumes liability for any deductibles and claims in excess of coverage limitations. Iowa State University and the University of Iowa assume responsibility for aircraft liability claims in excess of \$10.0 million and \$2.0 million, respectively, and Workforce Development assumes fire liability on buildings and contents in excess of \$15.6 million.

The University of Northern Iowa carries a blanket policy where it assumes liability in excess of \$500.0 million for the Residence System Buildings, Maucker Union, General Fund Buildings, Early Childhood Center, McLeod Center, UNI-Dome, and in excess of \$100 million for boiler and machinery. Individual limits for buildings and contents are in excess of: \$227.9 million for Residence Halls, \$57.3 million for Residence Apartments, \$28.5 million for Maucker Union, \$690.4 million for General Fund Buildings, \$31.4 million for the McLeod Center, \$54.0 million for UNI-Dome, and \$2.9 million for Early Childhood Center. Individual limits for loss of business income are in excess of: \$23.0 million for Residence Halls, \$2.9 million for Residence Apartments, \$2.0 million for the McLeod Center, and \$2.0 million for UNI-Dome. The University assumes liability in excess of \$2.5 million for broadcasting towers and equipment.

The University of Iowa assumes liability for damage to buildings and contents for the first \$2.0 million and in excess of \$1.0 billion, pharmacy products liability for the first \$10,000 and in excess of \$7.0 million, student interns professional liability in excess of \$3.0 million, dental student professional liability in

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

excess of \$3.0 million, nursing students professional liability in excess of \$5.0 million, pharmacy students professional liability in excess of \$3.0 million, losses at the Museum of Art in excess of \$500.0 million, criminal fidelity liability for the first \$250,000 and in excess of \$10.0 million.

The University of Iowa also assumes liability for athletic trainers professional liability in excess of \$3.0 million, liability for gymnastics camps, youth camps, outreach clinics and special events in excess of \$2.0 million each. It also assumes liability for property damage to the Hawkeye Express in excess of \$1.2 million, liability in excess of \$2.0 million and liability for the Hawkeye Express Railroad in excess of \$25.0 million.

Iowa State University assumes liability for damage to buildings and contents in excess of \$2.9 billion, damage to boilers and machinery in excess of \$343.9 million, damage to electronic data processing, and telecommunications equipment in excess of \$43.8 million and business interruption in excess of \$43.0 million.

Glenwood Resource Center assumes liability for volunteers' accident and personal liability in excess of \$1.0 million per occurrence and \$3.0 million annually and vehicle liability in excess of \$5.0 million for each accident. The Iowa Braille and Sight Saving School assumes liability for the first \$1.0 million and in excess of \$32.0 million for catastrophic losses.

The First, Second, Third, Fourth, Fifth, Sixth, Seventh and Eighth Judicial Districts assume liability for physical damage to buildings and contents in excess of \$13.9 million, \$11.1 million, \$4.3 million, \$3.4 million, \$15.5 million, \$9.3 million, \$3.1 million and \$2.5 million, respectively.

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

There were no settlements in excess of coverage for the past three fiscal years, except for the University of Iowa which incurred extensive flood damage at the end of this fiscal year. The amount in excess of coverage is undeterminable at this time.

### *SELF-INSURANCE/RETENTION OF RISK*

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

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

The State is self-insured for various risks of loss related to work injuries of its employees. The Workers' Compensation Fund, an internal service fund, services workers' compensation claims. The liability for unpaid claims is estimated based on the average cost per claim-type determined from an actuarial review. Changes in the balances for estimated claims liabilities in fiscal years 2007 and 2008 were (expressed in thousands):

	Balances At Beginning Of Fiscal Year	Current Year Claims And Changes In Estimates	Claim Payments	Balances At End Of Fiscal Year
FY 07	\$ 49,950	17,795	17,620	\$ 50,125
FY 08	50,125	20,540	20,218	50,447

The State is self-insured for various risks of loss related to its motor vehicle fleet. The Vehicle Dispatcher Self-Insurance Fund, an internal service fund, services liability and property damage claims. The liability for unpaid claims is estimated based on historical experience and the application of an industry standard of forty percent for IBNR claims. Changes in the balances for estimated claims liabilities in fiscal years 2007 and 2008 were (expressed in thousands):

	Balances At Beginning Of Fiscal Year	Current Year Claims And Changes In Estimates	Claim Payments	Balances At End Of Fiscal Year
FY 07	\$ 344	-	271	\$ 73
FY 08	73	78	74	77

The State is self-insured for various risks of loss related to the operation of the Board of Regents institutions' motor vehicle fleets. The Regent's Motor Vehicle Liability Self-Insurance Fund, an internal service fund, services liability and property damage claims. The liability for unpaid claims is estimated based on statistical techniques that reflect recent settlements, similar claim history, and other economic and social factors. Changes in the balances for estimated claims liabilities in fiscal years 2007 and 2008 were (expressed in thousands):

	Balances At Beginning Of Fiscal Year	Current Year Claims And Changes In Estimates	Claim Payments	Balances At End Of Fiscal Year
FY 07	\$ 806	232	293	\$ 745
FY 08	745	216	274	687

**STATE OF IOWA**

**NOTES TO THE FINANCIAL STATEMENTS**

The State is self-insured for risks of loss related to property damage and torts. All claims must be filed with the State Appeal Board which has the authority to approve or reject claims. Claims allowed in an amount greater than five thousand dollars require the unanimous approval of all the members of the Board, the Attorney General, and the District Court of the State of Iowa for Polk County. The liability for unpaid claims is estimated based on historical experience and analysis. Changes in the balances for estimated claims liabilities in fiscal years 2007 and 2008 were (expressed in thousands):

	Balances At Beginning Of Fiscal Year	Current Year Claims And Changes In Estimates	Claim Payments	Balances At End Of Fiscal Year
FY 07	\$ 11,500	17,628	11,228	\$ 17,900
FY 08	17,900	26,869	25,269	19,500

The Universities retain risk liability for medical faculty malpractice; medical, dental, unemployment, and workers' compensation coverage for some employees; and various property damage not covered as described above. The estimates of claim liabilities for faculty medical malpractice, and employee medical, dental, unemployment, and workers' compensation are based on actuarial analysis. The estimates of the claim liability for various property damage is based on historical analysis. Changes in the balances for estimated claims liabilities in fiscal years 2007 and 2008 were (expressed in thousands):

	Balances At Beginning Of Fiscal Year	Current Year Claims And Changes In Estimates	Claim Payments	Balances At End Of Fiscal Year
FY 07	\$ 23,724	152,408	144,610	\$ 31,522
FY 08	31,522	152,279	154,083	29,718

**NOTE 20 – LITIGATION, CONTINGENCIES, AND COMMITMENTS**

The *Iowa Department of Revenue* has pending litigation regarding income tax cases. The cases could possibly result in refunds estimated at \$5.2 million.

The *Iowa Public Employees' Retirement System (IPERS)* had commitments to fund an additional \$1.564 billion to various private equity/debt partnerships and real estate investment managers at June 30, 2008.

The *Iowa Department of Transportation* has contractual obligations for construction and other contracts of \$471.1 million at June 30, 2008.

The *University of Iowa* has outstanding construction contract commitments of \$151.4 million at June 30, 2008.

*Iowa State University* has outstanding construction contract commitments of \$46.4 million at June 30, 2008.

The *Department of Natural Resources* has outstanding construction contract commitments of \$20.8 million at June 30, 2008.

The *University of Northern Iowa* has outstanding construction contract commitments of \$9.4 million at June 30, 2008.

The *Iowa Department of Administrative Services* has outstanding construction contract commitments of \$37.4 million at June 30, 2008.

The *Iowa Finance Authority* has committed to purchase \$67.1 million in mortgage-backed securities; approved loan agreements under various housing assistance programs for \$2.3 million and signed loan agreements with municipalities and water systems totaling \$129.3 million at June 30, 2008.

The *Iowa Department of Economic Development* has commitments of \$238.9 million at June 30, 2008.

*Iowa Public Television* has outstanding construction contract commitments of \$5.2 million at June 30, 2008.

The *Sixth Judicial District* has outstanding construction contract commitments of \$2.3 million at June 30, 2008.

The *Iowa Veterans Home* has contractual obligations for construction and other contracts of \$3.3 million at June 30, 2008.

**NOTE 21 – TAX AND REVENUE ANTICIPATION NOTES**

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

The TRANS were issued for the purpose of meeting the State's cash flow requirements. They were issued in December of 2007, with an interest rate of 4.00% and were repaid on or before June 30, 2008.

The following is a schedule of TRANS activity for the year ended June 30, 2008 (expressed in thousands):

Beginning Balance	Issued	Redeemed	Ending Balance
\$ -	\$ 500,000	\$ 500,000	\$ -

**NOTE 22 – BEGINNING BALANCE ADJUSTMENTS**

During fiscal year 2008, the State of Iowa implemented GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues.

# STATE OF IOWA

## NOTES TO THE FINANCIAL STATEMENTS

The statement required the establishment of an interfund advance to account for bonds issued by the Tobacco Settlement Authority, a blended component unit, the proceeds of which were provided to the State. The bonds issued by the Authority are not an obligation of the State and are not backed by the credit, revenues, or taxing power of the State.

The following table summarizes the changes to the fund balance in the governmental fund financial statements (expressed in thousands):

	Tobacco Settlement Authority	Tobacco Collections Fund
July 1, 2007	\$ 82,230	\$ -
GASB 48 adjustment	739,288	(739,288)
Balances restated	<u>\$ 821,518</u>	<u>\$ (739,288)</u>

Also, during fiscal year 2008, beginning net assets were restated to accrue compensated absences for current, eligible employees participating in various sick leave programs offered by the State. Under these programs, eligible employees may use a portion of their accrued sick leave balances to pay the state share of health insurance premiums upon retirement.

The following table summarizes the changes to net assets in the government-wide financial statements (expressed in thousands):

	Governmental Activities
July 1, 2007	\$ 7,638,618
Compensated absences accrual for current employees	(36,606)
Balance restated	<u>\$ 7,602,012</u>

### NOTE 23 – DEFICIT FUND BALANCE

The Tobacco Collections Fund, a Major Special Revenue Fund, had a deficit fund balance of \$680.4 million at June 30, 2008. Due to the implementation of GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, an interfund advance was recorded in the Tobacco Collections Fund, causing the deficit fund balance. As future tobacco collections are received in the Tobacco Collections Fund and remitted to the Tobacco Settlement Authority for repayment of debt, the interfund advance will be reduced and the deficit eliminated.

### NOTE 24 – EXTRAORDINARY ITEM

The University of Iowa sustained significant damage to property and impairment to capital assets as a result of the June 2008 flooding of the Iowa River. The magnitude of the flood surpassed the 100-year flood plain and penetrated the 500-year flood plain. The activity related to this event is reported as an

extraordinary item as it is both unusual in nature and infrequent in occurrence.

The following details the components of the extraordinary item at June 30, 2008, (expressed in thousands):

Capital Asset Impairment Gain, net of Insurance Recovery (see note 6)	\$ 35,686
Flood Related Clean Up Expenses and Debris Removal	(4,871)
Other Insurance Recoveries (including Business Interruption, etc.)	24,269
Net Extraordinary Item	<u>\$ 55,084</u>

### NOTE 25 – SUBSEQUENT EVENTS

In July of 2008, the University of Iowa issued Telecommunications Facilities Revenue Refunding Bonds, Series 2008 for \$8,210,000 for the purpose of currently refunding the July 1, 2009 through July 1, 2015 maturities of the Telecommunications Facilities Revenue Bonds, Series 2000, dated March 1, 2000, paying for costs of issuance and funding a Debt Service Reserve Fund.

In August of 2008, the University of Iowa issued Recreational Facilities Revenue Bonds, Series S.U.I. 2008 for \$26,000,000 for the purpose of financing a portion of the cost of building, furnishing and equipping a Campus Recreation and Wellness Center, constructing improvements to the University's Field House, funding a deposit to the Reserve Fund, funding a deposit to the Capitalized Interest Fund and paying for costs of issuance.

In November of 2008, Iowa State University issued Academic Building Revenue Bonds, Series I.S.U. 2008A for \$25,000,000. The bonds will bear interest at varying rates and will mature in varying amounts from July 1, 2011 and July 1, 2036. The proceeds of these bonds will be used to pay a portion of the costs of constructing additions to and for improving, remodeling, repairing and equipping the Chemistry Building facilities, funding a Reserve Fund and paying for costs of issuance.

On August 18, 2008, the Executive Council approved paying expenditures, totaling \$28,645,966, related to severe weather and flooding in May and June of 2008.

In October and November of 2008, the Seventh Judicial District signed contracts, totaling \$8,434,379, for construction of phase two of a new work release center to be completed by December 19, 2009.

Capital markets have experienced unprecedented volatility and selling pressure since June 30, 2008, due to a global financial crisis that persists as of the date of this report. As a result, the State's investments reported in the accompanying financial statements have incurred significant declines in value. Because the values of individual investments fluctuate with market conditions, the amount of losses, if any, that the State will recognize in future financial statements, cannot be determined.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**STATE OF IOWA**

**Budgetary Comparison Schedule  
Required Supplementary Information**

For the Year Ended June 30, 2008  
(Expressed in Thousands)

**GENERAL FUND**

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>FINAL TO ACTUAL</b>
<b>APPROPRIATED REVENUE:</b>				
<b>SPECIAL TAXES:</b>				
Personal Income Tax	\$ 3,191,900	\$ 3,330,300	\$ 3,359,781	\$ 29,481
Sales/Use Tax	1,980,700	2,015,600	1,995,849	(19,751)
Corporation Income Tax	435,700	449,400	464,907	15,507
Inheritance Tax	85,200	76,000	79,783	3,783
Insurance Premium Tax	124,000	115,100	111,647	(3,453)
Cigarette Tax	219,700	228,000	229,457	1,457
Tobacco Tax	15,500	20,200	22,400	2,200
Beer & Liquor Tax	14,300	14,600	14,449	(151)
Franchise Tax	38,700	36,000	36,813	813
Miscellaneous Tax	1,000	1,000	955	(45)
<b>TOTAL SPECIAL TAXES</b>	<b>6,106,700</b>	<b>6,286,200</b>	<b>6,316,041</b>	<b>29,841</b>
<b>REIMBURSEMENTS &amp; FEES:</b>				
Institutional Reimbursements	12,600	12,600	15,390	2,790
Liquor Transfers	68,500	71,100	69,320	(1,780)
Interest	30,000	27,000	24,609	(2,391)
Fees	64,200	81,500	80,309	(1,191)
Judicial Revenue	86,200	89,800	89,130	(670)
Miscellaneous Receipts	41,000	38,200	40,835	2,635
Racing & Gaming Receipts	60,000	60,000	60,000	-
<b>TOTAL RECEIPTS</b>	<b>6,469,200</b>	<b>6,666,400</b>	<b>6,695,634</b>	<b>29,234</b>
Transfers	61,100	64,800	63,659	(1,141)
<b>TOTAL APPROPRIATED REVENUE</b>	<b>6,530,300</b>	<b>6,731,200</b>	<b>6,759,293</b>	<b>28,093</b>
<b>RECEIPTS CREDITED TO APPROPRIATIONS:</b>				
Sales Tax Quarterly	4	4	5	1
Multi Suspense	3,582	3,583	3,405	(178)
Federal Support	2,279,046	2,284,579	2,256,272	(28,307)
Local Governments	205,940	206,016	187,324	(18,692)
Other States	1	1	-	(1)
Internal Service Transfers	558,472	562,871	548,089	(14,782)
Internal Service Reimbursements	27,559	26,262	25,622	(640)
Interest	-	7	59	52
Fees, Licenses, & Permits	19,829	20,531	35,849	15,318
Refunds & Reimbursements	249,445	250,218	333,605	83,387
Sale of Equipment & Salvage	-	7	21	14
Rents & Leases	3,042	3,041	3,290	249
Agricultural Sales	-	-	1	1
Other Sales & Services	800	802	3,310	2,508
Inventory Sales	177	177	167	(10)
Unearned Receipts	598	685	467	(218)
Other	99,152	99,274	95,980	(3,294)
<b>TOTAL APPROPRIATED RECEIPTS</b>	<b>3,447,647</b>	<b>3,458,058</b>	<b>3,493,466</b>	<b>35,408</b>
<b>TOTAL ALL REVENUE</b>	<b>9,977,947</b>	<b>10,189,258</b>	<b>10,252,759</b>	<b>63,501</b>
<b>REFUNDS OF TAXES COLLECTED</b>	<b>(602,300)</b>	<b>(669,000)</b>	<b>(674,783)</b>	<b>(5,783)</b>
<b>TOTAL REVENUES AVAILABLE</b>	<b>9,375,647</b>	<b>9,520,258</b>	<b>9,577,976</b>	<b>57,718</b>

(continued on next page)

**STATE OF IOWA**

(continued)

<b>GENERAL FUND</b>				
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>FINAL TO ACTUAL</b>
<b>EXPENDITURES:</b>				
Administration & Regulation	450,664	458,862	492,544	(33,682)
Agriculture & Natural Resources	151,540	152,444	146,368	6,076
Economic Development	168,784	114,308	109,089	5,219
Education	3,616,494	3,611,562	3,618,593	(7,031)
Health & Human Services	4,300,233	4,330,171	4,320,050	10,121
Justice	705,285	714,112	720,401	(6,289)
Transportation	-	1,252	1,262	(10)
<b>TOTAL EXPENDITURES</b>	<b>9,393,000</b>	<b>9,382,711</b>	<b>9,408,307</b>	<b>(25,596)</b>
<b>REVENUES AVAILABLE OVER (UNDER)</b>				
<b>EXPENDITURES AND TRANSFERS</b>	<b>(17,353)</b>	<b>137,547</b>	<b>169,669</b>	<b>32,122</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Balances Credited To Appropriations	99,176	86,595	76,786	(9,809)
Unexpended Appropriations	(769)	(16,727)	(50,040)	(33,313)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>98,407</b>	<b>69,868</b>	<b>26,746</b>	<b>(43,122)</b>
<b>REVENUES AVAILABLE OVER (UNDER)</b>				
<b>EXPENDITURES &amp; OTHER ITEMS</b>	<b>81,054</b>	<b>207,415</b>	<b>196,415</b>	<b>(11,000)</b>
<b>BEGINNING FUND BALANCE (BUDGETARY)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REMAINING FUND BALANCE (BUDGETARY)</b>	<b>\$ 81,054</b>	<b>\$ 207,415</b>	<b>\$ 196,415</b>	<b>\$ (11,000)</b>
<b>ENDING FUND BALANCE (BUDGETARY)</b>		<b>\$ 207,415</b>	<b>\$ 196,415</b>	
<b>AUTHORIZED TRANSFER TO THE PROPERTY TAX CREDIT FUND</b>		<b>(99,850)</b>	<b>(99,850)</b>	
<b>SENIOR LIVING TRUST FUND</b>		<b>(53,782)</b>	<b>(48,282)</b>	
<b>REMAINING FUND BALANCE (BUDGETARY)</b>		<b>\$ 53,783</b>	<b>\$ 48,283</b>	
<b>AMOUNT STATUTORILY REQUIRED TO BE TRANSFERRED TO CASH RESERVE FUND</b>			<b>(48,283)</b>	
<b>ENDING FUND BALANCE AVAILABLE FOR APPROPRIATION</b>			<b>\$ -</b>	

**STATE OF IOWA**

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

June 30, 2008  
(Expressed in Thousands)

	<b>GENERAL FUND</b>
Fund Balance - Budgetary/Legal	\$ 196,415
Basis Of Accounting Differences:	
Balance Sheet Accounts:	
Accounts Receivable	173,438
Loans Receivable	209
Due From Other Funds	1,250
Prepaid Expenditures	9,345
Accounts Payable & Accruals	(99,688)
Due To Other Funds	(60,529)
Deferred Revenue	(119,484)
Reserved Encumbrances	50,040
Timing Differences:	
Petty Cash & Inventory Expensed In Budgetary Accounting	51,111
Perspective Differences	<u>2,094,568</u>
Total Fund Balance - GAAP Basis	2,296,675
Less: Reserved Fund Balance - GAAP Basis	<u>1,178,178</u>
Fund Balance Unreserved - GAAP Basis	<u>\$ 1,118,497</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, 2008, actual expenditures exceeded budgeted expenditures in the General Fund in the Administration and Regulation, Education, Justice, and Transportation functions. For the Administration and Regulation function, the budget overages occurred in the Executive Council for performance of duty claims and in the Department of Management due to increases in claims with the State Appeal Board. The Executive Council and State Appeal Board have standing unlimited appropriations which, according to Sections 7D.29 and 25.2 of the Code of Iowa, allow them to spend additional funds without amending the original budget. For the Education function, the Department of Education received additional federal funds for the School Food Service Program and additional receipts for the Empowerment Program and expended those funds for allowable program expenditures. For the Justice function, the budget overages occurred in the Department of Public Defense for compensation and expenses of officers and enlisted persons of the State National Guard when called to active duty. The Department of Public Defense has a standing unlimited appropriation, which according to Section 29A.29 of the Code of Iowa, allows the Department to spend additional funds without amending the original budget. For the Transportation function, the Department of Transportation received additional federal funds and expended those funds for allowable program expenditures.

