FINANCIAL SECTION

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report

To the Governor and Members of the General Assembly:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the State's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Tobacco Settlement Authority, which is a major fund and represents 3% of the assets and less than 1%, respectively, of the net position and the revenues of the governmental activities. We did not audit the financial statements of the Honey Creek Premier Destination Park Authority, which had no assets or net position at June 30, 2014 and represents less than 1% of the revenues of the governmental activities and of the aggregate remaining funds, respectively. We also did not audit the financial statements of the Iowa Finance Authority, the University of Iowa Foundation, the Iowa State University Foundation, the University of Northern Iowa Foundation, the University of Iowa Research Foundation and the University of Iowa Health System and Subsidiaries, which represent a total of 94%, 92% and 55%, respectively, of the assets, the net position and the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Tobacco Settlement Authority, the Honey Creek Premier Destination Park Authority, the Iowa Finance Authority, the University of Iowa Foundation, the Iowa State University Foundation, the University of Northern Iowa Foundation, the University of Iowa Research Foundation and the University of Iowa Health System and Subsidiaries, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Iowa Foundation, the Iowa State University Foundation, the University of Northern Iowa Foundation and the University of Iowa Health System and Subsidiaries were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State of Iowa's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Iowa's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Iowa as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedules of Funding Progress on pages 19 through 32 and 122 through 128 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the auditors of the Tobacco Settlement Authority, the Honey Creek Premier Destination Park Authority, the Iowa Finance Authority and the University of Iowa Research Foundation have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to the auditor's inquiries, the basic financial statements and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Iowa's basic financial statements. The supplementary information identified in the table of contents and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures described above, and the reports of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

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

MARY MOSIMAN, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 12, 2014

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, 2014. Readers are encouraged to consider this information in conjunction with the letter of transmittal located at the front of the CAFR and the State's financial statements, which follow this section of the CAFR.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights

- The assets and deferred outflows of resources of the State of Iowa exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2014 by $15,939.2 million (net position). Of this amount, $2,335.0 million (unrestricted net position) is available to be used to meet the State's ongoing obligations to citizens and creditors.
- Total net position increased $775.8 million in the fiscal year ended June 30, 2014. Net position of governmental activities increased $247.5 million, or 2.7%, while net position of business-type activities increased $528.3 million, or 8.8%.
- In the State's governmental activities, revenues increased 1.9% to $15,161.3 million while expenses increased 5.0% to $14,338.2 million.
- For business-type activities, revenues increased 3.0% to $4,809.3 million while expenses increased 1.8% to $4,856.6 million.

Fund Highlights

- The State's governmental funds reported a combined ending fund balance of $2,964.3 million, a $290.8 million decrease from the prior year. Of this amount, $57.6 million represents nonspendable fund balances, $1,534.5 million represents spendable restricted fund balances, $1,941.6 million represents spendable committed fund balances and a negative $569.4 million represents unassigned fund balances.
- The General Fund total fund balance decreased $265.9 million to $2,784.3 million.
- The proprietary funds reported net position at year-end of $6,648.5 million, an increase of $533.2 million.

Long-term Debt

- The State's total long-term debt decreased $43.2 million, or 1.2%, to $3,679.4 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-wide Financial Statements

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

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

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

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

- *Governmental activities* – Most services generally associated with State government, such as administration & regulation, education, health & human rights, human services, justice & public defense, economic development, transportation and agriculture & natural resources, are included in this category.
- *Business-type activities* – State operations such as the Universities and the Unemployment Benefits Fund that charge fees to external customers and function similarly to private 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 Economic Development Authority (Business-type)
  - Iowa State Fair Authority (Business-type)
  - Iowa Lottery Authority (Business-type)
  - University of Iowa Foundation (Business-type)
  - Iowa State University Foundation (Business-type)
  - University of Northern Iowa Foundation (Business-type)
  - University of Iowa Research Foundation (Business-type)
  - University of Iowa Health System & Subsidiaries (Business-type)

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

Fund Financial Statements

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

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

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

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

Table 1

Major Features of the State's Government-wide and Fund Financial Statements

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

Notes to the Financial Statements

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

Required Supplementary Information

In addition to this Management's Discussion and Analysis, Required Supplementary Information (RSI) includes the Budgetary Comparison Schedule. This schedule presents both the original and final appropriated budget for major funds. The Budgetary Comparison Schedule is accompanied by a Budget to GAAP Reconciliation and by Notes to RSI. Schedules of funding progress for the 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 Position

The State's combined net position (governmental and business-type activities) totaled $15,939.2 million at June 30, 2014, compared to $15,163.4 million at June 30, 2013, as indicated in Table 2.

The State of Iowa implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* in fiscal year 2014. GASB 65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Table 2

Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2014	Restated 2013	2014	Restated 2013	2014	Restated 2013	2013-2014
Current and other assets	$4,851.1	$5,090.1	$5,106.1	$4,814.1	$ 9,957.2	$ 9,904.2	0.5%
Capital assets	8,269.0	7,896.9	4,612.0	4,287.2	12,881.0	12,184.1	5.7%
Total assets	13,120.1	12,987.0	9,718.1	9,101.3	22,838.2	22,088.3	3.4%
Deferred outflows of resources	23.3	25.1	4.6	4.3	27.9	29.4	-5.1%
Long-term liabilities	1,995.3	2,139.6	2,165.1	2,075.2	4,160.4	4,214.8	-1.3%
Other liabilities	1,709.9	1,681.8	1,047.3	1,049.7	2,757.2	2,731.5	0.9%
Total liabilities	3,705.2	3,821.4	3,212.4	3,124.9	6,917.6	6,946.3	-0.4%
Deferred inflows of resources	-	-	9.3	8.0	9.3	8.0	16.3%
Net position:							
Net investment in capital assets	7,960.1	7,579.7	2,917.0	2,700.0	10,877.1	10,279.7	5.8%
Restricted	1,064.2	1,085.0	1,662.9	1,538.1	2,727.1	2,623.1	4.0%
Unrestricted	413.9	526.0	1,921.1	1,734.6	2,335.0	2,260.6	3.3%
Total net position	$9,438.2	$9,190.7	$6,501.0	$5,972.7	$ 15,939.2	$ 15,163.4	5.1%

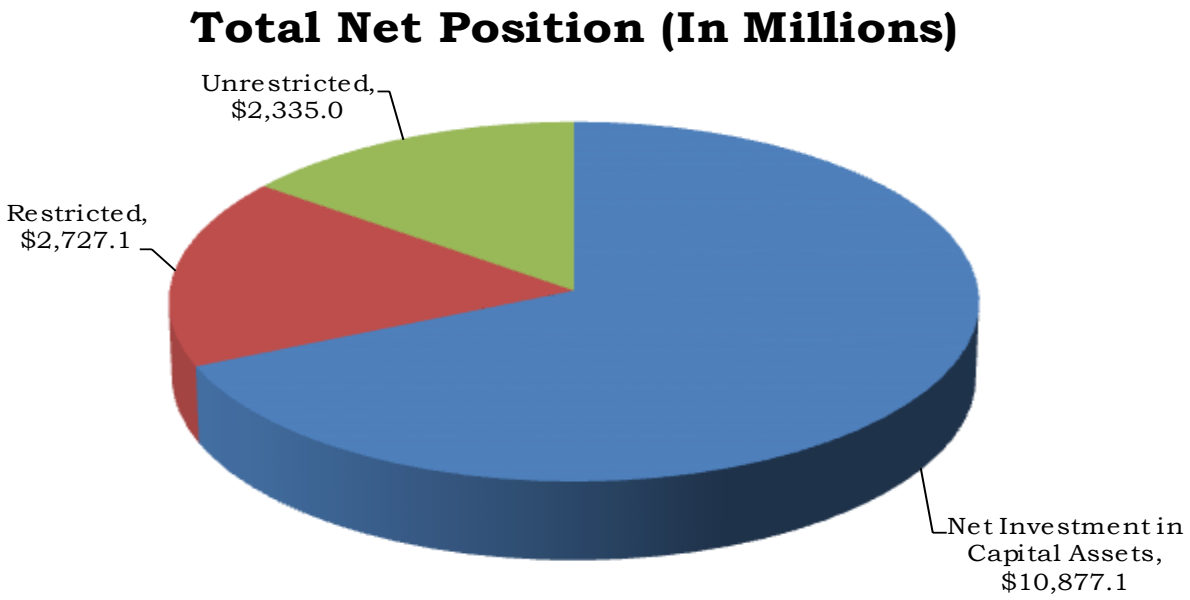
Net position of the State's governmental activities increased 2.7% to $9,438.2 million. The largest component (84.3%) of the State's net position is its investment in capital assets (e.g. land, buildings, equipment, infrastructure and others), less any related outstanding debt that was used to acquire or construct the assets. Restricted net position is the next largest component (11.3%). These represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position is the remaining portion (4.4%) and may be used at the State's discretion, but often have limitations on use based on State statutes.

The net position of business-type activities increased 8.8% to $6,501.0 million. The State generally can only use the net position to finance the continuing operations of the universities, unemployment insurance and other business-type activities.

Long-term liabilities decreased 1.3% to $4,160.4 million due primarily to a decrease in long-term bonds payable. The overall net decrease in long-term bonds payable of $55.8 million is the result of a $119.5 million net decrease for governmental activities which is offset by a $63.7 million net increase for business-type activities. Governmental activities long-term bonds payable decreased due to an $80.3 million decrease in bonds payable for the extinguishment of the IJOBS Program Special Obligation, Taxable Series 2010B bonds, Iowa Finance Authority Refunding Revenue Bonds (Correctional Facility Program), Series 2002 bonds, Honey Creek Authority, Destination Park Revenue Bonds, Series 2006 bonds and School Infrastructure Special Fund Refunding Bonds, Series 2012 bonds, retirement of principal totaling $46.5 million as it came due and the amortization of bond premiums and discounts. Business-type activities long-term bonds payable increased due to the issuance of new bonds and the defeasance of bonds by the University of Iowa and Iowa State University and the payment of principal as it came due by the three Universities. (See NOTE 10 – BONDS PAYABLE)

Other liabilities increased 0.9% to $2,757.2 million. The $25.7 million increase resulted from increases of $70.5 million in accounts payable & accruals and $7.1 million in other financing arrangements payable, offset largely by decreases in funds held in custody of $31.8 million and in current bonds payable of $17.7 million.

The chart presented below provides a visual representation of the three components of the State's total net position of $15,939.2 million at June 30, 2014.



Changes in Net Position

The State's total net position increased by $775.8 million during the year, as indicated in Table 3.

Table 3
Changes in Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2014	Restated 2013	2014	Restated 2013	2014	Restated 2013	2013-2014
Program revenues							
Charges for services	$ 1,981.0	$ 1,907.2	$ 3,673.5	$ 3,573.7	$ 5,654.5	$ 5,480.9	3.2%
Operating grants & contributions	4,905.6	4,619.1	783.0	848.7	5,688.6	5,467.8	4.0%
Capital grants & contributions	472.9	426.3	90.3	61.9	563.2	488.2	15.4%
General revenues							
Personal income tax	3,206.5	3,446.9	-	-	3,206.5	3,446.9	-7.0%
Corporate income tax	387.2	429.0	-	-	387.2	429.0	-9.7%
Sales & use tax	2,625.3	2,509.8	-	-	2,625.3	2,509.8	4.6%
Other tax	756.2	759.7	7.5	7.5	763.7	767.2	-0.5%
Motor fuel tax restricted for transportation purposes	446.4	438.0	-	-	446.4	438.0	1.9%
Road use tax restricted for transportation purposes	322.5	307.8	-	-	322.5	307.8	4.8%
Unrestricted investment earnings	21.4	6.2	186.9	110.0	208.3	116.2	79.3%
Other	36.3	30.6	68.1	67.1	104.4	97.7	6.9%
Total revenues	**15,161.3**	**14,880.6**	**4,809.3**	**4,668.9**	**19,970.6**	**19,549.5**	2.2%
Expenses							
Administration & regulation	1,436.5	1,385.4	-	-	1,436.5	1,385.4	3.7%
Education	3,749.2	3,582.8	-	-	3,749.2	3,582.8	4.6%
Health & human rights	423.7	420.8	-	-	423.7	420.8	0.7%
Human services	5,757.1	5,509.9	-	-	5,757.1	5,509.9	4.5%
Justice & public defense	1,255.6	1,095.3	-	-	1,255.6	1,095.3	14.6%
Economic development	160.0	186.9	-	-	160.0	186.9	-14.4%
Transportation	1,236.0	1,149.9	-	-	1,236.0	1,149.9	7.5%
Agriculture & natural resources	219.1	219.9	-	-	219.1	219.9	-0.4%
Interest expense	95.3	99.3	-	-	95.3	99.3	-4.0%
University Funds	-	-	4,156.1	3,960.7	4,156.1	3,960.7	4.9%
Unemployment Benefits Fund	-	-	439.9	554.9	439.9	554.9	-20.7%
Other	5.7	-	260.6	257.0	266.3	257.0	3.6%
Total expenses	**14,338.2**	**13,650.2**	**4,856.6**	**4,772.6**	**19,194.8**	**18,422.8**	4.2%
Increase (decrease) in net position before special & extraordinary items & transfers	823.1	1,230.4	(47.3)	(103.7)	775.8	1,126.7	-31.1%
Special items - disposal of operations	-	5.7	-	-	-	5.7	-100.0%
Extraordinary items - impairment of assets & other	-	-	-	(2.6)	-	(2.6)	-100.0%
Transfers	(575.6)	(500.2)	575.6	500.2	-	-	0.0%
Increase in net position	**247.5**	**735.9**	**528.3**	**393.9**	**775.8**	**1,129.8**	-31.3%
Net position - July 1, restated	**9,190.7**	**8,454.8**	**5,972.7**	**5,578.8**	**15,163.4**	**14,033.6**	8.1%
Net position - June 30	**$ 9,438.2**	**$ 9,190.7**	**$ 6,501.0**	**$ 5,972.7**	**$ 15,939.2**	**$ 15,163.4**	5.1%

The State of Iowa received $73.9 million and spent $75.9 million in federal funds as a result of the American Recovery and Reinvestment Act of 2009 (ARRA), a decrease of 62% and 63%, respectively, from FY2013. This decrease in ARRA revenues and expenses is attributable to the winding down of the federal grants that were awarded as a result of ARRA. Additionally, $21.5 million in benefits were issued by the Department of Human Services to clients for the Supplemental Nutrition Assistance Program (SNAP) as a result of ARRA, a decrease of 75% from FY2013. This 75% decrease to ARRA SNAP benefits was due to the additional ARRA SNAP benefits ending in October 2013.

Governmental Activities

Overall, total revenues for governmental activities increased 1.9% over the prior year.

Program revenues increased $406.9 million, or 5.9%. The largest fluctuation in program revenues was in operating grants and contributions with an increase of $286.5 million. The increase in operating grants and contributions occurred primarily in human services and transportation and was largely due to increases in federal support for medical assistance and federal highway planning and construction. Charges for services increased $73.8 million, or 3.9%. This increase was due in part to new car sales bottomed out in 2009 and have increased 89% from 2009-2014; new cars are being sold at higher prices, so registration fees have also increased; and truck registration amounts increased as new trucks sold are paying a fee related to weight/value and not a set fee. Capital grants and contributions increased $46.6 million, or 10.9%. This increase is also attributable to an increase in federal highway planning and construction funding.

General revenues experienced a net decrease of $126.2 million or 1.6% from FY2013. This is due in part to a decrease in personal income tax of $240.4 million or 7.0%. Personal income tax decreased due to a combination of the following items. The Iowa Earned Income Tax Credit for tax year 2013 was doubled from 2012 (14% up from 7%). That increased claims by about $34 million, the vast majority realized as higher refunds during FY2014. In addition, 2013 was the first year of the Taxpayers Trust Fund Tax Credit. The credit was $54 per taxpayer, with claims totaling nearly $86 million during FY2014, where it is estimated $50 million was realized as lower final return payments and the other $36 million was realized as higher refunds. Also, economic differences between the 2012 and 2013 tax years as well as impacts from federal tax law changes effective at the start of calendar year 2013 that caused taxpayers to pull income forward into 2012 and thus raised income tax payments to Iowa for the 2012 tax year, realized in FY2013. Sales & Use Tax increased $115.5 million or 4.6%, reflecting increased economic activity.

Overall, total expenses for governmental activities increased 5.0% over the prior year.

Expenses increased most significantly in human services, 4.5%, education 4.6% and transportation, 7.5%. The increase in human services of $247.2 million is largely a result of an increase in medical assistance payments while the increase in education expenses of $166.4 million is primarily due to legislative increases in state aid and supplemental state aid to schools and education reform teacher leadership and compensation payments. The transportation increase of $86.1 million is attributed to the normal fluctuation from year to year in the progress and completion of road projects.

Extinguishment of Debt

Pursuant to House File 648, the State extinguished $89.7 million of outstanding bonds prior to their due dates. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), paragraph 125, states in part, a debtor should consider debt to be extinguished for financial reporting purposes in the following circumstances:

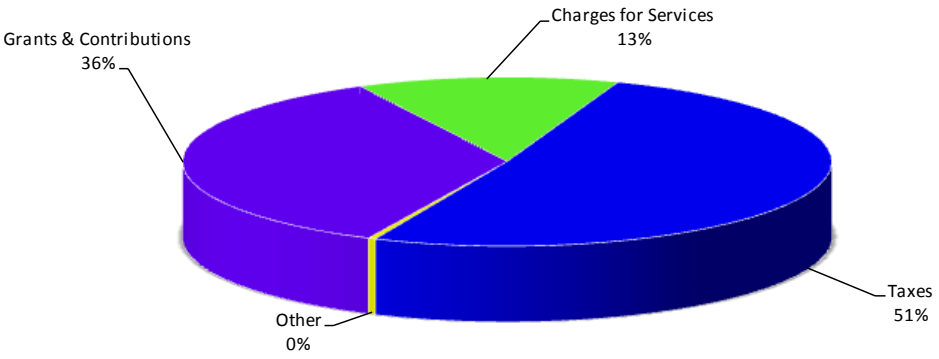
a) Using financial resources that did not arise from debt proceeds; the debtor pays the creditor and is relieved of all its obligations with respect to the debt.

b) The debtor is legally released from being the primary obligor under the debt, either judicially or by the creditor, and it is probable that the debtor will not be required to make future payments with respect to that debt under any guarantees.

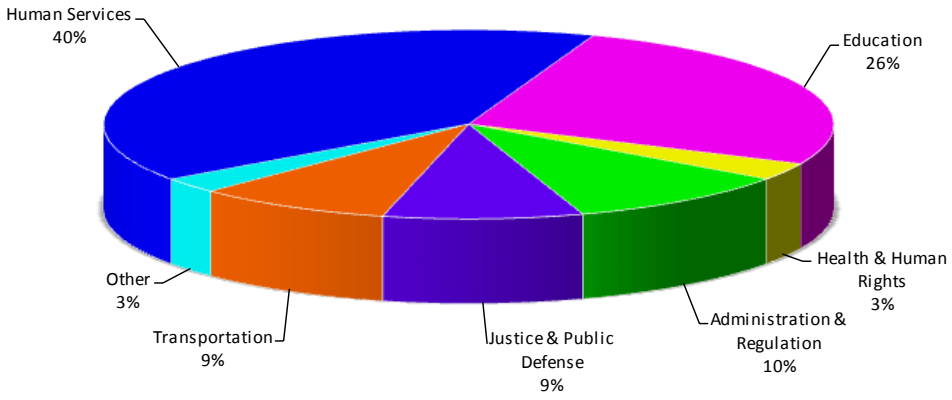
GASB 62, paragraph 126 requires the difference between the reacquisition price (the amount paid on extinguishment, including a call premium and miscellaneous costs of reacquisition) and the net carrying amount (the amount due at maturity, adjusted for unamortized premium and discount) of the extinguished debt to be recognized in the government-wide statement of activities as a loss or gain and identified as a separate item.

As a result of the early extinguishment, and in accordance with GASB 62, a $5.7 million loss on extinguishment of debt was reported in the governmental activities statement of activities. The early extinguishment resulted in a loss because the financial statements do not report a liability for interest until it is incurred; therefore, the net carrying amount explained in the previous paragraph, does not include the interest that would have been paid over the life of the bonds had the State not extinguished the bonds early, while the reacquisition price includes a significant portion of that interest that would be paid over the life of the bonds. (See NOTE 10 – BONDS PAYABLE)

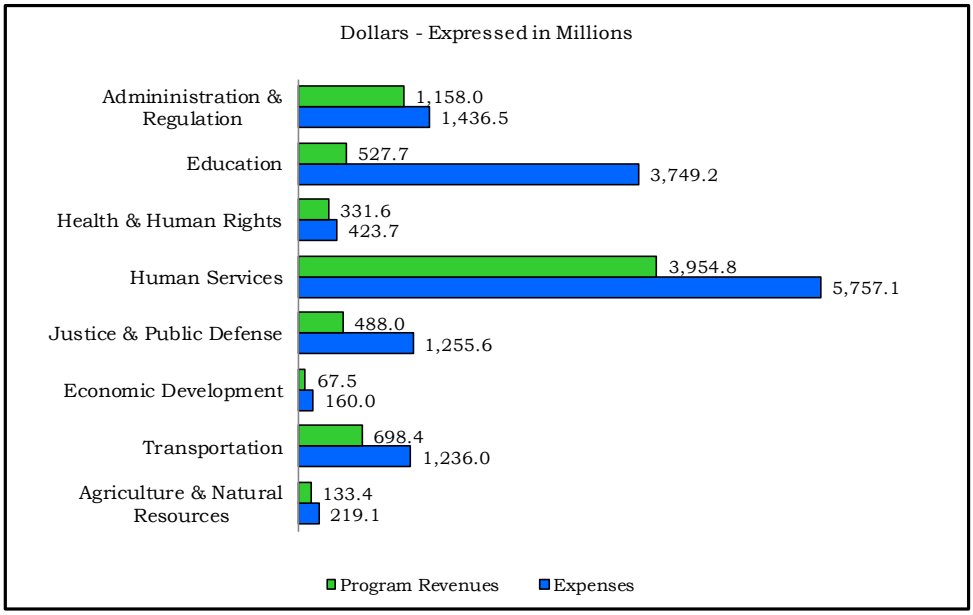
Revenues by Source



Expenses by Function



Program Revenues and Expenses



The cost of all governmental activities this fiscal year was $14,338.2 million. However, the amount that taxpayers paid for these activities through State taxes was $7,744.1 million. Part of the cost was paid by:

- Those who directly benefited from the programs ($1,981.0 million) or
- Other governments and organizations that subsidized certain programs with operating and capital grants and contributions ($5,378.5 million).

Business-type Activities

- University Funds had $4,156.1 million in expenses and $3,683.1 million in program revenues for net expenses of $473.0 million. The largest change in revenues occurred in charges for services, which increased $158.2 million or 5.9%. The largest increases in expenses occurred in, equipment & repairs, $70.6 million or 13.9%, personal services, $75.6 million or 3.1%, and supplies & materials, $36.2 million or 7.2%. The increase in supplies & materials expense occurred primarily at the University of Iowa Hospitals which had an increase of $24.9 million for medical supplies and drugs, while the increase in equipment & repairs expense is generally attributable to construction and expansion of facilities. Other significant changes include an increase of $73.7 million or 79.9% in investment income, due to favorable market performance, and an increase in operating transfers of $52.4 million due to an increase in state aid to the universities. Assets increased $499.9 million to $8,388.9 million. This was due to an increase in capital assets of $324.3 million related to construction and an increase in cash and investments of $148.9 million. Liabilities increased $82.2 million, due to increases of $64.5 million in bonds payable and $34.2 million in other financing arrangements payable.
- The Unemployment Benefits Fund had $439.9 million in expenses and $507.4 million in program revenues with operating income of $67.5 million. Although the State's unemployment rate remained relatively constant, the number of claims related to new layoffs decreased which contributed to a $114.9 million or 20.7% decrease in unemployment benefits paid. Revenue from the federal government decreased by $83.3 million or 70%, as benefits were exhausted and federal stimulus programs ended. Employer contributions decreased by $71.8 million or 13.2%, as a result of lower contribution rates triggered by the fund balance of the prior fiscal year.
- In total, business-type activities had net expenses of $309.8 million with $262.5 million in net general revenues and $575.6 million in net transfers, for a net increase of $528.3 million, to end with a net position of $6,501.0 million.
- Other business-type activities expenses increased $3.6 million and program revenues increased $9.5 million. The Liquor Control Act fund which accounts for the revenues and expenses related to the sale of alcoholic beverages experienced a $7.8 million increase in operating revenues and a $3.0 million increase in operating expenses.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

The governmental funds reported total fund balances of $2,964.3 million, a decrease of 8.9% from the previous year. Net revenues totaled $15,146.6 million with expenditures of $14,861.9 million.

With the implementation of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, beginning with the fiscal year ended June 30, 2011, the fund balance classifications for governmental funds are reported in categories which describe the extent to which certain resources may be spent. Resources are categorized as spendable or nonspendable.

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

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

- *Restricted* - $1,534.5 million and $1,588.6 million for FY2014 and FY2013, respectively, includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers (e.g. creditors, grantors and contributors) or enabling legislation.
- *Committed* - $1,941.6 million and $2,174.3 million for FY2014 and FY2013, respectively, includes amounts that can be used only for the specific purposes determined by a formal action of the State's highest level of decision-making authority. The Iowa Legislature and Governor represent the State's highest level of decision-making authority. Formal action consists of legislation passed by both the House and Senate and signed by the Governor and is required to establish, modify or rescind a limitation.
- *Assigned* – includes amounts intended to be used by the State for a specific purpose but do not meet the criteria to be classified as restricted or committed. Currently, the State does not have a policy which authorizes the establishment of assigned fund balances.
- *Unassigned* – negative $569.4 million and negative $567.4 million for FY2014 and FY2013, respectively, includes the residual amount of the General Fund not included in the categories above, which is available for any purpose, and any negative fund balances in the other governmental fund types.

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

General Fund

The General Fund is the chief operating fund of the State. Total fund balance decreased from $3,050.2 million for fiscal year 2013 to $2,784.3 million for fiscal year 2014. The fiscal year 2014 General Fund consists of the following fund balances: $41.2 million nonspendable, a decrease of 4.4%, $1,045.2 million restricted, an increase of 2.7%, $1,912.5 committed, a decrease of 10.9%, and negative $214.7 million unassigned, a decrease of 36.9%. For fiscal year 2014, the committed fund balance includes $669.9 million in reserve (rainy day) funds, an increase of 9.1%.

Gross revenues of the General Fund increased $353.2 million in fiscal year 2014. Tax revenues remained relatively stable at $8,414.8 million, a 0.5% decrease from fiscal year 2013. Receipts from other entities had a net increase of $267.7 million as a result of an increase of $250.5 million in the medical assistance program, decreases in several Department of Human Services programs and an increase of federal revenue in the Department of Transportation for federal highway planning and construction. Refunds and reimbursements had a net increase of $46.9 million primarily due to the medical assistance program within the Department of Human Services receiving a onetime $31.0 million refund of unspent capitalization payments for behavior health claims and increased drug rebates. In addition, fees, licenses & permits increased $54.8 million due to increased vehicle registration fees as discussed previously under governmental activities.

Total expenditures of the General Fund increased $832.0 million in fiscal year 2014. Medical assistance expenditures in the Department of Human Services increased by $382.5 million due to increased nursing facility rates, expansion of the Health Home program, increased enrollment in Medicaid, and a new Iowa Health and Wellness Plan program. Also, in the Department of Human Services, Mental Health Tax Relief legislation was passed in FY2014 providing equalization payments to counties. Capital outlays increased $124.3 million due primarily to Department of Transportation projects. In addition, debt service payments had a net increase of $58.7 million primarily due to the early extinguishment of debt. (See NOTE 10 – BONDS PAYABLE)

Tobacco Settlement Authority

The Tobacco Settlement Authority (Authority), a blended component unit of the State of Iowa classified as a Special Revenue Fund, receives money from the Tobacco Collections Fund to pay operating expenditures and for repayment of debt. The Authority's ending fund balance decreased $56.2 million to $438.3 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 $16.4 million and $41.7 million, respectively.

Tobacco Collections Fund

The Tobacco Collections Fund, a Special Revenue Fund, accounts for the tobacco settlement moneys received pursuant to a Master Settlement Agreement between the State of Iowa and the five largest tobacco manufacturers. The ending fund balance in the Tobacco Collections Fund increased $55.9 million to a deficit balance of $354.7 million. The increase is due to the reduction of the interfund advance (liability) for the tobacco settlement moneys remitted to the Tobacco Settlement Authority during the year.

Proprietary Funds

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

Total net position of the University Funds increased $416.6 million to $5,263.9 million while unrestricted net position increased $122.6 million to $1,889.1 million.

The total net position of the Unemployment Benefits Fund, which is entirely restricted for unemployment benefits, increased $82.8 million to end fiscal year 2014 at $1,124.4 million.

The nonmajor enterprise funds total net position increased $29.6 million or 32.9% to $119.6 million.

The Iowa Communications Network net position decreased $1.2 million or 3.2% with the federal Broadband Technology Opportunities Program ending in fiscal year 2013.

The Honey Creek Park (Park) total net position increased $25.1 million and unrestricted net position increased $26.8 million. The defeasance of the Honey Creek Authority, Destination Park Revenue Bonds eliminated the Park's related due to other funds/advance from other funds for repayment of these bonds.

The Liquor Control Act total net position increased $2.5 million or 60.2%. Sales revenues increased $7.7 million or 3.0% with the addition of new retailers and considerable growth in native beer manufacturers and distributors. Total operating expenses increased $3.0 million; $2.4 million of this increase is due to onetime expenses for technology and capital expenses.

Iowa State Prison Industries experienced a $2.6 million or 13.7% increase in total net position with net investment in capital assets increasing $3.5 million or 65.4% related to the construction of a new 90,000 square foot facility to allow for increased offender training opportunities. Sales revenues increased $4.8 million or 19.8% and direct expenses increased $3.9 million or 22.5% related to sales of dormitory furniture to colleges and universities along with furniture for the Iowa Correctional Institution for Women and the Iowa State Penitentiary.

Other factors concerning the finances of proprietary 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: none for fiscal year 2014
- Adjustments to standing appropriations: $ -9,648,817

The originally enacted General Fund budget for fiscal year 2014 of $6,492.2 million was predicated on $6,739.8 million or 3.4% growth in General Fund revenues, as projected by the State's Revenue Estimating Conference (REC) on December 12, 2012. The December estimate reflected the expectation that revenues would continue to increase from an estimated 3.3% growth for fiscal year 2013. Also included in the enacted General Fund budget was $-243.2 million in revenue adjustments for changes in tax law and revenue changes. The two largest tax law changes were the Internal Revenue Code update bill for $-35.5 million and an increase in the earned income tax credit for $-30.2 million. There were two revenue changes which also negatively impacted General Fund Revenue. The cigarette and tobacco taxes which were being deposited into the General Fund were changed to be deposited into the Health Care Trust Fund for an impact of $-112.0 million. Also, the gaming revenues which were being deposited into the General Fund were changed to be deposited into the newly established Iowa Skilled Worker and Job Creation Fund for an impact of $-66.0 million.

At the March 22, 2013 meeting, the REC revised its fiscal year 2014 General Fund revenue estimate upward to $6,870.6 million or an estimated growth of 3.5% reflecting an increase in state economic growth. At the October 10, 2013 meeting, the REC revised its fiscal year 2014 General Fund revenue estimate downward to $6,695.3

million or -1.1% growth. This was based upon the revised base of fiscal year 2013 of 7.3% growth and the revenue adjustments passed during the 2013 legislative session discussed above which impacted the fiscal year 2014 General Fund revenues. On December 12, 2013, the REC decreased the revenue estimate to $6,682.2 million. The decrease from the October 2013 meeting reflected that year-to-date revenues were growing slower than expected. No additional changes were made at the March 20, 2014 meeting to the General Fund revenue estimate to $6,682.2 million.

The State of Iowa has various statutory standing appropriations where a fixed amount is not appropriated. These are either formula-driven (as in the case of the largest General Fund appropriation, for school foundation aid to local school districts), or for items such as paying claims against the State through the State Appeal Board. These are either increases or decreases to the estimates made at the beginning of the year. For fiscal year 2014, these standing appropriations were less than the original estimates by $9.6 million. A variety of standing appropriations make up the changes to standing appropriations.
During April, May and June of 2014, and throughout the accrual period, actual General Fund revenue collections continued to come in below the official REC projections. At the close of the fiscal year 2014, revenue collections totaled $6,489.0 million which is a -4.1% growth over fiscal year 2013. As a result, the General Fund budgetary ending balance for fiscal year 2014, statutorily required to be transferred to the Cash Reserve Fund in fiscal year 2015, totaled $706.8 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the State had $12,881.0 million invested in capital assets, net of accumulated depreciation of $10,713.6 million. Depreciation charges totaled $792.4 million in fiscal year 2014. The details of these assets are presented in Table 4. Additional information about the State's capital assets is presented in NOTE 6 of the financial statements.

Table 4

Capital Assets, Net of Depreciation
(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Land	$ 794.6	$ 757.8	$ 85.4	$ 85.3	$ 880.0	$ 843.1	4.4%
Buildings & improvements	903.2	826.2	2,579.6	2,473.7	3,482.8	3,299.9	5.5%
Equipment	201.3	183.7	367.3	357.4	568.6	541.1	5.1%
Land improvements	39.2	36.6	35.1	36.5	74.3	73.1	1.6%
Works of art & collections	1.2	1.2	374.1	369.3	375.3	370.5	1.3%
Computer software	67.4	12.7	53.2	53.0	120.6	65.7	83.6%
Infrastructure	5,978.6	5,735.2	398.5	360.4	6,377.1	6,095.6	4.6%
Other intangibles	-	-	1.9	2.0	1.9	2.0	-5.0%
Construction in progress	213.4	263.5	701.3	533.7	914.7	797.2	14.7%
Computer software in progress	70.1	80.0	15.6	15.9	85.7	95.9	-10.6%
Total	$ 8,269.0	$ 7,896.9	$ 4,612.0	$ 4,287.2	$ 12,881.0	$ 12,184.1	5.7%

Outstanding commitments for future capital expenditures as of June 30, 2014 include $357.5 million (net of $568.1 million in anticipated federal funding) for highway and bridge construction, $580.2 million for various projects at the three State universities, $44.5 million for State facilities and buildings, $28.6 million for construction at the Iowa State Penitentiary and remodeling of the Iowa Correctional Institution for Women and $18.1 million for State parks, recreational areas, fisheries and wetland projects.

Long-term Debt

At year-end, the State had $3,679.4 million in bonds and leases and other financing arrangements outstanding as shown in Table 5. More detailed information about the State's long-term liabilities is presented in NOTE 7 to the financial statements.

Table 5

State of Iowa's Outstanding Debt

(In Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage
	2014	Restated 2013	2014	Restated 2013	2014	Restated 2013	Change 2013-2014
Revenue bonds	$ 1,720.3	$ 1,858.3	$ 1,852.3	$ 1,787.8	$ 3,572.6	$ 3,646.1	-2.0%
Leases & other financing arrangements	1.8	2.0	105.0	74.5	106.8	76.5	39.6%
Total	$ 1,722.1	$ 1,860.3	$ 1,957.3	$ 1,862.3	$ 3,679.4	$ 3,722.6	-1.2%

Revenue bonds issued by the State and its various authorities totaled $5,005.4 million outstanding at fiscal year-end. This amount consisted of $1,432.8 million of component unit (proprietary) revenue bonds (Iowa Finance Authority and Iowa State University Foundation), $1,852.3 million in revenue bonds issued by the three State universities (for equipment and facilities), $761.6 million in revenue bonds issued by the Tobacco Settlement Authority, $11.0 million in revenue bonds issued by the State of Iowa for the Iowa Utilities Board, $712.4 million in revenue bonds issued by the State of Iowa for the IJOBS program, $141.6 million in revenue bonds issued by the State of Iowa for Prison Infrastructure and $93.7 million in revenue bonds issued by the State of Iowa for the Vision Iowa Program. These bonds are backed by the revenues of the issuing program or authority.