#### **Budgetary Presentation**

The budget encompasses the General Fund of the State and some Special Revenue Funds, (Real Estate Education, Inspection and Appeals Use Tax Clearing, Unclaimed Winnings, Vertical Infrastructure Fund, Federal Economic Stimulus and Jobs Holding Fund, Environment First Fund, Property Tax Credit Fund, Technology Reinvestment Fund, Healthy Iowan's Tobacco Trust, Underground Storage Tank Unassigned Revenue, Tobacco Tax Exempt Bond Proceeds Restricted Capital, Endowment for Iowa's Health Account, Endowment for Iowa's Health Restricted Capitals Fund, Agrichemical Remediation Fund, Resources Enhancement and Protection Fund, Land Recycling Fund, Fish and Game Trust Fund, Conservation Administration Fund, Forestry Management Enhancement Fund, Water Quality Protection, National Pollutant Discharge Elimination System Permit, Workforce Development Withholding, Local Housing Assistance, Grow Iowa Values Fund, Renewable Fuel Infrastructure Fund, Special Contingency Fund, Administrative Contribution Surcharge, School Infrastructure Fund, Stafford Loan Program, Gambling Treatment Program, Pharmaceutical Settlement Fund, Health Care Transformation Fund, Hospital Trust, Iowacare Fund, Health Care Trust, Primary Road Fund and State Aviation 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, therefore, they are not displayed. The nonmajor Special Revenue Funds are displayed with the combining financial statements and schedules for nonmajor funds. The nonmajor special revenue funds are reported in the supplementary information section.

## STATE OF IOWA

### Required Supplementary Information

The beginning budgetary fund balance for the nonmajor special revenue funds was restated to include the Agrichemical Remediation Fund and the Pharmaceutical Settlement Fund. These funds were established in the prior year, however, fiscal year 2008 is the first year monies were appropriated (budgeted) from the fund. The balance was also restated to correct an error in the prior year for the Primary Road 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, 2007 Budgetary Fund Balance	\$ 545,114
Adjustment for:	
Pharmaceutical Settlement Fund	1,411
Agrichemical Remediation Fund	120
Primary Road Fund	<u>(4)</u>
Budgetary Fund Balance Restated	<u>\$ 546,641</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, 2007 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, except for the accrual of county receivables, and is required to be submitted along with proposed appropriation bills to the General Assembly by the first of February prior to the new fiscal year. When an appropriation bill is passed by both houses of the General Assembly, the bill is enrolled and sent to the Governor. The Governor may sign it into law or veto it in whole or in part on a line item basis. Funds may be disbursed only after appropriations have been allotted by the Department of Management, subject to the review of the Governor, with the exception of standing unlimiteds and certain receipts that the Departments are authorized to expend. Appropriations are allotted for expenditure on a quarterly basis.

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

The State utilizes encumbrance accounting for budgetary control purposes. Obligations incurred for goods or services that have not been received or rendered, are recorded to reserve that portion or the applicable fund balance. Section 8.33, unnumbered paragraph 2, of the Code of Iowa, states, "No payment of an obligation for goods or services shall be charged to an appropriation subsequent to the last day of the fiscal year for which the appropriation is made unless the goods or services are received on or before the last day of the fiscal year, except that repair projects, purchase of specialized equipment and furnishings, and other contracts for services and capital expenditures for the purchase of land or the erection of buildings or new construction or remodeling, which were committed and in 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.

## STATE OF IOWA

### Required Supplementary Information

Revenues and expenditures are monitored on a continuing basis. State law authorizes the Governor to impose across-the-board pro rata reductions in allotments to ensure revenues and other available funds are sufficient to pay expenses of a given fiscal year.

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

#### General Fund Expenditure Limitation

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

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

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

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

#### Reserve Funds

The *Iowa Economic Emergency Fund* was created in Iowa Code section 8.55. The fund is separate from the General Fund of the state and the balance in the fund is not to be considered part of the balance of the General Fund of the state. The moneys in the fund do not revert to the General Fund, unless and to the extent the fund exceeds the maximum balance. The maximum balance of the fund is the amount equal to 2.5 percent of the adjusted revenue estimate for the fiscal year. If the amount of moneys in the Iowa Economic Emergency Fund is equal to the maximum balance, moneys in excess of this amount shall be transferred to the General Fund. The moneys in this fund may be appropriated by the General Assembly only in the fiscal year for which the appropriation is made. The

## STATE OF IOWA

### Required Supplementary Information

moneys shall only be appropriated by the General Assembly for emergency expenditures. However, except as provided in section 8.58, the balance in the Iowa Economic Emergency Fund may be used in determining the cash position of the General Fund of the state for the payment of state obligations. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund.

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

**STATE OF IOWA**

**Required Supplementary Information**

**Schedules of Funding Progress**

(Expressed in Thousands)

**Pension Plans**

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

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
July 1, 2006	\$ 267,813	\$ 358,845 *	\$ 91,031	74.63%	\$ 36,232	251.04%
July 1, 2007	293,375	392,023 *	98,648	74.84%	37,268	264.70%
July 1, 2008	307,292	417,176 **	109,884	73.66%	40,830	269.13%

\* This amount is based on the projected unit credit method. The aggregate actuarial cost method is used to determine the annual required contribution. This is provided for information purposes only.

\*\* The annual required contribution is calculated using the aggregate actuarial cost method. Information for the July 1, 2008 actuarial valuation is calculated using the entry age actuarial cost method as a surrogate for the funding progress of the plan.

**Iowa Judicial Retirement System**

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
July 1, 2006	\$ 86,110	\$ 123,670 *	\$ 37,560	69.63%	\$ 24,094	155.89%
July 1, 2007	96,613	138,662 *	42,049	69.68%	24,426	172.15%
July 1, 2008	88,198	141,364 **	53,167	63.10%	26,663	199.40%

\* This amount is based on the projected unit credit actuarial method. This actuarial method was also used to calculate the annual required contribution until the July 1, 2008 actuarial valuation.

\*\* Beginning with the July 1, 2008 actuarial valuation, the entry age actuarial cost method is used to calculate the actuarial accrued liability and the annual required contribution.

**Other Postemployment Benefits**

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
<i>State Plan</i>						
July 1, 2008	\$ -	\$ 219,628 *	\$ 219,628	0.00%	\$ 1,152,000	19.06%
<i>University Funds</i>						
July 1, 2008	\$ -	\$ 184,734	\$ 184,734	0.00%	\$ 1,160,401	15.92%

\* The entry age actuarial cost method is used to calculate the actuarial accrued liability and the annual required contribution.

Pension Trust funds and Other Postemployment Benefits are discussed in detail in the Notes to the Financial Statements (see Note 16 – PENSION PLANS and Note 17 – OTHER POSTEMPLOYMENT BENEFITS).



**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, 2008  
(Expressed in Thousands)

	<b>SPECIAL REVENUE FUNDS</b>	<b>CAPITAL PROJECTS FUNDS</b>	<b>PERMANENT FUNDS</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>				
Current Assets:				
Cash & Investments	\$ 155,261	\$ 82,995	\$ 18,525	\$ 256,781
Deposits with Trustees	3,041	461	-	3,502
Accounts Receivable (Net)	10,501	1,331	-	11,832
Loans Receivable (Net)	451	-	-	451
Due From Other Funds	6,189	3,517	97	9,803
Inventory	70	-	-	70
Prepaid Expenditures	20	-	-	20
<b>Total Current Assets</b>	<u>175,533</u>	<u>88,304</u>	<u>18,622</u>	<u>282,459</u>
Noncurrent Assets:				
Accounts Receivable (Net)	133	-	-	133
Loans Receivable (Net)	3,659	-	-	3,659
Due From Other Funds/ Advances to Other Funds	28,000	-	-	28,000
<b>Total Noncurrent Assets</b>	<u>31,792</u>	<u>-</u>	<u>-</u>	<u>31,792</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 207,325</u></u>	<u><u>\$ 88,304</u></u>	<u><u>\$ 18,622</u></u>	<u><u>\$ 314,251</u></u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable & Accruals	\$ 10,275	\$ 4,780	\$ 33	\$ 15,088
Due To Other Funds	6,950	284	-	7,234
Deferred Revenue	1,313	572	28	1,913
<b>TOTAL LIABILITIES</b>	<u>18,538</u>	<u>5,636</u>	<u>61</u>	<u>24,235</u>
<b>FUND BALANCE</b>				
Reserved for:				
Inventory & Prepaid Expenditures	90	-	-	90
Noncurrent Receivables	31,792	-	-	31,792
Specific Purposes	110,174	-	18,561	128,735
Unreserved Fund Equity	46,731	82,668	-	129,399
<b>TOTAL FUND BALANCE</b>	<u>188,787</u>	<u>82,668</u>	<u>18,561</u>	<u>290,016</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<u><u>\$ 207,325</u></u>	<u><u>\$ 88,304</u></u>	<u><u>\$ 18,622</u></u>	<u><u>\$ 314,251</u></u>

# STATE OF IOWA

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

For the Year Ended June 30, 2008  
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES:</b>				
Receipts from Other Entities	\$ 60,233	\$ 2,492	\$ -	\$ 62,725
Investment Income	10,021	4,031	42	14,094
Fees, Licenses & Permits	3,319	-	-	3,319
Refunds & Reimbursements	27,751	18	-	27,769
Sales, Rents & Services	4,312	-	-	4,312
Miscellaneous	8,448	-	-	8,448
Contributions	-	-	48	48
<b>GROSS REVENUES</b>	<b>114,084</b>	<b>6,541</b>	<b>90</b>	<b>120,715</b>
Less Revenue Refunds	3,911	-	-	3,911
<b>NET REVENUES</b>	<b>110,173</b>	<b>6,541</b>	<b>90</b>	<b>116,804</b>
<b>EXPENDITURES:</b>				
Current:				
Administration & Regulation	2,694	-	-	2,694
Education	80,764	1,697	-	82,461
Health & Human Rights	9,772	253	827	10,852
Human Services	273	-	-	273
Justice & Public Defense	2,925	43	-	2,968
Economic Development	3,305	-	-	3,305
Transportation	55	2,866	-	2,921
Agriculture & Natural Resources	2,773	6,190	-	8,963
Capital Outlay:				
Administration & Regulation	3,718	4,248	-	7,966
Education	429	-	-	429
Health & Human Rights	6,500	3,820	-	10,320
Human Services	-	2,316	-	2,316
Justice & Public Defense	126	4,258	-	4,384
Transportation	-	99	-	99
Agriculture & Natural Resources	3,151	8,620	-	11,771
Debt Service:				
Principal	-	5,630	-	5,630
Interest	1,507	2,767	-	4,274
<b>TOTAL EXPENDITURES</b>	<b>117,992</b>	<b>42,807</b>	<b>827</b>	<b>161,626</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(7,819)</b>	<b>(36,266)</b>	<b>(737)</b>	<b>(44,822)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	161,816	28,454	2,001	192,271
Transfers Out	(219,926)	(7,535)	-	(227,461)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(58,110)</b>	<b>20,919</b>	<b>2,001</b>	<b>(35,190)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(65,929)</b>	<b>(15,347)</b>	<b>1,264</b>	<b>(80,012)</b>
<b>FUND BALANCE JULY 1</b>	<b>254,716</b>	<b>98,015</b>	<b>17,297</b>	<b>370,028</b>
<b>FUND BALANCE JUNE 30</b>	<b>\$ 188,787</b>	<b>\$ 82,668</b>	<b>\$ 18,561</b>	<b>\$ 290,016</b>



## COMBINING FINANCIAL STATEMENTS

### **Nonmajor Special Revenue Funds**

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

**Endowment for Iowa's Health** receives tobacco settlement money to be used for health related expenses.

**Honey Creek Authority** accounts for bond proceeds issued for the development of Honey Creek Park. The bonds are to be repaid from net revenues of the park.

**Federal Student Loan Reserve** receives default fees, interest and overpayments and repurchase of claim payments to be used for payment of default claims to lenders and default aversion fees.

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

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

**STATE OF IOWA**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**

June 30, 2008  
(Expressed in Thousands)

	ENDOWMENT FOR IOWA'S HEALTH FUND	HONEY CREEK AUTHORITY	FEDERAL STUDENT LOAN RESERVE	IOWA PUBLIC TELEVISION FOUNDATION	OTHER	TOTAL
<b>ASSETS</b>						
Current Assets:						
Cash & Investments	\$ 40,814	\$ -	\$ 15,096	\$ 6,593	\$ 92,758	\$ 155,261
Deposits with Trustees	-	3,041	-	-	-	3,041
Accounts Receivable (Net)	167	14	6,599	983	2,738	10,501
Loans Receivable (Net)	-	-	-	-	451	451
Due From Other Funds	467	-	2,215	-	3,507	6,189
Inventory	-	-	-	-	70	70
Prepaid Expenditures	-	-	-	14	6	20
<b>Total Current Assets</b>	<b>41,448</b>	<b>3,055</b>	<b>23,910</b>	<b>7,590</b>	<b>99,530</b>	<b>175,533</b>
Noncurrent Assets:						
Accounts Receivable (Net)	-	-	-	133	-	133
Loans Receivable (Net)	-	-	-	-	3,659	3,659
Due From Other Funds/ Advances to Other Funds	-	28,000	-	-	-	28,000
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>28,000</b>	<b>-</b>	<b>133</b>	<b>3,659</b>	<b>31,792</b>
<b>TOTAL ASSETS</b>	<b>\$ 41,448</b>	<b>\$ 31,055</b>	<b>\$ 23,910</b>	<b>\$ 7,723</b>	<b>\$ 103,189</b>	<b>\$ 207,325</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable & Accruals	\$ 1,996	\$ -	\$ 67	\$ 437	\$ 7,775	\$ 10,275
Due To Other Funds	-	-	1,163	278	5,509	6,950
Deferred Revenue	95	-	-	1,097	121	1,313
<b>TOTAL LIABILITIES</b>	<b>2,091</b>	<b>-</b>	<b>1,230</b>	<b>1,812</b>	<b>13,405</b>	<b>18,538</b>
<b>FUND BALANCE</b>						
Reserved for:						
Inventory & Prepaid Expenditures	-	-	-	14	76	90
Noncurrent Receivables	-	28,000	-	133	3,659	31,792
Specific Purposes	39,357	3,055	22,680	1,388	43,694	110,174
Unreserved Fund Equity	-	-	-	4,376	42,355	46,731
<b>TOTAL FUND BALANCE</b>	<b>39,357</b>	<b>31,055</b>	<b>22,680</b>	<b>5,911</b>	<b>89,784</b>	<b>188,787</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 41,448</b>	<b>\$ 31,055</b>	<b>\$ 23,910</b>	<b>\$ 7,723</b>	<b>\$ 103,189</b>	<b>\$ 207,325</b>

**STATE OF IOWA**

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

For the Year Ended June 30, 2008  
(Expressed in Thousands)

	<b>ENDOWMENT FOR IOWA'S HEALTH FUND</b>	<b>HONEY CREEK AUTHORITY</b>	<b>FEDERAL STUDENT LOAN RESERVE</b>	<b>IOWA PUBLIC TELEVISION FOUNDATION</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>REVENUES:</b>						
Receipts from Other Entities	\$ 73	\$ -	\$ 49,040	\$ -	\$ 11,120	\$ 60,233
Investment Income	4,051	162	727	(466)	5,547	10,021
Fees, Licenses & Permits	-	-	-	-	3,319	3,319
Refunds & Reimbursements	3,083	-	21,628	-	3,040	27,751
Sales, Rents & Services	-	-	-	-	4,312	4,312
Miscellaneous	-	-	-	7,734	714	8,448
<b>GROSS REVENUES</b>	<b>7,207</b>	<b>162</b>	<b>71,395</b>	<b>7,268</b>	<b>28,052</b>	<b>114,084</b>
Less Revenue Refunds	-	-	1,967	-	1,944	3,911
<b>NET REVENUES</b>	<b>7,207</b>	<b>162</b>	<b>69,428</b>	<b>7,268</b>	<b>26,108</b>	<b>110,173</b>
<b>EXPENDITURES:</b>						
Current:						
Administration & Regulation	-	-	-	-	2,694	2,694
Education	-	-	66,714	3,287	10,763	80,764
Health & Human Rights	-	-	-	-	9,772	9,772
Human Services	-	-	-	-	273	273
Justice & Public Defense	-	-	-	-	2,925	2,925
Economic Development	-	-	-	-	3,305	3,305
Transportation	-	-	-	-	55	55
Agriculture & Natural Resources	1,419	3	-	-	1,351	2,773
Capital Outlay:						
Administration & Regulation	-	-	-	-	3,718	3,718
Education	-	-	-	-	429	429
Health & Human Rights	-	-	-	-	6,500	6,500
Justice & Public Defense	-	-	-	-	126	126
Agriculture & Natural Resources	3,150	-	-	-	1	3,151
Debt Service:						
Interest	-	1,507	-	-	-	1,507
<b>TOTAL EXPENDITURES</b>	<b>4,569</b>	<b>1,510</b>	<b>66,714</b>	<b>3,287</b>	<b>41,912</b>	<b>117,992</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,638</b>	<b>(1,348)</b>	<b>2,714</b>	<b>3,981</b>	<b>(15,804)</b>	<b>(7,819)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	16,665	-	6,471	-	138,680	161,816
Transfers Out	(74,288)	-	(5,750)	(4,970)	(134,918)	(219,926)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(57,623)</b>	<b>-</b>	<b>721</b>	<b>(4,970)</b>	<b>3,762</b>	<b>(58,110)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(54,985)</b>	<b>(1,348)</b>	<b>3,435</b>	<b>(989)</b>	<b>(12,042)</b>	<b>(65,929)</b>
<b>FUND BALANCE JULY 1</b>	<b>94,342</b>	<b>32,403</b>	<b>19,245</b>	<b>6,900</b>	<b>101,826</b>	<b>254,716</b>
<b>FUND BALANCE JUNE 30</b>	<b>\$ 39,357</b>	<b>\$ 31,055</b>	<b>\$ 22,680</b>	<b>\$ 5,911</b>	<b>\$ 89,784</b>	<b>\$ 188,787</b>

**STATE OF IOWA**

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

For the Year Ended June 30, 2008  
(Expressed in Thousands)

	<b>PRIMARY ROAD FUND</b>			
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>FINAL TO ACTUAL</b>
APPROPRIATED REVENUE:				
Transfers	\$ 524,400	\$ 524,400	\$ 542,170	\$ 17,770
<b>TOTAL APPROPRIATED REVENUE</b>	<b>524,400</b>	<b>524,400</b>	<b>542,170</b>	<b>17,770</b>
RECEIPTS CREDITED TO				
APPROPRIATIONS:				
Use Tax	-	-	-	-
Other Taxes	-	-	-	-
Wagering Tax Receipts	-	-	-	-
Individual Income Tax Quarterly	-	-	-	-
Sales Tax - DOT	5	5	5	-
Federal Support	188,247	188,247	290,771	102,524
Local Governments	4,600	4,599	3,078	(1,521)
Other States	75	75	4,560	4,485
Reimbursements From Other Agencies	160	160	1,570	1,410
Interest	1	1	-	(1)
Bonds & Loans	-	1	1	-
Fees, Licenses, & Permits	860	860	1,810	950
Refunds & Reimbursements	4,010	4,010	-	(4,010)
Sale of Real Estate	1,710	1,710	2,143	433
Sale of Equipment & Salvage	-	-	23	23
Rents & Leases	16	16	-	(16)
Agricultural Sales	-	-	-	-
Other Sales & Services	-	-	-	-
Unearned Receipts	-	-	-	-
Income Tax Checkoffs	-	-	-	-
Other	2,750	2,750	4,251	1,501
<b>TOTAL APPROPRIATED RECEIPTS</b>	<b>202,434</b>	<b>202,434</b>	<b>308,212</b>	<b>105,778</b>
<b>TOTAL REVENUES AVAILABLE</b>	<b>726,834</b>	<b>726,834</b>	<b>850,382</b>	<b>123,548</b>
EXPENDITURES:				
Administration & Regulation	-	-	-	-
Agriculture & Natural Resources	-	-	-	-
Economic Development	-	-	-	-
Education	-	-	-	-
Health & Human Services	-	-	-	-
Transportation	439,256	442,275	466,456	(24,181) *
<b>TOTAL EXPENDITURES</b>	<b>439,256</b>	<b>442,275</b>	<b>466,456</b>	<b>(24,181)</b>
Transfers	274,229	284,245	285,158	(913)
<b>TOTAL EXPENDITURES AND TRANSFERS</b>	<b>713,485</b>	<b>726,520</b>	<b>751,614</b>	<b>(25,094)</b>
REVENUES AVAILABLE OVER (UNDER)				
EXPENDITURES AND TRANSFERS	13,349	314	98,768	98,454
FUND BALANCE JULY 1 (BUDGETARY - RESTATED)	3,470	121,189	121,189	-
<b>FUND BALANCE JUNE 30 (BUDGETARY)</b>	<b>\$ 16,819</b>	<b>\$ 121,503</b>	<b>\$ 219,957</b>	<b>\$ 98,454</b>