Governmental activities outstanding revenue bonds decreased $138.0 million, due to the payment of principal as it came due and the early extinguishment of bonds in fiscal year 2014. Pursuant to House File 648, the State redeemed $22.7 million of IJOBS Program Special Obligation, Taxable Series 2010B bonds, defeased $16.2 million of Iowa Finance Authority Refunding Revenue Bonds (Correctional Facility Program), Series 2002 bonds, defeased $31.9 million of Honey Creek Authority Destination Park Revenue Bonds, Series 2006 bonds and defeased $18.9 million of School Infrastructure Special Fund Refunding Bonds, Series 2012 bonds. (See NOTE 10 – BONDS PAYABLE)

Business-type activities outstanding revenue bonds increased $64.5 million, due to the issuance of new debt at the University of Iowa and Iowa State University and the payment of principal as it came due by the three State universities.

ACCOUNTING CHANGE – FY2015

The State of Iowa will be implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* in fiscal year 2015. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures for certain pension plans. As a result, the State of Iowa expects the Statement of Net Position to include a significant liability for the State's proportionate share of the employee pension plan.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Iowa saw a slowdown in fiscal year 2014 with the second half of the fiscal year showing a decrease in revenue collections. Iowa's -4.1% growth in General Fund revenues was not only due to law changes impacting where state revenues are deposited, but also a slowdown in overall revenue collections in fiscal year 2014, mostly in personal income and corporate income taxes. This has been the trend nationally as well, with revenue collections for all states decreasing 1.7% in the second quarter of calendar year 2014, according to the Nelson A. Rockefeller Institute of Government.

The Governor and General Assembly finished their work at the start of May 2014, with the House finishing early in the morning of May 1, 2014 and the Senate finishing their work on May 2, 2014 with the finalization of the General Fund budget for fiscal year 2015. Amounts available for appropriation in fiscal year 2015 based on the 99% budget limitation after Governor's vetoes; in the General Fund budget were $7,639.4 million. General Fund appropriations totaled $6,979.4 million.

At the REC meeting in October 2014, the fiscal year 2015 revenue estimate was decreased from a revised $6,963.6 million to $6,850.3 million, largely as a reflection of actual revenue collections in fiscal year 2014, law changes passed during the 2014 Legislative Session which reduced revenue a total of $19.6 million, current year to date revenue growth, and the anticipated continued growth of tax revenues that is reflective of the rebound in the national economy and growth in Iowa's economy. The revised estimate reflects projected revenue growth of 5.6% compared to actual revenues for the previous fiscal year.

Recent revenue performance has been sluggish but positive, which is reflective of the continued growth in Iowa's economy. Iowa's unemployment rate was at 4.6% in September 2014, up from the rate for August 2013 of 4.5% and lower than the national rate of 5.9% for September 2014, showing Iowa has been able to withstand the national trends, with Iowa's labor market holding its own in spite of the slow growth nationally.

According to Moody's Analytics, the U.S. economy's sustainable growth rate appears to have increased, from just more than 2% throughout much of the recovery to closer to 3%. Job growth has also accelerated, with gains averaging nearly 225,000 per month across industries, regions, firm sizes, and pay scales. In the latest forecast, Moody's expects the jobless rate to be at 6.1 percent by the end of calendar year 2014 and 5.6 percent by the end of calendar year 2015. Gross domestic product is estimated to grow to 3.1 percent by the end of calendar year 2014 and to increase to 3.6 percent by the end of calendar year 2015.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

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

BASIC FINANCIAL STATEMENTS

STATE OF IOWA

Statement of Net Position

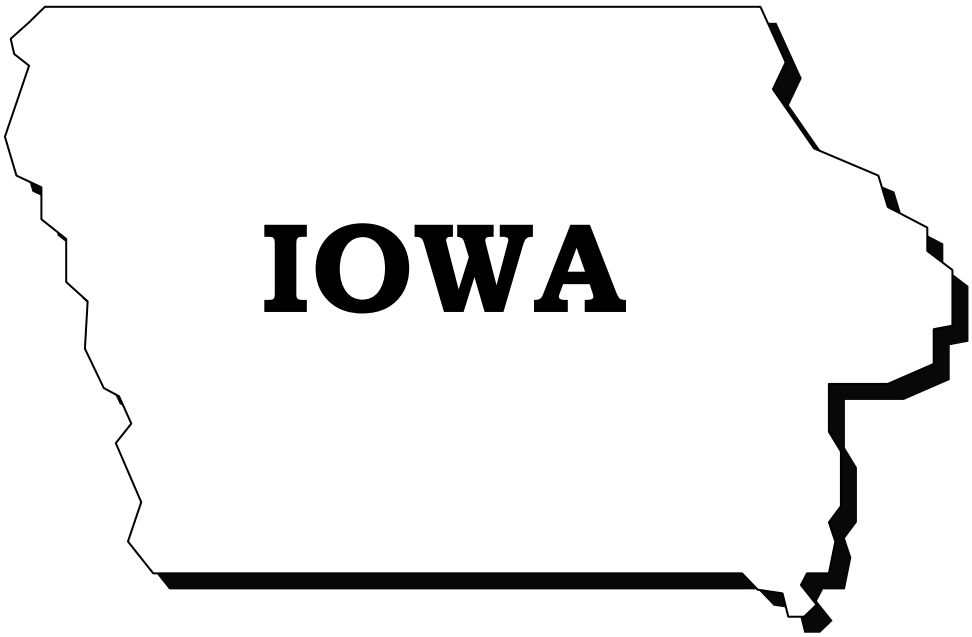
June 30, 2014
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current assets:				
Cash & investments	$ 2,807,825	$ 1,518,059	$ 4,325,884	$ 1,500,642
Cash & investments - restricted	-	-	-	541
Deposits with trustees	120,510	31	120,541	-
Accounts receivable (net)	1,653,428	662,719	2,316,147	92,899
Interest receivable	-	2,383	2,383	6,511
Loans receivable (net)	5,342	7,354	12,696	91,173
Internal balances	20,615	(20,615)	-	-
Inventory	24,040	60,316	84,356	2,937
Prepaid expenses	28,312	31,260	59,572	958
Other assets	-	-	-	3,090
Total current assets	4,660,072	2,261,507	6,921,579	1,698,751
Noncurrent assets:				
Cash & investments	-	2,687,294	2,687,294	1,799,940
Deposits with trustees	78,224	14,970	93,194	-
Accounts receivable (net)	98,645	7,201	105,846	170,794
Interest receivable	-	425	425	-
Loans receivable (net)	14,187	65,014	79,201	1,523,797
Capital assets - nondepreciable	1,078,128	1,131,961	2,210,089	14,789
Capital assets - depreciable (net)	7,190,857	3,480,054	10,670,911	92,230
Prepaid expenses	-	115	115	-
Other assets	-	69,581	69,581	50,701
Total noncurrent assets	8,460,041	7,456,615	15,916,656	3,652,251
TOTAL ASSETS	**13,120,113**	**9,718,122**	**22,838,235**	**5,351,002**
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	-	-	5,501
Debt refunding loss	23,295	4,594	27,889	3,167
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**23,295**	**4,594**	**27,889**	**8,668**

The notes are an integral part of the financial statements.

(continued on next page)

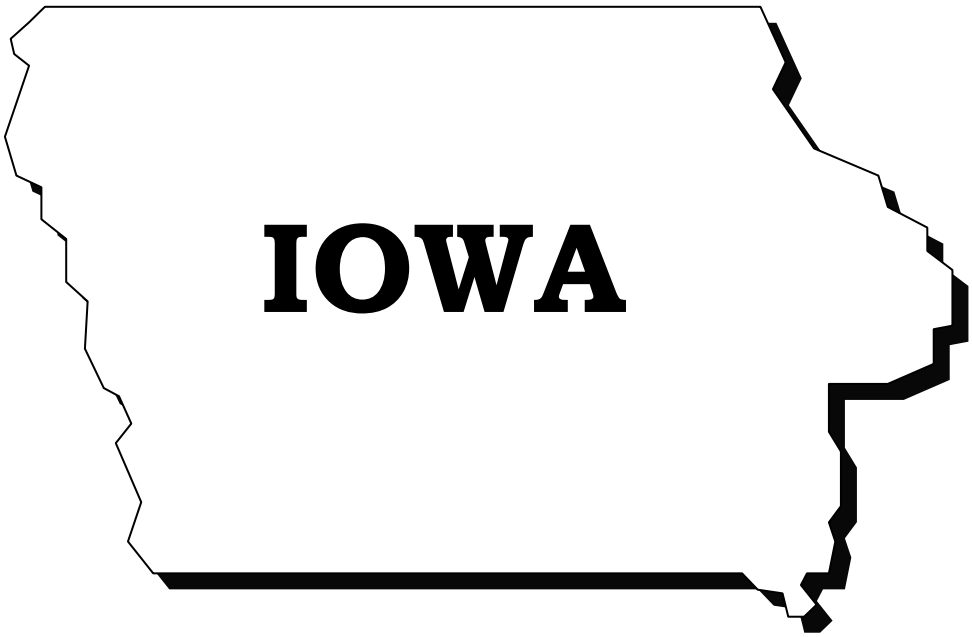
	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	1,362,052	403,244	1,765,296	79,133
Interest payable	8,579	28,320	36,899	22,582
Unearned revenue	44,971	129,899	174,870	408
Compensated absences	143,190	120,991	264,181	2,350
Capital leases	104	2,210	2,314	690
Bonds payable	150,753	80,674	231,427	51,151
Other financing arrangements payable	245	9,569	9,814	-
Funds held in custody	-	272,366	272,366	112,364
Total current liabilities	1,709,894	1,047,273	2,757,167	268,678
Noncurrent liabilities:				
Accounts payable & accruals	246,486	173,989	420,475	109,369
Unearned revenue	-	1,660	1,660	-
Compensated absences	177,827	74,629	252,456	3,883
Capital leases	76	33,396	33,472	3,070
Bonds payable	1,569,528	1,771,645	3,341,173	1,381,671
Other financing arrangements payable	1,355	59,800	61,155	-
Funds held in custody	-	50,000	50,000	6,347
Total noncurrent liabilities	1,995,272	2,165,119	4,160,391	1,504,340
TOTAL LIABILITIES	**3,705,166**	**3,212,392**	**6,917,558**	**1,773,018**
DEFERRED INFLOWS OF RESOURCES				
Debt refunding gain	-	9,232	9,232	-
Grants received in advance of meeting timing requirements	-	85	85	-
TOTAL DEFERRED INFLOWS OF RESOURCES	**-**	**9,317**	**9,317**	**-**
NET POSITION				
Net investment in capital assets	7,960,096	2,916,998	10,877,094	99,428
Restricted for:				
Education	58,735	-	58,735	-
Justice & public defense	17,845	-	17,845	-
Human services	3,620	-	3,620	-
Transportation	844,312	-	844,312	-
Agriculture & natural resources	9,467	-	9,467	-
Capital projects	13,038	-	13,038	-
University Funds - expendable	-	391,085	391,085	-
University Funds - nonexpendable	-	147,430	147,430	-
Permanent Funds - nonexpendable	16,096	-	16,096	-
Unemployment Benefits Fund	-	1,124,376	1,124,376	-
Other	101,153	-	101,153	3,230,568
Unrestricted	413,880	1,921,118	2,334,998	256,656
TOTAL NET POSITION	**$ 9,438,242**	**$ 6,501,007**	**$ 15,939,249**	**$ 3,586,652**


IOWA

STATE OF IOWA
Statement of Activities
For the Year Ended June 30, 2014
(Expressed in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS & CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS & CONTRIBUTIONS	NET (EXPENSES) REVENUES & CHANGES IN NET POSITION – PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT: TOTAL	COMPONENT UNITS
PRIMARY GOVERNMENT:								
Governmental activities:								
Administration & regulation	$ 1,436,485	$ 1,061,265	$ 96,797	$ -	$ (278,423)	$	$ (278,423)	
Education	3,749,195	18,057	508,267	1,358	(3,221,513)		(3,221,513)	
Health & human rights	423,723	69,159	252,777	9,625	(92,162)		(92,162)	
Human services	5,757,061	519,909	3,434,914	-	(1,802,238)		(1,802,238)	
Justice & public defense	1,255,597	106,730	378,722	2,518	(767,627)		(767,627)	
Economic development	159,964	3,374	64,138	-	(92,452)		(92,452)	
Transportation	1,236,035	122,683	122,111	453,659	(537,582)		(537,582)	
Agriculture & natural resources	219,159	79,777	47,891	5,725	(85,766)		(85,766)	
Interest expense	95,312	-	-	-	(95,312)		(95,312)	
Total governmental activities	**14,332,531**	**1,980,954**	**4,905,617**	**472,885**	**(6,973,075)**		**(6,973,075)**	
Business-type activities:								
University Funds	4,156,145	2,845,788	747,356	89,949		(473,052)	(473,052)	
Unemployment Benefits Fund	439,937	471,738	35,680	-		67,481	67,481	
Other	260,564	355,988	-	314		95,738	95,738	
Total business-type activities	**4,856,646**	**3,673,514**	**783,036**	**90,263**		**(309,833)**	**(309,833)**	
TOTAL PRIMARY GOVERNMENT	**$ 19,189,177**	**$ 5,654,468**	**$ 5,688,653**	**$ 563,148**	**(6,973,075)**	**(309,833)**	**(7,282,908)**	
COMPONENT UNITS:								
Iowa Finance Authority	$ 124,106	$ 18,586	$ 64,648	$ -				$ (40,872)
Iowa Economic Development Authority	229,390	1,024	173,918	-				(54,448)
Iowa State Fair Authority	22,208	21,570	2,977	225				2,564
Iowa Lottery Authority	310,989	314,160	-	-				3,171
University of Iowa Foundation	115,389	-	123,833	-				8,444
Iowa State University Foundation	97,122	-	92,164	-				(4,958)
University of Northern Iowa Foundation	13,132	-	26,482	-				13,350
University of Iowa Research Foundation	6,619	3,503	-	-				(3,116)
University of Iowa Health System & Subsidiaries	24,354	23,222	-	-				(1,132)
TOTAL COMPONENT UNITS	**$ 943,309**	**$ 382,065**	**$ 484,022**	**$ 225**				**(76,997)**
GENERAL REVENUES:								
Personal income tax					3,206,504	-	3,206,504	-
Corporate income tax					387,232	-	387,232	-
Sales & use tax					2,625,302	-	2,625,302	-
Other tax					756,237	7,527	763,764	-
Motor fuel tax restricted for transportation purposes					446,449	-	446,449	-
Road use tax restricted for transportation purposes					322,470	-	322,470	-
Unrestricted investment earnings					21,406	186,857	208,263	276,235
Other					35,357	68,072	103,429	6,664
Gain on sale of assets					1,011	27	1,038	-
Loss on extinguishment of debt					(5,679)	-	(5,679)	-
Transfers					(575,626)	575,626	-	-
TOTAL GENERAL REVENUES, TRANSFERS & OTHER ITEMS					**7,220,663**	**838,109**	**8,058,772**	**282,899**
CHANGE IN NET POSITION					**247,588**	**528,276**	**775,864**	**205,902**
NET POSITION - JULY 1, RESTATED					**9,190,654**	**5,972,731**	**15,163,385**	**3,380,750**
NET POSITION - JUNE 30					**$ 9,438,242**	**$ 6,501,007**	**$ 15,939,249**	**$ 3,586,652**

The notes are an integral part of the financial statements.


IOWA

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Funds

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

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

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

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

STATE OF IOWA

Balance Sheet
Governmental Funds

June 30, 2014
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Current assets:					
Cash & investments	$ 2,632,006	$ 5,385	$ -	$ 115,311	$ 2,752,702
Deposits with trustees	120,429	-	-	81	120,510
Accounts receivable (net)	1,601,556	206	32,307	16,852	1,650,921
Loans receivable (net)	4,890	-	-	452	5,342
Due from other funds	35,861	168,208	-	4,244	208,313
Inventory	15,114	-	-	133	15,247
Prepaid expenditures	26,134	-	-	97	26,231
Total current assets	4,435,990	173,799	32,307	137,170	4,779,266
Noncurrent assets:					
Deposits with trustees	-	78,224	-	-	78,224
Accounts receivable (net)	89,595	-	-	9,050	98,645
Loans receivable (net)	12,809	-	-	1,378	14,187
Due from other funds/ advances to other funds	-	186,535	-	-	186,535
Total noncurrent assets	102,404	264,759	-	10,428	377,591
TOTAL ASSETS	**$ 4,538,394**	**$ 438,558**	**$ 32,307**	**$ 147,598**	**$ 5,156,857**
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	$ 1,263,321	$ 170	$ -	$ 14,607	$ 1,278,098
Due to other funds/ advances from other funds	71,239	125	168,208	22,737	262,309
Unearned revenue	25,055	-	-	250	25,305
Total current liabilities	1,359,615	295	168,208	37,594	1,565,712
Noncurrent liabilities:					
Accounts payable & accruals	757	-	-	-	757
Due to other funds/ advances from other funds	85	-	186,535	-	186,620
Total noncurrent liabilities	842	-	186,535	-	187,377
TOTAL LIABILITIES	**1,360,457**	**295**	**354,743**	**37,594**	**1,753,089**
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	393,604	-	32,307	13,572	439,483
FUND BALANCES					
Nonspendable	41,248	-	-	16,327	57,575
Spendable:					
Restricted	1,045,227	438,263	-	50,996	1,534,486
Committed	1,912,518	-	-	29,124	1,941,642
Unassigned	(214,660)	-	(354,743)	(15)	(569,418)
TOTAL FUND BALANCES	**2,784,333**	**438,263**	**(354,743)**	**96,432**	**2,964,285**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	**$ 4,538,394**	**$ 438,558**	**$ 32,307**	**$ 147,598**	**$ 5,156,857**

The notes are an integral part of the financial statements.

STATE OF IOWA

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

June 30, 2014
(Expressed in Thousands)

Total fund balances - governmental funds		**$ 2,964,285**
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets, excluding internal service funds, is $14,991,406,209 and the accumulated depreciation is $(6,828,779,353).		8,162,627
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		147,480
Certain revenues are earned but not available and, therefore, are deferred in governmental funds as deferred inflows of resources.		439,483
Debt refunding losses/gains are reported as current expenditures/revenues in governmental funds. However, debt refunding losses/gains are amortized over the life of the bonds and are included as deferred outflows/inflows of resources in governmental activities in the Statement of Net Position.		23,295
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Bonds payable	$ (1,720,281)	
Accrued interest payable	(8,579)	
Compensated absences	(315,174)	
Capital leases	(180)	
Other financing arrangements payable	(1,600)	
Pollution remediation	(31,201)	
Early retirement/termination benefits	(42,367)	
Risk management	(20,000)	
Net pension liability	(63,822)	
Other postemployment benefits	(94,637)	
Other long-term liabilities	(1,087)	
Total long-term liabilities		(2,298,928)
Net position of governmental activities		**$ 9,438,242**

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, 2014
(Expressed in Thousands)

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	$ 8,414,849	$ -	$ -	$ -	$ 8,414,849
Receipts from other entities	5,646,191	-	-	9,512	5,655,703
Investment income	15,932	2,621	-	2,817	21,370
Fees, licenses & permits	1,286,594	-	-	37,435	1,324,029
Refunds & reimbursements	495,722	-	71,605	9,157	576,484
Sales, rents & services	32,180	-	-	3,647	35,827
Miscellaneous	142,512	-	-	15,536	158,048
GROSS REVENUES	**16,033,980**	**2,621**	**71,605**	**78,104**	**16,186,310**
Less revenue refunds	1,037,914	-	-	1,790	1,039,704
NET REVENUES	**14,996,066**	**2,621**	**71,605**	**76,314**	**15,146,606**
EXPENDITURES					
Current:					
Administration & regulation	1,405,681	786	-	13,412	1,419,879
Education	3,717,328	-	-	14,311	3,731,639
Health & human rights	418,403	-	-	503	418,906
Human services	5,783,104	-	-	207	5,783,311
Justice & public defense	1,198,802	-	-	1,069	1,199,871
Economic development	159,626	-	-	-	159,626
Transportation	580,704	-	-	127	580,831
Agriculture & natural resources	194,004	-	-	7,190	201,194
Capital outlay	1,084,275	-	-	44,314	1,128,589
Debt service:					
Payment to escrow agent	38,099	-	-	35,841	73,940
Principal	52,850	16,365	-	-	69,215
Interest & fiscal charges	53,167	41,708	-	-	94,875
TOTAL EXPENDITURES	**14,686,043**	**58,859**	**-**	**116,974**	**14,861,876**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**310,023**	**(56,238)**	**71,605**	**(40,660)**	**284,730**
OTHER FINANCING SOURCES (USES)					
Transfers in	159,868	-	-	69,268	229,136
Transfers out	(735,934)	-	(15,753)	(53,075)	(804,762)
Leases, installment purchases & other	131	-	-	-	131
TOTAL OTHER FINANCING SOURCES (USES)	**(575,935)**	**-**	**(15,753)**	**16,193**	**(575,495)**
NET CHANGE IN FUND BALANCES	**(265,912)**	**(56,238)**	**55,852**	**(24,467)**	**(290,765)**
FUND BALANCES - JULY 1	**3,050,245**	**494,501**	**(410,595)**	**120,899**	**3,255,050**
FUND BALANCES - JUNE 30	**$ 2,784,333**	**$ 438,263**	**$ (354,743)**	**$ 96,432**	**$ 2,964,285**

The notes are an integral part of the financial statements.

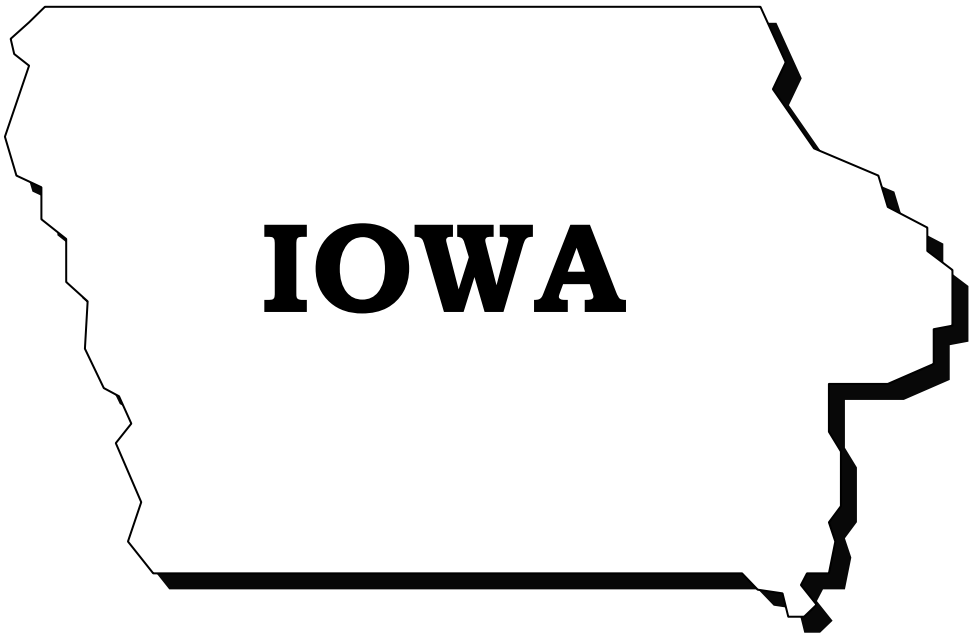
STATE OF IOWA

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, 2014
(Expressed in Thousands)

Net change in fund balances - total governmental funds		**$ (290,765)**
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	$ 874,389	
Depreciation expense	(502,586)	
Excess of capital outlay over depreciation expense		371,803
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas the proceeds from the sale increase financial resources in governmental funds.		(6,175)
Some capital additions were financed through capital leases, other financing arrangements and installment purchases. In governmental funds, these financing arrangements are considered a source of funding, but in the Statement of Net Position, the obligations are reported as liabilities. In the current year, these amounts consist of:		
Capital leases		(131)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:		
Bond principal retirement	137,476	
Capital lease payments	157	
Other financing arrangements payments	234	
Total long-term debt repayments		137,867
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.		4,946
Because some revenues will not be collected for several months after the State's fiscal year-end, they are not considered available revenues and are deferred in the governmental funds as deferred inflows of resources.		5,561
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	8,750	
Early retirement/termination benefits	23,797	
Pension liability	(832)	
Other postemployment benefits	(10,373)	
Other	3,140	
Total additional expenses		24,482
Change in net position of governmental activities		**$ 247,588**

The notes are an integral part of the financial statements.


IOWA

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 in the Supplementary Information section.

STATE OF IOWA

Statement of Net Position
Proprietary Funds

June 30, 2014
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	
ASSETS					
Current assets:					
Cash & investments	$ 460,058	$ 1,013,942	$ 40,855	$ 1,514,855	$ 58,326
Deposits with trustees	31	-	-	31	-
Accounts receivable (net)	464,509	176,541	21,669	662,719	2,507
Interest receivable	2,383	-	-	2,383	-
Loans receivable (net)	7,354	-	-	7,354	-
Due from other funds/advances to other funds	-	562	49	611	77,811
Inventory	48,223	-	12,093	60,316	8,794
Prepaid expenses	30,462	-	729	31,191	2,152
Total current assets	1,013,020	1,191,045	75,395	2,279,460	149,590
Noncurrent assets:					
Cash & investments	2,687,294	-	-	2,687,294	-
Deposits with trustees	14,970	-	-	14,970	-
Accounts receivable	7,201	-	-	7,201	-
Interest receivable	425	-	-	425	-
Loans receivable (net)	65,014	-	-	65,014	-
Due from other funds/advances to other funds	-	-	-	-	435
Capital assets - nondepreciable	1,125,234	-	6,727	1,131,961	-
Capital assets - depreciable (net)	3,406,022	-	74,032	3,480,054	106,358
Prepaid expenses	115	-	-	115	-
Other assets	69,581	-	-	69,581	-
Total noncurrent assets	7,375,856	-	80,759	7,456,615	106,793
TOTAL ASSETS	**8,388,876**	**1,191,045**	**156,154**	**9,736,075**	**256,383**
DEFERRED OUTFLOWS OF RESOURCES					
Debt refunding loss	4,594	-	-	4,594	-
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	366,122	19,361	16,163	401,646	35,671
Due to other funds/advances from other funds	-	822	11,937	12,759	11,667
Interest payable	28,320	-	-	28,320	-
Unearned revenue	80,099	46,486	3,314	129,899	19,665
Compensated absences	119,281	-	1,710	120,991	2,841
Capital leases	2,210	-	-	2,210	-
Bonds payable	80,674	-	-	80,674	-
Other financing arrangements payable	9,569	-	-	9,569	-
Funds held in custody	272,366	-	-	272,366	-
Total current liabilities	958,641	66,669	33,124	1,058,434	69,844
Noncurrent liabilities:					
Accounts payable & accruals	172,557	-	1,432	173,989	42,499
Due to other funds/advances from other funds	-	-	-	-	350
Unearned revenue	1,649	-	11	1,660	-
Compensated absences	72,603	-	2,026	74,629	3,002
Capital leases	33,396	-	-	33,396	-
Bonds payable	1,771,645	-	-	1,771,645	-
Other financing arrangements payable	59,800	-	-	59,800	-
Funds held in custody	50,000	-	-	50,000	-
Total noncurrent liabilities	2,161,650	-	3,469	2,165,119	45,851
TOTAL LIABILITIES	**3,120,291**	**66,669**	**36,593**	**3,223,553**	**115,695**
DEFERRED INFLOWS OF RESOURCES					
Debt refunding gain	9,232	-	-	9,232	-
Grants received in advance of meeting timing requirements	85	-	-	85	-
TOTAL DEFERRED INFLOWS OF RESOURCES	**9,317**	**-**	**-**	**9,317**	**-**
NET POSITION					
Net investment in capital assets	2,836,239	-	80,759	2,916,998	106,358
Restricted for:					
Expendable	391,085	-	-	391,085	-
Nonexpendable	147,430	-	-	147,430	-
Unemployment benefits	-	1,124,376	-	1,124,376	-
Unrestricted	1,889,108	-	38,802	1,927,910	34,330
TOTAL NET POSITION	**$ 5,263,862**	**$ 1,124,376**	**$ 119,561**	6,507,799	**$ 140,688**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(6,792)	
NET POSITION OF BUSINESS-TYPE ACTIVITIES				**$ 6,501,007**	

The notes are an integral part of the financial statements.

STATE OF IOWA

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

For the Year Ended June 30, 2014
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	
OPERATING REVENUES					
Employer contributions	$ -	$ 471,738	$ -	$ 471,738	$ -
Receipts from other entities	-	35,680	-	35,680	143,684
Fees, licenses & permits	2,209,195	-	20,140	2,229,335	2
Refunds & reimbursements	-	-	369	369	60,101
Sales, rents & services	359,368	-	332,542	691,910	1,913
Grants & contracts	563,053	-	-	563,053	-
Independent/auxiliary operations	277,226	-	-	277,226	-
Miscellaneous	67,180	-	2,937	70,117	7,913
TOTAL OPERATING REVENUES	**3,476,022**	**507,418**	**355,988**	**4,339,428**	**213,613**
OPERATING EXPENSES					
General & administrative	-	-	16,266	16,266	-
Scholarship & fellowship	33,160	-	-	33,160	-
Depreciation	266,880	-	7,322	274,202	15,649
Direct & other	-	-	31,922	31,922	-
Personal services	2,488,445	-	8,582	2,497,027	33,560
Travel & subsistence	36,764	-	789	37,553	24,542
Supplies & materials	540,202	-	275	540,477	44,035
Contractual services	116,303	-	6,499	122,802	36,399
Equipment & repairs	578,327	-	167	578,494	26,677
Claims & miscellaneous	18,473	-	184,380	202,853	28,442
Licenses, permits & refunds	4,261	-	706	4,967	15
State aid & credits	-	439,937	3,649	443,586	-
TOTAL OPERATING EXPENSES	**4,082,815**	**439,937**	**260,557**	**4,783,309**	**209,319**
OPERATING INCOME (LOSS)	**(606,793)**	**67,481**	**95,431**	**(443,881)**	**4,294**
NONOPERATING REVENUES (EXPENSES)					
Gifts	184,303	-	-	184,303	-
Taxes	-	-	7,527	7,527	-
Investment income	166,022	20,679	64	186,765	127
Interest expense	(57,905)	-	-	(57,905)	-
Miscellaneous revenues	892	-	-	892	-
Miscellaneous expenses	(305)	-	-	(305)	-
Gain (loss) on sale of capital assets	(14,306)	-	27	(14,279)	(205)
NET NONOPERATING REVENUES (EXPENSES)	**278,701**	**20,679**	**7,618**	**306,998**	**(78)**
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	**(328,092)**	**88,160**	**103,049**	**(136,883)**	**4,216**
Capital contributions & grants	89,949	-	314	90,263	-
Transfers in	654,768	-	28,887	683,655	-
Transfers out	-	(5,405)	(102,624)	(108,029)	-
CHANGE IN NET POSITION	**416,625**	**82,755**	**29,626**	**529,006**	**4,216**
TOTAL NET POSITION - JULY 1, RESTATED	**4,847,237**	**1,041,621**	**89,935**		**136,472**
TOTAL NET POSITION - JUNE 30	**$ 5,263,862**	**$ 1,124,376**	**$ 119,561**		**$ 140,688**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(730)	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES				**$ 528,276**	

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, 2014
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers/students	$ 2,804,612	$ -	$ 353,232	$ 3,157,844	$ -
Cash received from miscellaneous	90,979	-	3,069	94,048	-
Cash received from employers	-	518,930	-	518,930	-
Cash received from other entities	554,397	35,680	-	590,077	16,941
Cash received from reciprocal interfund activity	-	-	-	-	193,371
Cash payments to suppliers for goods & services	(1,356,810)	-	(232,264)	(1,589,074)	(152,971)
Cash payments to employees/students for services	(2,426,286)	-	(17,281)	(2,443,567)	(33,619)
Cash payments for unemployment claims	-	(439,639)	-	(439,639)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(333,108)**	**114,971**	**106,756**	**(111,381)**	**23,722**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	583,699	-	2,307	586,006	-
Transfers out to other funds	-	(4,975)	(98,117)	(103,092)	-
Receipts from related agencies	929,110	-	-	929,110	-
Payments to related agencies	(901,412)	-	-	(901,412)	-
Other noncapital financing receipts	18,996	-	-	18,996	-
Other noncapital financing payments	(5,536)	-	-	(5,536)	-
Proceeds from noncapital gifts	168,319	-	-	168,319	-
Tax receipts	-	-	7,527	7,527	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**793,176**	**(4,975)**	**(88,283)**	**699,918**	**-**
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Acquisition & construction of capital assets	(605,396)	-	(7,775)	(613,171)	(22,283)
Interest payments	(60,460)	-	-	(60,460)	-
Debt payments	(165,747)	-	-	(165,747)	-
Capital grants & contributions	82,883	-	314	83,197	-
Debt proceeds	206,844	-	-	206,844	-
Proceeds from sale of capital assets	2,558	-	27	2,585	-
Other capital & related financing activities	65,193	-	-	65,193	-
NET CASH USED BY CAPITAL & RELATED FINANCING ACTIVITIES	**(474,125)**	**-**	**(7,434)**	**(481,559)**	**(22,283)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest & dividends on investments	34,954	20,680	74	55,708	127
Proceeds from sale & maturities of investments	1,899,443	-	-	1,899,443	-
Purchase of investments	(1,940,878)	-	-	(1,940,878)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**(6,481)**	**20,680**	**74**	**14,273**	**127**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**(20,538)**	**130,676**	**11,113**	**121,251**	**1,566**
CASH & CASH EQUIVALENTS - JULY 1, RESTATED	**330,666**	**883,266**	**29,742**	**1,243,674**	**56,760**
CASH & CASH EQUIVALENTS - JUNE 30	**310,128**	**1,013,942**	**40,855**	**1,364,925**	**58,326**
INVESTMENTS	**2,837,224**	**-**	**-**	**2,837,224**	**-**
CASH & INVESTMENTS PER STATEMENT OF NET POSITION	**$ 3,147,352**	**$ 1,013,942**	**$ 40,855**	**$ 4,202,149**	**$ 58,326**

(continued on next page)

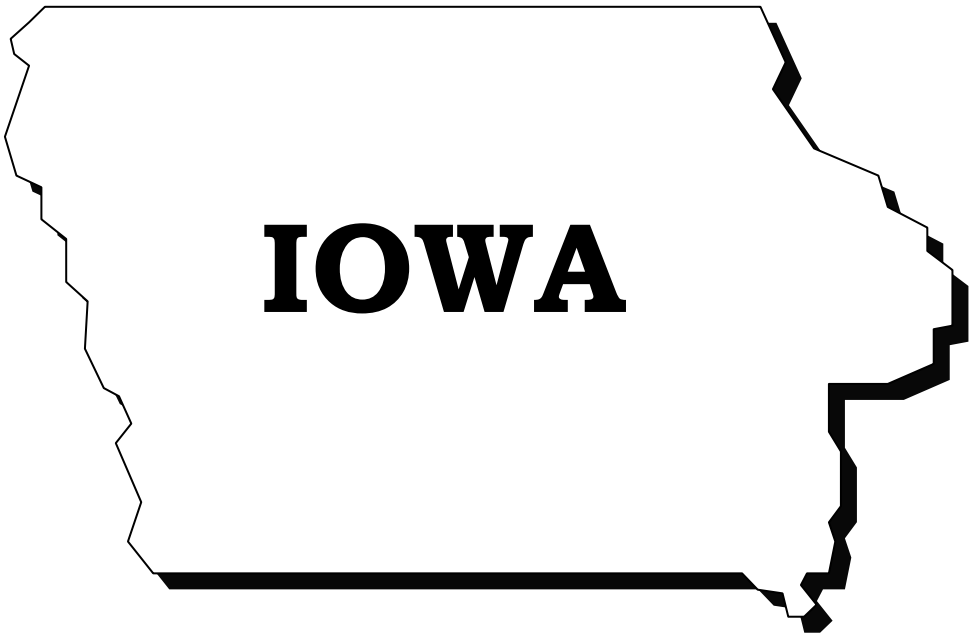
STATE OF IOWA

Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2014
(Expressed in Thousands)
(continued)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITY FUNDS	UNEMPLOYMENT BENEFITS FUND	NONMAJOR ENTERPRISE FUNDS	TOTAL	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ (606,793)	$ 67,481	$ 95,431	$ (443,881)	$ 4,294
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	266,880	-	7,322	274,202	15,649
(Increase) decrease in accounts receivable	(20,340)	41,311	800	21,771	(1,211)
(Increase) decrease in due from	-	1	(4)	(3)	(1,413)
(Increase) decrease in inventory	234	-	3,312	3,546	(1,102)
(Increase) decrease in prepaid expenses	(1,679)	-	151	(1,528)	(283)
(Increase) decrease in loans receivable	(923)	-	-	(923)	-
(Increase) decrease in other assets	8,424	-	-	8,424	-
Increase (decrease) in accounts payable	31,033	(237)	(596)	30,200	8,524
Increase (decrease) in due to	-	-	1,038	1,038	(802)
Increase (decrease) in unearned revenue	(12,323)	6,415	(483)	(6,391)	125
Increase (decrease) in compensated absences	1,651	-	(215)	1,436	(59)
Increase (decrease) in other liability/capital leases	728	-	-	728	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (333,108)**	**$ 114,971**	**$ 106,756**	**$ (111,381)**	**$ 23,722**
NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES					
Capital assets acquired through capital leases	$ 33	$ -	$ -	$ 33	$ -
Capital assets contributed	2,677	-	-	2,677	-
TOTAL NONCASH INVESTING, CAPITAL & RELATED FINANCING ACTIVITIES	**$ 2,710**	**$ -**	**$ -**	**$ 2,710**	**$ -**

The notes are an integral part of the financial statements.


IOWA

FIDUCIARY FUND FINANCIAL STATEMENTS

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

STATE OF IOWA

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash & cash equivalents	$ 313,040	$ 29,904	$ 287,267
Receivables:			
Accounts (net)	-	230	200,710
Contributions	67,747	-	-
Investments sold	424,845	-	-
Foreign exchange contracts	2,206,740	-	-
Interest & dividends	84,493	-	-
Total receivables	2,783,825	230	200,710
Investments, at fair value:			
Fixed income securities	9,240,314	-	-
Equity investments	12,084,234	4,184,586	-
Real estate partnerships	2,226,896	-	-
Investment in private equity/debt	3,074,934	-	-
Real assets	1,665,875		
Securities lending collateral pool	426,933	-	-
Securities on loan with brokers	13,006	-	-
Total investments	28,732,192	4,184,586	-
Capital assets:			
Land	500	-	-
Other - depreciable (net)	23,498	55	-
Total capital assets	23,998	55	-
Other assets	815	17	-
TOTAL ASSETS	**31,853,870**	**4,214,792**	**487,977**
LIABILITIES			
Accounts payable & accruals	25,623	237	487,977
Foreign exchange contracts payable	2,209,594	-	-
Payable for investments purchased	602,300	-	-
Payable to brokers for rebate & collateral	426,629	-	-
TOTAL LIABILITIES	**3,264,146**	**237**	**487,977**
NET POSITION			
Restricted for:			
Pension/other postemployment benefits	28,589,724	-	-
Individuals, organizations & other entities	-	4,214,555	-
TOTAL NET POSITION	**$ 28,589,724**	**$ 4,214,555**	**$ -**

The notes are an integral part of the financial statements.

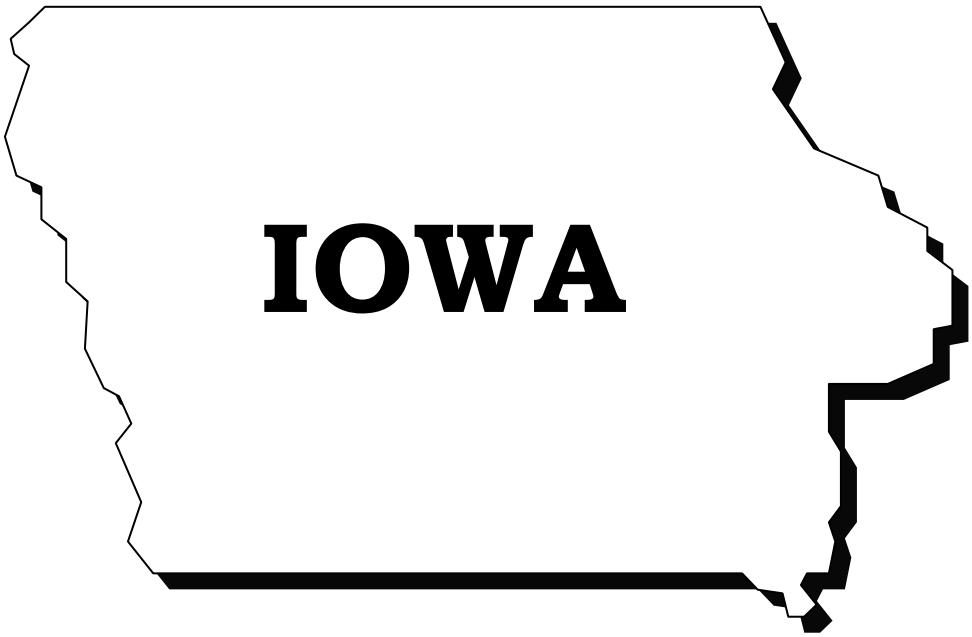
STATE OF IOWA

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Year Ended June 30, 2014
(Expressed in Thousands)

	PENSION & OTHER EMPLOYEE BENEFIT FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS		
Contributions:		
Member/participant contributions	$ 437,694	$ 363,116
Employer contributions	665,346	-
Buy-back/buy-in contributions	14,324	-
Other contributions	-	3,586
Gifts, bequests & endowments	-	2,774
Total contributions	1,117,364	369,476
Investment income:		
Net increase in fair value of investments	3,486,884	580,070
Interest	312,543	123
Dividends	120,026	-
Other	141,727	-
Total investment income	4,061,180	580,193
Less investment expense	65,196	-
Net investment income	3,995,984	580,193
TOTAL ADDITIONS	**5,113,348**	**949,669**
DEDUCTIONS		
Pension & annuity benefits	1,799,873	-
Distributions to participants	-	262,682
Payments in accordance with agreements	1,194	-
Administrative expense	15,082	-
Refunds	48,121	-
Other	-	1,795
TOTAL DEDUCTIONS	**1,864,270**	**264,477**
CHANGE IN NET POSITION	**3,249,078**	**685,192**
NET POSITION - JULY 1	**25,340,646**	**3,529,363**
NET POSITION - JUNE 30	**$ 28,589,724**	**$ 4,214,555**

The notes are an integral part of the financial statements.


IOWA

COMPONENT UNIT FINANCIAL STATEMENTS

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

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

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

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

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

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

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

STATE OF IOWA
Statement of Net Position
Component Units
June 30, 2014
(Expressed in Thousands)

	IOWA FINANCE AUTHORITY	IOWA ECONOMIC DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA FOUNDATION
ASSETS					
Current assets:					
Cash & investments	$ 537,836	$ 122,519	$ 19,264	$ 20,732	$ 582,702
Cash & investments - restricted	-	-	-	541	-
Accounts receivable	-	18,554	2,096	3,641	43,773
Interest receivable	6,369	-	90	11	-
Loans receivable (net)	86,813	4,360	-	-	-
Inventory	-	-	187	2,126	-
Prepaid expenses	-	104	-	118	356
Other assets	1,540	-	-	1,426	-
Total current assets	632,558	145,537	21,637	28,595	626,831
Noncurrent assets:					
Cash & investments	521,433	-	-	-	561,203
Accounts receivable	-	-	852	-	80,387
Loans receivable (net)	1,454,023	68,165	-	-	-
Capital assets - nondepreciable	716	-	11,023	1,984	106
Capital assets - depreciable (net)	2,300	125	60,929	6,261	19,267
Other assets	35,218	-	-	8,806	-
Total noncurrent assets	2,013,690	68,290	72,804	17,051	660,963
TOTAL ASSETS	**2,646,248**	**213,827**	**94,441**	**45,646**	**1,287,794**
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivatives	5,501	-	-	-	-
Debt refunding loss	3,167	-	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**8,668**	**-**	**-**	**-**	**-**
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	26,244	20,438	1,102	24,897	2,116
Interest payable	22,582	-	-	-	-
Unearned revenue	-	-	71	335	-
Compensated absences	-	717	355	728	-
Capital leases	-	-	-	-	690
Bonds payable	51,021	-	-	-	-
Funds held in custody	-	-	-	-	99,516
Total current liabilities	99,847	21,155	1,528	25,960	102,322
Noncurrent liabilities:					
Accounts payable & accruals	45,951	40	-	8,827	28,992
Compensated absences	-	1,384	1,154	1,345	-
Capital leases	-	-	-	-	3,070
Bonds payable	1,379,337	-	-	-	-
Funds held in custody	-	-	-	-	-
Total noncurrent liabilities	1,425,288	1,424	1,154	10,172	32,062
TOTAL LIABILITIES	**1,525,135**	**22,579**	**2,682**	**36,132**	**134,384**
NET POSITION					
Net investment in capital assets	3,016	125	71,952	6,877	15,613
Restricted for:					
Bond resolutions	878,700	-	-	-	-
Clean water and drinking program	157,564	-	-	-	-
Title guaranty program	77,533	-	-	-	-
Economic development	-	51,495	-	-	-
Other purposes	-	-	3,553	-	-
Nonexpendable - foundations	-	-	-	-	561,203
Expendable - foundations	-	-	-	-	562,831
Unrestricted	12,968	139,628	16,254	2,637	13,763
TOTAL NET POSITION	**$ 1,129,781**	**$ 191,248**	**$ 91,759**	**$ 9,514**	**$ 1,153,410**

The notes are an integral part of the financial statements.

(continued on next page)

STATE OF IOWA
Statement of Net Position
Component Units
June 30, 2014
(Expressed in Thousands)
(continued)

	IOWA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF NORTHERN IOWA FOUNDATION	UNIVERSITY OF IOWA RESEARCH FOUNDATION	UNIVERSITY OF IOWA HEALTH SYSTEM & SUBSIDIARIES	TOTAL COMPONENT UNITS
ASSETS					
Current assets:					
Cash & investments	$ 157,538	$ 19,027	$ 21,392	$ 19,632	$ 1,500,642
Cash & investments - restricted	-	-	-	-	541
Accounts receivable	20,466	1,656	836	1,877	92,899
Interest receivable	-	-	41	-	6,511
Loans receivable (net)	-	-	-	-	91,173
Inventory	-	-	-	624	2,937
Prepaid expenses	-	-	105	275	958
Other assets	-	124	-	-	3,090
Total current assets	178,004	20,807	22,374	22,408	1,698,751
Noncurrent assets:					
Cash & investments	608,416	108,888	-	-	1,799,940
Accounts receivable	84,996	4,559	-	-	170,794
Loans receivable (net)	1,609	-	-	-	1,523,797
Capital assets - nondepreciable	960	-	-	-	14,789
Capital assets - depreciable (net)	2,430	694	4	220	92,230
Other assets	4,805	1,596	276	-	50,701
Total noncurrent assets	703,216	115,737	280	220	3,652,251
TOTAL ASSETS	**881,220**	**136,544**	**22,654**	**22,628**	**5,351,002**
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivatives	-	-	-	-	5,501
Debt refunding loss	-	-	-	-	3,167
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**-**	**-**	**-**	**-**	**8,668**
LIABILITIES					
Current liabilities:					
Accounts payable & accruals	169	1,833	787	1,547	79,133
Interest payable	-	-	-	-	22,582
Unearned revenue	-	-	2	-	408
Compensated absences	550	-	-	-	2,350
Capital leases	-	-	-	-	690
Bonds payable	130	-	-	-	51,151
Funds held in custody	7,693	-	-	5,155	112,364
Total current liabilities	8,542	1,833	789	6,702	268,678
Noncurrent liabilities:					
Accounts payable & accruals	22,626	2,840	93	-	109,369
Compensated absences	-	-	-	-	3,883
Capital leases	-	-	-	-	3,070
Bonds payable	2,334	-	-	-	1,381,671
Funds held in custody	6,347	-	-	-	6,347
Total noncurrent liabilities	31,307	2,840	93	-	1,504,340
TOTAL LIABILITIES	**39,849**	**4,673**	**882**	**6,702**	**1,773,018**
NET POSITION					
Net investment in capital assets	927	694	4	220	99,428
Restricted for:					
Bond resolutions	-	-	-	-	878,700
Clean water and drinking program	-	-	-	-	157,564
Title guaranty program	-	-	-	-	77,533
Economic development	-	-	-	-	51,495
Other purposes	-	-	-	-	3,553
Nonexpendable - foundations	600,081	81,993	-	-	1,243,277
Expendable - foundations	214,629	40,986	-	-	818,446
Unrestricted	25,734	8,198	21,768	15,706	256,656
TOTAL NET POSITION	**$ 841,371**	**$ 131,871**	**$ 21,772**	**$ 15,926**	**$ 3,586,652**

STATE OF IOWA
Statement of Activities
Component Units
For the Year Ended June 30, 2014
(Expressed in Thousands)

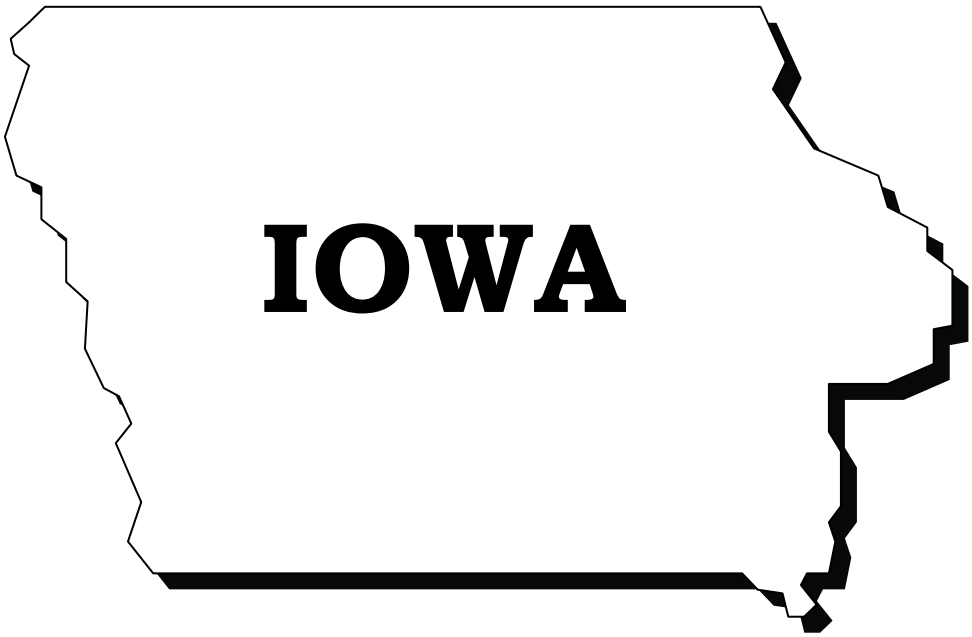
	IOWA FINANCE AUTHORITY	IOWA ECONOMIC DEVELOPMENT AUTHORITY	IOWA STATE FAIR AUTHORITY	IOWA LOTTERY AUTHORITY	UNIVERSITY OF IOWA FOUNDATION
Expenses	$ 124,106	$ 229,390	$ 22,208	$ 310,989	$ 115,389
Program revenues:					
Charges for services	18,586	1,024	21,570	314,160	-
Operating grants & contributions	64,648	173,918	2,977	-	123,833
Capital grants & contributions	-	-	225	-	-
Total program revenues	83,234	174,942	24,772	314,160	123,833
Net program (expenses) revenues	(40,872)	(54,448)	2,564	3,171	8,444
General revenues:					
Investment income	69,787	746	58	59	109,122
Other	-	5,165	1,259	-	-
Total general revenues	69,787	5,911	1,317	59	109,122
CHANGE IN NET POSITION	**28,915**	**(48,537)**	**3,881**	**3,230**	**117,566**
NET POSITION - JULY 1, RESTATED	**1,100,866**	**239,785**	**87,878**	**6,284**	**1,035,844**
NET POSITION - JUNE 30	**$ 1,129,781**	**$ 191,248**	**$ 91,759**	**$ 9,514**	**$ 1,153,410**

The notes are an integral part of the financial statements.

(continued on next page)

STATE OF IOWA
Statement of Activities
Component Units
For the Year Ended June 30, 2014
(Expressed in Thousands)
(continued)

	IOWA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF NORTHERN IOWA FOUNDATION	UNIVERSITY OF IOWA RESEARCH FOUNDATION	UNIVERSITY OF IOWA HEALTH SYSTEM & SUBSIDIARIES	TOTAL COMPONENT UNITS
Expenses	$ 97,122	$ 13,132	$ 6,619	$ 24,354	$ 943,309
Program revenues:					
Charges for services	-	-	3,503	23,222	382,065
Operating grants & contributions	92,164	26,482	-	-	484,022
Capital grants & contributions	-	-	-	-	225
Total program revenues	92,164	26,482	3,503	23,222	866,312
Net program (expenses) revenues	(4,958)	13,350	(3,116)	(1,132)	(76,997)
General revenues:					
Investment income	95,257	-	1,166	40	276,235
Other	-	-	240	-	6,664
Total general revenues	95,257	-	1,406	40	282,899
CHANGE IN NET POSITION	**90,299**	**13,350**	**(1,710)**	**(1,092)**	**205,902**
NET POSITION - JULY 1, RESTATED	**751,072**	**118,521**	**23,482**	**17,018**	**3,380,750**
NET POSITION - JUNE 30	**$ 841,371**	**$ 131,871**	**$ 21,772**	**$ 15,926**	**$ 3,586,652**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STATE OF IOWA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

Blended Component Units

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

- Iowa Public Television Foundation (Special Revenue and Permanent Funds) promotes and serves as a funding medium for Iowa Public Television (IPTV), a department of the State of Iowa. It solicits and manages gifts of money or property for the exclusive purpose of granting gifts of money or property to IPTV which has sole discretion as to the use of the money or property. IPTV provides support to the Foundation, including office space, equipment, website, legal services, television studio space and equipment, as well as, broadcast production staff. The State has the ability to control fund raising activities and operations as well as personnel decisions regarding the management of the Foundation. The Foundation exclusively benefits the State and provides services entirely to the State.
- Tobacco Settlement Authority (Special Revenue Fund) was created to issue bonds to securitize payments due to the State pursuant to the Master Settlement Agreement between the State and the five largest tobacco manufacturers. The Authority's board consists of the Treasurer of State, Auditor of State and the Director of the Department of Management. The State has the ability to impose its will on the Authority and its sole purpose is to provide a secure and stable source of revenue from the tobacco settlement for the State.
- 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.

Discretely Presented 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 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 Economic Development Authority (Proprietary) undertakes programs to enhance economic development and to provide certain finance programs. The eleven members of the board of directors are appointed by the Governor and confirmed by the Senate. The State is able to impose its will on the Authority.
- Iowa Agricultural Development Authority (Proprietary) all powers, duties, assets, liabilities, revenues and expenses were transferred pursuant to House File 607 to the Iowa Finance Authority effective July 1, 2013. (See NOTE 20 – BEGINNING BALANCE ADJUSTMENTS)
- 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)
- Iowa Lottery Authority (Proprietary) was created to operate the State Lottery. The five members of the board of directors are appointed by the Governor and confirmed by the Senate. The State has the ability to impose its will on the Authority 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.

  During the year ended June 30, 2014, the Iowa Lottery Authority distributed $72.2 million to the State of Iowa General Fund and $1.8 million to the Veteran's Trust Fund.
- The University related discretely presented component units below are private, nonprofit organizations that report under FASB standards, including FASB Statement No. 117, (*Financial Reporting for Not-for-Profit Organizations*). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the financial information; however, the assets, deferred outflows of resources, liabilities and deferred inflows of resources and revenues and expenses were reformatted to correspond to the State's reporting format for the Statement of Net Position and Statement of Activities.
  - The University of Iowa 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, and income thereon, are restricted to the activities of the Universities by the donors. Because the majority of these restricted resources can only be used by, or for the benefit of, the Universities, they are considered a component unit of the State and are discretely presented in the financial statements.

    During the year ended June 30, 2014, the Foundations distributed $179.4 million to the Universities for academic and institutional support.
  - University of Iowa Research Foundation (UIRF) (Proprietary) commercializes University of Iowa developed technologies and inventions through licensing and new venture formation and manages the subsequent revenue streams. The intention of the UIRF is to effectively manage University intellectual property to successful outcomes including: transferring University inventions to the marketplace for public benefit, generating significant income, operating as a self-sustaining operation, and supporting the research mission. Because the majority of these restricted resources can only be used by, or for the benefit of, the University of Iowa, they are considered a component unit of the State and are discretely presented in the financial statements.
  - University of Iowa Health System & Subsidiaries (Proprietary) was formed to support clinical, academic, and research programs of the University of Iowa College of Medicine and the University of Iowa Hospitals and Clinics. Because the majority of these restricted resources can only be used by, or for the benefit of, the University of Iowa, they are considered a component unit of the State and are discretely presented in the financial statements.

Related Organizations

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

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

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Fund Balance Reporting

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

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

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

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

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

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

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

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

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. Per Code of Iowa Section 12E.12.1.b(3)(b), the State's portion is then transferred to the Rebuild Iowa Infrastructure Fund.

The State reports the following major proprietary funds:

Enterprise Funds

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

The *Unemployment Benefits Fund* receives 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 legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizenry.

Proprietary Funds

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

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

Fiduciary Funds

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

Private Purpose Trust Funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations or other governments. Examples include Iowa Educational Savings Plan Trust, Veterans Affairs donations, Braille & Sight Saving School Fund and Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR-UP) Fund.

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

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

In fiscal year 2014, the State of Iowa implemented the following GASB standards:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* – This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.
- GASB Statement No. 66, *Technical Corrections – 2012* – The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
- GASB Statement No. 67, *Financial Reporting for Pension Plans* – The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Guarantees* – This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

Also, in fiscal year 2013, the State of Iowa early implemented GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations and related disclosures.

F. Cash, Investments and Securities Lending

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

Investment earnings of the investment pool are allocated to the individual funds as provided by statute. Income of $5,103,883 associated with certain funds has been assigned to other funds for fiscal year 2014.

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

The Treasurer may invest in obligations of the United States government, its agencies and instrumentalities; certificates of deposit in Iowa financial institutions; prime bankers' acceptances, commercial paper or other short-term corporate debt; repurchase agreements; investments authorized for Iowa Public Employees' Retirement System in section 97B.7A; money market mutual funds organized in trust form; obligations of the Iowa Finance Authority issued pursuant to Chapter 16 of the Code of Iowa and other investments as permitted by Section 12B.10 of the Code of Iowa.

Investments are 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. IPERS has derivatives that are reported on the Statement of Fiduciary Net Position at fair value. (See NOTE 15 – PENSION PLANS.)

Certain State institutions participate in the Iowa Public Agency Investment Trust (IPAIT), a state and local government pooled investment account, created by Code of Iowa 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 they present insignificant risk of changes in value because of changes in interest rates. In the Statements of Cash Flows, investments with an original maturity of three months or less are considered cash equivalents.

IPERS, PORS and JRS (together the "Systems") participate in a securities lending program 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% of the fair value of any U.S. securities lent and 105% of the fair value of any non-U.S. securities lent. Borrowers are required to provide additional collateral any time the value of the collateral drops below 100% of the value of the security lent plus accrued interest income. Securities received as collateral cannot be sold or pledged unless the borrower defaults.

At year-end, IPERS had $6,516 of credit risk exposure to borrowers because the amounts of collateral held on each loan exceeded 100% of the borrowed securities market value. 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 the borrowers owed PORS and JRS 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. The securities lending contracts do not allow the Systems to pledge or sell collateral securities received unless the borrower defaults. As of June 30, 2014, the Systems had securities on loan, including accrued interest income, with a total value of $415.5 million against collateral with a total value of $426.6 million.

The majority of securities loans are open loans, i.e. one day maturity, where the rebate rate due the borrower is renegotiated daily. All securities loans can be terminated on demand by either the Systems or the borrower. Cash collateral received from borrowers is invested in a cash collateral investment pool which is managed by the 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.)

The effective duration of the cash collateral pool at June 30, 2014, for IPERS was 0.0. Credit quality and years to maturity statistics for the cash collateral pool at June 30, 2014, for IPERS is as follows (expressed in thousands):

Securities Lending Collateral Pool

Investment Type	Fair Value	Credit Risk S&P Quality Rating	Investment Maturity (Years)
Overnight repurchase agreements	$ 413,555	Not rated	Less than 1

G. Accounts Receivable

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

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

H. Inventories

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

I. Prepaid Items

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

J. Capital Assets

Capital assets are reported in the government-wide 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. Interest incurred during the construction phase of capital assets of enterprise funds is generally included as part of the capitalized value of the assets constructed. Infrastructure and intangible assets, as defined by the State's policy, acquired after June 30, 1980, are reported. Reportable capital assets are defined by the State as assets above the following thresholds:

Infrastructure	$ 1,000,000
Intangible assets	$ 500,000
Land, buildings and improvements	$ 50,000
Equipment	$ 5,000

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

Infrastructure	10-50 years
Buildings	20-50 years
Improvements other than buildings	20-50 years
Intangible assets	5-20 years
Equipment	2-20 years
Vehicles	3-10 years

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

K. Deferred Outflows of Resources

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

L. Compensated Absences

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

M. Long-term Liabilities

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

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

In governmental fund types, bond discounts are recognized in the current period.

N. Deferred Inflows of Resources

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

O. Interfund Activity and Balances

Interfund Activity

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

Interfund Balances

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

P. Encumbrances

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

Q. Stabilization Arrangements (Reserve Funds)

The State maintains two funds for emergency expenditures: the Iowa Economic Emergency Fund and the Cash Reserve Fund. The Iowa Economic Emergency Fund and the Cash Reserve Fund were created in Iowa Code Sections 8.55 and 8.56.

The maximum balance of the Iowa Economic Emergency Fund is the amount equal to 2.5 percent of the adjusted revenue estimate for the fiscal year. The moneys in this fund may only be appropriated by the General Assembly for emergency expenditures and only in the fiscal year for which the appropriation is made.

The maximum balance of the Cash Reserve Fund is equal to 7.5 percent of the adjusted revenue estimate for the General Fund of the State for the current fiscal year. Moneys in this fund may be used for cash flow purposes provided that any moneys so allocated are returned to the fund by the end of each fiscal year. The moneys in this fund may only be appropriated by the General Assembly for payment of nonrecurring emergency expenditures and shall not be appropriated for payment of any collective bargaining agreement or arbitrator's decision negotiated or awarded. An appropriation shall not be made from this fund if the appropriation would cause the fund's balance to be less than 3.75 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.

The fund balances for the Iowa Economic Emergency Fund and the Cash Reserve Fund are included in the *committed* spendable fund balance classification.

R. Minimum Fund Balance Requirements

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

S. Budgeting and Budgetary Control

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

NOTE 2 – CASH, INVESTMENTS AND SECURITIES LENDING

A. Primary Government and Fiduciary Funds

Investments of the primary government and fiduciary funds at June 30, 2014, are scheduled as follows (expressed in thousands):

Primary Government

Investment Type	Fair Value
Fixed:	
U.S. government treasuries, notes & bonds	$ 209,404
U.S. government agency	2,940,490
Government asset & mortgage-backed	282,655
Corporate bonds	122,769
Corporate asset backed	18,175
Private placements	20,574
Fixed income mutual funds	982,473
Other fixed income	162,193
Commercial paper	3,000
Total fixed	4,741,733
Equity:	
U.S. equity	266,718
Private equity	31,979
Real estate	14,253
Non U.S. equity	215,995
Money market funds	656,967
Pooled & mutual funds	154,396
Repurchase agreements	116,296
Investment pools	1,755
Other	275,658
Total equity	1,734,017
Total invested assets	$ 6,475,750

Fiduciary Funds

Investment Type	Fair Value
Fixed:	
U.S. government treasuries, notes & bonds	$ 2,244,224
U.S. government agency	462,846
Government asset & mortgage-backed	1,492,541
Corporate bonds	2,599,611
Corporate asset backed	184,701
Private placements	1,261,707
Commingled bond funds	1,808,592
Other fixed income	30,883
Total fixed	10,085,105
Equity:	
U.S. equity	6,003,614
Private equity	3,072,298
Real estate	2,303,248
Commingled & mutual funds	11,136,240
Other	139,053
Total equity	22,654,453
Total invested assets	$ 32,739,558

Credit Risk

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

The Treasurer's investment policy requires that domestic commercial paper maturing within 270 days from the date of purchase have the highest rating of both Standard & Poor's and Moody's on the date of purchase. 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 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 University's operating portfolio shall be AA or Aa as rated by Standard & Poor's or Moody's, respectively; up to 20% of each University'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 maturing within 270 days 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 5% 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; obligations of the Iowa Finance Authority (Authority) provided at the time of purchase the Authority has an issuer credit rating within the two highest classifications or the obligations to be purchased are rated within the two highest classifications, as established by at least one of the standard rating services; corporate debt with a maturity of greater than 270 days that is rated investment grade by Standard & Poor's or Moody's (at least BBB- or Baa3, respectively), or by another Nationally Recognized Statistical Rating Organization (NRSRO), including Rule 144A Securities 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 University's endowment fixed income portfolio shall be AA or Aa as rated by Standard & Poor's or Moody's, respectively; up to 20% of each University'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 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.

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

The State's exposure to credit risk for the fixed income investments of the primary government and fiduciary funds at June 30, 2014, 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
U.S. government treasuries, notes & bonds	$ 128,474	$ -	$ 80,930	$ -	$ -	$ -
U.S. government agency	-	4,397	301,578	2,634,338	-	-
Government asset & mortgage-backed	-	-	143	282,512	-	-
Corporate bonds	-	-	10,133	22,765	72,309	9,163
Corporate asset backed	-	-	13,932	-	-	-
Private placements	-	-	6,027	12,529	3	13
Fixed income mutual funds	56,631	-	12,920	279,045	64,947	16,110
Other fixed income	-	-	-	1,023	15,505	-
Total	$ 185,105	$ 4,397	$ 425,663	$ 3,232,212	$ 152,764	$ 25,286

(continued)

Credit Risk - S & P Quality Ratings
Primary Government
(continued)

Investment Type	BB	B	CC & Below	A1+P1	A1+P2	NR
U.S. government agency	$ -	$ -	$ -	$ -	$ -	$ 177
Corporate bonds	-	-	-	-	-	8,399
Corporate asset backed	-	-	-	-	-	4,243
Private placements	-	-	-	-	-	2,002
Fixed income mutual funds	80,518	212,312	4,680	-	-	255,310
Other fixed income	-	-	-	-	-	145,665
Commercial paper	-	-	-	1,500	1,500	-
Total	$ 80,518	$ 212,312	$ 4,680	$ 1,500	$ 1,500	$ 415,796

Credit Risk - S & P Quality Ratings
Fiduciary Funds

Investment Type	TSY	AGY	AAA	AA	A
U.S. government treasuries, notes & bonds	$ 2,244,224	$ -	$ -	$ -	$ -
U.S. government agency	-	20,150	289	22,391	54,586
Government asset & mortgage-backed	-	168,475	55,155	858,080	36,779
Corporate bonds	-	-	30,649	151,975	537,458
Corporate asset backed	-	-	42,199	50,146	6,677
Private placements	-	-	94,753	53,758	116,617
Commingled bond funds	1,077,383	40,998	492,421	33,109	79,874
Other fixed income	-	-	3,992	9,996	14,586
Total	$ 3,321,607	$ 229,623	$ 719,458	$ 1,179,455	$ 846,577

(continued)

Credit Risk - S & P Quality Ratings
Fiduciary Funds
(continued)

Investment Type	BBB	BB	B	Below B	NR
U.S. government agency	$ 131,036	$ 42,919	$ 37,332	$ 3,949	$ 150,194
Government asset & mortgage-backed	18,971	3,598	21,046	26,083	304,354
Corporate bonds	808,816	576,639	409,499	48,998	35,577
Corporate asset backed	1,052	13,837	13,884	19,583	37,323
Private placements	237,384	318,237	231,999	50,062	158,897
Commingled bond funds	84,358	-	-	-	449
Other fixed income	60	1,212	153	-	884
Total	$ 1,281,677	$ 956,442	$ 713,913	$ 148,675	$ 687,678

Interest Rate Risk

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

The Treasurer manages interest rate risk by utilizing a buy-and-hold strategy, maturity limitations and 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 ten years, a U.S. government agency note or bond or a U.S. government instrumentality note or bond with a maturity that exceeds 61 months at the time of purchase. (The 61-month maturity limitation for 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-backed security that has an expected average life greater than two years at the time of purchase, and a final maturity greater than three years at the time of purchase. The maturities of commercial paper and bankers' acceptances shall not exceed 270 days at the time of purchase. The maturities of all other investments shall not exceed 25 months at the time of purchase.

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

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

The Universities' policies for the operating portfolio prohibit investment in securities that at the time of purchase have effective maturities exceeding 63 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.

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 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 of IPERS' fixed income portfolios are managed in accordance with investment contracts that require 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, 2014, is summarized using the effective duration method, as follows (expressed in thousands):

Primary Government

Investment Type	Fair Value	Effective Duration (Years)
U.S. government treasuries, notes & bonds	$ 209,404	2.26
U.S. government agency	2,940,490	1.08
Government asset & mortgage-backed	282,655	0.43
Corporate bonds	122,769	0.74
Corporate asset backed	18,175	0.23
Private placements	20,574	0.18
Fixed income mutual funds	982,473	3.02
Other fixed income	162,193	0.25
Commercial paper	3,000	0.06
Total	$ 4,741,733	1.45

Fiduciary Funds

Investment Type	Fair Value	Effective Duration (Years)
U.S. government treasuries, notes & bonds	$ 2,244,224	6.18
U.S. government agency	462,846	6.57
Government asset & mortgage-backed	1,492,541	3.02
Corporate bonds	2,599,611	5.41
Corporate asset backed	184,701	0.55
Private placements	1,261,707	4.63
Commingled bond funds	1,808,592	6.39
Other fixed income	30,883	9.19
Total	$ 10,085,105	5.28

Foreign Currency Risk

Foreign currency risk is the risk changes in exchange rates will adversely impact the fair value of an investment. IPERS allows its investment managers the discretion to hedge their foreign currency exposures. PORS' external managers may or may not hedge the portfolios' foreign currency exposures with forward foreign exchange contracts, currency options, currency futures or options on currency futures depending upon their views on a specific foreign currency relative to the U.S. dollar. IPERS generally does not allow its investment managers to enter into currency positions greater than 100 percent or less than 0 percent of the underlying asset exposure in

their respective portfolios. The only exceptions are (1) as it relates to specific cross-hedging activity, which may be permitted in certain investment manager contracts, and (2) in global macro investment strategies where the manager is permitted to tactically allocate across several asset classes and strategies, including currency. IPERS' net foreign currency exposure of the global macro managers was less than 1% of IPERS' total foreign currency exposure on June 30, 2014. Foreign currency risk by investment type for the pension system fiduciary funds, at June 30, 2014, follows (expressed in thousands):

	Total	Cash	Derivatives	Equity	Fixed Income
Argentine peso	$ 1	$ 1	$ -	$ -	$ -
Australian dollar	125,251	(75,914)	(3,722)	160,696	44,191
Brazilian real	58,660	902	-	43,590	14,168
British pound	460,893	188,660	394	246,841	24,998
Canadian dollar	61,879	63,554	(2,095)	420	-
Chilean peso	1,864	-	-	1,579	285
Columbian peso	3,330	112	-	3,167	51
Czech koruna	1,920	-	-	1,920	-
Danish krone	30,081	142	-	29,939	-
Euro	719,330	(271,131)	(5,645)	897,238	98,868
Hong Kong dollar	235,438	1,767	164	233,243	264
Iceland krona	45	45	-	-	-
Indian rupee	39,799	22	-	39,486	291
Indonesian rupiah	11,124	2	-	11,122	-
Japanese yen	548,013	87,002	(686)	461,697	-
Malaysian ringgit	11,241	-	-	11,241	-
Mexican peso	61,677	771	-	22,118	38,788
New Zealand dollar	(25,272)	(37,159)	-	1,313	10,574
Norwegian krone	105,231	72,376	-	32,855	-
Peruvian nuevo sol	222	-	-	222	-
Philippine peso	6,664	-	-	6,664	-
Polish zloty	972	-	-	972	-
Pound sterling	387	-	-	-	387
Russian ruble	8,721	-	-	8,721	-
Singapore dollar	(36,251)	(64,744)	-	27,662	831
South African rand	15,079	74	-	15,005	-
South Korean won	144,235	(872)	-	145,107	-
Swedish krona	(78,946)	(96,352)	-	17,406	-
Swiss franc	(94,735)	(181,794)	-	87,059	-
Taiwanese dollar	68,360	37	-	68,323	-
Thai baht	7,959	(4,148)	-	12,107	-
Turkish lira	13,252	-	-	13,252	-
Total	$ 2,506,424	$ (316,647)	$ (11,590)	$ 2,600,965	$ 233,696

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 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 for deposits is the risk the State's deposits may not be returned to it in the event of a bank failure. Protection from custodial credit risk exists for the State's deposits in excess of FDIC insurance coverage. Banks in Iowa which accept public funds deposits are required to pledge collateral in an amount equal to, or in excess of, the total amount by which the public funds deposits in the bank exceed the total capital of the bank. If a bank fails, the Treasurer would liquidate any collateral 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 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 Systems have no formal policy for custodial credit risk. The $712.2 million total combined bank deposits of the primary government and fiduciary funds at June 30, 2014, was exposed to custodial credit risk for $154.7 million of uninsured and uncollateralized bank deposits, of which $153.7 million was invested in money market funds as cash equivalents.