**STATE OF IOWA**

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

For the Year Ended June 30, 2008  
(Expressed in Thousands)

(continued)

	<b>IOWACARE FUND</b>			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:				
Transfers	\$ 5,000	\$ 5,000	\$ 9,524	\$ 4,524
<b>TOTAL APPROPRIATED REVENUE</b>	<b>5,000</b>	<b>5,000</b>	<b>9,524</b>	<b>4,524</b>
RECEIPTS CREDITED TO APPROPRIATIONS:				
Use Tax	-	-	-	-
Other Taxes	-	-	-	-
Wagering Tax Receipts	-	-	-	-
Individual Income Tax Quarterly	-	-	-	-
Sales Tax - DOT	-	-	-	-
Federal Support	64,876	64,876	69,237	4,361
Local Governments	34,000	34,000	34,000	-
Other States	-	-	-	-
Reimbursements From Other Agencies	-	-	-	-
Interest	500	500	284	(216)
Bonds & Loans	-	-	-	-
Fees, Licenses, & Permits	-	-	-	-
Refunds & Reimbursements	-	-	-	-
Sale of Real Estate	-	-	-	-
Sale of Equipment & Salvage	-	-	-	-
Rents & Leases	-	-	-	-
Agricultural Sales	-	-	-	-
Other Sales & Services	-	-	-	-
Unearned Receipts	-	-	-	-
Income Tax Checkoffs	-	-	-	-
Other	-	-	-	-
<b>TOTAL APPROPRIATED RECEIPTS</b>	<b>99,376</b>	<b>99,376</b>	<b>103,521</b>	<b>4,145</b>
<b>TOTAL REVENUES AVAILABLE</b>	<b>104,376</b>	<b>104,376</b>	<b>113,045</b>	<b>8,669</b>
EXPENDITURES:				
Administration & Regulation	-	-	-	-
Agriculture & Natural Resources	-	-	-	-
Economic Development	-	-	-	-
Education	-	-	-	-
Health & Human Services	65,874	65,874	62,280	3,594
Transportation	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>65,874</b>	<b>65,874</b>	<b>62,280</b>	<b>3,594</b>
Transfers	37,285	37,285	50,159	(12,874)
<b>TOTAL EXPENDITURES AND TRANSFERS</b>	<b>103,159</b>	<b>103,159</b>	<b>112,439</b>	<b>(9,280)</b>
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES AND TRANSFERS	1,217	1,217	606	(611)
FUND BALANCE JULY 1 (BUDGETARY - RESTATED)	143	718	718	-
<b>FUND BALANCE JUNE 30 (BUDGETARY)</b>	<b>\$ 1,360</b>	<b>\$ 1,935</b>	<b>\$ 1,324</b>	<b>\$ (611)</b>

**STATE OF IOWA**

**ENDOWMENT FOR IOWA'S HEALTH FUND**

ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	73	73
-	-	-	-
2,250	2,250	4,177	1,927
-	57	57	-
-	-	-	-
20,896	20,896	19,690	(1,206)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
23,146	23,203	23,997	794
23,146	23,203	23,997	794
2,000	2,000	4,617	(2,617) *
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,000	2,000	4,617	(2,617)
74,239	74,239	74,239	-
76,239	76,239	78,856	(2,617)
(53,093)	(53,036)	(54,859)	(1,823)
89,021	95,001	95,001	-
\$ 35,928	\$ 41,965	\$ 40,142	\$ (1,823)

(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, 2008  
(Expressed in Thousands)

(continued)

	<b>OTHER</b>			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:				
Transfers	\$ 421,391	\$ 411,381	\$ 434,234	22,853
<b>TOTAL APPROPRIATED REVENUE</b>	<b>421,391</b>	<b>411,381</b>	<b>434,234</b>	<b>22,853</b>
RECEIPTS CREDITED TO APPROPRIATIONS:				
Use Tax	1,543	1,543	1,624	81
Other Taxes	1,205	1,980	1,380	(600)
Wagering Tax Receipts	9,868	9,867	9,696	(171)
Individual Income Tax Quarterly	4,000	4,000	4,000	-
Sales Tax - DOT	-	-	-	-
Federal Support	20,549	20,699	22,179	1,480
Local Governments	40	96	344	248
Other States	-	-	-	-
Reimbursements From Other Agencies	1,101	1,101	4,265	3,164
Interest	9,122	9,141	17,113	7,972
Bonds & Loans	200	253	1,490	1,237
Fees, Licenses, & Permits	35,035	34,947	29,786	(5,161)
Refunds & Reimbursements	6,328	6,991	12,092	5,101
Sale of Real Estate	-	-	-	-
Sale of Equipment & Salvage	20	20	3	(17)
Rents & Leases	5	5	274	269
Agricultural Sales	10	10	198	188
Other Sales & Services	1,866	1,866	2,371	505
Unearned Receipts	311	311	433	122
Income Tax Checkoffs	150	150	121	(29)
Other	727	869	662	(207)
<b>TOTAL APPROPRIATED RECEIPTS</b>	<b>92,080</b>	<b>93,849</b>	<b>108,031</b>	<b>14,182</b>
<b>TOTAL REVENUES AVAILABLE</b>	<b>513,471</b>	<b>505,230</b>	<b>542,265</b>	<b>37,035</b>
EXPENDITURES:				
Administration & Regulation	132,597	220,952	112,978	107,974
Agriculture & Natural Resources	26,645	26,545	24,996	1,549
Economic Development	29,095	30,880	22,321	8,559
Education	23,072	23,073	13,413	9,660
Health & Human Services	20,711	22,565	16,476	6,089
Transportation	-	3	635	(632) *
<b>TOTAL EXPENDITURES</b>	<b>232,120</b>	<b>324,018</b>	<b>190,819</b>	<b>133,199</b>
Transfers	431,100	427,578	316,958	110,620
<b>TOTAL EXPENDITURES AND TRANSFERS</b>	<b>663,220</b>	<b>751,596</b>	<b>507,777</b>	<b>243,819</b>
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES AND TRANSFERS	(149,749)	(246,366)	34,488	280,854
FUND BALANCE JULY 1 (BUDGETARY - RESTATED)	96,628	327,636	327,636	-
FUND BALANCE JUNE 30 (BUDGETARY)	\$ (53,121)	\$ 81,270	\$ 362,124	\$ 280,854

\* Actual expenditures in the Special Revenue Funds exceeded budgeted expenditures as a result of the receipt and legal expenditure of other non-state funds which have been received for restricted purposes. This occurred in the Transportation function in the Primary Road and State Aviation Funds and in the Administration and Regulation function in the Endowment for Iowa's Health Fund.

**STATE OF IOWA**

<b>TOTAL</b>			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
\$ 1,110,660	\$ 1,100,650	\$ 1,145,815	\$ 45,165
<u>1,110,660</u>	<u>1,100,650</u>	<u>1,145,815</u>	<u>45,165</u>
1,543	1,543	1,624	81
1,205	1,980	1,380	(600)
9,868	9,867	9,696	(171)
4,000	4,000	4,000	-
5	5	5	-
273,672	273,822	382,260	108,438
38,640	38,695	37,422	(1,273)
75	75	4,560	4,485
1,261	1,261	5,835	4,574
11,873	11,892	21,574	9,682
200	311	1,548	1,237
35,895	35,807	31,596	(4,211)
31,234	31,897	31,782	(115)
1,710	1,710	2,143	433
20	20	26	6
21	21	274	253
10	10	198	188
1,866	1,866	2,371	505
311	311	433	122
150	150	121	(29)
3,477	3,619	4,913	1,294
<u>417,036</u>	<u>418,862</u>	<u>543,761</u>	<u>124,899</u>
<u>1,527,696</u>	<u>1,519,512</u>	<u>1,689,576</u>	<u>170,064</u>
294,216	382,986	273,192	109,794
26,645	26,545	24,996	1,549
29,095	30,880	22,321	8,559
23,072	23,073	13,413	9,660
86,585	88,439	78,756	9,683
439,256	442,278	467,091	(24,813) *
<u>898,869</u>	<u>994,201</u>	<u>879,769</u>	<u>114,432</u>
<u>817,103</u>	<u>823,597</u>	<u>726,764</u>	<u>96,833</u>
<u>1,715,972</u>	<u>1,817,798</u>	<u>1,606,533</u>	<u>211,265</u>
(188,276)	(298,286)	83,043	381,329
<u>189,928</u>	<u>546,641</u>	<u>546,641</u>	<u>-</u>
<u>\$ 1,652</u>	<u>\$ 248,355</u>	<u>\$ 629,684</u>	<u>\$ 381,329</u>



## COMBINING FINANCIAL STATEMENTS

### **Nonmajor Capital Projects Funds**

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

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

**Endowment for Iowa's Health Restricted Capitals** receives the tax-exempt portion of the Tobacco Settlement Authority's refunding of the tobacco bonds for capital project expenditures as allowed in the tax certificate of the refinancing.

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

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

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

**STATE OF IOWA**

**Combining Balance Sheet  
Nonmajor Capital Projects Funds**

June 30, 2008  
(Expressed in Thousands)

	<b>GENERAL SERVICES CAPITALS FUND</b>	<b>ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND</b>	<b>MOTOR VEHICLE FUEL TAX CAPITALS FUND</b>	<b>FISH &amp; GAME CAPITALS FUND</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Current Assets:						
Cash & Investments	\$ 877	\$ 79,731	\$ 1,972	\$ 330	\$ 85	\$ 82,995
Deposits with Trustees	-	-	-	-	461	461
Accounts Receivable	-	557	617	-	157	1,331
Due From Other Funds	300	818	242	2,070	87	3,517
<b>TOTAL ASSETS</b>	<b>\$ 1,177</b>	<b>\$ 81,106</b>	<b>\$ 2,831</b>	<b>\$ 2,400</b>	<b>\$ 790</b>	<b>\$ 88,304</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable & Accruals	\$ 865	\$ 2,241	\$ 699	\$ 731	\$ 244	\$ 4,780
Due To Other Funds	51	44	25	164	-	284
Deferred Revenue	-	265	307	-	-	572
<b>TOTAL LIABILITIES</b>	<b>916</b>	<b>2,550</b>	<b>1,031</b>	<b>895</b>	<b>244</b>	<b>5,636</b>
<b>FUND BALANCE</b>						
Unreserved Fund Equity	261	78,556	1,800	1,505	546	82,668
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 1,177</b>	<b>\$ 81,106</b>	<b>\$ 2,831</b>	<b>\$ 2,400</b>	<b>\$ 790</b>	<b>\$ 88,304</b>

**STATE OF IOWA**

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

For the Year Ended June 30, 2008  
(Expressed in Thousands)

	<b>GENERAL SERVICES CAPITALS FUND</b>	<b>ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND</b>	<b>MOTOR VEHICLE FUEL TAX CAPITALS FUND</b>	<b>FISH &amp; GAME CAPITALS FUND</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>REVENUES:</b>						
Receipts from Other Entities	\$ 903	\$ -	\$ 848	\$ -	\$ 741	\$ 2,492
Investment Income	-	3,907	-	-	124	4,031
Refunds & Reimbursements	-	-	14	-	4	18
<b>TOTAL REVENUES</b>	<b>903</b>	<b>3,907</b>	<b>862</b>	<b>-</b>	<b>869</b>	<b>6,541</b>
<b>EXPENDITURES:</b>						
Current:						
Education	-	1,697	-	-	-	1,697
Health & Human Rights	-	253	-	-	-	253
Justice & Public Defense	-	-	-	-	43	43
Transportation	-	2,866	-	-	-	2,866
Agriculture & Natural Resources	-	-	246	5,944	-	6,190
Capital Outlay:						
Administration & Regulation	-	4,248	-	-	-	4,248
Health & Human Rights	673	3,147	-	-	-	3,820
Human Services	-	2,316	-	-	-	2,316
Justice & Public Defense	940	2,597	-	-	721	4,258
Transportation	-	-	-	-	99	99
Agriculture & Natural Resources	-	31	3,052	5,537	-	8,620
Debt Service:						
Principal	-	-	-	-	5,630	5,630
Interest	-	-	-	-	2,767	2,767
<b>TOTAL EXPENDITURES</b>	<b>1,613</b>	<b>17,155</b>	<b>3,298</b>	<b>11,481</b>	<b>9,260</b>	<b>42,807</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(710)</b>	<b>(13,248)</b>	<b>(2,436)</b>	<b>(11,481)</b>	<b>(8,391)</b>	<b>(36,266)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	971	4,198	2,733	12,070	8,482	28,454
Transfers Out	-	(6,970)	(299)	-	(266)	(7,535)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>971</b>	<b>(2,772)</b>	<b>2,434</b>	<b>12,070</b>	<b>8,216</b>	<b>20,919</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>261</b>	<b>(16,020)</b>	<b>(2)</b>	<b>589</b>	<b>(175)</b>	<b>(15,347)</b>
<b>FUND BALANCE JULY 1</b>	<b>-</b>	<b>94,576</b>	<b>1,802</b>	<b>916</b>	<b>721</b>	<b>98,015</b>
<b>FUND BALANCE JUNE 30</b>	<b>\$ 261</b>	<b>\$ 78,556</b>	<b>\$ 1,800</b>	<b>\$ 1,505</b>	<b>\$ 546</b>	<b>\$ 82,668</b>



# COMBINING FINANCIAL STATEMENTS

## **Nonmajor Permanent Funds**

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

**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 Veterans Trust Fund** accounts for assets held for the benefit of veterans. The principal is maintained and the applicable interest is transferred to the Veterans Affairs Commission to be used for purposes consistent with the trust. New legislation amended the fund to allow a portion of the principal to be transferred out of the fund to establish a veteran's cemetery.

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

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

**Other Permanent Funds** aggregates the Henry Albert Trust Fund which accounts for trust money for the Department of Public Health, and the Pilot Grove Trust Fund which accounts for a \$10,000 donation in support and maintenance of the Pilot Grove area.

**STATE OF IOWA**

**Combining Balance Sheet  
Nonmajor Permanent Funds**

June 30, 2008  
(Expressed in Thousands)

	<b>IOWA CULTURAL TRUST FUND</b>	<b>IOWA VETERANS TRUST FUND</b>	<b>IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT</b>	<b>PERMANENT SCHOOL PRINCIPAL FUND</b>	<b>OTHER</b>	<b>TOTAL NONMAJOR PERMANENT FUNDS</b>
<b>ASSETS</b>						
Current Assets:						
Cash & Investments	\$ 3,476	\$ 5,516	\$ 1,548	\$ 7,974	\$ 11	\$ 18,525
Due From Other Funds	-	97	-	-	-	97
<b>TOTAL ASSETS</b>	<b><u>\$ 3,476</u></b>	<b><u>\$ 5,613</u></b>	<b><u>\$ 1,548</u></b>	<b><u>\$ 7,974</u></b>	<b><u>\$ 11</u></b>	<b><u>\$ 18,622</u></b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable & Accruals	\$ -	\$ 33	\$ -	\$ -	\$ -	\$ 33
Deferred Revenue	-	28	-	-	-	28
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>61</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61</b>
<b>FUND BALANCE</b>						
Reserved for:						
Specific Purposes	3,476	5,552	1,548	7,974	11	18,561
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 3,476</u></b>	<b><u>\$ 5,613</u></b>	<b><u>\$ 1,548</u></b>	<b><u>\$ 7,974</u></b>	<b><u>\$ 11</u></b>	<b><u>\$ 18,622</u></b>

**STATE OF IOWA**

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

For the Year Ended June 30, 2008  
(Expressed in Thousands)

	<b>IOWA CULTURAL TRUST FUND</b>	<b>IOWA VETERANS TRUST FUND</b>	<b>IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT</b>	<b>PERMANENT SCHOOL PRINCIPAL FUND</b>	<b>OTHER</b>	<b>TOTAL NONMAJOR PERMANENT FUNDS</b>
<b>REVENUES:</b>						
Investment Income	\$ -	\$ 232	\$ (190)	\$ -	\$ -	\$ 42
Contributions	-	48	-	-	-	48
<b>TOTAL REVENUES</b>	<b>-</b>	<b>280</b>	<b>(190)</b>	<b>-</b>	<b>-</b>	<b>90</b>
<b>EXPENDITURES:</b>						
Current:						
Health & Human Rights	-	827	-	-	-	827
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>827</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>827</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>(547)</b>	<b>(190)</b>	<b>-</b>	<b>-</b>	<b>(737)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	1,000	811	190	-	-	2,001
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>1,000</b>	<b>264</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,264</b>
<b>FUND BALANCE JULY 1</b>	<b>2,476</b>	<b>5,288</b>	<b>1,548</b>	<b>7,974</b>	<b>11</b>	<b>17,297</b>
<b>FUND BALANCE JUNE 30</b>	<b>\$ 3,476</b>	<b>\$ 5,552</b>	<b>\$ 1,548</b>	<b>\$ 7,974</b>	<b>\$ 11</b>	<b>\$ 18,561</b>



## COMBINING FINANCIAL STATEMENTS

### **Nonmajor Enterprise Funds**

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

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

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

**Honey Creek Park** is used to account for development of the destination park and park operations.

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

**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 Assets Nonmajor Enterprise Funds

June 30, 2008  
(Expressed in Thousands)

	IOWA COMMUNI- ACTIONS NETWORK	IOWA LOTTERY AUTHORITY	HONEY CREEK PARK	LIQUOR CONTROL ACT	OTHER	TOTAL NONMAJOR ENTERPRISE FUNDS
<b>ASSETS</b>						
Current Assets:						
Cash & Investments	\$ 9,385	\$ 15,425	\$ 7,617	\$ 14,813	\$ 4,479	\$ 51,719
Accounts Receivable (Net)	5,898	3,100	18	3,558	3,052	15,626
Interest Receivable	98	124	12	-	-	234
Due From Other Funds	-	-	-	147	25	172
Inventory	1,080	1,334	-	1,264	8,502	12,180
Prepaid Expenses	499	118	-	21	162	800
Investment In Prize Annuity	-	4,102	-	-	-	4,102
<b>Total Current Assets</b>	<b>16,960</b>	<b>24,203</b>	<b>7,647</b>	<b>19,803</b>	<b>16,220</b>	<b>84,833</b>
Noncurrent Assets:						
Capital Assets - nondepreciable	34	392	32,032	210	559	33,227
Capital Assets - depreciable, net	28,598	5,061	-	242	5,434	39,335
Investment In Prize Annuity	-	11,466	-	-	-	11,466
Prize Deposit	-	4,022	-	-	-	4,022
<b>Total Noncurrent Assets</b>	<b>28,632</b>	<b>20,941</b>	<b>32,032</b>	<b>452</b>	<b>5,993</b>	<b>88,050</b>
<b>TOTAL ASSETS</b>	<b>45,592</b>	<b>45,144</b>	<b>39,679</b>	<b>20,255</b>	<b>22,213</b>	<b>172,883</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable & Accruals	2,531	1,475	4,315	10,588	2,039	20,948
Due To Other Funds/Advances						
From Other Funds	-	12,253	1	467	3	12,724
Interest Payable	-	4	-	-	-	4
Unearned Revenue	38	300	-	-	74	412
Compensated Absences	622	697	-	69	650	2,038
Bonds Payable	-	100	-	-	-	100
Annuities Payable	-	4,202	-	-	-	4,202
Lottery Prizes Payable	-	2,655	-	-	-	2,655
<b>Total Current Liabilities</b>	<b>3,191</b>	<b>21,686</b>	<b>4,316</b>	<b>11,124</b>	<b>2,766</b>	<b>43,083</b>
Noncurrent Liabilities:						
Accounts Payable & Accruals	549	-	-	36	11	596
Due To Other Funds/Advances						
From Other Funds	-	-	28,000	-	-	28,000
Compensated Absences	421	903	-	25	1,246	2,595
Bonds Payable	-	1,400	-	-	-	1,400
Annuities Payable	-	11,466	-	-	-	11,466
Lottery Prizes Payable	-	4,022	-	-	-	4,022
<b>Total Noncurrent Liabilities</b>	<b>970</b>	<b>17,791</b>	<b>28,000</b>	<b>61</b>	<b>1,257</b>	<b>48,079</b>
<b>TOTAL LIABILITIES</b>	<b>4,161</b>	<b>39,477</b>	<b>32,316</b>	<b>11,185</b>	<b>4,023</b>	<b>91,162</b>
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	28,632	3,953	32,032	452	5,993	71,062
Unrestricted	12,799	1,714	(24,669)	8,618	12,197	10,659
<b>TOTAL NET ASSETS</b>	<b>\$ 41,431</b>	<b>\$ 5,667</b>	<b>\$ 7,363</b>	<b>\$ 9,070</b>	<b>\$ 18,190</b>	<b>\$ 81,721</b>