Investments: Custodial credit risk for investments is the risk the State will not be able to recover the value of its investment or collateral securities in the possession of an outside party in the event of a failure of the counterparty. The Treasurer's investment policy requires that all pooled investments be held by a third party custodian while the Universities and Systems have no formal policy for investment custodial credit risk. Of the $39,215.3 million total combined investments of the primary government and fiduciary funds at June 30, 2014, $1,754.9 million was exposed to custodial credit risk as uninsured and unregistered, with the securities held by the counterparty or by its trust department or agent but not in the State's name.

The State's Unemployment Benefits Fund had $861.5 million on deposit with the U.S. Treasury. This amount is presented as cash and investments but is not included in the carrying amounts of deposits nor is it categorized according to risk because it is neither a deposit with a financial institution nor an investment.

Deposits with Trustees

Deposits with trustees totaled $213.7 million at June 30, 2014. $15.6 million was invested in fixed U.S. government treasury securities with an effective duration of 5.21 years, $8.0 million was invested in fixed U.S. government agency securities with an effective duration of 0.88 years and a credit quality rating of AAA, $183.0 million was invested in equity securities not subject to credit quality ratings and the remaining $7.1 million were cash and cash equivalents.

B. Component Units

Investments of the component units at June 30, 2014, are scheduled as follows (expressed in thousands):

Investment Type	Fair Value
Fixed:	
U.S. government treasuries, notes & bonds	$ 31,368
U.S. government agency	91,122
Government asset & mortgage-backed	464,419
Corporate bonds	10,587
Guaranteed investment contracts	50,716
Total fixed	648,212
Equity:	
Pooled & mutual funds	331
Total invested assets	$ 648,543

Cash and investments of $2,078.8 million for the University related component units are not subject to GASB disclosure requirements.

Credit Risk

Credit risk is the risk 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, 2014, is summarized by credit quality ratings, as follows (expressed in thousands):

Credit Risk - S & P Quality Ratings

Investment Type	TSY	AGY	AA	A	NR
U.S. government treasuries, notes & bonds	$ 31,368	$ -	$ -	$ -	$ -
U.S. government agency	-	88,642	2,480	-	-
Government asset & mortgage-backed	-	301,081	163,338	-	-
Corporate bonds	-	-	-	10,587	-
Guaranteed investment contracts	-	-	8,126	35,133	7,457
Total	$ 31,368	$ 389,723	$ 173,944	$ 45,720	$ 7,457

Interest Rate Risk

Interest rate risk is the risk 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, 2014, is summarized using the weighted average maturity method, as follows (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. government treasuries, notes & bonds	$ 31,368	3.48
U.S. government agency	91,122	2.87
Government asset & mortgage-backed	464,419	23.33
Corporate bonds	10,587	2.39
Guaranteed investment contracts	50,716	0.50
Total	$ 648,212	17.36

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

- The University of Iowa's spending rule adjusts dollar payouts by the trailing calendar year Consumer Price Index (inflation rate). Total payout is banded at no less than 4% and no greater than 6% of calendar year-end market values.
- Iowa State University's spending rule is 5.5%, including a 1.25% administrative fee, of the three-year moving market average.
- The University of Northern Iowa's spending rule is 5.0% of the three-year moving average of the market value of the fund.

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

	Amount	Net Position Classification
University of Iowa	$ 14,288,309	Restricted nonexpendable net position
Iowa State University	6,847,691	Restricted expendable net position
University of Northern Iowa	723,470	Restricted expendable net position

D. Derivatives

Fiduciary Funds

GASB Statement No. 53 requires the fair value of financial arrangements called "derivatives" or "derivative instruments" be reported in the financial statements of state and local governments. The statement further requires that derivatives be categorized as either a hedging derivative or an investment derivative. All of IPERS' derivative exposures at June 30, 2014, are categorized as investment derivatives and, therefore, the hedge accounting provisions of GASB Statement No. 53 are not applicable.

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

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

Futures and Options Contracts: IPERS had investments in various futures and options during the year. These contracts are reported at their fair value in the Statement of Net Position.

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

Schedules of futures and options contracts outstanding at June 30, 2014, follow (expressed in thousands):

Futures Exposure Summary

	Expiration Date	Long/Short	Notional Value	Fair Value
Amsterdam Index	July 2014	Long	$ 20,694	$ (98)
CAC 40 Euro Index	July 2014	Long	6,235	(60)
Hang Seng Index	July 2014	Long	27,113	164
IBEX 35 Index	July 2014	Short	(28,098)	304
10-year Australian bonds	September 2014	Short	(1,005,718)	(2,239)
10-year Canadian bonds	September 2014	Short	(224,796)	(2,061)
DAX Index	September 2014	Long	90,413	(643)
Euro Bonds	September 2014	Short	(236,990)	(3,336)
Euro OAT	September 2014	Short	(59,625)	(914)
FTSE 100 Index	September 2014	Short	(55,032)	182
FTSE/MIB Index	September 2014	Short	(2,877)	105
10-year Japanese bonds	September 2014	Short	(256,396)	(958)
10-year Japanese minibonds	September 2014	Short	(3,153)	(10)
E-mini (S&P 500)	September 2014	Long	126,901	669
S&P Canada 60	September 2014	Short	(2,723)	(34)
SPI 200 Index	September 2014	Short	(26,462)	135
TOPIX Index	September 2014	Long	51,212	1,130
U.K. Long Gilt	September 2014	Long	300,315	213
10-year U.S. Treasury notes	September 2014	Long	270,782	716
2-year U.S. Treasury notes	September 2014	Short	(138,651)	87
5-year U.S. Treasury notes	September 2014	Short	(383,329)	698
U.S. Treasury bonds	September 2014	Short	(45,037)	(509)
U.S. Ultra Bonds	September 2014	Long	32,181	205
30-year U.S. swap rate	September 2014	Short	(2,550)	(50)
90-day Eurodollar	March 2015	Short	(480,880)	(405)
90-day Eurodollar	December 2015	Long	124,195	131
90-day Eurodollar	June 2018	Short	(117,985)	(380)
Total			$ (2,020,261)	$ (6,958)

Options Exposure Summary

	Expiration Date	Long/Short	Type	Strike Price	Fair Value
90-day Eurodollar	December 2014	Short	Call	$ 99.50	$ (54)
90-day Eurodollar	December 2014	Short	Put	99.50	-
Eurodollar 2-year mid-curve	September 2014	Long	Put	97.95	26
Eurodollar 3-year mid-curve	July 2014	Long	Put	97.00	2
U.S. Treasury bonds	July 2014	Short	Call	138.00	(103)
U.S. Treasury bonds	July 2014	Long	Call	139.00	54
5-year U.S. Treasury notes	July 2014	Long	Call	119.75	85
10-year U.S. Treasury notes	July 2014	Short	Put	123.00	(38)
10-year U.S. Treasury notes	July 2014	Long	Put	124.00	81
10-year U.S. Treasury notes	July 2014	Long	Put	122.00	7
Total					$ 60

Credit Default Swaps: IPERS had investments in credit default swaps during the year. The credit default swaps held by IPERS are derivative instruments used to hedge or to replicate investments in debt obligations of corporate bond issuers. The risk of the credit default swap is comparable to the credit risk of the reference security. At June 30, 2014, the net notional value of the credit default swaps held in IPERS' fixed income portfolio was $(18.1) million. The credit default swaps are reported at a fair value of $(1.0) million in the Statement of Net Position.

Interest Rate Swaps: Interest rate swaps are transactions between two parties in which interest payments from different indexes are swapped. Interest rate swaps are often used to alter the portfolios' exposure to interest rate fluctuations by swapping fixed-rate obligations for floating-rate obligations or swapping floating-rate obligations for fixed-rate obligations. By utilizing interest rate swaps, IPERS' investment managers are able to alter their interest rate exposure and bring it in line with their strategic objectives for interest rate risk. At June 30, 2014, the net notional value of the interest rate swaps held in IPERS' fixed income portfolio was $(111.9) million. All interest rate swaps held by IPERS' are reported at a fair value of $(5.3) million in the Statement of Net Position.

Total Return Swaps: A total return swap is a contract in which two parties swap payments based on the total return of a reference asset. The reference asset may be any asset, index, or basket of assets. At June 30, 2014, the net notional value of the total return swaps held in IPERS' fixed income portfolio was $(50.0) million. The total return swaps held by IPERS are reported at a fair value of $113,300 in the Statement of Net Position.

Component Units

Iowa Finance Authority (Authority), a discretely presented component unit of the State, has derivative instruments to manage and reduce exposure to adverse fluctuations in interest rates and to lower the overall cost of financing. The derivatives consist of swap, cap and corridor agreements entered into in connection with its issuance of variable rate mortgage revenue bonds.

The Authority reports hedging derivative instruments as either deferred inflows or outflows and investing derivative instruments as investments. The change in the fair value of the investing derivative instruments is reported in the statement of revenues, expenses and changes in net position.

Swap agreements allow the Authority to raise funds at variable rates and swap them into fixed rates that are lower than those available if fixed rate borrowings were made directly. These contracts involve the exchange of variable rate for fixed rate payments between parties, without the exchange of the underlying debt, based on a common notional amount and maturity date.

The terms of the swap hedging derivative instruments outstanding at June 30, 2014, follow (expressed in thousands):

Bond Series	2014 Notional Amount	Effective Date	Termination Date	Term		Counterparty Rating
				Pay	Receive	
SF 2004 B	$ 7,350	12/2/2004	7/1/2034	4.028%	Enhanced LIBOR	A2
SF 2004 D	8,040	2/3/2005	7/1/2020	4.007%	SIFMA Swap Index + 0.10% or various LIBOR + Spread	Aa2
SF 2004 G	9,830	6/1/2005	7/1/2034	3.867%	Enhanced LIBOR	A2
SF 2005 C	4,315	11/1/2005	1/1/2036	4.140%	SIFMA Swap Index + 0.10% or various LIBOR + Spread	Aa2
SF 2005 E	10,995	1/1/2011	1/1/2036	3.817%	Enhanced LIBOR	A2
SF 2005 H	8,185	1/1/2011	7/1/2036	3.843%	SIFMA Swap Index + 0.10% or various LIBOR + Spread	Aa2
SF 2006 C	12,000	9/1/2006	1/1/2036	3.760%	Enhanced LIBOR	A2
SF 2006 F	4,165	11/1/2006	7/1/2036	4.632%	SIFMA Swap Index + 0.10%	Aa2
SF 2007 C	15,405	3/8/2007	7/1/2025	5.289%	LIBOR	A2
SF 2007 G	12,775	7/12/2007	1/1/2019	5.493%	LIBOR	Aa2
SF 2007 M	11,215	12/12/2007	7/1/2021	4.373%	LIBOR	Aa2
SF 2007 N	4,780	12/12/2007	1/1/2039	4.364%	SIFMA Swap Index + 0.06%	Aa2
MF 2008 A	3,650	4/17/2008	6/1/2024	3.971%	SIFMA Swap Index + 0.08%	A2
SF 2008 B	6,345	1/1/2011	1/1/2039	4.470%	SIFMA Swap Index + 0.06%	A2
SF 2008 C	12,770	4/16/2008	1/1/2026	3.880%	LIBOR	A2
SF 2008 F	17,330	10/1/2008	1/1/2039	4.529%	SIFMA Swap Index + 0.08%	A2
SF 2008 G	9,110	10/1/2008	7/1/2018	4.173%	LIBOR	A2

Interest rate cap derivatives are instruments where payments are received at the end of each period based on a notional amount, when the interest rate exceeds the agreed upon strike rate. A corridor agreement is an interest rate cap with an upper limit, or ceiling, where the cap ceases to pay above the ceiling rate. Terms of the cap and corridor derivative instruments outstanding at June 30, 2014, follow (expressed in thousands):

Bond Series	2014 Notional Amount	Effective Date	Termination Date	Strike Rate	Ceiling Rate
MF 2007 B	$ 9,300	6/14/2007	1/1/2024	4.5% SIFMA until 7/14/2014 5% SIFMA until 7/1/2019 5.5% SIFMA thereafter	n/a
MF 2007A	12,285	7/1/2012	7/1/2015	3% SIFMA	n/a
MF B-1	11,257	7/1/2012	7/1/2015	6% LIBOR	n/a

The fair value balances of derivative instruments outstanding at June 30, 2014, classified by type, and change in the fair value of such derivative instruments as reported in the financial statements are as follows (expressed in thousands):

Bond Series	Type	Fair Value, June 30 2014	Fair Value, June 30 2013	Change in Fair Value
Hedging derivatives:				
SF 2004 B	Swap	$ 89	$ (105)	$ 194
SF 2004 D	Swap	45	(232)	277
SF 2004 G	Swap	(175)	(375)	200
SF 2005 C	Swap	(390)	(880)	490
SF 2005 E	Swap	(339)	(575)	236
SF 2005 H	Swap	(532)	(1,009)	477
SF 2006 C	Swap	(863)	(1,017)	154
SF 2006 F	Swap	(411)	(813)	402
SF 2007 C	Swap	(2,032)	(2,527)	495
SF 2007 G	Swap	(1,079)	(1,692)	613
SF 2007 M	Swap	(835)	(1,198)	363
SF 2007 N	Swap	(469)	(481)	12
SF 2008 C	Swap	(759)	(1,072)	313
SF 2008 F	Swap	(1,047)	(1,226)	179
SF 2008 G	Swap	(500)	(819)	319
SF 2008 B	Swap	(444)	(529)	85
MF 2007 A	Cap	-	1	(1)
MF 2007 B	Cap	132	239	(107)
MF 2008 A	Swap	(562)	(561)	(1)
MF 2011 B1	Cap	-	1	(1)
Total hedging derivatives		$ (10,171)	$ (14,870)	$ 4,699
Investment derivatives:				
SF 2007 C	Swap	$ (53)	$ (81)	$ 28
SF 2007 G	Swap	51	55	(4)
Forward MBS sales		(26,950)	(25,600)	(1,350)
Total investment derivatives		$ (26,952)	$ (25,626)	$ (1,326)

The fair value of the interest rate swaps (including the corridor agreement) and forward MBS sales were estimated based on an independent pricing service. The valuations provided were derived from proprietary models based upon well-recognized principles and estimates about relevant future market conditions. The fair values take into

consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the interest rate swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the interest rate swaps. Fair values of options are based on option pricing models such as the Black-Scholes-Merton model, or any of the short-rate models of interest rate, or other market standard models consistent with accepted practices in the market for interest rate products. The models consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions.

The fair values of the interest rate cap and the forward contract were estimated based on the present value of their estimated future cash flows.

On August 28, 2013, the Authority entered into an agreement that transferred nine derivative instruments totaling approximately $90.5 million in notional value from UBS AG, rated A by Standard & Poor's (S&P), to Bank of New York Mellon, rated AA- by S&P. The transaction resulted in a terminating event under GASB Statement No. 53, which required the Authority to recognize a net noncash loss of $5.9 million.

Risks Associated and Derivative Transactions:

Credit risk. The Authority is exposed to credit risk on hedging derivatives instruments that are in asset positions. The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2014, was $266,000. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

Bank of New York Mellon and Goldman Sachs Bank USA are currently counterparties under the derivatives agreements with the Authority. Bank of New York Mellon and Goldman Sachs Bank USA are currently rated Aa3 by Moody's.

With respect to counterparty risk, the Authority will also manage the agreements and all transactions entered into with Bank of New York Mellon and Goldman Sachs Bank USA to ensure that the Authority's exposure to either of its counterparties does not exceed a proper amount.

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

Basis risk. Basis risk refers to a mismatch between the interest rate received from the derivative counterparty and the interest rate actually owed on the Authority's bonds. Specifically, the Authority's basis risk is that the variable interest payment received from the counterparty will be less than the actual variable interest payments owed on the Authority's variable rate bonds. The mismatch between the Authority's actual bond rate and the derivative rate is the Authority's basis risk. As of June 30, 2014, the weighted average interest rate of the Authority's hedged variable rate debt is 4.15%, while the SIFMA swap index rate is 0.04%. LIBOR is 0.12% at June 30, 2014.

Termination risk. Termination risk is the risk the swap could be terminated as a result of any of several events, which may include a ratings downgrade of the Authority's single family mortgage bonds or of Bank of New York Mellon or Goldman Sachs Capital Markets, LP covenant violation by a party, bankruptcy of a party, swap payment default by a party, and default events as defined in the Authority's single family bond resolution; however, the Authority believes the likelihood of any such termination event is remote.

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

NOTE 3 – TRANSFERS

Interfund transfers for the year ended June 30, 2014, consisted of the following (expressed in thousands):

	Transferred In				
Transferred Out	General Fund	Nonmajor Governmental Funds	University Funds	Nonmajor Enterprise Funds	Total
General Fund	$ -	$ 52,279	$ 654,768	$ 28,887	$ 735,934
Tobacco Collections Fund	-	15,753	-	-	15,753
Nonmajor Governmental Funds	51,839	1,236	-	-	53,075
Unemployment Benefits Fund	5,405	-	-	-	5,405
Nonmajor Enterprise Funds	102,624	-	-	-	102,624
Total	$ 159,868	$ 69,268	$ 654,768	$ 28,887	$ 912,791

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

NOTE 4 – RECEIVABLES

Receivables at June 30, 2014, consisted of the following (expressed in thousands):

		Proprietary Funds		
	Governmental Funds	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds	Component Units
Accounts receivable:				
Taxes	$ 557,426	$ 938	$ -	$ -
Pledges	2,766	-	-	236,807
Benefit overpayments	-	61,667	-	-
Employer contributions	-	182,177	-	-
Grants & contracts	986,191	790,775	-	-
Other	804,956	122,947	2,507	57,823
Less allowance for doubtful accounts	601,773	488,584	-	6,772
Less discount to present value	-	-	-	24,165
Accounts receivable (net)	$ 1,749,566	$ 669,920	$ 2,507	$ 263,693
Current	$ 1,650,921	$ 662,719	$ 2,507	$ 92,899
Noncurrent	98,645	7,201	-	170,794
Total	$ 1,749,566	$ 669,920	$ 2,507	$ 263,693
Loans receivable:				
Loans receivable	$ 33,583	$ 75,831	$ -	$ 1,706,659
Less allowance for doubtful accounts	14,054	3,463	-	91,689
Loans receivable (net)	$ 19,529	$ 72,368	$ -	$ 1,614,970
Current	$ 5,342	$ 7,354	$ -	$ 91,173
Noncurrent	14,187	65,014	-	1,523,797
Total	$ 19,529	$ 72,368	$ -	$ 1,614,970

NOTE 5 – INTERFUND BALANCES

Interfund balances for the year ended June 30, 2014, consisted of the following (expressed in thousands):

	Due From Other Funds/Advances To Other Funds						
Due To Other Funds/ Advances From Other Funds	General Fund	Tobacco Settlement Authority	Nonmajor Governmental Funds	Unemployment Benefits Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total
General Fund	$ -	$ -	$ 4,028	$ 562	$ 47	$ 66,602	$ 71,239
Tobacco Settlement Authority	-	-	125	-	-	-	125
Tobacco Collections Fund	-	168,208	-	-	-	-	168,208
Nonmajor Governmental Funds	22,694	-	21	-	-	22	22,737
Unemployment Benefits Fund	822	-	-	-	-	-	822
Nonmajor Enterprise Funds	11,905	-	-	-	2	30	11,937
Internal Service Funds	440	-	70	-	-	11,157	11,667
Total	$ 35,861	$ 168,208	$ 4,244	$ 562	$ 49	$ 77,811	$ 286,735

$54.1 million is due from the General Fund to the Workers' Compensation Fund (an Internal Service Fund) to fund the cost of claims incurred. Remaining interfund balances result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Not included in the table above, and not expected to be repaid within one year, is an interfund advance of $186.5 million due from the Tobacco Collections Fund (a Special Revenue Fund) to the Tobacco Settlement Authority (a blended component unit classified as a Special Revenue Fund) for repayment of bonds issued by the Authority, the proceeds of which were provided to the State. The interfund advance will be reduced by pledged tobacco settlement moneys received.

(Notes continue on next page.)

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows (expressed in thousands):

	Beginning Balance	Reclass-ifications	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated:					
Land	$ 757,793	$ 232	$ 39,570	$ 2,977	$ 794,618
Construction in progress	263,464	(123,011)	72,913	-	213,366
Computer software in progress	80,042	(57,139)	47,241	-	70,144
Total capital assets not being depreciated	1,101,299	(179,918)	159,724	2,977	1,078,128
Capital assets being depreciated:					
Infrastructure	11,240,307	5,278	675,387	9,557	11,911,415
Works of art and historical treasures	1,415	-	-	-	1,415
Land improvements	56,248	2,807	1,532	-	60,587
Buildings and improvements	1,449,973	102,069	13,374	4,088	1,561,328
Machinery, equipment and vehicles	514,336	12,625	44,770	22,846	548,885
Computer software	25,863	57,139	3,181	-	86,183
Total capital assets being depreciated	13,288,142	179,918	738,244	36,491	14,169,813
Less accumulated depreciation for:					
Infrastructure	5,505,116	-	436,411	8,693	5,932,834
Works of art and historical treasures	186	-	15	-	201
Land improvements	19,668	-	1,758	-	21,426
Buildings and improvements	623,748	-	36,640	2,235	658,153
Machinery, equipment and vehicles	330,622	-	37,817	20,863	347,576
Computer software	13,172	-	5,594	-	18,766
Total accumulated depreciation	6,492,512	-	518,235	31,791	6,978,956
Total capital assets being depreciated (net)	6,795,630	179,918	220,009	4,700	7,190,857
Governmental activities capital assets (net)	$7,896,929	$ -	$379,733	$ 7,677	$8,268,985

(continued on next page)

(continued)

	Beginning Balance	Reclass-ifications *	Increases	Decreases	Ending Balance
Business-type activities					
Capital assets not being depreciated:					
Land	$ 85,343	$ -	$ 14	$ -	$ 85,357
Land improvements	5,733	-	-	-	5,733
Construction in progress	533,732	(313,037)	480,831	176	701,350
Computer software in progress	15,890	(10,177)	10,614	727	15,600
Works of art	33,716	-	83	8,829	24,970
Library collections	285,568	-	15,275	1,892	298,951
Total capital assets not being depreciated	959,982	(323,214)	506,817	11,624	1,131,961
Capital assets being depreciated:					
Infrastructure	876,050	68,103	-	-	944,153
Library collections	255,741	-	10,998	1,006	265,733
Land improvements	70,606	1,146	-	-	71,752
Buildings and improvements	4,512,708	251,620	57	3,436	4,760,949
Machinery, equipment and vehicles	1,034,683	(2,984)	95,564	57,760	1,069,503
Trademarks	107	-	-	-	107
Goodwill	2,302	-	-	-	2,302
Computer software	92,301	5,329	3,040	516	100,154
Total capital assets being depreciated	6,844,498	323,214	109,659	62,718	7,214,653
Less accumulated depreciation for:					
Infrastructure	515,620	1,496	28,756	228	545,644
Library collections	205,770	-	10,795	1,006	215,559
Land improvements	39,802	-	2,613	-	42,415
Buildings and improvements	2,039,009	-	144,294	2,040	2,181,263
Machinery, equipment and vehicles	677,311	(1,496)	79,474	53,127	702,162
Trademarks	17	-	7	-	24
Goodwill	375	-	154	-	529
Computer software	39,335	-	8,109	441	47,003
Total accumulated depreciation	3,517,239	-	274,202	56,842	3,734,599
Total capital assets being depreciated (net)	3,327,259	323,214	(164,543)	5,876	3,480,054
Business-type activities capital assets (net)	$4,287,241	$ -	$342,274	$ 17,500	$4,612,015

* Iowa Communications Network reclassified assets and accumulated depreciation, from machinery, equipment and vehicles to infrastructure, totaling $4.2 million and $1.5 million, respectively.

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

Governmental activities:	
Administration & regulation	$ 9,825
Education	5,116
Health & human rights	4,016
Human services	8,182
Justice & public defense	28,767
Economic development	559
Transportation	439,636
Agriculture & natural resources	6,485
Subtotal	502,586
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	15,649
Total	$ 518,235
Business-type activities:	
Enterprise	$ 274,202

Discretely Presented Component Units (expressed in thousands)

Capital assets not being depreciated:	
Land	$ 11,064
Construction in progress	3,725
Total capital assets not being depreciated	14,789
Capital assets being depreciated:	
Infrastructure	10,798
Buildings and improvements	125,795
Land improvements	45
Machinery, equipment and vehicles	24,922
Computer software	6,145
Total capital assets being depreciated	167,705
Less accumulated depreciation	75,475
Total capital assets being depreciated (net)	92,230
Discretely presented component units capital assets (net)	$ 107,019

Impairment of Capital Assets

Iowa State University experienced impairments to buildings as a result of flooding during fiscal year 2011.

A net impairment gain associated with several impaired buildings has been calculated as required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* as follows (expressed in thousands):

Historical cost	$ 24,247
Accumulated depreciation	11,550
Carrying value	$ 12,697
Restoration cost	$ 12,146
Deflation factor, compounded	0.78
Deflated restoration costs	$ 9,505
Restoration cost ratio	39.2%
Impairment loss	$ (4,976)
Insurance recovery	7,595
Net building impairment gain	2,619
Less net gain realized in previous years	(2,619)
Net building impairment gain, FY2014	$ -

The impairment loss is measured using the restoration cost approach. The expected cost to restore the impaired buildings (excluding building contents) is $12.1 million. Restoration costs were deflated using a 3% cost index compounded over the life of each building. The deflation factor was calculated separately for each building and ranged from 0.53 to 0.89, with the weighted average being 0.78. The deflated restoration costs of the impaired buildings are $9.5 million. The amount of the impairment is calculated using a ratio of deflated restoration costs over historical cost, 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 the damage. The restoration cost ratio was calculated separately for each impaired building; the ratios ranged from 3.78% to 100%, with the weighted average being 39.2%. The resulting total gross impairment loss, based on each asset's carrying value is $5.0 million. GASB 42 requires that impairment loss be reported net of insurance recoveries. The University has estimated the realizable insurance recovery associated with building impairment to be $7.6 million, resulting in a net building impairment gain of $2.6 million. The net impairment gain was recognized in previous years; therefore, there is no incremental change in impairment gain to record in the financial statements for the year ended June 30, 2014.

None of the impaired buildings remain idle as of June 30, 2014.

The August 2010 flood is treated as an extraordinary event as it met the criteria for being both unusual in nature and infrequent in occurrence.

Idle Impaired Capital Assets

- Iowa Department of Human Services (DHS) – Due to temporary stoppage of design and development of the Medicaid Information System (MIDAS), DHS has $11.8 million of temporarily impaired capital assets considered to be idle as of June 30, 2014.
- DHS – Iowa Juvenile Home (IJH, Toledo) – Due to all the youth at the IJH, Toledo being moved to court-approved placements in licensed and/or accredited settings, staff layoffs and pending litigation, IJH, Toledo has $17.4 million of temporarily impaired capital assets considered to be idle as of June 30, 2014.

In accordance with GASB Statement No. 42, the capital assets reported in the governmental activities have not been adjusted for these temporary impairments.

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2014, are summarized as follows (expressed in thousands):

	Beginning Balance	Beginning Balance Adjustment*	Beginning Balance, Restated	Additions	Deductions	Ending Balance	Amounts due within one year
Governmental activities							
Compensated absences	$ 323,924	$ -	$ 323,924	$ 151,063	$ 159,813	$ 315,174	$ 140,349
Capital leases	206	-	206	131	157	180	104
Revenue bonds	1,833,247	25,086	1,858,333	-	138,052	1,720,281	150,753
Other financing arrangements	1,834	-	1,834	-	234	1,600	245
Early retirement/termination benefits	66,164	-	66,164	8,822	32,619	42,367	31,191
Other postemployment benefits	84,264	-	84,264	10,373	-	94,637	-
Pension	62,990	-	62,990	1,251	419	63,822	-
Risk management	20,000	-	20,000	4,392	4,392	20,000	9,502
Pollution remediation	34,712	-	34,712	773	4,284	31,201	9,035
Other liabilities	1,153	-	1,153	516	582	1,087	155
Total **	2,428,494	25,086	2,453,580	177,321	340,552	2,290,349	341,334
Allocation of Internal Service Funds liabilities:							
Compensated absences	6,103	-	6,103	2,963	3,223	5,843	2,841
Early retirement/termination benefits	1,736	-	1,736	299	856	1,179	785
Other postemployment benefits	1,530	-	1,530	83	-	1,613	-
Total	9,369	-	9,369	3,345	4,079	8,635	3,626
Total primary government - governmental activities	$2,437,863	$ 25,086	$ 2,462,949	$ 180,666	$ 344,631	$ 2,298,984	$ 344,960
Business-type activities							
Compensated absences	$ 193,850	$ -	$ 193,850	$ 122,093	$ 120,323	195,620	$ 120,991
Capital leases	39,323	-	39,323	33	3,750	35,606	2,210
Revenue bonds	1,791,429	(3,651)	1,787,778	199,981	135,440	1,852,319	80,674
Other financing arrangements	35,195	-	35,195	49,950	15,776	69,369	9,569
Early retirement/termination benefits	14,412	-	14,412	197	7,336	7,273	5,095
Other postemployment benefits	104,623	-	104,623	21,459	-	126,082	-
Total primary government - business-type activities	$2,178,832	$ (3,651)	$ 2,175,181	$ 393,713	$ 282,625	$ 2,286,269	$ 218,539

* See NOTE 20 - BEGINNING BALANCE ADJUSTMENTS.

** The General Fund has typically been used to liquidate most long-term liabilities, except for $761.6 million of revenue bonds to be liquidated by the Tobacco Settlement Authority, a Special Revenue Fund.

NOTE 8 – CAPITAL LEASES

The State has entered into agreements to lease various equipment and property. The agreements have interest rates ranging from 0.00% to 10.49% 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.

A. 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
2015	$ 104	$ 2
2016	41	1
2017	25	-
2018	8	-
2019	2	-
Total	$ 180	$ 3

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

Equipment	$ 418
Accumulated depreciation	(325)
Net	$ 93

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
2015	$ 2,210	$ 1,208
2016	2,289	1,124
2017	2,338	1,037
2018	2,423	948
2019	2,506	856
2020-2024	11,199	3,490
2025-2029	9,686	1,967
Thereafter	2,955	223
Total	$ 35,606	$ 10,853

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

Buildings & improvements	$ 40,219
Equipment	331
Total	40,550
Accumulated depreciation	(3,072)
Net	$ 37,478

B. Component Units

The University of Iowa Foundation has entered into a lease agreement with the University of Iowa 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
2015	$ 690
2016	725
2017	740
2018	780
2019	825
Total	$ 3,760

NOTE 9 – 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 $4,118,000 with interest rates ranging from 0.00% to 1.75%. The following is a schedule by year of the future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2015	$ 245	$ 27
2016	253	22
2017	263	18
2018	273	14
2019	224	9
Thereafter	342	12
Total	$ 1,600	$ 102

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 $114,787,718. The agreements are for periods of 11 to 23 years with interest rates ranging from 0.00% to 5.82%. The following is a schedule by year of future minimum payments required (expressed in thousands):

Year Ending June 30,	Principal	Interest
2015	$ 9,569	$ 1,853
2016	15,874	1,422
2017	7,574	1,076
2018	7,455	878
2019	5,536	695
2020-2024	18,814	1,464
2025-2029	547	173
Thereafter	4,000	11
Total	$ 69,369	$ 7,572

Component Units

The Iowa Lottery Authority entered into a short-term loan agreement for a building totaling $2,225,554. The agreement originated in April 2014 and matures in August 2014. At June 30, 2014, the Iowa Lottery Authority owed $1,238,176 in principal (accounts payable & accruals) and $4,172 in interest.

NOTE 10 – BONDS PAYABLE

Revenue bonds payable at June 30, 2014, are as follows (expressed in thousands):

	ISSUE DATES	ORIGINAL ISSUANCE	INTEREST RATES	MATURITY DATE RANGE	OUTSTANDING PRINCIPAL
PRIMARY GOVERNMENT					
Governmental activities					
Revenue bonds					
Term bonds					
Tobacco Settlement Authority	2006	$ 635,635	5.38-6.50	2007-2041	$ 534,065
IJOBS - 2010	2011	63,635	4.00-5.25	2034-2038	63,635
Total					597,700
Serial bonds					
Vision Iowa	2002	$ 196,375	2.25-5.50	2002-2021	91,375
Iowa Utilities Board	2010	12,640	5.04	2011-2029	11,005
IJOBS - 2009	2010	601,070	3.00-6.75	2011-2034	542,450
Prison Infrastructure	2011	135,050	2.00-5.00	2012-2027	133,730
IJOBS - 2010	2011	113,260	0.92-5.00	2012-2030	78,525
Total					857,085
Capital appreciation bonds					
Tobacco Settlement Authority	2006	$ 729,800	5.60-7.13	2007-2046	729,800
Total revenue bonds					2,184,585
Unamortized premium					38,963
Unamortized discount					(503,267)
Total governmental activities					$ 1,720,281
Business-type activities					
Revenue bonds					
University of Iowa	1991-2014	$ 1,407,080	0.30-8.38	1996-2041	$ 1,227,535
Iowa State University	2006-2014	494,305	1.00-6.10	2008-2038	457,040
University of Northern Iowa	1995-2013	173,972	1.00-8.25	1995-2035	136,429
Total revenue bonds					1,821,004
Unamortized premium					34,343
Unamortized discount					(3,028)
Total business-type activities					$ 1,852,319
COMPONENT UNITS					
Revenue bonds					
Iowa Finance Authority	1978-2014	$ 2,202,396	variable (1)	2004-2044	$ 1,364,044
Iowa State University Foundation	2002	3,850	2.40	2003-2020	2,464
Total revenue bonds					1,366,508
Unamortized premium					66,314
Total component units					$ 1,432,822

(1) Variable rates are as of June 30, 2014.

A. Primary Government – Governmental Activities

Vision Iowa

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

The State has pledged a portion of the future revenues to be deposited into the Vision Iowa Fund to repay $196.4 million of bonds issued in November 2001. These revenues include a standing appropriation of $15 million annually from gaming revenues, certain earnings on the Vision Iowa Fund and Bond Reserve Fund (including any amounts appropriated to replenish the Bond Reserve Fund to its required balance) and, to the extent of any shortfall in gaming revenues, Lottery revenues. The bonds are payable solely and only from certain revenues deposited into the Vision Iowa Fund and the Bond Reserve Fund and are payable through fiscal year 2021. Annual principal and interest payments on the bonds are expected to require less than 93% of total deposits into the Vision Iowa Fund. As of June 30, 2014, total principal and interest remaining to be paid on the debt is $111.7 million. Principal and interest paid for the current year and total deposits into the Vision Iowa Fund were $16.0 million and $15.3 million, respectively.