**STATE OF IOWA**

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

For the Year Ended June 30, 2008  
(Expressed in Thousands)

	<b>IOWA COMMUNI- CATIONS NETWORK</b>	<b>IOWA LOTTERY AUTHORITY</b>	<b>HONEY CREEK PARK</b>	<b>LIQUOR CONTROL ACT</b>	<b>OTHER</b>	<b>TOTAL NONMAJOR ENTERPRISE FUNDS</b>
<b>OPERATING REVENUES:</b>						
Fees, Licenses & Permits	\$ -	\$ 5	\$ -	\$ 11,270	\$ 1,599	\$ 12,874
Refunds & Reimbursements	-	-	-	195	-	195
Sales, Rents & Services	32,438	249,217	-	190,039	20,605	492,299
Miscellaneous	-	48	-	1,110	469	1,627
<b>TOTAL OPERATING REVENUES</b>	<b>32,438</b>	<b>249,270</b>	<b>-</b>	<b>202,614</b>	<b>22,673</b>	<b>506,995</b>
<b>OPERATING EXPENSES:</b>						
General & Administrative	9,584	-	-	-	35	9,619
Depreciation	7,803	1,408	-	44	737	9,992
Direct Expense	11,756	11,713	-	-	15,381	38,850
Prize Expense	-	144,670	-	-	-	144,670
Personal Services	-	-	-	2,189	4,250	6,439
Travel & Subsistence	-	-	-	463	122	585
Supplies & Materials	-	2,982	1	42	146	3,171
Contractual Services	-	31,229	2,703	4,899	2,077	40,908
Equipment & Repairs	-	-	189	108	54	351
Claims & Miscellaneous	9,763	-	-	121,726	728	132,217
Licenses, Permits & Refunds	-	-	-	697	5	702
State Aids & Credits	-	-	-	3,461	-	3,461
<b>TOTAL OPERATING EXPENSES</b>	<b>38,906</b>	<b>192,002</b>	<b>2,893</b>	<b>133,629</b>	<b>23,535</b>	<b>390,965</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(6,468)</b>	<b>57,268</b>	<b>(2,893)</b>	<b>68,985</b>	<b>(862)</b>	<b>116,030</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Taxes	-	-	-	6,551	-	6,551
Investment Income	344	700	804	-	260	2,108
Interest Expense	-	(109)	-	-	-	(109)
Gain on Sale of Capital Assets	-	-	-	-	7	7
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<b>344</b>	<b>591</b>	<b>804</b>	<b>6,551</b>	<b>267</b>	<b>8,557</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(6,124)</b>	<b>57,859</b>	<b>(2,089)</b>	<b>75,536</b>	<b>(595)</b>	<b>124,587</b>
Capital Contributions and Grants	1,067	-	7,336	-	-	8,403
Transfers In	-	-	-	325	1	326
Transfers Out	-	(56,546)	-	(70,286)	-	(126,832)
<b>CHANGE IN NET ASSETS</b>	<b>(5,057)</b>	<b>1,313</b>	<b>5,247</b>	<b>5,575</b>	<b>(594)</b>	<b>6,484</b>
<b>TOTAL NET ASSETS - JULY 1</b>	<b>46,488</b>	<b>4,354</b>	<b>2,116</b>	<b>3,495</b>	<b>18,784</b>	<b>75,237</b>
<b>TOTAL NET ASSETS - JUNE 30</b>	<b>\$ 41,431</b>	<b>\$ 5,667</b>	<b>\$ 7,363</b>	<b>\$ 9,070</b>	<b>\$ 18,190</b>	<b>\$ 81,721</b>

**STATE OF IOWA**

**Combining Statement of Cash Flows  
Nonmajor Enterprise Funds**

For the Year Ended June 30, 2008  
(Expressed in Thousands)

	<b>IOWA COMMUNI- CATIONS NETWORK</b>	<b>IOWA LOTTERY AUTHORITY</b>	<b>HONEY CREEK PARK</b>	<b>LIQUOR CONTROL ACT</b>	<b>OTHER</b>	<b>TOTAL NONMAJOR ENTERPRISE FUNDS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash Received From Customers	\$ 31,731	\$ 248,871	\$ -	\$ 202,457	\$ 22,297	\$ 505,356
Cash Received From Miscellaneous	-	37	23	1,305	469	1,834
Cash Payments To Suppliers For						
Goods & Services	(22,947)	(37,208)	(2,176)	(133,888)	(19,454)	(215,673)
Cash Payments To Employees for Services	(8,389)	(9,086)	-	(2,601)	(3,210)	(23,286)
Cash Payments for Prizes	-	(150,992)	-	-	-	(150,992)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>395</b>	<b>51,622</b>	<b>(2,153)</b>	<b>67,273</b>	<b>102</b>	<b>117,239</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers In From Other Funds	-	-	-	178	1	179
Transfers Out To Other Funds	-	(56,554)	-	(73,345)	-	(129,899)
Tax Receipts	-	-	-	6,551	-	6,551
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>-</b>	<b>(56,554)</b>	<b>-</b>	<b>(66,616)</b>	<b>1</b>	<b>(123,169)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition & Construction of Capital Assets	(1,128)	(273)	(16,940)	(167)	(584)	(19,092)
Interest Payments	-	(115)	-	-	-	(115)
Debt Payments	-	(2,000)	-	-	-	(2,000)
Proceeds From Sale of Capital Assets	-	98	-	-	-	98
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,128)</b>	<b>(2,290)</b>	<b>(16,940)</b>	<b>(167)</b>	<b>(584)</b>	<b>(21,109)</b>

(continued on next page)

# STATE OF IOWA

(continued)

	IOWA COMMUNI- CATIONS NETWORK	IOWA LOTTERY AUTHORITY	HONEY CREEK PARK	LIQUOR CONTROL ACT	OTHER	TOTAL NONMAJOR ENTERPRISE FUNDS
<b>CASH FLOWS FROM INVESTING</b>						
<b>ACTIVITIES:</b>						
Interest & Dividends On Investments	351	767	1,042	-	260	2,420
Other	-	6,338	-	-	-	6,338
<b>NET CASH PROVIDED BY INVESTING</b>	<b>351</b>	<b>7,105</b>	<b>1,042</b>	<b>-</b>	<b>260</b>	<b>8,758</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH</b>						
<b>EQUIVALENTS</b>						
	(382)	(117)	(18,051)	490	(221)	(18,281)
<b>CASH &amp; CASH EQUIVALENTS JULY 1</b>	<b>9,767</b>	<b>15,542</b>	<b>25,668</b>	<b>14,323</b>	<b>4,700</b>	<b>70,000</b>
<b>CASH &amp; CASH EQUIVALENTS JUNE 30</b>	<b>9,385</b>	<b>15,425</b>	<b>7,617</b>	<b>14,813</b>	<b>4,479</b>	<b>51,719</b>
<b>CASH &amp; INVESTMENTS PER STATEMENT</b>						
<b>OF NET ASSETS</b>						
	\$ 9,385	\$ 15,425	\$ 7,617	\$ 14,813	\$ 4,479	\$ 51,719
<b>RECONCILIATION OF OPERATING INCOME</b>						
<b>(LOSS) TO NET CASH PROVIDED (USED) BY</b>						
<b>OPERATING ACTIVITIES</b>						
<b>Operating Income (Loss)</b>	\$ (6,468)	\$ 57,268	\$ (2,893)	\$ 68,985	\$ (862)	\$ 116,030
<b>Adjustments To Reconcile Operating Income</b>						
<b>(Loss) To Net Cash Provided (Used) By</b>						
<b>Operating Activities</b>						
Depreciation	7,803	1,408	-	44	737	9,992
(Increase) Decrease In Accounts Receivable	(4,299)	(624)	(18)	1,148	81	(3,712)
(Increase) Decrease In Due From	3,616	-	41	-	6	3,663
(Increase) Decrease In Inventory	33	(581)	-	(73)	(472)	(1,093)
(Increase) Decrease In Prepaid Expenses	217	(63)	-	(6)	(162)	(14)
Increase (Decrease) In Accounts Payable	(836)	(414)	1,052	(2,876)	(352)	(3,426)
Increase (Decrease) In Due To	(106)	99	(335)	-	(42)	(384)
Increase (Decrease) In Unearned Revenue	(24)	173	-	-	6	155
Increase (Decrease) In Compensated Absences	459	734	-	51	1,162	2,406
Increase (Decrease) In Prizes Payable	-	(40)	-	-	-	(40)
Increase (Decrease) In Prize Annuity	-	(6,338)	-	-	-	(6,338)
<b>NET CASH PROVIDED (USED) BY OPERATING</b>	<b>395</b>	<b>51,622</b>	<b>(2,153)</b>	<b>67,273</b>	<b>102</b>	<b>117,239</b>
<b>ACTIVITIES</b>						
<b>Noncash capital and related financing activities:</b>						
Capital assets contributed	\$ 1,067	\$ -	\$ 7,336	\$ -	\$ -	\$ 8,403



## COMBINING FINANCIAL STATEMENTS

### **Internal Service Funds**

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

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

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

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

**Information Technology Revolving Fund** provides data processing services to other State departments or 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 Assets  
Internal Service Funds**

June 30, 2008  
(Expressed in Thousands)

	<b>WORKERS' COMPEN- SATION FUND</b>	<b>MATERIALS &amp; EQUIPMENT REVOLVING FUND</b>	<b>DEPRECIATION REVOLVING FUND</b>	<b>INFORMATION TECHNOLOGY REVOLVING FUND</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Current Assets:						
Cash & Investments	\$ 2,001	\$ 11,847	\$ 5,815	\$ 6,873	\$ 15,030	\$ 41,566
Accounts Receivable (Net)	4	-	-	5	1,208	1,217
Due From Other Funds/Advances						
To Other Funds	48,443	420	2,820	3,224	14,439	69,346
Inventory	-	5,394	2,962	56	1,691	10,103
Prepaid Expenses	-	-	-	1,526	302	1,828
<b>Total Current Assets</b>	<b>50,448</b>	<b>17,661</b>	<b>11,597</b>	<b>11,684</b>	<b>32,670</b>	<b>124,060</b>
Noncurrent Assets:						
Due From Other Funds/Advances						
To Other Funds	-	-	-	-	774	774
Capital Assets - depreciable (Net)	-	78,118	-	3,665	3,437	85,220
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>78,118</b>	<b>-</b>	<b>3,665</b>	<b>4,211</b>	<b>85,994</b>
<b>TOTAL ASSETS</b>	<b>50,448</b>	<b>95,779</b>	<b>11,597</b>	<b>15,349</b>	<b>36,881</b>	<b>210,054</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable & Accruals	20,541	2,792	293	1,149	3,855	28,630
Due To Other Funds/Advances						
From Other Funds	-	249	14	891	10,440	11,594
Unearned Revenue	-	-	8,920	-	-	8,920
Compensated Absences	-	376	-	1,028	1,555	2,959
Capital Leases	-	-	-	-	73	73
<b>Total Current Liabilities</b>	<b>20,541</b>	<b>3,417</b>	<b>9,227</b>	<b>3,068</b>	<b>15,923</b>	<b>52,176</b>
Noncurrent Liabilities:						
Accounts Payable & Accruals	29,907	52	-	152	232	30,343
Due To Other Funds/Advances						
From Other Funds	-	-	-	-	400	400
Compensated Absences	-	718	-	869	1,442	3,029
Capital Leases	-	-	-	-	19	19
<b>Total Noncurrent Liabilities</b>	<b>29,907</b>	<b>770</b>	<b>-</b>	<b>1,021</b>	<b>2,093</b>	<b>33,791</b>
<b>TOTAL LIABILITIES</b>	<b>50,448</b>	<b>4,187</b>	<b>9,227</b>	<b>4,089</b>	<b>18,016</b>	<b>85,967</b>
<b>NET ASSETS</b>						
Invested in Capital Assets,						
Net of Related Debt	-	78,118	-	3,665	3,345	85,128
Unrestricted	-	13,474	2,370	7,595	15,520	38,959
<b>TOTAL NET ASSETS</b>	<b>\$ -</b>	<b>\$ 91,592</b>	<b>\$ 2,370</b>	<b>\$ 11,260</b>	<b>\$ 18,865</b>	<b>\$ 124,087</b>

**STATE OF IOWA**

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

For the Year Ended June 30, 2008  
(Expressed in Thousands)

	<b>WORKERS' COMPEN- SATION FUND</b>	<b>MATERIALS &amp; EQUIPMENT REVOLVING FUND</b>	<b>DEPRECIATION REVOLVING FUND</b>	<b>INFORMATION TECHNOLOGY REVOLVING FUND</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>OPERATING REVENUES:</b>						
Receipts from Other Entities	\$ 22,317	\$ 3,128	\$ 9,296	\$ 33,436	\$ 50,021	\$ 118,198
Fees, Licenses & Permits	-	-	-	9	-	9
Refunds & Reimbursements	392	57,806	-	1	1,057	59,256
Sales, Rents & Services	-	-	1,736	62	117	1,915
Miscellaneous	-	5,041	-	-	193	5,234
<b>TOTAL OPERATING REVENUES</b>	<b>22,709</b>	<b>65,975</b>	<b>11,032</b>	<b>33,508</b>	<b>51,388</b>	<b>184,612</b>
<b>OPERATING EXPENSES:</b>						
Depreciation	-	10,893	-	980	722	12,595
Personal Services	-	5,779	7	11,751	15,168	32,705
Travel & Subsistence	-	14,935	-	40	10,430	25,405
Supplies & Materials	-	26,782	917	1,033	16,023	44,755
Contractual Services	1,635	1,913	296	13,087	7,249	24,180
Equipment & Repairs	-	3,074	9,332	7,009	1,532	20,947
Claims & Miscellaneous	21,074	10	-	16	462	21,562
Licenses, Permits & Refunds	-	13	95	-	111	219
<b>TOTAL OPERATING EXPENSES</b>	<b>22,709</b>	<b>63,399</b>	<b>10,647</b>	<b>33,916</b>	<b>51,697</b>	<b>182,368</b>
<b>OPERATING INCOME (LOSS)</b>	<b>-</b>	<b>2,576</b>	<b>385</b>	<b>(408)</b>	<b>(309)</b>	<b>2,244</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Investment Income	-	-	-	304	263	567
Loss on Sale of Capital Assets	-	(493)	-	(81)	(95)	(669)
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<b>-</b>	<b>(493)</b>	<b>-</b>	<b>223</b>	<b>168</b>	<b>(102)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>-</b>	<b>2,083</b>	<b>385</b>	<b>(185)</b>	<b>(141)</b>	<b>2,142</b>
Transfers In	-	-	-	-	196	196
Transfers Out	-	-	-	-	(196)	(196)
<b>CHANGE IN NET ASSETS</b>	<b>-</b>	<b>2,083</b>	<b>385</b>	<b>(185)</b>	<b>(141)</b>	<b>2,142</b>
<b>TOTAL NET ASSETS - JULY 1</b>	<b>-</b>	<b>89,509</b>	<b>1,985</b>	<b>11,445</b>	<b>19,006</b>	<b>121,945</b>
<b>TOTAL NET ASSETS - JUNE 30</b>	<b>\$ -</b>	<b>\$ 91,592</b>	<b>\$ 2,370</b>	<b>\$ 11,260</b>	<b>\$ 18,865</b>	<b>\$ 124,087</b>

# STATE OF IOWA

## Combining Statement of Cash Flows Internal Service Funds

For the Year Ended June 30, 2008  
(Expressed in Thousands)

	WORKERS' COMPEN- SATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash Received From Other Entities	\$ 392	\$ 8,180	\$ 1,755	\$ 84	\$ 2,247	\$ 12,658
Cash Received From Reciprocal Interfund Activity	21,717	57,877	9,288	33,657	48,163	170,702
Cash Payments To Suppliers For Goods & Services	(22,386)	(31,226)	(10,108)	(22,116)	(26,002)	(111,838)
Cash Payments To Employees For Services	-	(20,080)	(7)	(10,845)	(23,936)	(54,868)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(277)</u>	<u>14,751</u>	<u>928</u>	<u>780</u>	<u>472</u>	<u>16,654</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers In From Other Funds	-	-	-	-	196	196
Transfers Out To Other Funds	-	-	-	-	(196)	(196)
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition & Construction of Capital Assets	-	(8,619)	-	(1,566)	(939)	(11,124)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>-</u>	<u>(8,619)</u>	<u>-</u>	<u>(1,566)</u>	<u>(939)</u>	<u>(11,124)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest & Dividends On Investments	-	-	-	304	264	568
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304</u>	<u>264</u>	<u>568</u>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<u>(277)</u>	<u>6,132</u>	<u>928</u>	<u>(482)</u>	<u>(203)</u>	<u>6,098</u>
<b>CASH &amp; CASH EQUIVALENTS JULY 1</b>	<u>2,278</u>	<u>5,715</u>	<u>4,887</u>	<u>7,355</u>	<u>15,233</u>	<u>35,468</u>
<b>CASH &amp; CASH EQUIVALENTS JUNE 30</b>	<u>2,001</u>	<u>11,847</u>	<u>5,815</u>	<u>6,873</u>	<u>15,030</u>	<u>41,566</u>
<b>CASH &amp; INVESTMENTS PER STATEMENT OF NET ASSETS</b>	<u>\$ 2,001</u>	<u>\$ 11,847</u>	<u>\$ 5,815</u>	<u>\$ 6,873</u>	<u>\$ 15,030</u>	<u>\$ 41,566</u>

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# STATE of IOWA

(continued)

	WORKERS' COMPEN- SATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER	TOTAL
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
<b>Operating Income (Loss)</b>	\$ -	\$ 2,576	\$ 385	\$ (408)	\$ (309)	\$ 2,244
<b>Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities</b>						
Depreciation	-	10,893	-	980	722	12,595
(Increase) Decrease In Accounts Receivable	(1,356)	11	19	12	880	(434)
(Increase) Decrease In Due From	776	(133)	(269)	691	1,833	2,898
(Increase) Decrease In Inventory	-	599	1,261	(4)	(318)	1,538
(Increase) Decrease In Prepaid Expenses	-	-	-	87	114	201
Increase (Decrease) In Accounts Payable	323	(33)	(730)	(1,054)	(352)	(1,846)
Increase (Decrease) In Due To	(20)	204	1	(470)	(3,691)	(3,976)
Increase (Decrease) In Unearned Revenue	-	-	261	-	-	261
Increase (Decrease) In Compensated Absences And Other Benefits	-	634	-	946	1,662	3,242
Increase (Decrease) In Capital Leases	-	-	-	-	(69)	(69)
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>\$ (277)</u>	<u>\$ 14,751</u>	<u>\$ 928</u>	<u>\$ 780</u>	<u>\$ 472</u>	<u>\$ 16,654</u>



## COMBINING FINANCIAL STATEMENTS

### **Pension and Other Employee Benefit Funds**

Pension funds account for transactions, assets, liabilities, and net assets available for plan benefits of the various State employee retirement systems. See Note 16 - 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 Assets Pension and Other Employee Benefit Funds

June 30, 2008  
(Expressed in Thousands)