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

Tobacco Settlement Authority

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

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

The bonds, issued by the Authority in fiscal year 2006 in the par amount of $1.4 billion are payable through fiscal year 2046. The Authority has pledged, as the sole security for the bonds, 78% of the future TSRs payable under the terms of the Sales Agreement, investment earnings on certain accounts pledged under the bond indenture and amounts held in accounts established under the bond indenture (i.e. collection, debt service reserve, turbo redemption, etc.). As of June 30, 2014, total principal and interest remaining on the debt is $2,122.8 million with annual requirements ranging from $161.4 million in 2015 to $734.9 million in the final year. TSRs received by the State have averaged $59.9 million per year over the last 16 years. For the current year, principal and interest paid by the Authority and the total TSRs recognized by the State were $58.1 million and $71.6 million, respectively.

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

IJOBS – 2009

The State of Iowa has issued IJOBS Program Special Obligation Bonds to finance certain infrastructure projects of the State and certain grant and loan programs of the State. The State has pledged a portion of future revenues to repay $601.1 million ($380.1 million in State of Iowa IJOBS Program Special Obligation Bonds Series 2009A and $221 million in State of Iowa IJOBS Program Special Obligation Bonds Taxable Series 2009B) of bonds issued in July 2009. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund including a standing appropriation of $55 million annually from gaming revenues and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The State has designated the Series 2009B Bonds as Build America Bonds under the American Recovery and Reinvestment Act of 2009, and as such, elected to receive from the federal government a subsidy equal to 35% of the amount of each interest payment on the taxable bonds. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2034. Annual principal and interest payments on the bonds are expected to require less than 79% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2014, total principal and interest remaining to be paid on the debt is $940.5 million. Principal and interest paid for the current year and total deposits into the Revenue Bonds Debt Service Fund were $47.0 million and $59.9 million, respectively.

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

Iowa Utilities Board and Consumer Advocate State Building

The State of Iowa has issued Iowa Utilities Board and Consumer Advocate State Building Special Obligation Bonds, totaling $12.6 million, to finance the costs of construction of a new building. All amounts collected by the Iowa Utilities Board shall be deposited in accordance with Iowa Code Sections 476.10 and 476.10B as chargeable expenses in each fiscal year until the amount of deposit is equal to the amount of principal and interest on the bonds due in that fiscal year. The bonds are payable from the IUB/OCA Bond Fund and are payable through fiscal year 2029. Annual principal and interest payments on the bonds are expected to require 100% of total deposits into the IUB/OCA Bond Fund. As of June 30, 2014, total principal and interest remaining to be paid on the debt is $15.9 million. Principal and interest paid for the current year and total deposits into the IUB/OCA Bond Fund were $1.1 million and $1.1 million, respectively.

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

Prison Infrastructure

The State of Iowa has issued Special Obligation Bonds (Prison Infrastructure Fund) to finance the costs of the construction of a new Iowa State Penitentiary at Fort Madison, Iowa and to redeem the outstanding Iowa Prison Infrastructure Fund Revenue Bond Anticipation Notes, Series 2009. The State has pledged all funds deposited in the Prison Infrastructure Fund from fines, fees, costs, and forfeited bail collected by the clerks of the district court in criminal cases, including those collected for both scheduled and nonscheduled violations, but excluding fines and fees attributable to commercial vehicle violation citations issued after July 1, 1998, not reverting to the State's General Fund at the end of each fiscal year, plus interest earnings on moneys in the Prison Infrastructure Fund to repay $135.0 million in bonds issued in July 2010. The bonds are payable from the Debt Service Reserve Fund and are payable through fiscal year 2027. Annual principal and interest payments on the bonds are expected to require less than 42% of total deposits into the Prison Infrastructure Fund. As of June 30, 2014, total principal and interest remaining to be paid on the debt is $184.7 million. Principal and interest paid in the current year and total deposits into the Prison Infrastructure Fund were $6.5 million and $15.0 million, respectively.

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

IJOBS – 2010

The State of Iowa has issued IJOBS Program Special Obligation Bonds to finance certain infrastructure projects of the State and certain grant and loan programs of the State. The State has pledged a portion of future revenues to repay $176.9 million ($151.3 million in State of Iowa IJOBS Program Special Obligation Bonds, Series 2010A and $25.6 million in State of Iowa IJOBS Program Special Obligation Bonds, Taxable Series 2010B) in bonds issued in October 2010. These revenues include amounts to be deposited in the Revenue Bonds Debt Service Fund including a standing appropriation of $55 million annually from gaming revenues and, to the extent of any shortfall in gaming revenues, beer and liquor revenues. The bonds are payable from the Bond Reserve Fund including any amounts appropriated to replenish such fund and are payable through fiscal year 2038.

During the year ended June 30, 2013, the General Assembly of the State and the Governor approved House File 648 (HF648). Division 1, section 1 of HF648 provided that if the Iowa Economic Emergency Fund reached its maximum balance in the fiscal year beginning July 1, 2013, after the designated portion of the excess moneys was transferred to the Taxpayer Trust Fund pursuant to section 8.55, subsection 2, paragraph "a", the next $116.1 million was to be transferred to the State Bond Repayment Fund. Pursuant to the legislation, on November 15, 2013, the State redeemed the $22.73 million outstanding State of Iowa IJOBS Program Special Obligation Bonds, Taxable Series 2010B bonds. The bonds were redeemed for $25.13 million ($22.86 million from the State Bond Repayment Fund and $2.27 million from the existing debt service reserve fund) which included the $22.73 million outstanding Series 2010B bonds, accrued interest of $0.37 million and a make whole call premium of $2.03 million.

Annual principal and interest payments on the Series 2010A bonds are expected to require less than 17% of total deposits into the Revenue Bonds Debt Service Fund. As of June 30, 2014, total principal and interest remaining

to be paid on the Series 2010A bonds is $239.8 million. Principal and interest paid on the Series 2010A bonds in the current year and total deposits into the Revenue Bonds Debt Service Fund were $10.0 million and $59.9 million, respectively.

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

Fiscal Year 2014 Bond Defeasances

During the fiscal year ended June 30, 2013, the General Assembly of the State and the Governor approved House File 648 (HF648). Division 1, section 1 of HF648 provided that if the Iowa Economic Emergency Fund reached its maximum balance in the fiscal year beginning July 1, 2013, after the designated portion of the excess moneys was transferred to the Taxpayer Trust Fund pursuant to section 8.55, subsection 2, paragraph "a", the next $116.1 million was to be transferred to the State Bond Repayment Fund. Pursuant to the legislation, in November 2013, the State defeased the following bonds (expressed in thousands):

	Principal
Iowa Finance Authority Refunding Revenue Bonds (Correctional Facility Program), Series 2002	$ 16,180
Honey Creek Authority Destination Park Revenue Bonds, Series 2006	31,950
School Infrastructure Special Fund Refunding Bonds, Series 2012	18,855
Total	$ 66,985

- *Iowa Finance Authority Refunding Revenue Bonds (Correctional Facility Program), Series 2002* – During fiscal year 2002, the Iowa Finance Authority issued $54.2 million of Refunding Revenue Bonds, Series 2002, payable through fiscal year 2016. During the year ended June 30, 2014, the State deposited $17.6 million ($13.1 million from the State Bond Repayment Fund and $4.5 million from the existing debt service reserve fund) into an irrevocable trust with an escrow agent to provide for all future debt service payments related to the $16.2 million Refunding Revenue Bonds, Series 2002. As a result of the in-substance defeasance, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements.
- *Honey Creek Authority Destination Park Revenue Bonds, Series 2006* – During fiscal year 2007, the Honey Creek Authority (Authority) issued $33.4 million of Destination Park Revenue Bonds, payable through fiscal year 2036, to provide financing for the development by the State of the Honey Creek Park. During the year ended June 30, 2014, the Authority deposited $35.8 million ($33.5 million from the State Bond Repayment Fund and $2.3 million from the existing debt service reserve fund and sinking fund (Authority funds)) into an irrevocable trust with an escrow agent to provide for all future debt service payments related to the $31.95 million Destination Park Revenue Bonds, Series 2006. As a result of the in-substance defeasance, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. The bonds will be called on June 1, 2016.
- *School Infrastructure Special Fund Refunding Bonds, Series 2012* – During fiscal year 2012, the State issued $20.9 million of School Infrastructure Special Fund Refunding Bonds, Series 2012, payable through fiscal year 2021, to refund $24.6 million of School Infrastructure Special Fund Bonds, Series 2001. During the year ended June 30, 2014, the State deposited $20.5 million ($17.8 million from the State Bond Repayment Fund and $2.7 from the existing debt service reserve fund and sinking fund) into an irrevocable trust with an escrow agent to provide for all future debt service payments related to the $18.9 million School Infrastructure Special Fund Refunding Bonds, Series 2012. As a result of the in-substance defeasance, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements.

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.

In a prior year, the Finance Authority defeased remaining revenue bonds by placing proceeds from existing resources in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Iowa Underground Storage Tank Fund Revenue Refunding Bonds, 2004 Series A. Accordingly, trust account assets

and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2014, bonds totaling $2.33 million are considered defeased.

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

Year Ending June 30,	Principal	Interest
2015	$ 155,230	$ 89,092
2016	38,635	80,094
2017	43,460	78,383
2018	45,575	76,283
2019	47,815	74,094
2020-2024	226,580	334,580
2025-2029	220,135	279,676
2030-2034	408,705	217,150
2035-2039	137,410	112,066
2040-2044	135,120	70,650
Thereafter	725,920	18,773
Total	$2,184,585	$1,430,841

B. Primary Government – Business-type Activities

Universities

During the current year, the *University of Iowa* issued $30.1 million of Academic Building Revenue Bonds, Series S.U.I. 2013A, with an interest rate range of 2.00-4.75% to defray the cost of constructing various academic buildings, facilities and equipment at the University. The revenues pledged to these bonds are tuition and fees generated by the University.

During the current year, the *University of Iowa* issued $27.5 million of Academic Building Revenue Bonds, Series S.U.I. 2014, with an interest rate range of 3.00-3.50% to defray the cost of constructing various academic buildings, facilities and equipment at the University. The revenues pledged to these bonds are tuition and fees generated by the University.

During the current year, the *University of Iowa* issued $27.9 million of Dormitory Revenue Bonds, Series S.U.I. 2014, with an interest rate range of 0.30-4.00% to defray the cost of constructing various residence halls at the University. The revenues pledged to these bonds are fees paid by users of the residence halls' services.

During the current year, the *University of Iowa* issued $20.0 million of Parking System Revenue Bonds, Series S.U.I. 2014, with an interest rate range of 2.00-4.00% to finance all or part of the cost of constructing, equipping and improving various parking facilities to be located on the campus of the University. The revenues pledged to these bonds are fees paid by users of the parking facilities.

During the current year, the *University of Iowa* issued $18.8 million of Academic Building Revenue Refunding Bonds, Series S.U.I. 2013, with an average interest rate of 4.67% and accrued interest of $9,000 to advance refund $20.2 million of outstanding Academic Building Revenue Bonds, Series S.U.I. 2004 with interest rates ranging between 4.0% and 4.5%. Net bond proceeds of $21.1 million were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Series S.U.I. 2004 Bonds will be called on July 1, 2014. The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of $1.4 million; and reduced the aggregate debt service payments by $1.6 million over the next 11 years.

During the current year, the *University of Iowa* issued $6.4 million of Iowa Memorial Union Revenue Refunding Bonds, Series S.U.I. 2014, with an average interest rate of 4.34% and accrued interest of $14,000 to advance refund $7.1 million of outstanding Iowa Memorial Union Revenue Bonds, Series S.U.I. 2005 with interest rates ranging between 3.75% and 4.30%. Net bond proceeds of $7.3 million were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Series S.U.I. 2005 Bonds will be called on July 1, 2015. The refunding permitted the University to realize an economic gain of $0.5 million; and reduced the aggregate debt service payments by $0.6 million over the next 11 years.

During the current year, the *University of Iowa* issued $17.9 million of Utility System Revenue Refunding Bonds, Series S.U.I. 2014, with an average interest rate of 2.33% and accrued interest of $23,000 to advance refund $17.3 million of outstanding Utility System Revenue Refunding Bonds, Series S.U.I. 2006 with interest rates ranging between 4.0% and 4.375%. Net bond proceeds of $18.0 million were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Series S.U.I. 2006 Bonds will be called on November 1, 2015. The refunding permitted the University to realize an economic gain of $1.2 million; and reduced the aggregate debt service payments by $1.4 million over the next 12 years.

During the current year, the *University of Iowa* issued $8.0 million of University of Iowa Facilities Corporation (UIFC) Revenue Refunding Bonds, Series S.U.I. 2014 (Old Capitol Town Center), with an average interest rate of 2.73% and accrued interest of $12,000 to advance refund $8.1 million of outstanding UIFC Revenue Refunding Bonds, Series S.U.I. 2005 (Old Capitol Town Center) with interest rates ranging between 4.0% and 4.25%. Net bond proceeds of $8.2 million were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Series S.U.I. 2005 Bonds will be called on June 1, 2015. The refunding permitted the University to realize an economic gain of $0.6 million; and reduced the aggregate debt service payments by $0.6 million over the next 11 years.

In prior years, the *University of Iowa* defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2014, bonds totaling $66.8 million for the University of Iowa were considered defeased.

During the current year, *Iowa State University* issued $8.7 million of Dormitory System Revenue Bonds, Series I.S.U. 2013C, with an interest rate range of 2.00-4.00% to pay costs of constructing and furnishing dormitory system facilities. The revenues pledged to these bonds are rents, profits and income from the Department of Residence facilities.

During the current year, *Iowa State University* issued $27.5 million of Utility System Revenue Bonds, Series I.S.U. 2013A, with an interest rate range of 3.00-4.25% to pay costs of equipment and facility enhancement to the provision of utilities to the University community. The revenues pledged to these bonds are net revenues of the utility system and any utility system student fees.

During the current year, *Iowa State University* issued $6.0 million of Academic Building Revenue Refunding Bonds, Series I.S.U. 2013. $6.1 million of proceeds and $0.6 million of University funds were placed in an irrevocable trust to refund $6.2 million of Academic Building Revenue Refunding Bonds, Series I.S.U. 2003 and Series I.S.U. 2004A. The current refunding of these bonds permitted the University to realize an economic gain of $0.6 million; and reduced the aggregate debt service payments by $0.6 million over the next 6 years.

In prior years, *Iowa State University* defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 2014, bonds totaling $19.2 million for Iowa State University were considered defeased.

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

Year Ending June 30,	Principal	Interest
2015	$ 80,674	$ 68,261
2016	84,669	66,226
2017	88,032	62,266
2018	91,747	59,354
2019	94,668	56,225
2020-2024	466,818	230,436
2025-2029	444,257	141,084
2030-2034	312,039	62,797
2035-2039	152,920	13,250
Thereafter	5,180	187
Total	$ 1,821,004	$ 760,086

C. 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, moneys, investments, loans and other assets in the programs and accounts established by the respective bond resolutions.

The Single Family Mortgage Bond Resolutions, the Single Family Housing Bond Resolutions and the Multifamily Bond Indenture contain covenants that require the Finance Authority to make payments of principal and interest from amounts available in the Finance Authority's General Account should deficiencies occur in the accounts 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 State Revolving Fund (SRF) accounts do not contain these covenants.

During the current fiscal year, the Finance Authority issued two new single-family bond series totaling $11.5 million to purchase mortgage-backed securities and one SRF bond series with a face value of $115.4 million, which sold at a premium for total proceeds of $132.4 million. The Finance Authority made bond payments of $158.4 million during the fiscal year.

Universities Foundations

To finance the purchase and remodeling of the Foundation building, the Iowa State University Foundation issued $3,850,000 of Office Building Revenue Bonds in 2002 under an agreement with the City of Huxley (City). In March 2010, the bonds were refinanced under an amended agreement with the City. The refinanced bonds had varying maturities through 2020 and had an interest rate of 4.75%. In November 2013, the bonds were refinanced under an amended agreement with the City. The refinanced bonds have a maturity date of January 1, 2020 and carry an interest rate of 2.4% through November 2018. The bonds will carry an adjusted interest rate from November 2018 through the maturity date of January 2020. The bonds are collateralized with a mortgage on the building and other real estate owned by the Foundation. The Foundation has no taxing authority and bonds issued do not constitute a debt, liability or obligation of the State of Iowa or any political subdivision thereof.

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

Year Ending June 30,	Principal	Interest
2015	$ 51,151	$ 48,484
2016	57,959	46,393
2017	60,900	44,166
2018	62,045	41,974
2019	64,148	39,611
2020-2024	336,543	158,854
2025-2029	321,298	90,657
2030-2034	221,765	34,039
2035-2039	93,050	15,538
Thereafter	97,649	7,556
Total	$ 1,366,508	$ 527,272

NOTE 11 – ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2014, consisted of the following (expressed in thousands):

	Current	Noncurrent
PRIMARY GOVERNMENT		
Governmental activities		
Salaries & fringes	$ 57,527	$ -
Early retirement/termination benefits	31,976	11,570
Other postemployment benefits	-	96,250
Pension	-	63,822
Risk management	9,502	10,498
Pollution remediation	9,035	22,166
State aid	595,447	-
Trade & other payables	658,565	42,180
Total governmental activities	$ 1,362,052	$ 246,486
Business-type activities		
Salaries & fringes	$ 164,241	$ -
Early retirement/termination benefits	5,095	2,178
Other postemployment benefits	-	126,082
General claims	33,239	-
Unemployment benefits	19,361	-
Trade & other payables	181,308	45,729
Total business-type activities	$ 403,244	$ 173,989
COMPONENT UNITS		
Annuity & life income obligations	$ 379	$ 52,009
Lotto prizes & annuity prizes payable	3,978	3,346
Other	74,776	54,014
Total component units	$ 79,133	$ 109,369

Pollution Remediation Obligations

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

For the year ended June 30, 2014, pollution remediation obligations totaled $31.2 million, including $29.7 million for the Iowa Petroleum Underground Storage Tank Program.

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

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

The two matters discussed below were brought pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), commonly known as “Superfund.” The potential liability is not reasonably estimable at this time.

The LWD Incinerator Site is a hazardous waste disposal site located in Kentucky. The University of Iowa (SUI) received a demand letter regarding this site, alleging that SUI having contributed waste to the site, is a potentially responsible party (PRP). The demand letter alleged that according to EPA's database SUI contributed 151,600 pounds of materials to the LWD Incinerator Site over the years covering 1983, 1986, and 1987. SUI General Counsel responded by letter, denying liability. A lawsuit was then filed in the Federal District Court in Kentucky against SUI and other potentially responsible parties, based upon the same claim involving the LWD Incinerator Site. The Attorney General's Office filed a motion to dismiss and included supporting brief in the case. The federal court did not dismiss the lawsuit, and the Attorney General's Office is planning to file a motion for summary judgment in the case. Currently, the litigation is still pending in the District Court in Kentucky.

The Marine Shale Processors Site was a hazardous waste disposal site located in Louisiana. The University of Iowa (SUI) received a demand letter in September of 2012 from a group of PRPs at the site alleging that SUI is a PRP at the site and had shipped between 5 and 10 tons of materials to the Marine Shale Processors Site for disposal in 1991. SUI General Counsel responded by letter denying the liability on the part of the University. The SUI has not heard anything further and is not aware of any claims filed against the University.

NOTE 12 – NET POSITION/GOVERNMENTAL FUND BALANCES

A. Net Position Restricted By Enabling Legislation

The Governmental Activities Statement of Net Position reports $1,064.3 million of Restricted Net Position, of which $15.4 million is restricted by enabling legislation.

B. Governmental Fund Balances

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

The nonspendable and spendable fund balances for governmental funds at June 30, 2014, are as follows (expressed in thousands):

	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
NONSPENDABLE					
Inventory & prepaid	$ 41,248	$ -	$ -	$ 230	$ 41,478
Permanent fund principal	-	-	-	16,097	16,097
Total nonspendable	41,248	-	-	16,327	57,575
SPENDABLE					
Restricted:					
Roads	738,528	-	-	-	738,528
Debt service	89,929	438,263	-	-	528,192
Farm to market road system	61,831	-	-	-	61,831
Infrastructure	41,466	-	-	1,966	43,432
Higher education	-	-	-	25,145	25,145
Tourism	22,997	-	-	-	22,997
Public television	6,216	-	-	9,822	16,038
Public health	11,653	-	-	-	11,653

(continued on next page)

(continued)	GENERAL FUND	TOBACCO SETTLEMENT AUTHORITY	TOBACCO COLLECTIONS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
SPENDABLE					
Restricted:					
Consumer education	10,245	-	-	-	10,245
Bridges	10,234	-	-	-	10,234
Special schools	-	-	-	8,976	8,976
Underground storage tanks	7,925	-	-	-	7,925
Information & statistics	6,500	-	-	-	6,500
Technology	4,417	-	-	-	4,417
Airports	4,306	-	-	-	4,306
IOWACARE	4,216	-	-	-	4,216
Second injury compensation	-	-	-	2,701	2,701
Visually impaired services	2,693	-	-	-	2,693
Other:					
Transportation	6,369	-	-	-	6,369
Justice & public defense	5,615	-	-	199	5,814
Education	4,282	-	-	1,007	5,289
Health & human rights	3,177	-	-	868	4,045
Administration & regulation	1,165	-	-	246	1,411
Human services	817	-	-	23	840
Economic development	580	-	-	-	580
Agriculture & natural resources	66	-	-	43	109
Total restricted	1,045,227	438,263	-	50,996	1,534,486
Committed:					
Administration & insurance reserves	770,237	-	-	1,924	772,161
Cash reserve	489,338	-	-	-	489,338
Economic emergency	180,583	-	-	-	180,583
Infrastructure	101,023	-	-	11,009	112,032
Debt service	42,356	-	-	-	42,356
Tax relief	35,707	-	-	-	35,707
Technology	33,726	-	-	873	34,599
Agriculture	19,234	-	-	6,415	25,649
Groundwater, soil & air protection	23,628	-	-	-	23,628
Emergency 911 services	21,054	-	-	-	21,054
Underground storage tanks	20,347	-	-	-	20,347
Justice	19,857	-	-	-	19,857
Railroads	15,662	-	-	-	15,662
Commerce	15,475	-	-	-	15,475
Natural resources	14,432	-	-	-	14,432
Medical assistance	10,060	-	-	1,945	12,005
Fish & wildlife	10,535	-	-	-	10,535
Workforce	10,396	-	-	-	10,396
Recreational facilities	10,180	-	-	-	10,180
Higher education	8,133	-	-	1,564	9,697
K-12 education	8,518	-	-	-	8,518
Water quality	6,761	-	-	-	6,761
Unclaimed property	6,641	-	-	-	6,641
Disaster relief	3,679	-	-	-	3,679
Renewable fuels	3,169	-	-	-	3,169
Special schools	3,010	-	-	-	3,010
Other:					
Economic development	5,115	-	-	-	5,115
Agriculture & natural resources	4,617	-	-	443	5,060
Human services	3,591	-	-	709	4,300
Administration & regulation	3,284	-	-	983	4,267
Justice & public defense	2,991	-	-	1,161	4,152
Education	3,809	-	-	65	3,874
Health & human rights	3,832	-	-	8	3,840
Transportation	1,538	-	-	2,025	3,563
Total committed	1,912,518	-	-	29,124	1,941,642
Unassigned	(214,660)	-	(354,743)	(15)	(569,418)
TOTAL FUND BALANCES	**$ 2,784,333**	**$ 438,263**	**$ (354,743)**	**$ 96,432**	**$ 2,964,285**

Stabilization Arrangements (Reserve Funds)

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

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

The **Iowa Economic Emergency Fund** is separate from the General Fund of the State and the fund is not to be considered part of the balance of the General Fund of the State. The moneys in the fund do not revert to the General Fund. The maximum balance of the fund is equal to 2.5% of the adjusted revenue estimate for the 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 distributed as follows: (1) the first sixty million dollars of the difference between the actual net revenue for the General Fund of the State and the adjusted revenue for the fiscal year shall be transferred to the Taxpayers Trust Fund established in Iowa Code section 8.57E; (2) the remainder of the excess, if any, shall be transferred to the General Fund of the State. The moneys in this fund may be appropriated by the General Assembly for emergency expenditures; and there is appropriated to the Executive Council an amount sufficient to pay expenses authorized by the Executive Council in Iowa Code section 7D.29. However, except as provided in Iowa Code 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 payment of state obligations. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund established in Iowa Code section 8.57.6.

Minimum Fund Balance Requirements

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

NOTE 13 – OPERATING LEASES

The State has leased office space and equipment. These leases have been classified as operating leases and expire before June 30, 2043. In most cases, management expects the leases will be renewed or replaced by other leases.

A. Primary Government

Governmental Activities

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

Year Ending June 30,	
2015	$ 12,229
2016	10,392
2017	6,703
2018	3,882
2019	2,218
2020-2024	2,881
2025-2029	326
2030-2034	334
2035-2039	351
Thereafter	144
Total	$ 39,460

All leases contain nonappropriation clauses indicating continuation of the lease is subject to funding by the Legislature. Minimum payments have not been reduced by minimum sublease rentals of $1,516,159.

Rental expense for the year ended June 30, 2014 for all operating leases, except those with terms of a month or less that were not renewed, totaled $15,253,683. Rental expense has not been adjusted for sublease rentals totaling $445,518 for the year ended June 30, 2014.

Business-type Activities

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

Year Ending June 30,	
2015	$ 13,730
2016	9,662
2017	5,961
2018	3,680
2019	2,985
2020-2024	7,976
2025-2029	1,528
Thereafter	73
Total	$ 45,595

Minimum payments have not been reduced by minimum sublease rentals of $286,240.

Rental expense for the year ended June 30, 2014 for all operating leases, except those with terms of a month or less that were not renewed, totaled $15,435,618. Rental expense has not been adjusted for sublease rentals totaling $146,560 for the year ended June 30, 2014.

B. Component Units

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

Year Ending June 30,	
2015	$ 2,698
2016	2,158
2017	1,186
2018	737
2019	675
Thereafter	820
Total	$ 8,274

Minimum payments have not been reduced by minimum sublease rentals of $140,292.

Rental expense for the year ended June 30, 2014 for all operating leases, except those with terms of a month or less that were not renewed, totaled $2,736,529. Rental expense has not been adjusted for sublease rentals totaling $44,167 for the year ended June 30, 2014.

NOTE 14 – LESSOR OPERATING LEASES

The Iowa Department of Natural Resources leases tracts of land for agricultural purposes valued at $11,478,144. Glenwood Resource Center leases building space valued at $4,622,860. Iowa Public Television leases antenna and building space, the Iowa Department of Workforce Development leases building space, and the Iowa Communications Network leases fiber optic cables, for which no value has been assigned to the leased portions. The Iowa Department of Transportation leases land valued at $667,147. Iowa State University leases building space valued at $793,522 (net of accumulated depreciation of $261,787), tower space valued at $394,210 (net of accumulated depreciation of $103,679), equipment with an original value of $616,281 and tracts of land for agricultural purposes valued at $136,654. The University of Northern Iowa leases buildings valued at $861,994 (net of accumulated depreciation of $468,238), tower space and tracts of land for agricultural purposes valued at $523,155. The Iowa Braille & Sight Saving School leases buildings valued at $3,511,398 (net of accumulated depreciation of $1,601,457).

The following is a schedule by year of minimum future rentals on operating leases as of June 30, 2014 (expressed in thousands):

Year Ending June 30,	
2015	$ 4,846
2016	3,561
2017	2,544
2018	1,574
2019	670
2020-2024	1,602
2025-2029	488
Thereafter	34
Total	$ 15,319

NOTE 15 – PENSION PLANS

A. Summary of Significant Accounting Policies

Basis of Accounting

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

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 position 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 5% of the plan net position available for benefits.

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

PORS' and JRS' investments in governmental bonds and treasury notes constitute approximately 5.84% and 5.06%, respectively, of total assets. PORS and JRS are not permitted to invest more than 4.90% and 5.00%, respectively, of their System accounts in any one corporate issuer without written direction and approval of the Treasurer of State of Iowa.

B. Plan Descriptions, Contribution Information and Funding Policy

Membership of each plan consisted of the following at June 30, 2014:

	IPERS	PORS	JRS
Retirees and beneficiaries receiving benefits	108,233	568	195
Terminated members with deferred benefits	-	-	5
Active vested	112,867	547	147
Active nonvested	53,046	31	57
Inactive vested	28,765	48	-
Inactive nonvested	43,502	-	-
	346,413	1,194	404
Number of participating employers	2,001	1	1

Iowa Public Employees' Retirement System (IPERS)

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, multiple-employer, contributory defined benefit public employee retirement system. Participation in IPERS is mandatory for most state, county and local public employees, employees of school districts and certain elected officials. Membership is optional for some individuals, including the members of the Iowa Legislature. Members of other retirement systems supported by Iowa public funds are excluded from membership.

	June 30, 2014
Employer members:	
City	948
Education	371
County	332
Utilities	134
Health	57
State	10
Other	149
Total	2,001

A member may retire at age 65, any time after reaching age 62 with 20 or more years of covered employment, or when 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.

Before July 1, 2012, a member who leaves covered employment after completing at least four years of covered service or has attained the age of 55 while making contributions to the plan has vested rights to IPERS benefits. Starting July 1, 2012, a member who completes seven years of covered service or has reached the age of 65 while in IPERS covered employment is vested.

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

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

IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

Although the actuarial contribution rates are calculated each year, the required contribution rates for the Regular membership were set in law through June 30, 2012. From FY2002 through FY2013, the rate required was less than the actuarial rate, in spite of rate increases passed by the Iowa Legislature in 2006 and 2010. Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point.

In fiscal year 2014, the required rate for Regular members equaled the actuarial rate. Pursuant to the required rate, Regular members contributed 5.95% of pay and their employers contributed 8.93% for a total rate of 14.88%.

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

	Contribution Rates as of June 30, 2014		
	Employee	Employer	Total
Regular	5.95%	8.93%	14.88%
Special services group # 1 *	9.88%	9.88%	19.76%
Special services group # 2 **	6.76%	10.14%	16.90%

* - Includes sheriffs and deputies.

** - Includes all other protection occupation members.

Contributions are remitted by participating employers. Wages were covered up to the federal limit of $260,000 for calendar year 2014.

The amount of the actuarially determined employer contribution requirement was $639,001,548. The total amount of employer contributions made during the fiscal year ended June 30, 2014, was $639,001,548 resulting in a 100.0% funding ratio.

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
2012	$ 568,389,507	98.2%
2013	614,846,608	98.0%
2014	639,001,548	100.0%

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

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, 215 East 7th Street, 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 10.85% of covered payroll. HF 2518 enacted by the 2010 Legislature changed the scheduled contribution rates for both the employee and employer. Employee contributions are scheduled to increase by one-half of one percent each year for four years beginning at 9.35% in fiscal 2011 and peaking at 11.35% on July 1, 2014. This is deducted from the member's salary and remitted by the employer.

The employer rate is scheduled to increase from 29% for plan year 2014 by 2% each year until reaching 37% in the year beginning July 1, 2017. The State of Iowa will also begin contributing an additional $5 million each year, beginning July 1, 2013, until the funded status of the System attains 85%. 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 $4,754,916, representing 10.85% of the current year covered payroll. The State contribution required by statute and the amount actually contributed was $17,715,097 ($5,000,000 from the annual appropriation, and $12,715,097 from the required 29% contribution rate). Costs of administering the plan are financed through employer contributions and investment income.

Judicial Retirement System (JRS)

Plan Description. The JRS 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 65 years of age or who has served 20 years of consecutive service as a judge of one or more of the above courts and has attained the age of 50 years shall qualify for an annuity. The annual annuity of a judge under this System is an amount equal to 3.25% 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, 3.25% of the basic senior judge salary multiplied by the judge's years of service, limited to a specified percentage of the highest basic annual salary or basic 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) 50% for judges who retired prior to July 1, 1998; (2) 52% for judges who retired and received an annuity on or after July 1, 1998 but before July 1, 2000; (3) 56% for judges who retired and received an annuity on or after July 1, 2000 but before July 1, 2001; (4) 60% for judges who retire and receive an annuity on or after July 1, 2001 but before July 1, 2006; and (5) 65% 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 is deemed permanently incapacitated, mentally or physically, to perform his/her duties shall be entitled to an annuity that would be the same as computed under a retirement annuity.

Beginning July 1, 2010, judges contribute to the system at the rate of 9.35% multiplied by the basic salary of the judge. Beginning July 1, 2008, and for each subsequent fiscal year until the System attains fully funded status, the State contributes an amount equal to 30.6% of the basic salary of all covered judges. Commencing with the first fiscal year in which the System attains fully funded status, and for each subsequent fiscal year, the State contribution shall be equal to 60% of the required contribution rate.

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 JRS 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 $2,636,975, representing 9.35% of the current year covered payroll. The State contribution required by statute and the amount contributed was $8,630,064. The State share is to be based on 30.6% of actual salaries. Costs of administering the plan are financed through State appropriation, member contributions and investment income.

C. 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	$ 18,244,803	$ 8,398,680
Interest on net pension obligation	3,736,573	1,221,185
Adjustment to annual required contribution	(3,015,324)	(1,408,835)
Annual pension cost	18,966,052	8,211,030
Contributions made	17,715,097	8,630,064
Increase (decrease) in net pension obligation	1,250,955	(419,034)
Net pension obligation beginning of year	46,707,160	16,282,473
Net pension obligation end of year	$ 47,958,115	$ 15,863,439

Three-year trend information:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Peace Officers' Retirement, Accident and Disability System			
2012	$ 17,465,462	61.50%	$ 39,040,010
2013	19,444,811	60.57%	46,707,160
2014	18,966,052	93.40%	47,958,115
Judicial Retirement System			
2012	$ 8,031,891	102.29%	$ 16,620,857
2013	7,711,870	104.29%	16,282,473
2014	8,211,030	105.10%	15,863,439

D. Funded Status and Funding Progress

The funded status of each plan as of June 30, 2014, is as follows (expressed in thousands):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)*	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
IPERS	$ 26,460,428	$ 32,004,456	$ 5,544,028	82.68%	$ 7,099,277	78.09%
PORS	360,064	515,860	155,796	69.80%	43,845	355.33%
JRS	142,589	183,916	41,327	77.53%	28,203	146.53%

* 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 its 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.

E. Actuarial Methods and Assumptions

Additional information as of the latest actuarial valuation follows:

	IPERS	PORS	JRS
Actuarial valuation date	June 30, 2014	July 1, 2014	July 1, 2014
Actuarial cost method	Entry age normal	Entry age normal	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.	Smoothing method - expected value plus 25% of the difference between the actual and expected value.
Amortization method	Closed period, level percent of pay	Closed period, level percent of pay	Level dollar, closed basis
Amortization period	30 years (closed)	24 years (closed)	25 years (closed); each year subsequent changes are amortized over a new, closed 25 year period
Rate of investment return	7.50%	8.00% compounded annually, net of investment expense, and including inflation.	7.50% compounded annually, net of investment expense, and including inflation.
Projected salary increases	4.00% - 17.00% depending upon years of service	4.25% to 7.25%, including inflation	4.25%, including inflation
Inflation rate	3.00% for prices, 4.00% for wages	3.00%	3.00%

* 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.

F. 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. These institutions, by contributing to TIAA, participate in a defined contribution retirement plan. The provisions and contribution requirements for TIAA are established by the Board of Regents.

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, except at Iowa State University where employer contributions vest after three years. 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 $4,800. Upon completion of five years of service, the participant contributes 5.00% and the employer contributes 10.00% on all earnings.

During fiscal year 2014, the employers' contributions amounted to $153,826,096. Employees' contributions amounted to $76,755,975.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS

A. State Plan

Plan Description

The State of Iowa provides access to postretirement medical benefits to all retirees as required by Chapter 509A.13 of the Code of Iowa. Although the retirees generally must pay 100% of the premium rate, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (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 the plan and adjusting for administrative costs. The resulting premium is called a blended premium because it blends the claims of active and retired participants. Since individuals generally have more and higher claims as they get older, the blended premium paid for retirees is lower than their expected claims. Another way of considering this is that if the retirees were removed from the plan, the premium for the active group would be lower; therefore, the retirees' premiums are being subsidized by the active group. Since the 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 26,190 active and 3,337 retired participants in the plan. The State currently offers five self-insured plans which are available to participants through Wellmark Blue Cross Blue Shield: Program 3 Plus, Deductible 3 Plus, Iowa Select, Blue Access and Blue Advantage.