	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
<b>ASSETS</b>						
Cash & Cash Equivalents	\$ 182,644	\$ 1,615	\$ 7,763	\$ (29)	\$ 1,831	\$ 193,824
Receivables:						
Contributions	52,065	502	16	320	-	52,903
Investments Sold	1,428,911	5,368	1,285	-	-	1,435,564
Foreign Exchange Contracts	2,761	-	-	-	-	2,761
Interest & Dividends	74,728	1,047	-	-	-	75,775
Total Receivables	1,558,465	6,917	1,301	320	-	1,567,003
Investments, at Fair Value:						
Fixed Income Securities	8,974,812	81,916	27,709	-	-	9,084,437
Equity Investments	8,512,790	164,928	46,527	-	-	8,724,245
Real Estate Partnerships	2,073,416	17,926	5,838	-	-	2,097,180
Investment in Private Equity/Debt	2,504,526	-	-	-	-	2,504,526
Securities Lending Collateral Pool	1,200,983	23,278	5,731	-	-	1,229,992
Securities on Loan with Brokers	1,187,802	22,736	5,495	-	-	1,216,033
Total Investments	24,454,329	310,784	91,300	-	-	24,856,413
Capital Assets:						
Land	500	-	-	-	-	500
Other Capital Assets (Net)	11,974	-	-	-	-	11,974
Total Capital Assets	12,474	-	-	-	-	12,474
<b>Total Assets</b>	<b>26,207,912</b>	<b>319,316</b>	<b>100,364</b>	<b>291</b>	<b>1,831</b>	<b>26,629,714</b>
<b>LIABILITIES</b>						
Accounts Payable & Accruals	36,813	468	161	-	-	37,442
Payable for Investments Purchased	2,579,741	5,264	6,274	-	-	2,591,279
Payable to Brokers For Rebate & Collateral	1,220,763	23,278	5,731	-	-	1,249,772
<b>Total Liabilities</b>	<b>3,837,317</b>	<b>29,010</b>	<b>12,166</b>	<b>-</b>	<b>-</b>	<b>3,878,493</b>
<b>NET ASSETS HELD IN TRUST FOR EMPLOYEES' BENEFITS</b>	<b>\$ 22,370,595</b>	<b>\$ 290,306</b>	<b>\$ 88,198</b>	<b>\$ 291</b>	<b>\$ 1,831</b>	<b>\$ 22,751,221</b>

**STATE OF IOWA**

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

For the Year Ended June 30, 2008  
(Expressed in Thousands)

	<b>IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM</b>	<b>PEACE OFFICERS' RETIREMENT SYSTEM</b>	<b>JUDICIAL RETIREMENT SYSTEM</b>	<b>INSURANCE FUND</b>	<b>SPOC INSURANCE FUND</b>	<b>TOTAL</b>
<b>ADDITIONS:</b>						
Contributions:						
Member Contributions	\$ 245,898	\$ 3,701	\$ 1,424	\$ 724	\$ 284	\$ 252,031
Employer Contributions	377,417	6,696	5,451	-	-	389,564
Buy-Back/ Buy-In Contributions	10,875	-	-	-	-	10,875
<b>Total Contributions</b>	<b>634,190</b>	<b>10,397</b>	<b>6,875</b>	<b>724</b>	<b>284</b>	<b>652,470</b>
Investment Income:						
Net Decrease in Fair Value of Investments	(870,846)	(17,946)	(10,840)	-	-	(899,632)
Interest	418,237	8,598	1,639	10	-	428,484
Dividends	87,681	1,078	889	-	-	89,648
Other	126,194	-	-	-	-	126,194
<b>Total Investment Income (Loss)</b>	<b>(238,734)</b>	<b>(8,270)</b>	<b>(8,312)</b>	<b>10</b>	<b>-</b>	<b>(255,306)</b>
Less Investment Expense	99,841	3,012	706	-	-	103,559
<b>Net Investment Income (Loss)</b>	<b>(338,575)</b>	<b>(11,282)</b>	<b>(9,018)</b>	<b>10</b>	<b>-</b>	<b>(358,865)</b>
<b>Total Additions</b>	<b>295,615</b>	<b>(885)</b>	<b>(2,143)</b>	<b>734</b>	<b>284</b>	<b>293,605</b>
<b>DEDUCTIONS:</b>						
Pension and Annuity Benefits	1,096,098	19,128	6,262	-	-	1,121,488
Payments In Accordance with Agreements	-	-	-	761	298	1,059
Administrative Expense	9,886	163	10	-	-	10,059
Refunds	36,204	8	-	-	-	36,212
<b>Total Deductions</b>	<b>1,142,188</b>	<b>19,299</b>	<b>6,272</b>	<b>761</b>	<b>298</b>	<b>1,168,818</b>
<b>Change in Net Assets Held in Trust for Employees' Pension Benefits</b>	<b>(846,573)</b>	<b>(20,184)</b>	<b>(8,415)</b>	<b>(27)</b>	<b>(14)</b>	<b>(875,213)</b>
<b>Fund Balance - Reserved for Employees' Benefits July 1</b>	<b>23,217,168</b>	<b>310,490</b>	<b>96,613</b>	<b>318</b>	<b>1,845</b>	<b>23,626,434</b>
<b>Fund Balance - Reserved for Employees' Benefits June 30</b>	<b>\$ 22,370,595</b>	<b>\$ 290,306</b>	<b>\$ 88,198</b>	<b>\$ 291</b>	<b>\$ 1,831</b>	<b>\$ 22,751,221</b>



## COMBINING FINANCIAL STATEMENTS

### **Private Purpose Trust Funds**

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

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

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

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

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

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

**STATE of IOWA**

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

June 30, 2008  
(Expressed in Thousands)

	<b>IOWA EDUCATIONAL SAVINGS PLAN TRUST</b>	<b>VETERANS AFFAIRS</b>	<b>HEALTH ORGANIZATION INSOLVENCY FUND</b>	<b>WAGNER AWARD FUND</b>	<b>BRILLE &amp; SIGHT SAVING SCHOOL</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Cash	\$ 1,865	\$ 408	\$ 230	\$ 13	\$ 38	\$ 2,554
Investments	2,076,124	-	-	-	-	2,076,124
Accounts Receivable (Net)	-	2	-	-	-	2
Capital Assets (Net)	-	13	-	-	-	13
Prepaid Expense	7	6	-	-	-	13
Inventory	-	12	-	-	-	12
<b>Total Assets</b>	<u>2,077,996</u>	<u>441</u>	<u>230</u>	<u>13</u>	<u>38</u>	<u>2,078,718</u>
<b>LIABILITIES</b>						
Accounts Payable & Accruals	217	15	-	-	-	232
<b>Total Liabilities</b>	<u>217</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232</u>
<b>NET ASSETS</b>						
Held in Trust for Individuals, Organizations and Other Governments	<u>\$ 2,077,779</u>	<u>\$ 426</u>	<u>\$ 230</u>	<u>\$ 13</u>	<u>\$ 38</u>	<u>\$ 2,078,486</u>

**STATE OF IOWA**

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

For the Year Ended June 30, 2008  
(Expressed in Thousands)

	<b>IOWA EDUCATIONAL SAVINGS PLAN TRUST</b>	<b>VETERANS AFFAIRS</b>	<b>HEALTH ORGANIZATION INSOLVENCY FUND</b>	<b>WAGNER AWARD FUND</b>	<b>BRILLE &amp; SIGHT SAVING SCHOOL</b>	<b>TOTAL</b>
<b>ADDITIONS:</b>						
Contributions:						
Participant Contributions	\$ 344,294	\$ 93	\$ -	\$ -	\$ -	\$ 344,387
Gifts, Bequests, & Endowments	-	165	-	-	-	165
Total Contributions	<u>344,294</u>	<u>258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,552</u>
Investment Income:						
Net Increase (Decrease) in Fair Value of Investments	(173,366)	11	-	-	-	(173,355)
Interest	76	-	-	-	-	76
Total Investment Income (Loss)	<u>(173,290)</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(173,279)</u>
Total Additions	<u>171,004</u>	<u>269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,273</u>
<b>DEDUCTIONS:</b>						
Distributions to Participants	95,039	-	-	-	-	95,039
Other	471	349	-	-	5	825
Total Deductions	<u>95,510</u>	<u>349</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>95,864</u>
<b>Change in Net Assets Held in Trust for Individuals, Organizations and Other Governments</b>	75,494	(80)	-	-	(5)	75,409
<b>Net Assets - July 1</b>	<u>2,002,285</u>	<u>506</u>	<u>230</u>	<u>13</u>	<u>43</u>	<u>2,003,077</u>
<b>Net Assets - June 30</b>	<u><b>\$ 2,077,779</b></u>	<u><b>\$ 426</b></u>	<u><b>\$ 230</b></u>	<u><b>\$ 13</b></u>	<u><b>\$ 38</b></u>	<u><b>\$ 2,078,486</b></u>



# COMBINING FINANCIAL STATEMENTS

## **Agency Funds**

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

**Local Sales & Services Tax Fund** is used to account for local option sales taxes collected by retailers and deposited with the State. The taxes are then distributed back to the counties which have jurisdictions imposing local option sales tax.

**Centralized Payroll Trustee Fund** is used to account for accumulation of all voluntary and discretionary payroll deductions from the centralized payroll process.

**Judicial-Clerks of District Court** act as a collecting agency for many fees and taxes that are then distributed to the proper local government or recipient.

**School District Surtax Clearing Fund** collects and distributes surtax to the school districts according to the surtax formula set by the districts.

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

**STATE OF IOWA**

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

June 30, 2008  
(Expressed in Thousands)

	<b>LOCAL SALES &amp; SERVICES TAX FUND</b>	<b>CENTRALIZED PAYROLL TRUSTEE FUND</b>	<b>JUDICIAL - CLERKS OF DISTRICT COURT</b>	<b>SCHOOL DISTRICT SURTAX CLEARING FUND</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Cash	\$ 2,267	\$ 46,139	\$ 21,378	\$ 81,375	\$ 36,007	\$ 187,166
Accounts Receivable (Net)	97,344	1,765	-	5,401	61,518	166,028
<b>Total Assets</b>	<b><u>\$ 99,611</u></b>	<b><u>\$ 47,904</u></b>	<b><u>\$ 21,378</u></b>	<b><u>\$ 86,776</u></b>	<b><u>\$ 97,525</u></b>	<b><u>\$ 353,194</u></b>
<b>LIABILITIES</b>						
Accounts Payable & Accruals	\$ 99,611	\$ 47,904	\$ 21,378	\$ 86,776	\$ 97,525	\$ 353,194
<b>Total Liabilities</b>	<b><u>\$ 99,611</u></b>	<b><u>\$ 47,904</u></b>	<b><u>\$ 21,378</u></b>	<b><u>\$ 86,776</u></b>	<b><u>\$ 97,525</u></b>	<b><u>\$ 353,194</u></b>

**STATE OF IOWA**

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

For the Year Ended June 30, 2008  
(Expressed in Thousands)

	<b>BALANCE JULY 1, 2007</b>	<b>ADDITIONS</b>	<b>DEDUCTIONS</b>	<b>BALANCE JUNE 30, 2008</b>
<b>LOCAL SALES &amp; SERVICES TAX FUND</b>				
<b>ASSETS</b>				
Cash	\$ 10,443	\$ 591,919	\$ 600,095	\$ 2,267
Accounts Receivable	78,048	97,344	78,048	97,344
<b>Total Assets</b>	<u>\$ 88,491</u>	<u>\$ 689,263</u>	<u>\$ 678,143</u>	<u>\$ 99,611</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 88,491	\$ 689,263	\$ 678,143	\$ 99,611
<b>Total Liabilities</b>	<u>\$ 88,491</u>	<u>\$ 689,263</u>	<u>\$ 678,143</u>	<u>\$ 99,611</u>
<b>CENTRALIZED PAYROLL TRUSTEE FUND</b>				
<b>ASSETS</b>				
Cash	\$ 7,706	\$ 800,729	\$ 762,296	\$ 46,139
Accounts Receivable	36,499	1,765	36,499	1,765
<b>Total Assets</b>	<u>\$ 44,205</u>	<u>\$ 802,494</u>	<u>\$ 798,795</u>	<u>\$ 47,904</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 44,205	\$ 802,494	\$ 798,795	\$ 47,904
<b>Total Liabilities</b>	<u>\$ 44,205</u>	<u>\$ 802,494</u>	<u>\$ 798,795</u>	<u>\$ 47,904</u>
<b>JUDICIAL-CLERKS OF DISTRICT COURT</b>				
<b>ASSETS</b>				
Cash	\$ 19,895	\$ 287,397	\$ 285,914	\$ 21,378
<b>Total Assets</b>	<u>\$ 19,895</u>	<u>\$ 287,397</u>	<u>\$ 285,914</u>	<u>\$ 21,378</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 19,895	\$ 287,397	\$ 285,914	\$ 21,378
<b>Total Liabilities</b>	<u>\$ 19,895</u>	<u>\$ 287,397</u>	<u>\$ 285,914</u>	<u>\$ 21,378</u>
<b>SCHOOL DISTRICT SURTAX CLEARING</b>				
<b>ASSETS</b>				
Cash	\$ 73,206	\$ 91,901	\$ 83,732	\$ 81,375
Accounts Receivable	5,573	5,401	5,573	5,401
<b>Total Assets</b>	<u>\$ 78,779</u>	<u>\$ 97,302</u>	<u>\$ 89,305</u>	<u>\$ 86,776</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 78,779	\$ 97,302	\$ 89,305	\$ 86,776
<b>Total Liabilities</b>	<u>\$ 78,779</u>	<u>\$ 97,302</u>	<u>\$ 89,305</u>	<u>\$ 86,776</u>
<b>OTHER AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash	\$ 31,307	\$ 1,237,402	\$ 1,232,702	\$ 36,007
Accounts Receivable	54,349	61,518	54,349	61,518
<b>Total Assets</b>	<u>\$ 85,656</u>	<u>\$ 1,298,920</u>	<u>\$ 1,287,051</u>	<u>\$ 97,525</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 85,656	\$ 1,298,920	\$ 1,287,051	\$ 97,525
<b>Total Liabilities</b>	<u>\$ 85,656</u>	<u>\$ 1,298,920</u>	<u>\$ 1,287,051</u>	<u>\$ 97,525</u>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash	\$ 142,557	\$ 3,009,348	\$ 2,964,739	\$ 187,166
Accounts Receivable	174,469	166,028	174,469	166,028
<b>Total Assets</b>	<u>\$ 317,026</u>	<u>\$ 3,175,376</u>	<u>\$ 3,139,208</u>	<u>\$ 353,194</u>
<b>LIABILITIES</b>				
Accounts Payable & Accruals	\$ 317,026	\$ 3,175,376	\$ 3,139,208	\$ 353,194
<b>Total Liabilities</b>	<u>\$ 317,026</u>	<u>\$ 3,175,376</u>	<u>\$ 3,139,208</u>	<u>\$ 353,194</u>



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



**STATE OF IOWA**

**STATISTICAL SECTION  
TABLE OF CONTENTS**

This part of the State of Iowa's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State's overall financial health.

	<u><b>Schedule</b></u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	<b>1 - 4</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the State's most significant revenue source, individual income tax.	<b>5 - 7</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	<b>8 - 9</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	<b>10-11</b>
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs. A schedule of current expenditures is also included.	<b>12-15</b>

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The State of Iowa implemented GASB Statement 34 in 2002; schedules presenting government-wide information included information beginning that year.

# STATE OF IOWA

## Schedule 1

### Net Assets by Component

For the Last Seven Fiscal Years  
(Accrual Basis of Accounting Expressed In Thousands)

	Fiscal Year						
	2002	2003*	2004	2005	2006	2007	2008
<b>Governmental activities</b>							
Invested in capital assets, net of related debt	\$ 5,127,823	\$ 5,370,928	\$ 5,465,035	\$ 5,681,408	\$ 5,878,568	\$ 6,071,498	\$ 6,203,738
Restricted	1,255,497	1,373,913	1,382,417	1,209,109	1,190,851	954,614	1,096,738
Unrestricted	532,098	(257,172)	(52,741)	133,884	282,317	612,506	490,372
Total governmental activities net assets	<u>\$ 6,915,418</u>	<u>\$ 6,487,669</u>	<u>\$ 6,794,711</u>	<u>\$ 7,024,401</u>	<u>\$ 7,351,736</u>	<u>\$ 7,638,618</u>	<u>\$ 7,790,848</u>
<b>Business-type activities</b>							
Invested in capital assets, net of related debt	\$ 1,324,407	\$ 1,528,930	\$ 1,621,420	\$ 1,783,485	\$ 1,874,011	\$ 1,962,371	\$ 1,997,070
Restricted	1,212,368	1,123,665	1,181,164	1,221,333	1,353,063	1,377,602	1,490,766
Unrestricted	199,143	804,879	748,682	761,180	785,313	965,010	1,073,688
Total business-type activities net assets	<u>\$ 2,735,918</u>	<u>\$ 3,457,474</u>	<u>\$ 3,551,266</u>	<u>\$ 3,765,998</u>	<u>\$ 4,012,387</u>	<u>\$ 4,304,983</u>	<u>\$ 4,561,524</u>
<b>Primary government</b>							
Invested in capital assets, net of related debt	\$ 6,452,230	\$ 6,899,858	\$ 7,086,455	\$ 7,464,893	\$ 7,752,579	\$ 8,033,869	\$ 8,200,808
Restricted	2,467,865	2,497,578	2,563,581	2,430,442	2,543,914	2,332,216	2,587,504
Unrestricted	731,241	547,707	695,941	895,064	1,067,630	1,577,516	1,564,060
Total primary government net assets	<u>\$ 9,651,336</u>	<u>\$ 9,945,143</u>	<u>\$ 10,345,977</u>	<u>\$ 10,790,399</u>	<u>\$ 11,364,123</u>	<u>\$ 11,943,601</u>	<u>\$ 12,352,372</u>

\* Fiscal Year 2003 amounts reported include prior period adjustments made in 2004 for the reclassification of the Tobacco Settlement Authority from a business-type activity to a governmental activity of \$560,865 and implementation of GASB Technical bulletin 2004-1, Tobacco Settlement Recognition and Financial Reporting Entity Issues of \$21,084.

**STATE OF IOWA**

**Schedule 2**

**Changes in Net Assets**

For the Last Seven Fiscal Years  
(Accrual Basis of Accounting Expressed In Thousands)

	Fiscal Year						
	2002	2003*	2004	2005**	2006	2007	2008
<b>Expenses</b>							
<b>Governmental activities:</b>							
Administration & Regulation	\$ 1,191,738	\$ 1,180,426	\$ 972,615	\$ 903,378	\$ 924,171	\$ 881,865	\$ 900,181
Education	2,594,324	2,628,698	2,650,631	2,796,158	2,948,579	3,071,601	3,352,331
State Aid to Universities	675,077	681,288	635,488	-	-	-	-
Health & Human Rights	283,079	306,181	317,842	337,542	367,579	368,342	405,459
Human Services	3,449,997	3,396,213	3,429,548	3,633,297	3,927,888	3,882,041	4,283,160
Justice & Public Defense	623,406	631,182	663,134	693,606	756,968	822,676	945,438
Economic Development	180,950	184,647	202,133	208,720	223,153	227,266	234,579
Transportation	758,876	819,532	906,054	918,557	930,333	954,278	959,598
Agriculture & Natural Resources	170,388	147,874	155,220	167,101	180,539	193,327	211,053
Interest Expense	19,411	20,232	19,123	52,241	77,392	74,053	73,065
<b>Total Governmental Activities</b>	<b>9,947,246</b>	<b>9,996,273</b>	<b>9,951,788</b>	<b>9,710,600</b>	<b>10,336,602</b>	<b>10,475,449</b>	<b>\$ 11,364,864</b>
<b>Business-type Activities:</b>							
Universities	2,459,133	2,424,292	2,643,969	2,656,318	2,850,291	2,942,220	3,155,027
Unemployment Insurance	392,432	445,045	389,858	299,086	304,143	342,499	356,261
Tobacco Settlement Authority	25,044	-	-	-	-	-	-
Other	286,046	291,407	310,538	326,060	432,037	363,508	391,077
<b>Total Business-type Activities</b>	<b>3,162,655</b>	<b>3,160,744</b>	<b>3,344,365</b>	<b>3,281,464</b>	<b>3,586,471</b>	<b>3,648,227</b>	<b>3,902,365</b>
<b>Total primary government expenses</b>	<b>\$ 13,109,901</b>	<b>\$ 13,157,017</b>	<b>\$ 13,296,153</b>	<b>\$ 12,992,064</b>	<b>\$ 13,923,073</b>	<b>\$ 14,123,676</b>	<b>\$ 15,267,229</b>
<b>Program Revenues</b>							
<b>Governmental activities:</b>							
<b>Charges for Services:</b>							
Administration & Regulation	\$ 712,136	\$ 772,439	\$ 749,752	\$ 698,923	\$ 804,217	\$ 765,932	\$ 808,206
Education	22,499	35,511	26,038	26,118	23,117	39,402	47,201
Health & Human Rights	27,178	40,081	32,242	38,885	45,324	55,086	83,700
Human Services	795,466	558,878	410,310	387,762	418,391	448,255	417,733
Justice & Public Defense	147,153	166,452	23,811	72,045	83,256	60,529	177,293
Economic Development	4,462	3,153	1,121	3	2,715	2,519	7,125
Transportation	2,124	382	19,279	19,833	13,922	30,106	17,695
Agriculture & Natural Resources	57,002	68,464	60,744	65,227	60,128	78,306	72,564
Operating Grants & Contributions	3,046,000	3,195,989	3,314,471	3,391,654	3,699,313	3,247,773	3,471,494
Capital Grants & Contributions	8,908	6,463	4,287	5,316	4,245	283,759	230,585
<b>Total Governmental Activities</b>	<b>4,822,928</b>	<b>4,847,812</b>	<b>4,642,055</b>	<b>4,705,766</b>	<b>5,154,628</b>	<b>5,011,667</b>	<b>5,333,596</b>
<b>Business-type Activities:</b>							
<b>Charges for Services:</b>							
Universities	1,335,483	1,449,643	1,583,183	1,642,343	1,786,355	1,690,465	1,800,897
Unemployment Insurance	254,896	337,634	304,396	318,607	348,246	352,067	368,202
Tobacco Settlement Authority	49,633	-	-	-	-	-	-
Other	352,526	359,935	404,595	425,261	567,966	478,850	506,995
Operating Grants & Contributions	472,011	349,072	427,616	448,517	458,271	633,957	670,859
Capital Grants & Contributions	30,737	57,801	58,026	28,912	18,039	30,943	35,225
<b>Total Business-type Activities</b>	<b>2,495,286</b>	<b>2,554,085</b>	<b>2,777,816</b>	<b>2,863,640</b>	<b>3,178,877</b>	<b>3,186,282</b>	<b>3,382,178</b>
<b>Total primary government program revenues</b>	<b>\$ 7,318,214</b>	<b>\$ 7,401,897</b>	<b>\$ 7,419,871</b>	<b>\$ 7,569,406</b>	<b>\$ 8,333,505</b>	<b>\$ 8,197,949</b>	<b>\$ 8,715,774</b>
<b>Net (Expense)/Revenue</b>							
Governmental activities	\$ (5,124,318)	\$ (5,148,461)	\$ (5,309,733)	\$ (5,004,834)	\$ (5,181,974)	\$ (5,463,782)	\$ (6,031,268)
Business-type Activities	(667,369)	(606,659)	(566,549)	(417,824)	(407,594)	(461,945)	(520,187)
<b>Total primary government net expense</b>	<b>\$ (5,791,687)</b>	<b>\$ (5,755,120)</b>	<b>\$ (5,876,282)</b>	<b>\$ (5,422,658)</b>	<b>\$ (5,589,568)</b>	<b>\$ (5,925,727)</b>	<b>\$ (6,551,455)</b>

(continued on next page)

**STATE OF IOWA**

**Schedule 2**

**Changes in Net Assets**

For the Last Seven Fiscal Years  
(Accrual Basis of Accounting Expressed In Thousands)

(continued)

	Fiscal Year						
	2002	2003*	2004	2005**	2006	2007	2008
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental activities:							
Taxes:							
Personal Income	\$ 1,889,922	\$ 1,922,316	\$ 2,090,712	\$ 2,263,561	\$ 2,430,981	\$ 2,673,861	\$ 2,866,774
Corporate Income	111,724	148,214	97,769	176,997	283,112	322,315	347,833
Sales & Use	1,686,384	1,635,551	1,688,943	1,761,195	1,866,864	1,878,500	1,966,871
Other	598,222	563,751	598,165	596,707	592,888	641,206	783,814
Restricted for Transportation Purposes:							
Motor Fuel	457,989	464,069	435,358	482,194	440,652	446,607	443,997
Road Use	255,749	246,238	252,269	252,599	247,125	248,959	257,523
Unrestricted Investment Earnings	97,704	65,852	62,086	72,166	98,269	146,669	114,987
Other	73,539	140,672	166,328	129,486	29,810	25,807	32,492
Gain/(Loss) on Sale of Assets	856	(1,685)	671	972	-	-	571
Contribution to Permanent Fund Principal	1,450	27	12	62	262	55	4,031
Transfers	666,765	112,474	122,096	(501,415)	(480,654)	(549,206)	(598,789)
Special Item - Gambling Tax liability Settlement	-	-	102,366	-	-	-	-
<b>Total Governmental Activities</b>	<b>\$ 5,840,304</b>	<b>\$ 5,297,479</b>	<b>\$ 5,616,775</b>	<b>\$ 5,234,524</b>	<b>\$ 5,509,309</b>	<b>\$ 5,834,773</b>	<b>\$ 6,220,104</b>
Business-type Activities:							
Other Taxes	\$ 8,757	\$ 10,258	\$ -	\$ -	\$ 7,300	\$ 5,909	\$ 6,551
Unrestricted Investment Earnings	66,294	95,215	88,881	88,036	93,651	159,246	69,378
Other	195,627	78,133	58,061	43,102	68,209	40,162	46,919
Gain/(Loss) on Sale of Assets	(7,491)	(11,264)	7	3	4,169	18	7
State Aid to Universities	675,077	681,288	635,488	-	-	-	-
Extraordinary Items - Gain on Impairment of Assets and Other	-	-	-	-	-	-	55,084
Transfers	(666,765)	(112,474)	(122,096)	501,415	480,654	549,206	598,789
<b>Total Business-type Activities</b>	<b>\$ 271,499</b>	<b>\$ 741,156</b>	<b>\$ 660,341</b>	<b>\$ 632,556</b>	<b>\$ 653,983</b>	<b>\$ 754,541</b>	<b>\$ 776,728</b>
<b>Changes in Net Assets</b>							
Governmental activities	\$ 715,986	\$ 149,018	\$ 307,042	\$ 229,690	\$ 327,335	\$ 370,991	\$ 188,836
Business-type Activities	(395,870)	134,497	93,792	214,732	246,389	292,596	256,541
<b>Total primary government</b>	<b>\$ 320,116</b>	<b>\$ 283,515</b>	<b>\$ 400,834</b>	<b>\$ 444,422</b>	<b>\$ 573,724</b>	<b>\$ 663,587</b>	<b>\$ 445,377</b>

\* Fiscal Year 2003 amounts reported include prior period adjustments made in 2004 for the reclassification of the Tobacco Settlement Authority from a business-type activity to a governmental activity and implementation of GASB Technical Bulletin 2004-1, Tobacco Settlement Recognition and Financial Reporting Entity Issues.

\*\* State aid to Universities is classified as transfers.

**STATE OF IOWA**

**Schedule 3**

**Fund Balances of Governmental Funds**

For the Last Seven Fiscal Years  
(Modified Accrual Basis of Accounting Expressed In Thousands)

	Fiscal Year						
	2002	2003*	2004	2005	2006	2007	2008
<b>General Fund</b>							
Reserved	\$ 1,409,695	\$ 1,478,105	\$ 1,431,087	\$ 1,364,588	\$ 1,202,023	\$ 1,000,811	\$ 1,178,178
Unreserved	316,767	180,780	445,627	559,864	897,708	1,052,537	1,118,497
Total general fund	<u>\$ 1,726,462</u>	<u>\$ 1,658,885</u>	<u>\$ 1,876,714</u>	<u>\$ 1,924,452</u>	<u>\$ 2,099,731</u>	<u>\$ 2,053,348</u>	<u>\$ 2,296,675</u>
<b>All Other Governmental Funds</b>							
Reserved	\$ 533,606	\$ 474,011	\$ 377,317	\$ 305,386	\$ 419,404	\$ 305,336	\$ 927,732 **
Unreserved, reported in:							
Special revenue funds	31,584	74,762	97,916	83,978	62,224	48,907	(633,676) **
Capital projects funds	3,101	1,163	2,890	4,010	2,056	98,015	82,668
Total all other governmental funds	<u>\$ 568,291</u>	<u>\$ 549,936</u>	<u>\$ 478,123</u>	<u>\$ 393,374</u>	<u>\$ 483,684</u>	<u>\$ 452,258</u>	<u>\$ 376,724</u>

\* Fiscal Year 2003 amounts reported include prior period adjustments made in 2004 for the reclassification of the Tobacco Settlement Authority from a business-type activity to a governmental fund type of \$69,442.

\*\* Due to the implementation of GASB No. 48, interfund advances were recorded in the Tobacco Settlement Authority and Tobacco Collections funds. (See NOTE 22 – BEGINNING BALANCE ADJUSTMENTS for more information.)

# STATE OF IOWA

## Changes in Fund Balances of Governmental Funds

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

	1999	2000	2001	2002	Fiscal 2003
<b>Revenues</b>					
Taxes	\$ 5,394,206	\$ 5,725,416	\$ 5,679,340	\$ 5,646,505	\$ 5,624,307
Receipts from Other Entities	2,304,812	2,638,996	2,774,345	3,257,685	3,461,978
Investment Income	89,797	84,798	118,650	97,054	63,133
Fees, Licenses and Permits	504,882	527,687	530,202	554,847	575,901
Refunds and Reimbursement	176,285	259,611	242,693	949,930	778,389
Sales, Rents and Services	15,924	17,764	17,845	27,383	26,093
Miscellaneous	78,233	104,369	104,559	141,491	158,192
Contributions	-	-	-	1,450	26
<b>Gross Revenues</b>	<b>8,564,139</b>	<b>9,358,641</b>	<b>9,467,634</b>	<b>10,676,345</b>	<b>10,688,019</b>
Less Revenue Refunds	568,831	585,580	619,317	743,777	726,338
<b>Total Revenues</b>	<b>7,995,308</b>	<b>8,773,061</b>	<b>8,848,317</b>	<b>9,932,568</b>	<b>9,961,681</b>
<b>Expenditures</b>					
Administration & Regulation	-	-	-	1,136,471	1,225,770
General Government & Regulation	889,787	943,355	958,734	-	-
Education	2,320,096	2,476,234	2,572,970	2,610,508	2,630,481
State aid to Universities*	-	-	-	-	-
Health & Human Rights	-	-	-	282,234	300,504
Human Services	-	-	-	3,439,265	3,383,339
Health & Human Services	2,487,124	2,658,728	2,920,150	-	-
Justice & Public Defense	-	-	-	636,188	639,298
Law, Justice & Public Safety	559,546	604,067	633,205	-	-
Economic Development	172,962	183,675	188,226	177,567	184,017
Transportation	857,384	1,071,919	988,743	1,012,886	1,022,586
Agriculture & Natural Resources	129,541	144,150	156,111	170,606	149,625
Capital Outlay	31,082	34,499	28,827	26,891	14,663
Debt Service:					
Bond Principal Retirement	-	-	-	-	-
Bond Interest & Fiscal Charges	-	-	-	-	-
<b>Total Expenditures</b>	<b>7,447,522</b>	<b>8,116,627</b>	<b>8,446,966</b>	<b>9,492,616</b>	<b>9,550,283</b>
Excess of Revenues Over (Under) Expenditures	547,786	656,434	401,351	439,952	411,398
<b>Other Financing Sources (Uses)</b>					
Transfers In	140,148	157,772	149,420	1,412,381	272,192
Transfers Out	(756,028)	(777,439)	(805,616)	(1,423,853)	(840,144)
Leases, Installment Purchases & Other	2,099	1,124	6,827	1,555	1,180
Debt Issued	-	-	-	245,500	-
Premium (Discount) on Bonds	-	-	-	17,510	-
Refunding Debt Issued	-	-	-	55,130	-
Proceeds From refunding bonds	-	-	-	-	-
Proceeds From refunding COPS	820	-	-	-	-
Payments to Refund Debt	-	-	-	-	-
Payment to Refunding Escrow Agent	-	-	-	(57,969)	-
Payments to Refund COPS	(820)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(613,781)</b>	<b>(618,543)</b>	<b>(649,369)</b>	<b>250,254</b>	<b>(566,772)</b>
<b>Net change in fund balances</b>	<b>\$ (65,995)</b>	<b>\$ 37,891</b>	<b>\$ (248,018)</b>	<b>\$ 690,206</b>	<b>\$ (155,374)</b>
Debt Service as a percentage of non capital expenditures	N/A	N/A	N/A	N/A	N/A

**FY 1999-2001**

Transfers to Universities are reclassified as transfers out.  
Transfers in includes transfers from component units.

**FY 2002-2004**

\* State aid to Universities are reclassified as transfers out.

**FY 1999- 2004**

Capital outlays were presented by function.  
Expenditures by function included debt service payments.

**STATE OF IOWA**

**Schedule 4**

<b>Year</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
\$	5,939,586	\$ 6,285,430	\$ 6,491,259	\$ 6,867,216	\$ 7,386,422
	3,591,798	3,585,177	3,973,158	3,522,809	4,193,259
	62,235	71,879	97,418	145,561	118,360
	615,684	639,681	651,726	680,615	690,211
	435,380	349,684	466,900	411,734	431,503
	30,954	28,735	27,714	28,589	29,143
	193,171	206,371	119,906	120,677	117,568
	12	62	265	156	48
	10,868,820	11,167,019	11,828,346	11,777,357	12,966,514
	793,070	776,354	675,709	686,423	762,926
	10,075,750	10,390,665	11,152,637	11,090,934	12,203,588
	974,624	875,086	909,321	863,429	889,445
	-	-	-	-	-
	2,650,005	2,790,597	2,940,726	3,068,629	3,341,479
	-	-	-	-	-
	311,742	332,790	360,180	357,830	389,209
	3,417,491	3,622,977	3,919,831	3,864,673	4,240,263
	-	-	-	-	-
	629,246	653,683	700,362	771,562	870,244
	-	-	-	-	-
	196,917	204,048	217,701	221,567	220,313
	348,494	381,706	382,576	458,950	416,388
	140,581	150,108	161,172	172,948	181,518
	749,346	828,998	878,185	800,188	769,202
	-	25,181	23,435	28,025	69,575
	-	52,899	54,867	53,194	58,621
	9,418,446	9,918,073	10,548,356	10,660,995	11,446,257
	657,304	472,592	604,281	429,939	757,331
	289,009	264,968	453,815	323,251	533,885
	(801,306)	(768,683)	(936,073)	(869,369)	(1,124,271)
	1,009	1,115	530	4,730	848
	-	-	-	33,370	-
	-	-	(555,554)	270	-
	-	20,799	1,365,435	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	(20,550)	-	-	-
	-	-	(666,845)	-	-
	-	-	-	-	-
	(511,288)	(502,351)	(338,692)	(507,748)	(589,538)
\$	146,016	\$ (29,759)	\$ 265,589	\$ (77,809)	\$ 167,793
	N/A	<1%	<1%	<1%	1.2%

**STATE OF IOWA**

**Tax Revenue By Source - Governmental Funds**

For the Last Ten Fiscal Years

(Modified Accrual Basis of Accounting Expressed In Thousands)

	<b>Fiscal</b>				
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Individual	\$ 2,230,147	\$ 2,412,936	\$ 2,549,297	\$ 2,381,482	\$ 2,424,011
Sales	1,380,101	1,427,683	1,319,878	1,460,404	1,434,033
Use Tax	492,380	518,055	502,803	514,242	516,400
Fuel Tax	449,619	462,290	449,032	457,489	463,703
Corporate Tax	322,469	331,463	276,947	234,354	221,367
Inheritance Tax	88,121	116,394	108,515	94,746	85,124
Insurance Premium Tax	114,345	120,212	126,402	135,582	140,939
Cigarette & Tobacco Tax	99,012	97,510	96,295	95,089	95,758
Wagering Tax	161,567	182,364	190,397	209,319	182,201
Franchise Tax	33,220	31,921	31,842	31,379	35,253
Beer Tax	13,249	13,637	13,478	13,774	13,961
Other	9,976	10,951	14,454	18,645	11,557
<b>Gross Taxes</b>	<b>5,394,206</b>	<b>5,725,416</b>	<b>5,679,340</b>	<b>5,646,505</b>	<b>5,624,307</b>
<b>Less Refunds</b>	<b>510,797</b>	<b>521,802</b>	<b>552,093</b>	<b>662,872</b>	<b>647,825</b>
<b>Net Taxes</b>	<b>\$ 4,883,409</b>	<b>\$ 5,203,614</b>	<b>\$ 5,127,247</b>	<b>\$ 4,983,633</b>	<b>\$ 4,976,482</b>

Source: State Accounting System.

**STATE OF IOWA****Schedule 5**

<b>Year</b>				
<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
\$2,609,843	\$2,799,745	\$2,876,413	\$3,109,609	\$3,366,344
1,475,261	1,498,893	1,600,799	1,590,238	1,639,885
539,071	578,255	557,841	587,009	630,184
476,985	528,208	490,470	500,531	497,613
239,569	281,101	370,333	436,060	464,907
82,431	77,003	71,640	77,750	79,783
139,275	131,183	121,428	105,223	111,647
95,085	96,077	98,936	135,207	251,584
219,461	238,065	249,183	272,210	287,247
36,292	36,593	35,007	33,601	36,813
14,104	14,070	14,277	14,264	14,454
12,209	6,237	4,932	5,514	5,961
5,939,586	6,285,430	6,491,259	6,867,216	7,386,422
712,737	689,874	576,733	588,552	759,015
<u>\$5,226,849</u>	<u>\$5,595,556</u>	<u>\$5,914,526</u>	<u>\$6,278,664</u>	<u>\$6,627,407</u>

# STATE OF IOWA

## Individual Income Tax Returns Filed and Tax Rates

For the Last Ten Years

Tax Year 1998		Tax Year 1999		Tax Year 2000	
Net Taxable Income	Number of Returns	Net Taxable Income	Number of Returns	Net Taxable Income	Number of Returns
No AGI	24,651	No AGI	23,768	No AGI	23,269
\$1 - 9,999	434,461	\$1 - 9,999	421,622	\$1 - 9,999	402,339
\$10,000 - 19,999	423,233	\$10,000 - 19,999	412,882	\$10,000 - 19,999	403,108
\$20,000 - 29,999	357,716	\$20,000 - 29,999	365,858	\$20,000 - 29,999	370,609
\$30,000 - 39,999	231,488	\$30,000 - 39,999	244,998	\$30,000 - 39,999	253,816
\$40,000 - 49,999	127,972	\$40,000 - 49,999	135,770	\$40,000 - 49,999	143,177
\$50,000 - 74,999	119,500	\$50,000 - 74,999	126,665	\$50,000 - 74,999	137,097
\$75,000 - 99,999	35,770	\$75,000 - 99,999	38,480	\$75,000 - 99,999	41,763
\$100,000 & above	51,916	\$100,000 & above	57,388	\$100,000 & above	60,318
	1,806,707		1,827,431		1,835,496

Net Taxable Income	Tax Rate*	Net Taxable Income	Tax Rate*	Net Taxable Income	Tax Rate*
\$0 - 1,136	0.36%	\$0 - 1,148	0.36%	\$0 - 1,162	0.36%
\$1,136 - 2,272	0.72%	\$1,148 - 2,296	0.72%	\$1,162 - 2,324	0.72%
\$2,272 - 4,544	2.43%	\$2,296 - 4,592	2.43%	\$2,324 - 4,648	2.43%
\$4,544 - 10,224	4.50%	\$4,592 - 10,332	4.50%	\$4,648 - 10,458	4.50%
\$10,224 - 17,040	6.12%	\$10,332 - 17,220	6.12%	\$10,458 - 17,430	6.12%
\$17,040 - 22,720	6.48%	\$17,220 - 22,960	6.48%	\$17,430 - 23,240	6.48%
\$22,720 - 34,080	6.80%	\$22,960 - 34,440	6.80%	\$23,240 - 34,860	6.80%
\$34,080 - 51,120	7.92%	\$34,440 - 51,660	7.92%	\$34,860 - 52,290	7.92%
\$51,120 & above	8.98%	\$51,660 & above	8.98%	\$52,290 & above	8.98%