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.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution (ARC) of the State, an amount actuarially determined in accordance with GASB 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 the year ended June 30, 2014, the amount actually contributed to the plan and changes in the State's net OPEB obligation:

Annual required contribution	$	27,306,000
Interest on net OPEB obligation		5,160,000
Adjustment to annual required contribution		(7,039,000)
Annual OPEB cost		25,427,000
Contributions made		(11,697,000)
Increase in net OPEB obligation		13,730,000
Net OPEB obligation beginning of year		114,659,000
Net OPEB obligation end of year	$	128,389,000

The State's plan includes AFSCME employees of the Universities. The portion of the fiscal year 2014 net OPEB obligation related to those employees is $29.4 million. The State plan also includes $1.5 million of the fiscal year 2014 net OPEB obligation allocated to the State's discretely presented component units and fiduciary funds.

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 plan's actual contributions for the year ended June 30, 2014.

For fiscal year 2014, the State contributed $11.7 million 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 for fiscal year 2014 and the two preceding fiscal years are summarized as follows:

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2012	$ 41,437,000	46.94%	$ 100,396,000
2013	24,405,000	41.56%	114,659,000
2014	25,427,000	46.00%	128,389,000

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was $233.2 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $233.2 million. The covered payroll (annual payroll of active employees covered by the plan) was $1,751.0 million and the ratio of the UAAL to the covered payroll was 13.3%. As of June 30, 2014, 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 assumptions 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 the Financial Statements, presents 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 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, 2012, actuarial valuation date, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.0% inflation rate and a 4.5% discount rate based on the estimated long-term investment yield on the general assets of the State. Medical trend rates were developed using a combination of a trend survey and the SOA-Getzen trend rate model. Initial trend rates start at 7.8% (managed care plans) or 8.4% (non-managed care plans) in 2012 and grade down to an ultimate rate of 5.0% beginning in the year 2029. For the years 2012 through 2017, the rates are based on survey data and client market expectations. The SOA-Getzen model was then used to determine the trend rates between the years 2018 and thereafter, based on reasonable macro-economic assumptions for the growth of health care expenditures during this period relative to the general economy.

Mortality rates are from the RP-2000 Healthy Combined Mortality Table with generational improvements using projection scale AA for pre-retirement males set back 3 years, pre-retirement females set back 8 years, post-retirement males set forward 1 year, and post-retirement females set back 1 year with a 5.0% decrease above age 75. The majority of State of Iowa employees are participants in the Iowa Public Employees' Retirement System. For this reason, the mortality rates, 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, 2012. 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.

B. 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. These

reports may be obtained by writing to the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

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 2014, the Universities contributed $14.2 million to the plan and members receiving benefits contributed $10.8 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 the year ended June 30, 2014, the amount actually contributed to the plans and changes in the Universities' net OPEB obligation:

Annual required contribution	$ 32,334,000
Interest on net OPEB obligation	4,559,000
Adjustment to annual required contribution	(4,359,000)
Annual OPEB cost	32,534,000
Contributions made	(14,190,000)
Increase in net OPEB obligation	18,344,000
Net OPEB obligation beginning of year	77,054,000
Net OPEB obligation end of year	$ 95,398,000

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, 2014.

The Universities' annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation for fiscal year 2014 and the preceding two fiscal years are summarized as follows:

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2012	$ 29,236,000	50.57%	$ 62,026,000
2013	30,890,000	51.35%	77,054,000
2014	32,534,000	43.62%	95,398,000

Funded Status and Funding Progress

As of the most recent actuarial valuation for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was $383.7 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $383.7 million. The covered payroll (annual payroll of active employees covered by the plan) was $1,394.4 million and the ratio of the UAAL to the covered payroll was 27.5%. As of June 30, 2014, 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 assumptions 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 the Financial Statements, presents 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 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.

Information from the Universities' latest actuarial valuations follows:

	University of Iowa	Iowa State University	University of Northern Iowa
Actuarial valuation date	July 1, 2013	July 1, 2013	July 1, 2013
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	5.00%	4.00%	4.50%
Medical trend rate	8.00% (7.00% for post age 65)	9.00%	9.00%
Ultimate medical trend rate	Reduced 0.50% each year until reaching 5.00%	Reduced 0.50% each year until reaching 5.00%	Reduced 0.50% each year until reaching 5.00%
Inflation rate	2.50%	2.50%	5.00%
Payroll growth rate	3.50%	n/a	3.50%

NOTE 17 – OTHER TERMINATION BENEFITS

A. State Employee Retirement Incentive Program

On February 10, 2010, the Governor signed into law a state employee retirement incentive program (SERIP) for eligible executive branch employees. Eligible employees include employees of the Executive branch, a Judicial District of the Department of Correctional Services, the State Fair Authority, the Board of Regents if the Board elects to participate in the program, and the Department of Justice. To be eligible, an employee must have been employed on February 10, 2010, be age 55 or older on July 31, 2010 and have submitted an application by the employee's last day of employment to the Iowa Public Employees' Retirement System to begin monthly retirement benefits by July 2010. In addition, employees must have filed a SERIP application on or before April 15, 2010 and terminated employment no later than June 24, 2010. The law also provided for the Legislative and Judicial branches of government to provide a retirement program consistent with the program for the Executive branch employees. The Board of Regents and the Judicial branch did not participate in the program.

Participants in the SERIP will receive the following incentives:

1) Unused sick leave – A cash payment of the monetary value of the participant's accrued sick leave balance, not to exceed $2,000. The payment is calculated by multiplying the number of hours of accrued sick leave by the participant's regular hourly rate of pay at the time of retirement. This payment was made in fiscal year 2010 on the participant's last pay check.

2) Health insurance – A minimum of 5 years of state contributions toward the premiums of a state-sponsored health insurance plan, either through the Sick Leave Insurance Program (SLIP), SERIP or a combination of both programs.

3) Years of service incentive – Cash payments, including the entire value of the participant's accrued but unused vacation leave, and, for participants with at least 10 years of state employment, $1,000 for each year of state employment, up to 25 years of employment. The total years of service incentive shall be paid in five equal installments beginning in September 2010 and ending in 2014.

In the event a SERIP participant dies within 5 years of termination of employment, the participant's beneficiary will receive any remaining years of service incentive payments. If the participant's surviving spouse is covered on the participant's state retiree health insurance plan, the surviving spouse may elect to continue health insurance coverage and will receive any remaining health insurance contributions under SERIP. If the surviving spouse was not covered by the participant's insurance plan, or if there is no surviving spouse, any remaining health insurance contribution benefits are forfeited.

Participants in SERIP are not eligible to accept any further employment with the State, other than as an elected official or a member of a board or commission, from the date of termination of employment. Participants may not enter into contracts to provide services to the State as independent contractors or consultants.

SERIP is financed on a pay-as-you-go basis by the department from which the employee retired. Amounts due for the program have been recorded as liabilities in the government-wide financial statements. The liability for the expected future health insurance benefits at June 30, 2014 is $14.4 million. This was calculated by increasing the insurance premiums in effect at June 30, 2014 for the annual medical trend rates for fiscal years 2015 thru 2020. The annual medical trend rates range from 7.7% in 2015 to 6.8% in 2020. The liability for the years of service incentive installment payments at June 30, 2014 is $12.8 million.

For the year ended June 30, 2014, SERIP costs for 2,067 participants totaled $27.0 million.

B. Board of Regents Retirement Incentive Options

At its March 2009 meeting, the Board of Regents approved the first of three Retirement Incentive Option (RIO) programs, RIO1. The second and third programs, RIO2 and RIO3, were subsequently approved at its October 2009 and April 2010 meetings, respectively. Faculty, professional and scientific employees, merit system employees, and institutional officials who accumulate ten years of service with the Universities and who attain the age of 60 (RIO1), 57 (RIO2), and 55 (RIO3) by the date of retirement are eligible for participation. These programs are one-time programs with retirement required to occur no later than January 31, 2010, July 30, 2010, and December 31, 2010, respectively.

Upon retirement, the participant will be provided health and dental coverage for a period of up to five years with the Universities providing both the employee and employer share of contributions not to exceed the employee and spouse/domestic partner rate for the Universities' professional plans and not to exceed the employee and family rate for the State of Iowa plans. Eligible employees who elect the incentive and reach Medicare eligibility during the incentive period will be allowed to continue in the incentive with the contributions reduced to integrate with Medicare eligibility. For RIO3, the participant may choose to receive continued annuity (Defined Contribution Plan only) contributions for a period of up to five years in lieu of the continued medical/dental coverage. The annuity benefit is equal to the Universities' contribution level during active employment of 10% and based on the participant's full budgeted salary at the time of retirement. Term life insurance benefits are fully insured for eligible retirees and are paid for directly by the life insurance carrier. The Universities pay a stated premium based on the value of the policy (which is $4,000) directly to the carrier. The stated premium rate is the same as the premium rate for the active employer life coverage in effect during the fiscal year.

At its April 2010 meeting, the Board of Regents approved the Phased Plus Retirement Program. Faculty, professional and scientific, merit system employees, and institutional officials who had accumulated ten years of service with Iowa State University who attained the age of 55 at the time of initial reduction of employment were eligible for participation in the Phased Plus Retirement Program. This is a one-time program with the maximum phasing period of two years with full retirement required at the end of the specified phasing period. At no time during the phasing period may an employee hold less than a 50% or greater than a 65% appointment. Phased retirement period is required to occur no later than January 1, 2012. At the end of the appointment, the employee would have the option of medical coverage or employer-paid retirement contributions for the balance of five years once phased retirement has begun, with the same stipulations as the RIO3 program.

The Board of Regents Institutions' contributions for the fiscal year ended June 30, 2014, totaled $7.6 million for 990 participants of RIO1, RIO2, RIO3 and the Phased Plus Retirement Program.

C. State Police Officers Council

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

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

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

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

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

For the year ended June 30, 2014, 243 SPOC retirees received benefits totaling $1.2 million.

D. Other Voluntary Termination Benefit Programs

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

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

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

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

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

If a retired employee who has utilized this benefit returns to permanent state employment, all remaining balances in the 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, 2014, 1,029 employees from the Executive and Legislative branches have retired and received benefits totaling $6.5 million under SLIP. In addition, 202 employees from the Judicial branch and Community Based Corrections have retired and received benefits totaling $1.3 million under SLIP.

NOTE 18 – RISK MANAGEMENT

A. Self-Insurance/Retention of Risk

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

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

The State is self-insured for various risks of loss related to work injuries of its employees. The Workers' Compensation Fund, an internal service fund, services workers' compensation claims. The liability for unpaid claims is estimated based on the average cost per claim-type determined from an actuarial review. Changes in the balances for estimated claims liabilities for fiscal years 2013 and 2014 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 13	$ 52,334	26,045	21,924	$ 56,455
FY 14	56,455	25,775	24,116	58,114

The State is self-insured for various risks of loss related to its motor vehicle fleet. The Vehicle Dispatcher Self-Insurance Fund, an internal service fund, services liability and property damage claims. The liability for unpaid claims is estimated based on historical experience and the application of an industry standard of 40% for IBNR claims. Changes in the balances for estimated claims liabilities for fiscal years 2013 and 2014 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 13	$ 158	1,284	1,061	$ 381
FY 14	381	1,041	1,282	140

The State is self-insured for various risks of loss related to the operation of the Board of Regents Institutions' motor vehicle fleets. The Regent's Motor Vehicle Liability Self-Insurance Fund, an internal service fund, services liability and property damage claims. The liability for unpaid claims is estimated based on statistical techniques that reflect recent settlements, similar claim history and other economic and social factors. Changes in the balances for estimated claims liabilities for fiscal years 2013 and 2014 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 13	$ 1,568	163	480	$ 1,251
FY 14	1,251	680	401	1,530

The State is self-insured for risks of loss related to property damage and torts. All claims must be filed with the State Appeal Board which has the authority to approve or reject claims. Claims allowed in an amount greater than $5,000 require the unanimous approval of all members of the Board, the Attorney General and the District Court of the State of Iowa for Polk County. The liability for unpaid claims is estimated based on historical experience and analysis. Changes in the balances for estimated claims liabilities for fiscal years 2013 and 2014 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 13	$ 20,000	6,873	6,873	$ 20,000
FY 14	20,000	4,392	4,392	20,000

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 below. The estimates of claim liabilities for faculty medical malpractice and employee medical, dental, unemployment and workers' compensation are based on actuarial analysis. The estimates of the claims liabilities for various property damage are based on historical analysis. Changes in the balances for estimated claims liabilities for fiscal years 2013 and 2014 were (expressed in thousands):

	Beginning Balance	Current Year Claims & Changes in Estimates	Claim Payments	Ending Balance
FY 13	$ 28,786	215,223	212,701	$ 31,308
FY 14	31,308	237,682	235,751	33,239

B. Insurance/Transfer of Risk

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

State employee benefits for health, dental, long-term disability and life insurance coverage are fully insured.

The State maintains an employee fidelity bond for up to $2.0 million. The three State public universities carry additional coverage of $0.5 million to $8.0 million.

The University of Iowa is insured for $2.0 billion for catastrophic property loss for general fund properties with a $5.0 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises. The fine art collections are insured for $260.0 million.

Iowa State University is insured for $2.2 billion for catastrophic property loss for general fund properties with a $2.0 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises.

The University of Northern Iowa is insured for $650.0 million for catastrophic property loss for general fund properties with a $2.0 million deductible on general University buildings. Additional coverage is provided for auxiliary enterprises.

The Iowa Braille and Sight Saving School is insured for catastrophic loss liabilities for $44.5 million after a $1.0 million deductible.

The Iowa School for the Deaf is insured for catastrophic loss liabilities for $71.3 million after a $1.0 million deductible.

The eight Judicial Districts individually insure buildings and contents with coverage ranging from $3.5 million to $26.0 million.

The Iowa Lottery Authority is insured for $18.1 million for buildings and contents.

Iowa Workforce Development is insured for $23.0 million for buildings and contents.

Iowa Public Television insures broadcasting trucks and contents for $3.1 million.

The University of Iowa had property insurance claims in excess of commercial coverage due to the 2008 flood. Iowa State University had property insurance claims in excess of commercial coverage due to the flood in August 2010. All other settled claims have not exceeded commercial coverage for the past three fiscal years.

NOTE 19 – 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 $5.0 million.

The *Iowa Public Employees' Retirement System* (IPERS) has commitments to fund an additional $1,791.0 million to various private equity/debt partnerships and $130.6 million to a real estate debt partnership at June 30, 2014.

The *Iowa Public Employees' Retirement System* (IPERS) monitors, evaluates, and takes the necessary actions related to litigation for or against IPERS. This includes, but is not limited to, federal and state court actions and defending administrative appeals filed against IPERS.

In the fraud action against Westridge Capital Management, IPERS is aggressively pursuing its financial interests in the U.S. District Court for the Southern District of New York. In April 2011, IPERS received an initial distribution in the amount of $215.2 million. In April 2013, IPERS received another distribution of $10.5 million. IPERS did not receive a distribution in the fiscal year ended June 30, 2014. The receiver has not distributed all assets under its control. Management of the IPERS anticipates any further distribution from the receiver will be minimal.

IPERS filed suit against Westridge Capital Management's auditor, Deloitte & Touche. The presiding judge dismissed the litigation. Management of IPERS and the Iowa Attorney General decided to appeal the dismissal of this litigation. The appellate court affirmed the dismissal of the case. Management of IPERS and the Iowa Attorney General decided not to file an appeal of the appellate court decision. Management of IPERS believes that this case will have no material effect on the financial statements for the fiscal year ended June 30, 2014.

IPERS is also aggressively defending a case filed in Polk County District Court, Iowa. The case is captioned *Robert J. Brunkhorst v. Iowa Public Employees' Retirement System*, CV No. 104520. Mr. Brunkhorst filed a claim under the Iowa Tort Claims Act alleging IPERS failed to implement the actuarial cost method for service purchase buy-backs in a timely fashion, causing a loss to the IPERS Trust Fund. IPERS denies the allegation. The action has twice been dismissed by the district court and the plaintiffs appealed the latest dismissal to the Iowa Supreme Court. On July 15, 2014, the Iowa Supreme Court denied review of the plaintiff's appeal which ended the case after seven years of litigation. Management of IPERS believes that this case will have no material effect on the financial statements for the fiscal year ended June 30, 2014.

The *Iowa Department of Transportation* has contractual obligations for construction and other contracts of $357.5 million (net of $568.1 million in anticipated federal funding) at June 30, 2014.

The *University of Iowa* has outstanding construction contract commitments of $554.2 million at June 30, 2014.

Iowa State University has outstanding construction contract commitments of $23.4 million at June 30, 2014.

The *University of Northern Iowa* has outstanding construction contract commitments of $2.6 million at June 30, 2014.

The *Iowa Department of Natural Resources* has outstanding construction contract commitments of $18.1 million at June 30, 2014.

The *Iowa Department of Administrative Services* has outstanding construction contract commitments of $44.5 million at June 30, 2014.

The *Iowa Department of Corrections* has outstanding construction contract commitments of $28.6 million at June 30, 2014.

The *Iowa Department of Human Rights* has outstanding contractual obligations of $27.6 million at June 30, 2014.

The *Iowa Department of Human Services* has outstanding contractual obligations of $1,175.1 million at June 30, 2014.

The State of Iowa has encumbrances at June 30, 2014, totaling $42.0 million, $36.0 million in the General Fund and $6.0 million in the nonmajor governmental funds.

The *Iowa Finance Authority* has committed to purchase $50.9 million in mortgage-backed securities, approved loan agreements under various housing assistance programs for $2.8 million and signed loan agreements under the State Revolving Fund totaling $121.1 million at June 30, 2014.

The *Iowa State Fair Authority* has outstanding construction contract commitments of $1.5 million at June 30, 2014.

The *Iowa Economic Development Authority* has outstanding contractual commitments of $301.5 million at June 30, 2014.

The *University of Northern Iowa Foundation* has outstanding contractual commitments of $5.0 million at June 30, 2014.

NOTE 20 – BEGINNING BALANCE ADJUSTMENTS

A. GASB 65 Implementation

The State implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) in fiscal year 2014. GASB 65 established accounting and financial reporting standards that reclassified, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of old debt was previously reported as a component of bonds payable (a liability). GASB 65 requires this to be reported as a deferred outflow of resources or a deferred inflow of resources. Additionally, debt issuances costs, except any portion related to prepaid insurance costs, are no longer reported as assets and amortized, they are to be expensed in the period incurred.

The following prior period adjustments were made in the Governmental Activities due to the implementation of GASB 65:

- At July 1, 2013, deferred outflows of resources were increased by $25.1 million and bonds payable were increased by $25.1 million for the reclassification of the deferrals on bond refundings.
- At July 1, 2013, total assets were reduced by $9.2 million and unrestricted net position was reduced by $9.2 million to eliminate the unamortized bond issuance costs.

The following prior period adjustments were made in the Business-type Activities and University Funds due to the implementation of GASB 65:

- At July 1, 2013, deferred outflows of resources were increased by $4.3 million, deferred inflows of resources were increased by $8.0 million and bonds payable were decreased by $3.7 million for the reclassification of the deferrals on bond refundings.
- At July 1, 2013, total assets were reduced by $13.7 million and net position was reduced by $13.7 million to eliminate the unamortized bond issuance costs.

B. University Funds Reclassification of Cash & Cash Equivalents to Investments

As permitted by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, certain amounts previously reported as cash and cash equivalents in the University Funds have been reclassified as investments to more closely conform to the purpose of those investments. As a result, at July 1, 2013, cash & cash equivalents in the University Funds, a proprietary fund, have been reduced from $979.9 million to $330.7 million while investments were increased from $2,018.5 million to $2,667.7 million; a reclassification of $649.2 million.

C. Discretely Presented Component Units

At July 1, 2013, the Iowa Finance Authority's (Finance Authority) net position increased $11.3 million and the Iowa Agricultural Development Authority's (Agricultural Development Authority) net position decreased $5.9 million.

- House File 607 merged the *Iowa Agricultural Development Authority* into the *Iowa Finance Authority* effective July 1, 2013. The Finance Authority received all assets ($6.0 million), liabilities ($0.1 million) and net position ($5.9 million) of the Agricultural Development Authority in the merger resulting in an increase to the Finance Authority's net position and decrease to the Agricultural Development Authority's net position of $5.9 million.
- The Finance Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65); as a result the Finance Authority's net position at July 1, 2013 increased $5.4 million.

NOTE 21 – DEFICIT FUND BALANCE

The Tobacco Collections Fund, a major Special Revenue Fund, had a deficit fund balance of $354.7 million at June 30, 2014. In accordance with GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, in fiscal year 2008, an interfund advance was

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

NOTE 22 – SUBSEQUENT EVENTS

In October 2014, the *University of Iowa* received approval from the State Board of Regents to issue Academic Building Revenue Bonds, Series S.U.I. 2014A in the amount of $24,560,000. The proceeds of the bonds will be used to pay or reimburse a portion of the costs of building, repairing, replacing, reconstructing and equipping flood damaged buildings and facilities on the campus of the University damaged by the flood of 2008; fund a reserve fund; and pay the costs of issuing the bonds. These bonds will bear interest at varying rates between 2.00% and 3.20% and will mature in varying amounts from July 1, 2016 through July 1, 2035.

Subsequent to June 30, 2014, *Iowa State University* received approval from the State Board of Regents for the sale of Academic Building Revenue Refunding Bonds, Series I.S.U. 2014 for $16,315,000 to be issued on September 1, 2014. These bonds will bear interest at varying rates between 2.00% and 4.00% and will mature in varying amounts from July 1, 2015 through July 1, 2027. The proceeds of these bonds will be used to provide for the defeasance of the July 1, 2015 maturity and to advance refund the outstanding principal of the July 1, 2016 through July 1, 2027 maturities of the Academic Building Revenue Bonds, Series I.S.U. 2005 and to pay the costs of issuing the bonds. The bonds will be payable solely out of gross student fees and charges collected by the University and institutional income received by the University.

NOTE 23 – PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. GASB 68 will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the State's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF IOWA

Required Supplementary Information
Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2014
(Expressed in Thousands)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE				
Special taxes:				
Personal income tax	$ 4,126,100	$ 4,050,300	$ 3,984,543	$ (65,757)
Sales/use tax	2,672,600	2,688,200	2,658,123	(30,077)
Corporation income tax	545,000	577,700	509,480	(68,220)
Inheritance tax	105,700	91,400	90,791	(609)
Insurance premium tax	109,400	105,300	105,532	232
Beer & liquor tax	14,700	14,700	14,187	(513)
Franchise tax	47,900	46,800	40,330	(6,470)
Miscellaneous tax	1,100	1,100	1,229	129
Total special taxes	7,622,500	7,575,500	7,404,215	(171,285)
Reimbursements & fees:				
Institutional reimbursements	14,500	13,300	13,619	319
Liquor transfers	95,000	95,000	101,173	6,173
Interest	2,500	3,800	3,543	(257)
Fees	27,200	27,600	29,075	1,475
Judicial revenue	109,700	103,500	103,856	356
Miscellaneous receipts	28,000	36,700	40,315	3,615
Total receipts	7,899,400	7,855,400	7,695,796	(159,604)
Transfers	115,500	206,400	188,950	(17,450)
Economic Emergency Fund Surplus	539,900	679,274	679,274	-
TOTAL APPROPRIATED REVENUE	**8,554,800**	**8,741,074**	**8,564,020**	**(177,054)**
RECEIPTS CREDITED TO APPROPRIATIONS				
Other taxes	1,167	1,167	-	(1,167)
Sales tax quarterly	1	1	-	(1)
Multi suspense	8,669	8,669	9,379	710
Federal support	3,167,058	3,168,109	3,061,030	(107,079)
Local governments	67,251	67,251	44,044	(23,207)
Other states	25	25	47	22
Internal service transfers	561,048	562,748	580,674	17,926
Reimbursements from other departments	9,037	9,098	9,294	196
Government fund type transfers-				
Attorney General	15,728	15,955	15,457	(498)
Auditor of State	3,884	4,217	3,212	(1,005)
Other agencies	28,896	32,190	30,753	(1,437)
Interest	50	50	9	(41)
Fees, licenses & permits	55,338	57,143	44,626	(12,517)
Refunds & reimbursements	454,461	453,088	506,571	53,483
Sale of equipment & salvage	13	13	9	(4)
Rents & leases	2,777	2,775	2,643	(132)
Agricultural sales	1	1	-	(1)
Other sales & services	2,919	2,922	3,333	411
Unearned receipts	7,898	8,122	8,188	66
Promotional checkoffs	2	2	-	(2)
Other	9,005	9,130	10,676	1,546
TOTAL APPROPRIATED RECEIPTS	**4,395,228**	**4,402,676**	**4,329,945**	**(72,731)**
TOTAL ALL REVENUE	**12,950,028**	**13,143,750**	**12,893,965**	**(249,785)**
SCHOOL INFRASTRUCTURE TRANSFER	**(439,000)**	**(426,000)**	**(440,422)**	**(14,422)**
REFUNDS OF TAXES COLLECTED	**(913,000)**	**(956,000)**	**(955,255)**	**745**
TOTAL REVENUES AVAILABLE	**11,598,028**	**11,761,750**	**11,498,288**	**(263,462)**

(continued on next page)

STATE OF IOWA

(continued)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
EXPENDITURES				
Administration & regulation	405,443	399,626	398,523	1,103
Agriculture & natural resources	165,331	174,053	161,898	12,155
Economic development	54,095	57,158	52,258	4,900
Education	3,864,747	3,939,628	3,924,175	15,453
Health & human services	5,626,841	5,643,964	5,554,100	89,864
Justice	578,070	583,281	588,903	(5,622)
Transportation	200	148	119	29
Judicial	173,971	176,971	176,161	810
Legislature	34,027	34,033	33,868	165
Capitals	-	29,480	4,231	25,249
TOTAL EXPENDITURES	**10,902,725**	**11,038,342**	**10,894,236**	**144,106**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES AND TRANSFERS	**695,303**	**723,408**	**604,052**	**(119,356)**
OTHER FINANCING SOURCES (USES)				
Balances credited to appropriations	34,948	178,895	178,895	-
Unexpended appropriations	(5,212)	(21,054)	(76,158)	(55,104)
TOTAL OTHER FINANCING SOURCES (USES)	**29,736**	**157,841**	**102,737**	**(55,104)**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES AND OTHER ITEMS	**725,039**	**881,249**	**706,789**	**(174,460)**
BEGINNING FUND BALANCE (BUDGETARY)	**-**	**-**	**-**	**-**
REMAINING FUND BALANCE (BUDGETARY)	**$ 725,039**	**$ 881,249**	**$ 706,789**	**$ (174,460)**
ENDING FUND BALANCE (BUDGETARY)	**$ 725,039**	**$ 881,249**	**$ 706,789**	
AUTHORIZED TRANSFER TO THE:				
Cash Reserve Fund	(725,039)	(881,249)	(706,789)	
REMAINING FUND BALANCE (BUDGETARY)	**$ -**	**$ -**	**$ -**	

The notes are an integral part of the financial statements.

STATE OF IOWA

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

June 30, 2014
(Expressed in Thousands)

Fund balance- budgetary/legal	**$ 706,789**
Basis of accounting differences:	
Balance sheet accounts:	
Accounts receivable	271,107
Loans receivable	202
Due from other funds	4,003
Prepaid expenditures	22,892
Accounts payable & accruals	(118,604)
Due to other funds	(96,648)
Unearned revenue	(8,230)
Deferred revenue	(179,637)
Budgetary unexpended appropriations	76,158
Timing differences:	
Petty cash & inventory expensed in budgetary accounting	15,212
Perspective differences	2,091,089
Total fund balance - GAAP basis	**$ 2,784,333**

The notes are an integral part of the financial statements.

BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS

During the year ended June 30, 2014, actual expenditures exceeded budgeted expenditures in the General Fund in the Justice function.

For the Justice function, the Department of Public Defense received additional federal funds over budgeted amounts and expended those funds on allowable expenditures.

BUDGETARY PRESENTATION

The budget encompasses the General Fund of the State and some Special Revenue Funds (IOWAccess Revolving Fund, Real Estate Education, Medicaid Fraud Fund, Unclaimed Winnings, Vertical Infrastructure Fund, Federal Economic Stimulus and Jobs Holding Fund, Environment First Fund, Technology Reinvestment Fund, Federal Recovery and Reinvestment Fund, Revenue Bonds Capital II Fund, Revenue Bonds Capital Fund, Health Care Trust, Underground Storage Tank Unassigned Revenue, Tobacco Tax Exempt Bond Proceeds Restricted Capital, Endowment for Iowa's Health Restricted Capitals Fund, Resources Enhancement and Protection Fund, Land Recycling Fund, 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, Wine and Beer Promotion Board Fund, Grow Iowa Values Fund, Renewable Fuel Infrastructure Fund, State Housing Trust Fund, Special Contingency Fund, School Infrastructure Fund, Stafford Loan Program, Nonparticipating Provider Reimbursement Fund, Department of Human Services Reinvestment Fund, Pharmaceutical Settlement Fund, Health Care Transformation Fund, Hospital Health Care Access Trust Fund, IowaCare Fund, Quality Assurance Fund, Mortgage Serving Settlement Fund, Primary Road Fund, State Aviation Fund, and Court Technology and Modernization Fund). There is a perspective difference between budget and financial reporting due to the difference in fund structures. The budgetary presentation will vary from the financial presentation for funds displayed in the supplementary information due to this difference. The General Fund is displayed in the Required Supplementary Information (RSI) Budgetary Comparison Schedule. The major Special Revenue Funds, Tobacco Settlement Authority and Tobacco Collections Fund, do not have legally adopted budgets and, therefore, are not displayed. The nonmajor Special Revenue Funds are displayed with the combining financial statements and schedules for nonmajor funds in the supplementary information section.

The original budget and related estimated revenues and expenditures represent the spending authority enacted into law by the appropriations bills as of July 1, 2013 and includes estimated approved budgetary carry-forwards from the prior fiscal year.

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

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

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

STATE OF IOWA

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

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

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

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

GENERAL FUND EXPENDITURE LIMITATION

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

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

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

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

RESERVE FUNDS

The **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 fund is not to be considered part of the balance of the General Fund of the State. The moneys in the fund do not revert to the General Fund. The maximum balance of the fund is equal to 2.5% of the adjusted revenue estimate for the 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 distributed as follows: (1) the first sixty million dollars of the difference between the actual net revenue for the General Fund of the State and the adjusted revenue for the fiscal year shall be transferred to the Taxpayers Trust Fund established in Iowa Code section 8.57E; (2) the remainder of the excess, if any, shall be transferred to the General Fund of the State. The moneys in this fund may be appropriated by the General Assembly for emergency expenditures; and there is appropriated to the Executive Council an amount sufficient to pay expenses authorized by the Executive Council in Iowa Code section 7D.29. However, except as provided in Iowa Code 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 payment of state obligations. Interest or earnings on moneys deposited in the Iowa Economic Emergency Fund are credited to the Rebuild Iowa Infrastructure Fund established in Iowa Code section 8.57.6.

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 to be considered part of the General Fund of the State except in determining the cash position of the State. The moneys in the Cash Reserve Fund cannot be transferred, used, obligated, appropriated or otherwise encumbered except as provided under Iowa Code section 8.56. Interest or earnings on moneys deposited in the Cash Reserve Fund are credited to the Rebuild Iowa Infrastructure Fund. Moneys in this fund may be used for cash flow purposes provided that 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% of the adjusted revenue estimated 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 3.75% of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the General Assembly and is signed by the Governor. Also, the appropriation must be contained in a bill or joint resolution in which the appropriation is the only subject matter of the bill or joint resolution, and the bill or joint resolution states the reasons the appropriation is necessary.

STATE OF IOWA

Required Supplementary Information
Schedules of Funding Progress

(Expressed in Thousands)

PENSION PLANS

Peace Officers' Retirement, Accident and Disability System

Year Ended June 30,	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
2012	July 1, 2012	$ 292,910	$ 480,157	$ 187,247	61.00%	$ 43,902	426.51%
2013	July 1, 2013	319,442	498,469	179,027	64.08%	43,985	407.02%
2014	July 1, 2014	360,064	515,860	155,796	69.80%	43,845	355.33%

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

Judicial Retirement System

Year Ended June 30,	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
2012	July 1, 2012	$ 117,272	$ 170,232	$ 52,960	68.89%	$ 25,760	205.59%
2013	July 1, 2013	127,353	178,725	51,372	71.26%	28,278	181.67%
2014	July 1, 2014	142,589	183,916	41,327	77.53%	28,203	146.53%

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

OTHER POSTEMPLOYMENT BENEFITS

Year Ended June 30,	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
State Plan *							
2012	July 1, 2010	$ -	$ 377,933	$ 377,933	0.00%	$ 1,656,131	22.82%
2013	July 1, 2012	-	233,209	233,209	0.00%	1,750,968	13.32%
2014	July 1, 2012	-	233,209	233,209	0.00%	1,750,968	13.32%
University Funds **							
2012	July 1, 2011	$ -	$ 270,300	$ 270,300	0.00%	$ 1,274,700	21.20%
2013	July 1, 2012	-	293,180	293,180	0.00%	1,349,100	21.73%
2014	July 1, 2013	-	383,700	383,700	0.00%	1,394,400	27.52%

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

** The projected unit credit 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 15 - PENSION PLANS and NOTE 16 - OTHER POSTEMPLOYMENT BENEFITS).

SUPPLEMENTARY INFORMATION

STATE OF IOWA

Combining Balance Sheet
Nonmajor Governmental Funds - By Fund Type

June 30, 2014
(Expressed in Thousands)

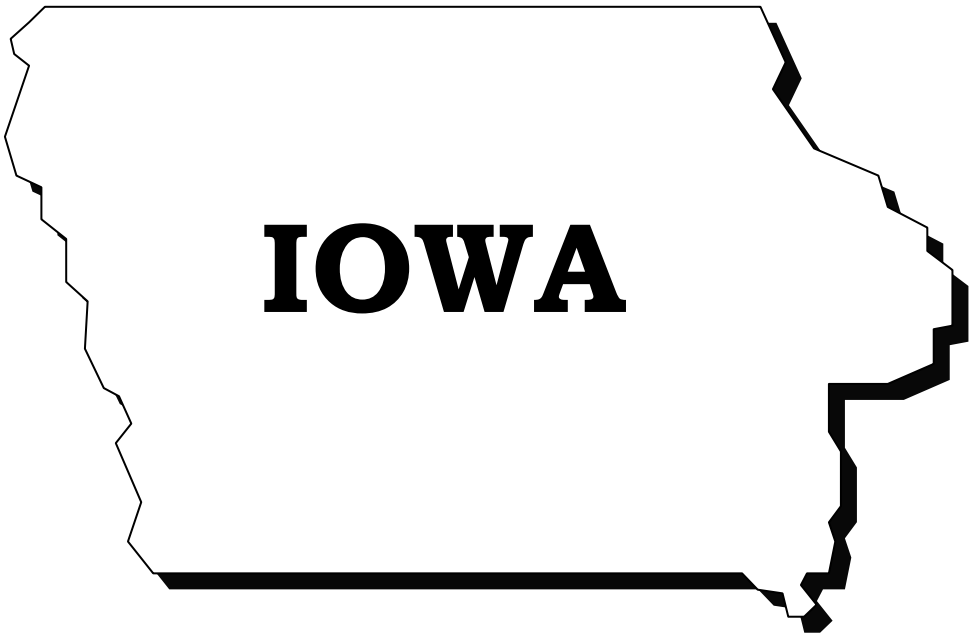
	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Current assets:				
Cash & investments	$ 80,564	$ 18,718	$ 16,029	$ 115,311
Deposits with trustees	-	81	-	81
Accounts receivable (net)	15,897	887	68	16,852
Loans receivable (net)	452	-	-	452
Due from other funds	710	3,534	-	4,244
Inventory	133	-	-	133
Prepaid expenditures	97	-	-	97
Total current assets	97,853	23,220	16,097	137,170
Noncurrent assets:				
Accounts receivable (net)	9,050	-	-	9,050
Loans receivable (net)	1,378	-	-	1,378
Total noncurrent assets	10,428	-	-	10,428
TOTAL ASSETS	**$ 108,281**	**$ 23,220**	**$ 16,097**	**$ 147,598**
LIABILITIES				
Current liabilities:				
Accounts payable & accruals	$ 4,876	$ 9,731	$ -	$ 14,607
Due to other funds	22,504	233	-	22,737
Unearned revenue	250	-	-	250
TOTAL LIABILITIES	**27,630**	**9,964**	**-**	**37,594**
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	13,291	281	-	13,572
FUND BALANCES				
Nonspendable	230	-	16,097	16,327
Spendable:				
Restricted	49,030	1,966	-	50,996
Committed	18,115	11,009	-	29,124
Unassigned	(15)	-	-	(15)
TOTAL FUND BALANCES	**67,360**	**12,975**	**16,097**	**96,432**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	**$ 108,281**	**$ 23,220**	**$ 16,097**	**$ 147,598**

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, 2014
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Receipts from other entities	$ 4,970	$ 4,542	$ -	$ 9,512
Investment income	2,423	-	394	2,817
Fees, licenses & permits	37,435	-	-	37,435
Refunds & reimbursements	9,104	53	-	9,157
Sales, rents & services	3,647	-	-	3,647
Miscellaneous	15,468	-	68	15,536
GROSS REVENUES	**73,047**	**4,595**	**462**	**78,104**
Less revenue refunds	1,790	-	-	1,790
NET REVENUES	**71,257**	**4,595**	**462**	**76,314**
EXPENDITURES				
Current:				
Administration & regulation	13,412	-	-	13,412
Education	14,311	-	-	14,311
Health & human rights	503	-	-	503
Human services	207	-	-	207
Justice & public defense	1,046	23	-	1,069
Transportation	127	-	-	127
Agriculture & natural resources	996	6,194	-	7,190
Capital outlay:				
Administration & regulation	1	3,409	-	3,410
Education	111	367	-	478
Health & human rights	16	14,746	-	14,762
Human services	55	764	-	819
Justice & public defense	117	12,814	-	12,931
Economic development	-	3	-	3
Transportation	96	-	-	96
Agriculture & natural resources	21	11,794	-	11,815
Debt service:				
Payment to escrow agent	35,841	-	-	35,841
TOTAL EXPENDITURES	**66,860**	**50,114**	**-**	**116,974**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**4,397**	**(45,519)**	**462**	**(40,660)**
OTHER FINANCING SOURCES (USES)				
Transfers in	24,626	44,642	-	69,268
Transfers out	(51,326)	(1,305)	(444)	(53,075)
TOTAL OTHER FINANCING SOURCES (USES)	**(26,700)**	**43,337**	**(444)**	**16,193**
NET CHANGE IN FUND BALANCES	**(22,303)**	**(2,182)**	**18**	**(24,467)**
FUND BALANCES - JULY 1	**89,663**	**15,157**	**16,079**	**120,899**
FUND BALANCES - JUNE 30	**$ 67,360**	**$ 12,975**	**$ 16,097**	**$ 96,432**


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Special Revenue Funds

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

Guaranty Agency Operating fund receives collections on defaulted student loans, default aversion fees, account maintenance fees and interest to pay for the operating of the Iowa guaranteed loan program.