Tax Year 2003		Tax Year 2004		Tax Year 2005	
Net Taxable Income	Number of Returns	Net Taxable Income	Number of Returns	Net Taxable Income	Number of Returns
No AGI	38,805	No AGI	40,314	No AGI	39,556
\$1 - 9,999	385,654	\$1 - 9,999	381,662	\$1 - 9,999	372,761
\$10,000 - 19,999	364,171	\$10,000 - 19,999	354,752	\$10,000 - 19,999	350,536
\$20,000 - 29,999	347,099	\$20,000 - 29,999	340,049	\$20,000 - 29,999	338,342
\$30,000 - 39,999	259,677	\$30,000 - 39,999	265,364	\$30,000 - 39,999	270,292
\$40,000 - 49,999	155,553	\$40,000 - 49,999	166,811	\$40,000 - 49,999	176,395
\$50,000 - 74,999	149,518	\$50,000 - 74,999	166,307	\$50,000 - 74,999	179,890
\$75,000 - 99,999	45,499	\$75,000 - 99,999	51,862	\$75,000 - 99,999	57,841
\$100,000 & above	60,932	\$100,000 & above	68,620	\$100,000 & above	79,060
	1,806,908		1,835,741		1,864,673

Net Taxable Income	Tax Rate*	Net Taxable Income	Tax Rate*	Net Taxable Income	Tax Rate*
\$0 - 1,224	0.36%	\$0 - 1,242	0.36%	\$0 - 1,269	0.36%
\$1,224 - 2,448	0.72%	\$1,242 - 2,484	0.72%	\$1,269 - 2,538	0.72%
\$2,448 - 4,896	2.43%	\$2,484 - 4,968	2.43%	\$2,538 - 5,076	2.43%
\$4,896 - 11,016	4.50%	\$4,968 - 11,178	4.50%	\$5,076 - 11,421	4.50%
\$11,016 - 18,360	6.12%	\$11,178 - 18,630	6.12%	\$11,421 - 19,035	6.12%
\$18,360 - 24,480	6.48%	\$18,630 - 24,840	6.48%	\$19,035 - 25,380	6.48%
\$24,480 - 36,720	6.80%	\$24,840 - 37,260	6.80%	\$25,380 - 38,070	6.80%
\$36,720 - 55,080	7.92%	\$37,260 - 55,890	7.92%	\$38,070 - 57,105	7.92%
\$55,080 & above	8.98%	\$55,890 & above	8.98%	\$57,105 & above	8.98%

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

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

**STATE OF IOWA**

**Schedule 6**

<b>Tax Year 2001</b>	
<b>Net Taxable Income</b>	<b>Number of Returns</b>
No AGI	30,045
\$1 - 9,999	397,180
\$10,000 - 19,999	388,796
\$20,000 - 29,999	366,898
\$30,000 - 39,999	258,425
\$40,000 - 49,999	147,292
\$50,000 - 74,999	138,318
\$75,000 - 99,999	41,307
\$100,000 & above	56,327
	<u>1,824,588</u>

<b>Tax Year 2002</b>	
<b>Net Taxable Income</b>	<b>Number of Returns</b>
No AGI	36,370
\$1 - 9,999	389,157
\$10,000 - 19,999	375,313
\$20,000 - 29,999	355,237
\$30,000 - 39,999	257,473
\$40,000 - 49,999	149,414
\$50,000 - 74,999	140,422
\$75,000 - 99,999	41,334
\$100,000 & above	55,303
	<u>1,800,023</u>

<b>Net Taxable Income</b>	<b>Tax Rate*</b>
\$0 - 1,185	0.36%
\$1,185 - 2,370	0.72%
\$2,370 - 4,740	2.43%
\$4,740 - 10,665	4.50%
\$10,665 - 17,775	6.12%
\$17,775 - 23,700	6.48%
\$23,700 - 35,550	6.80%
\$35,550 - 53,325	7.92%
\$53,325 & above	8.98%

<b>Net Taxable Income</b>	<b>Tax Rate*</b>
\$0 - 1,211	0.36%
\$1,211 - 2,422	0.72%
\$2,422 - 4,844	2.43%
\$4,844 - 10,899	4.50%
\$10,899 - 18,165	6.12%
\$18,165 - 24,220	6.48%
\$24,220 - 36,330	6.80%
\$36,330 - 54,495	7.92%
\$54,495 & above	8.98%

<b>Tax Year 2006</b>	
<b>Net Taxable Income</b>	<b>Number of Returns</b>
No AGI	39,558
\$1 - 9,999	362,337
\$10,000 - 19,999	343,506
\$20,000 - 29,999	337,101
\$30,000 - 39,999	277,113
\$40,000 - 49,999	185,575
\$50,000 - 74,999	199,518
\$75,000 - 99,999	66,119
\$100,000 & above	90,788
	<u>1,901,615</u>

<b>Tax Year 2007</b>	
<b>Net Taxable Income</b>	<b>Number of Returns</b>
Information not available.	

<b>Net Taxable Income</b>	<b>Tax Rate*</b>
\$0 - 1,300	0.36%
\$1,300 - 2,600	0.72%
\$2,600 - 5,200	2.43%
\$5,200 - 11,700	4.50%
\$11,700 - 19,500	6.12%
\$19,500 - 26,000	6.48%
\$26,000 - 39,000	6.80%
\$39,000 - 58,500	7.92%
\$58,500 & above	8.98%

<b>Net Taxable Income</b>	<b>Tax Rate*</b>
\$0 - 1,343	0.36%
\$1,343 - 2,686	0.72%
\$2,686 - 5,372	2.43%
\$5,372 - 12,087	4.50%
\$12,087 - 20,145	6.12%
\$20,145 - 26,860	6.48%
\$26,860 - 40,290	6.80%
\$40,290 - 60,435	7.92%
\$60,435 & above	8.98%

# STATE OF IOWA

## Retail Sales By Business Classification

Sales Tax Annual Period April 1 Through March 31 of the following year 1999 through 2008

Classification	1999		2000		2001		2002	
	Number of Businesses	Taxable Sales <i>(in thousands)</i>						
Utilities & Transportation	12,428	\$ 3,647,728	12,527	\$ 3,747,961	13,059	\$ 4,493,620	13,220	\$ 3,953,930
Building Materials	7,623	1,763,373	7,553	1,957,324	7,622	1,799,213	7,498	1,973,033
General Merchandise	7,963	3,963,220	7,962	4,170,878	8,172	4,408,791	7,889	4,579,962
Food Dealers	6,412	1,287,337	6,405	1,283,001	6,293	1,206,761	6,295	1,250,659
Motor Vehicles	15,604	1,328,972	15,351	1,364,334	15,630	1,439,919	15,277	1,505,792
Apparel	6,792	653,336	5,969	656,066	6,090	706,418	5,894	703,552
Home Furnishings and Appliances	10,116	1,135,572	9,754	1,190,185	9,573	1,200,680	9,058	1,176,072
Eating and Drinking Places	27,424	2,342,818	26,701	2,385,111	26,625	2,404,765	26,503	2,465,627
Specialty Retail Stores	67,808	1,997,560	66,916	2,102,088	67,903	2,145,314	66,258	2,104,698
Services	113,193	3,582,425	111,483	3,640,831	110,965	3,641,760	109,870	3,659,775
Wholesale Goods	27,526	2,549,408	26,232	2,561,135	25,271	2,455,822	23,823	2,363,712
All Other	77,752	2,518,960	80,059	2,527,166	80,924	2,578,661	81,088	2,709,818
<b>Total</b>	<b>380,641</b>	<b>\$ 26,770,709</b>	<b>376,912</b>	<b>\$ 27,586,080</b>	<b>378,127</b>	<b>\$ 28,481,724</b>	<b>372,673</b>	<b>\$ 28,446,630</b>

**Sales tax rate has remained at 5% since 1992**

Source: Iowa Retail Sales and Use Tax Report, Compiled by the Department of Revenue  
Tax Research and Fiscal Analysis Section

# STATE OF IOWA

## Schedule 7

2003		2004		2005		2006		2007		2008	
Number of Businesses	Taxable Sales <i>(in thousands)</i>										
12,738	\$ 4,101,154	13,057	\$ 3,736,575	13,276	\$ 3,472,773	13,608	\$ 3,480,731	14,409	\$ 3,253,006	14,628	\$ 3,385,552
7,137	2,020,801	6,988	2,209,564	6,840	2,382,479	6,744	2,496,945	6,965	2,502,180	6,985	2,470,307
7,412	4,664,047	7,183	4,733,819	6,988	4,887,726	6,645	4,851,712	6,862	5,159,008	6,678	5,218,644
6,229	1,283,585	6,254	1,317,366	6,299	1,358,506	6,325	1,415,821	6,796	1,503,246	6,833	1,564,199
14,662	1,506,153	14,485	1,598,737	14,381	1,611,626	14,251	1,686,072	14,843	1,737,850	14,707	1,827,036
5,671	697,113	5,503	708,476	5,567	742,213	5,786	793,065	6,162	825,421	6,147	841,572
8,397	1,186,576	8,036	1,287,449	7,879	1,382,500	7,509	1,440,372	7,582	1,435,783	7,621	1,469,497
26,349	2,500,868	26,377	2,575,410	26,711	2,710,571	27,439	2,895,134	29,893	3,084,773	30,518	3,274,850
60,449	2,098,701	58,988	2,201,556	58,479	2,233,187	56,820	2,349,683	60,925	2,418,715	60,964	2,456,805
104,259	3,726,722	103,227	3,650,972	104,669	3,775,677	105,712	4,021,968	114,755	4,277,480	116,970	4,476,801
21,781	2,266,911	20,156	2,232,352	19,467	2,357,267	18,759	2,486,270	19,280	2,469,117	18,788	2,499,040
78,186	2,652,267	74,709	2,847,004	75,087	2,890,776	71,340	3,190,615	57,075	2,979,140	59,196	3,604,722
<b>353,270</b>	<b>\$ 28,704,898</b>	<b>344,963</b>	<b>\$ 29,099,280</b>	<b>345,643</b>	<b>\$ 29,805,301</b>	<b>340,938</b>	<b>\$ 31,108,388</b>	<b>345,547</b>	<b>\$ 31,645,719</b>	<b>350,035</b>	<b>\$ 33,089,025</b>

# STATE OF IOWA

## Schedule 8

### Ratios of Outstanding Debt by Type

For the Last Ten Fiscal Years  
(Expressed In Thousands Except Per Capita)

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage	
	Revenue Bond	Capital Leases	Loans & Contracts	Certificates of Participation	Revenue Bond	Capital Leases	Loans & Contracts	Certificates of Participation		of Personal Income	Per Capita
1999	\$ 181,120	4,364	1,545	8,330	532,786	48,810	4,588	83,855	865,398	1.26	302
2000	172,420	4,007	2,094	4,945	573,149	44,523	7,181	75,402	883,721	1.20	308
2001	163,296	8,367	2,133	3,720	569,927	74,024	6,058	66,448	893,973	1.14	306
2002	404,130	6,552	2,717	3,720	1,235,806	70,454	5,043	56,975	1,785,397	2.24	611
2003	1,012,383	5,061	3,422	3,130	640,560	101,424	16,597	46,936	1,829,513	2.20	623
2004	991,156	4,498	3,145	2,495	700,257	108,645	8,664	36,277	1,855,137	2.17	630
2005	965,724	4,390	2,820	2,035	757,800	123,861	4,838	-	1,861,468	2.06	628
2006	1,091,841	3,587	2,569	1,560	837,368	137,169	4,158	-	2,078,252	2.17	701
2007	1,110,582	6,293	2,854	1,020	921,938	157,665	3,431	-	2,203,783	2.22	739
2008	1,049,536	5,403	2,705	580	1,069,239	149,062	2,570	-	2,279,095	2.18	763

\* Fiscal Year 2003 revenue bonds reported reflects prior period adjustment made in 2004 for the reclassification of the Tobacco Settlement Authority from a business-type activity to a governmental fund type of \$629,028.

Personal income and population are based on the calendar year that ends within the fiscal year (see Schedule 10).

**STATE OF IOWA**

**Schedule 9**

**Revenue Bond Coverage**

For the Last Ten Years

**Governmental Activities - Special Revenue Funds**

(Expressed in Thousands)

**Tobacco Settlement Authority**

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service			Coverage
				Principal	Interest	Total	
1999-2001	N/A						
2002	Reported as an Enterprise Fund						
2003	Reported as an Enterprise Fund						
2004	\$ 45,762	\$ 412	\$ 45,350	\$ 1,325	\$ 35,741	\$ 37,066	1.22
2005	46,598	370	46,228	1,490	35,651	37,141	1.24
2006	43,189	2,929	40,260	2,555	38,681	41,236	0.98
2007	45,473	260	45,213	6,755	37,111	43,866	1.03
2008	62,302 *	1,253	61,049	14,700	41,656	56,356	1.08

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

N/A - Not Applicable

**Business Type Activities - University Funds**

**Residence/Dormitory Building Revenue Bonds**

	Gross Revenues	Less: Operating Expenses*	Net Available Revenues	Debt Service*			Coverage
				Principal	Interest	Total	
1999	\$ 83,893,508	\$ 63,290,354	\$ 20,603,154	\$ 4,555,000	\$ 2,178,415	\$ 6,733,415	3.06
2000	91,042,319	65,815,359	25,226,960	5,949,000	3,987,713	9,936,713	2.54
2001	100,830,624	73,424,183	27,406,441	6,336,000	5,511,912	11,847,912	2.31
2002	108,617,489	79,402,358	29,215,131	7,096,000	7,244,820	14,340,820	2.04
2003	113,836,368	82,975,088	30,861,280	9,242,000	7,581,644	16,823,644	1.83
2004	112,394,878	83,882,964	28,511,914	8,982,000	9,094,277	18,076,277	1.58
2005	121,230,692	92,438,679	28,792,013	9,187,000	9,714,234	18,901,234	1.52
2006	127,115,908	93,317,780	33,798,128	9,837,000	8,898,019	18,735,019	1.80
2007	136,767,598	99,553,934	37,213,664	10,557,000	8,699,161	19,256,161	1.93
2008	144,556,384	103,375,105	41,181,279	11,027,000	8,502,601	19,529,601	2.11

**Athletic/Multipurpose/Academic Facilities Revenue Bonds**

	Gross Revenues*	Less: Operating Expenses*	Net Available Revenues	Debt Service*			Coverage
				Principal	Interest	Total	
1999	\$ 128,315,111	\$ 5,421,786	\$ 122,893,325	\$ 8,201,066	\$ 6,234,287	\$ 14,435,353	8.51
2000	134,396,308	5,855,730	128,540,578	8,468,924	6,109,284	14,578,208	8.82
2001	141,551,223	6,799,838	134,751,385	8,723,354	5,885,915	14,609,269	9.22
2002	159,915,402	8,187,961	151,727,441	9,066,560	5,790,003	14,856,563	10.21
2003	188,204,936	8,529,499	179,675,437	9,789,570	5,805,980	15,595,550	11.52
2004	212,906,076	7,632,811	205,273,265	8,231,000	6,368,987	14,599,987	14.06
2005	230,123,925	8,565,778	221,558,147	8,881,284	6,621,553	15,502,837	14.29
2006	242,284,931	9,606,122	232,678,809	7,461,060	7,983,639	15,444,699	15.07
2007	275,740,086	13,620,621	262,119,465	7,866,745	10,269,606	18,136,351	14.45
2008	257,929,215	17,239,350	240,689,865	9,230,704	12,980,293	22,210,997	10.84

(continued on next page)

# STATE OF IOWA

## Schedule 9

### Revenue Bond Coverage

For the Last Ten Years

#### Business Type Activities – University Funds

(continued)

##### *Telecommunications Revenue Bonds*

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service*			Coverage
				Principal	Interest	Total	
1999	\$ 13,913,388	\$ 9,653,081	\$ 4,260,307	\$ 805,000	\$ 720,535	\$ 1,525,535	2.79
2000	14,257,094	9,488,209	4,768,885	835,000	690,303	1,525,303	3.13
2001	18,523,509	11,917,883	6,605,626	875,000	658,095	1,533,095	4.31
2002	17,730,521	13,465,966	4,264,555	1,645,000	1,280,055	2,925,055	1.46
2003	18,616,240	10,897,699	7,718,541	1,715,000	1,287,959	3,002,959	2.57
2004	17,454,242	12,967,506	4,486,736	1,795,000	1,210,320	3,005,320	1.49
2005	17,055,749	11,865,942	5,189,807	2,345,000	1,056,660	3,401,660	1.53
2006	18,124,407	11,808,838	6,315,569	2,430,000	954,733	3,384,733	1.87
2007	19,573,625	13,452,018	6,121,607	2,495,000	880,448	3,375,448	1.81
2008	20,179,937	13,682,608	6,497,329	2,575,000	800,923	3,375,923	1.92

##### *Student Health Facility Revenue Bonds*

	Gross Revenues	Less: Operating Expenses*	Net Available Revenues	Debt Service*			Coverage
				Principal	Interest	Total	
1999	\$ 4,395,583	\$ 3,041,692	\$ 1,353,891	\$ 380,000	\$ 404,175	\$ 784,175	1.73
2000	4,763,942	3,255,673	1,508,269	395,000	388,253	783,253	1.93
2001	4,896,818	3,484,041	1,412,777	415,000	371,193	786,193	1.80
2002	5,204,381	3,729,121	1,475,260	430,000	352,873	782,873	1.88
2003	5,798,079	3,851,479	1,946,600	450,000	329,363	779,363	2.50
2004	6,303,241	4,524,267	1,778,974	470,000	308,951	778,951	2.28
2005	8,874,465	6,503,983	2,370,482	635,000	431,472	1,066,472	2.22
2006	10,057,427	7,550,254	2,507,173	660,000	403,654	1,063,654	2.36
2007	10,684,451	8,188,148	2,496,303	690,000	375,041	1,065,041	2.34
2008	11,373,942	8,683,764	2,690,178	720,000	344,646	1,064,646	2.53

##### *Utility System Revenue Bonds*

	Gross Revenues	Less: Operating Expenses*	Net Available Revenues	Debt Service*			Coverage
				Principal	Interest	Total	
1999	\$ 62,277,738	\$ 46,114,494	\$ 16,163,244	\$ 3,655,000	\$ 4,674,795	\$ 8,329,795	1.94
2000	62,856,646	48,076,574	14,780,072	4,060,000	4,318,616	8,378,616	1.76
2001	70,145,668	51,663,023	18,482,645	3,895,000	3,815,558	7,710,558	2.40
2002	88,433,703	70,946,936	17,486,767	4,240,000	3,304,274	7,544,274	2.32
2003	74,477,952	54,174,778	20,303,174	4,435,000	3,795,713	8,230,713	2.47
2004	77,307,581	54,751,123	22,556,458	5,220,000	3,582,466	8,802,466	2.56
2005	82,346,578	59,635,943	22,710,635	5,385,000	4,631,915	10,016,915	2.27
2006	89,162,472	66,672,647	22,489,825	6,955,000	4,339,061	11,294,061	1.99
2007	96,415,258	67,839,688	28,575,570	7,240,000	5,637,412	12,877,412	2.22
2008	104,480,964	73,462,600	31,018,364	8,610,000	7,387,630	15,997,630	1.94

**STATE OF IOWA**

**Schedule 9**

**Revenue Bond Coverage**

For the Last Ten Years

**Business Type Activities – University Funds**

***Parking System Revenue Bonds***

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service*			Coverage
				Principal	Interest	Total	
1999	\$ 8,387,412	\$ 4,500,990	\$ 3,886,422	\$ 750,000	\$ 277,150	\$ 1,027,150	3.78
2000	9,243,734	4,503,851	4,739,883	835,000	234,000	1,069,000	4.43
2001	10,054,770	5,668,553	4,386,217	1,240,000	505,291	1,745,291	2.51
2002	10,049,839	6,296,083	3,753,756	1,275,000	520,620	1,795,620	2.09
2003	14,105,470	8,355,493	5,749,977	1,525,000	715,992	2,240,992	2.57
2004	14,414,350	9,690,321	4,724,029	620,000	660,964	1,280,964	3.69
2005	15,898,523	8,999,412	6,899,111	640,000	1,124,189	1,764,189	3.91
2006	16,825,506	10,732,447	6,093,059	660,000	1,447,224	2,107,224	2.89
2007	18,048,461	10,759,846	7,288,615	1,330,000	1,413,162	2,743,162	2.66
2008	18,412,101	12,234,090	6,178,011	1,375,000	1,365,988	2,740,988	2.25