Honey Creek Authority accounts for bond proceeds issued for the development of Honey Creek Park. The bonds were to be repaid from net revenues of the park. Per House File 648, the bonds were defeased during FY2014. As a result, the fund does not have a fund balance at June 30, 2014, nor does it have balances on the balance sheet.

Quality Assurance Trust Fund receives nursing facility quality assurance assessments imposed by Chapter 249L of the Code of Iowa. These funds are to be used for reimbursement of services for which federal financial participation under the medical assistance program is available to match state funds.

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

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

STATE OF IOWA

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2014
(Expressed in Thousands)

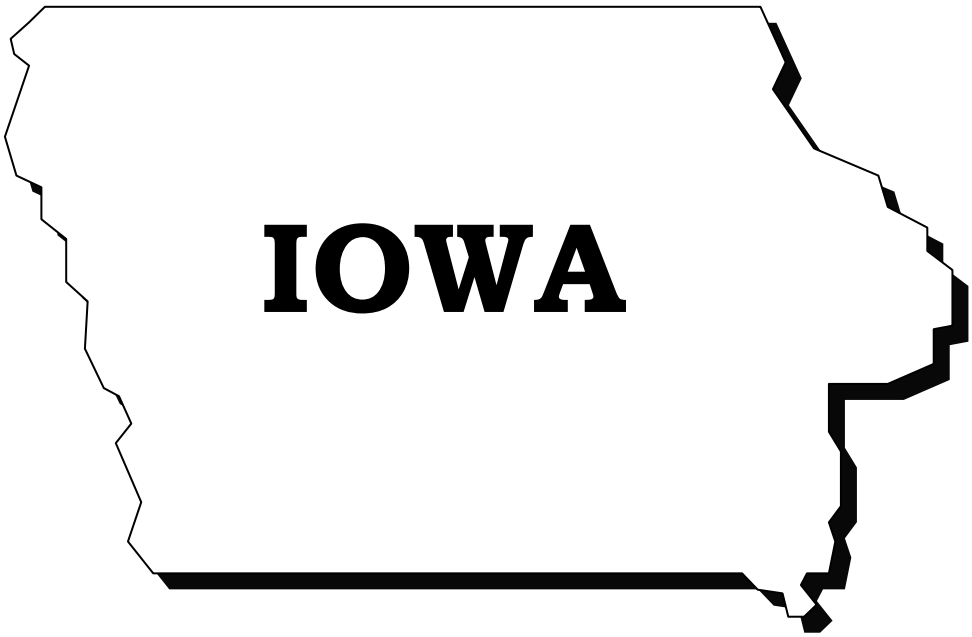
	GUARANTY AGENCY OPERATING	HONEY CREEK AUTHORITY	QUALITY ASSURANCE TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 23,562	$ -	$ 510	$ 10,252	$ 46,240	$ 80,564
Accounts receivable (net)	5,107	-	7,264	2,287	1,239	15,897
Loans receivable (net)	306	-	-	-	146	452
Due from other funds	80	-	9	105	516	710
Inventory	-	-	-	26	107	133
Prepaid expenditures	63	-	-	28	6	97
Total current assets	29,118	-	7,783	12,698	48,254	97,853
Noncurrent assets:						
Accounts receivable (net)	8,659	-	-	237	154	9,050
Loans receivable (net)	1,281	-	-	-	97	1,378
Total noncurrent assets	9,940	-	-	237	251	10,428
TOTAL ASSETS	**$ 39,058**	**$ -**	**$ 7,783**	**$ 12,935**	**$ 48,505**	**$ 108,281**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	$ 3,060	$ -	$ -	$ 302	$ 1,514	$ 4,876
Due to other funds	54	-	5,589	478	16,383	22,504
Unearned revenue	80	-	-	81	89	250
TOTAL LIABILITIES	**3,194**	**-**	**5,589**	**861**	**17,986**	**27,630**
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	10,656	-	249	2,198	188	13,291
FUND BALANCES						
Nonspendable	63	-	-	54	113	230
Spendable:						
Restricted	25,145	-	-	9,822	14,063	49,030
Committed	-	-	1,945	-	16,170	18,115
Unassigned	-	-	-	-	(15)	(15)
TOTAL FUND BALANCES	**25,208**	**-**	**1,945**	**9,876**	**30,331**	**67,360**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	**$ 39,058**	**$ -**	**$ 7,783**	**$ 12,935**	**$ 48,505**	**$ 108,281**

STATE OF IOWA

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

For the Year Ended June 30, 2014
(Expressed in Thousands)

	GUARANTY AGENCY OPERATING	HONEY CREEK AUTHORITY	QUALITY ASSURANCE TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION	OTHER FUNDS	TOTAL
REVENUES						
Receipts from other entities	$ 3,771	$ -	$ -	$ -	$ 1,199	$ 4,970
Investment income	93	-	21	1,262	1,047	2,423
Fees, licenses & permits	3	-	28,638	-	8,794	37,435
Refunds & reimbursements	8,066	-	-	-	1,038	9,104
Sales, rents & services	-	-	-	-	3,647	3,647
Miscellaneous	-	-	-	7,748	7,720	15,468
GROSS REVENUES	**11,933**	**-**	**28,659**	**9,010**	**23,445**	**73,047**
Less revenue refunds	1	-	-	-	1,789	1,790
NET REVENUES	**11,932**	**-**	**28,659**	**9,010**	**21,656**	**71,257**
EXPENDITURES						
Current:						
Administration & regulation	-	-	-	-	13,412	13,412
Education	9,262	-	-	3,460	1,589	14,311
Health & human rights	-	-	-	-	503	503
Human services	-	-	-	-	207	207
Justice & public defense	-	-	-	-	1,046	1,046
Transportation	-	-	-	-	127	127
Agriculture & natural resources	-	5	-	-	991	996
Capital outlay:						
Administration & regulation	-	-	-	-	1	1
Education	111	-	-	-	-	111
Health & human rights	-	-	-	-	16	16
Human services	-	-	-	-	55	55
Justice & public defense	-	-	-	-	117	117
Transportation	-	-	-	-	96	96
Agriculture & natural resources	-	-	-	-	21	21
Debt service:						
Payment to escrow agent	-	35,841	-	-	-	35,841
TOTAL EXPENDITURES	**9,373**	**35,846**	**-**	**3,460**	**18,181**	**66,860**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**2,559**	**(35,846)**	**28,659**	**5,550**	**3,475**	**4,397**
OTHER FINANCING SOURCES (USES)						
Transfers in	60	6,883	-	-	17,683	24,626
Transfers out	(244)	-	(28,789)	(4,094)	(18,199)	(51,326)
TOTAL OTHER FINANCING SOURCES (USES)	**(184)**	**6,883**	**(28,789)**	**(4,094)**	**(516)**	**(26,700)**
NET CHANGE IN FUND BALANCES	**2,375**	**(28,963)**	**(130)**	**1,456**	**2,959**	**(22,303)**
FUND BALANCES - JULY 1	**22,833**	**28,963**	**2,075**	**8,420**	**27,372**	**89,663**
FUND BALANCES - JUNE 30	**$ 25,208**	**$ -**	**$ 1,945**	**$ 9,876**	**$ 30,331**	**$ 67,360**


IOWA

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, 2014
(Expressed in Thousands)

	PRIMARY ROAD FUND				FISH AND GAME TRUST FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	$ 617,200	$ 617,200	$ 661,849	$ 44,649	$ 203	$ 203	$ 671	$ 468
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	-	-	-	-	-	-	-	-
Cigarette tax	-	-	-	-	-	-	-	-
Tobacco products tax	-	-	-	-	-	-	-	-
Liquor tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Wagering tax receipts	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Sales tax - DOT	5	5	-	(5)	-	-	-	-
Federal support	338,012	338,012	473,654	135,642	11,000	11,000	15,388	4,388
Local governments	4,600	4,600	10,036	5,436	-	-	-	-
Other states	3,000	3,000	22,257	19,257	-	-	-	-
Reimbursements from other agencies	160	160	256	96	-	-	-	-
Governmental fund type transfers from other agencies	-	1	333	332	100	100	399	299
Interest	1	-	-	-	200	200	30	(170)
Bonds & loans	-	-	1,197	1,197	-	-	-	-
Fees, licenses & permits	860	860	2,144	1,284	31,520	31,520	29,695	(1,825)
Refunds & reimbursements	-	-	-	-	200	200	429	229
Sale of real estate	1,710	1,710	4,420	2,710	-	-	110	110
Sale of equipment & salvage	-	-	-	-	20	20	2	(18)
Rents & leases	16	16	21	5	5	5	382	377
Agricultural sales	-	-	-	-	10	10	76	66
Other sales & services	-	-	-	-	502	502	1,393	891
Unearned receipts	-	-	-	-	5	5	154	149
Income tax checkoffs	-	-	-	-	150	150	132	(18)
Other	2,750	2,750	5,088	2,338	540	540	574	34
TOTAL APPROPRIATED RECEIPTS	**351,114**	**351,114**	**519,406**	**168,292**	**44,252**	**44,252**	**48,764**	**4,512**
TOTAL REVENUES AVAILABLE	**968,314**	**968,314**	**1,181,255**	**212,941**	**44,455**	**44,455**	**49,435**	**4,980**
EXPENDITURES:								
Administration & regulation	-	-	-	-	-	-	-	-
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	-	-	-	-
Justice	-	-	-	-	-	-	-	-
Transportation	522,058	524,661	813,053	(288,392) *	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	**522,058**	**524,661**	**813,053**	**(288,392)**	**-**	**-**	**-**	**-**
TRANSFERS	**293,917**	**302,217**	**295,426**	**6,791**	**48,223**	**48,223**	**51,449**	**(3,226)**
TOTAL EXPENDITURES & TRANSFERS	**815,975**	**826,878**	**1,108,479**	**(281,601)**	**48,223**	**48,223**	**51,449**	**(3,226)**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	**152,339**	**141,436**	**72,776**	**(68,660)**	**(3,768)**	**(3,768)**	**(2,014)**	**1,754**
FUND BALANCES - JULY 1 (BUDGETARY)	**350,666**	**432,927**	**432,927**	**-**	**9,010**	**12,545**	**12,545**	**-**
FUND BALANCES - JUNE 30 (BUDGETARY)	**$ 503,005**	**$ 574,363**	**$ 505,703**	**$ (68,660)**	**$ 5,242**	**$ 8,777**	**$ 10,531**	**$ 1,754**

(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, 2014
(Expressed in Thousands)
(continued)

	REVENUE BONDS CAPITAL FUND				IOWACARE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	$ -	$ -	$ -	$ -	$ 12,559	$ 12,559	$ 11,921	$ (638)
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	-	-	-	-	-	-	-	-
Cigarette tax	-	-	-	-	-	-	-	-
Tobacco products tax	-	-	-	-	-	-	-	-
Liquor tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Wagering tax receipts	-	-	-	-	-	-	-	-
Individual income tax quarterly	-	-	-	-	-	-	-	-
Sales tax - DOT	-	-	-	-	-	-	-	-
Federal support	10,712	8,510	8,010	(500)	52,485	50,934	46,620	(4,314)
Local governments	-	-	-	-	21,000	21,000	21,000	-
Other states	-	-	-	-	-	-	-	-
Reimbursements from other agencies	-	-	-	-	-	-	-	-
Governmental fund type transfers from other agencies	-	-	-	-	-	-	-	-
Interest	36	24	4	(20)	22	22	12	(10)
Bonds & loans	-	-	-	-	-	-	-	-
Fees, licenses & permits	-	-	-	-	-	-	-	-
Refunds & reimbursements	-	-	-	-	-	-	-	-
Sale of real estate	-	-	-	-	-	-	-	-
Sale of equipment & salvage	-	-	-	-	-	-	-	-
Rents & leases	-	-	-	-	-	-	-	-
Agricultural sales	-	-	-	-	-	-	-	-
Other sales & services	-	-	-	-	-	-	697	697
Unearned receipts	-	-	-	-	-	-	638	638
Income tax checkoffs	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL APPROPRIATED RECEIPTS	**10,748**	**8,534**	**8,014**	**(520)**	**73,507**	**71,956**	**68,967**	**(2,989)**
TOTAL REVENUES AVAILABLE	**10,748**	**8,534**	**8,014**	**(520)**	**86,066**	**84,515**	**80,888**	**(3,627)**
EXPENDITURES:								
Administration & regulation	19,065	44,766	34,946	9,820	-	-	-	-
Agriculture & natural resources	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Health & human services	-	-	-	-	40,003	44,158	39,834	4,324
Justice	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	**19,065**	**44,766**	**34,946**	**9,820**	**40,003**	**44,158**	**39,834**	**4,324**
TRANSFERS	**-**	**-**	**-**	**-**	**50,202**	**50,202**	**42,546**	**7,656**
TOTAL EXPENDITURES & TRANSFERS	**19,065**	**44,766**	**34,946**	**9,820**	**90,205**	**94,360**	**82,380**	**11,980**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	**(8,317)**	**(36,232)**	**(26,932)**	**9,300**	**(4,139)**	**(9,845)**	**(1,492)**	**8,353**
FUND BALANCES - JULY 1 (BUDGETARY)	**(111)**	**53,401**	**53,401**	**-**	**-**	**5,706**	**5,706**	**-**
FUND BALANCES - JUNE 30 (BUDGETARY)	**$ (8,428)**	**$ 17,169**	**$ 26,469**	**$ 9,300**	**$ (4,139)**	**$ (4,139)**	**$ 4,214**	**$ 8,353**

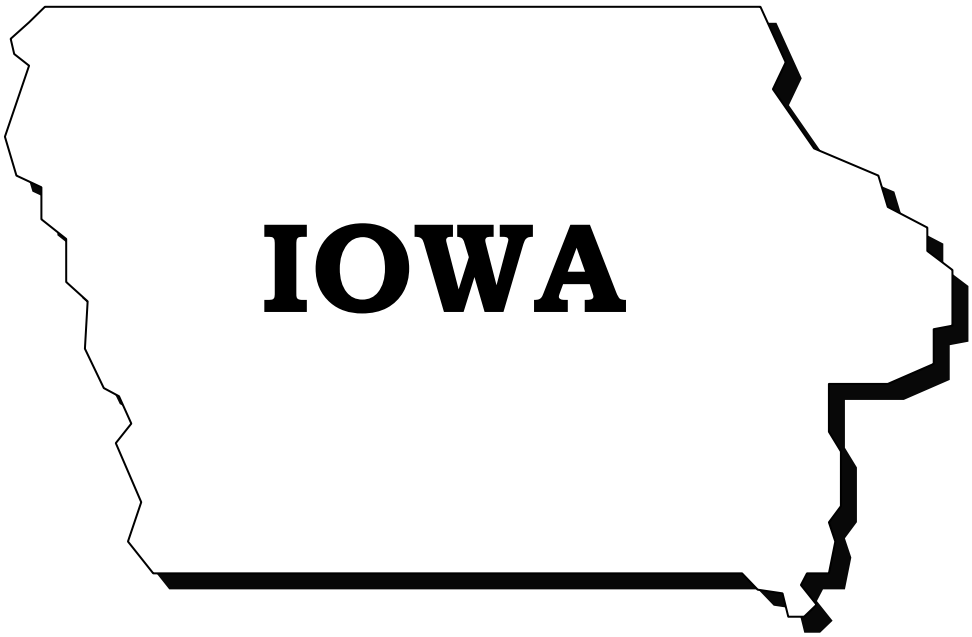
(continued on next page)

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, 2014
(Expressed in Thousands)
(continued)

	OTHER FUNDS				TOTAL			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
APPROPRIATED REVENUE:								
Transfers	$ 112,455	$ 111,029	$ 91,527	$ (19,502)	$ 742,417	$ 740,991	$ 765,968	$ 24,977
RECEIPTS CREDITED TO APPROPRIATIONS:								
Beer tax	25	25	48	23	25	25	48	23
Cigarette tax	224,416	194,200	194,479	279	224,416	194,200	194,479	279
Tobacco products tax	-	30,000	30,895	895	-	30,000	30,895	895
Liquor tax	200	200	257	57	200	200	257	57
Other taxes	1,600	1,600	-	(1,600)	1,600	1,600	-	(1,600)
Wagering tax receipts	4,996	4,996	4,998	2	4,996	4,996	4,998	2
Individual income tax quarterly	4,000	4,000	4,000	-	4,000	4,000	4,000	-
Sales tax - DOT	-	-	-	-	5	5	-	(5)
Federal support	82,399	82,398	46,606	(35,792)	494,608	490,854	590,278	99,424
Local governments	1,125	1,125	1,096	(29)	26,725	26,725	32,132	5,407
Other states	-	-	(1)	(1)	3,000	3,000	22,256	19,256
Reimbursements from other agencies	3,910	3,910	2,350	(1,560)	4,070	4,070	2,606	(1,464)
Governmental fund type transfers from other agencies	100	125	451	326	200	226	1,183	957
Interest	6,160	1,010	807	(203)	6,419	1,256	853	(403)
Bonds & loans	4,785	4,785	12,206	7,421	4,785	4,785	13,403	8,618
Fees, licenses & permits	72,821	72,815	73,366	551	105,201	105,195	105,205	10
Refunds & reimbursements	6,932	7,170	11,768	4,598	7,132	7,370	12,197	4,827
Sale of real estate	-	-	-	-	1,710	1,710	4,530	2,820
Sale of equipment & salvage	-	-	-	-	20	20	2	(18)
Rents & leases	-	-	-	-	21	21	403	382
Agricultural sales	-	-	-	-	10	10	76	66
Other sales & services	365	365	455	90	867	867	2,545	1,678
Unearned receipts	305	305	203	(102)	310	310	995	685
Income tax checkoffs	-	-	-	-	150	150	132	(18)
Other	473	486	439	(47)	3,763	3,776	6,101	2,325
TOTAL APPROPRIATED RECEIPTS	**414,612**	**409,515**	**384,423**	**(25,092)**	**894,233**	**885,371**	**1,029,574**	**144,203**
TOTAL REVENUES AVAILABLE	**527,067**	**520,544**	**475,950**	**(44,594)**	**1,636,650**	**1,626,362**	**1,795,542**	**169,180**
EXPENDITURES:								
Administration & regulation	134,414	147,328	82,314	65,014	153,479	192,094	117,260	74,834
Agriculture & natural resources	20,141	20,141	11,641	8,500	20,141	20,141	11,641	8,500
Economic development	59,371	62,879	13,901	48,978	59,371	62,879	13,901	48,978
Education	14,653	14,653	11,056	3,597	14,653	14,653	11,056	3,597
Health & human services	1,050	1,050	1,024	26	41,053	45,208	40,858	4,350
Justice	2,800	2,683	2,533	150	2,800	2,683	2,533	150
Transportation	4	5	3,421	(3,416) *	522,062	524,666	816,474	(291,808) *
Judicial	2,483	2,483	2,659	(176) *	2,483	2,483	2,659	(176) *
TOTAL EXPENDITURES	**234,916**	**251,222**	**128,549**	**122,673**	**816,042**	**864,807**	**1,016,382**	**(151,575)**
TRANSFERS	**351,160**	**116,699**	**369,173**	**(252,474)**	**743,502**	**517,341**	**758,594**	**(241,253)**
TOTAL EXPENDITURES & TRANSFERS	**586,076**	**367,921**	**497,722**	**(129,801)**	**1,559,544**	**1,382,148**	**1,774,976**	**(392,828)**
REVENUES AVAILABLE OVER (UNDER) EXPENDITURES & TRANSFERS	**(59,009)**	**152,623**	**(21,772)**	**(174,395)**	**77,106**	**244,214**	**20,566**	**(223,648)**
FUND BALANCES - JULY 1 (BUDGETARY)	**160,395**	**233,607**	**233,607**	**-**	**519,960**	**738,186**	**738,186**	**-**
FUND BALANCES - JUNE 30 (BUDGETARY)	**$ 101,386**	**$ 386,230**	**$ 211,835**	**$ (174,395)**	**$ 597,066**	**$ 982,400**	**$ 758,752**	**$ (223,648)**

* Actual expenditures exceeded budgeted expenditures as a result of the receipt and legal expenditure of other non-state funds which have been received for restricted purposes. In the Special Revenue Funds this occurred in the Primary Road Fund and State Aviation Fund in the Transportation function; and the Court Technology and Modernization Fund in the Judicial function.


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Capital Projects Funds

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

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

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

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

2009 Prison Bonding Fund received net proceeds from the Prison Infrastructure revenue bonds to be used for prison improvements and prison construction projects.

Other Capital Projects Funds are aggregated for reporting purposes and account for land acquisition and capital projects related to fish and wildlife, construction of various armories, prison expansion programs and other specific projects.

STATE OF IOWA

Combining Balance Sheet
Nonmajor Capital Projects Funds

June 30, 2014
(Expressed in Thousands)

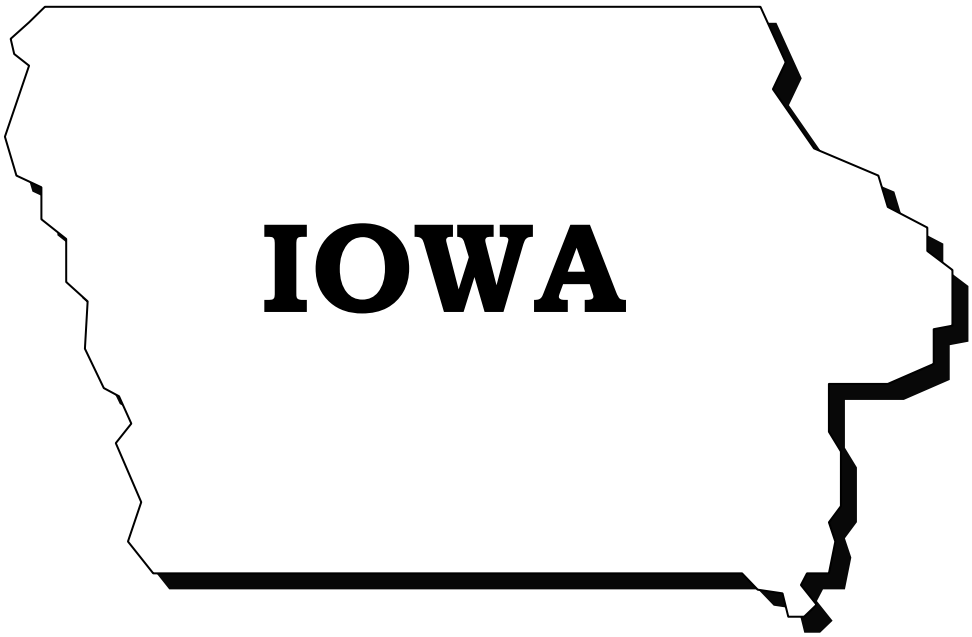
	GENERAL SERVICES CAPITALS FUND	ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	2009 PRISON BONDING FUND	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 11,405	$ 1,735	$ 4,853	$ 218	$ 507	$ 18,718
Deposits with trustees	-	-	-	-	81	81
Accounts receivable	32	-	855	-	-	887
Due from other funds	1,734	-	500	-	1,300	3,534
TOTAL ASSETS	**$ 13,171**	**$ 1,735**	**$ 6,208**	**$ 218**	**$ 1,888**	**$ 23,220**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	$ 7,801	$ 13	$ 941	$ 32	$ 944	$ 9,731
Due to other funds	7	-	203	23	-	233
TOTAL LIABILITIES	**7,808**	**13**	**1,144**	**55**	**944**	**9,964**
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	-	-	281	-	-	281
FUND BALANCES						
Spendable:						
Restricted	-	1,722	-	163	81	1,966
Committed	5,363	-	4,783	-	863	11,009
TOTAL FUND BALANCES	**5,363**	**1,722**	**4,783**	**163**	**944**	**12,975**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	**$ 13,171**	**$ 1,735**	**$ 6,208**	**$ 218**	**$ 1,888**	**$ 23,220**

STATE OF IOWA

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

For the Year Ended June 30, 2014
(Expressed in Thousands)

	GENERAL SERVICES CAPITALS FUND	ENDOWMENT FOR IOWA'S HEALTH RESTRICTED CAPITALS FUND	MARINE FUEL TAX CAPITALS FUND	2009 PRISON BONDING FUND	OTHER FUNDS	TOTAL
REVENUES						
Receipts from other entities	$ 3,054	$ 21	$ 1,467	$ -	$ -	$ 4,542
Refunds & reimbursements	12	-	41	-	-	53
TOTAL REVENUES	**3,066**	**21**	**1,508**	**-**	**-**	**4,595**
EXPENDITURES						
Current:						
Justice & public defense	-	-	-	23	-	23
Agriculture & natural resources	-	-	597	-	5,597	6,194
Capital outlay:						
Administration & regulation	3,409	-	-	-	-	3,409
Education	367	-	-	-	-	367
Health & human rights	14,746	-	-	-	-	14,746
Human services	764	-	-	-	-	764
Justice & public defense	11,065	318	-	1,229	202	12,814
Economic development	-	3	-	-	-	3
Agriculture & natural resources	180	-	4,763	-	6,851	11,794
TOTAL EXPENDITURES	**30,531**	**321**	**5,360**	**1,252**	**12,650**	**50,114**
DEFICIENCY OF REVENUES UNDER EXPENDITURES	**(27,465)**	**(300)**	**(3,852)**	**(1,252)**	**(12,650)**	**(45,519)**
OTHER FINANCING SOURCES (USES)						
Transfers in	30,401	51	2,838	-	11,352	44,642
Transfers out	(51)	-	(1,193)	-	(61)	(1,305)
TOTAL OTHER FINANCING SOURCES	**30,350**	**51**	**1,645**	**-**	**11,291**	**43,337**
NET CHANGE IN FUND BALANCES	**2,885**	**(249)**	**(2,207)**	**(1,252)**	**(1,359)**	**(2,182)**
FUND BALANCES - JULY 1	**2,478**	**1,971**	**6,990**	**1,415**	**2,303**	**15,157**
FUND BALANCES - JUNE 30	**$ 5,363**	**$ 1,722**	**$ 4,783**	**$ 163**	**$ 944**	**$ 12,975**


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Permanent Funds

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

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

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

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

Pilot Grove Trust Fund accounts for a $10,000 donation in support and maintenance of the Pilot Grove area. Interest is credited to the Pilot Grove Maintenance Fund, a Special Revenue Fund.

Henry Albert Trust Fund accounts for a bequest to the State of Iowa. Interest is credited to the Department of Public Health.

STATE OF IOWA

Combining Balance Sheet
Nonmajor Permanent Funds

June 30, 2014
(Expressed in Thousands)

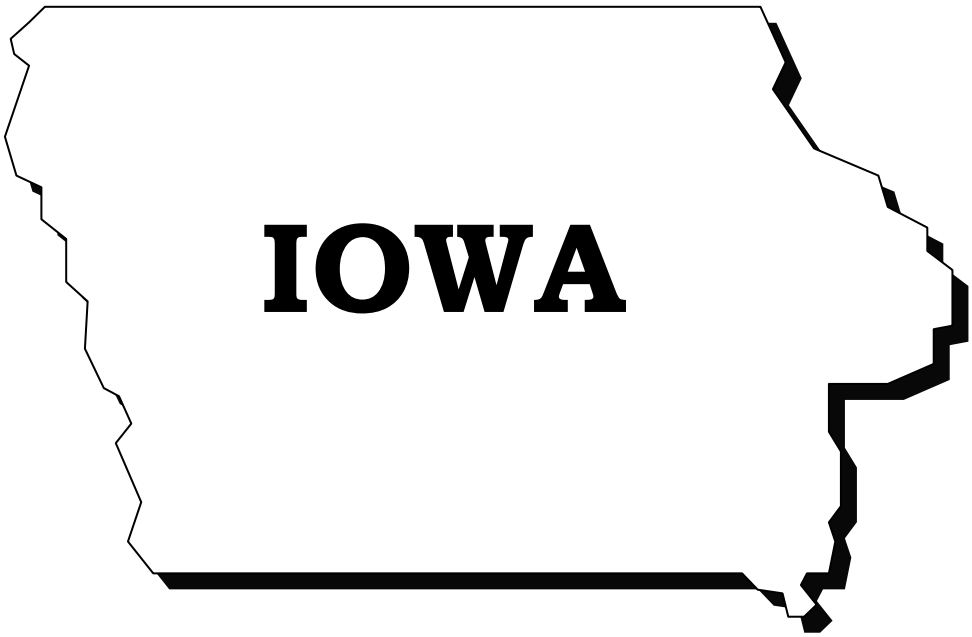
	PERMANENT SCHOOL PRINCIPAL FUND	IOWA CULTURAL TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	PILOT GROVE TRUST FUND	HENERY ALBERT TRUST FUND	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 8,033	$ 6,186	$ 1,799	$ 10	$ 1	$ 16,029
Accounts receivable	-	-	68	-	-	68
TOTAL ASSETS	**$ 8,033**	**$ 6,186**	**$ 1,867**	**$ 10**	**$ 1**	**$ 16,097**
FUND BALANCES						
Nonspendable	8,033	6,186	1,867	10	1	16,097
TOTAL FUND BALANCES	**$ 8,033**	**$ 6,186**	**$ 1,867**	**$ 10**	**$ 1**	**$ 16,097**

STATE OF IOWA

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

For the Year Ended June 30, 2014
(Expressed in Thousands)

	PERMANENT SCHOOL PRINCIPAL FUND	IOWA CULTURAL TRUST FUND	IOWA PUBLIC TELEVISION FOUNDATION ENDOWMENT	PILOT GROVE TRUST FUND	HENERY ALBERT TRUST FUND	TOTAL
REVENUES						
Investment income	$ -	$ -	$ 394	$ -	$ -	$ 394
Miscellaneous	-	-	68	-	-	68
TOTAL REVENUES	**-**	**-**	**462**	**-**	**-**	**462**
OTHER FINANCING SOURCES (USES)						
Transfers out	-	(50)	(394)	-	-	(444)
NET CHANGE IN FUND BALANCES	**-**	**(50)**	**68**	**-**	**-**	**18**
FUND BALANCES - JULY 1	**8,033**	**6,236**	**1,799**	**10**	**1**	**16,079**
FUND BALANCES - JUNE 30	**$ 8,033**	**$ 6,186**	**$ 1,867**	**$ 10**	**$ 1**	**$ 16,097**


IOWA

COMBINING FINANCIAL STATEMENTS

Nonmajor Enterprise Funds

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

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

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.

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

Other Enterprise Funds are aggregated for reporting purposes and account for other miscellaneous activities that meet the definition of Enterprise Funds.

STATE OF IOWA

Combining Statement of Net Position
Nonmajor Enterprise Funds

June 30, 2014
(Expressed in Thousands)

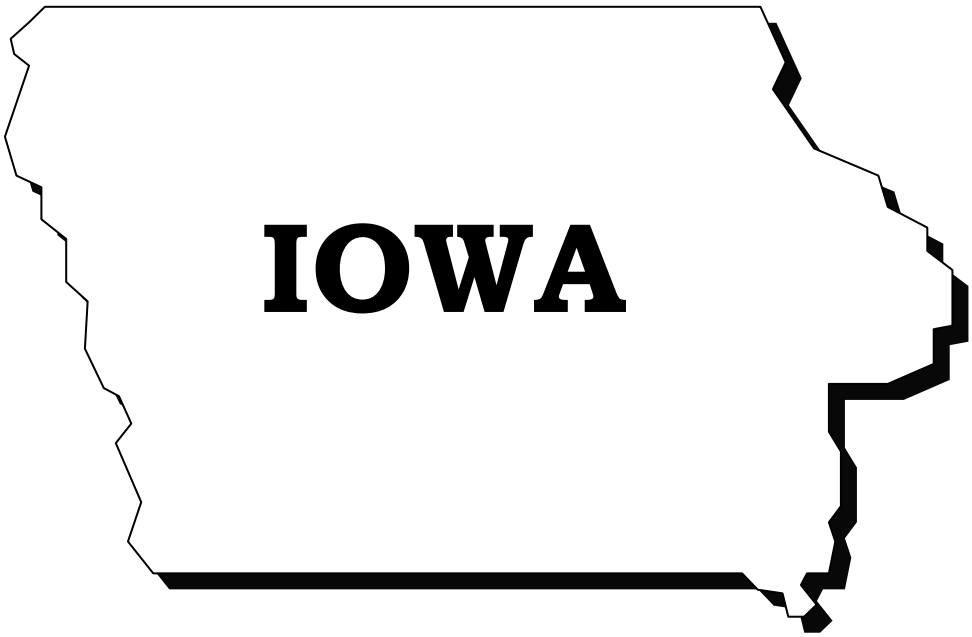
	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 13,651	$ 595	$ 16,045	$ 7,579	$ 2,985	$ 40,855
Accounts receivable (net)	11,266	253	7,630	2,169	351	21,669
Due from other funds	6	-	1	3	39	49
Inventory	2,289	225	784	7,371	1,424	12,093
Prepaid expenses	191	214	3	-	321	729
Total current assets	27,403	1,287	24,463	17,122	5,120	75,395
Noncurrent assets:						
Capital assets - nondepreciable	-	-	2,353	3,917	457	6,727
Capital assets - depreciable (net)	18,415	48,060	1,440	4,827	1,290	74,032
Total noncurrent assets	18,415	48,060	3,793	8,744	1,747	80,759
TOTAL ASSETS	**45,818**	**49,347**	**28,256**	**25,866**	**6,867**	**156,154**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	4,362	393	9,916	1,249	243	16,163
Due to other funds/advances from other funds	-	-	10,789	1,000	148	11,937
Unearned revenue	2,501	710	-	-	103	3,314
Compensated absences	709	-	244	532	225	1,710
Total current liabilities	7,572	1,103	20,949	2,781	719	33,124
Noncurrent liabilities:						
Accounts payable & accruals	374	-	392	508	158	1,432
Unearned revenue	-	-	-	11	-	11
Compensated absences	639	-	132	1,029	226	2,026
Total noncurrent liabilities	1,013	-	524	1,548	384	3,469
TOTAL LIABILITIES	**8,585**	**1,103**	**21,473**	**4,329**	**1,103**	**36,593**
NET POSITION						
Net investment in capital assets	18,415	48,060	3,793	8,744	1,747	80,759
Unrestricted	18,818	184	2,990	12,793	4,017	38,802
TOTAL NET POSITION	**$ 37,233**	**$ 48,244**	**$ 6,783**	**$ 21,537**	**$ 5,764**	**$ 119,561**

STATE OF IOWA

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

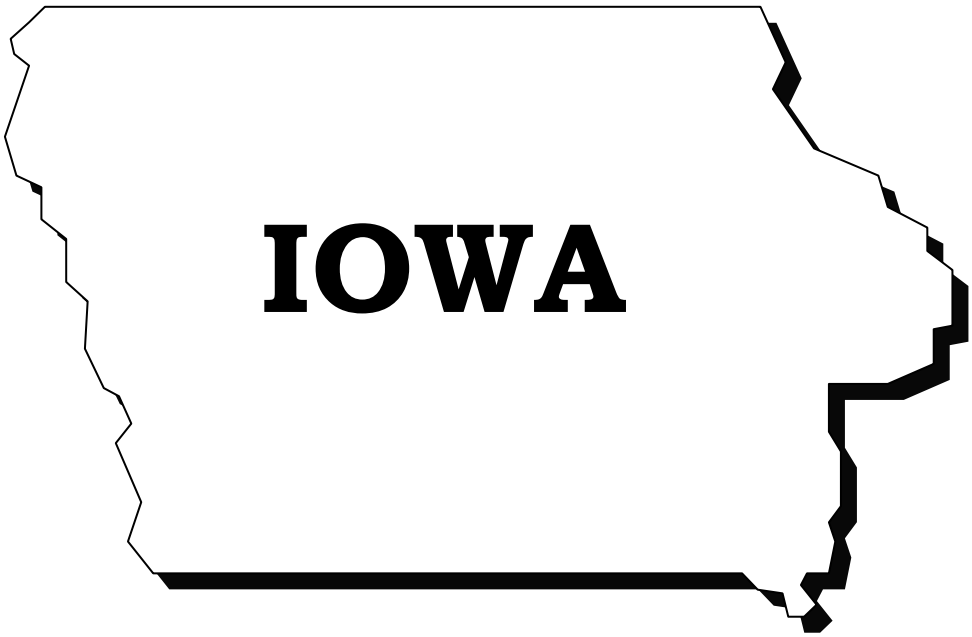
For the Year Ended June 30, 2014
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
OPERATING REVENUES						
Fees, licenses & permits	$ -	$ -	$ 16,384	$ -	$ 3,756	$ 20,140
Refunds & reimbursements	-	-	132	-	237	369
Sales, rents & services	32,731	6,095	263,512	28,801	1,403	332,542
Miscellaneous	-	-	2,197	84	656	2,937
TOTAL OPERATING REVENUES	**32,731**	**6,095**	**282,225**	**28,885**	**6,052**	**355,988**
OPERATING EXPENSES						
General & administrative	10,322	5,910	-	34	-	16,266
Depreciation	4,656	1,738	94	588	246	7,322
Direct & other	10,007	-	-	21,168	747	31,922
Personal services	-	-	4,308	1,450	2,824	8,582
Travel & subsistence	-	-	612	45	132	789
Supplies & materials	-	-	65	57	153	275
Contractual services	-	2	3,077	2,129	1,291	6,499
Equipment & repairs	-	-	148	3	16	167
Claims & miscellaneous	11,494	-	171,930	858	98	184,380
Licenses, permits & refunds	-	-	697	-	9	706
State aid & credits	-	-	3,649	-	-	3,649
TOTAL OPERATING EXPENSES	**36,479**	**7,650**	**184,580**	**26,332**	**5,516**	**260,557**
OPERATING INCOME (LOSS)	**(3,748)**	**(1,555)**	**97,645**	**2,553**	**536**	**95,431**
NONOPERATING REVENUES (EXPENSES)						
Taxes	-	-	7,527	-	-	7,527
Investment income	31	1	-	26	6	64
Gain on sale of capital assets	-	-	-	10	17	27
NET NONOPERATING REVENUES	**31**	**1**	**7,527**	**36**	**23**	**7,618**
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	**(3,717)**	**(1,554)**	**105,172**	**2,589**	**559**	**103,049**
Capital contributions & grants	193	121	-	-	-	314
Transfers in	2,307	26,580	-	-	-	28,887
Transfers out	-	-	(102,624)	-	-	(102,624)
CHANGE IN NET POSITION	**(1,217)**	**25,147**	**2,548**	**2,589**	**559**	**29,626**
TOTAL NET POSITION - JULY 1	**38,450**	**23,097**	**4,235**	**18,948**	**5,205**	**89,935**
TOTAL NET POSITION - JUNE 30	**$ 37,233**	**$ 48,244**	**$ 6,783**	**$ 21,537**	**$ 5,764**	**$ 119,561**


IOWA

STATE OF IOWA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014
(Expressed in Thousands)

	IOWA COMMUNICATIONS NETWORK	HONEY CREEK PARK	LIQUOR CONTROL ACT	IOWA STATE PRISON INDUSTRIES	OTHER FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	$ 32,433	$ 6,062	$ 279,400	$ 29,945	$ 5,392	$ 353,232
Cash received from miscellaneous	-	-	2,329	84	656	3,069
Cash payments to suppliers for goods & services	(25,925)	(6,148)	(176,776)	(21,216)	(2,199)	(232,264)
Cash payments to employees for services	(8,474)	-	(4,307)	(1,618)	(2,882)	(17,281)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(1,966)**	**(86)**	**100,646**	**7,195**	**967**	**106,756**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in from other funds	2,307	-	-	-	-	2,307
Transfers out to other funds	-	-	(98,117)	-	-	(98,117)
Tax receipts	-	-	7,527	-	-	7,527
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**2,307**	**-**	**(90,590)**	**-**	**-**	**(88,283)**
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	(1,109)	(98)	(2,250)	(4,046)	(272)	(7,775)
Capital grants & contributions	193	121	-	-	-	314
Proceeds from sale of capital assets	-	-	-	10	17	27
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	**(916)**	**23**	**(2,250)**	**(4,036)**	**(255)**	**(7,434)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	41	1	-	26	6	74
NET CASH PROVIDED BY INVESTING ACTIVITIES	**41**	**1**	**-**	**26**	**6**	**74**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**(534)**	**(62)**	**7,806**	**3,185**	**718**	**11,113**
CASH & CASH EQUIVALENTS - JULY 1	**14,185**	**657**	**8,239**	**4,394**	**2,267**	**29,742**
CASH & CASH EQUIVALENTS - JUNE 30	**$ 13,651**	**$ 595**	**$ 16,045**	**$ 7,579**	**$ 2,985**	**$ 40,855**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	$ (3,748)	$ (1,555)	$ 97,645	$ 2,553	$ 536	$ 95,431
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	4,656	1,738	94	588	246	7,322
(Increase) decrease in accounts receivable	280	(122)	(516)	1,151	7	800
(Increase) decrease in due from	(6)	-	20	(3)	(15)	(4)
(Increase) decrease in inventory	269	(46)	501	2,424	164	3,312
(Increase) decrease in prepaid expenses	187	(11)	5	41	(71)	151
Increase (decrease) in accounts payable	(3,008)	(179)	2,896	(421)	116	(596)
Increase (decrease) in due to	-	-	-	1,000	38	1,038
Increase (decrease) in unearned revenue	(572)	89	-	(4)	4	(483)
Increase (decrease) in compensated absences	(24)	-	1	(134)	(58)	(215)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (1,966)**	**$ (86)**	**$ 100,646**	**$ 7,195**	**$ 967**	**$ 106,756**


IOWA

COMBINING FINANCIAL STATEMENTS

Internal Service Funds

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

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

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

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

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 Position
Internal Service Funds

June 30, 2014
(Expressed in Thousands)

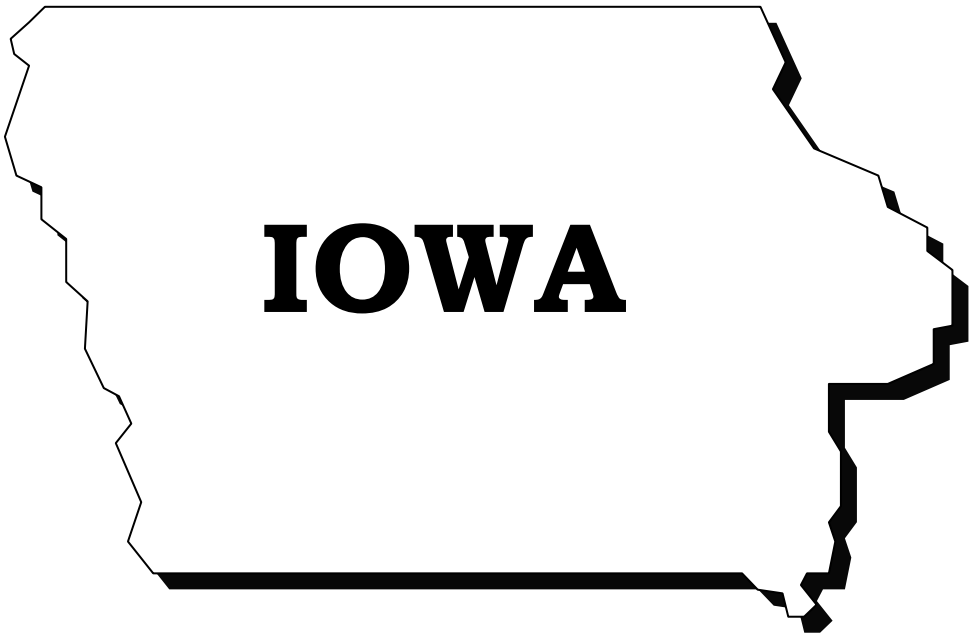
	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER FUNDS	TOTAL
ASSETS						
Current assets:						
Cash & investments	$ 3,396	$ 15,006	$ 19,507	$ 5,376	$ 15,041	$ 58,326
Accounts receivable (net)	15	1,344	-	201	947	2,507
Due from other funds/advances to other funds	54,988	369	4,031	5,303	13,120	77,811
Inventory	-	6,133	359	75	2,227	8,794
Prepaid expenses	-	-	-	1,146	1,006	2,152
Total current assets	58,399	22,852	23,897	12,101	32,341	149,590
Noncurrent assets:						
Due from other funds/ advances to other funds	-	-	350	85	-	435
Capital assets - depreciable (net)	-	100,764	-	1,786	3,808	106,358
Total noncurrent assets	-	100,764	350	1,871	3,808	106,793
TOTAL ASSETS	**58,399**	**123,616**	**24,247**	**13,972**	**36,149**	**256,383**
LIABILITIES						
Current liabilities:						
Accounts payable & accruals	17,872	9,538	620	3,000	4,641	35,671
Due to other funds/advances from other funds	33	36	11	1,873	9,714	11,667
Unearned revenue	-	-	19,618	-	47	19,665
Compensated absences	-	454	-	1,067	1,320	2,841
Total current liabilities	17,905	10,028	20,249	5,940	15,722	69,844
Noncurrent liabilities:						
Accounts payable & accruals	40,494	402	-	549	1,054	42,499
Due to other funds/advances from other funds	-	-	-	-	350	350
Compensated absences	-	732	-	880	1,390	3,002
Total noncurrent liabilities	40,494	1,134	-	1,429	2,794	45,851
TOTAL LIABILITIES	**58,399**	**11,162**	**20,249**	**7,369**	**18,516**	**115,695**
NET POSITION						
Net investment in capital assets	-	100,764	-	1,786	3,808	106,358
Unrestricted	-	11,690	3,998	4,817	13,825	34,330
TOTAL NET POSITION	**$ -**	**$ 112,454**	**$ 3,998**	**$ 6,603**	**$ 17,633**	**$ 140,688**

STATE OF IOWA

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

For the Year Ended June 30, 2014
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER FUNDS	TOTAL
OPERATING REVENUES						
Receipts from other entities	$ 28,361	$ 5,760	$ 9,897	$ 47,213	$ 52,453	$ 143,684
Fees, licenses & permits	-	-	-	2	-	2
Refunds & reimbursements	245	57,320	192	228	2,116	60,101
Sales, rents & services	-	-	1,567	19	327	1,913
Miscellaneous	-	7,819	-	-	94	7,913
TOTAL OPERATING REVENUES	**28,606**	**70,899**	**11,656**	**47,462**	**54,990**	**213,613**
OPERATING EXPENSES						
Depreciation	-	13,949	-	918	782	15,649
Personal services	-	5,131	-	12,984	15,445	33,560
Travel & subsistence	-	14,455	-	58	10,029	24,542
Supplies & materials	-	26,401	-	872	16,762	44,035
Contractual services	2,254	1,547	-	24,583	8,015	36,399
Equipment & repairs	-	7,866	8,929	7,470	2,412	26,677
Claims & miscellaneous	26,352	8	-	174	1,908	28,442
Licenses, permits & refunds	-	13	-	-	2	15
TOTAL OPERATING EXPENSES	**28,606**	**69,370**	**8,929**	**47,059**	**55,355**	**209,319**
OPERATING INCOME (LOSS)	**-**	**1,529**	**2,727**	**403**	**(365)**	**4,294**
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	-	-	21	106	127
Gain on sale of capital assets	-	-	-	-	5	5
Loss on sale of capital assets	-	(30)	-	(106)	(74)	(210)
NET NONOPERATING REVENUES (EXPENSES)	**-**	**(30)**	**-**	**(85)**	**37**	**(78)**
CHANGE IN NET POSITION	**-**	**1,499**	**2,727**	**318**	**(328)**	**4,216**
TOTAL NET POSITION - JULY 1	**-**	**110,955**	**1,271**	**6,285**	**17,961**	**136,472**
TOTAL NET POSITION - JUNE 30	**$ -**	**$ 112,454**	**$ 3,998**	**$ 6,603**	**$ 17,633**	**$ 140,688**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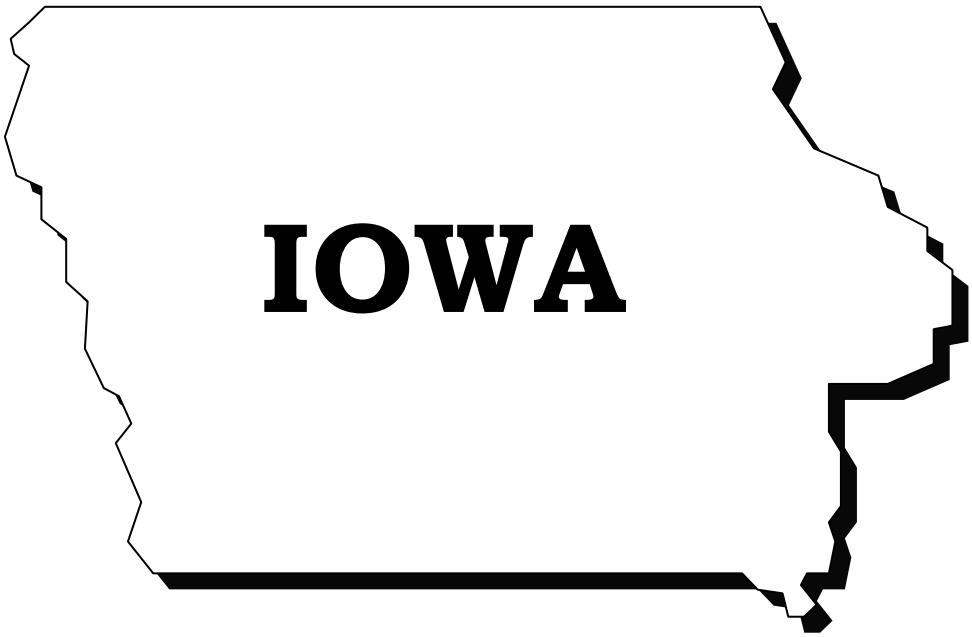
STATE OF IOWA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2014
(Expressed in Thousands)

	WORKERS' COMPENSATION FUND	MATERIALS & EQUIPMENT REVOLVING FUND	DEPRECIATION REVOLVING FUND	INFORMATION TECHNOLOGY REVOLVING FUND	OTHER FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from other entities	$ 245	$ 12,378	$ 1,572	$ 58	$ 2,688	$ 16,941
Cash received from reciprocal interfund activity	26,109	57,168	10,160	48,334	51,600	193,371
Cash payments to suppliers for goods & services	(26,830)	(44,280)	(9,502)	(33,265)	(39,094)	(152,971)
Cash payments to employees for services	-	(5,139)	-	(12,973)	(15,507)	(33,619)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(476)**	**20,127**	**2,230**	**2,154**	**(313)**	**23,722**
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Acquisition & construction of capital assets	-	(19,802)	-	(1,159)	(1,322)	(22,283)
NET CASH USED BY CAPITAL & RELATED FINANCING ACTIVITIES	**-**	**(19,802)**	**-**	**(1,159)**	**(1,322)**	**(22,283)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest & dividends on investments	-	-	-	21	106	127
NET CASH PROVIDED BY INVESTING ACTIVITIES	**-**	**-**	**-**	**21**	**106**	**127**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**(476)**	**325**	**2,230**	**1,016**	**(1,529)**	**1,566**
CASH & CASH EQUIVALENTS - JULY 1	**3,872**	**14,681**	**17,277**	**4,360**	**16,570**	**56,760**
CASH & CASH EQUIVALENTS - JUNE 30	**$ 3,396**	**$ 15,006**	**$ 19,507**	**$ 5,376**	**$ 15,041**	**$ 58,326**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	$ -	$ 1,529	$ 2,727	$ 403	$ (365)	$ 4,294
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	13,949	-	918	782	15,649
(Increase) decrease in accounts receivable	25	(1,201)	5	(191)	151	(1,211)
(Increase) decrease in due from	(2,277)	(65)	(94)	759	264	(1,413)
(Increase) decrease in inventory	-	(531)	(300)	(15)	(256)	(1,102)
(Increase) decrease in prepaid expenses	-	-	-	(337)	54	(283)
Increase (decrease) in accounts payable	1,776	6,541	(273)	244	236	8,524
Increase (decrease) in due to	-	(87)	11	362	(1,088)	(802)
Increase (decrease) in unearned revenue	-	-	154	-	(29)	125
Increase (decrease) in compensated absences	-	(8)	-	11	(62)	(59)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (476)**	**$ 20,127**	**$ 2,230**	**$ 2,154**	**$ (313)**	**$ 23,722**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COMBINING FINANCIAL STATEMENTS

Pension and Other Employee Benefit Funds

Pension Funds account for transactions, assets, liabilities and net position available for plan benefits of the various State employee retirement systems. See NOTE 15 - PENSION PLANS.

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

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

STATE OF IOWA

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

June 30, 2014
(Expressed in Thousands)

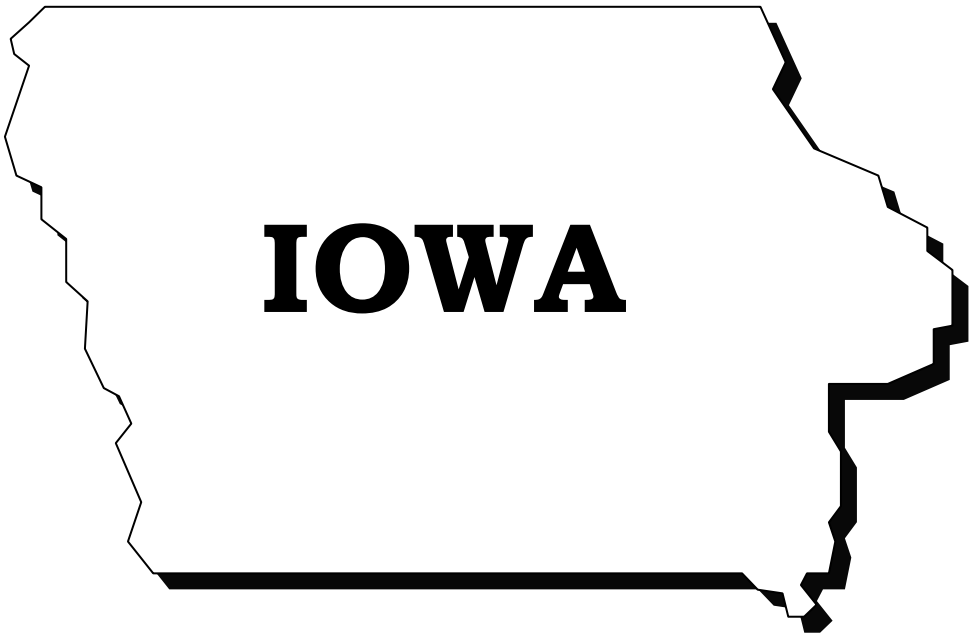
	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
ASSETS						
Cash & cash equivalents	$ 284,577	$ 22,029	$ 3,882	$ 95	$ 2,457	$ 313,040
Receivables:						
Contributions	66,060	488	746	453	-	67,747
Investments sold	422,439	1,602	804	-	-	424,845
Foreign exchange contracts	2,206,740	-	-	-	-	2,206,740
Interest & dividends	83,812	681	-	-	-	84,493
Total receivables	2,779,051	2,771	1,550	453	-	2,783,825
Investments, at fair value:						
Fixed income securities	9,127,799	76,715	35,800	-	-	9,240,314
Equity investments	11,726,469	251,245	106,520	-	-	12,084,234
Real estate partnerships	2,178,305	38,353	10,238	-	-	2,226,896
Investment in private equity/debt	3,074,934	-	-	-	-	3,074,934
Real assets	1,665,875	-	-	-	-	1,665,875
Securities lending collateral pool	413,592	11,341	2,000	-	-	426,933
Securities on loan with brokers	-	11,056	1,950	-	-	13,006
Total investments	28,186,974	388,710	156,508	-	-	28,732,192
Capital assets:						
Land	500	-	-	-	-	500
Other - depreciable (net)	23,498	-	-	-	-	23,498
Total capital assets	23,998	-	-	-	-	23,998
Other assets	815	-	-	-	-	815
TOTAL ASSETS	**31,275,415**	**413,510**	**161,940**	**548**	**2,457**	**31,853,870**
LIABILITIES						
Accounts payable & accruals	25,168	314	141	-	-	25,623
Foreign exchange contracts payable	2,209,594	-	-	-	-	2,209,594
Payable for investments purchased	588,815	9,660	3,825	-	-	602,300
Payable to brokers for rebate & collateral	413,288	11,341	2,000	-	-	426,629
TOTAL LIABILITIES	**3,236,865**	**21,315**	**5,966**	**-**	**-**	**3,264,146**
NET POSITION						
Restricted for pension/other postemployment benefits	$ 28,038,550	$ 392,195	$ 155,974	$ 548	$ 2,457	$ 28,589,724

STATE OF IOWA

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

For the Year Ended June 30, 2014
(Expressed in Thousands)

	IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PEACE OFFICERS' RETIREMENT SYSTEM	JUDICIAL RETIREMENT SYSTEM	INSURANCE FUND	SPOC INSURANCE FUND	TOTAL
ADDITIONS						
Contributions:						
Member contributions	$ 429,196	$ 4,755	$ 2,637	$ 830	$ 276	$ 437,694
Employer contributions	639,001	17,715	8,630	-	-	665,346
Buy-back/buy-in contributions	14,324	-	-	-	-	14,324
Total contributions	1,082,521	22,470	11,267	830	276	1,117,364
Investment income:						
Net increase in fair value of investments	3,403,949	58,889	24,045	1	-	3,486,884
Interest	306,566	4,497	1,479	1	-	312,543
Dividends	114,751	3,964	1,311	-	-	120,026
Other	141,727	-	-	-	-	141,727
Total investment income	3,966,993	67,350	26,835	2	-	4,061,180
Less investment expense	62,619	1,914	663	-	-	65,196
Net investment income	3,904,374	65,436	26,172	2	-	3,995,984
TOTAL ADDITIONS	**4,986,895**	**87,906**	**37,439**	**832**	**276**	**5,113,348**
DEDUCTIONS						
Pension & annuity benefits	1,764,064	25,432	10,377	-	-	1,799,873
Payments in accordance with agreements	-	-	-	775	419	1,194
Administrative expense	14,866	199	17	-	-	15,082
Refunds	48,121	-	-	-	-	48,121
TOTAL DEDUCTIONS	**1,827,051**	**25,631**	**10,394**	**775**	**419**	**1,864,270**
CHANGE IN NET POSITION	**3,159,844**	**62,275**	**27,045**	**57**	**(143)**	**3,249,078**
NET POSITION - JULY 1	**24,878,706**	**329,920**	**128,929**	**491**	**2,600**	**25,340,646**
NET POSITION - JUNE 30	**$ 28,038,550**	**$ 392,195**	**$ 155,974**	**$ 548**	**$ 2,457**	**$ 28,589,724**


IOWA

COMBINING FINANCIAL STATEMENTS

Private Purpose Trust Funds

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

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

Iowa 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 the Iowa Veterans Cemetery.

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

Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR-UP) Fund accounts for receipts that are set aside for a scholarship program for students who were in the 7th grade in 2009.

Other Private Purpose Trust Funds aggregates the Health Organization Insolvency Fund that received a nonrefundable remittance to cover administration costs if a Health Maintenance Organization (HMO) or Limited Service Organization (LSO) declares bankruptcy, donations and fund raising receipts for the benefit of veteran residents and the Wagner Award Fund that received a bequest by Ruth Wagner to present an annual recognition to the outstanding soil district commissioner who is 40 years or younger to be presented each year at the annual state conference.

STATE OF IOWA

Combining Statement of Fiduciary Net Position
Private Purpose Trust Funds

June 30, 2014
(Expressed in Thousands)

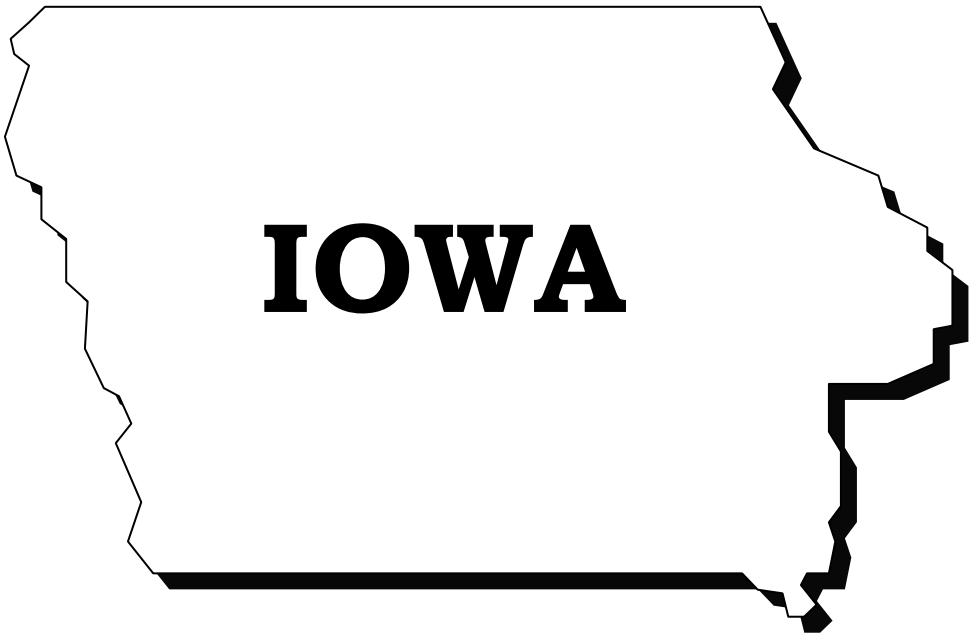
	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA VETERANS TRUST FUND	BRAILLE & SIGHT SAVING SCHOOL FUND	GEAR-UP FUND	OTHER FUNDS	TOTAL
ASSETS						
Cash	$ 1,509	$ 19,718	$ -	$ 7,577	$ 1,100	$ 29,904
Accounts receivable (net)	-	227	-	-	3	230
Investments	4,174,231	-	669	9,686	-	4,184,586
Capital assets - depreciable (net)	6	-	-	-	49	55
Prepaid expenses	9	-	-	-	-	9
Inventory	-	-	-	-	8	8
TOTAL ASSETS	**4,175,755**	**19,945**	**669**	**17,263**	**1,160**	**4,214,792**
LIABILITIES						
Accounts payable & accruals	125	39	-	-	73	237
NET POSITION						
Restricted for individuals, organizations & other entities	$ 4,175,630	$ 19,906	$ 669	$ 17,263	$ 1,087	$ 4,214,555

STATE OF IOWA

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

For the Year Ended June 30, 2014
(Expressed in Thousands)

	IOWA EDUCATIONAL SAVINGS PLAN TRUST	IOWA VETERANS TRUST FUND	BRAILLE & SIGHT SAVING SCHOOL FUND	GEAR-UP FUND	OTHER FUNDS	TOTAL
ADDITIONS						
Contributions:						
Participant contributions	$ 363,038	$ -	$ -	$ -	$ 78	$ 363,116
Other contributions	764	-	-	2,800	22	3,586
Gifts, bequests & endowments	-	2,336	-	-	438	2,774
Total contributions	363,802	2,336	-	2,800	538	369,476
Investment income (loss):						
Net increase (decrease) in fair value of investments	580,010	(10)	54	16	-	580,070
Interest	-	88	10	23	2	123
Total investment income	580,010	78	64	39	2	580,193
TOTAL ADDITIONS	**943,812**	**2,414**	**64**	**2,839**	**540**	**949,669**
DEDUCTIONS						
Distributions to participants	262,682	-	-	-	-	262,682
Other	840	638	64	2	251	1,795
TOTAL DEDUCTIONS	**263,522**	**638**	**64**	**2**	**251**	**264,477**
CHANGE IN NET POSITION	**680,290**	**1,776**	**-**	**2,837**	**289**	**685,192**
NET POSITION - JULY 1	**3,495,340**	**18,130**	**669**	**14,426**	**798**	**3,529,363**
NET POSITION - JUNE 30	**$ 4,175,630**	**$ 19,906**	**$ 669**	**$ 17,263**	**$ 1,087**	**$ 4,214,555**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COMBINING FINANCIAL STATEMENTS

Agency Funds

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

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

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

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

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

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

STATE OF IOWA

Combining Statement of Fiduciary Net Position
Agency Funds

June 30, 2014
(Expressed in Thousands)

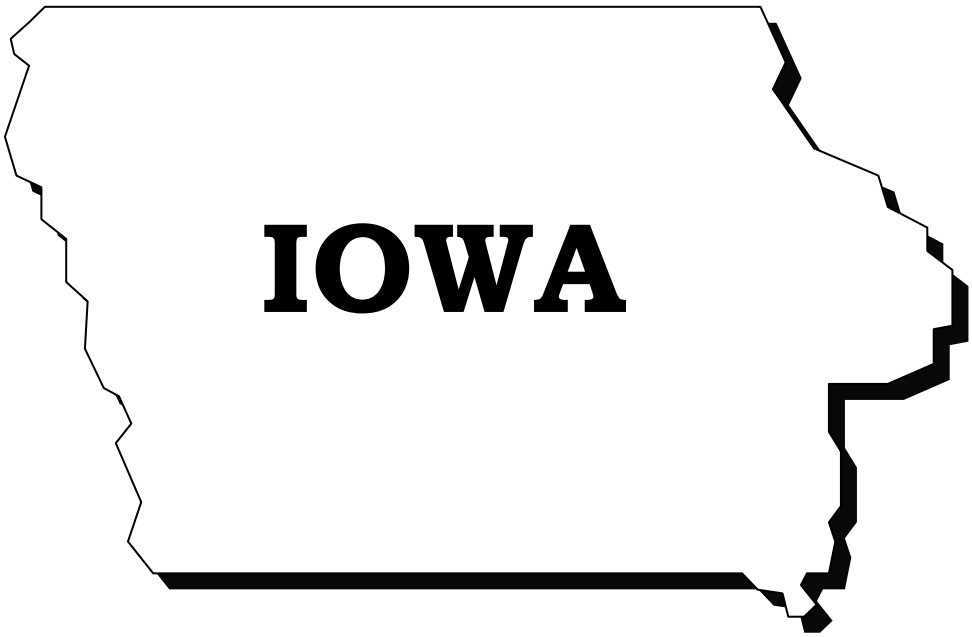
	LOCAL SALES & SERVICES TAX FUND	CENTRALIZED PAYROLL TRUSTEE FUND	JUDICIAL - CLERKS OF DISTRICT COURT	SCHOOL DISTRICT SURTAX CLEARING FUND	OTHER FUNDS	TOTAL
ASSETS						
Cash	$ 65,410	$ 2,650	$ 20,768	$ 92,795	$ 105,644	$ 287,267
Accounts receivable (net)	136,457	1,388	-	4,900	57,965	200,710
TOTAL ASSETS	**$ 201,867**	**$ 4,038**	**$ 20,768**	**$ 97,695**	**$ 163,609**	**$ 487,977**
LIABILITIES						
Accounts payable & accruals	$ 201,867	$ 4,038	$ 20,768	$ 97,695	$ 163,609	$ 487,977
TOTAL LIABILITIES	**$ 201,867**	**$ 4,038**	**$ 20,768**	**$ 97,695**	**$ 163,609**	**$ 487,977**

STATE OF IOWA

Combining Statement of Changes in Assets and Liabilities
Agency Funds

For the Year Ended June 30, 2014
(Expressed in Thousands)

	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
LOCAL SALES & SERVICES TAX FUND				
ASSETS				
Cash	$ 22,913	$ 781,669	$ 739,172	$ 65,410
Accounts receivable	128,694	136,456	128,693	136,457
TOTAL ASSETS	$ 151,607	$ 918,125	$ 867,865	$ 201,867
LIABILITIES				
Accounts payable & accruals	$ 151,607	$ 918,125	$ 867,865	$ 201,867
CENTRALIZED PAYROLL TRUSTEE FUND				
ASSETS				
Cash	$ 21,872	$ 861,084	$ 880,306	$ 2,650
Accounts receivable	1,325	1,388	1,325	1,388
TOTAL ASSETS	$ 23,197	$ 862,472	$ 881,631	$ 4,038
LIABILITIES				
Accounts payable & accruals	$ 23,197	$ 862,472	$ 881,631	$ 4,038
JUDICIAL - CLERKS OF DISTRICT COURT				
ASSETS				
Cash	$ 24,784	$ 294,868	$ 298,884	$ 20,768
LIABILITIES				
Accounts payable & accruals	$ 24,784	$ 294,868	$ 298,884	$ 20,768
SCHOOL DISTRICT SURTAX CLEARING FUND				
ASSETS				
Cash	$ 102,683	$ 105,160	$ 115,048	$ 92,795
Accounts receivable	7,047	4,900	7,047	4,900
TOTAL ASSETS	$ 109,730	$ 110,060	$ 122,095	$ 97,695
LIABILITIES				
Accounts payable & accruals	$ 109,730	$ 110,060	$ 122,095	$ 97,695
OTHER FUNDS				
ASSETS				
Cash	$ 60,972	$ 1,370,513	$ 1,325,841	$ 105,644
Accounts receivable	59,840	57,965	59,840	57,965
TOTAL ASSETS	$ 120,812	$ 1,428,478	$ 1,385,681	$ 163,609
LIABILITIES				
Accounts payable & accruals	$ 120,812	$ 1,428,478	$ 1,385,681	$ 163,609
TOTAL				
ASSETS				
Cash	$ 233,224	$ 3,413,294	$ 3,359,251	$ 287,267
Accounts receivable	196,906	200,709	196,905	200,710
TOTAL ASSETS	$ 430,130	$ 3,614,003	$ 3,556,156	$ 487,977
LIABILITIES				
Accounts payable & accruals	$ 430,130	$ 3,614,003	$ 3,556,156	$ 487,977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