***Recreational/Regulated Materials Facility Revenue Bonds***

	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service*			Coverage
				Principal	Interest	Total	
1999	\$ 2,553,732	\$ 91,164	\$ 2,462,568	\$ 830,000	\$ 574,506	\$ 1,404,506	1.75
2000	2,553,134	107,139	2,445,995	845,000	540,517	1,385,517	1.77
2001	2,126,412	157,433	1,968,979	890,000	505,157	1,395,157	1.41
2002	2,265,134	148,239	2,116,895	950,000	470,015	1,420,015	1.49
2003	2,402,496	187,019	2,215,477	990,000	426,098	1,416,098	1.56
2004	3,418,105	151,659	3,266,446	1,045,000	550,568	1,595,568	2.05
2005	3,743,620	155,928	3,587,692	1,395,000	526,944	1,921,944	1.87
2006	3,938,376	154,370	3,784,006	1,460,000	444,998	1,904,998	1.99
2007	4,110,742	74,587	4,036,155	1,520,000	395,866	1,915,866	2.11
2008	5,228,477	2,108,427	3,120,050	1,555,000	344,678	1,899,678	1.64

***Memorial/Maucker Union Revenue Bonds***

	Gross Revenues*	Less: Operating Expenses*	Net Available Revenues	Debt Service*			Coverage
				Principal	Interest	Total	
1999	\$ 22,486,201	\$ 21,104,809	\$ 1,381,392	\$ 350,000	\$ 410,987	\$ 760,987	1.82
2000	23,618,087	22,315,896	1,302,191	375,000	390,400	765,400	1.70
2001	22,370,786	20,948,024	1,422,762	400,000	368,288	768,288	1.85
2002	27,281,164	23,657,013	3,624,151	425,000	483,650	908,650	3.99
2003	30,802,004	26,032,039	4,769,965	900,000	704,088	1,604,088	2.97
2004	30,147,916	28,122,091	2,025,825	1,020,000	672,043	1,692,043	1.20
2005	37,284,842	32,054,721	5,230,121	1,065,000	1,223,435	2,288,435	2.29
2006	38,367,277	30,729,855	7,637,422	1,730,000	1,893,049	3,623,049	2.11
2007	41,138,322	32,164,391	8,973,931	2,095,000	1,982,105	4,077,105	2.20
2008	40,973,448	32,933,033	8,040,415	2,245,000	1,915,530	4,160,530	1.93

(continued on next page)

**STATE OF IOWA**

**Schedule 9**

**Revenue Bond Coverage**

For the Last Ten Years

**Business Type Activities – University Funds**

(continued)

**Hospital Revenue Bonds**

	Gross Revenues*	Less: Operating Expenses*	Net Available Revenues	Debt Service			Coverage
				Principal	Interest	Total	
1999	\$ 498,113,706	\$ 426,156,495	\$ 71,957,211	\$ 3,275,000	\$ 1,095,675	\$ 4,370,675	16.46
2000	535,174,924	462,303,820	72,871,104	3,350,000	855,325	4,205,325	17.33
2001	596,223,771	513,689,055	82,534,716	3,425,000	614,813	4,039,813	20.43
2002	611,814,482	550,263,218	61,551,264	2,500,000	414,775	2,914,775	21.12
2003	618,523,534	555,866,710	62,656,824	2,600,000	537,488	3,137,488	19.97
2004	655,923,770	598,440,433	57,483,337	2,675,000	1,236,139	3,911,139	14.70
2005	715,554,047	622,426,911	93,127,136	560,000	1,142,401	1,702,401	54.70
2006	782,674,749	677,679,749	104,995,000	580,000	1,118,889	1,698,889	61.80
2007	869,929,049	674,660,538	195,268,511	610,000	1,094,345	1,704,345	114.57
2008	930,681,860	748,423,601	182,258,259	635,000	2,325,852	2,960,852	61.56

**Center For University Advancement Revenue Bonds**

	Gross Revenues*	Less: Operating Expenses	Net Available Revenues	Debt Service*			Coverage
				Principal	Interest	Total	
1999	\$ 1,485,177	\$ -	\$ 1,485,177	\$ 490,000	\$ 774,158	\$ 1,264,158	1.17
2000	1,481,951	-	1,481,951	730,000	762,520	1,492,520	0.99
2001	1,489,440	-	1,489,440	770,000	733,545	1,503,545	0.99
2002	1,526,453	-	1,526,453	810,000	697,920	1,507,920	1.01
2003	1,494,928	-	1,494,928	850,000	620,353	1,470,353	1.02
2004	1,427,308	30,373	1,396,935	895,000	578,473	1,473,473	0.95
2005	1,160,515	17,726	1,142,789	945,000	533,840	1,478,840	0.77
2006	896,537	-	896,537	530,000	396,475	926,475	0.97
2007	870,275	-	870,275	510,000	376,975	886,975	0.98
2008	904,588	-	904,588	535,000	357,381	892,381	1.01

All University Funds pledged revenues consist of charges for service which include room and board fees.

\* Certain amounts have been revised to reflect changes made by the Universities.

Source: Information provided by the Tobacco Settlement Authority and Universities.

**STATE OF IOWA**

**Schedule 10**

**Demographic and Economic Statistics**

Last Ten Calendar Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Population ( <i>in thousands</i> )	2,862	2,869	2,926	2,923	2,937	2,944	2,954	2,966	2,982	2,988
Personal Income ( <i>in millions</i> )	\$68,473	\$73,500	\$78,200	\$79,753	\$83,051	\$85,506	\$90,289	\$95,858	\$99,112	\$ 104,651
Per Capita Personal Income	\$23,925	\$25,619	\$26,726	\$27,285	\$28,277	\$29,044	\$30,565	\$32,315	\$33,236	\$ 35,023
<b>Resident Civilian Labor Force and Employment (Annual Averages)</b>										
Civilian Labor Force ( <i>in thousands</i> )	1,569.8	1,574.3	1,563.0	1,587.8	1,667.5	1,612.3	1,623.8	1,659.8	1,664.3	1,661.0
Resident Employment ( <i>in thousands</i> )	1,526.3	1,534.1	1,522.1	1,534.8	1,600.7	1,540.1	1,545.4	1,584.1	1,602.8	1,598.3
Resident Unemployed ( <i>in thousands</i> )	43.5	40.2	40.9	53.0	66.8	72.2	78.4	75.7	61.5	62.7
Percent Unemployed	2.8	2.6	2.6	3.3	4.0	4.5	4.5	4.6	3.7	3.8
<b>Employment By Industry Non-Agricultural (<i>in thousands</i>)</b>										
Construction	65.5	68.0	66.0	66.2	66.3	66.6	68.4	71.2	74.8	72.5
Manufacturing	250.9	252.8	251.5	240.2	227.5	220.0	222.9	229.5	230.9	229.4
Trade, Transportation and Utilities	308.6	313.6	315.8	311.3	304.9	303.1	305.6	306.8	308.6	308.8
Information	35.7	38.7	40.4	37.4	35.2	33.7	33.5	33.3	32.8	33.5
Financial Activities	86.3	89.0	89.7	92.0	94.0	95.4	96.7	98.3	100.6	102.6
Professional and Business	104.3	106.7	107.6	107.3	105.7	105.2	107.2	112.6	117.0	120.9
Education and health	176.0	178.0	181.9	185.4	188.0	189.8	191.4	195.3	199.0	202.3
Leisure and Hospitality	124.1	126.0	125.5	124.1	124.5	125.5	127.6	129.6	132.7	136.7
Other Services	55.3	56.4	56.8	56.3	56.8	56.2	56.3	56.2	56.6	57.7
Government	236.2	239.5	243.3	245.2	244.2	244.8	244.3	245.5	247.3	249.7
<b>Total Non-Agricultural Employment</b>	<b>1,442.9</b>	<b>1,468.7</b>	<b>1,478.5</b>	<b>1,465.4</b>	<b>1,447.1</b>	<b>1,440.3</b>	<b>1,453.9</b>	<b>1,478.3</b>	<b>1,500.3</b>	<b>1,514.1</b>

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

Note: Employment by Industry through calendar years 2001 have been revised to conform to the new reporting categories implemented in 2002.

# STATE OF IOWA

## Schedule 11

### Principal Non Governmental Employers

Prior Calendar Year and Nine Years Ago

#### CALENDAR YEAR 2007

Rank	Employer	Type of Business
1	Hy-Vee Food Stores, Inc.	Retail Food
2	Wal-Mart Stores, Inc.	Retail General Merchandise
3	Deere and Company	Machinery Manufacturer
4	Rockwell Collins, Inc.	Machinery Manufacturer
5	Principal Life Insurance Company	Insurance
6	Wells Fargo Bank NA	Finance
7	Tyson Fresh Meats Inc.	Manufacturing
8	Fareway Stores, Inc.	Retail Food
9	Pella Corporation	Manufacturing
10	Iowa Health Systems	Health Services/Des Moines

#### CALENDAR YEAR 1998

Rank	Employer	Type of Business
1	Hy-Vee Food Stores, Inc.	Retail Food
2	Deere and Company	Machinery Manufacturer
3	Wal-Mart Stores, Inc.	Retail General Merchandise
4	Principal Mutual Life Insurance Company	Insurance
5	Rockwell Collins, Inc.	Machinery Manufacturer
6	Iowa Beef Processors, Inc.	Meat Packer
7	APAC Teleservices, Inc.	Telemarketing
8	Central Iowa Health Systems	Health Services
9	Mercy Hospital Medical Center	Health Services
10	Fareway Stores, Inc.	Retail Food

**The Code of Iowa defines employee counts as confidential data; as such, this information is not available.**

Source: Iowa Workforce Development

# STATE OF IOWA

## Schedule 12

### Significant Classes of Assets By Function

Capital Intensive Departments Only  
Last Seven Years

	2002	2003	2004	2005	2006	2007	2008
<b><u>Administration &amp; Regulation</u></b>							
<b><i>Department of Administrative Services</i></b>							
Land (Acres)	133	133	133	133	133	133	133
Buildings & Improvements (Square Footage)	1,210,406	1,210,406	1,210,406	1,210,406	1,210,406	1,433,865	1,443,917
Machinery & Equipment	612	556	594	619	580	574	594
<b><i>Alcoholic Beverages Division</i></b>							
Land (Acres)	15	15	15	15	15	15	15
Buildings & Improvements (Square Footage)	181,996	181,996	181,996	181,996	181,996	181,996	181,996
<b><u>Education</u></b>							
<b><i>Iowa Public Television</i></b>							
Land (Acres)	27	27	27	37	131	131	211
Buildings & Improvements (Square Footage)	119,800	119,800	119,800	119,800	119,800	119,800	119,800
Machinery & Equipment	524	532	544	583	572	580	578
<b><i>Iowa Braille and Sight Saving School</i></b>							
Land (Acres)	70	70	70	70	70	70	70
Buildings & Improvements (Square Footage)	190,612	190,612	190,612	190,612	190,612	190,612	190,612
<b><i>Iowa School for the Deaf</i></b>							
Buildings & Improvements (Square Footage)	342,426	407,426	407,246	407,246	407,246	407,426	407,426
<b><u>Health &amp; Human Rights</u></b>							
<b><i>Department for The Blind</i></b>							
Buildings & Improvements (Square Footage)	98,606	98,606	98,606	98,606	98,606	98,606	98,606
Machinery & Equipment	221	221	221	221	221	211	229
<b><i>Veterans Home</i></b>							
Land (Acres)	158	158	158	158	258	258	158
Buildings & Improvements (Square Footage)	742,041	742,041	742,041	742,041	742,041	742,041	736,534
Machinery & Equipment	182	217	218	225	218	239	241
<b><i>Department of Public Health</i></b>							
Machinery & Equipment	205	249	278	311	335	368	358
<b><u>Human Services</u></b>							
<b><i>Department of Human Services and Institutions</i></b>							
Land (Acres)	2,824	2,825	2,825	2,825	2,825	2,825	2,872
Buildings & Improvements (Square Footage)	4,240,760	4,240,760	4,240,760	4,240,760	4,215,068	4,215,068	4,189,372
Machinery & Equipment	1,311	1,318	1,404	1,377	1,424	1,562	1,637

(continued on next page)

**STATE OF IOWA**

**Schedule 12**

**Significant Classes of Assets By Function**

Capital Intensive Departments Only  
Last Seven Years  
(continued)

	2002	2003	2004	2005	2006	2007	2008
<b>Justice &amp; Public Defense</b>							
<b>Department of Corrections &amp; Correctional Facilities</b>							
Land (Acres)	1,951	1,951	1,932	1,985	1,872	2,112	2,112
Buildings & Improvements (Square Footage)	3,316,668	3,391,719	3,392,487	3,873,806	3,101,404	3,786,838	3,922,016
Machinery & Equipment	918	1,052	1,070	1,089	1,111	1,304	1,387
<b>Judicial Districts</b>							
Land (Acres)	53	54	52	52	54	54	55
Buildings & Improvements (Square Footage)	477,591	477,591	477,591	477,591	477,951	525,638	525,638
Machinery & Equipment	303	310	301	317	294	296	298
<b>Department of Public Defense</b>							
Land (Acres)	2,714	2,712	2,709	2,699	2,694	2,688	2,688
Buildings & Improvements (Square Footage)	2,204,260	2,208,477	2,272,103	2,266,807	2,432,404	2,453,389	2,484,110
Machinery & Equipment	158	257	288	278	323	327	350
<b>Department of Public Safety</b>							
Land (Acres)	79	79	79	79	79	87	59
Buildings & Improvements (Square Footage)	132,162	132,162	132,162	132,162	132,162	132,162	149,303
Machinery & Equipment	1,415	1,505	1,406	1,415	1,471	1,420	1,416
<b>Economic Development</b>							
<b>Iowa Workforce Development</b>							
Buildings & Improvements (Square Footage)	129,822	129,822	129,822	129,822	129,822	129,822	129,822
Machinery & Equipment	N/A	379	354	332	328	331	289
<b>Transportation</b>							
<b>Department of Transportation</b>							
Land (Acres)	10,670	10,344	9,886	8,840	8,161	8,256	7,568
Buildings & Improvements (Square Footage)	2,221,587	2,213,811	2,189,403	2,224,961	2,279,725	2,293,725	2,311,895
Highway Lane Miles	233,181	233,380	233,558	234,039	234,451	235,471	235,821
Heavy Equipment	5,122	4,801	4,926	5,048	5,114	5,326	5,385
Machinery & Equipment	2,742	2,866	2,927	2,854	2,972	2,951	3,083
<b>Agriculture &amp; Natural Resources</b>							
<b>Department of Natural Resources</b>							
Land (Acres)	331,198	331,198	331,198	331,198	331,198	335,735	339,541
Buildings & Improvements (Square Footage)	578,906	578,906	578,906	578,906	578,906	582,401	603,161
State Parks	71	71	71	71	71	71	71
Wildlife Management Areas	20	20	20	20	20	20	20
Machinery & Equipment	2,111	2,111	2,111	2,111	2,111	2,124	2,355

Source: Information Provided by the Departments.

# STATE OF IOWA

## Schedule 13

### Operating Indicators by Function

Last Seven Fiscal Years or as Identified

	2002	2003	2004	2005	2006	2007	2008
<b><u>Administration &amp; Regulation</u></b>							
<b><i>Department of Administrative Services</i></b>							
State Employees Covered by benefit plans	18,908	18,493	18,885	18,873	19,382	19,747	20,299
Number of State payroll warrants processed*	509,412	498,577	510,463	510,558	524,984	534,237	549,932
<b><u>Education</u></b>							
<b><i>Department of Education</i></b>							
Enrollment:							
Public Schools	489,523	487,021	485,011	483,335	483,105	482,584	480,609
Universities	70,661	71,521	70,566	68,949	67,896	67,701	69,178
Community Colleges	68,790	73,947	78,292	81,803	82,499	84,961	87,072
<b><u>Health &amp; Human Rights</u></b>							
<b><i>Department for the Blind</i></b>							
Number of Clients Served	15,205	8,603	9,089	9,090	8,006	8,204	7,204
<b><u>Human Services</u></b>							
<b><i>Department of Human Services</i></b>							
Average Number of Residents/Patients	1,322	1,228	1,229	1,176	1,168	1,136	1,105
Average Number of Medicaid Recipients	245,781	263,690	281,212	297,376	297,000	317,169	306,000
<b><u>Justice &amp; Public Defense</u></b>							
<b><i>Department of Corrections</i></b>							
Average Number of Inmates	8,064	8,375	8,547	8,547	8,721	8,752	8,765
<b><u>Economic Development</u></b>							
<b><i>Department of Economic Development</i></b>							
Number of Community Development Block Grant/Home Projects Funded	131	118	116	115	110	117	104
<b><i>Iowa Workforce Development</i></b>							
Number of Unemployment Claims Accepted (Calendar Year)	111,411	113,570	88,976	91,540	92,610	91,367	INA
Unemployment Insurance Regular Benefits Paid (In Millions, Calendar Year)	366.7	381.5	312.5	296.3	312.9	329.6	INA
<b><u>Transportation</u></b>							
<b><i>Department of Transportation</i></b>							
Automobile Driver Licenses Issued	877,057	1,016,478	1,196,564	1,002,548	864,514	709,590	938,192
Vehicles weighed (in thousands, Federal Fiscal Year)	INA	1,012	1,005	964	921	595	534
<b><u>Agriculture &amp; Natural Resources</u></b>							
<b><i>Department of Natural Resources</i></b>							
Hunting & Fishing Licenses Issued	1,542,832	1,571,435	1,366,087	1,368,624	1,378,487	1,372,423	1,305,779

\* Centralized State Payroll system only - Excludes the Universities, Department of Transportation, Judicial Districts and certain other departments.

INA – Information Not Available

Source: Information Provided by the Departments.

# STATE OF IOWA

## Schedule 14

### Number of Employees – Primary Government

Last Seven Years

	2002	2003	2004	2005	2006	2007	2008
Administration & Regulation	2,122	2,006	2,022	2,040	2,101	2,147	2,167
Education	1,169	1,120	1,152	1,165	1,166	1,117	1,107
Health & Human Rights	1,726	1,710	1,769	1,793	1,851	1,878	1,931
Human Services	5,689	5,290	5,381	5,496	5,676	5,982	6,060
Justice & Public Defense	7,991	7,521	7,629	7,546	7,685	7,854	8,119
Economic Development	1,016	986	1,003	973	962	929	961
Transportation	3,828	3,404	3,311	3,355	3,338	3,190	3,257
Agriculture & Natural Resources	1,547	1,449	1,548	1,534	1,578	1,607	1,635
Universities	38,060	39,343	39,023	38,302	36,474	37,137	37,842
Other Enterprise Funds	316	297	300	309	300	298	302
Total Primary Government	<u>63,464</u>	<u>63,126</u>	<u>63,138</u>	<u>62,513</u>	<u>61,131</u>	<u>62,139</u>	<u>63,381</u>

Source: Department of Administrative Services.



**STATE OF IOWA**

**Schedule of Current Expenditures  
General Fund**

Year Ended June 30, 2008

(Expressed in Thousands)

	<b>Personal Services</b>	<b>Travel &amp; Subsistence</b>	<b>Supplies</b>	<b>Contractual Services</b>	<b>Equipment &amp; Repairs</b>
Administration & Regulation	\$ 134,296	\$ 7,267	\$ 5,662	\$ 48,104	\$ 5,615
Education	67,143	1,722	5,508	38,257	10,515
Health & Human Rights	109,428	2,617	11,174	187,508	4,311
Human Services	377,065	6,228	23,005	156,874	15,802
Justice & Public Defense	511,462	14,560	39,901	118,521	17,585
Economic Development	69,469	1,911	2,778	42,918	2,391
Transportation	220,365	31,044	48,259	90,573	11,546
Agriculture & Natural Resources	103,705	7,721	7,693	38,171	4,902
Total Primary Government	<u>\$ 1,592,933</u>	<u>\$ 73,070</u>	<u>\$ 143,980</u>	<u>\$ 720,926</u>	<u>\$ 72,667</u>

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

**STATE OF IOWA**

**Schedule 15**

<b>Claims &amp; Miscellaneous</b>	<b>Licenses Permits &amp; Refunds</b>	<b>State Aid</b>	<b>Plant Improvement</b>	<b>Adjustments</b>	<b>Total Current Expenditures</b>
\$ 329,091	\$ 95	\$ 171,216	\$ 25,638	\$ 158,514	\$ 885,498
4,052	62	3,111,754	976	19,029	\$ 3,259,018
406	4	61,588	79	1,242	\$ 378,357
2,614	15	3,761,057	134	(102,804)	\$ 4,239,990
5,362	50	76,190	25,153	58,492	\$ 867,276
9,008	6	101,336	-	(12,809)	\$ 217,008
124,314	73	38,732	570,577	(722,016)	\$ 413,467
756	2	17,198	22,273	(29,866)	\$ 172,555
<b>\$ 475,603</b>	<b>\$ 307</b>	<b>\$ 7,339,071</b>	<b>\$ 644,830</b>	<b>\$ (630,218)</b>	<b>\$ 10,433,169</b>

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

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